

Allan Gray Unit Trust Management Limited

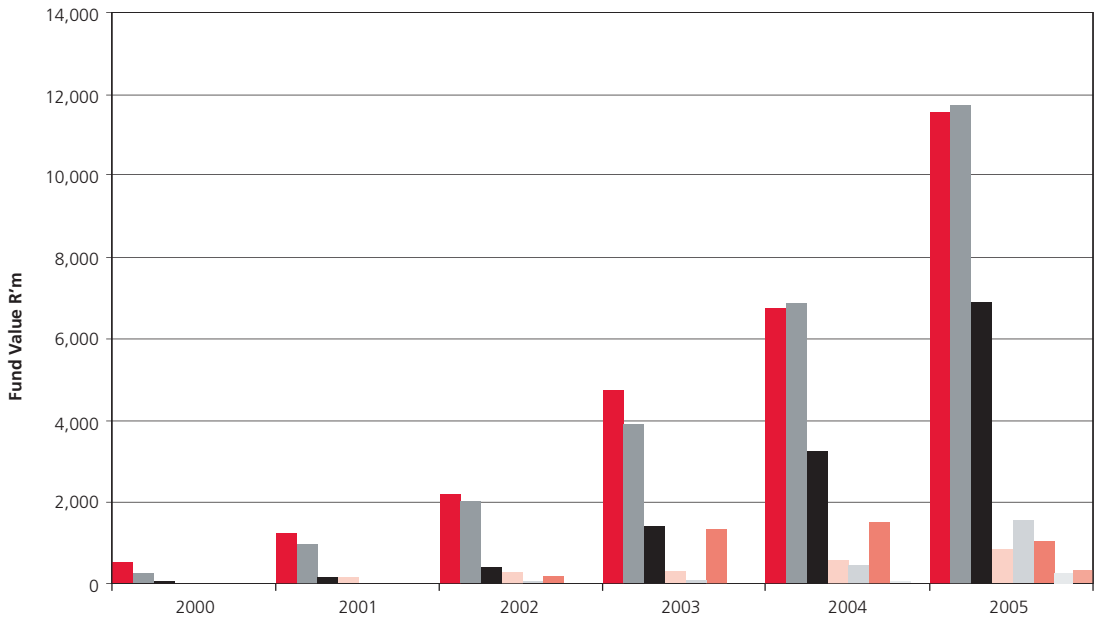
ANNUAL REPORT

2005

Growth in Allan Gray Unit Trusts

as at 31 December 2005

- Allan Gray Equity Fund
- Allan Gray Balanced Fund
- Allan Gray Stable Fund
- Allan Gray Money Market Fund
- Allan Gray-Orbis Global Fund of Funds
- Allan Gray Optimal Fund
- Allan Gray Bond Fund
- Allan Gray-Orbis Global Equity Feeder Fund



Contents

| | |
|---|-------|
| Chairman's Report | 2 |
| - Market Commentary | 2 |
| - Overview of Funds | 3- 7 |
| Corporate Governance Report | 8 |
| Trustees' Report | 9 |
| Allan Gray Unit Trusts Annual Financial Statements | |
| Approval of the Annual Financial Statements | 10 |
| Report of the Independent Auditors | 11 |
| Income Statements | 12-13 |
| Balance Sheets | 14-15 |
| Statements of Changes in Net Assets Attributable to Unitholders | 16-17 |
| Cash Flow Statements | 18-19 |
| Notes to the Financial Statements | 20-34 |
| Allan Gray Unit Trust Management Limited Annual Financial Statements | |
| Approval of the Annual Financial Statements | 35 |
| Certification by the Company Secretary | 35 |
| Report of the Independent Auditors | 36 |
| Report of the Directors | 37 |
| Income Statement | 38 |
| Balance Sheet | 39 |
| Statement of Changes in Equity | 40 |
| Cash Flow Statement | 41 |
| Notes to the Financial Statements | 42-50 |
| General Information and Characteristics and Objectives | 51-53 |
| Statutory Information | 54 |

Allan Gray Unit Trusts

Chairman's Report - Market Commentary

MARKET COMMENTARY

Preamble

Before launching into our outlook for markets in the year ahead, it is as well to remind unitholders that we view our core competency as being business analysts rather than stockmarket operators. By this we mean our focus is decidedly on assessing the intrinsic value of a business or, if broken down into its parts, per share, as opposed to speculating on the next direction the market will take. In other words, we have much more confidence in our share selection process than we have in our ability to 'time' markets. This is substantiated by our long history of superior share selection to be found on the inside front cover of each of the quarterly reports we send to you.

Nevertheless, as is customary at this time, we provide you with some of our 'top-down' views for 2006, set out below.

International Stockmarkets

Following a twenty-year bull market, the Morgan Stanley World Index topped out in 2000. A rapid decline saw share prices halve by 2002 / 2003. Since then shares have rallied and are currently approaching the record levels set in 2000.

Is this a new bull market or are we witnessing a cyclical correction within a bear market? We do not know, but history suggests that, once a secular bull market has been broken, the chance of another bull phase emerging in such quick succession is small. The extended bear phases that followed both the 1929 and 1968 market tops in the USA endured for at least a decade and significantly longer when adjusted for inflation. We also observe that bear market corrections are often drawn out and even on occasions penetrate the previous top, leading investors to assume the bull market has re-emerged.

Given that background, we note that earnings in the USA are extended and appear to be rolling over. This would be consistent with a mature economic upswing coupled with rising interest rates. Acknowledging the

USA's locomotive role in world economic growth, any slowdown there can be expected to impact meaningfully on America's trading partners, not least those in the Far East. We remain cautious on the outlook for shares, especially the USA stockmarket.

The S.A. Stockmarket

The secular fall in inflation that produced quantum economic benefits for most of our trading partners over the past two decades is also belatedly changing the economic landscape, for the better, at home. Interest rates have more than halved, the Rand has strengthened and asset values together with confidence have risen dramatically. Metals, the cornerstone of our economy, have advanced strongly, adding to the new-found attraction of South Africa Inc.

Meanwhile, South African shares have leapt ahead, with the broad share index rising 124% since 2000. The \$ appreciation is of the same magnitude. Profits have also soared with earnings two and a half times the level they posted in 2000. Our perspective is that profits are currently extended and we anticipate some weakness in the medium-term. Given that shares currently yield less than bonds, any profit disappointment could lead to trouble.

Having said all that, we understand that stockmarkets move in broad sweeps from undervalued to overvalued and back again. While economic growth is the primary driving force, wide swings in investor confidence have dramatic effects on share prices at cyclical extremes.

Our fundamental proprietary research points to our stockmarket being fully valued at present. This in itself should serve as a warning, especially to new entrants as 2006 progresses. Nevertheless, market tops are typically synonymous with a frenzy of corporate activity such as new listings, rights issues, mergers etc. Little evidence of this has been seen to date, which suggests shares might well move still higher before the speculators' appetites are finally fulfilled.

Allan Gray Unit Trusts

Chairman's Report - Overview of Funds

OVERVIEW OF FUNDS

Introduction

Following a most fruitful 2004, share investors were rewarded with a truly bonanza year in 2005. The FTSE/JSE All Share Index returned 47.3% in 2005 which compounded together with the 25.4% in 2004, produced a total return of some 85% over a two-year period. In addition, our 'wealth creating' unit trusts returned excellent relative performance and are now either first or second, since inception, in their respective categories. We must once again caution investors that annual returns of this magnitude are clearly unsustainable especially given the current low levels of inflation.

Net sales for the year increased to R7.1 bn following the R5.2 bn received in 2004. This inflow, together with rising market values, boosted assets under management from R19.5 bn to R34.2 bn. Reflective of our investors' confidence, the Equity, Balanced, Stable and Global Fund of Funds are the largest funds in their respective categories. Our number of unitholders increased from 22,065 to 26,442.

Specific information on each of our funds follows in order of fund inception.

1. Allan Gray Equity Fund

Fund characteristics

Our Equity Fund is for clients who have decided to invest in the South African stockmarket through the Allan Gray equity selection process. Our mandate is to invest across the broad range of shares on the FTSE/JSE, selecting the most attractive shares, without assuming greater risk than the FTSE/JSE All Share Index.

To achieve this objective, the Fund is virtually fully invested in shares at all times. As a result, returns are likely to be volatile, both up and down. However, history shows that returns from long-term equity investments are superior to those derived from interest-earning or property assets.

Long-term Investment Objectives

We aim to earn a higher total rate of return than the average return of the South African equity market as represented by the FTSE/JSE All Share Index, including income, without assuming greater risk.

Performance to 31 December 2005

| | Since Inception 1 October 1998 Unannualised (%) | 1 year performance to 31 December 2005 Annualised (%) |
|------------------------------------|---|---|
| Allan Gray Equity Fund | 1094.6 | 50.0 |
| FTSE/JSE All Share Index | 341.7 | 47.3 |
| Sector Median | 307.5 | 36.8 |
| Outperformance of benchmark | 752.9 | 2.7 |

Comment

Our investment objective, to outperform the FTSE/JSE All Share Index, has been achieved in 2005. Relative to its peers, the Fund ranked 2nd out of 46 funds in 2005. More importantly since inception on 1st October 1998 the Fund has measurably outperformed the index and is placed 1st out of 21 funds. The margin of outperformance since inception should be regarded as exceptional.

Over the long-term, the compounding effect of above-average annual returns creates considerable real wealth. This is our mission on your behalf.

The rapidly rising market increases the likelihood of negative returns as the market inevitably adjusts. Investors should approach share investment with caution in 2006. We remind unitholders that our history of equity selection reveals that although our annual equity returns typically exceed the FTSE/JSE All Share Index, occasionally we do underperform.

2. Allan Gray Balanced Fund

Fund characteristics

Our Balanced Fund is for clients who have decided to delegate the asset allocation of their capital to Allan Gray Limited. This allocation is subject to the Prudential Investment Guidelines, as laid down in the Pension Funds Act.

Allan Gray Unit Trusts

Chairman's Report - Overview of Funds

The selection of counters within these broad categories is anticipated to resemble our managed retirement portfolios and, in the case of shares, the Allan Gray Equity Fund over time.

Given the spread of investments, we are confident that returns will be less volatile than those of the Equity Fund, but somewhat lower over the long-term.

Long-term Investment Objectives

To earn a higher rate of return than the market value-weighted average of its sector, excluding the Allan Gray Balanced Fund, without assuming greater risk.

Performance to 31 December 2005

| | Since Inception 1 October 1999 Unannualised (%) | 1 year performance to 31 December 2005 Annualised (%) |
|--------------------------|---|---|
| Allan Gray Balanced Fund | 355.4 | 36.5 |
| Benchmark* | 167.0 | 28.0 |
| Outperformance | 188.4 | 8.5 |

* The market value-weighted average of the Domestic Asset Allocation Prudential Medium Equity sector excluding the Allan Gray Balanced Fund.

Comment

2005 was another excellent year for the Fund, both from a nominal and relative perspective. The Allan Gray Balanced Fund easily outperformed its benchmark in 2005 and was placed 2nd out of 27 funds. Since inception on 1st October 1999 the performance is exceptional and it is ranked 1st out of 14 funds. While we believe this margin of outperformance to be unsustainable, we remain confident that our investment process will continue to deliver superior long-term returns.

3. Allan Gray Stable Fund

Fund characteristics

With the risk-averse and yield-conscious investor in mind, the Allan Gray Stable Fund was introduced in July 2000 to complement the existing Allan Gray Equity Fund and Allan Gray Balanced Fund. The Stable Fund should appeal to those individuals who seek greater capital security together with a higher income return.

In line with the Balanced Fund, the asset allocation of the Stable Fund is subject to the Prudential Investment Guidelines, as laid down in the Pension Funds Act. In terms of the Fund's own rules, the maximum equity exposure is limited to 60%. However, unless the stockmarket offers exceptional value, the Fund's share exposure will be significantly lower. Through our proprietary analysis, shares in sound companies with good prospects are periodically uncovered which, surprisingly, generate dividend yields that approach bank deposit returns - especially on an after-tax basis. Such shares are selected not only for their high level of tax-free income but also because they tend to behave quite differently from the rest of the stockmarket. If the overall stockmarket rises or declines, these shares tend to move less in percentage terms. They therefore provide an element of capital stability together with a better yield.

This Fund thus offers a higher income stream with a low risk of permanent capital loss.

Long-term Investment Objectives

The Fund aims to provide a return that exceeds the after-tax return on bank deposits plus 2%. It also seeks to provide a high level of capital stability and to minimise the risk of loss over any two-year period.

Performance to 31 December 2005 (After-tax of 25%)

| | Since Inception 1 July 2000 Unannualised (%) | 1 year performance to 31 December 2005 Annualised (%) |
|-------------------------|--|---|
| Allan Gray Stable Fund* | 125.4 | 17.9 |
| Benchmark** | 52.5 | 5.7 |
| Outperformance | 72.9 | 12.2 |

* Fund performance adjusted for income tax at an average rate of 25%.

** After-tax return of call deposits plus 2%.

Comment

In 2005 the Stable Fund very easily achieved its goal of outperforming the after-tax return on bank deposits plus 2%. In its category it was placed 3rd out of 13 funds. We note that when making comparisons, funds in this sector could have widely diverse risk and reward profiles primarily due to differences in share exposure.

Allan Gray Unit Trusts

Chairman's Report - Overview of Funds

Since inception on 1 July 2000, the level of out-performance of the Fund is seen as exceptional. The equity portion of the Fund has benefited from sharply rising equity markets, which has, once again, contributed to the significant outperformance of the benchmark during 2005. Given the higher level of equity markets, the Fund has now moved to a lower equity exposure which should temper return expectations.

4. Allan Gray Money Market Fund

Fund characteristics

The Fund was launched on 1 July 2001 in order to accommodate the highly risk-averse saver and more importantly those investors seeking a short-term 'parking place' for their funds.

Long-term Investment Objective

The Fund aims to provide a return that exceeds the simple average of the Domestic Fixed Interest Money Market Unit Trust sector excluding the Allan Gray Money Market Fund.

Performance to 31 December 2005

| | Since Inception 1 July 2001 Unannualised (%) | 1 year performance to 31 December 2005 Annualised (%) |
|------------------------------|--|---|
| Allan Gray Money Market Fund | 50.2 | 7.1 |
| Benchmark* | 50.8 | 6.9 |
| Outperformance | -0.6 | 0.2 |

* Domestic Fixed Interest Money Market Unit Trust sector excluding the Allan Gray Money Market Fund.

Comment

In this category the difference in performance between funds is fractional. The Fund outperformed the benchmark in 2005 by only a small margin, but still achieved 3rd position out of 19 funds. Since inception on 1st July 2001 it is ranked 12th out of 15 funds.

5. Allan Gray Optimal Fund

Fund characteristics

This is a long-term absolute return fund for the investor who wishes to avoid the volatility generally associated with stock and bond markets, but still wants exposure to specialist stockpicking skills and seeks a positive rate of

return which is higher than that of cash. This unique fund is designed to carry a low risk of capital loss.

The Fund invests in a portfolio of equities and substantially reduces stockmarket risk by using equity derivatives. As a result, the Fund's return should not be correlated with equity markets, being dependent instead on the ability of the Fund's equity portfolio to outperform the FTSE/JSE All Share Index.

Long-term Investment Objective

The Fund aims to exceed the return of the Daily Call Rate of FirstRand Bank Limited.

Performance to 31 December 2005

| | Since Inception 1 October 2002 Unannualised (%) | 1 year performance to 31 December 2005 Annualised (%) |
|-------------------------|---|---|
| Allan Gray Optimal Fund | 38.2 | 9.0 |
| Benchmark* | 27.9 | 5.5 |
| Outperformance | 10.3 | 3.5 |

* Daily Call Rate of FirstRand Bank Limited.

Comment

The funds in this sector are not ranked because they are so different from each other. This makes direct comparison inappropriate. The Fund beat its benchmark in 2005 and since inception performance has been rewarding.

6. Allan Gray-Orbis Global Fund of Funds

Fund characteristics

The Fund was launched to cater for Rand investors wishing to gain exposure to international investments. The Fund allows them access to some investments that are not available locally. The Fund will always hold at least 85% of its assets offshore. Given the spread of investments, we are confident that returns will be less volatile than those of the Allan Gray-Orbis Global Equity Feeder Fund, but somewhat lower over the long-term. Due to foreign exchange control regulations, the Fund was closed intermittently during the year.

Allan Gray Unit Trusts

Chairman's Report - Overview of Funds

Long-term Investment Objective

To earn a higher rate of return than the benchmark of 60% of the FTSE World Index and 40% of the JP Morgan Government Bond Global Index, at no greater than average risk of loss in its sector.

Performance to 31 December 2005 in US Dollars

| | Since Inception 3 February 2004 Unannualised (%) | 1 year performance to 31 December 2005 Annualised (%) |
|---------------------------------------|--|---|
| Allan Gray-Orbis Global Fund of Funds | 20.2 | 10.7 |
| Benchmark* | 16.4 | 3.9 |
| Outperformance | 3.8 | 6.8 |

* 60% of the FTSE World Index and 40% of the JP Morgan Government Bond Global Index.

Performance to 31 December 2005 in Rands

| | Since Inception 3 February 2004 Unannualised (%) | 1 year performance to 31 December 2005 Annualised (%) |
|---------------------------------------|--|---|
| Allan Gray-Orbis Global Fund of Funds | 8.5 | 24.8 |
| Benchmark* | 5.1 | 17.1 |
| Outperformance | 3.4 | 7.7 |

* 60% of the FTSE World Index and 40% of the JP Morgan Government Bond Global Index.

Comment

The Allan Gray-Orbis Global Fund of Funds changed from an equity-only fund to an asset allocation fund on 3 February 2004. Historical performance commentary is restricted to this date. Performance relative to the benchmark since this change has been good, with the fund attaining 2nd place out of 10 funds in its category. Last year it was positioned 1st out of 15 funds.

7. Allan Gray Bond Fund

Fund characteristics

This Fund was launched on 1 October 2004 to enhance the Allan Gray product offering for savers seeking longer-term security of income and capital.

Long-term Investment Objectives

The objective of the Fund is to provide investors with a return superior to the All Bond Index, at no greater risk, over an interest rate cycle. The Fund seeks to preserve at

least the nominal value of investor's capital.

Performance to 31 December 2005

| | Since Inception 1 October 2004 Unannualised (%) | 1 year performance to 31 December 2005 Annualised (%) |
|-----------------------|---|---|
| Allan Gray Bond Fund | 18.8 | 10.7 |
| Benchmark* | 19.4 | 10.8 |
| Outperformance | -0.6 | -0.1 |

* All Bond Index

Comment

In this category, the performance difference between funds tends to be limited. Since inception the Fund has underperformed its benchmark by 0.6% and is ranked 11th out of 18 funds, whereas in 2005 it underperformed by 0.1% and notwithstanding this minor disappointment was ranked 6th out of 18 funds.

8. Allan Gray-Orbis Global Equity Feeder Fund

Fund characteristics

The Fund was launched on 1 April 2005 and invests directly into the Orbis Global Equity Fund. It caters for Rand investors wishing to invest in an Orbis selection of international shares. The Fund provides access to investments that might not be available locally. Returns are likely to be volatile, both up and down. Due to foreign exchange control regulations, the Fund was closed intermittently through the year.

Long-term Investment Objectives

The objective of the Fund is to outperform the FTSE World Index at no greater than average risk of loss in its sector.

Performance to 31 December 2005 in US Dollars

| | Since Inception 1 April 2005 Unannualised (%) |
|--|---|
| Allan Gray-Orbis Global Equity Feeder Fund | 21.8 |
| Benchmark* | 12.3 |
| Outperformance | 9.5 |

* FTSE World Index

Allan Gray Unit Trusts

Chairman's Report - Overview of Funds

Performance to 31 December 2005 in Rands

| | Since Inception 1 April 2005 Unannualised (%) |
|---|---|
| Allan Gray-Orbis Global Equity Feeder Fund | 24.2 |
| Benchmark* | 14.6 |
| Outperformance | 9.6 |

* FTSE World Index

Comment

In the short time since inception on 1 April 2005, the Allan Gray-Orbis Global Equity Feeder Fund has outperformed the benchmark and was positioned 2nd out of 21 funds in its category.



W J C MITCHELL

Cape Town

30 March 2006

Allan Gray Unit Trusts

Corporate Governance Report

The directors endorse the Code of Corporate Practices and Conduct as set out in the King II Report issued in March 2003. By supporting the Code, the directors recognise the need to conduct the affairs of the Company with openness, integrity and accountability.

Where appropriate, the principles advocated by the Code are dealt with at Group level by the Company's holding company, Allan Gray Limited ('Allan Gray'). As a subsidiary of Allan Gray, the Company is subject to their corporate governance measures.

Board of Directors

The board of directors' role is to direct, control and monitor the business affairs of the Company while at the same time protecting the interests of all investors. The Board is responsible for risk management.

In fulfilling this responsibility, the board, amongst other functions:

- provides strategic direction and in so doing reviews, evaluates and gives guidance on strategies, policies and business plans;
- reviews management reports and monitors ongoing performance against strategic plans, budgets and targets;
- monitors development of the process to identify key risk areas and key performance indicators;
- monitors compliance with sound codes of business practice and its management of those non-financial aspects which are relevant to its business; and
- ensures that there is open and timeous communication with the shareholders.

The board of directors consists of five executive directors and two non-executive directors. The roles of chairman and chief operating officer of the holding company are separate.

All directors have access to the advice and services of the Company Secretary.

Executive and Audit Committees

The board of directors meet at least twice a year and is assisted by an executive committee as well as

Allan Gray's audit committee. The executive committee meets bi-monthly and continually reviews the effectiveness of the Company's systems of internal control. The audit committee, chaired by a non-executive Allan Gray director, meets four times per annum.

These board committees are responsible for ensuring compliance with relevant laws and regulations as well as the Code.

Staff Training and Employment Equity

The Company is dedicated to providing exceptionally good training and development for all employees. The Company will continue to contribute to the broader Southern African community in a meaningful way. In particular, the Company recognises that positive action is needed by the business community to address the skills shortage in Southern Africa.

The Company promotes equal opportunity in the workplace and is committed to eliminate unfair discrimination in any employment policy or practice.

The Company recognises that additional corrective steps need to be taken in order that those who have been historically disadvantaged by unfair discrimination are able to derive full benefit from an equitable employment environment.

Code of Ethics

Allan Gray subscribes to certain main themes of the CFA Institutes' Code of Ethics and Standards of Professional Conduct. The themes have been incorporated into existing policies. Adherence to these policies by all Allan Gray employees is monitored by the compliance department.

Directors and associates are required to maintain the highest ethical standards.

Allan Gray Unit Trusts

Trustees' Report on the Allan Gray Unit Trust Scheme

As trustees to the Allan Gray Unit Trust Scheme ("the Scheme"), we are required in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) ("the Act") to report to unitholders on the administration of the Scheme during each annual accounting period.

We therefore confirm that for the period 1 January 2005 to 31 December 2005 the Scheme has been administered:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the manager by the Act; and
- (ii) in accordance with the provisions of the Act and the relevant deeds

There were no material instances of compliance contraventions and no losses incurred by any fund as a result thereof, during the year.



NELIA DE BEER

Trustee Manager: Unit Trusts

FNB Custody Services

First National Bank, a division of FirstRand Bank Limited

Johannesburg
3 March 2006

Allan Gray Unit Trusts

Approval of the Annual Financial Statements

The directors of Allan Gray Unit Trust Management Limited are responsible for the preparation of the annual financial statements and related financial information included in this report.

The annual financial statements for the year ended 31 December 2005 set out on pages 12 to 34 have been approved by the board of directors of Allan Gray Unit Trust Management Limited and are signed on its behalf by:



W J C MITCHELL

Chairman

Cape Town
30 March 2006



G W FURY

Director

Cape Town
30 March 2006

Allan Gray Unit Trusts

Report of the Independent Auditors to the Unitholders of:

Allan Gray Equity Fund
Allan Gray Balanced Fund
Allan Gray Stable Fund
Allan Gray Money Market Fund
Allan Gray-Orbis Global Fund of Funds
Allan Gray Optimal Fund
Allan Gray Bond Fund
Allan Gray-Orbis Global Equity Feeder Fund
(the "Allan Gray Unit Trust funds")

We have audited the annual financial statements of the Allan Gray Unit Trust Funds set out on pages 12 to 34 for the year ended 31 December 2005. These financial statements are the responsibility of the directors of Allan Gray Unit Trust Management Limited. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Allan Gray Unit Trust Funds at 31 December 2005 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Collective Investment Schemes Control Act No. 45 of 2002 as amended, in South Africa.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

ERNST & YOUNG

Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
30 March 2006

Allan Gray Unit Trusts

Income Statements

for the year ended 31 December 2005

| | Notes | Equity Fund | | Balanced Fund | | Stable Fund | |
|--|-------|----------------------|--------------|----------------------|---------------|----------------------|---------------|
| | | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | | R | R | R | R | R | R |
| REVENUE | 1.1 | 271 716 584 | 178 738 521 | 375 124 664 | 275 236 053 | 263 601 686 | 167 528 671 |
| Dividends | | 267 677 570 | 174 808 076 | 185 639 242 | 119 950 094 | 49 463 695 | 31 250 010 |
| Interest (Local) | | 5 575 680 | 5 430 218 | 175 229 299 | 140 320 017 | 201 862 164 | 126 120 806 |
| Interest (Foreign) | | - | - | 244 893 | - | 177 990 | - |
| Income adjustments on creation/cancellation of units | | (1 536 666) | (1 499 773) | 14 011 229 | 14 965 942 | 12 097 837 | 10 157 855 |
| OPERATING EXPENSES | | 293 782 197 | 190 201 183 | 154 604 394 | 95 847 406 | 85 787 633 | 42 137 901 |
| Audit fee | | 54 783 | 48 634 | 60 416 | 53 360 | 54 784 | 48 403 |
| Bank charges | | 7 099 | 7 964 | 18 496 | 23 434 | 11 094 | 5 944 |
| Custody fees | | - | - | - | 10 677 | - | - |
| Levies | | 571 907 | 806 315 | 759 539 | 651 775 | 529 474 | 255 440 |
| Trustees' fees | | 1 042 917 | 660 758 | 1 091 121 | 638 004 | 583 220 | 291 241 |
| Service charge | | 292 105 491 | 188 677 512 | 152 674 822 | 94 470 156 | 84 609 061 | 41 536 873 |
| Capital variance | | - | - | - | - | - | - |
| (LOSS)/PROFIT BEFORE UNDISTRIBUTABLE INCOME ITEMS | | (22 065 613) | (11 462 662) | 220 520 270 | 179 388 647 | 177 814 053 | 125 390 770 |
| SHORTFALLS OF INCOME FUNDED BY NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | 3 | 22 065 613 | 33 653 872 | - | - | - | - |
| REALISED GAINS/(LOSSES) ON DISPOSAL OF AVAILABLE FOR SALE INVESTMENTS* | 1.2 | 1 128 697 227 | 453 015 762 | 780 981 581 | 171 426 324 | 112 510 999 | 28 693 113 |
| REALISED LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS* | 1.2 | - | - | (38 805 542) | - | - | - |
| FOREIGN EXCHANGE LOSSES ON MONETARY ASSETS* | 1.5 | - | - | (424 342) | (15 172 086) | (651 093) | (17 413 182) |
| PROFIT/(LOSS) FOR THE YEAR | | 1 128 697 227 | 475 206 972 | 962 271 967 | 335 642 885 | 289 673 959 | 136 670 701 |
| DISTRIBUTION TO UNITHOLDERS | | - | (22 191 210) | (220 520 269) | (179 388 647) | (177 814 053) | (125 390 770) |
| UNDISTRIBUTED PROFIT/(LOSS) FOR THE YEAR | | 1 128 697 227 | 453 015 762 | 741 751 698 | 156 254 238 | 111 859 906 | 11 279 931 |

* These items were previously included in equity but have been reclassified and recorded in the Income Statement on adoption of IFRS as disclosed in note 7. The change in unrealised

| Money Market Fund | | Global Fund of Funds | | Optimal Fund | | Bond Fund | | Global Equity Feeder Fund | |
|-------------------|--------------|----------------------|-------------|---------------|---------------|-------------|--------------------------------|--------------------------------|-----------|
| 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 3 Months Ended 2004 R | 9 Months Ended 2005 R | 2004 R |
| 52 335 709 | 31 186 847 | 1 528 673 | - | 39 080 463 | 57 634 525 | 1 430 726 | 267 286 | 365 857 | - |
| - | - | - | - | 33 747 898 | 41 017 619 | - | - | - | - |
| 52 335 709 | 31 186 847 | 975 882 | - | 8 812 986 | 17 224 478 | 1 308 853 | 250 289 | 200 348 | - |
| - | - | 53 770 | - | - | - | - | - | 17 251 | - |
| - | - | 499 021 | - | (3 480 421) | (607 572) | 121 873 | 16 997 | 148 258 | - |
| 2 375 213 | 1 770 164 | 161 214 | 1 958 504 | 18 997 571 | 21 826 305 | 123 532 | 38 386 | 63 237 | - |
| 48 000 | 37 551 | 20 736 | 16 372 | 52 096 | 46 020 | 37 700 | 25 000 | 14 250 | - |
| 3 108 | 4 821 | 34 494 | 21 088 | 3 428 | 4 459 | 706 | 212 | 25 235 | - |
| - | - | - | - | - | - | - | - | - | - |
| 109 734 | 42 657 | 2 173 | 1 047 | 86 212 | 256 579 | 2 718 | 359 | 496 | - |
| 125 465 | 79 027 | 103 811 | 26 543 | 213 300 | 225 788 | 22 754 | 4 537 | 23 256 | - |
| 2 088 906 | 1 603 097 | - | 1 893 454 | 18 642 535 | 21 293 459 | 59 654 | 8 278 | - | - |
| - | 3 011 | - | - | - | - | - | - | - | - |
| 49 960 496 | 29 416 683 | 1 367 459 | (1 958 504) | 20 082 892 | 35 808 220 | 1 307 194 | 228 900 | 302 620 | - |
| - | - | - | 1 958 504 | - | - | - | - | - | - |
| - | - | (4 335 136) | - | 349 564 587 | 289 122 292 | 137 345 | 11 903 | - | - |
| - | - | - | - | (305 710 544) | (214 902 756) | - | - | - | - |
| - | - | (368 301) | (1 074 201) | - | - | - | - | - | - |
| 49 960 496 | 29 416 683 | (3 335 978) | (1 074 201) | 63 936 935 | 110 027 756 | 1 444 539 | 240 803 | 302 620 | - |
| (49 960 496) | (29 416 683) | (1 367 458) | - | (20 082 892) | (35 808 220) | (1 307 194) | (228 900) | (302 620) | - |
| - | - | (4 703 436) | (1 074 201) | 43 854 043 | 74 219 536 | 137 345 | 11 903 | - | - |

gains on *available for sale investments* has been utilised to increase the net assets attributable to unitholders.

Allan Gray Unit Trusts

Balance Sheets

as at 31 December 2005

| | Notes | Equity Fund | | Balanced Fund | | Stable Fund | |
|---|-------|-----------------------|---------------|-----------------------|---------------|----------------------|---------------|
| | | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R |
| ASSETS | | | | | | | |
| Investments | 1.2 | 11 584 525 892 | 6 725 510 253 | 12 031 842 690 | 6 900 390 280 | 6 882 296 192 | 3 246 249 490 |
| Available for sale investments | | 11 489 525 892 | 6 706 510 253 | 9 946 675 344 | 6 644 890 280 | 3 501 386 536 | 1 685 863 596 |
| Financial assets at fair value through profit or loss | | - | - | - | - | - | - |
| Loans and Receivables | | - | - | 1 758 226 883 | - | 3 049 909 656 | 1 409 385 894 |
| Cash and cash equivalents held for investment purposes | | 95 000 000 | 19 000 000 | 326 940 463 | 255 500 000 | 331 000 000 | 151 000 000 |
| Accounts receivable | | 50 732 083 | 6 189 279 | 53 065 100 | 39 369 838 | 6 440 884 | 6 965 918 |
| Cash and cash equivalents | | 97 297 193 | 30 610 781 | 18 392 889 | 26 552 775 | 14 530 300 | 27 517 898 |
| TOTAL ASSETS | | 11 732 555 168 | 6 762 310 313 | 12 103 300 679 | 6 966 312 893 | 6 903 267 376 | 3 280 733 306 |
| LIABILITIES | | | | | | | |
| Accounts payable | | 169 755 262 | 19 483 392 | 16 767 645 | 10 883 352 | 10 468 261 | 4 783 734 |
| Distribution payable to investors | | - | - | 121 260 559 | 74 333 916 | 53 249 964 | 37 417 975 |
| TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | | 169 755 262 | 19 483 392 | 138 028 204 | 85 217 268 | 63 718 225 | 42 201 709 |
| NET ASSETS ATTRIBUTABLE TO UNITHOLDERS* | 1.9 | 11 562 799 906 | 6 742 826 921 | 11 965 272 475 | 6 881 095 625 | 6 839 549 151 | 3 238 531 597 |

* Net assets attributable to unitholders was previously disclosed as capital value of the fund (equity) but has been reclassified as a financial liability with effect from 1 January 2004,

| Money Market Fund | | Global Fund of Funds | | Optimal Fund | | Bond Fund | | Global Equity Feeder Fund | |
|--------------------|-------------|----------------------|-------------|--------------------|---------------|-------------------|------------|---------------------------|-----------|
| 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R |
| 822 100 498 | 564 028 996 | 1 473 297 089 | 472 505 619 | 961 198 683 | 1 469 371 459 | 22 827 520 | 13 219 174 | 293 382 258 | - |
| - | - | 1 473 297 089 | 472 505 619 | 882 887 482 | 1 347 797 342 | 22 827 520 | 13 219 174 | 293 382 258 | - |
| - | - | - | - | - | 1 214 400 | - | - | - | - |
| 822 100 498 | 564 028 996 | - | - | - | - | - | - | - | - |
| - | - | - | - | 78 311 201 | 120 359 687 | - | - | - | - |
| 10 136 | 164 136 | 237 977 | 44 488 | 19 568 560 | 20 364 200 | 516 140 | 327 911 | 58 540 | - |
| 926 732 | 3 418 037 | 76 877 794 | 15 470 571 | 10 831 802 | 23 476 997 | 964 326 | 54 184 | 26 139 819 | - |
| 823 037 366 | 567 611 169 | 1 550 412 860 | 488 020 678 | 991 599 045 | 1 513 212 656 | 24 307 986 | 13 601 269 | 319 580 617 | - |
| 263 514 | 186 332 | 12 566 | 16 300 | 1 109 395 | 1 639 808 | 34 522 | 28 393 | 9 399 | - |
| 5 072 296 | 3 340 739 | 1 367 458 | - | 7 685 021 | 14 963 099 | 431 304 | 228 900 | 302 620 | - |
| 5 335 810 | 3 527 071 | 1 380 024 | 16 300 | 8 794 416 | 16 602 907 | 465 826 | 257 293 | 312 019 | - |
| 817 701 556 | 564 084 098 | 1 549 032 836 | 488 004 378 | 982 804 629 | 1 496 609 749 | 23 842 160 | 13 343 976 | 319 268 598 | - |

on adoption of IFRS as disclosed in note 7.

Allan Gray Unit Trusts

Statements of Changes in Net Assets Attributable to Unitholders for the year ended 31 December 2005

| | Notes | Equity Fund | | Balanced Fund | | Stable Fund | |
|---|-------|-----------------------|-----------------|-----------------------|-----------------|----------------------|---------------|
| | | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R |
| Opening balance* | | 6 742 826 921 | 4 697 464 240 | 6 881 095 625 | 3 875 985 318 | 3 238 531 597 | 1 394 853 212 |
| Shortfalls of income funded by net assets attributable to unitholders | 3 | (22 065 613) | (33 653 872) | - | - | - | - |
| Undistributed profit/(loss) for the year | | 1 128 697 227 | 453 015 762 | 741 751 698 | 156 254 238 | 111 859 906 | 11 279 931 |
| Change in unrealised gains/(losses) on available for sale investments | | 2 540 319 439 | 904 327 950 | 1 947 792 662 | 904 815 179 | 555 559 690 | 230 106 820 |
| Value of creations during the year | | 1 980 681 235 | 2 177 644 850 | 2 729 588 561 | 3 078 046 868 | 3 076 592 393 | 2 414 243 058 |
| Value of cancellations during the year | | (807 659 303) | (1 455 972 009) | (334 956 071) | (1 134 005 978) | (142 994 435) | (811 951 424) |
| Closing balance | | 11 562 799 906 | 6 742 826 921 | 11 965 272 475 | 6 881 095 625 | 6 839 549 151 | 3 238 531 597 |

* Net assets attributable to unitholders was previously disclosed as capital value of the fund (equity) but has been reclassified as a financial liability with effect from 1 January 2004,

| Money Market Fund | | Global Fund of Funds | | Optimal Fund | | Bond Fund | | Global Equity Feeder Fund | |
|----------------------|---------------|----------------------|--------------|----------------------|---------------|--------------------|-------------|---------------------------|-----------|
| 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R |
| 564 084 098 | 285 818 179 | 488 004 378 | 25 833 297 | 1 496 609 749 | 1 317 255 360 | 13 343 976 | - | - | - |
| - | - | - | (1 958 504) | - | - | - | - | - | - |
| - | - | (4 703 436) | (1 074 201) | 43 854 043 | 74 219 536 | 137 345 | 11 903 | - | - |
| - | - | 180 343 692 | (27 904 087) | 41 552 994 | (43 452 667) | 426 562 | 679 797 | 14 668 986 | - |
| 990 556 583 | 670 300 112 | 913 738 198 | 517 725 654 | 62 698 003 | 1 002 893 089 | 16 252 888 | 14 956 434 | 307 862 915 | - |
| (736 939 125) | (392 034 193) | (28 349 996) | (24 617 781) | (661 910 160) | (854 305 569) | (6 318 611) | (2 304 158) | (3 263 303) | - |
| 817 701 556 | 564 084 098 | 1 549 032 836 | 488 004 378 | 982 804 629 | 1 496 609 749 | 23 842 160 | 13 343 976 | 319 268 598 | - |

on adoption of IFRS as disclosed in note 7.

Allan Gray Unit Trusts

Cash Flow Statements

for the year ended 31 December 2005

| | Notes | Equity Fund | | Balanced Fund | | Stable Fund | |
|--|-------|------------------------|----------------------|------------------------|------------------------|------------------------|------------------------|
| | | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Interest received | | 5 575 680 | 5 430 218 | 175 474 192 | 140 320 017 | 202 040 154 | 126 120 806 |
| Dividends received | | 267 677 570 | 174 808 076 | 185 639 242 | 119 950 094 | 49 463 695 | 31 250 010 |
| Distributions paid | | - | (22 191 210) | (173 593 626) | (167 578 665) | (161 982 064) | (111 319 707) |
| Cash (used)/generated by operations before working capital changes | 4 | (295 318 863) | (191 700 956) | (140 593 165) | (80 881 464) | (73 689 796) | (31 980 046) |
| Working capital changes | 4 | 105 729 066 | (100 036 396) | (7 810 969) | (31 917 056) | 6 209 561 | 32 512 523 |
| NET CASH INFLOW/(OUTFLOW) from operating activities | | 83 663 453 | (133 690 268) | 39 115 674 | (20 107 074) | 22 041 550 | 46 583 586 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Purchase of investments | | (5 347 195 958) | (3 025 186 072) | (8 296 929 316) | (5 687 338 364) | (19 863 020 287) | (7 434 993 088) |
| Proceeds on disposal of investments | | 4 157 196 985 | 2 454 538 549 | 5 855 021 266 | 3 774 298 336 | 16 894 393 181 | 5 809 202 893 |
| NET CASH (OUTFLOW)/INFLOW from investing activities | | (1 189 998 973) | (570 647 523) | (2 441 908 050) | (1 913 040 028) | (2 968 627 106) | (1 625 790 195) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| Proceeds from creation of units | | 1 980 681 235 | 2 177 644 850 | 2 729 588 561 | 3 078 046 868 | 3 076 592 393 | 2 414 243 058 |
| Payments on cancellation of units | | (807 659 303) | (1 455 972 009) | (334 956 071) | (1 134 005 978) | (142 994 435) | (811 951 424) |
| NET CASH INFLOW/(OUTFLOW) from financing activities | | 1 173 021 932 | 721 672 841 | 2 394 632 490 | 1 944 040 890 | 2 933 597 958 | 1 602 291 634 |
| NET INCREASE/(DECREASE) in cash and cash equivalents | | 66 686 412 | 17 335 050 | (8 159 886) | 10 893 788 | (12 987 598) | 23 085 025 |
| CASH AND CASH EQUIVALENTS at the beginning of the year | | 30 610 781 | 13 275 731 | 26 552 775 | 15 658 987 | 27 517 898 | 4 432 873 |
| CASH AND CASH EQUIVALENTS at the end of the year | | 97 297 193 | 30 610 781 | 18 392 889 | 26 552 775 | 14 530 300 | 27 517 898 |

| Money Market Fund | | Global Fund of Funds | | Optimal Fund | | Bond Fund | | Global Equity Feeder Fund | |
|-------------------|-----------------|----------------------|---------------|-----------------|-----------------|--------------|--------------|---------------------------|-----------|
| 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R |
| 52 335 709 | 31 186 847 | 1 029 652 | - | 8 812 986 | 17 224 478 | 1 308 853 | 250 289 | 217 599 | - |
| - | - | - | - | 33 747 898 | 41 017 619 | - | - | - | - |
| (48 228 939) | (27 967 203) | - | - | (27 360 970) | (42 042 087) | (1 104 790) | - | - | - |
| (2 375 213) | (1 770 164) | 337 806 | (1 958 504) | (22 477 992) | (22 433 877) | (1 659) | (21 389) | 85 021 | - |
| 231 182 | 6 507 432 | (197 223) | (55 964) | 265 227 | (35 215 587) | (182 100) | (299 518) | (49 141) | - |
| 1 962 739 | 7 956 912 | 1 170 235 | (2 014 468) | (7 012 851) | (41 449 454) | 20 304 | (70 618) | 253 479 | - |
| (6 287 487 043) | (2 084 400 418) | (2 049 945 799) | (921 190 971) | (2 057 759 700) | (2 959 362 240) | (18 677 327) | (13 726 941) | (278 728 723) | - |
| 6 029 415 541 | 1 794 269 227 | 1 224 794 585 | 445 545 878 | 2 651 339 513 | 2 866 021 002 | 9 632 888 | 1 199 467 | 15 451 | - |
| (258 071 502) | (290 131 191) | (825 151 214) | (475 645 093) | 593 579 813 | (93 341 238) | (9 044 439) | (12 527 474) | (278 713 272) | - |
| 990 556 583 | 670 300 112 | 913 738 198 | 517 725 654 | 62 698 003 | 1 002 893 089 | 16 252 888 | 14 956 434 | 307 862 915 | - |
| (736 939 125) | (392 034 193) | (28 349 996) | (24 617 781) | (661 910 160) | (854 305 569) | (6 318 611) | (2 304 158) | (3 263 303) | - |
| 253 617 458 | 278 265 919 | 885 388 202 | 493 107 873 | (599 212 157) | 148 587 520 | 9 934 277 | 12 652 276 | 304 599 612 | - |
| (2 491 305) | (3 908 360) | 61 407 223 | 15 448 312 | (12 645 195) | 13 796 828 | 910 142 | 54 184 | 26 139 819 | - |
| 3 418 037 | 7 326 397 | 15 470 571 | 22 259 | 23 476 997 | 9 680 169 | 54 184 | - | - | - |
| 926 732 | 3 418 037 | 76 877 794 | 15 470 571 | 10 831 802 | 23 476 997 | 964 326 | 54 184 | 26 139 819 | - |

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the going concern principle on a historical cost basis, except for financial instruments that have been measured at either fair value or amortised cost.

Adoption of International Financial Reporting Standards (IFRS) during the year

The Allan Gray Group of companies have adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods ended 31 December 2005.

The unit trust funds will apply *IFRS7 – Financial Instruments: Disclosures*, when it becomes effective. The statement is required to be applied for annual periods beginning on or after 1 January 2007. The impact of adopting IFRS7 is expected to be limited to the financial risk disclosures included in note 9.1. The following new or revised IFRS have been issued with effective dates applicable to future annual financial statements of the unit trust funds:

| Statement | | Effective Date: years beginning on/after |
|-------------------|--|---|
| IAS 1 | Capital Disclosures | 1 January 2007 |
| IAS 19 | Employee benefits – Actuarial Gains and Losses, Group plans and disclosure | 1 January 2006 |
| IAS 39 amendments | Cash Flow Hedge Accounting of intragroup transactions | 1 January 2006 |
| IAS 39 amendments | Fair Value Option | 1 January 2006 |
| IAS 39 amendments | Financial Guarantee Contracts | 1 January 2006 |
| IFRIC 8 | Scope of IFRS2 | 1 May 2006 |
| IFRIC 9 | Reassessment of Embedded derivatives | 1 June 2006 |

These statements are not expected to impact the unit trust funds' financial statements.

The financial statements have been prepared in accordance with IFRS. The accounting policies are consistent with those applied in the prior year, except for

the adoption of IFRS, the principal effect of which is disclosed in note 7. The unit trust funds did not elect to apply any of the exemptions allowed in terms of *IFRS1 – First Time Adoption of International Financial Reporting Standards*. All accounting policies also comply with the trust deeds (where applicable). The principal accounting policies are set out below.

1.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the unit trust funds and revenue can be reliably measured:

Dividends

Dividend income comprises dividends received from and accrued on investments for which the last date to register falls within the accounting period.

Interest

Interest income is accrued for on a daily basis using the effective interest rate method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its carrying value. Distributions from property trusts are recognised as interest revenue and are accrued on the last date to register.

Income adjustment on creation/cancellation of units

This is the income portion of the price received or paid when units are created or cancelled. The income portion of the price received by the fund on creation of units is, in effect, a payment by unitholders for entitlement to a distribution of income that was earned by the fund before they joined. The income portion of the price paid to unitholders when units are cancelled is in effect compensation for the income distribution they will forfeit when exiting the fund before the distribution date.

The income adjustment on creation or cancellation of units is recognised when units on which it arises are either purchased or sold.

1.2 Financial Instruments

Financial instruments include cash and cash equivalents,

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

accounts receivable, accounts payable, distribution payable to unitholders, *available for sale investments*, *loans and receivables* and *financial assets at fair value through the profit or loss*.

Purchases and sales of financial assets are recognised using trade date accounting. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date. The trade date is the date that an entity commits itself to purchase or sell an asset.

Financial assets and liabilities are initially measured at fair value, being the consideration given or received on acquisition, plus, in the case of *investments not at fair value through profit or loss*, directly attributable transaction costs. Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instruments. The company determines the classification of its financial assets on initial recognition.

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Balances held for the purposes of meeting short-term cash commitments rather than for investment or other purposes are current assets and are disclosed separately on the face of the balance sheet. Margin deposits are not readily available for use by the funds as they are held as collateral to cover losses that funds may incur from their derivative trades.

Subsequent to initial recognition, accounts receivable, accounts payable and distribution payable to unitholders are measured at amortised cost using the effective interest rate method.

Investments in shares, unit trusts and bonds are classified as *available for sale investments* and are subsequently measured at fair value. Fair value of *available for sale investments* is determined as the quoted price at the

balance sheet date. Any gains or losses arising on subsequent measurement of *available for sale investments* are recognised directly in net assets attributable to unitholders and presented in the statement of changes in net assets attributable to unitholders. Unrealised gains and losses previously charged to net assets attributable to unitholders are released to operating income on derecognition of these instruments or when investments are determined to be impaired.

Money market instruments are classified as *loans and receivables* and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income when *loans and receivables* are derecognised or impaired, as well as through the amortisation process.

Derivatives are used for hedging purposes in accordance with the Collective Investment Schemes Control Act No. 45 of 2002. Derivatives are not designated as *effective hedging instruments* in terms of IAS39 and are classified as *financial assets at fair value through profit or loss*. After initial recognition, *financial assets at fair value through profit or loss* are marked to market on a daily basis with changes in fair value taken through the income statement as realised gains and losses.

The funds assess at each balance sheet date whether a financial asset or group of financial assets is impaired. Where there is objective evidence that an impairment loss has been incurred and can be reliably measured, the amount of the loss is recognised through profit and loss.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired, or the company has transferred its right to receive cash flows from the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

1.3 Realised gains and losses on investments

Realised gains and losses on investments are calculated as the difference between net sales proceeds and original purchase price on a weighted average basis.

1.4 Functional and presentation currency

Items included in the financial statements of each fund are measured using the currency of the primary economic environment in which the fund operates (functional currency). The funds' functional and presentation currency is rands and all amounts are stated in rands.

1.5 Foreign Currency Transactions

Foreign currency income is recorded at the exchange rate ruling on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Realised gains and losses arising from the translation of these monetary assets and liabilities are credited and debited respectively to the income statement.

Non-monetary assets (classified as *available for sale investments* above) are also translated at rates of exchange ruling at the balance sheet date. Unrealised gains and losses arising from the translation of these assets are, however, credited and debited respectively to a revaluation reserve and presented in the statement of changes in net assets attributable to unitholders as part of unrealised gains on *available for sale investments*.

1.6 Service Charge

The service charge is the fee paid by each fund to Allan Gray Unit Trust Management Limited (the "Manager") for the management of the portfolios and the administration of unitholder transactions. Service charges are either performance-based or fixed and are calculated and accrued based on the daily market value of the portfolios.

1.7 Expenses

All other expenses are recognised in the income statement on an accrual basis.

1.8 Distributions paid

Distributions paid represent profits paid to unitholders at each distribution date. Distributable profits are determined by deducting operating expenses incurred from the revenue earned by the fund since the last distribution.

Where operating expenses exceed revenue earned during the distribution period, the shortfall is funded by reducing the undistributable portion of the funds' net assets attributable to unitholders.

1.9 Net assets attributable to unitholders

Net assets attributable to unitholders are what is commonly known as the capital value of the fund. This change in terminology used in the financial statements was necessitated by the adoption of International Financial Reporting Standards in the current year resulting in it being classified as a *financial liability*.

This reclassification, however, has no impact on the value that the unitholder is entitled to on liquidation of his or her units. This *financial liability* (as defined by IAS32) is carried at fair value, being the redemption amount representing the unitholders' right to a residual interest in the funds' assets. See 1.2 for more on financial liabilities.

1.10 Comparatives

Where necessary, comparative figures have been adjusted to take effect of changes in presentation necessitated by the adoption of IFRS's as detailed in note 7.

Also, to achieve better disclosure in the current year, income adjustments on creation and cancellation of units have been disclosed separately on the face of the income statement. These income adjustments were netted against interest income in the prior year financial statements.

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

2. DISTRIBUTIONS PAID

| | 2005 | 2004 |
|---------------------------------|-------------|------------|
| Allan Gray Equity Fund | | |
| 31 March | | |
| <i>Class A</i> | | |
| Cents per unit* | - | 25.79 |
| Total distribution paid* | - | 22 191 210 |
| Allan Gray Balanced Fund | | |
| 30 June | | |
| <i>Class A</i> | | |
| Cents per unit | 35.52 | 48.33 |
| Total distribution paid | 95 789 039 | 99 622 459 |
| <i>Class B</i> | | |
| Cents per unit | 18.06 | 34.01 |
| Total distribution paid | 3 470 672 | 5 432 272 |
| 31 December | | |
| <i>Class A</i> | | |
| Cents per unit | 37.95 | 29.77 |
| Total distribution paid | 117 046 548 | 71 867 886 |
| <i>Class B</i> | | |
| Cents per unit | 17.12 | 14.32 |
| Total distribution paid | 4 214 010 | 2 466 030 |
| Allan Gray Stable Fund | | |
| 31 March | | |
| <i>Class A</i> | | |
| Cents per unit | 14.51 | 20.92 |
| Total distribution paid | 33 357 393 | 29 032 071 |
| <i>Class B</i> | | |
| Cents per unit | 9.83 | 19.08 |
| Total distribution paid | 1 021 728 | 260 935 |
| 30 June | | |
| <i>Class A</i> | | |
| Cents per unit | 15.36 | 19.64 |
| Total distribution paid | 40 452 168 | 34 445 132 |
| <i>Class B</i> | | |
| Cents per unit | 10.56 | 15.40 |
| Total distribution paid | 1 659 645 | 727 118 |

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

2. DISTRIBUTIONS PAID (Continued)

| | 2005 | 2004 |
|--|------------|------------|
| 30 September | | |
| <i>Class A</i> | | |
| Cents per unit | 14.29 | 12.70 |
| Total distribution paid | 45 711 658 | 23 039 814 |
| <i>Class B</i> | | |
| Cents per unit | 9.22 | 8.28 |
| Total distribution paid | 2 361 496 | 467 725 |
| 31 December | | |
| <i>Class A</i> | | |
| Cents per unit | 13.85 | 17.41 |
| Total distribution paid | 49 701 242 | 36 473 718 |
| <i>Class B</i> | | |
| Cents per unit | 8.60 | 12.77 |
| Total distribution paid | 3 548 723 | 944 257 |
| Allan Gray-Orbis Global Fund of Funds | | |
| 31 December | | |
| <i>Class A</i> | | |
| Cents per unit* | 0.81 | - |
| Total distribution paid* | 1 367 458 | - |
| Allan Gray Optimal Fund | | |
| 30 June | | |
| <i>Class A</i> | | |
| Cents per unit | 12.38 | 14.05 |
| Total distribution paid | 12 059 434 | 19 849 259 |
| <i>Class B</i> | | |
| Cents per unit | 4.95 | 6.83 |
| Total distribution paid | 338 438 | 995 862 |
| 31 December | | |
| <i>Class A</i> | | |
| Cents per unit | 10.44 | 12.34 |
| Total distribution paid | 7 537 429 | 14 507 798 |
| <i>Class B</i> | | |
| Cents per unit | 2.63 | 4.94 |
| Total distribution paid | 147 591 | 455 301 |

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

2. DISTRIBUTIONS PAID (Continued)

| | 2005 | 2004 |
|---|---------|---------|
| Allan Gray Bond Fund | | |
| 31 March | | |
| <i>Class A</i> | | |
| Cents per unit** | 20.77 | - |
| Total distribution paid** | 260 799 | - |
| 30 June | | |
| <i>Class A</i> | | |
| Cents per unit** | 20.77 | - |
| Total distribution paid** | 268 297 | - |
| 30 September | | |
| <i>Class A</i> | | |
| Cents per unit** | 20.77 | - |
| Total distribution paid** | 346 794 | - |
| 31 December | | |
| <i>Class A</i> | | |
| Cents per unit | 19.21 | 18.10 |
| Total distribution paid | 431 304 | 228 900 |
| Allan Gray-Orbis Global Equity Feeder Fund | | |
| 31 December | | |
| <i>Class A</i> | | |
| Cents per unit*** | 1.17 | - |
| Total distribution paid*** | 302 620 | - |

Allan Gray Money Market Fund

The Allan Gray Money Market Fund distributes on a daily basis, with the distribution being paid over to unitholders on a monthly basis. These daily distribution details have not been disclosed on this note because of the frequency of the distributions.

* To the extent that the service charges and other permissible deductions in any fund exceeded the income generated in any period, no income distribution is made.

** No prior year distribution, as the Fund was only launched on 1 October 2004.

*** No prior year distribution, as the Fund was only launched on 1 April 2005.

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

3. SHORTFALLS OF DISTRIBUTABLE PROFITS

The following amounts have been transferred from the net assets attributable to unitholders to fund shortfalls in distributable profits in terms of Section 51.2 of the trust deed.

| | 2005 Equity Fund R | 2004 Equity Fund R | 2005 Global Fund of Funds R | 2004 Global Fund of Funds R |
|--|-----------------------------|-----------------------------|--------------------------------------|--------------------------------------|
| Allan Gray-Orbis Global Fund of Funds (December) | - | - | - | 1 958 504 |
| Allan Gray Equity Fund A & B Class (June) | 8 715 632 | - | - | - |
| Allan Gray Equity Fund B Class (June) | - | 461 049 | - | - |
| Allan Gray Equity Fund A & B Class (December) | 13 349 981 | 33 192 823 | - | - |
| TOTAL SHORTFALLS FOR THE YEAR | 22 065 613 | 33 653 872 | - | 1 958 504 |

4. NOTES TO THE CASH FLOW STATEMENTS

| | Equity Fund | | Balanced Fund | | Stable Fund | |
|---|------------------------|---------------|----------------------|---------------|----------------------|---------------|
| | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R |
| CASH GENERATED BY OPERATIONS | | | | | | |
| Profit(loss) for the year | 1 128 697 227 | 475 206 972 | 962 271 967 | 335 642 885 | 289 673 959 | 136 670 701 |
| Adjusted for: | | | | | | |
| Shortfalls of income funded by net assets attributable to unitholders | (22 065 613) | (33 653 872) | - | - | - | - |
| Interest income | (5 575 680) | (5 430 218) | (175 474 192) | (140 320 017) | (202 040 154) | (126 120 806) |
| Dividend income | (267 677 570) | (174 808 076) | (185 639 242) | (119 950 094) | (49 463 695) | (31 250 010) |
| Realised gains on disposal of available for sale investments | (1 128 697 227) | (453 015 762) | (780 981 582) | (171 426 324) | (112 510 999) | (28 693 113) |
| Foreign exchange losses on monetary assets | - | - | 424 342 | 15 172 086 | 651 093 | 17 413 182 |
| Realised losses on financial assets at fair value through profit and loss | - | - | 38 805 542 | - | - | - |
| Cash (used)/generated by operations before working capital changes | (295 318 863) | (191 700 956) | (140 593 165) | (80 881 464) | (73 689 796) | (31 980 046) |
| WORKING CAPITAL CHANGES | | | | | | |
| (Increase)/decrease in accounts receivable | (44 542 804) | (228 023) | (13 695 262) | 13 053 | 525 034 | 29 752 227 |
| Increase/(decrease) in accounts payable | 150 271 870 | (99 808 373) | 5 884 293 | (31 930 109) | 5 684 527 | 2 760 296 |
| Working capital changes | 105 729 066 | (100 036 396) | (7 810 969) | (31 917 056) | 6 209 561 | 32 512 523 |

| Money Market Fund | | Global Fund of Funds | | Optimal Fund | | Bond Fund | | Global Equity Feeder Fund | |
|---------------------|--------------|----------------------|-------------|----------------------|---------------|--------------------|-----------|---------------------------|-----------|
| 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R | 2005 R | 2004 R |
| 49 960 496 | 29 416 683 | (3 335 978) | (1 074 201) | 63 936 935 | 110 027 756 | 1 444 539 | 240 803 | 302 620 | - |
| - | - | - | (1 958 504) | - | - | - | - | - | - |
| (52 335 709) | (31 186 847) | (1 029 652) | - | (8 812 986) | (17 224 478) | (1 308 853) | (250 289) | (217 599) | - |
| - | - | - | - | (33 747 898) | (41 017 619) | - | - | - | - |
| - | - | 4 335 135 | - | (349 564 587) | (289 122 292) | (137 345) | (11 903) | - | - |
| - | - | 368 301 | 1 074 201 | - | - | - | - | - | - |
| - | - | - | - | 305 710 544 | 214 902 756 | - | - | - | - |
| (2 375 213) | (1 770 164) | 337 806 | (1 958 504) | (22 477 992) | (22 433 877) | (1 659) | (21 389) | 85 021 | - |
| 154 000 | 6 474 775 | (193 489) | (37 258) | 795 640 | (18 315 833) | (188 229) | (327 911) | (58 540) | - |
| 77 182 | 32 657 | (3 734) | (18 706) | (530 413) | (16 899 754) | 6 129 | 28 393 | 9 399 | - |
| 231 182 | 6 507 432 | (197 223) | (55 964) | 265 227 | (35 215 587) | (182 100) | (299 518) | (49 141) | - |

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

5. RECONCILIATION OF UNITS

| | 2005 | 2004 |
|--|---------------|---------------|
| | Units | Units |
| Allan Gray Equity Fund | | |
| Units at the beginning of the year | 97 221 426 | 85 275 085 |
| Add: Units created during the year | 24 766 784 | 37 141 206 |
| Less: Units cancelled during the year | (10 840 871) | (25 194 865) |
| Units at end of the year | 111 147 339 | 97 221 426 |
| Allan Gray Balanced Fund | | |
| Units at the beginning of the year | 255 407 476 | 171 885 617 |
| Add: Units created during the year | 89 863 736 | 131 294 984 |
| Less: Units cancelled during the year | (12 501 460) | (47 773 125) |
| Units at end of the year | 332 769 752 | 255 407 476 |
| Allan Gray Stable Fund | | |
| Units at the beginning of the year | 216 891 053 | 102 085 111 |
| Add: Units created during the year | 192 874 303 | 172 583 429 |
| Less: Units cancelled during the year | (9 523 667) | (57 777 487) |
| Units at end of the year | 400 241 689 | 216 891 053 |
| Allan Gray Money Market Fund | | |
| Units at the beginning of the year | 564 084 098 | 285 818 180 |
| Add: Units created during the year | 990 556 583 | 670 300 113 |
| Less: Units cancelled during the year | (736 939 125) | (392 034 195) |
| Units at end of the year | 817 701 556 | 564 084 098 |
| Allan Gray-Orbis Global Fund of Funds | | |
| Units at the beginning of the year | 65 937 861 | 3 307 969 |
| Add: Units created during the year | 105 175 123 | 65 829 023 |
| Less: Units cancelled during the year | (3 270 835) | (3 199 131) |
| Units at end of the year | 167 842 149 | 65 937 861 |
| Allan Gray Optimal Fund | | |
| Units at the beginning of the year | 126 862 167 | 113 855 585 |
| Add: Units created during the year | 6 002 137 | 86 282 468 |
| Less: Units cancelled during the year | (55 031 146) | (73 275 886) |
| Units at end of the year | 77 833 158 | 126 862 167 |

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

5. RECONCILIATION OF UNITS (Continued)

Allan Gray Bond Fund

Units at the beginning of the year
 Add: Units created during the year
 Less: Units cancelled during the year
 Units at end of year

Allan Gray-Orbis Global Equity Feeder Fund

Units at the beginning of the year
 Add: Units created during the year
 Less: Units cancelled during the year
 Units at end of year

| | 2005 | 2004 |
|---------------------------------------|------------|-----------|
| | Units | Units |
| Units at the beginning of the year | 1 265 020 | - |
| Add: Units created during the year | 1 539 890 | 1 489 959 |
| Less: Units cancelled during the year | (600 313) | (224 939) |
| Units at end of year | 2 204 597 | 1 265 020 |
| Units at the beginning of the year | - | - |
| Add: Units created during the year | 25 999 457 | - |
| Less: Units cancelled during the year | (273 750) | - |
| Units at end of year | 25 725 707 | - |

6. REVIEW OF FLUCTUATIONS OF UNIT PRICES FOR THE YEAR

Allan Gray Equity Fund Class "A"

31 December 2005
 31 December 2004

Allan Gray Equity Fund Class "B"

31 December 2005
 31 December 2004

Allan Gray Balanced Fund Class "A"

31 December 2005
 31 December 2004

Allan Gray Balanced Fund Class "B"

31 December 2005
 31 December 2004

Allan Gray Stable Fund Class "A"

31 December 2005
 31 December 2004

Allan Gray Stable Fund Class "B"

31 December 2005
 31 December 2004

Allan Gray Money Market Fund

31 December 2005
 31 December 2004

| | Price (cents) | |
|------------------|---------------|-----------|
| | Lowest | Highest |
| 31 December 2005 | 6 768,32 | 10 488,67 |
| 31 December 2004 | 5 247,77 | 6 944,95 |
| 31 December 2005 | 6 763,80 | 10 389,46 |
| 31 December 2004 | 5 219,74 | 6 906,81 |
| 31 December 2005 | 2 665,21 | 3 644,19 |
| 31 December 2004 | 2 201,51 | 2 725,27 |
| 31 December 2005 | 2 663,57 | 3 623,85 |
| 31 December 2004 | 2 201,04 | 2 709,91 |
| 31 December 2005 | 1 495,56 | 1 723,29 |
| 31 December 2004 | 1 360,22 | 1 510,57 |
| 31 December 2005 | 1 494,58 | 1 718,28 |
| 31 December 2004 | 1 359,33 | 1 505,93 |
| 31 December 2005 | 100,00 | 100,00 |
| 31 December 2004 | 100,00 | 100,00 |

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

6. REVIEW OF FLUCTUATIONS OF UNIT PRICES FOR THE YEAR (Continued)

| | Price (cents) | |
|---|---------------|----------|
| | Lowest | Highest |
| Allan Gray-Orbis Global Fund of Funds | | |
| 31 December 2005 | 737,77 | 944,38 |
| 31 December 2004 | 716,94 | 875,26 |
| Allan Gray Optimal Fund Class "A" | | |
| 31 December 2005 | 1 179,40 | 1 273,15 |
| 31 December 2004 | 1 154,91 | 1 193,48 |
| Allan Gray Optimal Fund Class "B" | | |
| 31 December 2005 | 1 179,19 | 1 265,34 |
| 31 December 2004 | 1 152,77 | 1 186,13 |
| Allan Gray Bond Fund | | |
| 31 December 2005 | 1 009,83 | 1 101,37 |
| 31 December 2004 | 998,22 | 1 074,30 |
| Allan Gray-Orbis Global Equity Feeder Fund | | |
| 31 December 2005 | 964,05 | 1 257,77 |

The prices of units fluctuate in accordance with the changes in the market values of the investments included in the portfolio.

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

7. IMPACT OF IFRS ON CURRENT AND PRIOR YEAR NUMBERS

The adoption of the new and revised International Financial Reporting Standards has materially affected the way in which certain balances are disclosed for the current or prior years. The actual measurement of the affected balances has not changed though.

The main reclassification changes compared to the prior year are as follows:

Impact on profit for the year ended 31 December 2004

- Realised gains on disposal of *available for sale investments*, previously recorded in equity under South African general accepted accounting principles ("gaap"), are reflected on the face of the Income Statement for both the current and prior years.
- Realised losses on *financial assets at fair value through profit or loss*, previously recorded in equity under gaap, are reflected on the face of the Income Statement for both the current and prior years.
- Foreign exchange losses on monetary assets, previously recorded in equity under gaap, are also reflected on the face of the Income Statement.

Impact on equity as at 1 January 2004 and 31 December 2004

- The capital value of the funds (equity under gaap) has been reclassified as *net assets attributable to unitholders* (liability) to comply with IAS 32: *Financial Instruments: Disclosure and Presentation* (see note 1.9 for more on this reclassification)

Other

- Statements of Changes in Net Assets Attributable to Unitholders, not previously presented under gaap, are presented for all the funds.
- Cash Flow Statements, not previously presented under gaap, are presented for all the funds.
- Investments are classified in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* on the face of the Balance Sheet.

8. RELATED PARTY TRANSACTIONS

All transactions with related parties are conducted at arms length. Outstanding balances are unsecured and are settled within 14 days of the invoice date.

Allan Gray Unit Trust Management Limited earns a service charge for managing and administering the unit trust funds. Service charges per fund are either performance-based or fixed. As a consequence of the performance fee orientation, service charges will typically be higher following periods where the Funds' total investment performance (income plus capital appreciation) have outperformed their respective benchmarks and lower in the case of underperformance. This ensures that the Manager's interests are aligned with those of our investors.

During the year, the unit trust funds collectively paid service charges of R550.6m to Allan Gray Unit Trust Management Limited (2004: R349.5m). At 31 December 2005, the balance due to Allan Gray Unit Trust Management Limited is detailed as follows:

| | VAT inclusive 2005 R | VAT inclusive 2004 R |
|------------------------------|----------------------------|----------------------------|
| Allan Gray Equity Fund | 30 955 162 | 19 420 322 |
| Allan Gray Balanced Fund | 15 690 420 | 9 330 184 |
| Allan Gray Stable Fund | 10 378 005 | 4 717 856 |
| Allan Gray Optimal Fund | 1 075 012 | 1 595 976 |
| Allan Gray Bond Fund | 11 846 | 3 256 |
| Allan Gray Money Market Fund | 213 247 | 134 750 |
| | <u>58 323 692</u> | <u>35 202 344</u> |

The Directors of the Manager hold units in the Allan Gray suite of unit trusts. These units were valued at R23 021 943 at 31 December 2005 (2004: R22 935 307).

9. FINANCIAL INSTRUMENTS

9.1. Financial risk management

The funds maintain positions in a variety of derivative and non-derivative financial instruments as dictated by each fund's specific investment management strategy. The funds' investment portfolios comprise listed equity and debt investments, investments in other funds, unlisted money market instruments and short-term cash deposits. Asset allocation is determined by the funds' Manager who manages the distribution of the assets to achieve the funds' investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored daily by the Manager's compliance department.

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

The funds' investing activities expose them to various types of risk that are associated with the financial instruments and markets in which they invest. The most important types of financial risk to which funds are exposed to are market risk, interest rate risk, foreign currency risk, credit risk, and liquidity risk.

Market Risk

The unit trust funds are exposed to changes in the market values of the individual investments underlying each Portfolio. The security selection and asset allocation within each of the unit trust funds is monitored daily by the portfolio managers in terms of each individual unit trust fund's stated investment objectives. The compliance department monitors compliance with applicable regulations (for example Regulation 28 of the Pension Funds Act, 24 of 1956 where applicable and the Collective Investment Schemes Control Act, 45 of 2002, as amended from time to time) and the investment mandate on a daily basis.

Interest Rate Risk

The value of the unit trust funds' portfolios with listed interest bearing instruments varies in accordance with changes in market interest rates. The risk of loss due to adverse interest rate movements is monitored daily by the portfolio managers. The unit trust funds exposed to interest rate risk are those that invest in bonds (the Allan Gray Balanced Fund, the Allan Gray Bond Fund and the Allan Gray Stable Fund) and money market instruments (the Allan Gray Balanced Fund, the Allan Gray Money Market Fund and the Allan Gray Stable Fund). See note 9.4 for maturity profiles of interest bearing instruments.

The compliance department monitors compliance with applicable regulations (for example Regulation 28 of the Pension Funds Act, 24 of 1956 where applicable and the Collective Investment Schemes Control Act, 45 of 2002, as amended from time to time) and the investment mandate on a daily basis.

Foreign Currency Risk

The Allan Gray Balanced Fund, the Allan Gray Stable Fund, the Allan Gray-Orbis Global Fund of Funds and the Allan Gray-Orbis Global Equity Feeder Fund invest in foreign mutual funds and are therefore exposed to risk in respect of changes in foreign

exchange rates. The risk of loss due to adverse foreign exchange rate movements is monitored daily by the portfolio managers. The compliance department monitors compliance with applicable regulations (for example Regulation 28 of the Pension Funds Act, 24 of 1956 where applicable and the Collective Investment Schemes Control Act, 45 of 2002, as amended from time to time) and the investment mandate on a daily basis.

Credit Risk

The unit trust funds are exposed to credit risk as a result of transacting with various institutions. Risk is mitigated by transacting on recognised exchanges where it is possible and practical. The interest rate policy group manages credit risk by setting exposure limits for counterparties, issuers and financial instruments. The compliance department monitors compliance with applicable regulations (for example Regulation 28 of the Pension Funds Act, 24 of 1956 where applicable and the Collective Investment Schemes Control Act, 45 of 2002, as amended from time to time) and the investment mandate on a daily basis. Maximum exposures to individual instruments do not exceed those set out by the regulations mentioned above.

9.2. Fair Value

Available for sale investments and derivative instruments have been stated at fair value. *Loans and receivables* are held for periods not exceeding a year and these are usually held for the instruments' entire life, meaning that the fair value of these instruments closely approximates the carrying amount. The directors are of the opinion that the fair value of all remaining financial instruments approximates the carrying amount in the balance sheet as these balances are due within 30 days.

9.3. Derivative instruments

Investments in derivatives are regulated by the Financial Services Board. They are used as hedging instruments for efficient portfolio management. Financial futures were traded during the period under review. Submissions were made to the Financial Services Board at the end of each quarter during the period under review in terms of chapter 2 of Notice 2071 of the Collective Investment Schemes Control Act No. 45 of 2002. The following funds held derivatives at the end of the year:

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

| | 2005 R | | 2004 R | |
|--------------------------|------------|----------------|------------|----------------|
| | Fair Value | Short Exposure | Fair Value | Short Exposure |
| Allan Gray Balanced Fund | - | 273 191 310 | - | - |
| Allan Gray Optimal Fund | - | 849 818 340 | 1 214 400 | 1 260 528 750 |

9.4. Interest bearing instruments at 31 December 2005

Allan Gray Balanced Fund

| Maturities | Bonds | Money Market Instruments | Money at call | Total |
|---|---------------|--------------------------|---------------|----------------|
| Less than 1 year | 166 756 500 | 1 758 236 883 | 326 930 463 | 2 251 923 846 |
| 1 to 3 years | 513 312 684 | - | - | 513 312 684 |
| 3 to 7 years | 284 571 588 | - | - | 284 571 588 |
| More than 7 years | 46 653 000 | - | - | 46 653 000 |
| | 1 011 293 772 | 1 758 236 883 | 326 930 463 | 3 096 461 118 |
| Unclassified equity investments | | | | 8 935 381 572 |
| Total investments per the balance sheet | | | | 12 031 842 690 |

Coupon rates for the bond portfolio range between 7.50% and 16.00%. Yields on the money market instruments range between 6.80% and 7.20% and money at call attracts interest at rates ranging between 6.45% and 6.85%.

Allan Gray Bond Fund

| Maturities | Bonds | Money Market Instruments | Money at call | Total |
|---|------------|--------------------------|---------------|------------|
| Less than 1 year | - | - | - | - |
| 1 to 3 years | 1 183 900 | - | - | 1 183 900 |
| 3 to 7 years | 7 179 170 | - | - | 7 179 170 |
| More than 7 years | 14 464 450 | - | - | 14 464 450 |
| | 22 827 520 | - | - | 22 827 520 |
| Unclassified equity investments | | | | - |
| Total investments per the balance sheet | | | | 22 827 520 |

Coupon rates for the bond portfolio range between 8.75% and 16.50%.

Allan Gray Money Market Fund

| Maturities | Bonds | Money Market Instruments | Money at call | Total |
|---|-------|--------------------------|---------------|-------------|
| Less than 1 year | - | 822 100 498 | - | 822 100 498 |
| 1 to 3 years | - | - | - | - |
| 3 to 7 years | - | - | - | - |
| More than 7 years | - | - | - | - |
| | - | 822 100 498 | - | 822 100 498 |
| Unclassified equity investments | | | | - |
| Total investments per the balance sheet | | | | 822 100 498 |

Yields on the money market instruments range between 6.80% and 7.20%.

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2005

9.4. Interest bearing instruments at 31 December 2005 (Continued)

Allan Gray Stable Fund

| Maturities | Bonds | Money Market Instruments | Money at call | Total |
|---|-------------|--------------------------|---------------|---------------|
| Less than 1 year | - | 3 049 909 656 | 331 000 000 | 3 380 909 656 |
| 1 to 3 years | 66 586 200 | - | - | 66 586 200 |
| 3 to 7 years | 53 830 000 | - | - | 53 830 000 |
| More than 7 years | - | - | - | - |
| | 120 416 200 | 3 049 909 656 | 331 000 000 | 3 501 325 856 |
| Unclassified equity investments | | | | 3 380 970 336 |
| Total investments per the balance sheet | | | | 6 882 296 192 |

Coupon rates for the bond portfolio range between 10.00% and 12.00%. Yields on the money market instruments range between 6.75% and 7.20% and money at call attracts interest at rates ranging between 6.80% and 6.85%.

Other Funds

The Allan Gray Equity Fund had money on call amounting to R95 000 000 at 31 December 2005, attracting interest at 6.80%.

The Allan Gray Optimal Fund had R78 311 201 on call at 31 December 2005, attracting interest at rates ranging between 6.45% and 6.85%.

Allan Gray Unit Trust Management Limited - the 'Manager'

Approval of the Annual Financial Statements

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

The annual financial statements for the year ended 31 December 2005 set out on pages 37 to 50 as well as 54 have been approved by the board of directors and are signed on its behalf by:



W J C MITCHELL

Chairman

Cape Town
30 March 2006



G W FURY

Director and Public Officer

Cape Town
30 March 2006

Certification by the Company Secretary

I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2005 the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



C MASON

Company Secretary

Cape Town
30 March 2006

Allan Gray Unit Trust Management Limited

Report of the Independent Auditors to the Members of Allan Gray Unit Trust Management Limited

We have audited the annual financial statements of Allan Gray Unit Trust Management Limited set out on pages 37 to 50 as well as page 54 for the year ended 31 December 2005. These financial statements are the responsibility of the company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 December 2005 and the results of its operations and 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.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

ERNST & YOUNG

Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
30 March 2006

Allan Gray Unit Trust Management Limited

Report of the Directors

for the year ended 31 December 2005

The directors of Allan Gray Unit Trust Management Limited (the "Manager") have pleasure in presenting their report for the year ended 31 December 2005.

Nature of the Company's Business

The principal business of the company is to manage funds registered under this scheme in accordance with the Collective Investment Schemes Control Act No. 45 of 2002.

| Name of Fund | Fund Launch Date |
|--|------------------|
| Allan Gray Equity Fund | 1 October 1998 |
| Allan Gray Balanced Fund | 1 October 1999 |
| Allan Gray Stable Fund | 1 July 2000 |
| Allan Gray Money Market Fund | 1 July 2001 |
| Allan Gray Optimal Fund | 1 October 2002 |
| Allan Gray Bond Fund | 1 October 2004 |
| Allan Gray-Orbis Global Fund of Funds* | 3 February 2004 |
| Allan Gray-Orbis Global Equity Feeder Fund | 1 April 2005 |

*This fund was previously called the Allan Gray Global Equity Fund of Funds and was founded on 1 December 2001 with its investment mandate being to exceed the Morgan Stanley Capital International Index at no greater than average risk. With this mandate, the fund was included in the Foreign Equity General sector.

The fund was re-launched on 3 February 2004 as the Allan Gray-Orbis Global Fund of Funds with its new investment mandate being to provide superior long-term returns (against a benchmark of 60% of the FTSE World Index and 40% of the JP Morgan Government Bond Index Global) while exposing investors to risk similar to the Balanced Fund but less than the average foreign fund. The change in mandate resulted in the fund's classification changing to the Foreign Asset Allocation Flexible sector.

Share Capital

The issued shareholding at 31 December 2005 was as follows:

| | % Holding | Ordinary Shares |
|--|-----------|-----------------|
| Allan Gray Limited, ultimate holding company | 100 | 1 000 060 |

Results of the Company

The results of the company are set out in the accompanying Income Statement and Cash Flow Statement for the year ended 31 December 2005 and the Balance Sheet as at 31 December 2005.

Dividends

| Declaration Date | Rands Per Share |
|-------------------|-----------------|
| 18 March 2004 | 32.00 |
| 12 July 2004 | 28.00 |
| 10 September 2004 | 36.00 |
| 01 December 2004 | 30.00 |
| 22 March 2005 | 61.99 |
| 14 September 2005 | 100.00 |

In 2005 the company declared total dividends of R162 million (2004: R126 million).

Directors

Mr M L Ronald resigned as director with effect from 14 April 2005. Mr R W Dower was appointed as director on 14 September 2005.

Full details of the current directors are given on the back page.

Events subsequent to the year end

No material fact or circumstance has occurred between the accounting date and the date of this report.

The Company's investment in Unit Trust Funds

| Investment in Units | 2005 | | 2004 | |
|---------------------------------------|------------|------------|------------|------------|
| | Units | Fair value | Units | Fair Value |
| Allan Gray Equity Fund | - | - | 71 748 | 4 977 550 |
| Allan Gray Balanced Fund | 273 855 | 9 950 835 | 149 031 | 4 059 508 |
| Allan Gray Stable Fund | - | - | 149 031 | 2 251 222 |
| Allan Gray-Orbis Global Fund of Funds | 996 418 | 9 204 113 | 99 750 | 738 254 |
| Allan Gray Optimal Fund | - | - | 212 692 | 2 535 404 |
| Allan Gray Bond Fund | - | - | 1 054 935 | 11 318 825 |
| Allan Gray Money Market Fund | 20 500 000 | 20 500 000 | 27 156 460 | 27 156 460 |

Allan Gray Unit Trust Management Limited

Income Statement

for the year ended 31 December 2005

| | Notes | 2005 R | 2004 R |
|---|-------|--------------------|-------------|
| REVENUE | 1.3 | 541 252 040 | 345 449 705 |
| Service charges | | 483 440 531 | 306 563 885 |
| Initial charges received | | 13 359 934 | 18 608 564 |
| Income from the company's investment in unit trust funds: | | | |
| - Dividends | | 109 406 | 81 569 |
| - Interest | | 2 441 942 | 2 093 710 |
| Interest received | | 11 932 966 | 5 808 403 |
| Management fees | 11 | 29 967 261 | 12 293 574 |
| OTHER INCOME | | 8 095 087 | 68 310 |
| Gains on disposal of the company's investment in unit trust funds | | | |
| OPERATING EXPENSES | | 165 364 137 | 104 463 842 |
| Initial charges paid | | 13 096 234 | 13 538 838 |
| Linked investment service provider costs | | 55 345 444 | 30 528 686 |
| Audit fees | | | |
| - Fees for audit | | 216 924 | 173 070 |
| - Prior year underprovision | | 3 555 | - |
| - Other services | | - | 134 900 |
| Exchange loss | | 446 947 | 23 620 |
| Administration fees | | 964 250 | 2 298 984 |
| Related party payments | 11 | 80 217 577 | 48 546 700 |
| Other operating expenses | | 12 824 800 | 8 932 677 |
| Interest paid | | 2 248 406 | 286 367 |
| PROFIT BEFORE TAXATION | | 383 982 990 | 241 054 173 |
| TAXATION EXPENSE | 2 | 130 725 721 | 87 975 973 |
| PROFIT FOR THE YEAR | | 253 257 269 | 153 078 200 |

Allan Gray Unit Trust Management Limited

Balance Sheet

as at 31 December 2005

| | Notes | 2005 R | 2004 R |
|-------------------------------------|-------|--------------------|-------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Available for sale investments | 3 | 19 154 948 | 26 880 763 |
| Current Assets | | | |
| Trade and other receivables | 4 | 80 621 480 | 45 257 735 |
| Cash and cash equivalents | 5 | 104 745 895 | 107 670 792 |
| TOTAL ASSETS | | 204 522 323 | 179 809 290 |
| EQUITY AND LIABILITIES | | | |
| Share Capital | 6 | 1 000 060 | 1 000 060 |
| Share Premium | 6 | 2 000 000 | 2 000 000 |
| Revaluation Reserve | | 3 603 536 | 7 376 118 |
| Accumulated Profit | | 140 745 506 | 49 488 237 |
| TOTAL EQUITY | | 147 349 102 | 59 864 415 |
| Non-Current Liabilities | | | |
| Deferred taxation liability | 7 | 474 085 | 873 957 |
| Current Liabilities | | | |
| Trade and other payables | 8 | 54 481 231 | 58 559 234 |
| Taxation payable | | 2 217 905 | 60 511 684 |
| TOTAL EQUITY AND LIABILITIES | | 204 522 323 | 179 809 290 |

Allan Gray Unit Trust Management Limited

Statement of Changes in Equity

for the year ended 31 December 2005

| | Share Capital R | Share Premium R | Revaluation Reserve R | Accumulated Profit R | Total R |
|---|-----------------------|-----------------------|-----------------------------|----------------------------|--------------------|
| Balance at 1 January 2004 | 1 000 060 | 2 000 000 | 5 174 264 | 22 410 037 | 30 584 361 |
| Fair value adjustment on available for sale investments | - | - | 2 658 728 | - | 2 658 728 |
| Deferred tax arising on fair value adjustments recognised in equity | - | - | (388 564) | - | (388 564) |
| Release of revaluation reserves on disposal of available for sale investments | - | - | (68 310) | - | (68 310) |
| Profit for the year | - | - | - | 153 078 200 | 153 078 200 |
| Ordinary dividend | - | - | - | (126 000 000) | (126 000 000) |
| Balance at 31 December 2004 | 1 000 060 | 2 000 000 | 7 376 118 | 49 488 237 | 59 864 415 |
| Fair value adjustment on available for sale investments | - | - | 3 922 633 | - | 3 922 633 |
| Deferred tax arising on fair value adjustments recognised in equity | - | - | 399 872 | - | 399 872 |
| Release of revaluation reserves on disposal of available for sale investments | - | - | (8 095 087) | - | (8 095 087) |
| Profit for the year | - | - | - | 253 257 269 | 253 257 269 |
| Ordinary dividend | - | - | - | (162 000 000) | (162 000 000) |
| Balance at 31 December 2005 | 1 000 060 | 2 000 000 | 3 603 536 | 140 745 506 | 147 349 102 |

Allan Gray Unit Trust Management Limited

Cash Flow Statement

for the year ended 31 December 2005

| | Notes | 2005 R | 2004 R |
|---|-------|----------------------|---------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash generated by operations before working capital changes | 12.1 | 363 651 995 | 233 288 548 |
| Working capital changes | 12.2 | (39 441 748) | (10 089 446) |
| Cash generated by operations | | 324 210 247 | 223 199 102 |
| Interest received | | 14 374 908 | 7 902 113 |
| Dividends received | | 109 406 | 81 569 |
| Interest paid | | (2 248 406) | (286 367) |
| Dividends paid | | (162 000 000) | (126 000 000) |
| Taxation paid | 12.3 | (189 019 500) | (35 648 450) |
| NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | | (14 573 345) | 69 247 967 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of investments in unit trusts | | (3 507 000) | (12 788 316) |
| Proceeds on disposal of investments in unit trusts | | 15 155 448 | 2 283 884 |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | | 11 648 448 | (10 504 432) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (2 924 897) | 58 743 535 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 107 670 792 | 48 927 257 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 5 | 104 745 895 | 107 670 792 |

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2005

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with the going concern principle on a historical cost basis, except for financial instruments that have been measured at either fair value or amortised cost.

1.2 Adoption of IFRS during the year

The Allan Gray Group of companies have adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods ended 31 December 2005. The comparative figures have been reclassified as required. Adoption of the standards did not have any effect on equity as 01 January 2004, 31 December 2004 or the net profit for the year ended 31 December 2004. The company did not elect to apply any of the exemptions allowed in terms of *IFRS1 – First Time Adoption of International Financial Reporting Standards*.

The company will apply *IFRS7 – Financial Instruments: Disclosures* and *IAS1 – Presentation of Financial Statements* (as amended), when the statements become effective. The statements are applicable for annual periods beginning on or after 1 January 2007. The company expects the impact of adopting IFRS 7 to be limited to the financial risk disclosures included in note 10 and IAS1 to be limited to capital adequacy risk disclosure also in note 10.

The following new or revised IFRS have been issued with effective dates applicable to future annual financial statements of the company:

| Statement | | Effective Date: years beginning on/after |
|-------------------|--|---|
| IAS 19 | Employee benefits – Actuarial Gains and Losses, Group plans and disclosure | 1 January 2006 |
| IAS 39 amendments | Cash Flow Hedge Accounting of intragroup transactions | 1 January 2006 |
| IAS 39 amendments | Fair Value Option | 1 January 2006 |
| IAS 39 amendments | Financial Guarantee Contracts | 1 January 2006 |
| IFRIC 8 | Scope of IFRS2 | 1 May 2006 |
| IFRIC 9 | Reassessment of Embedded derivatives | 1 June 2006 |

These statements are not expected to impact the company's financial statements.

The financial statements have been prepared in accordance with IFRS. The accounting policies are consistent with those applied in the prior year. The principal accounting policies are set out below.

1.3 Revenue Recognition

Revenue excludes any value added taxation and includes service charges from managing and administering the unit trust portfolios, management fees for marketing of Orbis Investment Management Limited's products, income from initial charges on sale of units, interest income, and income distributions from investments in unit trusts. Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and the revenue can be reliably measured. Income from service charges accrues on a daily basis and is based on the daily market value of the Fund Portfolios.

Management fees from Orbis Investment Management Limited are recognised on a quarterly basis based on the average market value of assets invested in Orbis Funds through the agency of the Company.

Initial charges are collected on behalf of unitholders for the payment of fees to their independent advisers. Income from initial charges is recognised on a gross basis when the sale of units, which gives rise to this income, takes place. Interest income is recognised on an accrual basis using the effective interest rate method. Income from unit trust investments is recognised when the declaration date has passed.

1.4 Financial Instruments

Financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and *available for sale investments*. Initially, when financial assets are recognised, they are measured at fair value, plus, in the case of *investments not at fair value through profit or loss*, directly attributable transaction costs. Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2005

the instruments. The company determines the classification of its financial assets on initial recognition.

A financial asset is derecognised where the rights to receive cash flows from the asset have expired, or the company has transferred its right to receive cash flows from the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

The company accounts for its purchases and sales of financial assets using trade date accounting. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date. The trade date is the date that an entity commits itself to purchase or sell an asset.

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value, and are held for the purposes of meeting short-term cash commitments rather than for investment or other purposes.

Subsequent to initial recognition, trade and other receivables and trade and other payables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when trade and other receivables and payables are derecognized or impaired, and through the amortisation process.

Available for sale investments consist of discretionary holdings in the Allan Gray suite of unit trusts but exclude short-term holdings in the Allan Gray Money Market Fund. Subsequent to initial recognition, these are measured at the fair value, being the price of unit trusts at balance sheet date as published by the Company on a daily basis. Any gains and losses arising on subsequent measurement of *available for sale investments* are recognised directly in equity by way of a revaluation reserve and presented in the

statement of changes in equity. Unrealised gains and losses in the revaluation reserve will be released to operating income on derecognition of these instruments or when the investment is determined to be impaired.

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Where there is objective evidence that an impairment loss has been incurred and can be reliably measured, the amount of the loss is recognised through profit and loss.

1.5 Expenses

Initial charges paid represents fees paid to independent advisers and is recognised as an expense rather than a reduction in revenue.

All other expenses, including interest paid, are recognised in the income statement on an accrual basis. All transactions with related parties are conducted at arms length.

1.6 Taxation

Current taxation assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

1.7 Deferred Taxation

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the balance sheet. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred taxation assets that would relate to any assessed losses carried forward are recognised to the extent that it would be probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2005

1.8 Foreign Currency Transactions

Foreign currency income and expense amounts are translated at the rate or exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Gains and losses arising from the translation of assets and liabilities denominated in a foreign currency are credited and debited respectively to the income statement.

1.9 Comparative Information

Where necessary, comparative figures have been adjusted to take effect of changes in presentation in the current year. The main adjustments (all made to achieve better disclosure in the current year) are listed below:

1.9.1 Other operating expenses on the face of the Income Statement

| | |
|---|------------------|
| Balance reported per the 2004 financial statements | 39 679 420 |
| <i>Disclosed separately on the face of the income statement in the current year</i> | |
| Interest paid | (286 367) |
| Linked investment service provider costs | (30 528 686) |
| Profit on sale of investments | 68 310 |
| Comparative balance in the 2005 financial statements | <u>8 932 677</u> |

1.9.2 Cashflow Statement

The indirect method of presenting the cashflows of the company was used in the current year.

Also, the following balances have been adjusted to get to the comparative figures in the current year financial statements:

| | |
|--|--------------------|
| Cash generated by operations | |
| Balance reported per the 2004 financial statements | 222 981 045 |
| <i>Adjustments:</i> | |
| Profit on sale of investments | (68 310) |
| Interest expense | 286 367 |
| Comparative balance in the 2005 financial statements | <u>223 199 102</u> |

Net acquisition of investments in unit trusts

| | |
|--|-------------------|
| Balance reported per the 2004 financial statements | 10 572 742 |
| <i>Adjustments:</i> | |
| Profit on sale of investments | (68 310) |
| Comparative balance in the 2005 financial statements | <u>10 504 432</u> |

Gross proceeds on disposal of investments and gross payments on acquisition of investments have been disclosed separately on the face on the Cash Flow Statement.

2. TAXATION EXPENSE

| | 2005 R | 2004 R |
|----------------------------|--------------------|-------------------|
| S A Normal taxation | | |
| - current | 109 559 989 | 72 221 515 |
| - prior year overprovision | (10 731) | - |
| | <u>109 549 257</u> | 72 221 515 |
| Capital gains taxation | 939 520 | 20 493 |
| Secondary tax on companies | 20 236 943 | 15 733 965 |
| | <u>130 725 721</u> | <u>87 975 973</u> |

The prior year financial statements did not separately disclose normal and capital gains taxation. The comparative column has, however, been adjusted to achieve better disclosure in the current year.

| | 2005 % | 2004 % |
|-----------------------------------|--------------|--------------|
| Reconciliation of tax rate | | |
| Standard tax rate | 29,00 | 30,00 |
| <i>Adjusted for:</i> | | |
| Exempt income | (0,62) | (0,01) |
| Non-deductible expenses | 0,10 | - |
| Capital gains tax | 0,24 | - |
| Other permanent differences | 0,04 | (0,02) |
| Secondary tax on companies | 5,27 | 6,53 |
| Effective tax rate | <u>34,03</u> | <u>36,50</u> |

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2005

3. INVESTMENTS

It is not the policy of the Manager to maintain a trading stock of units. Units are created as and when required.

| | 2005 R | 2004 R |
|---|------------|------------|
| Total cost of investments in unit trust funds | 15 077 326 | 18 630 688 |
| Total market value of investments in unit trust funds | 19 154 948 | 26 880 763 |

Investment in units

Allan Gray Equity Fund

Nil (2004: 71 748) units in Allan Gray Equity Fund at cost

Market value at redemption price of 10 408.44 cents (2004: 6 937,49 cents)

| | 2005 R | 2004 R |
|--|-----------|-----------|
| | - | 917 194 |
| | - | 4 977 550 |

Allan Gray Balanced Fund

273 855 (2004: 149 031) units in Allan Gray Balanced Fund at cost

Market value at redemption price of 3 633.61 cents (2004: 2 723,93 cents)

| | | |
|--|-----------|-----------|
| | 5 721 649 | 1 500 000 |
| | 9 950 835 | 4 059 508 |

Allan Gray Stable Fund

Nil (2004: 149 031) units in Allan Gray Stable Fund at cost

Market value at redemption price of 1 722.70 cents (2004: 1 510,57 cents)

| | | |
|--|---|-----------|
| | - | 1 500 000 |
| | - | 2 251 222 |

Allan Gray Money Market Fund

Nil (2004: 1 000 000) units in Allan Gray Money Market Fund at cost

Market value at redemption price of 100,00 cents (2004: 100,00 cents)

| | | |
|--|---|-----------|
| | - | 1 000 000 |
| | - | 1 000 000 |

Allan Gray-Orbis Global Fund of Funds

996 418 (2004: 99 750) units in Allan Gray-Orbis Global Fund of Funds at cost

Market value at redemption price of 923.72 cents (2004: 740,10 cents)

| | | |
|--|-----------|-----------|
| | 9 355 677 | 1 000 000 |
| | 9 204 113 | 738 254 |

Allan Gray Optimal Fund

Nil (2004: 212 692) units in Allan Gray Optimal Fund at cost

Market value at redemption price of 1 273,15 cents (2004: 1 192,05 cents)

| | | |
|--|---|-----------|
| | - | 2 140 752 |
| | - | 2 535 404 |

Allan Gray Bond Fund

Nil (2004: 1 054 935) units in Allan Gray Bond Fund at cost

Market value at redemption price of 1 100,68 cents (2004: 1 072,94 cents)

| | | |
|--|---|------------|
| | - | 10 572 742 |
| | - | 11 318 825 |

4. TRADE AND OTHER RECEIVABLES

Investment income due

Receivables from related parties

Other receivables

| | 2005 R | 2004 R |
|----------------------------------|------------|------------|
| Investment income due | 246 007 | 216 515 |
| Receivables from related parties | 80 284 365 | 43 170 562 |
| Other receivables | 91 108 | 1 870 658 |
| | 80 621 480 | 45 257 735 |

Receivables from related parties are detailed in note 11.

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2005

5. CASH AND CASH EQUIVALENTS

Operating cash in the current account
First National Bank call account
Allan Gray Money Market Fund
Unitholder funds awaiting investment

| 2005 R | 2004 R |
|-------------|-------------|
| 3 081 615 | 1 387 019 |
| 47 000 000 | 36 000 000 |
| 20 500 000 | 26 156 460 |
| 34 164 280 | 44 127 313 |
| 104 745 895 | 107 670 792 |

Unitholder funds are processed for investment immediately after receiving all necessary information. This information is often received after the unitholders' deposits have been made. (Refer to note 8)

6. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

Authorised

3 000 000 ordinary shares of R1 each

Issued

1 000 060 ordinary shares of R1 each

Share Premium Account

Arising on the issue of ordinary shares

| 2005 R | 2004 R |
|-----------|-----------|
| 3 000 000 | 3 000 000 |
| 1 000 060 | 1 000 060 |
| 2 000 000 | 2 000 000 |

7. DEFERRED TAX

Deferred tax liability arises on revaluation of the Manager's investments in units based on capital gains since 1 October 2001. Deferred tax has been calculated using an inclusion rate of 50% and a tax rate of 29.0% (effective rate of 14.5%).

Opening balance
Effect of changes in tax rate
Charged directly to equity
Closing balance

| 2005 R | 2004 R |
|-----------|-----------|
| (873 957) | (485 393) |
| 29 132 | - |
| 370 740 | (388 564) |
| (474 085) | (873 957) |

8. TRADE AND OTHER PAYABLES

Payables to related parties
Accruals and other payables
Unitholder funds awaiting investment

| 2005 R | 2004 R |
|------------|------------|
| 8 515 896 | 4 410 606 |
| 11 801 055 | 10 021 315 |
| 34 164 280 | 44 127 313 |
| 54 481 231 | 58 559 234 |

Unitholder funds awaiting investment represents cash received at the year end for which no units have been created. (Refer to note 5)

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2005

9. CREATION AND CANCELLATION OF UNITS

The Company undertakes to repurchase units in accordance with the requirements of the Collective Investment Schemes Control Act No. 45 of 2002 and on terms and conditions set out in the Funds' trust deeds.

10. FINANCIAL INSTRUMENTS

The Company's principal financial instruments are trade and other receivables, trade and other payables and *available for sale investments*.

Trade and other receivables and trade and other payables arise directly from operations.

Available for sale investments consist of discretionary holdings in the Allan Gray suite of unit trusts. These investments are considered most appropriate for preserving and enhancing the company's long-term capital. The investments' actual risk and return profile are monitored and reviewed from time to time to ensure that they remain in line with the company's risk appetite and long-term capital management framework.

Fair Value

Investments in the unit trust funds have been stated at fair value. The directors are of the opinion that the fair value of all remaining financial instruments approximates the carrying amount in the balance sheet as these balances are due within 30 days.

Market risk

A large portion of the Company's income is derived from service charges levied on the unit trust fund portfolios. As the service charges are dependent on the monthly market value of the Allan Gray Unit Trust portfolios, any market movements may affect the Company accordingly. The Company has appointed its holding company, Allan Gray Limited as investment manager of these. The investment management fee paid to Allan Gray Limited is based on the average market value of funds under management and this ensures that the investment manager's interests are aligned with those of Allan Gray Unit Trust Management Limited and unitholders in the unit trust portfolios.

Credit risk

At the balance sheet date potential credit risk consists principally of investments in the Allan Gray unit trust funds, service fees due from the Allan Gray unit trust funds and short-term cash deposits. All these balances are unsecured. During the year, the Company deposited short-term cash surpluses with one of the major banks in the country and this institution is of high quality credit standing. At December 31 2005 the company did not consider there to be any significant concentration of credit risk which needed to be provided for.

Liquidity risk

The Allan Gray group of companies minimised liquidity risk as it had a favourable cash position and capacity for substantial banking facilities at the balance sheet date.

Currency risk

Monitoring of the exchange rate takes place in order to ensure that currency risk is minimised at all times. Cash and cash equivalents include funds of US\$ 3 090 219 (2004: US\$ 584 859) held in a local US dollar bank account.

The unit trust funds' assets under management include foreign denominated holdings in Orbis funds. The Rand value of these assets (and also the service fees and Orbis management fees that use assets under management as a basis for calculation) may fluctuate due to changes in foreign exchange rates.

Capital adequacy risk

The Collective Investment Schemes Control Act of 2002 requires a manager to, on an ongoing basis, maintain in liquid form the capital for the matters and risks determined by the Registrar. Notice 2072 of 2003 determines the capital requirements with which a manager of a collective investment scheme in securities must comply with. The notice further requires that this calculation of the capital position be submitted to the registrar as at the last business day of each calendar month, within fourteen business days after the end of such calendar month.

Required capital, as defined by Notice 2072 of 2003, consists of three components: basic capital, seed capital and position risk capital.

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2005

- The basic capital component is the greater of R600 000 or a sum equivalent of thirteen weeks' of the Manager's fixed cost calculated as the previous financial year's fixed costs divided by four.
- The Notice requires that seed capital of R1 million be invested by the Manager in each new portfolio administered by the manager. The prescribed amount of R1 million may be reduced by 10 percent for every R1 million invested by investors (independent from the manager) in a portfolio. At 31 December 2005, the Manager did not have any investments held as seed capital.
- Position risk capital is a sum equivalent to a percentage (10% for a money market portfolio, 15% for an income portfolio and 25% for all other portfolios) of the amount paid by the Manager for units in a portfolio administered by itself.

The Company submitted the calculation for all the months during the year and had no reported breaches of the capital requirement.

11. RELATED PARTIES

Relationships exist between Allan Gray Unit Trust Management Limited, its holding company Allan Gray Limited, fellow subsidiary Allan Gray Investment Services Limited, the Allan Gray suite of unit trust funds and Orbis Investments Management Limited. All transactions with related parties are conducted at arms length and settlement terms are not more favourable than those arranged with third parties.

Transactions with Allan Gray Limited

The Company has appointed its holding company, Allan Gray Limited, as investment manager of the Funds and to undertake certain company administrative and marketing functions. In April 2005, Allan Gray Limited also took over the day to day administration of local unit trusts, which was previously outsourced to Marriot Asset Management (Pty) Limited. The marketing and administration fee for 2005 includes a non-recurring component incurred for the initial set-up of the unit trust administration systems.

Expenses paid to Allan Gray Limited for all services rendered during the year amounted to R80.2m (2004: R48.6m). The balance owed by Allan Gray Unit Trust Management Limited to Allan Gray Limited as at 31 December 2005 is R6.8m (2004: R4.4m).

Dividends paid to Allan Gray Limited as the holding company amounted to R162m during the year (2004: R126m).

Allan Gray Limited borrowed R50m from Allan Gray Unit Trust Management Limited during the year at a market-related interest rate. Interest of R1 616 372 was earned and received by Allan Gray Unit Trust during the year. There were no outstanding loan or interest balances at 31 December 2005.

The management fee due from Orbis Investment Management Limited is invoiced in US dollars and is deposited in a US dollar denominated account. Balance due to Allan Gray Unit Trust Management Limited from this dollar denominated account at 31 December 2005 is US\$ 3 090 219 (2004: US\$ 584 859).

Payments to Allan Gray Investment Services Limited

In May 2005, Allan Gray Investment Services Limited (AGIS) launched a retail investment platform with the aim of giving investors direct access to a range of investment funds. This platform supports a focused range of funds, including the Allan Gray suite of unit trusts. In October 2005, the Allan Gray endowment and retirement products were also migrated onto the platform.

The Company pays AGIS a monthly fee based on funds invested in bulk by direct clients and those investing via the endowment and retirement products administered by the AGIS platform. Total fees paid to AGIS during the year amounted to R4.9m (2004: NIL). The balance owed by the Company to AGIS at 31 December 2005 is R1.7m (2004: NIL).

Allan Gray unit trust funds

Allan Gray Unit Trust Management Limited earns a service charge for managing and administering the unit trust funds. Service charges per fund are either performance-based or fixed. As a consequence of the performance fee

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2005

orientation, service charges will typically be higher following periods where the Funds' total investment performance (income plus capital appreciation) has outperformed the respective benchmarks and lower in the case of underperformance.

Allan Gray Unit Trust Management Limited received a service charge of R483.4m (2004: R306.6m) from the unit trust funds. The balance owed by the funds to Allan Gray Unit Trust Management Limited at 31 December 2005 is R51.2m (2004: R30.9m) and is detailed as follows:

| | VAT exclusive 2005 R | VAT exclusive 2004 R |
|------------------------------|----------------------------|----------------------------|
| Allan Gray Equity Fund | 27 153 651 | 17 035 370 |
| Allan Gray Balanced Fund | 13 763 526 | 8 184 372 |
| Allan Gray Stable Fund | 9 103 513 | 4 138 470 |
| Allan Gray Optimal Fund | 942 993 | 1 399 979 |
| Allan Gray Bond Fund | 10 391 | 2 856 |
| Allan Gray Money Market Fund | 187 059 | 118 202 |
| | <u>51 161 133</u> | <u>30 879 249</u> |

Allan Gray Life Limited

Living Annuity and Endowment policies issued by Allan Gray Life Limited invest in the unit trust funds at arms length.

Orbis Investment Management Limited (Orbis)

A related party relationship exists between the Allan Gray group and Orbis Investment Management Limited by virtue of a common shareholder with significant influence. Allan Gray Unit Trust Management Limited earns management fees in respect of the marketing of Orbis products as approved in terms of Section 65 of the Collective Investment Schemes Control Act.

Management fees of R30m (2004: R12.3m) were earned during the year from Orbis of which R9.3m (2004: R7.4m) was outstanding at 31 December 2005.

Directors' fees

Directors' fees of R20 000 were earned by Mr E R Swanepoel in the current year (2004: R17 544). The listing of the members of the board of directors is shown on the back page.

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2005

12. NOTES TO CASH FLOW STATEMENT

12.1 Reconciliation of profit before taxation to cash generated by operations before working capital

| | 2005 R | 2004 R |
|---|---------------------|---------------------|
| Profit before taxation | 383 982 990 | 241 054 173 |
| <i>Adjustments for:</i> | | |
| Interest income | (14 374 908) | (7 902 113) |
| Dividend income | (109 406) | (81 569) |
| Gains on disposal of the Company's investment in unit trust funds | (8 095 087) | (68 310) |
| Interest expense | 2 248 406 | 286 367 |
| | 363 651 995 | 233 288 548 |
| 12.2 Working capital changes | | |
| Increase in trade and other receivables | (35 363 745) | (16 953 976) |
| (Decrease)/increase in trade and other payables | (4 078 003) | 6 864 530 |
| | (39 441 748) | (10 089 446) |
| 12.3 Taxation paid | | |
| Amount owing at the beginning of the year | 60 511 684 | 8 184 161 |
| Amount charged per the income statement | 130 725 721 | 87 975 973 |
| Amount owing at the end of the year | (2 217 905) | (60 511 684) |
| Amount paid | 189 019 500 | 35 648 450 |

General information for Investors

- Copies of the audited annual financial statements of the Manager and of the scheme managed by it, are available, at no charge, on request by any investor.
- Performance data is based on a lump sum investment calculated on a NAV to NAV basis with distributions reinvested on the Class A units. The source of the figures quoted is the University of Pretoria's Unit Trust Survey for the period ending 31 December 2005.
- Unit trusts are generally medium- to long-term investments. Except for the Allan Gray Money Market Fund, where a constant unit price will be maintained, the value of units may go down as well as up and past performance is not a guarantee of future results. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts are traded at ruling prices. Different classes of units apply to the Equity, Balanced, Stable and Optimal funds only and are subject to different fees and charges. All of the unit trusts may be capped at any time in order for them to be managed in accordance with their mandates. The funds are valued daily at 16h00.
- The buying price of units may include an initial charge up to a maximum of 3.42% (3% plus VAT) of the investment amount. This initial charge is collected on behalf of unitholders for the payment of fees to their independent advisers and on their instruction.
- On the Allan Gray Equity Fund a performance-based service charge is levied daily on the Class A units which varies between a minimum of 0.0% (plus VAT) per annum and a maximum of 3.42% (3.0% plus VAT) per annum of the daily value of the Fund and for the Class B units the above charges vary between 1.71% (1.5% plus VAT) and 4.67% (4.1% plus VAT).
- On the Allan Gray Balanced Fund a performance-based service charge is levied daily on the Class A units which varies between a minimum of 0.57% (0.5% plus VAT) per annum and a maximum of 1.71% (1.5% plus VAT) per annum of the daily value of the Fund and for the Class B units the above charges vary between 1.82% (1.6% plus VAT) and 2.96% (2.6% plus VAT).
- On the Allan Gray Stable Fund a performance-based service charge is levied daily on the Class A units, which varies between a minimum of 0.57% (0.5% plus VAT) per annum and a maximum of 1.71% (1.5% plus VAT) per annum of the daily value of the Fund and for the Class B units the above charges vary between 1.82% (1.6% plus VAT) and 2.96% (2.6% plus VAT).
- On the Allan Gray Bond Fund a performance-based service charge is levied daily on the Class A units, which varies between a minimum of 0.285% (0.25% plus VAT) per annum and a maximum of 0.855% (0.75% plus VAT) per annum of the daily value of the Fund.
- On the Allan Gray Money Market Fund a fixed fee of 0.285% (0.25% plus VAT) per annum is levied daily on the daily value of the Fund.
- On the Allan Gray-Orbis Global Fund of Funds, no fee applies. The underlying funds in which this Fund invests, however, have their own fee structure.
- On the Allan Gray Optimal Fund a fixed fee of 1.14% (1% plus VAT) for class A units and 2.39% (2.10% plus VAT) for the class B units per annum is levied daily on the daily value of the Fund. In addition, a performance-fee of 20% (excluding VAT) of the daily outperformance to the benchmark is also levied. However, a high watermark principle applies in that no fees are charged in times of underperformance, until such time as the underperformance is recovered.
- On the Allan Gray-Orbis Global Equity Feeder Fund, no fee applies. The underlying fund in which this Fund invests, however, has its own fee structure.
- Units will be repurchased by the Manager at the ruling price in accordance with the requirements of the Collective Investment Schemes Act and on terms and conditions set forth in the relevant Deed and paid to the investor.
- Units are priced using the future pricing method. Investment, redemption and switching instructions received after 12h00 on any day shall be processed on the following day (excluding weekends and public holidays) at the value of the units on the day that the instruction is processed.
- Statements are mailed to all investors on a quarterly basis, and advices on a transaction basis (excluding debit orders).
- The FTSE/JSE Africa Index Series is calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE Africa Index Series is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE Africa Index Series index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

ALLAN GRAY UNIT TRUSTS - CHARACTERISTICS AND OBJECTIVES

| | EQUITY FUND | BALANCED FUND | STABLE FUND | BOND FUND |
|--|---|---|--|---|
| Benchmark | FTSE/JSE All Share Index including income. | Average (market value-weighted) of the Domestic Prudential Medium Equity Sector excluding the Allan Gray Balanced Fund. | After-tax return of call deposits (for amounts in excess of R1m) with FirstRand Bank Limited plus 2%. | All Bond Index. |
| Maximum Net Equity Exposure | 100% | 75% | 60% | 0% |
| Portfolio Structure | A share portfolio selected for superior long-term returns. | A portfolio (which can include all asset classes) selected for superior long-term returns. | A portfolio (which can include all asset classes) chosen for its high income yielding potential. The intention is to keep the share or equity portion significantly below 60%. | A portfolio invested in a combination of South African interest-bearing securities including bonds, loan stock, debentures, fixed deposits, money market instruments and cash. |
| Portfolio Manager | Stephen Mildenhall | Arjen Lugtenburg | Stephen Mildenhall | Jack Mitchell and Sandy McGregor |
| Return Objectives | Superior long-term returns. | Superior long-term returns. | Superior after-tax returns compared to bank deposits. | Superior returns compared to the All Bond Index. |
| Risk of Monetary Loss | Risk higher than the Balanced Fund but less than average general equity fund due to Allan Gray's investment style. | Risk higher than the Stable Fund but less than the Equity Fund. This is a medium risk fund. | Seeks to preserve capital over any two-year period with low risk of capital loss. | Risk is higher than the Money Market Fund, but lower than the Balanced Fund. |
| Target Market | <ul style="list-style-type: none"> Investors seeking long-term wealth creation. Investors should be comfortable with market fluctuations i.e. short-term volatility. Typically the investment horizon is five-year plus. | <ul style="list-style-type: none"> Investors seeking long-term wealth creation. Investors who wish to substantially comply with the Prudential Investment Guidelines of the Pension Funds Act (Reg. 28). Investors seeking a three-year plus investment. | <ul style="list-style-type: none"> Risk-averse investors who require a high degree of capital stability. Investors who are retired or nearing retirement. Investors who require a regular income. Investors who seek to preserve capital over any two year period. | <ul style="list-style-type: none"> Investors seeking returns in excess of that provided by income funds, the money market funds or cash. Investors who are prepared to accept some risk of capital loss in exchange for the prospect of increased returns. Investors who want to draw a regular income stream without consuming capital. |
| Income Yield | Low income yield. | Average income yield. | High income yield. | High income yield. |
| Income Distribution* | Distributes bi-annually. | Distributes bi-annually. | Distributes quarterly. | Distributes quarterly. |
| Compliance with Reg.28 of the Pension Funds Act (Prudential Investment Guidelines)** | Does not comply. | Complies. | Complies. | Complies. |
| Fee Principles • transparency • alignment of investor interests with our own | Performance fee for outperformance of the FTSE/JSE All Share Index over a two-year rolling period. | Performance fee for outperformance of the average Domestic Prudential Medium Equity Sector Fund over a two-year rolling period. | Performance fee for outperformance of taxed bank deposits. No fees if there is a negative return experienced over a two-year rolling period. | Performance fee for outperformance of the All Bond Index over a one-year rolling period. |
| Minimum Lump Sum Investment Requirement (Retirement product, endowment and retail investment platform minimums apply) | R10 000 lump sum and/or R500 per month debit order. | R5 000 lump sum and/or R500 per month debit order. | R5 000 lump sum and/or R500 per month debit order. | R25 000 lump sum and/or R2 500 per month debit order. |

* TO THE EXTENT THAT THE TOTAL EXPENSES EXCEED THE INCOME EARNED IN THE FORM OF DIVIDENDS AND INTEREST, THE FUNDS WILL NOT MAKE A DISTRIBUTION.

** ALLAN GRAY UNIT TRUST MANAGEMENT LIMITED DOES NOT MONITOR COMPLIANCE BY RETIREMENT FUNDS WITH SECTION 19(4) OF THE PENSION FUNDS ACT (ITEM 9 OF ANNEXURE TO REGULATION 28)

| OPTIMAL FUND | MONEY MARKET FUND | GLOBAL FUND OF FUNDS | GLOBAL EQUITY FEEDER FUND |
|--|--|---|--|
| Daily call rate of FirstRand Bank Limited. (for amounts in excess of R1m). | Simple average of the Domestic Fixed Unit Trust Sector excluding Allan Gray Money Market Fund. | 60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index. | FTSE World Index. |
| 15% | 0% | 100% | 100% |
| A portfolio of carefully selected shares. The stockmarket risk inherent in these share investments will be substantially reduced by using equity derivatives. | A portfolio invested in selected money market instruments providing a high income yield and a high degree of capital stability. | A Rand-denominated balanced portfolio invested in selected FSB registered Orbis funds. The Fund will always hold a minimum 85% of its assets offshore. | A Rand-denominated portfolio feeding directly into the FSB registered Orbis Global Equity Fund. |
| Stephen Mildenhall | Michael Moyle | Stephen Mildenhall (William Gray is the Portfolio Manager of the underlying Orbis funds.) | Stephen Mildenhall (William Gray is the Portfolio Manager of the Orbis Global Equity Fund.) |
| Superior returns compared to bank deposits. | Superior money market returns. | Superior long-term returns. | Superior long-term returns. |
| Low risk and little or no correlation to stock or bond markets. | Low risk of capital loss and high degree of capital stability. | Risk similar to Balanced Fund but less than average foreign balanced mandate. | Risk higher than the Global Fund of Funds. |
| <ul style="list-style-type: none"> • Risk-averse investors. • Investors who wish to diversify a portfolio of shares or bonds. • Retirement schemes and multi-managers who wish to add a product with an alternative investment strategy to their overall portfolio. | <ul style="list-style-type: none"> • Highly risk-averse investors. • Investors seeking a short-term "parking place" for their funds. | <ul style="list-style-type: none"> • Investors who would like to invest in an offshore balanced fund. • Those seeking to invest locally in Rands, but benefit from offshore exposure. • Investors wanting to gain exposure to markets and industries that are not necessarily available locally. • Investors who wish to hedge their investments against any Rand depreciation. | <ul style="list-style-type: none"> • Investors who would like to invest in an offshore global equity fund but do not have the minimum required to invest directly in the Orbis Global Equity Fund. • Those seeking to invest locally in Rands, but benefit from offshore exposure. • Investors wanting to gain exposure to markets and industries that are not necessarily available locally. • Investors who wish to hedge their investments against any Rand depreciation. |
| Low income yield. | High income yield. | Low income yield. | Low income yield. |
| Distributes bi-annually. | Distributes daily and pays out monthly. | Distributes annually. | Distributes annually. |
| Does not comply. | Complies. | Does not comply. | Does not comply. |
| Fixed fee of 1.0% (excl. VAT) p.a, plus performance fee of 20% of the daily outperformance of the benchmark. In times of underperformance no performance fees are charged until the underperformance is recovered. | Fixed fee of 0.25% (excluding VAT) per annum. | No fee. The underlying funds, however, have their own fee structure. | No fee. The underlying fund, however, has its own fee structure. |
| R25 000 lump sum and/or R2 500 per month debit order. | R50 000 lump sum and/or R5 000 per month debit order. | R25 000 lump sum. No debit orders are permitted. | R25 000 lump sum. No debit orders are permitted. |

ALLAN GRAY

LONG TERM INVESTMENT MANAGEMENT

MANAGEMENT COMPANY

Allan Gray Unit Trust Management Limited
This company is a wholly owned subsidiary of Allan Gray Limited. Some of the Directors of Allan Gray Unit Trust Management Limited are shareholders in the holding company, Allan Gray Limited.

DIRECTORS

Executive Directors

| | | |
|----------------|------------------|------------|
| W J C Mitchell | B Com | (Chairman) |
| R W Dower | B Sc (Eng) MBA | |
| G W Fury | BA LLB MA CFA | |
| E D Loxton | B Com (Hons) MBA | |
| J C de Lange | B Proc CFP | |

Non-executive Directors

E R Swanepoel BA LLB LLM (Tax)

PORTFOLIO MANAGEMENT

Allan Gray Limited

TRUSTEES

First National Bank, a division of FirstRand Bank Limited

AUDITORS

Ernst & Young

BANKERS

First National Bank, a division of FirstRand Bank Limited

COMPANY SECRETARY

C Mason BA LLB

COMPANY REGISTRATION NUMBER

1998/007756/06

REGISTERED OFFICE

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Cape Town
8001

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