Ambit
properties limited

# Annual Report 2008

# Executive summary

## Profile

Ambit Properties Limited ("Ambit" or the "Company") is a property loan stock company which listed on the JSE Limited (JSE) in the "Financial Services – Real Estate" sector on 4 February 2004 (Share Code: ABT, ISIN: ZAE000051645).

Ambit is a listed property loan stock company invested in property and subject to the Companies Act and JSE regulations and is also governed by its own articles of association and debenture trust deed. Linked units ("units") are traded on the JSE and comprise part share and part debenture (or loan). The net income from the properties in which the Company invests is distributed to linked unit holders as interest on the debentures and the debentures therefore earn interest at a variable rate. Ambit distributes at least 90% of its distributable income to investors on a half yearly basis. Distributable income is governed by the debenture trust deed and excludes non-cash income and expenditure and items of a capital nature.

The market capitalisation of the Company as at 30 September 2008 was R1 892 million (2007: R1 033 million).

The Group (Ambit and its dormant subsidiary, Whirlprops 37 Proprietary (Limited)) has investments in a portfolio of 40 properties and an investment in Oryx Properties Limited ("Oryx"), a property loan stock company listed on the Namibian Stock Exchange.

## Investment strategy, objectives and prospects

To provide investors with sustainable and growing income, and the associated capital appreciation, from an investment portfolio of retail, office and industrial properties. To maintain the existing high quality of the portfolio and expand it with property acquisitions largely in the major metropolitan areas which offer good rental growth prospects.

Ambit's strategic objectives are:

- Income and capital growth of existing portfolio by capitalising on the favourable renewal prospects currently available in the market.
- Yield enhancing acquisitions, developments and disposals.
- Manage risks proactively:
  - Managing interest rates on debt financing and gearing ratios.
  - Conclude leases with quality tenants on appropriate terms and administer efficiently.
  - Ensure appropriate insurance cover is in place for all material risks.

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This report is available at
www.ambitprops.co.za

# Ambit Properties Limited

## Annual Report 2008

AMBIT OUTPERFORMS THE 2007 IPD LISTED BENCHMARK

Trustbank Building, Johannesburg CBD

## Highlights

| | 2008 | 2007 |
|---|---|---|
| Distribution (cents per unit) | **36,50** | 32,60 |
| Income yield on unit price at end of year (%) | **9,7** | 7,2 |
| Weighted average headline earnings (cents per unit) | **39,36** | 34,61 |
| Weighted average earnings (cents per unit) | **74,08** | 119,20 |
| Trading volumes (%) | **14** | 38 |
| Market capitalisation (R'million) | **1 892** | 1 033 |
| Number of properties | **40** | 34 |
| Value of property portfolio (R'million) | **2 447** | 1 184 |
| Oryx investment (R'million) | **133** | 129 |
| Net asset value including distribution yet to be paid (cents per unit) | **434** | 405 |
| Linked units in issue | **504 572 357** | 229 657 439 |
| Market price (cents per unit) | **375** | 450 |
| (Discount)/premium to net asset value (%) | **(13,6)** | 11,1 |
| Borrowings (R'million) | **362** | 323 |
| Interest bearing borrowings as a percentage of non-current assets (%) | **14,1** | 24,7 |
| Total portfolio ratio of property expenses to conventional rent (%) | **21,0** | 24,6 |
| Weighted average interest rate on borrowings (%) | **11,3** | 10,1 |
| Vacancy factor by rentable area (%) | **2,3** | 1,2 |

# Directorate

## Directors of Ambit Properties Limited

(Registration number : 2001/007003/06)

The directorate as at 30 September 2008 are:

### JH Beare (54)#(C)*

**(BComm, CA (SA))**

**Non-executive independent Chairman**

He has 20 years' experience in the property industry. He is managing director of Beare Holdings (Proprietary) Limited which is extensively involved in property investment, development and administration. He was a Business Service Partner of Pim Goldby (now Deloitte & Touche).

Appointed to the Board in 2003.

### KF Clinton (47)#

**(H Dip (Eng), BComm (Honours))**

**Chief Executive Officer**

**Executive director**

He has over 20 years' experience in property including construction, lecturing, property management, facilities management, asset management, development and valuations. He has held various senior executive positions in the property sector and is a director of Oryx Properties Limited (listed on the Namibian Stock Exchange).

Appointed to the Board in 2008.

### J de Beer (41)#

**(BComm (Hons), CA (SA))**

**Chief Operations Officer**

**Executive director**

He has eight years' experience in the commercial property sector, focusing on financial management. He is the Chief Operations Officer of Ambit.

Appointed to the Board in 2007.

### DJ Brits (59)#+(C)

**(BComm, MBA)**

**Non-executive independent director**

He is an experienced banker and financier having held various senior positions in the banking sector. He was an executive director at Absa Bank Limited and has acted as an advisor to various banks.

Appointed to the Board in 2007.

### RR Emslie (50)

**(BComm (Hons), CA (SA))**

**Non-executive director**

He has over 20 years' banking experience with Absa Bank Limited with senior appointments in both ACMB and Business Bank. He served as an executive director of the Absa Group.

Appointed to the Board in 2003.

### NBS Harris (66)#

**(FRICS)**

**Non-executive director**

He has over 40 years' experience in property. He is a director of Oryx Properties Limited (listed on the Namibian Stock Exchange), is a past president of the South African Property Owners Association and is the past chairman of the South African Board of the Royal Institution of Chartered Surveyors. He retired as Chief Executive Officer of Ambit on 30 June 2008 having served in this position since Ambit's inception.

Appointed to the Board in 2003.

### IN Mkhari (34)*

**(BA Soc. Science)**

**Non-executive independent director**

She is the Chief Operating Officer of Motseng Investment Holdings (Proprietary) Limited. In 1998 she founded Phosa Iliso CCTV; the first black women-owned and managed CCTV business in South Africa. She later co-founded and is a shareholder of Motseng Investment Holdings. She is a director of all the Motseng group subsidiaries, Kap International and SA Corporate Real Estate Fund Managers Limited.

Appointed to the Board in 2003.

### SL Rai (48)# *

**(BComm (Hons), CA (SA))**

**Non-executive director**

He is the Chief Executive Officer of Cape Empowerment Trust Limited and the Chairman of Dynamic Cables RSA Limited. He has been involved in consulting to various empowerment structures and has assisted numerous Western Cape based black economic empowerment groups over the years.

Appointed to the Board in 2007. SL Rai resigned from the board on 11 November 2008.

### IB Skosana (55)+

**(BCompt (Hons), CA (SA))**

**Non-executive independent director**

He is the Chairman of Kapela Investments. He is a direcor of Kapela Investees and he also serves on the boards of K W V Limited, and Old Mutual Life Assurance Company of South Africa Limited.

Appointed to the Board in 2007.

From left: KF Clinton and JH Beare

## F Uys (61)+
**(BA, BComm (Hons), MComm) (Namibian)**
**Non-executive independent director**
His experience includes being the managing director of Metje & Ziegler Limited from 1996 to 2004, of TransNamib Limited from 1989 to 1996 and a senior executive of the Trencor Group from 1970 to 1989. He founded the Road Transport Association in Namibia in 1976 and acted as chairman until 1980. He has served on various Government and advisory bodies in Namibia as well as in South Africa. He was chairman of the Namibian Stock Exchange from 1999 to 2001. He is the Chairman of F P du Toit Transport (Proprietary) Limited, of Intercape Ferreira Mainliner (Proprietary) Limited, of MacDonald's Transport Group (Proprietary) Limited and of Oryx Properties Limited.

Appointed to the Board in 2003.

## J de Villiers (34)
**Alternate director to SL Rai**
**(BComm (Hons), H Dip (Tax), CA (SA))**
**Non-executive director**
He has over ten years' experience in investment banking and corporate finance as a senior advisor and dealmaker. He joined Cape Empowerment Trust in November 2007 and was appointed Managing Director on 28 March 2008.

Appointed to the Board in 2008. J de Villiers resigned from the board on 11 November 2008.

## RD Jeffery (63)# *
**Alternate director to RR Emslie**
**(MBA)**
**Non-executive director**
He has over 40 years' banking experience including 13 years' experience in commercial property finance. He was a general manager within the Business Banking Services Division of Absa Bank Limited heading up the Commercial Property Finance Department.

Appointed to the Board in 2005.

*# Member of the Investment Committee*
*+ Member of the Risk, Audit and Compliance Committee*
** Member of the Remuneration Committee*
*(C) Chairman of relevant sub-committee*

AMBIT OUTPERFORMS THE J253 INDEX FOR THE PAST 12 MONTHS

From left: DJ Brits, IN Mkhari, F Uys, IB Skosana, NBS Harris, J de Beer, RR Emslie.

# Senior management and administration

The two executive directors together with two senior asset managers and the financial manager represent Ambit's senior management. They are complemented by a team of professional staff including a dedicated leasing specialist. The asset and property management of the portfolio is contracted to Ambit Management Services (Proprietary) Limited ("AMS"), who in turn outsources most of the property management to professional third party property managers. All the staff are provided by AMS with the exception of the two executive directors who are employed by Ambit but whose salary costs are recovered from AMS. The senior managers are:

## S Olivier (34)

**(BProc, MComm)**

He has over 10 years' experience in property asset management specialising in the retail sector. He is responsible for Ambit's retail portfolio.

## E van Vliet (45)

**(BComm)**

He has over 20 years' experience in property asset management specialising in the commercial and industrial sectors with significant experience in CBD areas. He is responsible for Ambit's commercial portfolio.

## C Agar (29)

**(BComm (Hons), CA (SA))**

He completed his articles with Deloitte & Touche and has three years' experience in the property sector specialising in financial accounting and reporting. He is responsible for Ambit's financial management and reporting.

## Registered Office

First Floor
World Wide House
29 Impala Road
Chislehurston
Sandton, 2196
PO Box 618, Melrose Arch, 2076

## Company Secretary and Manager

Ambit Management Services (Proprietary) Limited
First Floor
World Wide House
29 Impala Road
Chislehurston
Sandton, 2196
PO Box 618, Melrose Arch, 2076

## Trustees

Maitland Trustees (Proprietary) Limited
32 Fricker Road
Illovo Boulevard
Illovo, 2196
PO Box 781396, Sandton, 2146

## Commercial Bank

Absa Bank Limited
11 Diagonal Street
Newtown
Johannesburg, 2001
PO Box 42010, Fordsburg, 2033

## Merchant Bank and Sponsor

Grindrod Bank Limited
Building 3, First Floor, North Wing
Commerce Square, 39 Rivonia Road
Sandton, 2146
PO Box 78011, Sandton, 2146

## Auditors

Deloitte & Touche
Building 2, Deloitte Place
The Woodlands
Woodlands Drive
Woodmead, Sandton, 2146
Private Bag X6, Gallo Manor, 2052

## Transfer Secretaries

Computershare Investor Services (Proprietary) Limited
70 Marshall Street
Johannesburg, 2001
PO Box 61051, Marshalltown, 2017

> "Ambit Management Services (Proprietary) Limited ("AMS") undertakes the day-to-day asset management, property management, financial accounting, reporting and secretarial functions of Ambit.
>
> AMS relocated its offices to bigger premises during the year and a dedicated and enlarged management team has been selectively assembled to focus on Ambit's growth of assets and earnings."

Standing from left to right: S Lorgat, C Agar, P Pillay, R Bezuidenhout, E van Vliet, I Way (Company Secretary), C Laing, M Motshegoa, S Olivier, S Maniram Sitting from left to right: KF Clinton (CEO), L Gouveia, J de Beer (COO), V Seth Absent: E Potgieter, S Grobler, S Hanirudh

# Chairman and Chief Executive Officer's **report**

**JH Beare**
*Chairman*

We are moving and going places…

The backdrop to this annual review is one of economic and financial uncertainty and a lack of confidence in the future. Notwithstanding that backdrop, we are pleased to announce that Ambit has posted robust results for the year ended 30 September 2008. Ambit has yet again provided its unitholders with strong income growth, with a distribution for the year of 36.50 cpu (cents per unit), a healthy increase of 12% over the distribution recorded for the previous financial year.

Despite the economic downturn that characterises so many sectors of our economy today, we remain optimistic, knowing that educated eyes-open optimism always wins the day.

We are determined that Ambit should seize the opportunities it has singled out for strategic growth and use these to lead it to shed for ever the mantle of that *'almost forgotten property loan stock fund'**.

After we acquired the African Alliance portfolio Ambit was independently rated in terms of the Broad Based Black Economic Empowerment Strategy generic scorecard and has been assessed as a level 5 contributor which is an 80% recognition level and BEE compliant.

We are committed to playing a meaningful role in the BBBEE master strategy of the property sector transformation.

**Investec Property Unit Trust and Property Loan Stock Report – Second Quarter 2008.*

## Economic review

The past twelve months have not been easy, to say the least. The sub-prime debacle was beginning to gather momentum as we ended off our last financial year. Interest rates maintained their inexorable upward trend.

At the beginning of 2008 the property industry was hit by Eskom's untimely and unexpected load shedding situation – unfortunately, precisely at a time when private sector investment in the economy rose to an all-time high and did not need to be 'rewarded' with the load shedding thunderbolt. Concurrently, the petrol price reached its highest price ever and food prices moved upwards. Inflation rates (as measured by the overall consumer price index) increased to a high 13,7% in August.

Thereafter, as the year advanced there was one crisis after the other in the global capital market. On the local side, we saw the widening impact of the National Credit Act in operation. It is a debatable point whether this piece of legislation, the sub-prime situation in the US and other related events and their ripple effects – or even just a market correction – were the direct or merely contributory causes for a widespread down-turn in business conditions in South Africa's residential property sector. Fortunately, the office and industrial sectors remained upbeat.

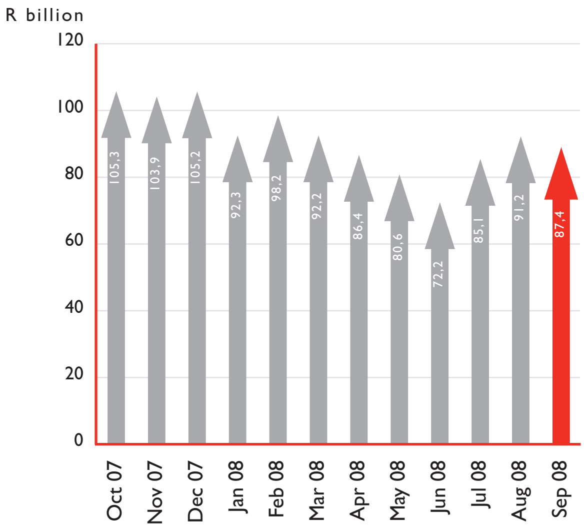
> "We are determined that Ambit should seize the opportunities it has singled out for strategic growth and use these to lead it to shed for ever the mantle of that *'almost forgotten property loan stock fund'**."

KF Clinton
*CEO*

Locally, lack of delivery by the State in areas where only it, as the State, can deliver exacerbated constraints, bottlenecks and ceilings in the economy and this failure did nothing to encourage ongoing, successful socio-economic development. Ideological fault lines, meanwhile, worked their way inexorably through the political landscape to culminate with the recalling by the ANC of President Thabo Mbeki before the end of his office and the swearing in of President Kgalema Motlanthe as head of State and a changed Cabinet.

Truly, the past financial year has been a tumultuous twelve months!

**Listed property market capitalisation**




## Listed property

With all the turmoil raging around us during these twelve months, our listed property sector did not escape unscathed. The credit and liquidity squeeze coupled with rising inflation and interest rate prospects negatively impacted on the listed property sector. The South African Property Index (SAPY) reflects the volatility having started the year under review at 359 and closing the year at 290 after peaking at 385 and falling to a low of 239. The market capitalisation of the listed property sector at 30 September 2008 stood at R87 billion, compared with R99 billion at end September 2007.

The R153 bond yield is up at 9,17% compared to 8,93% a year ago and listed property net income yields increased accordingly.

As the crisis in the US and elsewhere in the developed world continues, surely serious global investors will revisit the investment opportunities South Africa as an emerging market holds, whether as portfolio investors or as fixed direct investors in partnership with local property developers. In this context we welcome the Government's decision to put the controversial Land Expropriation Bill on hold.

## The property market

The performance of the industrial and office sectors continues to be driven by strong tenant demand but the retail sector is coming under pressure as consumers curtail spending.

Income growth across the commercial property sector was very satisfactory. In several areas, the property fundamentals remained strong throughout the year.

Property values have not yet reacted to any large degree to the economic turmoil although a marked increase in sellers is noticeable.

There is no doubt, however, that tighter business conditions will ultimately have an adverse effect on the demand for space. However, lengthy town planning processes, uncertainties regarding the supply of electricity for new projects and spiralling building costs will also limit the supply of new space which will continue to place upward pressure on rentals.

Financing costs remain a material influencing factor on the property sector as a whole as current debt costs for acquisitions and new developments move feasibilities into negative territory. Local banks have also been encouraged to think again about risk exposure philosophies

# Chairman and CEO's report *continued*

and practices as a result of what is now proving to be careless practices in the global arena and are tightening up on their financing criteria.

The National Credit Act, as we know, is already affecting the ability of South African households to spend their income freely on residential real estate and consumer goods, while higher inflation rates are shrinking incomes and placing more and more items out of reach of the average household. Current inflation rates are adversely affecting building and construction costs, while suitably zoned land availability is drying up.

All these factors, taken two or three at a time or collectively, clearly, are likely to have some impact on business conditions in the property sector at large.

## Review of financial results

Ambit looks back on a solid growth year, with distributions reflecting a 12% growth over those for 2007.

Increased distributions are based on earnings from net property and investment income. Ambit does not distribute any capital profits.

The core portfolio, representing properties held for 12 months in both financial periods, reflects net property income growth of 12%. Revenue increased by 12% and property expenses by 11%. The operating cost to rental income ratio of 25,31% (2007: 25,75%) on the core portfolio represents an improvement over 2007. The ratio for the overall portfolio reduced from 24,6% in 2007 to 21,0% in 2008 due to the nature of the leases and properties acquired. The income from additions is a result of the acquisitions detailed on page 14.

Administrative expenses increased largely due to an increase in the asset management fee of R3,4 million resulting from the increased market capitalisation; professional fees totalling R3,4 million incurred on the exploration of potential acquisitions, and other items attributable to the enlarged portfolio. The announced Abseq acquisition was not concluded due to the current market volatility and increased interest rates.

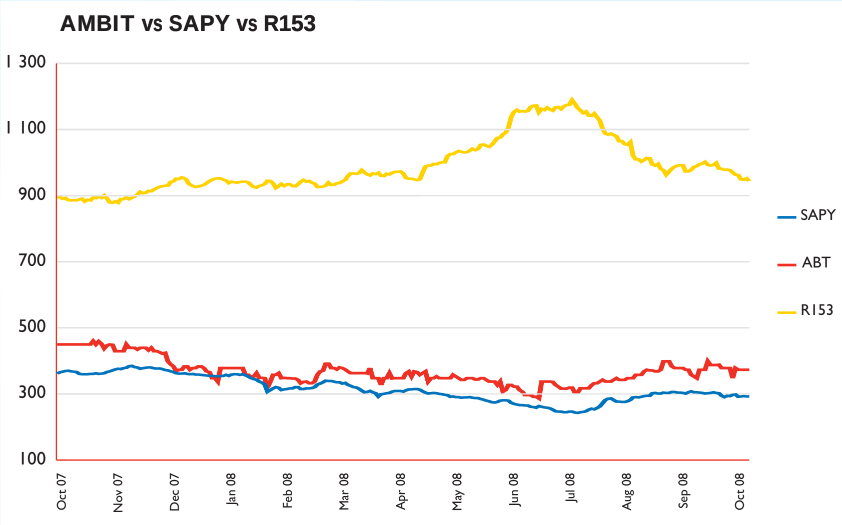
The asset management fee is calculated on the market capitalisation plus long-term borrowings of the Company. The increase is due to the acquisitions during the year partially offset by the lower market price of the units during the year.

The lower finance costs resulted from the capitalisation of R4,3 millon of interest on The Link project and proactive cash management. Guarantees were utilised to achieve savings on the costs of the long term borrowings, following a restructuring of the obligations of the vendors of the African Alliance portfolio. This restructuring also resulted in an amount of R7,5 million being received for a refund of distribution for the benefit of unitholders and R20,4 million for the completion of tenant installation work.

### Summarised operating results

| | 2008 R'000 | % change | 2007 R'000 |
|---|---|---|---|
| Core portfolio | **91 321** | 12 | 81 320 |
| Rental income | **122 274** | 12 | 109 287 |
| Property expenses | **(30 953)** | 11 | (27 967) |
| Additions | **89 231** | | 8 051 |
| Disposals | **366** | | – |
| Operating income from investment properties | **180 918** | | 89 371 |
| Administrative expenses | **(18 605)** | | (9 206) |
| Profit from investment properties | **162 313** | | 80 165 |
| Interest income | **16 015** | | 15 782 |
| Finance costs | **(22 894)** | | (27 324) |
| Profit | **155 434** | | 68 623 |
| Prepaid distributions received and refunded | **25 791** | | 6 245 |
| Distributable profit | **181 225** | | 74 868 |
| Distribution per unit (cpu) | **36,50** | | 32,60 |
| Ratio of property expenses to rental income on core portfolio (%) | **25,31** | (2) | 25,75 |

79 Hyde Park Lane, Hyde Park




## Ambit unit price

At 30 September 2008 there were 504 572 357 linked units ("units") in issue, an increase of 120% over the units in issue at 30 September 2007 of 229 657 489. The net asset value attached to these units amounted to 434 cents per unit ("cpu"), compared with 405 for the previous financial year, while the listed market price per unit, at 375 cpu at 30 September 2008, was 17% down on that at 30 September 2007.

Ambit's unit price closely followed the South African Property Index (SAPY) during the year. It has been a very volatile period on the market and Ambit's unit price as well as the SAPY fluctuated as the bond markets changed on the back of increased inflation, which led to interest rate increases and further increase expectations. Ambit, as a predominantly income investment, inversely closely tracks the bond market.

## The property portfolio

At year end the portfolio consisted of 40 properties with a rentable area of 307 118m².

As at 30 September 2008, Ambit's property portfolio was externally valued at R2 447 million. The increase in value since the last valuation of R1 263 million includes the addition of new acquisitions as well as revaluation increases. During this financial year Ambit disposed of the Metcash property in Brits for R5,6 million realising a capital profit of R1,2 million and the Mahogany Court property for R4,4 million (which approximated its carrying value).


Mineralia Building,
Braamfontein

"At 30 September 2008 there were 504 572 357 linked units ("units") in issue, an increase of 120% over the units in issue at 30 September 2007 of 229 657 489."

# Chairman and CEO's report *continued*

Thornhill Office Park, Vorna Valley

In the first quarter of the financial year, Ambit acquired the five African Alliance properties for R690 million on a forward yield of 9% and the 11 Diagonal Street building for R246 million on a forward yield of 9,25%.

The West Street Parkade, acquired for R57,5 million on a forward yield of 11,5%, was transferred to Ambit in April 2008 and the Resolution Health building was transferred to Ambit in September 2008 at a cost of R62,8 million and a forward yield of 10,7%.

All the property acquisitions were funded by the issue of linked units. To fund the African Alliance acquisition, Ambit issued 186 486 487 units at 370 cpu, with a further 71 411 765 units issued at a price of 425 cpu in order to acquire the 11 Diagonal Street and West Street Parkade properties. In September 2008 a total of 17 016 666 units were issued for the acquisition of the Resolution Health property at a price of 360 cpu.

In all, therefore, Ambit acquired R1 056,3 million of properties, while R46,8 million was spent on capital improvements including R22,9 million of development costs on The Link in Pinetown; R14,7 in capital and transaction costs on the new acquisitions and R4,2 million on the revamp of Park Meadows.

Phase 1 of The Link development in Pinetown has been completed during the past year and phase 2 is substantially complete.

Several smaller properties were earmarked for sale during the year. These have been classified as such on the balance sheet at a value of R58,5 million and will be disposed of as and when the required sale price for each can be achieved.

The net revaluation of investment properties in the portfolio gave rise to an upward fair value adjustment of R169,1 million (2007: R217,5 million). The net asset value, before making provision for the debenture interest payable, but after providing for deferred taxation, is 434 cpu, an increase of 7,2% on the net asset value at 30 September 2007 of 405 cpu.

## Sectoral and geographical profile

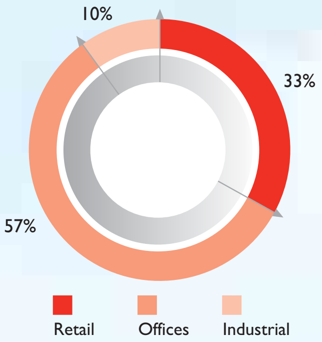
*Sectoral spread*

Ambit listed with a sectorally diversified property portfolio with a bias towards retail property. Whilst it is management's intention to maintain a spread across all three sectors of retail, industrial and offices, the fund's emphasis changed during the 2008 financial year. All the current year's acquisitions were in the office sector, resulting in Ambit changing from a predominantly retail biased fund to an office sector bias.

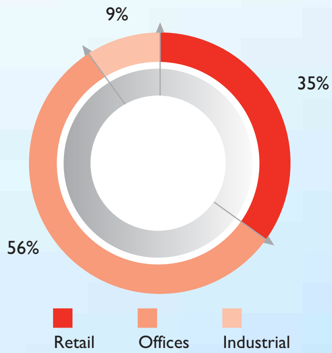
Of the three major sectors of the commercial property market, the focus is on increasing the office sector as demonstrated by the current year's acquisitions. The three sectors operate on different cycles of demand and rental growth and thus at times opportunities arise in each sector for investment acquisitions which should outperform the other sectors.

Trustbank Building, Johannesburg CBD

**Sectoral spread by net income**




**Sectoral spread by value**




By net income contribution, the office sector has increased from 26% in 2007 to 57% in 2008 and by value, the office sector has increased from 27% in 2007 to 56% in 2008 as a result of the acquisitions during the year and the year-end valuation of the portfolio, which reflects current market rentals and capitalisation rates.

*Geographic spread*

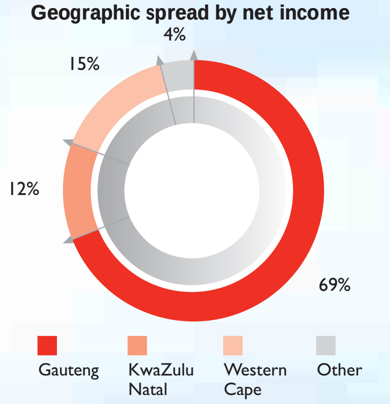
Ambit's strategy is to invest predominantly in properties located in the major metropolitan areas and this strategy has been maintained.

The geographic spread of Ambit's portfolio is set out below.
There has been little change of allocation over the previous year.

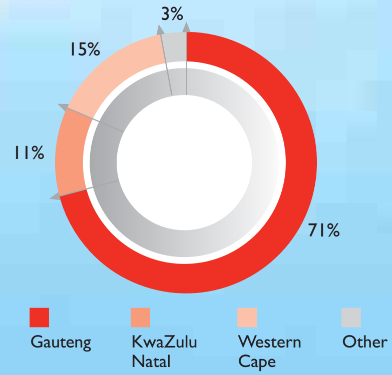
## Lease structure, vacancies and expiry profile

During the period under review, leases in respect of 7% by rentable area (21 345m²) of the portfolio fell due for renewal and of these, 84% (17 926m²) were successfully renewed. The space that was vacated was substantially re-let as can be seen in the continuing high occupancy levels.

**Geographic spread by net income**




**Geographic spread by value**




11 Diagonal Street, Newtown

# Chairman and CEO's report *continued*

Park Meadows, Kensington

The larger renewals concluded during 2008 are:

| Property | Tenant | Sector | Area (m²) |
|---|---|---|---|
| Scottsville Mall | Shoprite Checkers | Retail | 3 498 |
| Thornhill Office Park | Wyeth South Africa Limited | Offices | 1 861 |
| Thornhill Office Park | Trans African Concessions | Offices<br>Storage | 705<br>102 |
| Cnr Oxford & Terminus | Discom | Retail | 708 |
| Accord House | Lexchell 56 General Trading (Vanco) | Offices | 636 |

Occupancy levels remain high at 97,7% of rentable area against the previous year's 98,8%.

*Vacancy by rentable area*

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Rentable area m²** | **Vacancy m²** | **%** | Rentable area m² | Vacancy m² | % |
| Retail | **70 750** | **1 075** | **1,5** | 64 602 | 291 | 0,5 |
| Office | **163 478** | **5 639** | **3,5** | 44 515 | 1 116 | 2,5 |
| Industrial | **72 890** | **327** | **0,5** | 76 562 | 753 | 1,0 |
| | **307 118** | **7 041** | **2,3** | 185 679 | 2 160 | 1,2 |

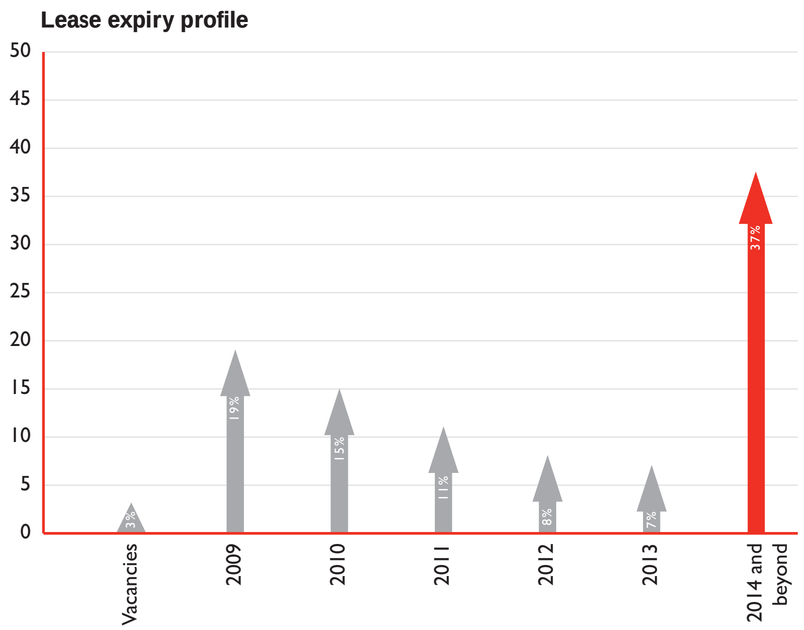
*Major vacancies per property excluding Trust Bank Building where a headlease applies*

| Property | Sector | Location | Vacancy m² |
|---|---|---|---|
| Foretrust Building | Office | Foreshore, Cape Town | 2 779 |
| Hollard House | Office | Marshalltown, Johannesburg | 968 |
| Westport Park | Office | Mitchells Plain, Cape Town | 400 |
| West Street Parkade | Retail | Newtown, Johannesburg | 329 |
| Glenashley Views | Office | Glenashley, Durban | 325 |
| Accord House | Office | Mount Edgecombe, Durban | 308 |
| | | | 5 109 |

Subsequent to year end 2 200m² at the Foretrust property was let.

## Lease expiry profile

The lease expiry profile determined by contractual rental value is reflected below:





Park Meadows, Kensington

The major leases expiring in 2009 are:

| Property | Tenant | Sector | Expiry Area ($m^2$) |
|---|---|---|---|
| 12 Piet Rautenbach | The Government of RSA | Industrial | 16 960 |
| Nourse Avenue | Rare Woods SA | Industrial | 6 031 |
| Worcester – SAPS | Cape Provincial Administration | Offices | 3 848 |
| Trustbank Building | Absa Bank Limited | Offices | 4 196 |
| 233 Bram Fischer | McCarthy Retail Limited | Retail | 2 958 |
| Horison Park | Absa Bank Limited | Offices | 2 427 |
| 79 Hyde Park Lane | Marriott Corporate Services (Old Mutual) | Offices | 2 210 |

The conservative lease expiry profile continues with no more than 19% of the portfolio's contractual income falling due for renewal in any particular year. The increase in expiries in 2009 is a result of a number of three-year leases being concluded during 2006. During 2009, the bulk of the renewals lie within the office and industrial sectors, where good rental reversions are anticipated. The leases expiring in 2014 and beyond increased from 24% in 2007 to 37% due to the acquisitions described on page 14.

## Operating costs

The operating costs of the buildings represent 21,0% of the gross rental income. These costs include all property related expenses, without netting off recoveries and include property management fees, but exclude the asset management fees of the portfolio and interest on borrowings. In 2007 this ratio was 24,6%, in 2006 it was 25,3% and in 2005 it stood at 25,9%. The relatively large reduction in the current year is due to the nature of the leases acquired with the current year's acquisitions. A significant portion of these leases are net leases with the result that the tenants are liable for the costs of the property and not the landlord. These types of leases have the benefit of effectively shielding Ambit from cost escalations in high inflationary times. Management will continue to manage expenses to maintain operating costs at this level.

# Chairman and CEO's report *continued*

## Acquisitions

During the year the Company took transfer of eight buildings as detailed below:

| Property description | Major tenants | Lease escalation % | Rentable area m² | Yield % | Purchase price R'000 | Independent valuation 30 September 2008 R'000 |
|---|---|---|---|---|---|---|
| Mineralia Building (African Alliance portfolio) | | | 13 298 | 10,50 | 91 000 | 92 100 |
| Cnr De Korte and | Educor | 8 | 3 939 | | | |
| De Beer Streets | Department of Public Works | 10 | 8 309 | | | |
| Braamfontein | Department of Home Affairs | 10 | 1 050 | | | |
| Hollard House & Parkade (African Alliance portfolio) | | | 9 848 | 9,50 | 63 500 | 71 500 |
| Cnr Marshall and | Department of Public Works | 8 | 8 480 | | | |
| Sauer Streets | Financial Sector Charter | | | | | |
| Johannesburg | Council | 8 | 400 | | | |
| | Vacancy | | 968 | | | |
| | Parking leases | | 252 bays | | | |
| | Chamber of Mines | 10 | 72 bays | | | |
| | Altivex | 10 | 144 bays | | | |
| | Department of Public Works | 8 | 36 bays | | | |
| Outspan House (African Alliance portfolio) | | | 6 394 | 10,00 | 35 500 | 46 000 |
| 1006 Lenchen Ave North | Du Pont de Nemours | 8 | 1 976 | | | |
| Centurion | International Societe Anonyme | | | | | |
| | Ranbaxy (SA) (Pty) Limited | 10 | 1 267 | | | |
| | Ninham Shand (Pty) Limited | 10 | 2 519 | | | |
| | Various tenants | 9 | 563 | | | |
| | Vacancy | | 69 | | | |
| Foretrust Building (African Alliance portfolio) | | | 26 627 | 7,80 | 280 000 | 281 000 |
| Martin Hammerschlag Way | Department of Public Works | 10 | 24 147 | | | |
| Cape Town | Nedbank | 8 | 784 | | | |
| | Various tenants | 9 | 1 117 | | | |
| | Vacancy | | 579 | | | |
| Trustbank Building (African Alliance portfolio) | | | 27 790 | 9,50 | 220 000 | 230 000 |
| Cnr Eloff and Fox Streets | Absa Bank Limited | 8 | 14 847 | | | |
| Johannesburg | Absa Bank Limited | 9 | 3 597 | | | |
| | Absa Bank Limited | 9 | 599 | | | |
| | Head lease | 0 | 8 264 | | | |
| | Various tenants | 9 | 306 | | | |
| | Vacancy | | 177 | | | |
| 11 Diagonal Street | | | 32 972 | 9,25 | 246 000 | 264 000 |
| Newtown Johannesburg | Absa Bank Limited | 7 | 32 972 | | | |

## Acquisitions *continued*

| Property description | Major tenants | Lease escalation % | Rentable area $m^2$ | Yield % | Purchase price R'000 | Independent valuation 30 September 2008 R'000 |
|---|---|---|---|---|---|---|
| West Street Parkade | | | 3 211 | 11,50 | 57 500 | 74 300 |
| Cnr Bree & Ntemi Piliso | Pick 'n Pay | 6,5 | 1 772 | | | |
| Newtown | Various tenants | 8,5 | 1 185 | | | |
| Johannesburg | Vacancy | | 254 | | | |
| Resolution Health | | | 5 817 | 10,66 | 62 760 | 68 700 |
| Resolution Park | Resolution Health | 9 | 5 817 | | | |
| Pres Fouche Avenue | | | | | | |
| Boskruin Johannesburg | | | | | | |
| | | | 125 957 | | 1 056 260 | 1 127 600 |

All these acquisitions were funded by way of the issue of linked units. Details of the units issued are set out in note 11 on page 43 of this report.

Thornhill Office Park, Vorna Valley

# Chairman and CEO's report *continued*

## Acquisition of listed property investment

During September 2008 Ambit acquired 3 611 000 units in listed property unit trust SA Corporate Real Estate Fund at an average price of 278 cents per unit which represents a 25% discount to net asset value. This investment was funded from the proceeds from the disposal of the two properties as described below as well as surplus cash. The distribution received in September 2008 and due again in March 2009 will be for the benefit of unitholders.

Outspan House, Centurion

## Disposals

Two properties were disposed of during the 2008 financial year.

| Property description | Original cost R'000 | Carrying value R'000 | Net sale proceeds R'000 | Profit/ (loss) R'000 | Disposal yield | Date of transfer |
|---|---|---|---|---|---|---|
| Metcash Brits 49 De Wits Street, Brits | 4 064,1 | 4 400,0 | 5 600,0 | 1 200,0 | 8,00% | 13 March 2008 |
| Mahogany Court 2 George McFarlane Lane Pietermaritzburg | 2 498,9 | 4 450,0 | 4 446,5 | (3,5) | 9,07% | 8 April 2008 |
| | 6 563,0 | 8 850,0 | 10 046,5 | 1 196,5 | | |

Management has identified several smaller properties with a combined value of R58,5 million, which do not fit Ambit's investment criteria and which are being offered for sale:

## Properties for sale

| Property | Original purchase price R'000 | Value as at September 2008 R'000 | Initial yield based on September 2008 value % |
|---|---|---|---|
| 110 Intersite Avenue, Durban | 2 750 | 7 100 | 7,7 |
| 32 Intersite Avenue, Durban | 1 750 | 2 900 | 8,3 |
| Cnr Oxford & Terminus, East London | 10 000 | 21 800 | 10,9 |
| 94 Moore Road, Durban | 1 900 | 4 600 | 9,6 |
| 2 Cardiff Road, Pietermaritzburg | 4 650 | 10 600 | 12,5 |
| 2 Sussex Road, Mokopane | 4 700 | 5 200 | 11,2 |
| 4, 11th Street, Welkom | 5 300 | 6 250 | 10,5 |
| **Totals** | **31 050** | **58 450** | |

## Capital projects

*Park Meadows*

The R4,2 million internal refurbishment of the centre was completed during the past year which included an upgrade to the ablution facilities and the tiling in the walkways. The widening of the access roads to the centre commenced during September 2008 and will improve traffic flows entering and exiting Park Meadows.

The reconfiguration of the Furniture City area is ongoing with two new stores being created at a projected cost of R7 million and a projected net annual return of 15,47%.

Future planned improvements to the centre include the opening up of the garden section between the two components of the centre with the creation of a piazza area which will improve pedestrian flow.

*Pinetown Link Retail Centre* (The centre is 50% owned by Ambit)

Phase 1 of the development has been completed during the past year with Jack's Hardware (4 063m$^2$) and Tile Africa (2 095m$^2$) trading from July 2008. Phase 2, comprising the reconfiguration of a portion of the old building into new retail units, is substantially complete. Phase 3 will commence once a lease has been concluded with a suitable tenant.

This development will have a total rentable area of 17 797m². The estimated final project cost to Ambit will be R59,5 million. The projected initial yield for this project is 10,2%.

## Post year-end activity

*Acquisition*

Since year-end, a purchase agreement in respect of a 4 249 m² stand in the planned Gauteng Business Park in Clayville was signed for a purchase price of R2,5 million.

*Disposal*

A sale agreement has been concluded to dispose of 94 Moore Road in Durban for a consideration of R4,7 million representing a disposal yield of 9,7%. This property was acquired in January 2004 for R1,9 million and had a fair value of R4,6 million at 30 September 2008.

*Litigation*

Unitholders are referred to the announcement dated 14 November 2008 regarding the purchase of Ambit units by Apexhi Properties Limited. Ambit instituted legal proceedings against some of the parties involved in this transaction as the envisaged transaction will impact on Ambit's BEE unitholding. The proceedings are ongoing at the date of this report.

## Portfolio revaluation

The portfolio was valued by independent valuers, CB Richard Ellis, as at 30 September 2008.

The portfolio valuation is R2,447 million. The core portfolio (excluding additions during the year) showed an increase in value of 10,4% over the previous year largely due to increased rentals. The average initial yield is 9,6% for the core portfolio and capitalisation rates vary between 7,75% and 12%. Further details are included in the property portfolio details set out on pages 58 to 60.

## Investment in Oryx Properties Limited ("Oryx")

Oryx, a Namibian listed company, comprises a portfolio of well tenanted investment properties, predominantly located in Windhoek and dominated by the Maerua Mall retail complex. Oryx produced reasonable results, with distributions amounting to 88,75 cents per linked unit ("unit") for the year ended 30 June 2008, showing a 5% growth over the previous year's distributions. Strong growth in the unit price resulted in a total return to investors of 57%. The net asset value increased to 907 cents per unit (2007: 882 cpu). At its year-end, Oryx had a portfolio of properties with an open market value of N$717,2 million (2007: N$726,8 million) and a vacancy of 1%.

The number of Oryx units held by Ambit remains unchanged from the prior year at 14,6 million units. At its financial year-end Oryx was trading at 1 270 cents per unit, which is 19% above its realisable net asset value.

Oryx is classified as an associate to Ambit. Ambit's share of the retained earnings of Oryx for the year was R4,4 million. This has taken Ambit's investment in Oryx to R133,1 million and represents 5,2% (2007: 9,8%) of Ambit's investment portfolio.

## Funding arrangements

The interest rate environment has been extremely volatile during the year under review as a result of upward inflation pressure resulting from mainly food and fuel price pressure. As a result of the inflationary outlook the South African Reserve Bank raised interest rates four times and a collective 200 basis points during the year. The volatility is evidenced by the graph below depicting the movements of the interest rate swap curve.

Ambit has largely been shielded from the interest rate fluctuations due to its relative low levels of borrowings and high level of interest rate hedges in place.

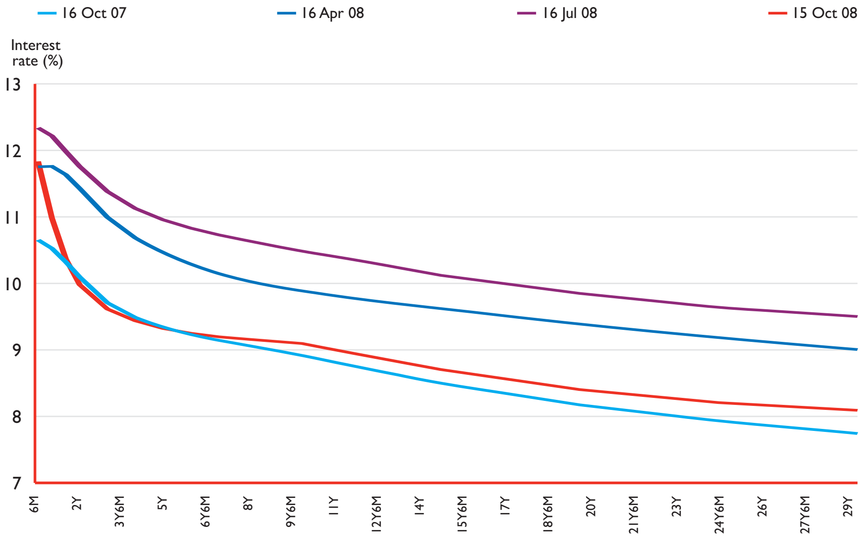
As at year-end Ambit had interest bearing borrowings of R362,5 million with Absa Bank Limited and Nedbank Limited who are Ambit's long-term financiers. This reflects a long-term borrowings to non-current assets ratio of 14,1% (2007: 24,7%).

At year-end, R226,6 million (62,5%) of the debt was on fixed interest contracts (2007: R238,3 million or 74%). Ambit's average cost of debt at year-end was 11,3% p.a. (2007: 10,1% p.a.).

The fixed and floating debt structure is set out in Note 14 to the financial statements.

Management and the Board will continue to actively manage the funding and interest rate risk. Indications are that the current interest rate cycle is at or near its peak and further fixing agreements will be considered in 2009 to capitalise on the expected reduction in rates from 2009.

**Interest rate swap curve**




Source: Absa Capital

# Chairman and CEO's report *continued*

## Summary of Ambit's long-term debt

| Type of funding | Borrowing amount R'000 | All-inclusive interest rate % | Maturity date |
|---|---|---|---|
| Fixed loan | 1 354 | 10,8 | 28 Feb 09 |
| Fixed loan | 75 000 | 8,9 | 09 Mar 09 |
| Fixed loan | 30 000 | 10,7 | 06 Sep 10 |
| Swap agreement | 40 000 | 12,1 | 01 Apr 11 |
| Fixed loan | 40 000 | 9,7 | 28 Feb 12 |
| Fixed loan | 40 000 | 9,9 | 04 Apr 12 |
| BP loan | 260 | 0,0 | – |
| | 226 614 | 10,0 | |
| Floating debt exposure | 135 861 | 13,50 | |
| | 362 475 | 11,3 | |

## Black economic empowerment (BEE)

During the year, in line with the Group's commitment to BEE, Ambit acquired five buildings for R690 million, from African Alliance/Cape Empowerment Trust Limited (a black owned company) and others. The purchase consideration was settled by way of the issue of linked units. This increased the total BEE unitholding in Ambit to in excess of 30%.

Ambit has been independently rated in terms of the Broad Based Black Economic Empowerment Strategy generic scorecard and assessed as a level 5 contributor which is an 80% recognition level and BEE compliant.

Ambit is committed to the education of students from previously disadvantaged backgrounds and has undertaken to provide three education bursaries for black students studying property degree courses at Wits and UCT.

## Board

In late 2007 the then CEO, Mr Nick Harris, indicated that he would be retiring in mid 2008 when his employment contract expired. At this point an appropriate recruitment agency was contracted to find a suitable replacement. This six month process culminated in the appointment of Mr Kelly Clinton to the position of CEO and executive director with effect from 1 July 2008.

At the same time it was agreed by the Board, that given the fact that the portfolio had doubled in size, there was a need to appoint a second executive director. The result of this decision was to promote Mr Joe de Beer from his then role of Chief Financial Officer to Chief Operations Officer and at the same time to appoint him as an executive director to the Board.

Jeremy de Villiers was appointed to the board on 13 August 2008 as an alternate director to Shaun Rai, both of whom resigned on 11 November 2008.

Amended CVs of both Kelly Clinton and Joe de Beer are reflected in the Directorate section of this report

## Management company

Ambit Management Services (Proprietary) Limited (AMS) undertakes the day-to-day asset management functions, the property management of the properties, the financial accounting, reporting and company secretarial functions in terms of an agreement that expires on 3 February 2014.

The annual asset management fee payable by Ambit to AMS in terms of the agreement is 0,5% per annum of the market capitalisation of Ambit plus its borrowings. This fee is reduced by the salary cost-to-company of Kelly Clinton and Joe de Beer, respectively the Chief Executive and Chief Operations Officers of Ambit. In addition a fee, to be agreed but not exceeding 1%, may be charged on new acquisitions.

The fees paid to AMS are disclosed in Note 32 to the annual financial statements.

AMS relocated its offices to larger premises during the year and a dedicated and enlarged management team has been selectively assembled to focus on Ambit's growth of assets and earnings.

## Prospects

Given the turbulent times that we find ourselves in, management confirms their commitment to four broad objectives, namely:

- Focus on the basics. Let the space, collect the rent, all administration up to-date, maintain the properties and retain tenants;
- Extract maximum value from the assets. Look for opportunities to add value to our existing properties by means of "out of the box thinking";
- Buy value. Assess every offer that comes our way and take advantage of the "buyer's market"; and
- Limit risk. Proactively manage property, tenant, interest rate, credit and liquidity risks.

We believe that this four pronged strategy will result in security of income, increased distributions and increased net asset value for the benefit of unitholders.

## Appreciation

We take this opportunity to thank Ambit's management team, whose performance was sterling through the past year. We also owe our appreciation to Ambit's business partners to whom many of Ambit's operational functions are outsourced and without whose commitment to Ambit and diligent work, Ambit could not have performed as it did during the past financial year. To our many tenants: your loyalty is valued.

Finally, a special word of thanks, to Nick Harris who retired as Ambit's Chief Executive Officer during the year. His wisdom and dedicated support over the years have been an inspiration to all. Nick has agreed to remain on the Board as a non-executive director, for which we are most appreciative.

**JH Beare**
*Chairman*

1 December 2008

**KF Clinton**
*Chief Executive Officer*

1 December 2008

# Corporate governance review

The Board of directors is committed to the implementation of good corporate governance within the Group and endorses the principles of openness, integrity, accountability and transparency. The Board has adopted and applied the Code of Corporate Practices and Conduct as set out in the King II report. The Board is of the opinion that the Group currently complies with all the significant requirements as set out in the King II report and the JSE Limited Listings Requirements.

In doing so the directors recognise the need to conduct the enterprise with integrity in accordance with generally acceptable corporate policies. This includes timely, relevant and meaningful reporting to its unitholders and other stakeholders; and providing a proper and objective perspective of Ambit.

The directors have accordingly established mechanisms and policies appropriate to the Group's business in keeping with its commitment to the best practices in corporate governance in order to ensure compliance with the King II Report. The directors review these from time to time.

## Board of directors and its sub-committees

As at 30 September 2008 the Board of directors consisted of two executive directors and eight non-executive directors, five of whom are independent non-executives. These non-executive directors bring to the Group a wide range of skills and experience that enable them to contribute an independent view and to exercise objective judgement in matters requiring directors' decisions. The chairman is a non-executive director, whose role is independent from the executive directors.

The executive directors hold service contracts. All non-executive directors are subject to retirement by rotation and re-election by Ambit unitholders at least once every three years in accordance with the Articles of Association.

All new appointments to the Board will be made on a consensus basis between Board members and are subject to unitholder approval.

The Board, which meets at least quarterly, retains full and effective control over the Group and service providers. The Board has established a number of committees to give detailed attention to its responsibilities and which operate within defined, written terms of reference. These are the Investment Committee, the Remuneration Committee and the Risk, Audit and Compliance Committee, and the compositions thereof are set out on page 20. Directors' attendances at Board meetings are set out below:

Column A is the number of meetings held during the year that the director was eligible to attend. Column B is the number of meetings attended by the director. Column C is the number of Board meetings at which a director recused himself/herself from relevant decisions.

| Director | Board meetings | | |
|---|---|---|---|
| | A | B | C |
| JH Beare | 4 | 4 | |
| DJ Brits | 4 | 4 | |
| KF Clinton (Appointed 1 July 2008) | 1 | 1 | |
| J de Beer (Appointed 1 July 2008) | 1 | 1 | |
| RR Emslie | 4 | 4 | 1 |
| NBS Harris | 4 | 4 | 1 |
| IN Mkhari | 4 | 3 | |
| SL Rai (Resigned 11 November 2008) | 4 | 3 | |
| IB Skosana | 4 | 4 | |
| F Uys | 4 | 3 | |

The Board has approved a Board Charter to regulate how the business is to be conducted by the Board in accordance with the principles of good corporate governance.

# Corporate governance review *continued*

### Investment Committee

The Board has established an Investment Committee, which is responsible to the Board for monitoring and supervising the Group's strategic investment objectives and implementing the Board's instructions as to acquisitions, disposals and debt structuring.

### Remuneration Committee

The Board has established a Remuneration Committee, which reviews the remuneration of the executive directors, recommends non-executive directors' fees and makes recommendations to the Board regarding the appointment of new directors.

### Risk, Audit and Compliance Committee

The Board has established a Risk, Audit and Compliance Committee whose primary objectives are to provide the Board with additional assurance regarding the efficacy and reliability of the financial information used by the directors and to assist them in the discharge of their duties. The committee provides comfort to the Board that adequate and appropriate financial and operating controls are in place, that significant business, financial and other risks have been identified and are being suitably managed and that satisfactory standards of governance, reporting and compliance are in operation. The committee is responsible for setting the principles for recommending the use of the external auditors for non-audit services, and any non-audit work must be approved by this committee. The committee has formal terms of reference for its responsibilities and the Board is of the opinion that these responsibilities have been satisfied for the year under review.

Due to its current size, Ambit does not have an internal audit function. Management and the Risk, Audit and Compliance Committee review the internal controls, processes and systems of the Group and its service providers and have identified the main areas of risk which were addressed by appropriate systems. The situation will be reviewed as Ambit increases its asset base.

Within this context, the Board is responsible for the Group's systems of internal financial and operational control.

## Directors' dealings

The Group operates a policy of prohibiting dealings by directors and certain other managers in periods immediately preceding the announcement of its interim and year-end financial results, when the Group is trading under a cautionary announcement and at any other time deemed necessary by the Board.

## Risk management

The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed. This is a Board responsibility. Ambit pursues active management policies designed to minimise the impact of risk.

With the assistance of expert risk consultants, risks have been assessed and appropriate insurance cover provided for all material risks above pre-determined, self-insured limits. Levels of cover are re-assessed annually.

## Directors' responsibility

The directors are responsible for the preparation of the annual financial statements, as set out on pages 24 to 57, which fairly represent the state of affairs of the Group at the end of the financial year.

## Going concern

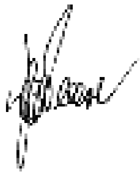
The directors are of the opinion that the Group has adequate resources to continue in operation for the foreseeable future and the annual financial statements have accordingly been prepared on a going concern basis.

## Ethics

Ambit is committed to promoting the highest standards of ethical behaviour amongst the directors and all staff representing the Group. This policy is encouraged beyond the Group's employees and the staff of Ambit Management Services (Proprietary) Limited ("AMS") to those organisations to whom the Group outsources the management of areas of the business.

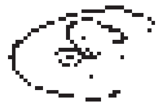
## Stakeholder relations

It is Ambit's policy to, when appropriate, meet with major unitholders and investment analysts to present the Group's performance and strategy.



**JH Beare**
*Chairman*

1 December 2008



**DJ Brits**
*Chairman – Risk, Audit and Compliance Committee*

1 December 2008

# Analysis of linked **unitholders**

*30 September 2008*

| Size of unitholding | Number of unitholders | % of unitholders | Number of units held | % of issued units |
|---|---|---|---|---|
| 1 – 1 000 | 97 | 5,85 | 65 354 | 0,01 |
| 1 001 – 10 000 | 671 | 40,45 | 3 875 663 | 0,77 |
| 10 001 – 100 000 | 772 | 46,53 | 24 603 790 | 4,88 |
| 100 001 – 1 000 000 | 88 | 5,30 | 25 108 139 | 4,98 |
| Over 1 000 000 | 31 | 1,87 | 450 919 411 | 89,36 |
| | 1 659 | 100,00 | 504 572 357 | 100,00 |
| **Type of unitholders** | | | | |
| Corporates and investment companies | 53 | 3,19 | 290 146 804 | 57,50 |
| Individuals and private companies | 1 283 | 77,34 | 90 389 491 | 17,91 |
| Nominee holders and trusts | 311 | 18,75 | 120 128 955 | 23,82 |
| Pension and provident funds | 12 | 0,72 | 3 907 107 | 0,77 |
| | 1 659 | 100,00 | 504 572 357 | 100,00 |
| **Significant unitholders** | | | | |
| Unitholders invested in 5% or more of the Company | | | | |
| Absa Bank Limited | | | 174 445 954 | 34,57 |
| Cape Empowerment Trust Limited | | | 110 100 000 | 21,82 |
| Redefine Income Fund | | | 46 660 824 | 9,25 |
| The KSK Trust** | | | 30 000 000 | 5,95 |
| Phelps family interests | | | 29 735 678 | 5,89 |
| | | | 390 942 456 | 77,48 |

*** Non-executive director SL Rai has a beneficial interest in the KSK Trust.*

| Unitholder spread | Number of unitholders | % of unitholders | Number of units held | % of issued units |
|---|---|---|---|---|
| Held by public | 1 653 | 99,64 | 189 606 403 | 37,58 |
| Held by non-public | | | | |
| – directors | 4 | 0,24 | 30 420 000 | 6,03 |
| – unitholders with more than 10% unitholding | 2 | 0,12 | 284 545 954 | 56,39 |
| | 1 659 | 100,00 | 504 572 357 | 100,00 |

| Units traded | |
|---|---|
| Number of units traded | 61 169 384 |
| Units traded as a percentage of weighted average issued units | 14 |
| JSE price history | |
| Opening price 1 October 2007 (cents) | 450 |
| Closing price 30 September 2008 (cents) | 375 |
| 12 month high (cents) | 460 |
| 12 month low (cents) | 185 |

# Unitholders' **diary**

| | |
|---|---|
| Financial year-end | 30 September |
| Annual General Meeting | 18 February 2009 at 10h00 |

Distribution plan dates in respect of the financial year ending 30 September 2009:

| Financial period | Declaration date | Record date | Payment date |
|---|---|---|---|
| 1st half to 31 March 2009 | 8 May 2009 | 29 May 2009 | 1 June 2009 |
| 2nd half to 30 September 2009 | 6 November 2009 | 27 November 2009 | 30 November 2009 |

# Directors' responsibility for and approval of the annual financial **statements**

*for the year ended 30 September 2008*

The directors are responsible for the preparation and integrity of the annual financial statements and the related information included in the annual report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal controls and reviews its operation, primarily through the Risk, Audit and Compliance Committee.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Group's policies and procedures. These controls are implemented by trained, skilled personnel with appropriate segregation of duties, are monitored by management and the Risk, Audit and Compliance Committee and include a comprehensive budgeting and reporting system operating within an appropriate control framework.

The external auditors are responsible for reporting on the annual financial statements, and their unmodified opinion is included on page 23. The annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate disclosures in line with the accounting philosophy of the Group. They are based on appropriate accounting policies consistently applied, except where otherwise stated, and are supported by reasonable and prudent judgements and estimates.

The directors believe that the Group will be a going concern in the year ahead. Accordingly, in preparing the annual financial statements and Group annual financial statements, the going concern basis has been adopted.

The annual financial statements for the year ended 30 September 2008 as set out on pages 24 to 57 were approved by the Board of directors on 1 December 2008 and are signed on its behalf by:

**JH Beare**
*Chairman*

1 December 2008

**DJ Brits**
*Chairman – Risk, Audit and Compliance Committee*

1 December 2008

# Declaration by **secretary**

The Secretary certifies that the Company has lodged with the Registrar of Companies all such returns as are required of a public company, in terms of Section 268G(d) of the Companies Act No 61 of 1973, as amended, and that all such returns are true, correct and up to date.

**Ambit Management Services (Pty) Limited**
*Company Secretary*

1 December 2008

# Report of the independent **auditors**

**To the members of Ambit Properties Limited**

We have audited the annual financial statements and Group annual financial statements of Ambit Properties Limited which comprise the directors' report, the balance sheets as at 30 September 2008, the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 24 to 57.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors 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 misstatements, 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 these financial statements 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 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 policies used and the reasonableness of significant estimates made by the directors, as well as evaluating the overall financial statement presentation and disclosures.

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

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and Company at 30 September 2008, 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**
*Per: BGC Fannin*
*Partner – Assurance*

1 December 2008

Audit . Tax . Consulting . Financial Advisory . Corporate Finance .

Member of
Deloitte Touche Tohmatsu

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax & Legal and Financial Advisory L Geeringh Consulting L Bam Corporate Finance CR Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 3 contributor/AA (certified by Empowerdex)

# Directors' **report**

*30 September 2008*

## NATURE OF BUSINESS

Ambit Properties Limited is a property investment company and is listed on the JSE in the "Financial Services – Real Estate" sector.

The Group derives its income from a portfolio of investment properties in the retail, office and industrial sectors and an investment in Oryx Properties Limited, a Namibian property investment company listed on the Namibian Stock Exchange.

## ISSUED SHARE CAPITAL

As at 30 September 2008 there were 504 572 357 linked units in issue (2007: 229 657 439), each comprising one ordinary share of 1 cent and one unsecured variable rate debenture of 180 cents. In order to fund acquisitions 274 914 918 units were issued on transfer of the various properties to Ambit. The details of these issues are reflected in Note 11.

## FINANCIAL REVIEW

| | **2008 (cents)** | 2007 (cents) |
|---|---|---|
| Weighted average headline earnings per linked unit | **39,36** | 34,61 |
| Weighted average earnings per linked unit | **74,08** | 119,20 |
| Distribution per linked unit | **36,50** | 32,60 |



## ASSOCIATE

Details of the Company's associate are reflected in Note 6.

## DIRECTORATE

Details of the directors are set out on pages 2 and 3 of this report. The composition of the Board, together with changes from 1 October 2007 to the date of this report, are set out below:

| Director | Date appointed | Date resigned |
|---|---|---|
| JH Beare | | |
| KF Clinton* | 01 July 2008 | |
| J de Beer* | 01 July 2008 | |
| DJ Brits | | |
| RR Emslie | | |
| NBS Harris | | |
| IN Mkhari | | |
| SL Rai | | 11 November 2008 |
| IB Skosana | | |
| F Uys | | |
| J de Villiers (alternate) | 13 August 2008 | 11 November 2008 |
| RD Jeffery (alternate) | | |

**Executive*

# Directors' **report** *continued*

*30 September 2008*

DIRECTORS' REMUNERATION

| Director | 2008 Salaries R'000 | 2008 Directors' fees R'000 | 2007 Salaries R'000 | 2007 Directors' fees R'000 |
|---|---|---|---|---|
| JH Beare (Chairman) | – | 104 | – | 104 |
| DL Brown | – | – | – | 70 |
| KF Clinton (Chief Executive Officer)* | 1 363# | – | – | – |
| – salary | 463 | – | – | – |
| – bonus | 900 | – | – | – |
| J de Beer (Chief Operations Officer)* | 650# | – | – | – |
| – salary | 350 | – | – | – |
| – bonus | 300 | – | – | – |
| NBS Harris | 1 218 | 17 | 2 368 | – |
| – salary | 1 218 | – | 1 368 | – |
| – bonus | – | – | 1 000 | – |
| DJ Brits | – | 99 | – | 24 |
| RR Emslie | – | 55 | – | 55 |
| IN Mkhari | – | 55 | – | 55 |
| SL Rai | – | 66 | – | 7 |
| IB Skosana | – | 72 | – | 20 |
| F Uys | – | 72 | – | 72 |
| J de Villiers (alternate) | – | – | – | – |
| RD Jeffery (alternate) | – | – | – | – |
| | 3 231 | 540 | 2 368 | 407 |

**Executive*

*#The executive directors' salaries are deducted from the asset management fees paid to Ambit Management Services (Proprietary) Limited. The bonuses paid to the two current executive directors are paid by the Company. The bonuses paid to KF Clinton and J de Beer in 2008 accrue to them over the duration of their employment contracts, which expires on 30 June 2013. No other directors have service contracts with the Company.*

NBS Harris retired as an executive director and Chief Executive Officer of the Company on 30 June 2008 but remains on the Board from 1 July 2008 as a non-executive director.

NON-EXECUTIVE DIRECTORS' FEES

The non-executive directors' fees are paid quarterly and were last increased in the 2007 financial year. The proposed 2009 fees are market related and have been set with reference to a comprehensive market research report. The annual fees are:

| | 2009 R | 2008 R |
|---|---|---|
| Non-executive director | 75 000 | 55 000 |
| Chairman of the Board, an additional | 50 000 | 38 500 |
| Chairman of the Risk, Audit and Compliance Committee ("RA&CC") an additional | 45 000 | 33 000 |
| Member of the RA&CC, an additional | 25 000 | 16 500 |
| Memer of the Investment Committe, an additional | 25 000 | 11 500 |
| Member of the Remuneration Committee, an additional | 5 000 | – |

## DIRECTORS' INTERESTS

The joint beneficial interests of directors in the equity of the Company as at 30 September 2008 was 6,69% (33 743 350 units) and is analysed as follows:

| Director 2008 | Direct beneficial Linked units | % | Indirect beneficial Linked units | % | Total Linked units | % |
|---|---|---|---|---|---|---|
| SL Rai | 5 000 | 0,00 | 33 292 250 | 6,60 | 33 297 250 | 6,60 |
| NBS Harris | 150 000 | 0,03 | 51 100 | 0,01 | 201 100 | 0,04 |
| F Uys | 200 000 | 0,04 | – | – | 200 000 | 0,04 |
| J de Beer | 45 000 | 0,01 | – | – | 45 000 | 0,01 |
| | 400 000 | 0,08 | 33 343 350 | 6,61 | 33 743 350 | 6,69 |

| Director 2007 | Direct beneficial Linked units | % | Indirect beneficial Linked units | % | Total Linked units | % |
|---|---|---|---|---|---|---|
| F Uys | 200 000 | 0,09 | – | – | 200 000 | 0,09 |
| NBS Harris | 150 000 | 0,07 | 25 000 | 0,01 | 175 000 | 0,08 |
| J de Beer (alternate) | 40 000 | 0,02 | – | – | 40 000 | 0,02 |
| SL Rai | 5 000 | 0,00 | – | – | 5 000 | 0,00 |
| | 395 000 | 0,18 | 25 000 | 0,01 | 420 000 | 0,19 |

Ambit owns 50% of 17-19 and 21-35 Old Main Road, Pinetown ("The Link") in conjunction with Pinespring Properties (Proprietary) Limited, a wholly owned subsidiary of Highpine Properties Limited, a company in which Mr JH Beare has an interest. This property is currently being redeveloped and the commitments are disclosed in Note 28 to the annual financial statements.

## EMPLOYMENT CONTRACTS AND INCENTIVE SCHEME

The two executive directors were appointed on standard employment contracts, both commencing on 1 July 2008 with a duration of five years. The Board considers the term appropriate to ensure continuity and stability. The employment contracts include detailed responsibilities and job descriptions and performance in terms of the contracts is assessed by the Remuneration Committee.

Ambit's Board implemented a long-term incentive scheme with the objective to attract, retain, motivate and reward executives, managers and key employees of the company, as selected at the discretion of the Remuneration Committee, who are able to influence, or play a significant role in the performance of the Company over the long term on a basis which aligns their interests with those of the Company.

The scheme involves phantom units and phantom performance units that are linked to Ambit's unit price and distribution growth. The incentives start vesting three years from their allotment date on a phased basis and are payable in cash. The first allocations in terms of this scheme will be made with effect from the 2009 financial year.

## BORROWINGS

The directors are authorised to borrow funds up to an amount not exceeding 60% of the directors' *bona fide* valuation of the consolidated total assets of the Company and its subsidiaries. The Group's interest bearing borrowings at 30 September 2008 are disclosed in Note 14 to the annual financial statements.

## ACQUISITIONS, DISPOSALS, CAPITAL PROJECTS AND POST YEAR-END ACTIVITY

Refer to pages 14 to 17 of the Chairman and Chief Executive Officer's report.

# Directors' **report** *continued*

*30 September 2008*

## POST BALANCE SHEET EVENTS AND GOING CONCERN

Other than the acquisitions and disposals referred to above, the directors are not aware of any material post balance sheet events and are of the opinion that the Group has adequate resources to continue in operation for the foreseeable future, despite the recent turmoil in global financial markets. The financial statements have accordingly been prepared on a going concern basis.

## MANAGEMENT BY THIRD PARTY

Ambit has a service agreement with Ambit Management Services (Proprietary) Limited, which is 100% owned by Absa Bank Limited, in respect of the asset management, property management and the financial accounting and reporting of the Company.

## COMPANY SECRETARY

The Company Secretary is Ambit Management Services (Proprietary) Limited, whose business and postal address is as follows:

**Postal:**
PO Box 618, Melrose Arch 2076

**Business:**
First Floor, World Wide House, 29 Impala Road, Chislehurston, Sandton 2196

**JH Beare**
*Chairman*

1 December 2008

**KF Clinton**
*Chief Executive Officer*

1 December 2008

# Balance **sheets**

*30 September 2008*

| | Notes | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Investment properties | 5 | **2 339 923** | 1 090 638 | **2 339 923** | 1 090 638 |
| – At valuation | | **2 388 753** | 1 110 750 | **2 388 753** | 1 110 750 |
| – Straight line adjustment | 7 | **(48 830)** | (20 112) | **(48 830)** | (20 112) |
| Investment in associate company | 6 | **133 075** | 128 719 | **83 998** | 83 998 |
| Rental receivable | | | | | |
| – Straight line adjustment | 7 | **42 566** | 16 745 | **42 566** | 16 745 |
| Total non-current assets | | **2 515 564** | 1 236 102 | **2 466 487** | 1 191 381 |
| Current assets | | | | | |
| Listed property investment | 8 | **8 486** | – | **8 486** | – |
| Trade and other receivables | 9 | **16 657** | 23 730 | **16 657** | 23 730 |
| Rental receivable | | | | | |
| – Straight line adjustment | 7 | **6 264** | 3 367 | **6 264** | 3 367 |
| Cash and cash equivalents | 10 | **152 207** | 50 077 | **152 207** | 50 077 |
| Total current assets | | **183 614** | 77 174 | **183 614** | 77 174 |
| Non-current assets held for sale | 5 | **58 450** | 73 200 | **58 450** | 73 200 |
| TOTAL ASSETS | | **2 757 628** | 1 386 476 | **2 708 551** | 1 341 755 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Share capital | 11 | **5 046** | 2 297 | **5 046** | 2 297 |
| Non-distributable reserves | 12 | **544 019** | 370 549 | **494 942** | 325 828 |
| Distributable reserves | | **364** | 364 | **364** | 364 |
| Total capital and reserves | | **549 429** | 373 210 | **500 352** | 328 489 |
| Non-current liabilities | | | | | |
| Debentures | 13 | **908 230** | 413 383 | **908 230** | 413 383 |
| Debenture premium | 13 | **636 342** | 103 843 | **636 342** | 103 843 |
| Interest bearing borrowings | 14 | **362 475** | 322 700 | **362 475** | 322 700 |
| Deferred taxation liability | 15 | **147 757** | 123 819 | **147 757** | 123 819 |
| Total non-current liabilities | | **2 054 804** | 963 745 | **2 054 804** | 963 745 |
| Current liabilities | | | | | |
| Linked unitholders for distribution | 27 | **96 975** | 40 099 | **96 975** | 40 099 |
| Trade and other payables | 16 | **35 985** | 9 422 | **35 985** | 9 422 |
| Guarantee deposit | | **20 435** | – | **20 435** | – |
| Total current liabilities | | **153 395** | 49 521 | **153 395** | 49 521 |
| TOTAL EQUITY AND LIABILITIES | | **2 757 628** | 1 386 476 | **2 708 551** | 1 341 755 |
| Net asset value per linked unit ("NAV") (prior to distribution) | | | | | |
| Number of linked units in issue | | **504 572 357** | 229 657 439 | **504 572 357** | 229 657 439 |
| NAV per linked unit (cents) | | **434** | 405 | **434** | 386 |
| NAV per linked unit excluding deferred tax (cents) | | **464** | 459 | **464** | 440 |

# Income **statements**

*for the year ended 30 September 2008*

| | Notes | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|---|
| REVENUE | | **257 745** | 123 338 | **257 745** | 117 489 |
| – Rental – Cash flows inherent in leases | 17 | **229 027** | 118 447 | **229 027** | 112 598 |
| – Rental – Straight line adjustment | | **28 718** | 4 891 | **28 718** | 4 891 |
| Property expenses | 18 | **(48 109)** | (29 076) | **(48 109)** | (27 743) |
| NET RENTAL INCOME FROM PROPERTIES | | **209 636** | 94 262 | **209 636** | 89 746 |
| Distribution dividend received from subsidiary | | **–** | – | **–** | 11 068 |
| Interest income | 19 | **2 556** | 391 | **2 556** | 4 907 |
| Debenture interest from associate | 6 | **12 935** | 15 391 | **12 935** | 15 391 |
| Investment income from listed property investment | | **524** | – | **524** | – |
| Amortisation of debenture premium | | **24 665** | 3 597 | **24 665** | 3 597 |
| Finance costs | 20 | **(22 894)** | (27 324) | **(22 894)** | (27 324) |
| Administrative expenses | 21 | **(10 649)** | (6 541) | **(10 649)** | (6 541) |
| Corporate expenses | 22 | **(7 956)** | (2 665) | **(7 956)** | (2 665) |
| OPERATING PROFIT | | **208 817** | 77 111 | **208 817** | 88 179 |
| Change in fair value of investment properties and listed property investment | | **138 849** | 212 644 | **138 849** | 245 814 |
| – Investment property as per valuations | | **169 077** | 217 535 | **169 077** | 250 705 |
| – Straight line adjustment | | **(28 718)** | (4 891) | **(28 718)** | (4 891) |
| Fair value adjustment on listed property investment | | **(1 510)** | – | **(1 510)** | – |
| Profit on disposal of investment properties | | **1 197** | – | **1 197** | – |
| Fair value adjustment on interest rate swap | | **(377)** | – | **(377)** | – |
| Share of associate company's after tax profit | 6 | **4 356** | 17 792 | **–** | – |
| PROFIT BEFORE DISTRIBUTION TO UNITHOLDERS AND TAXATION | | **352 842** | 307 547 | **348 486** | 333 993 |
| Debenture interest-linked unitholders | | **(155 434)** | (68 623) | **(155 434)** | (68 623) |
| Debenture interest paid | 23.1 | **(181 225)** | (74 868) | **(181 225)** | (74 868) |
| Less: prepaid distributions received and refunded | 23.2 | **25 791** | 6 245 | **25 791** | 6 245 |
| PROFIT BEFORE TAXATION | | **197 408** | 238 924 | **193 052** | 265 370 |
| Taxation | 24 | **(23 938)** | (59 261) | **(23 938)** | (72 085) |
| PROFIT ATTRIBUTABLE TO LINKED UNITHOLDERS | | **173 470** | 179 663 | **169 114** | 193 285 |
| | | Cents | Cents | Cents | Cents |
| EARNINGS PER LINKED UNIT (weighted)* | 25 | **74,08** | 119,20 | **73,10** | 125,74 |
| HEADLINE EARNINGS PER LINKED UNIT (weighted)* | 25 | **39,36** | 34,61 | **39,36** | 34,61 |
| DISTRIBUTION PER LINKED UNIT | 25 | **36,50** | 32,60 | **36,50** | 32,60 |
| Weighted average number of linked units | | **443 965 149** | 208 295 318 | **443 965 149** | 208 295 318 |

**Based on weighted average number of linked units*

# Statements of changes in **equity**

*for the year ended 30 September 2008*

| | Share capital R'000 | Distributable reserves (accumulated loss) R'000 | Non-distributable reserves R'000 | Total R'000 |
|---|---|---|---|---|
| GROUP | | | | |
| Balance at 30 September 2006 | 1 865 | 364 | 190 886 | 193 115 |
| Shares issued during the year | 432 | – | – | 432 |
| Net profit attributable to linked unitholders | – | 179 663 | – | 179 663 |
| Transfer to non-distributable reserves | – | (179 663) | 179 663 | – |
| Balance at 30 September 2007 | **2 297** | **364** | **370 549** | **373 210** |
| Shares issued during the year | **2 749** | **–** | **–** | **2 749** |
| Net profit attributable to linked unitholders | **–** | **173 470** | **–** | **173 470** |
| Transfer to non-distributable reserves | **–** | **(173 470)** | **173 470** | **–** |
| Balance at 30 September 2008 | **5 046** | **364** | **544 019** | **549 429** |
| COMPANY | | | | |
| Balance at 30 September 2006 | 1 865 | (1 966) | 134 873 | 134 772 |
| Shares issued during the year | 432 | – | – | 432 |
| Net profit attributable to linked unitholders | – | 193 285 | – | 193 285 |
| Transfer to non-distributable reserves | – | (190 955) | 190 955 | – |
| Balance at 30 September 2007 | **2 297** | **364** | **325 828** | **328 489** |
| Shares issued during the year | **2 749** | **–** | **–** | **2 749** |
| Net profit attributable to linked unitholders | **–** | **169 114** | **–** | **169 114** |
| Transfer to non-distributable reserves | **–** | **(169 114)** | **169 114** | **–** |
| Balance at 30 September 2008 | **5 046** | **364** | **494 942** | **500 352** |

# Cash flow **statements**

*for the year ended 30 September 2008*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2008 R'000** | 2007 R'000 | **2008 R'000** | 2007 R'000 |
| OPERATING ACTIVITIES | | | | | |
| Cash generated by operating activities | 26 | **214 507** | 62 238 | **214 507** | 68 578 |
| Interest received | | **16 015** | 15 782 | **16 015** | 20 298 |
| Finance costs | | **(22 894)** | (27 324) | **(22 894)** | (27 324) |
| Distributions paid to linked unitholders | 27 | **(98 558)** | (57 622) | **(98 558)** | (57 622) |
| Cash inflow/(outflow) from operating activities | | **109 070** | (6 926) | **109 070** | 3 930 |
| INVESTING ACTIVITIES | | | | | |
| Acquisition of investment properties | | **–** | – | **–** | (105 000) |
| Improvements to investment properties | | **(46 766)** | (5 865) | **(46 766)** | (5 865) |
| Acquisition of investment in listed property fund | | **(9 996)** | – | **(9 996)** | – |
| Proceeds on disposal of investment properties | | **10 047** | – | **10 047** | – |
| Decrease in loan to subsidiary | | **–** | – | **–** | 93 652 |
| Cash outflow from investing activities | | **(46 715)** | (5 865) | **(46 715)** | (17 213) |
| FINANCING ACTIVITIES | | | | | |
| Interest bearing borrowings raised | | **39 775** | 6 740 | **39 775** | 6 740 |
| Cash inflow from financing activities | | **39 775** | 6 740 | **39 775** | 6 740 |
| Increase/(decrease) in cash and cash equivalents | | **102 130** | (6 051) | **102 130** | (6 543) |
| Cash and cash equivalents at beginning of year | | **50 077** | 56 128 | **50 077** | 56 620 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | **152 207** | 50 077 | **152 207** | 50 077 |

# Notes to the annual financial statements *for the year ended 30 September 2008*

## 1. GENERAL INFORMATION

Ambit Properties Limited (the Company) is a public company listed on the JSE and is incorporated in South Africa. The address of its registered office and principal place of business is disclosed in the introduction to the annual report. The principal activities of the Company and its dormant subsidiary (the Group) are described in the Directors' Report.

Ambit's subsidiary, Whirlprops 37 Property Limited, was a property investment company whose assets and liabilities were transferred to Ambit on 6 February 2007. This company is in the process of being deregistered.

## 2. ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa, 1973.

The financial statements are prepared on the historical cost basis except for investment properties and certain financial instruments, which are carried at fair value, and the Company's investment in associates which is accounted for in the Group using the equity method of accounting.

The accounting policies used in the preparation of the financial statements are consistent with those applied in the prior year.

In the current year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are relevant and effective during the current year. Except for the IFRS7 and IAS1 disclosures, the impact of adopting these standards was not significant and as a result had no financial impact.

The principal accounting policies are set out below:

### 2.1 Basis of consolidation

The consolidated financial statements incorporate the results and financial position of the Company and its dormant subsidiary. Subsidiaries are defined as entities over which the Group has the ability to exercise control so as to obtain benefits from their activities. The results of subsidiaries are included from the effective dates of acquisition and up to the effective dates of disposal. All inter-company transactions and balances between Group companies are eliminated.

The accounting policies of the subsidiaries are consistent with those of the holding company.

### 2.2 Investment in subsidiaries

Investments in subsidiaries are recognised at cost less accumulated impairment losses.

### 2.3 Investment in associates

Associates are those companies, which are not subsidiaries or joint ventures, over which the Group exercises significant influence. Results of associates are accounted for in the Group using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Any losses of associates are brought to account until the investment in, and loans to, such associates are written down to a nominal amount. Thereafter losses are accounted for only insofar as the Group is committed to providing financial support to such associates. The carrying value of investments in associates represents the cost of each investment including unamortised goodwill, the share of post acquisition retained earnings or losses and other movements in reserves. Equity accounted income represents the Group's proportionate share of the associate's post acquisition accumulated profit after accounting for dividends declared by those entities. Any significant movements between the year-end of associates and the Group are accounted for. Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the associate. Undistributed equity accounted earnings may be transferred to non-distributable reserves.

In the Company the investment in associate is held at cost in accordance with IAS 27.

### 2.4 Investment properties

Investment properties are properties held to earn rental income and appreciate in capital value based on the increase in rental income.

2. ACCOUNTING POLICIES *continued*

2.4 Investment properties *continued*

Investment properties are initially recognised at cost and include transaction costs on acquisition. Subsequent expenditure to add to or replace a part of the property is capitalised at cost. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment properties are valued by external independent registered valuers annually and are stated at their fair value at each reporting date.

Gains or losses arising from changes in the fair values are reflected in the income statement in the period in which they arise. Unrealised gains are transferred to a non-distributable reserve in the statement of changes in equity. Unrealised losses are transferred against a non-distributable reserve to the extent that the decrease does not exceed the amount held in the non-distributable reserve. On disposal of investment properties, the difference between the net disposal proceeds and the carrying value is charged or credited to the income statement and then transferred from/to non-distributable reserves. Buildings are not depreciated.

Properties purchased by the Company and settled by issuing linked units are recorded at the fair value of the properties acquired, unless that fair value cannot be reliably estimated. If the entity cannot reliably estimate the fair value of the property, the entity shall measure the value of the equity issued, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted in terms of IFRS 2 Share Based Payments.

Buildings under development are carried at cost as property, plant and equipment and are transferred to investment property upon completion.

2.5 Capitalisation of interest

Where the Group undertakes a major development or refurbishment of a property, interest is capitalised to the cost of the property concerned during the construction period. Capitalisation of interest is suspended during extended periods in which active development is interrupted.

2.6 Non-current assets held for sale

Properties held for sale are classified as assets for sale that will be recovered principally through a sale transaction. Immediately before classification as held for sale, the measurement of the investment property is brought up to date in accordance with applicable IFRS. Then, on initial classification as held for sale, the investment property continues to be recognised at fair value.

2.7 Listed property investment held for trading

Listed property investments held for trading are carried at the lower of cost or net realisable value. Costs include all costs of purchase, transaction costs, cost of conversion and other costs incurred in bringing the investments to their present condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of selling.

2.8 Taxation

Income tax expense comprises the sum of current tax payable, Secondary Tax on Companies and deferred taxation. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from accounting profit as it excludes income or expenses that are taxable or deductible in other years and it excludes items never deductible or taxable. It is calculated using rates that have been enacted by the balance sheet date.

Deferred taxation is provided for using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. Deferred taxation is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred taxation assets and liabilities are only set off when there is a legally enforceable right to set off current tax assets and liabilities.

2. ACCOUNTING POLICIES *continued*

2.8 Taxation *continued*

Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill, or from the initial recognition (other than business combinations) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred taxation is raised at the corporate tax rate in all instances except in the case of revaluation surpluses applicable to investment property held for sale and land, where deferred tax is raised at the capital gains tax rate.

2.9 Impairment (excluding goodwill)

*Non-financial assets*

The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the extent that the increased carrying amount does not exceed the original carrying amount. A reversal of impairment loss is recognised immediately in profit or loss.

*Financial assets*

An impairment loss on a financial asset measured at amortised cost is calculated by comparing the current carrying amount to the present value of the estimated future cash flows at a calculated discount rate. The impairment is specific to the asset and is calculated on an individual basis.

The impairment loss is recognised in profit or loss with subsequent reversals of the impairment also recognised in profit or loss.

2.10 Financial instruments

A financial asset or financial liability is recognised on the balance sheet for as long as the Group is party to the contractual provisions of the instrument.

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss.
- Loans and receivables.

*Recognition*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks net of bank overdrafts where legal set-off is permissible and are carried at fair value

Trade receivables

Trade and other receivables originated by the Group are held at amortised cost, using the effective interest rate method, after deducting accumulated impairment losses. Receivables with no fixed maturity are held at cost.

Receivable – straight line basis adjustment

Rental income is recognised on the straight line basis. Future rentals receivable over the lease period as a result of escalations are recorded at the differential between the cash received inherent in the lease agreements and the smoothed revenue.

Investments

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

- Held-to-maturity investments are held at amortised cost using the effective interest rate method after deducting accumulated impairment losses.
- Available-for-sale financial assets are held at fair value.
- Gains or losses on available-for-sale financial assets and held-for-trading financial assets and liabilities are recognised in net profit for the year.

2. ACCOUNTING POLICIES *continued*

2.10 Financial instruments *continued*

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilties are classified into the following categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost.

Debentures

Debentures are recognised at original cost less principal repayments. The premium arising on the issue of linked units is split between the premium relating to the share and the premium relating to the debenture. The debenture premium is amortised over the remaining life of the debenture (i.e. to 2029) and the resultant income may be transferred to non-distributable reserves.

Interest bearing borrowings

Interest bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Amounts repayable in the next twelve months are classified as current borrowings.

Trade payables

Trade payables are carried at the fair value of the consideration to be paid in the future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and are initially recorded at cost. Subsequently, they are valued in terms of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

*Derecognition*

Financial assets

Financial assets are derecognised when the entity no longer has the contractual right to receive cash flows from the asset.

Financial liabilities

A financial liability is derecognised on discharge or cancellation of the obligation.

2.11 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from financial activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, as the hedge relationship is not designated as a hedge for accounting purposes, the derivatives are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value with subsequent changes accounted for through profit or loss. Transaction costs are recognised in profit or loss when incurred. The only derivative instruments held by the entity are interest rate swaps. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made on the settlement amount of the obligation.

2. ACCOUNTING POLICIES *continued*

2.13 Revenue recognition

Revenue comprises gross rental income, including all recoveries from tenants. Variable operating cost recoveries are recognised on the accrual basis. Rental income and fixed operating cost recoveries are recognised on the straight line basis in accordance with IAS 17 Leases. The difference between the rental income recognised on a cash flow/accrual basis and the straight line basis is transferred to/from non-distributable reserves.

Interest income is recognised at the effective rates of interest on a time related basis.

Income from the disposal of listed investments held for trading is recognised when risk and rewards of ownership have passed and is the difference between the net proceeds on sale and its carrying amount.

2.14 Leases

Investment properties leased out under operating leases are reflected as investment properties on the balance sheet. Where there are fixed incrementals in rental, the income is recognised on a straight line basis in terms of IAS 17 Leases.

2.15 Distributions

In terms of the Debenture Trust Deed the interest entitlement on each debenture shall be not less than 90% of the profits available for distribution, excluding profits of a capital nature.

2.16 Segment reporting

On a primary basis the Group operates in the following segments:

- Retail
- Office
- Industrial
- Corporate

On a secondary basis the Group reports on geographical locations as follows:

- Gauteng
- KwaZulu Natal
- Western Cape
- Eastern Cape
- Mpumalanga
- Other

2.17 Employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. Short-term employee benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses, staff incentive schemes and annual leave represent the amount which the Group has a present legal or constructive obligation to pay as a result of employees' services provided up to the balance sheet date.

2.18 Accounting for Black Economic Empowerment (BEE) transactions

Where equity instruments are issued in terms of BEE transactions and the fair value of the equity instruments granted is greater than the fair value of cash and other assets acquired, the difference between the fair vale of the equity instruments and the fair value of cash and other assets received is recognised in profit and loss.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Estimate of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates.

In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustment to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(b) *Principal assumptions for management's estimation of fair value*

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to the receipt of contractual rentals, expected future market rentals, maintenance requirement and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined with reference to current market rentals for similar properties in the same location and condition.

3.2 Critical judgements in applying the Group's accounting policies

*Allocation of share premium and debenture premium*

The Group has determined, in terms of the requirements of accounting standards, that the linked unit premium should be classified as debenture premium and not share premium. Debenture premium is amortised over the minimum contractual period of the debentures, namely the remaining portion of 25 years from February 2004.

*Non-distributable reserves*

The Group transfers all capital profits or losses and unrealised profits or losses to Non-distributable reserves.

In addition, balances arising due to accounting anomalies are transferred to Non-distributable reserves at the discretion of the directors and these currently comprise:

- straight line adjustments to rental income and fair value adjustments to investment properties;
- share of associate company's after tax profits;
- deferred taxation on fair value adjustments to investment properties and other financial instruments; and
- amortisation of debenture premium.
- profit and loss on revaluation of certain financial instruments.

4. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS NOT YET ADOPTED

4.1 The adoption of the following statements will not have any impact on the financial statements. Any changes required will be implemented in the accounting period commencing after the effective date.

4.1.1 *IFRIC 12 Service Concession Arrangements*
Effective for annual periods beginning on or after 1 January 2008.

4.1.2 *IFRIC 13 Customer Loyalty Programmes*
Effective for annual periods beginning on or after 1 July 2008.

4.1.3 *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
Effective for annual periods beginning on or after 1 January 2008.

4.1.4 *IFRIC 16 Hedges of a Net Investment in a Foreign Operation*
Effective for annual periods beginning on or after 1 October 2008.

4.2 The adoption of the following statements is unlikely to have a significant impact on the financial statements. Any changes required will be implemented in the accounting period commencing after the effective date.

4.2.1 *IFRS 2 Share Based Payments*
Effective for annual periods beginning on or after 1 January 2009.

4.2.2 *IFRS 3 Business Combinations*
Effective for annual periods beginning on or after 1 July 2009.

4.2.3 *IFRS 8 Operating Segments*
Effective for annual periods beginning on or after 1 January 2009.

4.2.4 *IAS 1 Presentation of Financial Statements*
Effective for annual periods beginning on or after 1 January 2009.

This statement requires financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Disclosures in the financial statements will be affected.

4.2.5 *IAS 23 Borrowing Costs*
Effective for annual periods beginning on or after 1 January 2009.

4.2.6 *IAS 27 Consolidated and Separate Financial Statements*
Effective for annual periods beginning on or after 1 July 2009.

4.2.7 *IAS 28 Investments in Associates*
Effective for annual periods beginning on or after 1 July 2009.

4.2.8 *IAS 31 Interests in Joint Ventures*
Effective for annual periods beginning on or after 1 July 2009.

4.2.9 *IAS 39 Financial Instruments: Recognition and Measurement*
Effective for annual periods beginning on or after 1 July 2009.

4.2.10 *IFRIC 15 Agreements for the Construction of Real Estate*
Effective for annual periods beginning on or after 1 January 2009.

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **5. INVESTMENT PROPERTIES** | | | | |
| **5.1 Net carrying value** | | | | |
| Cost – investment properties | 1 799 698 | 728 425 | 1 799 698 | 739 546 |
| Cost – property under development | 40 153 | 17 250 | 40 153 | 17 250 |
| Fair value surplus | 607 352 | 438 275 | 607 352 | 427 154 |
| | 2 447 203 | 1 183 950 | 2 447 203 | 1 183 950 |
| Non-current assets held for sale | (58 450) | (73 200) | (58 450) | (73 200) |
| | 2 388 753 | 1 110 750 | 2 388 753 | 1 110 750 |
| **5.2 Movement in carrying value** | | | | |
| Carrying value at beginning of the year | 1 090 638 | 809 329 | 1 090 638 | 673 558 |
| – At valuation | 1 110 750 | 824 550 | 1 110 750 | 686 350 |
| – Straight line adjustment | (20 112) | (15 221) | (20 112) | (12 792) |
| Acquisition of investment properties | 1 056 260 | 136 000 | 1 056 260 | 241 000 |
| Disposals | (8 850) | – | (8 850) | – |
| Improvements to investment properties and capitalised costs | 46 766 | 5 865 | 46 766 | 5 865 |
| – Improvements | 27 496 | 3 844 | 27 496 | 3 844 |
| – Transaction costs | 15 007 | 2 021 | 15 007 | 2 021 |
| – Capitalised interest | 4 263 | – | 4 263 | – |
| Improvements by subsidiary | – | – | – | 30 |
| Fair value adjustment | | | | |
| – At valuation | 169 077 | 217 535 | 169 077 | 250 705 |
| – Straight line adjustment | (28 718) | (4 891) | (28 718) | (4 891) |
| – Straight line adjustment from subsidiary | – | – | – | (2 429) |
| Non-current assets held for sale – Prior year | 73 200 | – | 73 200 | – |
| Non-current assets held for sale – Current year | (58 450) | (73 200) | (58 450) | (73 200) |
| Carrying value at end of the year | 2 339 923 | 1 090 638 | 2 339 923 | 1 090 638 |
| Reconciliation to valuation: | | | | |
| Add: Cumulative straight line adjustments | 48 830 | 20 112 | 48 830 | 20 112 |
| Investment properties at valuation | 2 388 753 | 1 110 750 | 2 388 753 | 1 110 750 |

5. INVESTMENT PROPERTIES *continued*

5.3 Non-current assets held for sale

Seven investment properties with a value of R58,5 million (2007: R73,2 million) have been identified to be sold. These assets do not suit the Company's investment criteria and will be marketed.

Property descriptions are detailed on pages 58 to 60 of this report.

The property portfolio is subject to mortgage bonds in favour of Absa Bank Limited and Nedbank Limited as detailed in Note 14.

The investment properties were valued by CB Richard Ellis (Proprietary) Limited, independent valuers registered in terms of Section 19 of the Property Valuers Profession Act (Act no. 47 of 2000). The valuations were done on an open-market basis and with consideration to the future earnings potential and an appropriate capitalisation rate for each property. These fair values were approved by the directors, and the ranges of discount and capitalisations rates in the respective sectors were as follows:

| Sector | Discount rates % | Terminal capitalisation rates % |
|---|---|---|
| Retail | 13,5 to 16,0 | 7,75 to 10,5 |
| Industrial | 14,5 to 17,5 | 8,5 to 12,0 |
| Offices | 14,5 to 16,5 | 9,1 to 11,0 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2008 R'000** | 2007 R'000 | **2008 R'000** | 2007 R'000 |
| **6. INVESTMENT IN ASSOCIATE COMPANY** | | | | |
| Oryx Properties Limited is a property loan stock company incorporated in Namibia and listed on the Namibian Stock Exchange. | | | | |
| The carrying value of the Group's 26,44% (2007: 26,44%) interest in Oryx comprises: | | | | |
| 14 554 269 units (at cost) | **83 998** | 83 998 | **83 998** | 83 998 |
| Cumulative share of post acquisition reserves | **49 077** | 44 721 | **–** | – |
| Carrying value | **133 075** | 128 719 | **83 998** | 83 998 |
| Directors' valuation | **133 075** | 128 719 | **133 075** | 128 719 |
| Market value | **184 839** | 133 899 | **184 839** | 133 899 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** **R'000** | 2007 R'000 | **2008** **R'000** | 2007 R'000 |
| 6. INVESTMENT IN ASSOCIATE COMPANY *continued* | | | | |
| Financial information of associate at 30 June 2008 | | | | |
| Investment properties | **690 229** | 677 623 | **690 229** | 677 623 |
| – At valuation | **715 894** | 699 281 | **715 894** | 699 281 |
| – Straight line adjustment | **(25 665)** | (21 658) | **(25 665)** | (21 658) |
| Property and equipment | **58** | 95 | **58** | 95 |
| Rent receivable – straight line adjustment | **25 568** | 20 700 | **25 568** | 20 700 |
| Deferred expenditure | **2 581** | 2 430 | **2 581** | 2 430 |
| Current assets | **22 235** | 34 350 | **22 235** | 34 350 |
| Current liabilities | **(31 639)** | (28 343) | **(31 639)** | (28 343) |
| Deferred taxation | **(69 963)** | (69 482) | **(69 963)** | (69 482) |
| Non-current liabilities | **(140 000)** | (152 003) | **(140 000)** | (152 003) |
| Net asset value | **499 069** | 485 370 | **499 069** | 485 370 |
| Group's share of income | | | | |
| Results for the year to 30 June 2008 | | | | |
| Rental revenue before straight line adjustments | **84 267** | 76 379 | **–** | – |
| Profit before finance costs | **89 253** | 138 359 | **–** | – |
| Finance costs | **(15 412)** | (15 104) | **–** | – |
| Debenture interest | **(48 849)** | (45 496) | **–** | – |
| Profit before taxation | **24 992** | 77 759 | **–** | – |
| Taxation | **(3 319)** | (21 874) | **–** | – |
| Net profit for the year | **21 673** | 55 885 | **–** | – |
| Group's share of reserves | **4 356** | 17 792 | **–** | – |
| Group's share of profit after tax | **4 356** | 17 792 | **–** | – |
| Income received from associate | | | | |
| Debenture interest | **12 935** | 15 391 | **12 935** | 15 391 |
| Share of retained income | **4 356** | 17 792 | **–** | – |
| | **17 291** | 33 183 | **12 935** | 15 391 |

Oryx has a 30 June year-end, however there were no significant items between that date and 30 September 2008 that required adjustment.

Guarantee

The Company's investment in Oryx is pledged as security for obligations in connection with the borrowing facilities set out in Note 14.

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **7. STRAIGHT LINE ADJUSTMENT** | | | | |
| Balance at the beginning of the year | **20 112** | 15 221 | **20 112** | 12 792 |
| Transfer of balance from subsidiary | **–** | – | **–** | 2 429 |
| Movement on investment properties sold | **(113)** | – | **(113)** | – |
| Current year movement | **28 831** | 4 891 | **28 831** | 4 891 |
| Balance at the end of the year | **48 830** | 20 112 | **48 830** | 20 112 |
| Current portion | **(6 264)** | (3 367) | **(6 264)** | (3 367) |
| Non-current portion | **42 566** | 16 745 | **42 566** | 16 745 |

The international accounting standard on operating leases (IAS 17) requires that lease income be recognised in the income statement on a straight line basis over the lease term. Straight line recognition means that the payments over the lease term are aggregated and divided by the lease term in order to arrive at the monthly charge. The straight line method results in an equal impact in the income statement in each reporting period irrespective of the fact that the cash flows differ. The cumulative difference between the amounts recognised in the income statement and the cash flows is recognised on the balance sheet.

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **8. LISTED PROPERTY INVESTMENT HELD FOR TRADING** | | | | |
| Historical cost | **9 996** | – | **9 996** | – |
| SA Corporate Real Estate Fund (3 611 000 units) | **9 996** | – | **9 996** | – |
| Adjustment to fair value | **(1 510)** | – | **(1 510)** | – |
| | **8 486** | – | **8 486** | – |

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **9. TRADE AND OTHER RECEIVABLES** | | | | |
| Significant balances in receivables are: | | | | |
| Adjustment accounts | **91** | 1 278 | **91** | 1 278 |
| Municipal deposits | **625** | 309 | **625** | 309 |
| Municipal recoveries | **5 025** | 2 020 | **5 025** | 2 020 |
| Oryx distribution | **3 147** | 9 388 | **3 147** | 9 388 |
| Prepaid expenditure | **36** | 3 426 | **36** | 3 426 |
| Tenant receivables net of impairment | **3 277** | 1 803 | **3 277** | 1 803 |
| Tenant receivables | **4 503** | 2 243 | **4 503** | 2 243 |
| Impairment | **(1 226)** | (440) | **(1 226)** | (440) |
| Vat receivable | **887** | 887 | **887** | 887 |
| Sundry recoveries | **3 569** | 4 619 | **3 569** | 4 619 |
| | **16 657** | 23 730 | **16 657** | 23 730 |

# Notes to the annual financial **statements**

***continued*** *for the year ended 30 September 2008*

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **10. CASH AND CASH EQUIVALENTS** | | | | |
| Cash on call | **138 173** | 48 637 | **138 173** | 48 637 |
| Current accounts | **14 034** | 1 440 | **14 034** | 1 440 |
| | **152 207** | 50 077 | **152 207** | 50 077 |
| **11. SHARE CAPITAL** | | | | |
| Authorised | | | | |
| 2 000 000 000 ordinary shares of 1 cent each | **20 000** | 20 000 | **20 000** | 20 000 |
| Issued | | | | |
| 504 572 357 (2007: 229 657 439) ordinary shares of 1 cent each | **5 046** | 2 297 | **5 046** | 2 297 |

In order to fund property acquisitions, the following units were issued during the year:

| | Number units | Effective date | Issue price (cpu) |
|---|---|---|---|
| Part of the African Alliance acquisitions | 127 027 028 | November 2007 | 370 |
| Part of the African Alliance acquisitions | 59 459 459 | December 2007 | 370 |
| 11 Diagonal Street acquisition | 57 882 353 | December 2007 | 425 |
| West Street Parkade acquisition | 13 529 412 | December 2007 | 425 |
| Resolution Health building acquisition | 17 016 666 | September 2008 | 360 |

Additional pro rata amounts were received in respect of the interim and final distributions subsequently paid on these units.

Each share is linked to a debenture, which together comprise a linked unit (refer Note 13).

The unissued shares are under the control of the directors, until the next Annual General Meeting.

*for the year ended 30 September 2008*

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **12. NON-DISTRIBUTABLE RESERVES** | | | | |
| Balance at beginning of the year | **370 549** | 190 886 | **325 828** | 134 873 |
| Movement: | | | | |
| Revaluation/disposal of investment properties (net of deferred tax) | **144 610** | 158 274 | **144 610** | 178 641 |
| Undistributed equity accounted income | **4 356** | 17 792 | **–** | – |
| Amortisation of debenture premium | **24 665** | 3 597 | **24 665** | 3 597 |
| Profit on disposal of investment properties | **1 197** | – | **1 197** | – |
| Fair value adjustment on listed property investment (net of deferred tax) | **(1 087)** | – | **(1 087)** | – |
| Fair value adjustment on interest rate swap (net of deferred tax) | **(271)** | – | **(271)** | – |
| Transfer of non-distributable reserves from subsidiary | **–** | – | **–** | 8 717 |
| Straight line adjustments: | | | | |
| – Rental accrued in advance (net of deferred taxation) | **20 677** | 3 473 | **20 677** | 3 473 |
| – Revaluation effect (net of deferred taxation) | **(20 677)** | (3 473) | **(20 677)** | (3 473) |
| Balance at end of the year | **544 019** | 370 549 | **494 942** | 325 828 |
| Comprising: | | | | |
| Capital reserves | | | | |
| Realised capital surpluses net of capital gains tax | **7 123** | 5 926 | **7 123** | 5 926 |
| Unrealised | **458 631** | 315 002 | **458 631** | 315 002 |
| – Revaluations | **607 356** | 438 279 | **607 356** | 427 211 |
| – Fair value adjustment of listed property investment | **(1 510)** | – | **(1 510)** | – |
| – Non-distributable reserves transferred from subsidiary | **–** | – | **–** | 11 068 |
| – Deferred taxation | **(147 215)** | (123 277) | **(147 215)** | (123 277) |
| Straight line adjustments | | | | |
| – Rental accrued in advance (net of deferred taxation) | **35 158** | 14 280 | **35 158** | 14 280 |
| – Revaluation effect (net of deferred taxation) | **(35 158)** | (14 280) | **(35 158)** | (14 280) |
| Fair value adjustment of interest rate swap | **(377)** | – | **(377)** | – |
| Amortisation of debenture premium | **31 929** | 7 264 | **31 929** | 7 264 |
| Share of associate retained earnings | **46 713** | 42 357 | **(2 364)** | (2 364) |
| | **544 019** | 370 549 | **494 942** | 325 828 |

The reserves arise from the revaluation or realisation of investment properties, the fair value adjustment to other financial instruments, the adjustment to rental required for straight lining in terms of IAS 17, the amortisation of debenture premium and the share of the associate's retained earnings. The unrealised capital reserve is not distributable.

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **13. DEBENTURES** | | | | |
| Authorised | | | | |
| 2 000 000 000 unsecured variable rate debentures of 180 cents each | **3 600 000** | 3 600 000 | **3 600 000** | 3 600 000 |
| Issued | | | | |
| 504 572 357 (2007: 229 657 439) unsecured variable rate debentures of 180 cents each | **908 230** | 413 383 | **908 230** | 413 383 |
| In terms of the Debenture Trust Deed, the interest entitlement of every debenture linked to each ordinary share shall not be less than 90% of the profits available for distribution, excluding profits of a capital nature. The interest is payable bi-annually. The debentures are redeemable at the option of the holder after 25 years from the first allotment date (i.e. 2029). | | | | |
| Debenture premium | | | | |
| Premium arising on listing | **28 361** | 28 361 | **28 361** | 28 361 |
| Subsequent issues | **643 973** | 86 809 | **643 973** | 86 809 |
| Accumulated issue expenses | **(4 063)** | (4 063) | **(4 063)** | (4 063) |
| Amortisation of debenture premium | | | | |
| – Prior years | **(7 264)** | (3 667) | **(7 264)** | (3 667) |
| – Current year | **(24 665)** | (3 597) | **(24 665)** | (3 597) |
| | **636 342** | 103 843 | **636 342** | 103 843 |
| **14. INTEREST BEARING BORROWINGS** | | | | |
| 14.1 Absa Bank Limited | | | | |
| Loan bearing interest at 9,75% per annum until 28/10/2007, and prime less 2,0% thereafter | **–** | 25 000 | **–** | 25 000 |
| Loan bearing interest at 10.12% per annum until 26/08/2008, and prime less 2,0% thereafter | **–** | 25 000 | **–** | 25 000 |
| Loan bearing interest at 9,65% per annum until 28/02/2012, and prime less 2,0% thereafter | **40 000** | 40 000 | **40 000** | 40 000 |
| Loan bearing interest at 9,87% per annum until 04/04/2012, and prime less 2,0% thereafter | **40 000** | 40 000 | **40 000** | 40 000 |
| Loan bearing interest at prime less 2,0% per annum | **101 108** | 31 190 | **101 108** | 31 190 |
| | **181 108** | 161 190 | **181 108** | 161 190 |

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| 14. INTEREST BEARING BORROWINGS *continued* | | | | |
| 14.2 Nedbank Limited | | | | |
| Loan bearing interest at 10,77% per annum until 28/02/2009, and prime less 2,0% thereafter | **1 354** | 1 354 | **1 354** | 1 354 |
| Loan bearing interest at 8,82% per annum until 09/03/2009, and prime less 2,0% thereafter | **75 000** | 75 000 | **75 000** | 75 000 |
| Loan bearing interest at 10,66% per annum until 06/09/2010, and prime less 2,0% thereafter | **30 000** | 30 000 | **30 000** | 30 000 |
| Loan bearing interest at prime less 2,0% per annum | **74 753** | 54 836 | **74 753** | 54 836 |
| | **181 107** | 161 190 | **181 107** | 161 190 |
| The loans detailed above in 14.1 and 14.2 are secured by first mortgage bonds over the property portfolio which has a fair value of R2,447 million (2007: R1,184 million) and by a pledge of the Group's investment in Oryx which has a value of R133,1 million (2007: R128,7 million). | | | | |
| The Absa and Nedbank loans are repayable on 30/01/2014. | | | | |
| 14.3 BP Southern Africa (Proprietary) Limited | **260** | 320 | **260** | 320 |
| This loan does not bear interest and is repayable in monthly instalments of R5 000 until January 2012. | | | | |
| It is secured over Section 92 Nedbank Plaza, Pietermaritzburg which has a fair value of R2 250 000 | | | | |
| | **362 475** | 322 700 | **362 475** | 322 700 |
| The Company's Articles of Association limit the Group's borrowing capacity (excluding debentures) to 60% of its consolidated total assets. | | | | |
| Borrowing capacity | **1 654 577** | 831 885 | **1 654 577** | 831 885 |
| Borrowing facility with Absa Bank Limited and Nedbank Limited | **796 694** | 796 694 | **796 694** | 796 694 |
| Less: Borrowings | **(362 215)** | (322 380) | **(362 215)** | (322 380) |
| Unutilised borrowing facility | **434 479** | 474 314 | **434 479** | 474 314 |

An overdraft facility of R5 million exists with Absa Bank Limited, of which R1,4 million (2007: R0,8 million) has been utilised for municipal guarantees. With the exception of the guarantees issued, the overdraft bears interest at prime less 2%, with no security and is repayable on demand.

During the year the Company entered into a three year swap agreement with ABSA Bank Limited whereby the interest rate of prime less 2% per annum, on an amount of R40 million was swapped for an all inclusive fixed rate of 12,07%.

Interest bearing borrowings are measured at amortised cost whose fair value is substantially the same as the carrying amount reflected on the balance sheet.

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **15. DEFERRED TAXATION LIABILITY** | | | | |
| Movements in deferred taxation | | | | |
| Balance at beginning of the year | **123 819** | 64 499 | **123 819** | 51 666 |
| Charged to the income statement | **23 938** | 59 320 | **23 938** | 72 153 |
| Deferred taxation on revaluation of investment properties | **28 326** | 59 038 | **28 326** | 71 871 |
| Straight line adjustment – revaluation | **8 041** | (1 418) | **8 041** | (1 418) |
| Straight line adjustment – rental | **(8 041)** | 1 418 | **(8 041)** | 1 418 |
| Other temporary differences | **(529)** | 282 | **(529)** | 282 |
| Statutory rate change | **(4 270)** | – | **(4 270)** | – |
| Utilisation of assessed loss | **411** | – | **411** | – |
| Balance at end of the year | **147 757** | 123 819 | **147 757** | 123 819 |
| Temporary differences | | | | |
| Tax loss and other temporary differences | **(3 179)** | 761 | **(3 179)** | 761 |
| Deferred taxation on revaluation of investment properties | **150 936** | 123 058 | **150 936** | 123 058 |
| | **147 757** | 123 819 | **147 757** | 123 819 |

Deferred taxation has been raised at the corporate tax rate of 28% in all instances except in the case of revaluation surpluses applicable to investment property held for sale and land, where deferred tax is raised at the capital gains tax rate of 14%.

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **16. TRADE AND OTHER PAYABLES** | | | | |
| Trade payables | **5 591** | 2 357 | **5 591** | 2 357 |
| Deposit due to property vendor | **6 426** | – | **6 426** | – |
| Rental received in advance | **6 610** | – | **6 610** | – |
| Municipal expenses | **5 626** | 5 685 | **5 626** | 5 685 |
| Tenant deposits | **4 986** | 160 | **4 986** | 160 |
| Value added taxation | **3 041** | 1 019 | **3 041** | 1 019 |
| Fair value of interest rate swap | **377** | – | **377** | – |
| Other payables | **3 328** | 201 | **3 328** | 201 |
| | **35 985** | 9 422 | **35 985** | 9 422 |
| **17. RENTAL REVENUE** | | | | |
| Rental revenue before straight line adjustments | **195 840** | 99 402 | **195 840** | 94 373 |
| Recoveries | **33 187** | 19 045 | **33 187** | 18 225 |
| | **229 027** | 118 447 | **229 027** | 112 598 |

# Notes to the annual financial statements *continued*

*for the year ended 30 September 2008*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2008 R'000** | 2007 R'000 | **2008 R'000** | 2007 R'000 |
| 18, | PROPERTY EXPENSES | | | | |
| | Property expenses include the following major categories: | | | | |
| | Body corporate levies | **2 211** | 2 178 | **2 211** | 2 178 |
| | Cleaning | **2 402** | 1 402 | **2 402** | 1 393 |
| | Collection commission | **4 836** | 3 000 | **4 836** | 2 840 |
| | Electricity | **10 345** | 5 751 | **10 345** | 5 564 |
| | Rates and taxes | **11 476** | 6 655 | **11 476** | 6 192 |
| | Security | **3 311** | 1 850 | **3 311** | 1 770 |
| | Water | **2 834** | 1 158 | **2 834** | 1 129 |
| | Other | **10 694** | 7 082 | **10 694** | 6 677 |
| | | **48 109** | 29 076 | **48 109** | 27 743 |
| 19. | INTEREST INCOME | | | | |
| | Bank | **1 623** | 243 | **1 623** | 230 |
| | Receivables | **933** | 148 | **933** | 161 |
| | Subsidiary company | **–** | – | **–** | 4 516 |
| | | **2 556** | 391 | **2 556** | 4 907 |
| 20. | FINANCE COSTS | | | | |
| | Interest bearing borrowings | **27 157** | 27 324 | **27 157** | 27 324 |
| | Capitalised | **(4 263)** | – | **(4 263)** | – |
| | | **22 894** | 27 324 | **22 894** | 27 324 |
| 21. | ADMINISTRATIVE EXPENSES | | | | |
| | Announcements and annual report | **462** | 364 | **462** | 364 |
| | Asset management fees (net of salary costs) | **8 102** | 4 714 | **8 102** | 4 714 |
| | Insurance | **56** | 60 | **56** | 60 |
| | JSE fees | **164** | 144 | **164** | 144 |
| | Professional fees | **300** | 8 | **300** | 8 |
| | Publications, printing and advertising | **314** | 93 | **314** | 93 |
| | Sponsor fees | **71** | 67 | **71** | 67 |
| | Subscriptions | **309** | 196 | **309** | 196 |
| | Travel | **315** | 159 | **315** | 159 |
| | Trustees | **63** | 67 | **63** | 67 |
| | Valuations | **277** | 307 | **277** | 307 |
| | Other | **216** | 362 | **216** | 362 |
| | | **10 649** | 6 541 | **10 649** | 6 541 |

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **22. CORPORATE EXPENSES** | | | | |
| Bad debts and movement in doubtful debt provision | 1 201 | 413 | 1 201 | 413 |
| – movement in doubtful debt provision | 786 | (30) | 786 | (30) |
| – bad debts written off | 415 | 443 | 415 | 443 |
| Auditor's remuneration | 881 | 403 | 881 | 403 |
| – audit fee | 694 | 403 | 694 | 403 |
| – other services | 325 | 260 | 325 | 260 |
| Less: fees capitalised to investment properties | (138) | (260) | (138) | (260) |
| Directors' emoluments: | | | | |
| Executive – salary, benefits and other emoluments | 2 088 | 1 368 | 2 088 | 1 368 |
| Non-executive – fees | 540 | 407 | 540 | 407 |
| Transaction costs excluding auditor's remuneration | 3 231 | – | 3 231 | – |
| Other | 15 | 74 | 15 | 74 |
| | 7 956 | 2 665 | 7 956 | 2 665 |
| *For further details on directors' remuneration refer page 25.* | | | | |
| **23.1 DEBENTURE INTEREST** | | | | |
| – half year | 84 347 | 34 773 | 84 347 | 34 773 |
| – final | 96 878 | 40 095 | 96 878 | 40 095 |
| | 181 225 | 74 868 | 181 225 | 74 868 |
| **23.2 Prepaid distributions received and refunded** | | | | |
| Navigator portfolio | – | 6 245 | – | 6 245 |
| African Alliance portfolio | 18 439 | – | 18 439 | – |
| 11 Diagonal Street & West Street Parkade | 4 592 | – | 4 592 | – |
| Resolution Health | 2 760 | – | 2 760 | – |
| | 25 791 | 6 245 | 25 791 | 6 245 |

*for the year ended 30 September 2008*

| | Group 2008 R'000 | Group 2007 R'000 | Company 2008 R'000 | Company 2007 R'000 |
|---|---|---|---|---|
| **24. TAXATION EXPENSE** | | | | |
| South African normal taxation | | | | |
| Current | – | – | – | – |
| Capital Gains Taxation | – | (59) | – | (59) |
| Deferred taxation | | | | |
| Current | 27 797 | 59 320 | 27 797 | 72 144 |
| Rate change | (4 270) | – | (4 270) | – |
| Utilisation of assessed loss | 411 | – | 411 | – |
| | 23 938 | 59 261 | 23 938 | 72 085 |
| | % | % | % | % |
| Reconciliation of effective tax rate: | | | | |
| Statutory rate | 28,0 | 29,0 | 28,0 | 29,0 |
| Share of associate company's profits | (0,6) | (2,2) | – | – |
| Non-taxable income | (3,5) | (0,4) | (3,6) | (0,4) |
| Rate change | (2,2) | – | (2,2) | – |
| Utilised assessed loss | 0,2 | – | 0,2 | – |
| Disallowable expenditure | – | 0,1 | – | 0,1 |
| Revaluation of non-current assets held for sale | (0,4) | (1,7) | (0,4) | (1,5) |
| Revaluation of land | (9,4) | – | (9,6) | – |
| | 12,1 | 24,8 | 12,4 | 27,2 |
| **25. HEADLINE EARNINGS** | | | | |
| Net profit (earnings) – shares | 173 470 | 179 663 | 169 114 | 193 285 |
| Debenture interest | 155 434 | 68 623 | 155 434 | 68 623 |
| Net profit (earnings) – linked units | 328 904 | 248 286 | 324 548 | 261 908 |
| Net change in fair value of investment properties | (123 933) | (154 801) | (123 933) | (186 215) |
| Gross | (140 359) | (212 644) | (140 359) | (212 644) |
| Deferred tax | 16 426 | 57 843 | 16 426 | 26 429 |
| Net profit on disposal of investment properties | (1 197) | – | (1 197) | – |
| Gross | (1 197) | – | (1 197) | – |
| Deferred tax | – | – | – | – |
| Amortisation of debenture premium | (24 665) | (3 597) | (24 665) | (3 597) |
| Share of associate company's after tax profit | (4 356) | (17 792) | – | – |
| Headline earnings | 174 753 | 72 096 | 174 753 | 72 096 |
| Reconciliation to undistributed income: | | | | |
| Rental straight line adjustment – net of deferred tax | (20 677) | (3 473) | (20 677) | (3 473) |
| Change in fair value of listed property investment – net of deferred tax | 1 087 | – | 1 087 | – |
| Change in fair value of interest rate swaps – net of deferred tax | 271 | – | 271 | – |
| Distributable earnings | 155 434 | 68 623 | 155 434 | 68 623 |
| Debenture interest | (155 434) | (68 623) | (155 434) | (68 623) |
| Undistributed income | – | – | – | – |
| | cents | cents | cents | cents |
| Headline earnings per linked unit* | 39,36 | 34,61 | 39,36 | 34,61 |

* *Based on weighted average number of linked units of 443 965 149 (2007: 208 295 318).*

| | Group | | Company | |
|---|---|---|---|---|
| | **2008 R'000** | 2007 R'000 | **2008 R'000** | 2007 R'000 |
| **26. CASH GENERATED BY OPERATING ACTIVITIES** | | | | |
| Profit before taxation | **197 408** | 238 924 | **193 052** | 265 370 |
| Adjusted for: | **(213 423)** | (254 706) | **(209 067)** | (274 634) |
| Straight line adjustment | **(28 718)** | (4 891) | **(28 718)** | (4 891) |
| Amortisation of debenture premium | **(24 665)** | (3 597) | **(24 665)** | (3 597) |
| Share of associate company's after tax profits | **(4 356)** | (17 792) | **–** | (34) |
| Change in fair value of investment properties | **(138 849)** | (212 644) | **(138 849)** | (245 814) |
| Change in fair value on interest rate swap | **377** | – | **377** | – |
| Profit on disposal of investment properties | **(1 197)** | – | **(1 197)** | – |
| Interest income | **(16 015)** | (15 782) | **(16 015)** | (20 298) |
| Debenture interest | **155 434** | 68 623 | **155 434** | 68 623 |
| Finance costs | **22 894** | 27 324 | **22 894** | 27 324 |
| Cash generated from operations before working capital changes | **162 313** | 80 165 | **162 313** | 86 683 |
| Decrease/(increase) in trade and other receivables | **7 073** | (17 954) | **7 073** | (19 352) |
| Increase in trade and other payables | **45 121** | 335 | **45 121** | 1 542 |
| Decrease in taxation payable | **–** | (308) | **–** | (295) |
| Cash generated by operating activities | **214 507** | 62 238 | **214 507** | 68 578 |
| **27. DISTRIBUTIONS PAID TO LINKED UNITHOLDERS** | | | | |
| Debenture interest paid | | | | |
| Amounts unpaid at beginning of the year | **(40 099)** | (29 098) | **(40 099)** | (29 098) |
| Amounts charged to the income statement | **(155 434)** | (68 623) | **(155 434)** | (68 623) |
| Amounts unpaid at end of the year | **96 975** | 40 099 | **96 975** | 40 099 |
| | **(98 558)** | (57 622) | **(98 558)** | (57 622) |

## 28. COMMITMENTS

Capital commitments

Authorised capital improvements still to be spent on investment properties total R14,8 million with R7,8 million earmarked for The Link development. The balance of the project is subject to approval following the successful conclusion of the leasing programme. The remaining R7 million will be spent on Park Meadows.

There are no significant operating expense commitments.

| | Group | | Company | |
|---|---|---|---|---|
| | **2008 R'000** | 2007 R'000 | **2008 R'000** | 2007 R'000 |
| **29. LEASES** | | | | |
| The future minimum lease commitments receivable under non-cancellable operating leases are as follows: | | | | |
| Not later than 1 year | **229 518** | 116 242 | **229 518** | 116 242 |
| Later than 1 year and not later than 5 years | **702 426** | 231 923 | **702 426** | 231 923 |
| Later than 5 years | **402 868** | 28 245 | **402 868** | 28 245 |
| | **1 334 812** | 376 410 | **1 334 812** | 376 410 |

Ambit enters into lease contracts with tenants in exchange for their use of the property.

# Notes to the annual financial **statements** *continued*

*for the year ended 30 September 2008*

| | Retail R'000 | Office R'000 | Industrial R'000 | Corporate R'000 | Total R'000 |
|---|---|---|---|---|---|
| **30. SEGMENT INFORMATION** | | | | | |
| All items are stated before straight line adjustments. | | | | | |
| BUSINESS SECTORS | | | | | |
| 2008 | | | | | |
| Group | | | | | |
| Income statement | | | | | |
| Rental | **84 607** | **122 629** | **21 791** | **–** | **229 027** |
| Net property income | **64 023** | **99 160** | **17 735** | **–** | **180 918** |
| Change in fair value of investment properties | **58 697** | **63 017** | **47 363** | **–** | **169 077** |
| Balance sheet | | | | | |
| Assets | | | | | |
| Investment properties | **815 453** | **1 379 000** | **194 300** | **–** | **2 388 753** |
| Trade and other receivables | **5 760** | **4 145** | **(485)** | **7 237** | **16 657** |
| Non-current assets held for sale | **21 800** | **–** | **36 650** | **–** | **58 450** |
| Liabilities | | | | | |
| Deferred taxation liability | **77 189** | **44 518** | **26 261** | **(211)** | **147 757** |
| Trade and other payables | **6 861** | **17 233** | **1 392** | **10 499** | **35 985** |
| 2007 | | | | | |
| Group | | | | | |
| Income statement | | | | | |
| Rental | 66 700 | 32 262 | 19 485 | – | 118 447 |
| Net property income | 50 282 | 23 508 | 15 581 | – | 89 371 |
| Change in fair value of investment properties | 97 175 | 84 184 | 36 176 | – | 217 535 |
| Balance sheet | | | | | |
| Assets | | | | | |
| Investment properties | 669 850 | 292 500 | 148 400 | – | 1 110 750 |
| Trade and other receivables | 3 628 | 4 000 | 1 211 | 14 891 | 23 730 |
| Non-current assets held for sale | 6 100 | 29 100 | 38 000 | – | 73 200 |
| Liabilities | | | | | |
| Deferred taxation liability | 68 654 | 34 009 | 20 379 | 777 | 123 819 |
| Trade and other payables | 3 340 | 2 307 | 1 453 | 2 322 | 9 422 |

# Notes to the annual financial **statements**

***continued*** *for the year ended 30 September 2008*

| | Gauteng R'000 | KwaZulu-Natal R'000 | Western Cape R'000 | Eastern Cape R'000 | Mpuma-langa R'000 | Other R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **30. SEGMENT INFORMATION** *continued* | | | | | | | |
| GEOGRAPHICAL | | | | | | | |
| 2008 | | | | | | | |
| Group | | | | | | | |
| Income statement | | | | | | | |
| Rental | 153 792 | 32 968 | 32 009 | 2 747 | 5 842 | 1 669 | 229 027 |
| Net property income | 123 744 | 22 507 | 26 626 | 2 155 | 4 512 | 1 374 | 180 918 |
| Change in fair value of investment properties | 150 106 | 16 631 | (3 480) | 2 300 | 2 800 | 720 | 169 077 |
| Balance sheet | | | | | | | |
| Investment properties | 1 730 100 | 245 353 | 362 000 | – | 51 300 | – | 2 388 753 |
| Non-current assets held for sale | – | 25 200 | – | 21 800 | – | 11 450 | 58 450 |
| 2007 | | | | | | | |
| Group | | | | | | | |
| Income statement | | | | | | | |
| Rental | 74 836 | 29 006 | 5 796 | 2 285 | 5 457 | 1 067 | 118 447 |
| Net property income | 57 650 | 19 809 | 4 897 | 1 906 | 4 198 | 911 | 89 371 |
| Change in fair value of investment properties | 144 641 | 53 668 | 9 437 | 4 100 | 4 800 | 889 | 217 535 |
| Balance sheet | | | | | | | |
| Investment properties | 774 900 | 199 250 | 68 600 | 19 500 | 48 500 | – | 1 110 750 |
| Non-current assets held for sale | 15 800 | 36 200 | 6 100 | – | – | 15 100 | 73 200 |

## 31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist primarily of cash and cash equivalents, including cash deposits with banks, investments, trade and other receivables, derivative instruments, debentures, payables and interest bearing borrowings. All these financial instruments are carried at cost or amortised cost. The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

In the normal course of its operations, the Group is *inter alia* exposed to credit, liquidity and market risk.

In order to manage these risks, the Group may enter into transactions which make use of derivatives. The Group does not speculate in or engage in the trading of derivative instruments.

### CREDIT RISK

Credit risk is the risk of financial loss to the Group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations. The Group's financial assets that are potentially subject to credit risk include cash deposits with banks, derivatives, investment securities and trade and other receivables.

### Cash deposits and derivatives

Exposure to credit risk is limited by investing liquid funds and entering into derivative financial instruments only with reputable financial institutions.

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *continued*

CREDIT RISK *continued*

Trade and other receivables

Credit risk with respect to trade and other receivables is limited due to the large and diverse tenant base. Continuous attention is paid to the financial position of tenants. Management did not consider there to be any material risk exposure. Provision is made for impairment where necessary. In addition tenant creditworthiness is thoroughly assessed before leases are signed and where possible include the provision of a deposit of at least one month's rental. When available the credit review includes external ratings.

Investments

Credit risk with respect to investments is limited to only investing in liquid securities and only with counterparties that are listed on a recognised stock exchange. Reputable financial institutions are used for investing and cash handling purposes.

| | Group | | Company | |
|---|---|---|---|---|
| | **2008 R'000** | 2007 R'000 | **2008 R'000** | 2007 R'000 |
| Exposure to credit risk | | | | |
| The carrying amount of financial assets represents the maximum credit exposure. | | | | |
| The maximum exposure to credit risk at the reporting date was: | | | | |
| Loans and receivables | | | | |
| Trade and other receivables | **16 657** | 23 730 | **16 657** | 23 730 |
| Tenant receivables (net of impairment) | **3 277** | 1 803 | **3 277** | 1 803 |
| Other receivables | **13 380** | 21 927 | **13 380** | 21 927 |
| Cash and cash equivalents | **152 207** | 50 077 | **152 207** | 50 077 |
| Financial assets at fair value through profit or loss | | | | |
| Listed property investment | **8 486** | – | **8 486** | – |
| Aging of tenant receivables at reporting date | | | | |
| Past due 0 – 30 days | **2 137** | 952 | **2 137** | 952 |
| Past due 31 – 60 days | **528** | 541 | **528** | 541 |
| Past due 61 – 90 days | **253** | 204 | **253** | 204 |
| Past due > 90 days | **1 585** | 546 | **1 585** | 546 |
| Total | **4 503** | 2 243 | **4 503** | 2 243 |
| Receivables are considered to be "past due" when they are uncollected one day or more beyond their contractual due date. | | | | |
| Impairment losses | | | | |
| The impairment adjustment to specifically impaired receivables at 30 September 2008 was R1 226 000 (2007: R440 000)net of tenant deposits or gurantees held as security and value added tax. | | | | |
| The specifically impaired receivables relate to tenants who have either been summonsed for non-payment or vacated the premises. | | | | |
| The maximum credit exposure at balance sheet date was R4 503 000 (2007: R2 243 000) | | | | |
| Past due 0 – 30 days | 45 | 2 | 45 | 2 |
| Past due 31 – 60 days | 101 | 6 | 101 | 6 |
| Past due 61 – 90 days | 166 | 12 | 166 | 12 |
| Past due > 90 days | 914 | 420 | 914 | 420 |
| Total | 1 226 | 440 | 1 226 | 440 |

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *continued*

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, with out incurring unacceptable losses or risking damage to the Group's reputation.

The Group daily monitors cashflows to ensure funding requirements are met, whilst ensuring surplus cash is invested in a manner to achieve maximum returns.

The table below sets out the contractual maturities of financial liabilities. No interest payments have been included as the amounts involved are dependent on future changes in interest rates.

| | Within 1 year R'000 | 1 – 2 years R'000 | 2 – 5 years R'000 | Over 5 years R'000 | Total R'000 |
|---|---|---|---|---|---|
| 2008 | | | | | |
| Group | | | | | |
| Financial liabilities at amortised cost | | | | | |
| Secured interest bearing borrowings | **–** | **–** | **–** | **362 215** | **362 215** |
| Secured non-interest bearing borrowings | **60** | **60** | **140** | **–** | **260** |
| Trade and other payables | **35 985** | **–** | **–** | **–** | **35 985** |
| Guarantee deposit | **20 435** | **–** | **–** | **–** | **20 435** |
| Debentures | **–** | **–** | **–** | **908 230** | **908 230** |
| Debenture interest | **96 975** | **–** | **–** | **–** | **96 975** |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivatives | **377** | **–** | **–** | **–** | **377** |
| 2007 | | | | | |
| Group | | | | | |
| Financial liabilities at amortised cost | | | | | |
| Secured interest bearing borrowings | – | – | – | 322 380 | 322 380 |
| Secured non-interest bearing borrowings | 60 | 60 | 180 | 20 | 320 |
| Trade and other payables | 9 422 | – | – | – | 9 422 |
| Debentures | – | – | – | 413 383 | 413 383 |
| Debenture interest | 40 099 | – | – | – | 40 099 |
| 2008 | | | | | |
| Company | | | | | |
| Financial liabilities at amortised cost | | | | | |
| Secured interest bearing borrowings | **–** | **–** | **–** | **362 215** | **362 215** |
| Secured non-interest bearing borrowings | **60** | **60** | **140** | **–** | **260** |
| Trade and other payables | **35 985** | **–** | **–** | **–** | **35 985** |
| Guarantee deposit | **20 435** | **–** | **–** | **–** | **20 435** |
| Debentures | **–** | **–** | **–** | **908 230** | **908 230** |
| Debenture interest | **96 975** | **–** | **–** | **–** | **96 975** |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivatives | **377** | **–** | **–** | **–** | **377** |
| 2007 | | | | | |
| Company | | | | | |
| Financial liabilities at amortised cost | | | | | |
| Secured interest bearing borrowings | – | – | – | 322 380 | 322 380 |
| Secured non-interest bearing borrowings | 60 | 60 | 180 | 20 | 320 |
| Trade and other payables | 9 422 | – | – | – | 9 422 |
| Debentures | – | – | – | 413 383 | 413 383 |
| Debenture interest | 40 099 | – | – | – | 40 099 |

| | Group 2008 R'000 | Group 2007 R'000 |
|---|---|---|
| 31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *continued* | | |
| LIQUIDITY RISK *continued* | | |
| Borrowing capacity | | |
| 60% of total assets | **1 654 577** | 831 885 |
| Less: Borrowings | **(362 475)** | (322 700) |
| Unutilised borrowing capacity | **1 292 102** | 509 185 |

MARKET RISK

Market risk is the risk that the changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group is mainly exposed to interest rate risk and adopts a policy of ensuring that at least 60% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into debt fixing and interest rate swaps.

Swap contracts are entered into, whereby the Group swaps its variable rate obligation for a fixed rate obligation.

| | Swap maturity | Nominal amount R'000 | Fixed rate % | Fair value adjustment R'000 |
|---|---|---|---|---|
| Details of interest rate swap contracts at 30 September 2008 | 01 April 2011 | 40 000 | 12,07 | (377) |

Currency risk

The Group has no exposure to currency risk.

Other market price risk

Equity price risk arises from the investment in listed investments which are carried at fair value. Fair value adjustments are recognised through profit or loss. All buy and sell decisions are approved by the directors.

Capital management

The Board's policy is to maintain a strong capital base, comprising its unitholders' interest, so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is the Group's stated purpose to deliver long-term sustainable growth in distributions per unit. At least 90% of profits, as defined in the debenture trust deed, are distributed on a six monthly basis. The Board of directors monitors the level of distributions to unitholders and ensures compliance with the terms of the debenture trust deed and that no profits of a capital nature are distributed. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

32. RELATED PARTY TRANSACTIONS

During the year, the Company, in the ordinary course of business, entered into various transactions with related parties. These transactions occurred under terms that are no more favourable than those with third parties.

| Party concerned | Transaction type | Group 2008 R'000 | 2007 R'000 |
|---|---|---|---|
| Amounts expensed to the income statement | | | |
| Ambit Management Services (Proprietary) Limited* | Asset management fees | **8 102** | 4 714 |
| Ambit Management Services (Proprietary) Limited* | Collection commission | **645** | – |
| Ambit Management Services (Proprietary) Limited* | Transaction fees | **3 205** | – |
| Absa Bank Limited | Interest paid on loans | **13 974** | 13 707 |
| Amounts credited to the income statement | | | |
| Absa Bank Limited | Bank interest received | **1 623** | 243 |
| | Interest received on Swap agreement | **239** | – |
| | Interest received (prepaid distribution on issue of units) | **7 352** | 3 449 |
| Oryx Properties Limited | Interest received | **12 935** | 15 391 |
| | Share of after tax profits | **4 356** | 17 792 |
| | Fees for directorship | **28** | 36 |
| Property acquisitions | | | |
| Absa Bank Limited | Corporate advice fees | **–** | 200 |
| | 11 Diagonal Street property | **246 000** | – |
| | West Street Parkade property | **57 500** | – |
| Amounts owing to related parties | | | |
| Absa Bank Limited | Long-term loans | **181 108** | 161 190 |
| Amounts owing from related parties | | | |
| Absa Bank Limited | Cash | **131 772** | 36 732 |

The Group is managed by Ambit Management Services (Proprietary) Limited ("AMS"). This company, which is considered to be a related party, is owned by Absa Bank Limited ("Absa"). Absa together with its related group companies are consequently also regarded as related parties for the purpose of the disclosures above. All transactions are concluded on an arm's length basis with market related terms and conditions.

Key personnel are the executive and non-executive directors, whose remuneration is disclosed in Note 22.

Ambit owns 50% of 17-19 and 21-35 Old Main Road, Pinetown ("The Link"), in conjunction with Pinespring Properties (Proprietary) Limited, a wholly owned subsidiary of Highpine Properties Limited, a company in which Mr JH Beare has an interest. The two partners are currently redeveloping the property.

**AMS sub-contracts certain of these services to Absa and remunerates Absa out of the fees received from Ambit.*

# Property **portfolio**

*30 September 2008*

| Description | Location | Site area m² | Rentable area m² | % vacancy by rentable area | Major leases | Date of acquisition | Year-end valuation | % of fund by value | Capitalisation rate % | Average rental |
|---|---|---|---|---|---|---|---|---|---|---|
| RETAIL | | | | | | | | | | |
| Park Meadows<br>Cumberland Road<br>Kensington | Johannesburg | 75 873 | 24 430 | 0,73 | Pick 'n Pay<br>Ackermans Baby<br>Furniture City<br>Hi Fi Corporation<br>Dischem<br>Baby City<br>Mr Price Weekend<br>Mr Price Home<br>Sportsmans Warehouse<br>Home Etc<br>and others | 29/01/2004 | 407 000 000 | 16,6 | 7,75 | 100,67 |
| Jetmart<br>277 Church Street | Pretoria | 2 552 | 11 008 | 0 | Jetmart | 09/03/2007 | 103 500 000 | 4,2 | 9,50 | 73,52 |
| Scottsville Mall<br>Durban Road | Pietermaritzburg | 19 326 | 14 470 | 3,92 | Shoprite Checkers<br>Ster Kinekor<br>Clicks<br>El Sombrero Spur<br>Miladys<br>Absa Bank<br>Nedbank<br>and others | 26/01/2004 | 102 600 000 | 4,2 | 10,50 | 75,91 |
| West Street Parkade<br>Cnr Bree & Ntemi Piliso<br>Newtown | Johannesburg | 4 693 | 3 211 | 10,25 | Pick n Pay Family<br>Absa Bank<br>African Bank<br>and others | 08/12/2007 | 74 300 000 | 3,0 | 9,75 | 76,86 |
| Parkade | | | 736 bays | 26,1 | | | | | | |
| Lowveld Lifestyle Centre | Nelspruit | 24 566 | 11 170 | 0 | Wetherlys<br>Beds 4 Africa<br>Bathroom Bizarre<br>Jack's Paint<br>and others | 11/04/2006 | 51 300 000 | 2,1 | 9,00 | 35,52 |
| The Link*<br>Old Main Road<br>Pinetown (50%) | Durban | 8 112 | 6 672<br>(phase 1) | 3,04 | Jack's Home & Trade<br>Tile Africa<br>and others | 12/07/2006 | 40 153 000 | 1,6 | – | 63,39 |
| Cnr Oxford &<br>Terminus Street | East London | 2 007 | 2 091 | 0 | Mr Price<br>Total Sports<br>Discom<br>and others | 11/02/2004 | 21 800 000 | 0,9 | 10,50 | 92,17 |
| 233 Bram Fischer Drive<br>Randburg | Johannesburg | 4 062 | 2 958 | 0 | McCarthy Retail | 27/02/2004 | 18 000 000 | 19,5 | 10,00 | 48,50 |
| Royal Palm Avenue<br>Umgeni | Durban | 4 461 | 893 | 0 | Engen<br>Steers & Debonairs<br>and others | 27/01/2004 | 12 000 000 | 0,5 | 9,00 | 97,12 |
| Truworths Corner<br>Mitchells' Plain | Cape Town | 512 | 520 | 0 | First National Bank | 08/03/2004 | 6 600 000 | 0,3 | 10,00 | 113,37 |
| Total Retail | | | | 1,42 | | | 837 253 000 | 34,2 | | |

# Property **portfolio** *continued*

*30 September 2008*

| Description | Location | Site area m² | Rentable area m² | % vacancy by rentable area | Major leases | Date of acquisition | Year-end valuation | % of fund by value | Capitalisation rate % | Average rental |
|---|---|---|---|---|---|---|---|---|---|---|
| OFFICES | | | | | | | | | | |
| Foretrust Building<br>Martin Hammerschlag<br>Foreshore | Cape Town | 4 370 | 26 628 | 10,44 | Dept, of Public<br>Works and others | 22/11/2007 | 281 000 000 | 11,5 | 9,00 | 69,98 |
| 11 Diagonal Street<br>Newtown | Johannesburg | 5 924 | 32 972 | 0 | Absa Bank | 08/12/2007 | 264 000 000 | 10,8 | 9,00 | 52,50 |
| Trustbank Building<br>Cnr Eloff & Fox Streets | Johannesburg | 3 965 | 27 790 | 0,64 | Absa Bank<br>and others | 21/12/2007 | 230 000 000 | 9,4 | 9,25 | 49,25 |
| Mineralia Building<br>Cnr De Beer &<br>De Korte Streets<br>Braamfontein | Johannesburg | 2 488 | 13 299 | 0 | Dept, of Public<br>Works Dept, of<br>Home Affairs<br>Educor | 30/11/2007 | 92 100 000 | 3,8 | 10,50 | 53,78 |
| Thornhill Office Park<br>94 Bekker Road<br>Vorna Valley | Midrand | 14 503 | 8 328 | 3,72 | Wyeth South Africa<br>Syngenta South Africa<br>Deposita Systems<br>Trans African Concessions<br>and others | 03/02/2004 | 82 200 000 | 3,4 | 9,00 | 79,11 |
| Holland House<br>Cnr Sauer & Marshall<br>Streets | Johannesburg | 2 379 | 9 746 | 9,93 | Dept, of Public Works<br>Financial Sector Charter | 21/11/2007 | 71 500 000 | 2,9 | 10,00 | 59,63 |
| Parkade | | | 252 bays | 0 | Dept, of Public Works<br>Chamber of Mines<br>Altivex 284 | | | | | |
| Resolution Health<br>President Fouche Road<br>Boskruin | Johannesburg | 10 600 | 5 817 | 0 | Resolution Health | 02/09/2008 | 68 700 000 | 2,8 | 8,50 | 78,97 |
| Outspan House<br>1006 Lenchen Avenue North | Centurion | 4 793 | 6 394 | 1,08 | Du Pont de Nemours<br>International<br>Ranbaxy (SA)<br>Ninham Shand<br>and others | 21/11/2007 | 46 000 000 | 1,9 | 9,25 | 61,60 |
| Hyde Park Manor<br>79 Hyde Park Lane<br>Hyde Park | Johannesburg | 10 106 | 4 379 | 1,24 | Old Mutual<br>Universal Database<br>Marketing | 03/02/2004 | 44 300 000 | 1,8 | 9,00 | 56,28 |
| Horizon Park<br>Roodepoort | Johannesburg | 4 158 | 2 427 | 0 | Absa Bank | 11/01/2006 | 35 000 000 | 1,4 | 9,00 | 104,34 |
| Reserve Road<br>cnr Reserve Road &<br>Biccard Street<br>Braamfontein | Johannesburg | 991 | 5 846 | 1,25 | Firstrand Bank<br>The Gauteng<br>Provincial<br>Government | 28/01/2004 | 33 000 000 | 1,3 | 10,50 | 62,87 |
| Accord House<br>2-4 Golf Course Drive<br>Mount Edgecombe | Durban | 3 014 | 3 050 | 10,1 | Net Direct SA<br>and others | 27/01/2004 | 26 500 000 | 1,1 | 9,25 | 77,83 |
| Glenashley Views<br>36 Newport Avenue<br>Glenashley | Durban | 3 716 | 2 660 | 12,2 | Engen<br>Coimbra<br>Splashes | 26/01/2004 | 22 900 000 | 0,9 | 10,00 | 74,73 |

# Property **portfolio** *continued*

*30 September 2008*

| Description | Location | Site area m² | Rentable area m² | % vacancy by rentable area | Major leases | Date of acquisition | Year-end valuation | % of fund by value | Capitalisation rate % | Average rental |
|---|---|---|---|---|---|---|---|---|---|---|
| OFFICES *continued* | | | | | | | | | | |
| DPW – Worcester Fairbairn Street | Worcester | 2 607 | 3 848 | 0 | Dept. of Public Works | 30/04/2007 | 20 400 000 | 0,8 | 10,50 | 57,82 |
| BDO House 7 Derby Place Westville | Durban | 4 826 | 2 158 | 7,22 | Data Pro Services The Just Fun Group Albany Systems SA | 29/01/2004 | 15 600 000 | 0,6 | 9,00 | 73,85 |
| Odyssey Place 3 Sookhai Place Westville | Durban | 3 596 | 1 848 | 1,08 | Indwe Risk Services Volker Wattrus & Mkhize Trust | 29/01/2004 | 14 300 000 | 0,6 | 9,00 | 74,01 |
| DPW Miitchell's Plain Westport Park Alpha Street Mitchells Plain | Cape Town | 7 050 | 3 416 | 11,71 | Dept. of Public Works | 30/04/2007 | 12 300 000 | 0,5 | 11,00 | 43,26 |
| Philippi cnr New Eisleben & Landsdown Road Phillipi | Cape Town | 3 187 | 1 357 | 0 | Dept. of Public Works | 04/09/2007 | 7 900 000 | 0,3 | 10,50 | 60,78 |
| The Ridge 1 Derby Place Westville | Durban | 2 017 | 960 | 0 | Ensign Shipping & Logistics South African Institute of Chartered Accountants Imperial Fleet Services | 26/01/2004 | 7 100 000 | 0,3 | 9,00 | 71,82 |
| Sevenfold 10 Derby Place Westville | Durban | 516 | 554 | 0 | The KZN Provincial Administration | 26/01/2004 | 4 200 000 | 0,2 | 9,00 | 59,40 |
| Total Offices | | | | **3,45** | | | **1 379 000 000** | **56,4** | | |
| INDUSTRIAL | | | | | | | | | | |
| 8 Jansen Road Jet Park | Johannesburg | 48 946 | 22 774 | 0 | Picpack Grindrod | 03/02/2004 | 92 500 000 | 3,8 | 8,50 | 28,50 |
| 12 Piet Rautenbach Street Rosslyn | Pretoria | 135 001 | 22 245 | 1,47 | Dept of Public Works and others | 15/07/2005 | 68 000 000 | 2,8 | 10,00 | 22,62 |
| 12 Nourse Avenue Epping | Cape Town | 17 277 | 10 581 | 0 | Rare Woods Boston Dry Cleaners | 04/01/2005 | 22 000 000 | 0,9 | 10,50 | 19,05 |
| 9 Montague Drive Montague | Cape Town | 5 028 | 2 649 | 0 | Progress Lighing and Fire | 19/03/2004 | 11 800 000 | 0,5 | 10,00 | 42,94 |
| Star Foods 2 Cardiff Road | Pietermaritzburg | 10 480 | 3 114 | 0 | Central African Seed Services | 26/01/2004 | 10 600 000 | 0,4 | 10,50 | 35,48 |
| 110 Intersite Avenue Springfield | Durban | 2 101 | 1 376 | 0 | MacPhersons Office Plan | 28/01/2004 | 7 100 000 | 0,3 | 9,50 | 55,08 |
| Metcash Welkom No 4 11th Street Voorspoed East | Welkom | 15 136 | 5 202 | 0 | Metro Cash & Carry | 01/03/2007 | 6 250 000 | 0,3 | 12,00 | 10,36 |
| Metcash Mokopane 2 Sussex Road Ext. 6 | Mokopane | 34 916 | 3 152 | 0 | Metro Cash & Carry | 09/03/2007 | 5 200 000 | 0,2 | 11,50 | 15,17 |
| 94 Moore Road | Durban | 1 095 | 1 197 | 0 | Transworld Tyres Africa | 29/01/2004 | 4 600 000 | 0,2 | 10,00 | 34,45 |
| 32 Intersite Avenue Springfield | Durban | 1 157 | 600 | 0 | Nedbank | 28/01/2004 | 2 900 000 | 0,1 | 9,50 | 60,58 |
| Total Industrial | | | | **0,45** | | | **230 950 000** | **9,4** | | |
| Total Portfolio | | | | **2,27*** | | | **2 447 203 000** | **100** | | |

** The Link excluded from vacancy schedule as held for development*

# Notice of annual general **meeting**

AMBIT PROPERTIES LIMITED Reg. No. 2001/007003/06
JSE Code: ABT ISIN Code: ZAE000051645

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Hilton Sandton Hotel, 138 Rivonia Road, Sandton, 2146 on Wednesday, 18 February 2009 at 10:00.

AGENDA

1. Notice convening the Meeting.

2. Apologies.

3. To receive the audited Annual Financial Statements of the Company including the reports of the auditors and directors for the year ended 30 September 2008.

4. To re-elect retiring directors and confirm the appointment of any new directors in accordance with the Company's Articles of Association. Such elections will be moved by a single motion, if a resolution that it be so moved is first agreed, without any vote being cast against it. Otherwise motions for re-election will be moved individually.

   i In terms of the Company's Articles of Association, one third of the directors are required to retire annually on a rotation basis, but are eligible for re-election. Accordingly, Ms IN Mkhari and Messrs RR Emslie, IB Skosana and F Uys retire by rotation but Ms IN Mkhari and Messrs IB Skosana and F Uys being eligible, offer themselves for re-election. Mr RR Emslie is unavailable for re-election.

   ii In terms of the Company's Articles of Association, the executive directors are not required to retire at the Annual General Meeting.

   To ratify the appointment of Mr KF Clinton as an executive director and Chief Executive Officer of the Company who was appointed by the Board of directors on 1 July 2008.

   To ratify the appointment of Mr J de Beer as an executive director and Chief Operations Officer of the Company who was appointed by the Board of directors on 1 July 2008.

   Amended CVs of Messrs KF Clinton and J de Beer are available in the Directorate section of this report.

5. To confirm the appointment of new directors nominated in accordance with the Articles of Association.

6. To authorise the directors to re-appoint Mr B Fannin of Deloitte & Touche as the partner in charge of the audit of the Company and to determine the remuneration of the auditors for the year ended 30 September 2008.

7. To approve the remuneration of the non-executive directors for the financial year ended 30 September 2009:

| | |
|---|---|
| • Non-executive director | R75 000 p.a. |
| • Chairman of the Board, an additional | R50 000 p.a. |
| • Chairman of the Risk, Audit and Compliance Committee ("RA&CC"), an additional | R45 000 p.a. |
| • Member of the RA&CC an additional | R25 000 p.a. |
| • Member of the Investment Committee, an additional | R25 000 p.a. |
| • Member of the Remuneration Committee, an additional | R5 000 p.a. |

   Further details on non-executive directors' fees are set out in the directors' report on page 25.

8. To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

   8.1 Ordinary Resolution number 1:

   "Resolved that the unissued linked units of the Company be placed under the control of the directors, and that they are hereby authorised, subject to section 221 and 222 of the Companies Act of 1973, as amended, and to the rules and regulations of the JSE Limited, to allot and/or issue linked units to such person or persons on such terms and conditions as they may determine, subject to the following limitations:

(a) The authority will expire at the next Annual General Meeting of the Company.
(b) The authority may be varied or revoked by any general meeting of the Company prior to such Annual General Meeting.
(c) The authority shall not authorise the allotment or issue of any such shares or debentures to any director of the Company or his nominee, or to any body corporate which is or the directors of which are accustomed to act in accordance with the directions or instructions of such director or nominee, or at a general meeting of which such director or his nominee is entitled to exercise or control the exercise of one-fifth or more of the voting power, or to any subsidiary of such body corporate unless:
  (i) the particular allotment or issue has prior to the allotment or issue been specifically approved by the Company in general meeting; or
  (ii) such shares or debentures are allotted or issued under a contract underwriting such shares or debentures; or
  (iii) such shares or debentures are allotted or issued in proportion to existing holdings, on the same terms and conditions as have been offered to all the members or debenture-holders of the Company or to all the holders of the shares or such debentures of the class or classes being allotted or issued; or
  (iv) such shares or debentures are allotted or issued on the same terms and conditions as have been offered to members of the public."

8.2 Ordinary Resolution number 2:

"Resolved that, subject to no less than 75% of linked unitholders, present in person or by proxy and entitled to vote at the Annual General Meeting at which this ordinary resolution is to be considered, voting in favour thereof, the directors of the Company be and are hereby authorised, by way of general authority, to issue all or any of the authorised but unissued linked units in the capital of the Company for cash as they in their discretion deem fit, subject to the following limitations:

- The securities must be of a class already in issue;
- The securities must be issued to public unitholders and not to related parties;
- The general issue of linked units for cash in the aggregate in any one financial year may not exceed 15% of the Company's issued linked unit capital of that class;
- The maximum discount at which the securities may be issued is 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and
- That a press announcement giving full details, including the impact on net asset value and earnings per linked unit, will be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of linked units of that class in issue prior to the issues."

8.3 Special Resolution number 1:

"Resolved that the directors be authorised pursuant *inter alia* to the Company's Articles of Association, until this authority lapses at the next annual general meeting of the Company, unless it is then renewed, and provided that this authority shall not extend beyond 15 (fifteen) months, for the Company to acquire the linked units of the Company, subject to the Listings Requirements of the JSE Limited (JSE) on the following basis:

(i) The acquisition of linked units must be effected through the order book operated by the JSE trading system and done without any prior arrangement between the Company and the counterparty;
(ii) The Company may only appoint one agent to effect repurchases on its behalf;
(iii) The number of linked units which may be acquired pursuant to this authority in any financial year (which commenced 1 October 2008) may not in the aggregate exceed 20% (twenty percent) of the Company's share capital;
(iv) Repurchases of the linked units may not be made at a price more than 10% (ten percent) above the weighted average of the market value on the JSE of the units in question for the five business days immediately preceding the repurchase;
(v) Repurchases may not take place during a prohibited period (as identified in the JSE Listings Requirements);

(vi) Repurchases may only take place if, after such repurchase, the unitholder spread of the Company still complies with the JSE Listings Requirements;

(vii) After the Company has acquired the linked units which constitute, on a cumulative basis, 3% (three percent) of the number of units in issue (at the time that authority from unitholders for the repurchase is granted), the Company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time; and

(viii) The Company's sponsor shall, prior to the Company entering the market to proceed with a repurchase of the linked units, confirm in writing to the JSE, the adequacy of the Company's working capital for the purposes of undertaking the repurchase of units."

In accordance with the JSE Listings Requirements, the directors record that:
Although there is no immediate intention to effect a repurchase of securities of the Company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the maximum number of securities which may be purchased and the price at which the repurchases may take place pursuant to the buyback authority, are of the opinion that for a period of 12 (twelve) months after the date of notice of its annual general meeting:

- The Company will be able to pay its debts in the ordinary course of business;
- The consolidated assets of the Company, fairly valued in accordance with generally accepted accounting practice, will be in excess of the consolidated liabilities of the Company after the buyback;
- The share capital and reserves of the Company will be adequate for the purposes of the business of the Company; and
- The working capital available to the Company will be adequate for the purposes of the business of the Company.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- Directors – pages 2 and 3
- Major beneficial shareholders – page 21
- Directors' interests in units – page 26
- Share capital of the Company – page 43

### Reasons for and effects of special resolution number 1:

The reason for special resolution number 1 is to afford directors of the Company a general authority to effect a buyback of the Company's linked units on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the Rules and Requirements of the JSE, to effect acquisitions of the Company's linked units on the JSE.

### Litigation

The directors, whose names appear on pages 2 and 3 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, except for the litigation set out on page 17, that may have or have had in the recent past, being at the least the previous 12 (twelve) months, a material effect on the Group's financial position.

### Directors' responsibility statement

The directors, whose names appear on pages 2 and 3 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the JSE Listings Requirements.

### Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company since the date of signature of the audit report for the year ended 30 September 2008 and up to the date of this notice.

9. Signature of documentation
"Resolved that any director of the Company or the Company Secretary be and is hereby authorised on behalf of the Company to sign any documents and do all such things as may be necessary for or incidental to the implementation of the above ordinary and special resolutions which are passed by the unitholders in accordance with and subject to the terms thereof."

10. To transact any other business which under the Articles of Association, may be transacted at an Annual General Meeting.

11. General

**Ambit Management Services (Pty) Limited**
*Company Secretary*

1 December 2008

AMBIT PROPERTIES LIMITED Reg. No. 2001/007003/06
JSE Code: ABT ISIN Code: ZAE000051645

NOTE:

1. A linked unitholder (certificated or own name dematerialised unitholder) entitled to attend and vote is entitled to appoint a proxy to attend, speak, vote, and on a poll, vote in his stead, and such proxy need not also be a linked unitholder of the Company.

2. The Proxy Form must be deposited at the Company Secretary's Office or with the Transfer Secretaries not less than 48 (forty-eight) hours before the time of holding the meeting. Linked unitholders (other than own name dematerialised unitholders) who have dematerialised their units should instruct their broker or CSDP as to how they want to vote on the resolutions at the meeting. Alternatively should they wish to attend the meeting, they must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the Annual General Meeting and vote thereat. This must be done in terms of the agreement entered into between the linked unitholder and the CSDP or broker concerned.

3. Should you wish to nominate a director in terms of the Company's Articles of Association, a directors' nomination form, to be completed by the nominator and person(s) nominated as director, can be collected from Mrs I Way at the Company Secretary's Office. The directors' nomination form together with the nominated director's *curriculum vitae* is to be lodged at the Company Secretary's Office by no later than 16:00 on 13 February 2009.

Dated at Johannesburg on this 1st day of December 2008.

COMPANY SECRETARY'S OFFICE

| | | |
|---|---|---|
| First Floor, World Wide House | PO Box 618 | Tel. 011 783 8036 |
| 29 Impala Road | Melrose Arch | Fax. 011 783 7501 |
| Chislehurston, Sandton, 2196 | 2076 | |

REGISTERED OFFICE

| | | |
|---|---|---|
| First Floor, World Wide House | PO Box 618 | Tel. 011 783 8036 |
| 29 Impala Road | Melrose Arch | Fax. 011 783 7501 |
| Chislehurston, Sandton, 2196 | 2076 | |

TRANSFER SECRETARIES

| | | |
|---|---|---|
| Computershare Investor Services (Proprietary) Limited | PO Box 61051 | Tel. 011 370 5000 |
| 70 Marshall Street | Marshalltown | Fax. 011 688 5217 |
| Johannesburg, 2001 | 2107 | |



Designed by motiv
Printed by Ince

# Proxy **form**

Ambit
properties limited

AMBIT PROPERTIES LIMITED Reg. No. 2001/007003/06 (Ambit) JSE Code: ABT ISIN Code: ZAE000051645
To be used by certificated or dematerialised linked unitholders with own name registration.

I/We

(Name/s in block letters)

of address

being the holder/s of linked units in Ambit, as at 10:00 on Wednesday, 18 February 2009,

hereby appoint of

or failing him of

or failing him THE CHAIRMAN OF THE MEETING

as my/our Proxy to act on my/our behalf at the Annual General Meeting of Ambit to be held at the Hilton Sandton Hotel, 138 Rivonia Road, Sandton, 2146 on Wednesday, 18 February 2009 at 10:00 and at any adjournment thereof and to vote for or against the resolutions or to abstain from voting in respect of the units registered in my/our name/s, in accordance with the following instructions:

| | For | Against | Abstain |
|---|---|---|---|
| 1. Resolution to receive and adopt the audited annual financial statements of the Company and the reports of the auditors and the directors for the year ended 30 September 2008 | | | |
| 2. Retiring directors and ratification of appointments: | | | |
| (i) To re-elect directors retiring by rotation | | | |
| (a) IN Mkhari | | | |
| (b) IB Skosana | | | |
| (c) F Uys | | | |
| (ii) To ratify the appointment of executive directors | | | |
| (d) Appointment of KF Clinton as director | | | |
| (e) Appointment of J de Beer as director | | | |
| 3. To consider the nominations (if any) and, if deemed fit, appoint any new directors nominated in terms of the Company's Articles of Association | | | |
| 4. Resolution to authorise the directors to re-appoint Mr B Fannin of Deloitte & Touche as the partner in charge for the ensuing year and approve the remuneration of the auditors for the year ended 30 September 2008 | | | |
| 5. To approve the remuneration of the non-executive directors for the year ahead, as per item 1 of the Notice of the Meeting | | | |
| 6.1 Ordinary Resolution number 1: Resolution to place the unissued linked units under the control of the directors | | | |
| 6.2 Ordinary Resolution number 2: Resolution to authorise the directors by way of general authority to issue the unissued linked units in the Company for cash | | | |
| 6.3 Special Resolution number 1: To effect the repurchase by the Company of its linked units | | | |
| 7. Resolution to authorise the signatures and documentation | | | |

Each linked unitholder is entitled to appoint one or more proxies (who need not be a linked unitholder of Ambit) to attend, speak, and on a poll, vote in place of the linked unitholder at the Annual General Meeting.

Signed at on this day of 2009

Signature(s) Capacity

# Notes to form of **proxy**

COMPANY SECRETARY'S OFFICE

| | | |
|---|---|---|
| First Floor, World Wide House | PO Box 618 | Tel. 011 783 8036 |
| 29 Impala Road | Melrose Arch | Fax. 011 783 7501 |
| Chislehurston Sandton 2196 | 2076 | |

TRANSFER SECRETARIES

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|---|---|---|
| Computershare Investor Services (Proprietary) Limited | PO Box 61051 | Tel. 011 370 5000 |
| 70 Marshall Street | Marshalltown | Fax. 011 688 5217 |
| Johannesburg, 2001 | 2107 | |

INSTRUCTIONS ON SIGNING AND LODGING OF THE PROXY FORM

1. The Proxy Form must be deposited at the Company Secretary's Office or with the Transfer Secretaries not less than 48 (forty eight) hours before the time of holding the meeting.
2. A deletion of any printed matter and the completion of any blank space(s) need not be signed or initialled. Any alteration must be signed in full.
3. The Chairman of the meeting shall be entitled to decline to accept the authority of the signatory:
   (a) under a power of attorney; or,
   (b) on behalf of a company or any other entity, unless the power of attorney or authority is deposited at the registered office of the Company not less than 48 (forty eight) hours before the time scheduled for the meeting.
4. The authority of a person signing a Proxy in a representative capacity must be attached to the Proxy Form unless the authority has already been recorded by the Secretaries.
5. The signatory may insert the name of any person(s) whom the signatory wishes to appoint as his Proxy in the blank space(s) provided for that purpose.
6. When there are joint holders of units and if more than one such joint holder be present or represented, then the person whose name stands first in the register in respect of such units or his Proxy, as the case may be, shall alone be entitled to vote in respect thereof.
7. The completion and lodging of this Proxy Form will not preclude a signatory from attending the meeting and speaking and voting in person thereat, to the exclusion of any Proxy appointed in terms hereof should such signatory wish to do so.
8. The Chairman of the meeting may reject or accept any Proxy Form which is completed and/or submitted other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.
9. If the unitholding is not indicated on the Proxy Form, the Proxy will be deemed to be authorised to vote the total unitholding.
10. If unitholders have dematerialised their units with a CSDP or broker, other than own name dematerialised unitholders, they must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the Annual General Meeting and vote thereat or the unitholder concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the unitholder and the CSDP or broker concerned.

Ambit
properties limited

First Floor, World Wide House, 29 Impala Road, Chislehurston, Sandton 2196
P O Box 618, Melrose Arch 2076

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