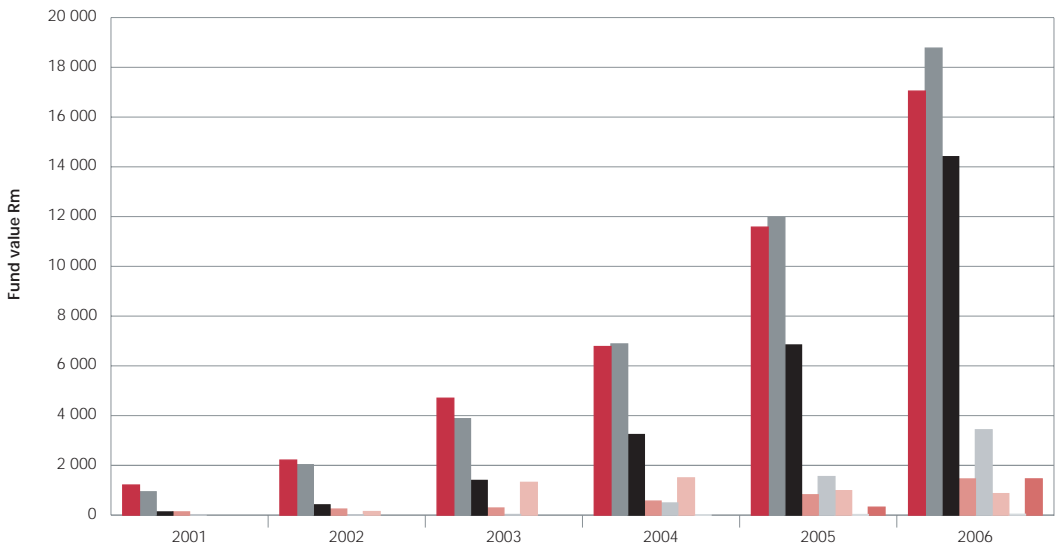


Allan Gray Unit Trust Management Limited
ANNUAL REPORT
2006

Growth in Allan Gray Unit Trusts

as at 31 December 2006

- 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



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Allan Gray Unit Trusts

Chairman's Report – Market Commentary

MARKET COMMENTARY

The new millennium began with three lean years for stockmarket investors. The Morgan Stanley World Index fell from over \$1 400 in January 2000 to below \$800 by December 2002. But the lean years have been followed by the fat years and, over the last four the Morgan Stanley World Index has rebounded past its previous peak.

The S&P500 Index has also rebounded substantially from its 2002 lows, but it has not yet passed its previous peak. Admittedly, these indices are measured in US dollars, and the weakening dollar has held them below their previous peaks in Euro terms.

The emerging market stockmarkets have performed even better, outperforming the Morgan Stanley World Index by over 15% p.a. since their low in 2001. Our own FTSE/JSE All Share Index has almost quadrupled in US Dollar terms since 2001. It is particularly important to note that the FTSE/JSE All Share Index has been moving in lockstep with the other emerging markets for a number of years. This implies that the recent gains on our markets may have rather less to do with the "South African success story" and rather more to do with rising optimism amongst global investors about emerging market investments. This optimism has waxed and waned over time, and, in all likelihood, will continue to do so.

So what can one make of all this? Here are three trite observations:

- The very high level of absolute returns delivered by our funds over the last five years is unlikely to be sustained.
- As stockmarket valuations increase, so does the risk of capital loss to new investors in the market.
- If the FTSE/JSE All Share Index were to retrace to its levels of a mere year ago, investors in the Index would suffer a short-term capital loss of over 25%.

Fortunately, we are not in the business of predicting future share price movements, and so can remain agnostic on the future direction of stockmarkets. However, we are in the business of seeking out the best investment opportunities from our available universe, based on the intrinsic or underlying true value of these investments as identified by our rigorous research process.

The most commonly used yardstick for measuring the value of a company is the annual profits earned by the company. The current price to earnings ratio of the S&P500 companies at 18 times is now close to its long-term average, but it is very important to recognise that the profits of the S&P500 companies have tripled since the low levels of 2002, and US corporate profits are at a record high relative to US GDP. The profits of companies in the FTSE/JSE All Share Index have almost doubled since 2004.

Corporate profits around the world have undoubtedly benefited from the extraordinary recent period of synchronised global growth, but tougher times may come. We pay particular attention to the quality and sustainability of a company's profits in our assessment of its intrinsic value. We believe that the profits of the high quality companies making up the bulk of our portfolios will prove to be more sustainable in the event of any potential tough times, and that our funds are therefore positioned for long-term outperformance of their benchmarks.

Allan Gray Unit Trusts

Chairman's Report – Overview of Funds

OVERVIEW OF FUNDS

Introduction

In last year's report the then Chairman of Allan Gray Unit Trust Management Limited, Jack Mitchell, called 2004 'most fruitful' and 2005 a 'truly bonanza year' for share investors. While falling short of 2005's 47,3% return, the FTSE/JSE All Share Index nevertheless produced another bonanza year in 2006, returning 41,2%. Compounded with the 25,4% in 2004, the domestic share market has rewarded investors with an eye-watering total return of 160% over the three-year period. The past three years have been very rewarding for share investors in general, and our clients in particular, but, while we cannot predict the next three years, we will be surprised if returns continue at these high levels. Net sales across our funds for the year increased to R12,3 billion following the R7,1 billion received in 2005. This inflow, together with rising market values, boosted assets under management from R34,2 billion to R57,8 billion. Our number of unitholders increased from 26,442 to 33,262.

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 investors who have decided to invest in the South African stockmarket through the Allan Gray Limited 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, especially over the short-term. However, history shows that returns from long-term equity investments are superior to those derived from interest-earning or property assets.

Long-term investment objective

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 2006

	Since inception 1 October 1998 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray Equity Fund	1 613.8	43.5
Benchmark*	523.7	41.2
Sector median	443.6	36.1
Outperformance of benchmark	1 090.1	2.3

* FTSE/JSE All Share Index

Comment

Our investment objective, to outperform the FTSE/JSE All Share Index, was achieved in 2006. Relative to its peers, the Fund ranked 5th out of 54 funds in 2006. More importantly, since inception on 1 October 1998 the Fund has measurably outperformed the index and is placed 1st out of 20 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 current level of returns from equities is clearly unsustainable and there is a greater likelihood of negative returns as the market inevitably adjusts. At the risk of repeating ourselves, investors should approach share investment with caution in 2007. We also 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.

Allan Gray Unit Trusts

Chairman's Report – Overview of Funds

2. Allan Gray Balanced Fund

Fund characteristics

Our Balanced Fund is for investors 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.

The selection of investment instruments 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 objective

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 2006

	Since inception 1 October 1999 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray Balanced Fund	491.3	29.8
Benchmark*	238.9	27.0
Outperformance	252.4	2.8

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

Comment

2006 was another excellent year for the Fund, both from a nominal and relative perspective. The Allan Gray Balanced Fund easily outperformed its benchmark in 2006 and was placed 7th out of 34 funds. Since inception on 1 October 1999 the performance is exceptional and the Fund is ranked 1st out of 14 funds. Long-term investors in the Fund are understandably pleased by these historic returns. However, we caution investors not to extrapolate returns of this magnitude into the future. There are a number of risks to future returns from South African assets. These include the

current high profitability of South African companies in comparison with their global peers and their high earnings levels, the currently low risk premium that global investors attach to emerging market investments and our view that the Rand is unsustainably strong. The Fund is invested with these risks in mind, and we remain confident of the Fund's potential to outperform its benchmark over the long run.

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 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

To improve on the after-tax return on call deposits, with little risk. It seeks to achieve this through a combination of high income with some capital growth. It also seeks to provide a high level of capital stability and to minimise the risk of loss over any two-year period.

Allan Gray Unit Trusts

Chairman's Report – Overview of Funds

Performance to 31 December 2006*

	Since inception 1 July 2000 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray Stable Fund	166.1	18.1
Benchmark**	61.9	6.2
Outperformance	104.2	11.9

* Fund and benchmark performance adjusted for income tax at a rate of 25%

** Annual after-tax return on call deposits plus two percent

Comment

In 2006 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 19 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.

Since inception on 1 July 2000, the level of outperformance of the Fund is seen as exceptional. The equity portion of the Fund has benefited from sharply rising equity markets and the impact of a weaker Rand on the foreign component of the Fund. The Fund maintains a low net share exposure given the aims of the Fund and the relatively high level of equity markets. In recent months, we introduced a hedged equity component to the Fund. This portion of the Fund provides an 'interest-like' return plus or minus the extent to which the Fund's shares out or underperform the index. We believe that in the current environment this asset class is particularly attractive and is consistent with the Fund's objective of seeking real returns with a high level of capital stability. The Fund continues to maintain its high offshore exposure as we continue to believe that the Rand will have a negative bias until South Africa's current account deficit returns to more normal levels.

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 for 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 2006

	Since inception 1 July 2001 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray Money Market Fund	61.4	7.5
Benchmark*	61.8	7.3
Outperformance	-0.4	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 2006 by a small margin, but still achieved 2nd position out of 20 funds. Since inception on 1 July 2001 it is ranked 8th 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 its underlying benchmark equity index (FTSE/JSE All Share Index).

Allan Gray Unit Trusts

Chairman's Report – Overview of Funds

Long-term investment objective

The Fund aims to exceed the return of the daily call rate of FirstRand Bank Limited.

Performance to 31 December 2006

	Since inception 1 October 2002 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray Optimal Fund	49.8	8.4
Benchmark*	35.8	6.2
Outperformance	14.0	2.2

* Daily Call Rate of FirstRand Bank Ltd

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 2006 and since inception performance has been rewarding. In the current environment of an increasing risk of capital loss from overall equity markets, we believe that the Optimal Fund's potential to deliver long-term absolute returns uncorrelated with equity markets, is a particularly attractive one.

6. Allan Gray-Orbis Global Fund of Funds

Fund characteristics

The Fund was launched to cater for South African Rand investors wishing to gain exposure to international investments. The Fund allows them access to some investments that are not available locally and, importantly, are independent of any change in the value of the Rand. 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.

Long-term investment objective

To achieve US Dollar-based capital growth that exceeds the benchmark of 60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index, at no greater than average risk of loss in its sector.

Performance to 31 December 2006 in US dollars

	Since 3 February 2004 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray-Orbis Global Fund of Funds	30.8	8.8
Benchmark*	33.7	14.9
Outperformance	-2.9	-6.1

Performance to 31 December 2006 in Rands

	Since 3 February 2004 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray-Orbis Global Fund of Funds	30.1	19.9
Benchmark*	33.0	26.6
Outperformance	-2.9	-6.7

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

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. The Fund invests in a balanced portfolio of Orbis equity-only and absolute return funds. Performance relative to the benchmark since this change has been good, attaining 5th out of 11 funds in its category. Over the last year, the Fund returned 8.8% in Dollars versus its benchmark of 14.9%. The Fund remains overweight Asian and Japanese equities, where it continues to find opportunities to invest in over-capitalised companies that are attractively priced in relation to their book values, although earnings remain depressed. While Japan has underperformed the USA over the last year, we remain confident of the long-term opportunities the Fund's Japanese shares present in absolute terms and versus the equity benchmark.

Allan Gray Unit Trusts

Chairman's Report – Overview of 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 objective

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 investors' capital.

Performance to 31 December 2006

	Since inception 1 October 2004 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray Bond Fund	24.6	4.9
Benchmark*	25.9	5.5
Outperformance	-1.3	-0.6

* 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 1.3% and is ranked 15th out of 18 funds, whereas in 2006 it underperformed by 0.6% and was ranked 18th out of 19 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 and, more importantly, which are typically independent of any change in the value of the Rand. 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 objective

The objective of the Fund is to earn higher returns than the world stock markets as measured by the FTSE World Index.

Performance to 31 December 2006 in US Dollars

	Since inception 1 April 2005 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray-Orbis Global Equity Feeder Fund	41.7	16.2
Benchmark*	36.2	21.1
Outperformance	5.5	-4.9

Performance to 31 December 2006 in Rands

	Since inception 1 April 2005 Unannualised (%)	1-year performance to 31 December 2006 Annualised (%)
Allan Gray-Orbis Global Equity Feeder Fund	59.1	28.1
Benchmark*	53.0	33.5
Outperformance	6.1	-5.4

* 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. It was ranked 16th out of 21 funds for the year to end of December 2006.



Edgar Loxton

Cape Town
02 February 2007

All performance as calculated by Allan Gray.
All rankings as calculated by S&P Micropal.

Allan Gray Unit Trusts

Corporate Governance Report

The directors endorse the Code of Corporate Practices and Conduct (the 'Code') 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 ultimate holding company, Allan Gray Group 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 consist of four executive directors and two non-executive directors. The roles of chairman and chief operating officer are separate.

All directors have access to the advice and services of the company secretary.

Executive and audit committees

The board of directors meets 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

Trustee 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 2006 to 31 December 2006 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 funds 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
20 January 2007

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 2006 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:



Edgar Loxton
Chairman

Cape Town
20 February 2007



GW Fury
Director

Cape Town
20 February 2007

Allan Gray Unit Trusts

Independent Auditor's Report to the Unit Trust Holders 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')

Report on the financial statements

We have audited the annual financial statements of the Allan Gray Unit Trust Funds, which comprise the chairman's report, the balance sheet as at 31 December 2006, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 2 to 34.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2006, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



Ernst & Young Registered Auditors Inc.
Registered Auditor

Cape Town
20 February 2007

Allan Gray Unit Trusts

Income Statements

for the year ended 31 December 2006

	Notes	Equity Fund		Balanced Fund		Stable Fund	
		2006 R	2005 R	2006 R	2005 R	2006 R	2005 R
REVENUE	1.1	442 470 507	273 253 250	571 715 645	361 113 434	517 474 683	251 503 849
Dividends		430 761 111	267 677 570	268 647 386	185 639 242	83 321 032	49 463 695
Interest – Local		11 709 396	5 575 680	302 973 205	175 229 299	434 067 524	201 862 164
Interest – Foreign		–	–	95 054	244 893	86 127	177 990
OPERATING EXPENSES		467 615 358	293 782 197	249 224 278	154 604 394	194 157 864	85 787 633
Audit fees		80 005	54 783	98 139	60 416	86 121	54 784
Bank charges		5 288	7 099	25 922	18 496	17 079	11 094
Levies		481 816	571 907	558 460	759 539	441 641	529 474
Trustees' fees		1 595 079	1 042 917	1 776 693	1 091 121	1 240 218	583 220
Management fees		465 453 170	292 105 491	246 765 064	152 674 822	192 372 805	84 609 061
(LOSS)/PROFIT before income adjustments		(25 144 851)	(20 528 947)	322 491 367	206 509 040	323 316 819	165 716 216
Income adjustments on creation and cancellation of units		1 030 152	(1 536 666)	18 266 764	14 011 229	23 728 679	12 097 837
(LOSS)/PROFIT before undistributable income items		(24 114 699)	(22 065 613)	340 758 131	220 520 269	347 045 498	177 814 053
Shortfalls of income funded by net assets attributable to unitholders	3	24 114 699	22 065 613	–	–	–	–
Investments transaction costs		–	–	(22 908)	(16 995)	(19 476)	–
Realised gains/(losses) on disposal of available for sale investments	1.2	1 605 758 618	1 128 697 227	1 001 023 219	780 981 581	224 723 175	112 510 999
Realised losses on financial assets at fair value through profit or loss	1.2	–	–	(70 558 049)	(38 788 547)	(60 762 698)	–
Foreign exchange gains/(losses) on monetary assets	1.5	–	–	479	(424 342)	(494 450)	(651 093)
PROFIT for the year		1 605 758 618	1 128 697 227	1 271 200 872	962 271 966	510 492 049	289 673 959
Distributions to unitholders		–	–	(340 758 131)	(220 520 269)	(347 045 498)	(177 814 053)
UNDISTRIBUTED PROFIT/(LOSS) for the year		1 605 758 618	1 128 697 227	930 442 741	741 751 697	163 446 551	111 859 906

Money Market Fund		Global Fund of Funds		Optimal Fund		Bond Fund		Global Equity Feeder Fund	
2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R
83 890 207	52 335 709	2 747 723	1 029 652	33 343 926	42 560 884	3 020 328	1 308 853	1 386 386	217 599
-	-	-	-	24 491 811	33 747 898	-	-	-	-
83 890 207	52 335 709	2 624 083	975 882	8 852 115	8 812 986	3 020 328	1 308 853	1 243 837	200 348
-	-	123 640	53 770	-	-	-	-	142 549	17 251
3 439 923	2 375 213	363 580	161 214	15 745 718	18 997 571	244 803	123 532	150 877	63 237
66 507	48 000	45 937	20 736	87 343	52 096	64 103	37 700	43 257	14 250
3 630	3 108	28 853	34 494	3 640	3 428	1 068	706	20 489	25 235
70 618	109 734	1 744	2 173	36 356	86 212	3 217	2 718	871	496
175 800	125 465	287 046	103 811	167 580	213 300	29 857	22 754	86 260	23 256
3 123 368	2 088 906	-	-	15 450 799	18 642 535	146 558	59 654	-	-
80 450 284	49 960 496	2 384 143	868 438	17 598 208	23 563 313	2 775 525	1 185 321	1 235 509	154 362
-	-	422 428	499 021	(1 181 273)	(3 480 421)	3 547	121 873	592 890	148 258
80 450 284	49 960 496	2 806 571	1 367 459	16 416 935	20 082 892	2 779 072	1 307 194	1 828 399	302 620
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(61 420)	(90 928)	-	-	-	-
-	-	42 499 640	(4 335 136)	289 391 796	349 564 587	(1 150 829)	137 345	-	-
-	-	-	-	(228 360 628)	(305 619 616)	-	-	-	-
-	-	-	(368 301)	-	-	-	-	(37 116)	-
80 450 284	49 960 496	45 306 211	(3 335 978)	77 386 683	63 936 935	1 628 243	1 444 539	1 791 283	302 620
(80 450 284)	(49 960 496)	(2 806 571)	(1 367 458)	(16 416 935)	(20 082 892)	(2 779 072)	(1 307 194)	(1 828 399)	(302 620)
-	-	42 499 640	(4 703 436)	60 969 748	43 854 043	(1 150 829)	137 345	(37 116)	-

Allan Gray Unit Trusts

Balance Sheets

as at 31 December 2006

	Notes	Equity Fund		Balanced Fund		Stable Fund	
		2006 R	2005 R	2006 R	2005 R	2006 R	2005 R
ASSETS							
Investments	1.2	17 055 257 744	11 585 610 654	18 967 738 504	12 064 075 514	14 541 236 484	6 888 317 457
Available-for-sale investments		16 940 257 744	11 489 525 892	17 499 301 961	9 946 675 344	7 501 195 564	3 501 386 536
Loans and receivables		–	1 084 762	1 411 471 054	1 790 459 707	6 746 947 641	3 055 930 921
Cash and cash equivalents held for investment purposes		115 000 000	95 000 000	56 965 489	326 940 463	293 093 279	331 000 000
Accounts receivable*		28 367 983	49 647 321	113 801 558	20 832 276	48 430 284	419 619
Cash and cash equivalents		36 131 401	97 297 193	26 545 012	18 392 889	23 787 922	14 530 300
TOTAL ASSETS		17 119 757 128	11 732 555 168	19 108 085 074	12 103 300 679	14 613 454 690	6 903 267 376
LIABILITIES							
Accounts payable*		88 101 224	169 755 262	143 150 761	16 767 645	95 810 729	10 468 261
Distribution payable to investors		–	–	193 652 302	121 260 559	110 282 995	53 249 964
TOTAL LIABILITIES, excluding net assets attributable to unitholders		88 101 224	169 755 262	336 803 063	138 028 204	206 093 724	63 718 225
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	1.9	17 031 655 904	11 562 799 906	18 771 282 011	11 965 272 475	14 407 360 966	6 839 549 151

* Accounts receivable and accounts payable are interest-free and are settled within 30 days

Money Market Fund		Global Fund of Funds		Optimal Fund		Bond Fund		Global Equity Feeder Fund	
2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R
1 457 381 248	822 100 498	3 402 171 884	1 473 297 089	851 156 744	961 815 311	35 248 208	23 339 125	1 443 065 212	293 382 258
-	-	3 402 171 884	1 473 297 089	785 936 680	882 887 482	32 224 715	23 339 125	1 443 065 212	293 382 258
1 386 381 248	822 100 498	-	-	-	616 628	3 023 493	-	-	-
71 000 000	-	-	-	65 220 064	78 311 201	-	-	-	-
382 132	10 136	225 288	237 977	16 209 347	18 951 932	4 653	4 535	116 547	58 540
18 428 061	926 732	30 608 649	76 877 794	12 044 847	10 831 802	683 352	964 326	15 311 796	26 139 819
1 476 191 441	823 037 366	3 433 005 821	1 550 412 860	879 410 938	991 599 045	35 936 213	24 307 986	1 458 493 555	319 580 617
12 411 105	263 514	23 177	12 566	6 169 239	1 109 395	49 649	34 522	22 367	9 399
10 067 688	5 072 296	2 806 579	1 367 458	9 843 954	7 685 021	692 184	431 304	1 827 969	302 620
22 478 793	5 335 810	2 829 756	1 380 024	16 013 193	8 794 416	741 833	465 826	1 850 336	312 019
1 453 712 648	817 701 556	3 430 176 065	1 549 032 836	863 397 745	982 804 629	35 194 380	23 842 160	1 456 643 219	319 268 598

Allan Gray Unit Trusts

Statements of Changes in Net Assets Attributable to Unitholders for the year ended 31 December 2006

	Notes	Equity Fund		Balanced Fund		Stable Fund	
		2006 R	2005 R	2006 R	2005 R	2006 R	2005 R
Opening 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
Shortfalls of income funded by net assets attributable to unitholders	3	(24 114 699)	(22 065 613)	–	–	–	–
Undistributed profit/(loss) for the year		1 605 758 618	1 128 697 227	930 442 741	741 751 697	163 446 551	111 859 906
Net fair value adjustment on available-for-sale instruments		3 403 650 019	2 540 319 439	2 724 847 729	1 947 792 662	1 333 025 573	555 559 690
Unrealised fair value adjustment on available-for-sale instruments		5 009 408 637	3 669 016 666	3 725 870 948	2 728 774 243	1 557 748 748	668 070 689
Realised (gains)/losses on available-for-sale instruments		(1 605 758 618)	(1 128 697 227)	(1 001 023 219)	(780 981 581)	(224 723 175)	(112 510 999)
Value of net creations/(cancellations) during the year		483 562 060	1 173 021 932	3 150 719 066	2 394 632 491	6 071 339 691	2 933 597 958
Closing balance		17 031 655 904	11 562 799 906	18 771 282 011	11 965 272 475	14 407 360 966	6 839 549 151
Represented by the following:							
Unrealised fair value adjustments to available-for-sale instruments		7 855 763 226	(4 452 113 207)	6 151 104 456	(3 444 033 671)	2 097 129 253	(764 147 704)
Other		9 175 892 678	16 014 913 113	12 620 177 555	15 409 306 146	12 310 231 713	7 603 696 855
		17 031 655 904	11 562 799 906	18 771 282 011	11 965 272 475	14 407 360 966	6 839 549 151

Money Market Fund		Global Fund of Funds		Optimal Fund		Bond Fund		Global Equity Feeder Fund	
2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R
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	-
-	-	-	-	-	-	-	-	-	-
-	-	42 499 640	(4 703 436)	60 969 748	43 854 043	(1 150 829)	137 345	(37 116)	-
-	-	418 740 824	180 343 692	(7 772 869)	41 552 994	(295 982)	426 562	187 593 425	14 668 986
-	-	418 740 824	180 343 692	281 618 927	391 117 581	(1 446 811)	563 907	187 593 425	14 668 986
-	-	-	-	(289 391 796)	(349 564 587)	1 150 829	(137 345)	-	-
636 011 092	253 617 458	1 419 902 765	885 388 202	(172 603 763)	(599 212 157)	12 799 031	9 934 277	949 818 312	304 599 612
1 453 712 648	817 701 556	3 430 176 065	1 549 032 836	863 397 745	982 804 629	35 194 380	23 842 160	1 456 643 219	319 268 598
-	-	565 985 712	(147 244 888)	352 727 633	(360 500 502)	(33 610)	829 334	202 262 411	(14 668 986)
1 453 712 648	817 701 556	2 864 190 353	1 696 277 724	510 670 112	1 343 305 131	35 227 990	23 012 826	1 254 380 808	333 937 584
1 453 712 648	817 701 556	3 430 176 065	1 549 032 836	863 397 745	982 804 629	35 194 380	23 842 160	1 456 643 219	319 268 598

Allan Gray Unit Trusts

Cash Flow Statements

for the year ended 31 December 2006

	Notes	Equity Fund		Balanced Fund		Stable Fund	
		2006 R	2005 R	2006 R	2005 R	2006 R	2005 R
CASH FLOWS FROM OPERATING ACTIVITIES							
Interest received		12 203 874	5 575 680	301 498 503	175 474 191	380 410 222	202 040 154
Dividends received		425 861 571	267 677 570	263 212 819	185 639 242	82 740 914	49 463 695
Distributions paid		–	–	(268 366 388)	(173 593 626)	(290 012 467)	(161 982 064)
Cash (used)/generated by operations before working capital changes	4	(466 585 206)	(295 318 863)	(230 957 035)	(141 017 507)	(170 923 635)	(74 340 889)
Working capital changes	4	(54 884 878)	105 729 066	39 794 975	(7 810 969)	40 431 842	6 209 561
NET CASH (OUTFLOW)/INFLOW from operating activities		(83 404 639)	83 663 453	105 182 874	38 691 331	42 646 876	21 390 457
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments		(6 039 395 006)	(5 347 195 958)	(18 377 136 629)	(8 296 929 316)	(33 495 384 068)	(19 863 020 287)
Proceeds on disposal of investments		5 578 071 793	4 157 196 985	15 098 530 159	5 855 021 266	27 386 784 173	16 894 393 181
NET CASH (OUTFLOW)/INFLOW from investing activities		(461 323 213)	(1 189 998 973)	(3 278 606 470)	(2 441 908 050)	(6 108 599 895)	(2 968 627 106)
CASH FLOWS FROM FINANCING ACTIVITIES							
Net proceeds from creation and cancellation of units		483 562 060	1 173 021 932	3 181 576 198	2 394 632 491	6 074 716 191	2 933 597 958
NET CASH INFLOW/(OUTFLOW) from financing activities		483 562 060	1 173 021 932	3 181 576 198	2 394 632 491	6 074 716 191	2 933 597 958
NET (DECREASE)/INCREASE in cash and cash equivalents		(61 165 792)	66 686 412	8 152 602	(8 584 228)	8 763 172	(13 638 691)
CASH AND CASH EQUIVALENTS at the beginning of the year		97 297 193	30 610 781	18 392 889	26 552 775	14 530 300	27 517 898
Foreign exchange (gains)/losses on monetary assets		–	–	(479)	424 342	494 450	651 093
CASH AND CASH EQUIVALENTS at the end of the year		36 131 401	97 297 193	26 545 012	18 392 889	23 787 922	14 530 300

Money Market Fund		Global Fund of Funds		Optimal Fund		Bond Fund		Global Equity Feeder Fund	
2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R
73 136 613	52 335 709	2 760 412	1 029 652	8 934 843	8 812 986	3 339 975	1 308 853	1 328 380	217 599
-	-	-	-	24 575 632	33 747 898	-	-	-	-
(75 454 891)	(48 228 939)	(1 367 449)	-	(14 258 000)	(27 360 970)	(2 518 191)	(1 104 790)	(303 050)	-
(3 439 923)	(2 375 213)	58 848	(30 495)	(16 926 991)	(22 477 992)	(241 256)	(1 659)	404 897	85 021
12 147 591	231 182	10 611	(197 223)	8 252 504	265 227	15 127	(182 100)	12 969	(49 141)
6 389 390	1 962 739	1 462 422	801 934	10 577 988	(7 012 851)	595 655	20 304	1 443 196	253 479
(6 698 572 029)	(6 287 487 043)	(2 719 106 337)	(2 049 945 799)	(2 120 914 267)	(2 057 759 700)	(67 189 239)	(18 677 327)	(1 914 269 195)	(278 728 723)
6 073 672 876	6 029 415 541	1 536 925 266	1 224 794 585	2 284 153 087	2 651 339 513	53 513 579	9 632 888	952 142 548	15 451
(624 899 153)	(258 071 502)	(1 182 181 071)	(825 151 214)	163 238 820	593 579 813	(13 675 660)	(9 044 439)	(962 126 647)	(278 713 272)
636 011 092	253 617 458	1 134 449 504	885 388 202	(172 603 763)	(599 212 157)	12 799 031	9 934 277	949 818 312	304 599 612
636 011 092	253 617 458	1 134 449 504	885 388 202	(172 603 763)	(599 212 157)	12 799 031	9 934 277	949 818 312	304 599 612
17 501 329	(2 491 305)	(46 269 145)	61 038 922	1 213 045	(12 645 195)	(280 974)	910 142	(10 865 139)	26 139 819
926 732	3 418 037	76 877 794	15 470 571	10 831 802	23 476 997	964 326	54 184	26 139 819	-
-	-	-	368 301	-	-	-	-	37 116	-
18 428 061	926 732	30 608 649	76 877 794	12 044 847	10 831 802	683 352	964 326	15 311 796	26 139 819

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

1. ACCOUNTING POLICIES

Adoption of IFRS in the prior year

The Allan Gray Unit Trust Scheme 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 were relevant to its operations and effective for accounting periods ended 31 December 2005. The comparative figures were reclassified as required.

Statement of compliance in the current year

The current year financial statements have been prepared in accordance with IFRS and Interpretations of those standards, as adopted by the International Accounting Standards Board and applicable legislation.

During the current financial year, the following amendments to published accounting standards were adopted (this list contains only those standards relevant to the funds):

Statement		Effective date	Impact on the Financial Statements
IAS 21 Amendments	The effect of Changes in Foreign Exchange Rates: Net Investment in Foreign Operation	1 Jan 2006	No material impact
IAS 39 Amendments	Cash Flow Hedge Accounting of intragroup transactions	1 Jan 2006	No material impact
IAS 39 Amendments	Fair Value Option	1 Jan 2006	No material impact
IAS 39 Amendments	Financial Guarantee Contracts	1 Jan 2006	No material impact

The unit trust funds will apply IFRS 7 – Financial Instruments: Disclosures when the statement becomes effective. The statement is applicable for annual periods beginning on or after 1 January 2007. The unit trust funds expect the impact of adopting IFRS 7 to be limited to the financial risk disclosures included in note 8. The following new or revised IFRS statements have been issued with effective dates applicable to future annual financial statements of the funds (this list contains only those standards relevant to the funds):

Statement		Effective date: Years beginning on/after	Expected Impact
IFRIC 9	Reassessment of Embedded Derivatives	1 Jun 2006	No material impact
IAS 1 Amendments	Capital Disclosures	1 Jan 2007	No material impact

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.

The accounting policy was consistently applied in the current and prior year.

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 accrued on investments for which the last date to register falls within the accounting period.

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

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, accounts receivable, accounts payable, distribution payable to unitholders, *available-for-sale investments*, *loans and receivables* and *financial assets at fair value through the profit and 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 disclosed separately on the face of the balance sheet. Margin deposits and cash

balances held for investment purposes are also 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, cash and cash equivalents are measured at amortised cost.

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 IAS 39 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 upon the expiry of the rights to receive cash flows from the asset, or upon the transfer of a fund's right to receive cash flows from the asset. A financial liability is derecognised when the

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

obligation under the liability is discharged or cancelled or expires.

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when, the funds currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.3 Realised gains and losses on investments

Realised gains and losses on investments are calculated as the difference between 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 Management fee

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

Interest expense is recognised on an accrual basis using the effective interest rate method.

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 terminology used in the financial statements was necessitated by the adoption of International Financial Reporting Standards in the prior 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 units. This financial liability (as defined by IAS 32) 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

In the prior year, investment income receivable on bonds and money market instruments was classified as accounts receivable. The fair value of bonds and money market investments includes the interest accrued as this is the amount that would be paid for the instrument in an arm's length transaction. Accordingly these interest receivable balances were reclassified as investments in the current year.

Comparatives have been adjusted to take effect of changes in presentation. The amounts reclassified from accounts receivable to investments are tabled below:

	2006	2005
	R	R
Equity Fund	–	1 084 762
Balanced Fund	72 622 918	32 232 824
Stable Fund	104 771 770	6 021 265
Money Market Fund	21 155 515	–
Optimal Fund	–	616 628
Bond Fund	758 801	511 605

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

2. DISTRIBUTIONS PAID

Distributions paid are calculated to the fourth decimal place.

	2006	2005
Allan Gray Balanced Fund		
30 June		
<i>Class A</i>		
Cents per unit	42.35	35.52
Total distribution paid – R	141 719 907	95 789 039
<i>Class B</i>		
Cents per unit	18.80	18.06
Total distribution paid – R	5 377 953	3 470 672
31 December		
<i>Class A</i>		
Cents per unit	49.27	37.95
Total distribution paid – R	185 779 918	117 046 548
<i>Class B</i>		
Cents per unit	23.40	17.12
Total distribution paid – R	7 880 350	4 214 010
Allan Gray Stable Fund		
31 March		
<i>Class A</i>		
Cents per unit	12.54	14.51
Total distribution paid – R	50 704 089	33 357 393
<i>Class B</i>		
Cents per unit	7.17	9.83
Total distribution paid – R	3 828 693	1 021 728
30 June		
<i>Class A</i>		
Cents per unit	13.76	15.36
Total distribution paid – R	68 249 830	40 452 168
<i>Class B</i>		
Cents per unit	8.17	10.56
Total distribution paid – R	5 915 843	1 659 645

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

2. DISTRIBUTIONS PAID (Continued)

	2006	2005
30 September		
<i>Class A</i>		
Cents per unit	17.31	14.29
Total distribution paid – R	97 324 562	45 711 658
<i>Class B</i>		
Cents per unit	11.57	9.22
Total distribution paid – R	10 623 724	2 361 496
31 December		
<i>Class A</i>		
Cents per unit	15.95	13.85
Total distribution paid – R	99 447 445	49 701 242
<i>Class B</i>		
Cents per unit	9.95	8.60
Total distribution paid – R	10 951 313	3 548 723
Allan Gray-Orbis Global Fund of Funds		
31 December		
<i>Class A</i>		
Cents per unit	0.90	0.81
Total distribution paid – R	2 806 570	1 367 458
Allan Gray Optimal Fund		
30 June		
<i>Class A</i>		
Cents per unit	10.58	12.38
Total distribution paid – R	6 419 060	12 059 434
<i>Class B</i>		
Cents per unit	2.66	4.95
Total distribution paid – R	152 626	338 438
31 December		
<i>Class A</i>		
Cents per unit	15.98	10.44
Total distribution paid – R	9 427 849	7 537 429
<i>Class B</i>		
Cents per unit	7.77	2.63
Total distribution paid – R	417 399	147 591

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

2. DISTRIBUTIONS PAID (Continued)

	2006	2005
Allan Gray Bond Fund		
31 March		
<i>Class A</i>		
Cents per unit	18.80	20.77
Total distribution paid – R	650 856	260 799
30 June		
<i>Class A</i>		
Cents per unit	18.41	20.77
Total distribution paid – R	765 375	268 297
30 September		
<i>Class A</i>		
Cents per unit	20.10	20.77
Total distribution paid – R	676 114	346 794
31 December		
<i>Class A</i>		
Cents per unit	20.71	19.21
Total distribution paid – R	686 725	431 304
Allan Gray-Orbis Global Equity Feeder Fund		
31 December		
<i>Class A</i>		
Cents per unit	1.99	1.17
Total distribution paid – R	1 828 399	302 620

Allan Gray Money Market Fund

The Allan Gray Money Market Fund distributes on a daily basis. This distribution is 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.

Allan Gray Equity Fund

The Allan Gray Equity Fund did not distribute during the year.

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

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

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.

	Equity Fund	
	2006	2005
	R	R
Allan Gray Equity Fund A & B Class (June)	12 185 758	8 715 632
Allan Gray Equity Fund A & B Class (December)	11 928 941	13 349 981
Total shortfalls for the year	24 114 699	22 065 613

4. NOTES TO THE CASH FLOW STATEMENTS

	Equity Fund		Balanced Fund		Stable Fund	
	2006	2005	2006	2005	2006	2005
	R	R	R	R	R	R
CASH GENERATED BY OPERATIONS						
Profit/(loss) for the year	1 605 758 618	1 128 697 227	1 271 200 872	962 271 967	510 492 049	289 673 959
Adjusted for:						
Shortfalls of income funded by net assets attributable to unitholders	(24 114 699)	(22 065 613)	-	-	-	-
Investment transaction cost	-	-	22 908	16 995	19 476	-
Interest income	(11 709 396)	(5 575 680)	(303 068 259)	(175 474 192)	(434 153 651)	(202 040 154)
Dividend income	(430 761 111)	(267 677 570)	(268 647 386)	(185 639 242)	(83 321 032)	(49 463 695)
Realised (gains)/losses on disposal of available-for-sale investments	(1 605 758 618)	(1 128 697 227)	(1 001 023 219)	(780 981 582)	(224 723 175)	(112 510 999)
Realised losses on financial assets at fair value through profit or loss	-	-	70 558 049	38 788 547	60 762 698	-
Cash (used)/generated by operations before working capital changes	(466 585 206)	(295 318 863)	(230 957 035)	(141 017 507)	(170 923 635)	(74 340 889)
WORKING CAPITAL CHANGES						
Decrease/(increase) in accounts receivable	26 769 160	(44 542 804)	(86 588 141)	(13 695 262)	(44 910 626)	525 034
(Decrease)/increase in accounts payable	(81 654 038)	150 271 870	126 383 116	5 884 293	85 342 468	5 684 527
Working capital changes	(54 884 878)	105 729 066)	39 794 975)	(7 810 969)	40 431 842)	6 209 561)

Non-cash financing and investing activities

During the 2006 financial year, share scrip to the value of R285 453 261 was transferred into the Allan Gray-Orbis Global Fund of Fund totalling R3 376 500.

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

Money Market Fund		Global Fund of Funds		Optimal Fund		Bond Fund		Global Equity Feeder Fund	
2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R	2006 R	2005 R
80 450 284	49 960 496	45 306 211	(3 335 978)	77 386 683	63 936 935	1 628 243	1 444 539	1 791 283	302 620
-	-	-	-	-	-	-	-	-	-
-	-	-	-	61 420	90 928	-	-	-	-
(83 890 207)	(52 335 709)	(2 747 723)	(1 029 652)	(8 852 115)	(8 812 986)	(3 020 328)	(1 308 853)	(1 386 386)	(217 599)
-	-	-	-	(24 491 811)	(33 747 898)	-	-	-	-
-	-	(42 499 640)	4 335 135	(289 391 796)	(349 564 587)	1 150 829	(137 345)	-	-
-	-	-	-	228 360 628	305 619 616	-	-	-	-
(3 439 923)	(2 375 213)	58 848	(30 495)	(16 926 991)	(22 477 992)	(241 256)	(1 659)	404 897	85 021
-	154 000	-	(193 489)	3 192 660	795 640	-	(188 229)	-	(58 540)
12 147 591	77 182	10 611	(3 734)	5 059 844	(530 413)	15 127	6 129	12 969	9 399
12 147 591	231 182	10 611	(197 223)	8 252 504	265 227	15 127	(182 100)	12 969	(49 141)

Funds. Scrip transfers out were made from the Allan Gray Balanced Fund totalling R30 857 132 and from the Allan Gray Stable

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

5. RECONCILIATION OF UNITS

Allan Gray Equity Fund

Units at the beginning of the year

Net units created during the year

Units at the end of the year

Allan Gray Balanced Fund

Units at the beginning of the year

Net units created during the year

Units at the end of the year

Allan Gray Stable Fund

Units at the beginning of the year

Net units created during the year

Units at the end of the year

Allan Gray Money Market Fund

Units at the beginning of the year

Net units created during the year

Units at the end of the year

Allan Gray-Orbis Global Fund of Funds

Units at the beginning of the year

Net units created during the year

Units at the end of the year

Allan Gray Optimal Fund

Units at the beginning of the year

Net units cancelled during the year

Units at the end of the year

	2006 Units	2005 Units
Units at the beginning of the year	111 147 339	97 221 426
Net units created during the year	3 043 543	13 925 913
Units at the end of the year	114 190 882	111 147 339
Units at the beginning of the year	332 769 752	255 407 476
Net units created during the year	77 943 599	77 362 276
Units at the end of the year	410 713 351	332 769 752
Units at the beginning of the year	400 241 689	216 891 053
Net units created during the year	332 396 090	183 350 636
Units at the end of the year	732 637 779	400 241 689
Units at the beginning of the year	817 701 556	564 084 098
Net units created during the year	636 011 089	253 617 458
Units at the end of the year	1 453 712 645	817 701 556
Units at the beginning of the year	167 842 149	65 937 861
Net units created during the year	142 294 213	101 904 288
Units at the end of the year	310 136 362	167 842 149
Units at the beginning of the year	77 833 158	126 862 167
Net units cancelled during the year	(13 468 170)	(49 029 009)
Units at the end of the year	64 364 988	77 833 158

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

5. RECONCILIATION OF UNITS (Continued)

Allan Gray Bond Fund

Units at the beginning of the year

Net units created during the year

Units at the end of the year

Allan Gray-Orbis Global Equity Feeder Fund

Units at the beginning of the year

Net units created during the year

Units at the end of the year

	2006 Units	2005 Units
Units at the beginning of the year	2 204 597	1 265 020
Net units created during the year	1 137 260	939 577
Units at the end of the year	331 857	2 204 597
Units at the beginning of the year	25 725 707	–
Net units created during the year	66 045 894	25 725 707
Units at the end of the year	91 771 601	25 725 707

6. REVIEW OF FLUCTUATIONS OF UNIT PRICES

Allan Gray Equity Fund Class 'A'

31 December 2006

31 December 2005

Allan Gray Equity Fund Class 'B'

31 December 2006

31 December 2005

Allan Gray Balanced Fund Class 'A'

31 December 2006

31 December 2005

Allan Gray Balanced Fund Class 'B'

31 December 2006

31 December 2005

Allan Gray Stable Fund Class 'A'

31 December 2006

31 December 2005

Allan Gray Stable Fund Class 'B'

31 December 2006

31 December 2005

Allan Gray Money Market Fund

31 December 2006

31 December 2005

	Price (cents)	
	Lowest	Highest
31 December 2006	10 403,62	15 066,53
31 December 2005	6 768,32	10 488,67
31 December 2006	10 296,69	14 822,51
31 December 2005	6 763,80	10 389,46
31 December 2006	3 579,12	4 645,35
31 December 2005	2 665,21	3 644,19
31 December 2006	3 576,88	4 619,79
31 December 2005	2 663,57	3 623,85
31 December 2006	1 703,30	1 987,69
31 December 2005	1 495,56	1 723,29
31 December 2006	1 702,24	1 981,81
31 December 2005	1 494,58	1 718,28
31 December 2006	100,00	100,00
31 December 2005	100,00	100,00

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

6. REVIEW OF FLUCTUATIONS OF UNIT PRICES (Continued)

	Price (cents)	
	Lowest	Highest
Allan Gray-Orbis Global Fund of Funds		
31 December 2006	863,39	1 199,02
31 December 2005	737,77	944,38
Allan Gray Optimal Fund Class 'A'		
31 December 2006	1 262,41	1 358,90
31 December 2005	1 179,40	1 273,15
Allan Gray Optimal Fund Class 'B'		
31 December 2006	1 262,15	1 350,78
31 December 2005	1 179,19	1 265,34
Allan Gray Bond Fund		
31 December 2006	1 013,29	1 107,10
31 December 2005	1 009,83	1 101,37
Allan Gray-Orbis Global Equity Feeder Fund		
31 December 2006	1 167,95	1 673,82
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 2006

7. RELATED PARTY TRANSACTIONS

All transactions with related parties are conducted at arm's length. Outstanding balances are unsecured and are settled within 14 days of 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 R923,3 million, including VAT to Allan Gray Unit Trust Management Limited (2005: R550,6 million). At 31 December, the balance due to Allan Gray Unit Trust Management Limited is detailed as follows:

	VAT exclusive 2006 R	VAT exclusive 2005 R
Allan Gray Equity Fund	45 407 067	30 955 162
Allan Gray Balanced Fund	26 371 370	15 690 420
Allan Gray Stable Fund	21 204 459	10 378 005
Allan Gray Optimal Fund	2 103 002	1 075 012
Allan Gray Bond Fund	8 558	11 846
Allan Gray Money Market Fund	345 025	213 247
	95 439 481	58 323 692

The Directors of the Manager hold units in the Allan Gray suite of unit trusts. These units were valued at R15 187 238 at 31 December 2006 (2005: R23 021 943).

The Manager holds discretionary investments in the Allan Gray suite of unit trusts. These units were valued at R23 680 791 at 31 December 2006 (2005: R19 154 948).

8. FINANCIAL INSTRUMENTS

8.1 Financial risk management policies and objectives

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.

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 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 No. 24 of 1956 where applicable and the Collective Investment Schemes Control Act No. 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).

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

See note 8.4 for maturity profiles of interest-bearing instruments. The compliance department monitors compliance with applicable regulations (for example Regulation 28 of the Pension Funds Act No. 24 of 1956 where applicable and the Collective Investment Schemes Control Act No. 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 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. A compliance department monitors compliance with applicable regulations (for example Regulation 28 of the Pension Funds Act No. 24 of 1956 where applicable and the Collective Investment Schemes Control Act No. 45 of 2002, as amended from time to time) and the investment mandate on a daily basis.

Liquidity risk

Liquidity risk management rests with the portfolio managers who have built an appropriate liquidity risk management framework for the management of the unit trust fund's short, medium and long-term funding and liquidity management requirements. The unit trust funds' investments may be sold in an active market at any point in time.

The unit trust funds have access to overdraft facilities with one of the major banks. The Collective Investment Schemes Control Act No. 45 of 2002 allows the unit trust funds to borrow funds in cases where insufficient liquidity exists in a portfolio or where assets cannot be realised to repurchase participatory interests. Borrowings may not exceed 10% of the market value of such a portfolio at the time of borrowing. The compliance department monitors compliance with the applicable regulations.

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. An interest rate policy committee

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 No. 24 of 1956 where applicable and the Collective Investment Schemes Control Act No. 45 of 2002, as amended from time to time) and the investment mandate on a daily basis. Maximum exposure to individual instruments do not exceed those set out by the regulations mentioned above.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the unit trust funds' maximum exposure to credit risk.

At 31 December 2006 the funds did not consider there to be any significant concentration of credit risk which needed to be provided for.

8.2 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.

8.3 Derivative instruments

Investments in derivatives are regulated by the Financial Services Board. They are used for efficient portfolio management in accordance with Collective Investment Schemes Control Act No. 45 of 2002. 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.

Derivative instruments are classified as financial instruments at fair value through profit and loss. The fair value of derivative instruments are calculated using quoted prices. 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 2006

	Fair Value R	2006 Short Exposure R	Fair Value R	2005 Short Exposure R
Allan Gray Balanced Fund	–	948 020 960	–	273 191 310
Allan Gray Optimal Fund	–	752 099 680	–	849 818 340
Allan Gray Stable Fund	–	833 352 080	–	–

8.4. Interest-bearing instruments

Allan Gray Balanced Fund

Maturities	Bonds R	Money Market Instruments R	Money at call R	Total R
Less than 1 year	69 299 612	1 411 471 054	56 965 489	1 537 736 155
1 to 3 years	596 650 066	–	–	596 650 066
3 to 7 years	609 815 847	–	–	609 815 847
More than 7 years	254 829 000	–	–	254 829 000
	1 530 594 525	1 411 471 054	56 965 489	2 999 031 068
Non-interest-bearing equity investments				15 968 707 436
Total investments per the balance sheet				18 967 738 504

Accounts payable and accounts receivable are not interest bearing.

Coupon rates for the bond portfolio are fixed and range between 7.50% and 16.00%. Yields on the money market instruments are fixed and range between 8.80% and 9.50% and money at call attracts variable interest at rates ranging between 8.43% and 8.51%.

Allan Gray Bond Fund

Maturities	Bonds R	Money Market Instruments R	Money at call R	Total R
Less than 1 year	758 801	3 000 000	–	3 758 801
1 to 3 years	2 993 200	–	–	2 993 200
3 to 7 years	7 649 135	–	–	7 649 135
More than 7 years	20 847 072	–	–	20 847 072
	32 248 208	3 000 000	–	35 248 208
Total investments per the balance sheet				35 248 208

Accounts payable and accounts receivable are not interest bearing.

Coupon rates for the bond portfolio are fixed and range between 7.50% and 16.50%. Yields on the money market instruments are fixed and range between 8.65% and 9.15%.

Allan Gray Unit Trusts

Notes to the Annual Financial Statements

for the year ended 31 December 2006

8.4. Interest-bearing instruments (Continued)

Allan Gray Money Market Fund

Maturities	Bonds R	Money Market Instruments R	Money at call R	Total R
Less than 1 year	–	1 386 381 248	71 000 000	1 457 381 248
1 to 3 years	–	–	–	–
3 to 7 years	–	–	–	–
More than 7 years	–	–	–	–
	–	1 386 381 248	71 000 000	1 457 381 248
Total investments per the balance sheet				<u>1 457 381 248</u>

Accounts payable and accounts receivable are not interest bearing.

Yields on the money market instruments are fixed and range between 8.60% and 9.53% and money at call attracts variable interest at rates ranging between 8.60% and 8.70%.

Allan Gray Stable Fund

Maturities	Bonds R	Money Market Instruments R	Money at call R	Total R
Less than 1 year	34 081 660	6 746 947 641	293 093 279	7 074 122 580
1 to 3 years	51 724 200	–	–	51 724 200
3 to 7 years	–	–	–	–
More than 7 years	–	–	–	–
	85 805 860	6 746 947 641	293 093 279	7 125 846 780
Non-interest-bearing equity investments				<u>7 415 389 704</u>
Total investments per the balance sheet				<u>14 541 236 484</u>

Accounts payable and accounts receivable are not interest bearing.

Coupon rates for the bond portfolio are fixed and range between 10.00% and 13.15%. Yields on the money market instruments are fixed and range between 8.60% and 9.53% and money at call attracts variable interest at rates ranging between 8.43% and 8.70%.

Other Funds

The Allan Gray Equity Fund had money on call amounting to R115 000 000 at 31 December 2006, attracting a variable interest at 8.60%.

The Allan Gray Optimal Fund had R65 220 064 on call at 31 December 2006, attracting variable interest at rates ranging between 8.43% and 8.60%.

Allan Gray Unit Trust Management Limited

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 2006 set out on pages 37 to 50 have been approved by the board of directors and are signed on its behalf by:



ED Loxton
Chairman

Cape Town
20 February 2007



GW Fury
Director and Public Officer

Cape Town
20 February 2007

Certification by the Company Secretary

I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2006 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
20 February 2007

Allan Gray Unit Trust Management Limited

Independent Auditor's Report to the Members of Allan Gray Unit Trust Management Limited

Report on the financial statements

We have audited the annual financial statements of Allan Gray Unit Trust Management Limited, which comprise the directors' report, the balance sheet as at 31 December 2006, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 50.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2006, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

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

Ernst & Young Registered Auditors Inc.
Registered Auditor

Cape Town
20 February 2007

Allan Gray Unit Trust Management Limited

Report of the Directors

for the year ended 31 December 2006

The directors of Allan Gray Unit Trust Management Limited (the 'Manager') have pleasure in presenting their report for the year ended 31 December 2006.

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 relaunched 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 Global Government Bond Index) while exposing investors to risks 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 Allan Gray group of companies was restructured in the current year resulting in a new holding company being created between Allan Gray Unit Trust Management Limited and its previous holding company, Allan Gray Limited. The restructuring resulted in Allan Gray South Africa Limited becoming Allan Gray Unit Trust Management Limited's new holding company and Allan Gray Limited remaining the ultimate holding company.

Subsequently, Allan Gray South Africa Limited changed its name to Allan Gray Limited and the company formerly known as Allan Gray Limited changed its name to Allan Gray Group Limited.

The company's investment in Unit Trust Funds

Investment in Units	2006		2005	
	Units	Fair Value	Units	Fair Value
Allan Gray Balanced Fund	273 855	12 651 240	273 855	9 950 835
Allan Gray-Orbis Global Fund of Funds	996 418	11 029 551	996 418	9 204 113
Allan Gray Money Market Fund	–	–	20 500 000	20 500 000

The issued shareholding at 31 December was as follows:

	% Holding	Ordinary Shares
--	-----------	-----------------

2006:

Allan Gray Limited (new holding company that was previously known as Allan Gray South Africa Limited)	100	1 000 060
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2005:

Allan Gray Group Limited (previously known as Allan Gray Limited)	100	1 000 060
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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 2006 and the Balance Sheet as at 31 December 2006.

Dividends

Declaration date	Rands per share
22 March 2005	62.00
14 September 2005	100.00
29 March 2006	153.49
18 September 2006	113.99

In 2006 the company declared total dividends of R267,5 million (2005: R162 million).

Directors

Mr E R Swanepoel and Mr W J C Mitchell resigned as directors with effect from 17 October 2006 and 25 October 2006 respectively. Mr I S Liddle and Mr M Cooper were appointed as directors on 25 October 2006 and 19 December 2006 respectively.

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.

Allan Gray Unit Trust Management Limited

Income Statement

for the year ended 31 December 2006

	Notes	2006 R	2005 R
REVENUE	1.4	868 855 317	527 258 024
Service charges		809 922 600	483 440 531
Initial charges received		11 644 725	13 359 934
Initial charges paid		(11 644 725)	(13 096 234)
Income from the company's investment in unit trust funds:			
– Dividends		103 651	109 406
– Interest		1 552 911	2 441 942
Interest received		1 297 430	11 035 184
Management fees	11	55 978 725	29 967 261
OTHER INCOME		2 275 928	8 095 087
Gains on disposal of the company's investment in unit trust funds		–	8 095 087
Net exchange gains		2 275 928	–
OPERATING EXPENSES		293 656 615	151 370 121
Linked investment service provider costs		128 373 215	55 345 444
Audit fees			
– Fees for audit		242 878	216 924
– Prior year underprovision		89 824	3 555
– Other services		56 534	–
Net exchange losses		–	446 947
Administration fees		–	964 250
Related party payments	11	122 128 509	80 217 577
Other operating expenses		42 666 118	12 824 800
Interest paid		99 537	1 350 624
PROFIT before taxation		577 474 630	383 982 990
Taxation expense	2	200 738 827	130 725 721
PROFIT for the year		376 735 803	253 257 269

Allan Gray Unit Trust Management Limited

Balance Sheet

as at 31 December 2006

	Notes	2006 R	2005 R
ASSETS			
Non Current Assets			
Available-for-sale investments	3	23 680 791	19 154 948
Current Assets			
Trade and other receivables	4	130 833 378	80 621 480
Cash and cash equivalents	5	136 651 580	70 581 615
TOTAL ASSETS		291 165 749	170 358 043
EQUITY AND LIABILITIES			
Share capital	6	1 000 060	1 000 060
Share premium	6	2 000 000	2 000 000
Revaluation reserve		7 473 132	3 603 536
Accumulated profit		249 981 309	140 745 506
Total Equity		260 454 501	147 349 102
Non-Current Liabilities			
Deferred taxation liability	7	1 130 333	474 085
Current Liabilities			
Trade and other payables	8	29 508 959	20 316 951
Taxation payable		71 956	2 217 905
TOTAL EQUITY AND LIABILITIES		291 165 749	170 358 043

Allan Gray Unit Trust Management Limited

Statement of Changes in Equity for the year ended 31 December 2006

	Share Capital R	Share Premium R	Revaluation Reserve R	Accumulated Profit R	Total R
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	–	–	(539 648)	–	(539 648)
Release of revaluation reserves on disposal of available-for-sale investments	–	–	(8 095 087)	–	(8 095 087)
Deferred tax on release of revaluation reserves on disposal of available-for-sale investments	–	–	939 520	–	939 520
Profit for the year	–	–	–	253 257 269	253 257 269
Ordinary dividends	–	–	–	(162 000 000)	(162 000 000)
Balance as at 31 December 2005	1 000 060	2 000 000	3 603 536	140 745 506	147 349 102
Fair value adjustment on available-for-sale investments	–	–	4 525 844	–	4 525 844
Deferred tax arising on fair value adjustments recognised in equity	–	–	(656 248)	–	(656 248)
Profit for the year	–	–	–	376 735 803	376 735 803
Ordinary dividends	–	–	–	(267 500 000)	(267 500 000)
Balance as at 31 December 2006	1 000 060	2 000 000	7 473 132	249 981 309	260 454 501

Allan Gray Unit Trust Management Limited

Cash Flow Statement

for the year ended 31 December 2006

	Notes	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations before working capital changes	12.1	574 620 175	363 651 995
Working capital changes	12.2	(41 019 889)	(73 606 028)
Cash generated from operations		533 600 286	290 045 967
Interest received		2 850 341	13 477 126
Dividends received		103 651	109 406
Interest paid		(99 537)	(1 350 624)
Dividends paid		(267 500 000)	(162 000 000)
Taxation paid	12.3	(202 884 776)	(189 019 500)
NET CASH (OUT)/INFLOW FROM OPERATING ACTIVITIES		66 069 965	(48 737 625)
NET CASH IN/(OUTFLOW) FROM INVESTING ACTIVITIES			
Acquisition of investments in unit trusts		–	(3 507 000)
Proceeds on disposal of investments in unit trusts		–	15 155 448
NET INCREASE/(DECREASE) in cash and cash equivalents		66 069 965	(37 089 177)
CASH AND CASH EQUIVALENTS at beginning of year		70 581 615	107 670 792
CASH AND CASH EQUIVALENTS at end of year	5	136 651 580	70 581 615

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2006

1. ACCOUNTING POLICIES

1.1 Adoption of IFRS in the prior year

The Allan Gray Group of companies 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 were relevant to its operations and effective for accounting periods ended 31 December 2005. The comparative figures were reclassified as required.

1.2 Statement of compliance in the current year

The current year financial statements have been prepared in accordance with IFRS and Interpretations of those standards, as adopted by the International Accounting Standards Board and applicable legislation.

During the current financial year, the following amendments to published accounting standards were adopted (list contains only those standards relevant to the company):

Statement		Effective date	Impact on the Financial Statements
IAS 19 Amendments	Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosure	1 Jan 2006	No material impact
IAS 21 Amendments	The effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation	1 Jan 2006	No material impact
IAS 39 Amendments	Cash Flow Hedge Accounting of Intragroup Transactions	1 Jan 2006	No material impact
IAS 39 Amendments	Fair Value Option	1 Jan 2006	No material impact
IAS 39 Amendments	Financial Guarantee Contracts	1 Jan 2006	No material impact

The company will apply *IFRS 7 – Financial Instruments: Disclosures* and *IAS 1 – 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	Expected Impact
IFRIC 8	Scope of IFRS2	1 May 2006	No material impact
IFRIC 9	Reassessment of Embedded Derivatives	1 Jun 2006	No material impact
IFRIC 10	Interim Reporting and Impairment	1 Nov 2006	No material impact
IFRIC 11	Group and Treasury Share Transactions	1 Mar 2007	No material impact

1.3 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.

The accounting policies are consistent with those applied in the prior year. The principal accounting policies are set out below.

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2006

1.4 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, 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, the revenue can be reliably measured, stage of completion of the transaction at the balance sheet date can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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 quarterly on an accrual basis based on the average market value of assets invested in Orbis Funds through the agency of the company.

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.

1.5 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 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.

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 derecognised or impaired, and through the amortisation process.

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, cash and cash equivalents are measured at amortised cost, which is the same as face value in this case.

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when, the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 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

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2006

measured, the amount of the loss is recognised through profit and loss.

1.6 Expenses

All expenses are recognised in the income statement on an accrual basis. Any interest expense is recognised on an accrual basis using the effective interest rate method. All transactions with related parties are conducted at arm's length.

1.7 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.

Secondary tax on companies (STC) is recognised as part of the current tax charge in the income statement when the related dividend is declared. To the extent that it is probable that dividends will be declared against which any unused STC credits can be utilised, a deferred tax asset is recognised for STC credits.

1.8 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 unless the deferred tax asset or liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Measurement of deferred taxation reflects expected manner of recovery or settlement. 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.

1.9 Foreign currency transactions

Foreign currency income and expense amounts are translated at the rate of 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.

1.10 Comparative information

Where necessary, comparative figures have been adjusted to take effect of changes in presentation in the current year.

Cash and cash equivalents held as unitholder funds awaiting investments have been offset against the corresponding liability at balance sheet date and are therefore not reflected in the financial records of the company. Consequently, interest earned on unitholder funds awaiting investment is offset against interest paid to unitholders.

2. TAXATION EXPENSE

	2006 R	2005 R
SA normal taxation		
– current year	167 331 897	109 559 989
– prior year	(16 995)	(10 731)
	167 314 902	109 549 258
Capital gains taxation	–	939 520
Secondary tax on companies	33 423 925	20 236 943
	200 738 827	130 725 721
Reconciliation of tax rate:	%	%
Standard tax rate	29.00	29.00
<i>Adjusted for:</i>		
Exempt income	(0.01)	(0.62)
Non-deductible expenses	–	0.10
Capital gains tax	–	0.24
Other permanent differences	–	0.04
Items not included in the income statement	(0.02)	–
Secondary tax on companies	5.79	5.27
Effective tax rate	34.76	34.03

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2006

3 INVESTMENTS

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

	2006		2005	
	Cost R	Fair Value R	Cost R	Fair Value R
Available-for-sale investments				
Allan Gray Balanced Fund				
273 855 units (2005: 273 855)	5 721 649	12 651 240	5 721 649	9 950 835
Allan Gray-Orbis Global Fund of Funds				
996 418 units (2005: 996 418)	9 355 677	11 029 551	9 355 677	9 204 113
	15 077 326	23 680 791	15 077 326	19 154 948

Available-for-sale investments consist entirely of investments in unit trust funds, and therefore have no fixed maturity date or coupon rate. These are discretionary investments held by the company to optimise the long-term return of the investment and may be redeemed at any point in time.

	2006 R	2005 R
4. TRADE AND OTHER RECEIVABLES		
Investment income due	709 623	246 007
Receivables from related parties – refer note 11	129 681 119	80 284 365
Other receivables	442 636	91 108
	130 833 378	80 621 480

Receivables are interest free and they are settled within 30 days.

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2006

5. CASH AND CASH EQUIVALENTS

Operating cash in the current account
First National Bank call account
Allan Gray Money Market Fund

2006 R	2005 R
151 580	3 081 615
136 500 000	47 000 000
–	20 500 000
136 651 580	70 581 615

In terms of Section 105 of the Collective Investment Schemes Control Act No. 45 of 2002 investments into and out of unit trust funds managed by the management company must be processed through trust bank accounts. These bank accounts relate to unitholders and therefore are not reflected in the balance sheet of the management company. Unitholder cash awaiting investment at 31 December 2006 amounted to R48 933 519 (2005: R34 164 280).

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

2006 R	2005 R
3 000 000	3 000 000
1 000 060	1 000 060
2 000 000	2 000 000

7. DEFERRED TAXATION

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% (effective rate of 14.5%).

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

2006 R	2005 R
474 085	873 957
–	(29 132)
656 248	(370 740)
1 130 333	474 085

8. TRADE AND OTHER PAYABLES

Payables to related parties – refer note 11
Accruals and other payables

2006 R	2005 R
15 911 723	8 515 896
13 597 236	11 801 055
29 508 959	20 316 951

Unitholder cash awaiting investment but not reflected in the balance sheet at 31 December 2006 amounted to R48 933 519 (2005: R34 164 280).

Payables are interest free and they are settled within 30 days.

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2006

9. 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 RISKS

The company's principal financial instruments are cash and cash equivalents, 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 Portfolios, any market movements may affect the company accordingly. The company has appointed its holding company, Allan Gray Limited, as investment manager. 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 consisted principally of investments in the Allan Gray unit trust funds, service fees due from the Allan Gray unit trust funds, management fees due from Orbis Investment Management Limited and short-term cash deposits. All these balances were unsecured. Allan Gray unit trust funds and Orbis Investment Management Limited are related parties (see note 11 for details). 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 31 December 2006 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 in line with Group policy. Trade and other receivables include balances of US\$4 059 318 (2005: US\$3 090 219) relating to management fees and 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 may fluctuate due to changes in foreign exchange rates. The company is exposed to currency risk to the extent that it earns service fees and Orbis management fees that use these fluctuating assets under management as a basis for calculation. Further, Orbis management fees are invoiced in US dollars.

Interest-bearing instruments

Money on call and in current accounts attracts interest at fixed rates ranging between 8,00% and 8,90%. The maturity profile of money on call ranges from one week to seven weeks from balance sheet date.

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2006

Capital adequacy risk

The Collective Investment Schemes Control Act No. 45 of 2002 requires that a manager must, on an ongoing basis, maintain in liquid form the capital for the matters and risks determined by the Registrar of Collective Investment Schemes (the 'Registrar'). Notice 2072 of 2003 prescribes the calculation of the capital required and requires that a calculation of the capital position as at the last business day of each calendar month, be submitted to the Registrar within 14 business days after the end of such calendar month.

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

- 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 requirement that seed capital of R1 million be invested by the Manager does not apply as the prescribed amount of R1 million may be reduced by 10% for every R1 million invested by investors (independent from the Manager) in a portfolio. At 31 December 2006, 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 satisfied the capital requirements and its reporting obligations under Notice 2072.

11. RELATED PARTIES

Relationships exist between Allan Gray Unit Trust Management Limited, its holding company Allan Gray Limited, its ultimate holding company Allan Gray Group Limited, its fellow subsidiary Allan Gray Investment Services Limited, the Allan Gray suite of unit trust funds, and Orbis Investment Management Limited. All transactions with related parties are conducted at arm's length and settlement terms are not more favourable

than those arranged with third parties. Settlement terms are within two weeks of receipt of the invoice.

Transactions with the holding company

The company has appointed its holding company as investment manager of the Funds and to undertake certain company administrative and marketing functions and the day-to-day administration of local unit trusts.

Following the group restructuring in the current year (see Directors' report for details), Allan Gray Limited transferred its business to Allan Gray South Africa Limited. Allan Gray South Africa Limited therefore replaced Allan Gray Limited as the provider of investment management, administration and marketing services to Allan Gray Unit Trust Management Limited. Expenses paid to Allan Gray Group Limited (previously known as Allan Gray Limited, holding company until 31 August 2006) for all services rendered during the period amounted to R71,5 million (2005: R80,2 million). The balance owed by Allan Gray Unit Trust Management Limited to Allan Gray Group Limited (previously known as Allan Gray Limited) as at 31 December 2006 is Nil (2005: R6,8 million). Expenses paid to Allan Gray Limited (previously known as Allan Gray South Africa Limited, holding company from 1 September 2006) for all services rendered during the remainder of the financial year amounted to R50,6 million (2005: Nil). The balance owed by Allan Gray Unit Trust Management Limited to Allan Gray Limited (previously known as Allan Gray South Africa Limited) as at 31 December 2006 is R12 million (2005: Nil).

Dividends paid to Allan Gray Group Limited (previously known as Allan Gray Limited, then holding company) amounted to R153 million during the year (2005: R162 million). Dividends paid to Allan Gray Limited (previously known as Allan Gray South Africa Limited) amounted to R114 million during the year (2005: Nil).

The management fee due from Orbis Investment Management Limited is invoiced in US dollars and is deposited in a US dollar-denominated account. The balance due to Allan Gray Unit Trust Management Limited from this dollar-denominated account at 31 December 2006 is US\$4 059 318 (2005: US\$3 090 219).

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2006

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 on to 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 R34,09 million (2005: R4,9 million). The balance owed by the Company to AGIS at 31 December 2006 is R3,97 million (2005: R1,7 million).

Allan Gray-Orbis Foundation

Allan Gray Unit Trust Management Limited has, as part of the Group's initiative to social upliftment and black empowerment, made a commitment to donate 7% of its annual after-tax income to deserving social causes. To this end the company made a contribution of R30,4 million to the Allan Gray-Orbis Foundation in 2006.

Mahesh Cooper, a director of the company, also serves as Trustee of the foundation.

Allan Gray unit trust funds

Allan Gray Unit Trust Management Limited earns a service charge for managing and administering the 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) has outperformed their respective benchmarks and lower in the case of underperformance.

Allan Gray Unit Trust Management Limited received a service charge of R809,9 million (2005: R483,4 million) from the unit trust funds. The balance owed by the funds to Allan Gray Unit Trust Management Limited at 31 December is R83,7 million (2005: R51,2 million) and is detailed as follows:

	VAT exclusive 2006 R	VAT exclusive 2005 R
Allan Gray Equity Fund	39 830 760	27 153 651
Allan Gray Balanced Fund	23 132 739	13 763 526
Allan Gray Stable Fund	18 600 366	9 103 513
Allan Gray Optimal Fund	1 844 738	942 993
Allan Gray Money Market Fund	302 654	10 391
Allan Gray Bond Fund	7 483	187 059
	83 718 740	51 161 133

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 No. 45 of 2002.

Management fees of R56 million (2005: R30 million) were earned during the year from Orbis of which R16,6 million (2005: R9,3 million) was outstanding at 31 December 2006.

Directors' fees

No directors' fees were earned by Mr E R Swanepoel in the current year (2005: R20 000).

As mentioned above, the company has appointed its holding company as investment manager of the Funds and to undertake certain company administrative and marketing functions and the day-to-day administration of local unit trusts. This service entails having some of the holding company's employees act as Allan Gray Unit Trust Management Limited's directors from time to time. Messrs E D Loxton, J C de Lange, R W Dower, G W Fury, M Cooper and I S Liddle (2005: Messrs E D Loxton, J C de Lange, R W Dower, G W Fury and W J C Mitchell) are all employed by the holding company and they acted as directors during the year (see the directors' report for details of appointments and resignations during the year). Below is an analysis of aggregate amounts paid to them by the holding company for time spent on Allan Gray Unit Trust Management Limited's activities during the year.

Allan Gray Unit Trust Management Limited

Notes to the Financial Statements

for the year ended 31 December 2006

	2006 R	2005 R
Payments to executive directors:		
Cash salary	2 398 053	2 048 318
Medical aid contributions	110 065	87 663
Group life and disability benefit	27 173	22 409
Retirement annuity contribution	45 036	19 828
Bonuses and performance-related payments	210 829	943 018
	2 791 156	3 121 236
Payments to non-executive directors:		
Cash salary	23 300	–
Medical aid contributions	746	–
Group life and disability benefit	167	–
Retirement annuity contribution	630	–
	24 843	–
The listing of the members of the board of directors is shown on the back page.		
12. NOTES TO THE CASH FLOW STATEMENT		
12.1 Operating profit before working capital changes		
Profit before taxation	577 474 630	383 982 990
Adjustments for:		
Interest income	(2 850 341)	(13 477 126)
Dividend income	(103 651)	(109 406)
Gains on disposal of the company's investment in unit trust funds	–	(8 095 087)
Interest expense	99 537	1 350 624
	574 620 175	363 651 995
12.2 Working capital changes		
Increase in trade and other receivables	(50 211 898)	(35 363 745)
Increase/(decrease) in trade and other payables	9 192 009	(38 242 283)
	(41 019 889)	(73 606 028)
12.3 Taxation paid		
Amount owing at the beginning of the year	2 217 905	60 511 684
Amount charged per the income statement	200 738 827	130 725 721
Amount owing at the end of the year	(71 956)	(2 217 905)
Amount paid	202 884 776	189 019 500

Important Information for Investors

- Allan Gray Unit Trust Management Limited (the Manager) is a member of the Association of Collective Investments.
- Collective Investment Schemes (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 necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Fluctuations or movements in exchange rates may also be the cause of the value of underlying international investments going 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. A detailed schedule of fees and charges and maximum commissions is available on request from the company. All of the unit trusts except the Money Market Fund may be capped at any time in order for them to be managed in accordance with their mandates.
- Permissible deductions from the total portfolio may include bank charges, trustee/custodian fees, auditor's fees, manager's annual management fee and regional council levies, MST and brokerage.
- The buying price of units may include an initial adviser fee of up to a maximum of 3.42% (3% plus VAT) of the investment amount. This fee is negotiated independently between the unitholder and the financial adviser.
- Units are priced using the forward pricing method. Investment, redemption and switching instructions received after 14h00 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. These timings may vary if instructions come via a linked investment services provider. Please refer to the relevant Terms and Conditions on the relevant application form. Fund valuations take place at approximately 16h00 each business day.
- Units will be repurchased by the Manager at the ruling price in accordance with the requirements of the Collective Investment Schemes Control Act No. 45 of 2002 and on terms and conditions set forth in the relevant trust deed and paid to the investor.
- On the Allan Gray Equity Fund a performance-based fee 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 fees vary between 1.71% (1.5% plus VAT) and 4.67% (4.1% plus VAT). Declarations of income accruals are made bi-annually.
- On the Allan Gray Balanced Fund a performance-based fee 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 fees vary between 1.82% (1.6% plus VAT) and 2.96% (2.6% plus VAT). Declarations of income accruals are made bi-annually.
- On the Allan Gray Stable Fund a performance-based fee 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 fees vary between 1.82% (1.6% plus VAT) and 2.96% (2.6% plus VAT). Declarations of income accruals are made quarterly.
- On the Allan Gray Bond Fund a performance-based fee 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. Declarations of income accruals are made quarterly.
- 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. Declarations of income accruals are made daily and paid out monthly.
- On the Allan Gray-Orbis Global Fund of Funds no fee is levied by Allan Gray. The Allan Gray-Orbis Global Fund of Funds, being a fund of funds, only invests in other unit trusts. The underlying unit trusts levy their own charges, which could result in a higher fee structure for these portfolios. Declarations of income accruals are made annually.
- On the Allan Gray-Orbis Global Equity Feeder Fund no fee is levied by Allan Gray. The Allan Gray-Orbis Global Equity Feeder Fund, being a feeder fund, is a portfolio that, apart from assets in a liquid form, consists solely of units in a single portfolio of a collective investment scheme. The underlying unit trust levies its own charges, which could result in a higher fee structure for the portfolio. Declarations of income accruals are made annually.
- 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. Declarations of income accruals are made bi-annually.
- A schedule of fees and charges and maximum commissions is available on request from the Manager.
- Institutional investors should note that, compared to retirement funds, unit trusts operate under different tax rules. Whilst unit trusts are in practice also not so taxed, they do not enjoy automatic tax exemption.
- A transfer of units to another legal entity or natural person will result in a payment of Capital Gains Tax (excluding transfers from the Allan Gray Money Market Fund).
- Minimum investment amounts may be raised in the future at the discretion of the Manager.
- Statements are sent to all unitholders on a quarterly basis and in addition, advices are sent on a transaction basis (excluding debit orders).
- The funds may borrow up to 10% of the market value of the portfolio where insufficient liquidity exists in a portfolio, or where assets cannot be realised to repurchase, or cancel participatory interests.
- Performance data is based on a lump sum investment calculated on a NAV to NAV basis where distributions may be reinvested for certain classes of funds.
- 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.
- Copies of the audited annual financial statements of the Manager and of the schemes managed by it, are available, free of charge, on request by any investor.

Characteristics & 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(s)	Stephen Mildenhall, Arjen Lugtenburg, Duncan Artus, Ian Liddle, Delphine Govender, Orbis Investment Management Limited	Stephen Mildenhall, Arjen Lugtenburg, Duncan Artus, Ian Liddle, Delphine Govender, Orbis Investment Management Limited	Stephen Mildenhall	Sandy McGregor and Andrew Lapping
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 <ul style="list-style-type: none"> no initial fee transparency alignment of investor interests with our own any annual fee is performance-based where feasible, and is described in more detail below each fund 	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.
Delphine Govender	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.

MANAGEMENT COMPANY

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DIRECTORS

Executive Directors

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

Non-executive Directors

M Cooper	B Bus Sc FIA FASSA
I S Liddle	B Bus Sc (Hons) CFA

COMPANY SECRETARY

C Mason BA LLB

INVESTMENT MANAGER

Allan Gray Limited

TRUSTEE

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P O Box 7713 Johannesburg 2000
South Africa

AUDITORS

Ernst & Young
Registered Auditors Inc.



Member of the Association of Collective Investments

Allan Gray Unit Trust Management Limited
Reg. No. 1998/007756/06

