PUTPROP

Annual Report 2008

PUTPROP LIMITED

TWENTY FIRST ANNUAL REPORT

for the year ended 30 June 2008

CONTENTS

PUTPROP LIMITED

Incorporated in the Republic of South Africa

(Reg No 1988/001085/06)

DIRECTORATE AND SECRETARY

DIRECTORS
A B Adrian (Chairman and independent non-executive)

A Carleo (Chief executive officer)

A L Carleo-Novello (Managing director)

B C Carleo (General manager)

P Senatore (Non-executive)

P Nucci (Independent non-executive)

AUDIT COMMITTEE
A B Adrian (Chairman)

A L Carleo-Novello

P Senatore

B C Carleo

P Nucci

SECRETARY
D Campbell

REGISTERED OFFICE AND POSTAL ADDRESS
91 Protea Road
Chislehurston
Sandton, 2196

SHARE TRANSFER SECRETARIES
Computershare Investor Services (Proprietary) Limited
70 Marshall Street
Marshalltown
PO Box 61051, Johannesburg 2107

AUDITORS
Ernst & Young Inc.
Wanderers Office Park
52 Corlett Drive, Illovo
Private Bag X14, Northlands 2116

SPONSORS
Merchantec (Proprietary) Limited
(Registration number 1992/000070/07)
2nd Floor North Block
Hyde Park Office Tower
Cnr 6th Road and Jan Smuts Avenue
Hyde Park 2196
PO Box 41480, Craighall 2124

SHAREHOLDERS' DIARY

Financial year end	30 June
Annual General Meeting	19 November
Reports and financial statements	**Published**
Interim	March
Final	October
Dividends	**Declared/Paid**
Interim	March/April
Final	September/October

ANALYSIS OF SHAREHOLDING

for the year ended 30 June 2008

Category of shareholder	Number of shareholders	Shares held (000)	Shares held %
Non-public			
Carleo Enterprises (Pty) Ltd	1	15 519	54,8
Albani Investments (Pty) Ltd	1	220	0,8
Carleo Investments (Pty) Ltd	1	55	0,2
Directors	4	99	0,3
	7	15 893	56,1
Public			
Endowment, Mutual and Pension Funds	4	1 200	4,0
Nominees and Trusts	62	4 311	14,4
Other institutional holdings	47	2 630	9,0
Individuals	405	4 759	16,5
	518	12 900	43,9
Total	525	28 793	100,0
Concentration of shareholding			
1 – 1 000	196	64	0,2
1 001 – 10 000	194	756	2,6
10 001 – 100 000	100	3 664	12,2
100 001 – 1 000 000	34	8 790	30,2
1 000 001 – upwards	1	15 519	54,8
	525	28 793	100,0

Major shareholders

Other than those outlined above, the Company is not aware of any shareholder who was directly or indirectly interested in 5% or more of the issued shares of the Company at year end.

CORPORATE GOVERNANCE

Corporate governance incorporates the adoption and monitoring of sound and effective systems of internal control, the assessment and management of business risks and the definition and implementation of appropriate business procedures. Responsibilities are fixed, directed and controlled for the purpose of administering and safeguarding shareholders' interests and Group assets. The directors of Putprop deem corporate governance to be vitally important and are unreservedly committed to applying the principles necessary to ensure that good corporate governance is practised. For this they accept full responsibility. These principles include integrity, transparency and accountability of the directors to all stakeholders. In pursuit of these ideals the intention is to exceed "minimum requirements" with due consideration to international trends and codes. Corporate governance within the Putprop Group is managed and monitored by a unitary Board of Directors. The Board is of the opinion that the Group currently complies with the main principles incorporated in the code of corporate practices and conduct as set out in the King II report and the Listing Requirements of JSE Limited, except for the fact that the Company does not have a remuneration committee, as this function is being performed by the main Board. Some administrative requirements are performed by Putco Limited for which Putprop pays an administration fee.

BOARD OF DIRECTORS

Its primary responsibilities include discussing and reviewing the strategic direction of Putprop and monitoring investment decisions, considering significant financial matters and reviewing performance. In addition, specific attention is given to ensuring that a comprehensive system of policies and procedures is operative and compliance with corporate governance principles is reviewed regularly. The Board is chaired by an independent non-executive director, and consists of three executive and three non-executive directors. The names of the directors in office during the year, are detailed on page 1. The Board remains responsible to the shareholders in the exercise of its duties.

Non-executive directors contribute an independent view to matters under consideration and add to the breadth and depth of the experience of the Board. The roles of chairman and chief executive are separate with responsibilities divided between them. All directors have the appropriate knowledge and experience necessary to effect their duties with each actively involved in the Group's affairs. Generally, directors have no fixed term of appointment but one third retires by rotation every year and, if available, are considered for reappointment at the annual general meeting. Non-executive directors receive no benefits from Putprop other than their directors' fees. All Board members are required to disclose their shareholdings in Putprop, other directorships and any potential conflict of interest. They are then required to excuse themselves from any discussions and decisions on matters in which they have a conflict of interest.

Board meetings are held at least quarterly, with additional meetings called where circumstances necessitate. Effective chairmanship and a formal agenda, raising issues that require attention, ensure that proceedings are conducted efficiently and all appropriate matters addressed. All relevant information is supplied to directors timeously. Meetings are not dominated by one person or group of persons, rather the interests of all stakeholders remain at the core of all decisions. Members have unlimited access to the Group secretary, who acts as an adviser to the Board on issues including compliance with new policies and procedures, statutory regulations and best corporate practices. Furthermore, the advice of independent professionals may be obtained by any Board member in appropriate circumstances, at the expense of the Company. The name and address of the secretary is on page 1. All new Board appointments or changes to the Board are approved by the Board at properly constituted Board meetings at which the independent non-executive chairman presides. Detailed curriculum vitas of the proposed directors are provided to the members of the Board for consideration.

Currently the Company only has one Board committee, namely the Audit committee. Specific responsibilities have been delegated to the audit committee with defined terms of reference from an approved charter.

AUDIT COMMITTEE

The audit committee identifies and continuously evaluates exposure to significant risks, reviews the appropriateness and adequacy of the systems of internal finance and operational control, reviews accounting policies and financial information issued to the public and provides for effective communication between directors and external auditors. The committee has three independent non-executive members and one executive member and their details are provided on page 1.

The audit committee Charter provides clear terms of reference to the audit committee. In drafting this Charter, full consideration was given to current international trends and developments pertaining to audit committees. Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties. This authority has been extended to the external auditors. The committee sets principles for recommending the use of external audit for non-audit

CORPORATE GOVERNANCE (continued)

services. The main Board is provided with regular reports on the committee's activities.

The committee, which is chaired by Mr A B Adrian, meets at least twice a year. Meetings are attended by invitees including the financial executive, external auditors and company secretary. The Charter also prescribes that sessions may be held with no management present, to ensure that matters are considered without undue influence. The external auditors have unlimited access to the Chairman.

ACCOUNTABILITY AND AUDIT

Internal control

The Board of Directors is responsible for the Group's systems of internal control. Responsibility for the adequacy, extent and operation of these systems is delegated to the executive directors. To fulfil this responsibility, accounting records and appropriate systems of internal control are developed and maintained.

The directors report that the Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability for its assets and to detect and minimise fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations

The directors have satisfied themselves that the systems and procedures of internal controls are implemented, maintained and monitored.

No indications exist that these systems of internal control were not appropriate. Furthermore, no material loss, exposure or misstatement arising from a material breakdown in the functioning of the systems has been reported to the directors in respect of the year under review.

External audit

The external auditors provide an independent opinion on the annual financial statements. The external audit function offers reasonable, but not absolute assurance on the accuracy of financial disclosures.

RISK MANAGEMENT

The Board through its executives, together with the system of internal control, identifies and manages significant Group risks on an ongoing basis. This enables it to discharge its responsibilities for ensuring that the wide range of risks associated with its operations are effectively managed in support of the creation and preservation of all stakeholders' value.

PUBLIC AND SHAREHOLDERS

Communication to the public and shareholders embodies the principles of balanced reporting, understandability, openness and substance over form.

CODE OF CONDUCT

Putprop has a formal code of conduct that has been explicitly adopted by the Board of Directors. The code is consistent with the principles of integrity, honesty, ethical behaviour and compliance with all laws and regulations.

EMPLOYMENT EQUITY

In compliance with Section 22 of the Act, below is a summary of Putprop's employment equity position:

Occupation levels	Designated Male African	Non-designated Female White	Male White	Total employees
Top management		1	1	2
Senior management				
Professionally qualified and experienced specialists and mid-management			2	2
Unskilled and defined decision making	1			1
Total permanent	1	1	3	5
Non-permanent employees		1		1
Grand total	**1**	**2**	**3**	**6**

CHAIRMAN'S STATEMENT

OVERVIEW

Revenue increased from R20,6 million to R33,2 million when compared to the previous year, mainly as a result of the straightlining effects following the 1 January 2007 re-negotiation of the long-term lease with our major tenant PUTCO.

Following the trend indicated in the interim report the Company's properties were professionally re-valued upwards by R15,6 million at 30 June 2008, as compared with R9,7 million upward at 30 June 2007.

Profit before tax increased from R30,6 million to R43,3 million.

Endeavours to diversify into industrial and commercial properties were hampered by the strong sellers market which pertained during the past year. However, acquisitions in progress of two properties since the year end are reflected in the capital commitments for R28,4 million at 30 June 2008.

OPERATING INCOME AND EXPENSES

The increase in operating income from R13,9 million to R15,6 million is the result of this year's comparatively favourable revaluation of our properties, that there was no disposal of property this year to create a result comparable with last year's profit on the disposal of Lonehill, and that this year there was no necessity for a comparable write down of other investments.

Operating expenses increased from R3,9 million to R5,5 million, mainly due to incurring additional administration remuneration and increased property utilities.

NET PROFIT

The net profit before taxation is R43,3 million. Net profit after taxation is R32,5 million.

VALUATION OF PROPERTIES

A registered valuator conducted a valuation of our properties at year end. The revaluation increase amounted to R15,6 million and is shown in the income statement.

LOANS

The Company has no loans.

CAPITAL COMMITMENT

Putprop is currently finalising the purchase of two commercial properties for a total of R28,4 million. Title to these properties was transferred to Putprop in August 2008.

FUTURE PROSPECTS

Centurion Gate, a major commercial and residential complex in Centurion is still being developed and should produce an income flow for next year.

Our strategy is still to invest in suitable industrial and commercial properties to improve our income streams.

DIVIDEND DECLARATION

The directors have decided to declare a final dividend of 22 cents per share.

Including the interim dividend of 15 cents per share the total declared dividend for the year is 37 cents per share (2007: 35 cents).

Details of payment dates are given in the Dividend Announcement on page 25.

CONCLUSION

I wish to thank my fellow directors and management for their contribution to the year's results.

A B Adrian
Chairman

GROUP VALUE ADDED STATEMENT

for the year ended 30 June 2008

	2008 R'000	%	2007 R'000	%
Rent received	**28 902**		17 249	
Materials and services bought	**(4 740)**		(3 856)	
Interest received	**4 317**		3 332	
Fair value adjustments of properties and investments	**15 631**		4 575	
Profit on property disposal	**–**		9 328	
Total wealth created	**44 110**	**100**	30 628	100
Distributed as follows:				
To pay providers	**10 078**	**23**	10 078	33
Dividends to shareholders	**10 078**		10 078	
Interest paid	**–**		–	
To pay government	**11 618**	**26**	9 504	31
Normal tax payable	**9 832**		8 166	
Secondary tax	**1 008**		1 260	
RSC, SDL and UIF levies	**5**		5	
Rates and taxes	**773**		73	
To provide for replacement and expansion	**22 414**	**51**	11 046	36
Increase in distributable reserves	**22 414**		11 046	
Total wealth distributed	**44 110**	**100**	30 628	100

DIRECTOR'S STATEMENT OF RESPONSIBILITY

for the year ended 30 June 2008

The directors are responsible for the preparation, integrity and fair presentation of the Group and Company annual financial statements of Putprop Limited. The Group and Company annual financial statements, presented on pages 9 to 25, have been prepared in accordance with International Financial Reporting Standards and include amounts based on judgments and estimates made by management. The directors also prepared the other information included in the financial report and are responsible for both its accuracy and its consistency with the Group and Company financial statements.

The going-concern basis has been adopted in preparing the Group and Company financial statements. The directors have no reason to believe that the Group or the Company will not be going concerns in the foreseeable future, based on forecasts and available cash resources. The viability of the Group and the Company are supported by the financial statements.

The directors are satisfied that the Group and Company financial statements fairly present the state of affairs of the Group and Company and that there was no material breakdown in the system of internal control during the year.

The Company has no litigation matters pending.

The Group and Company financial statements have been audited by independent auditors, Ernst & Young, who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. It is the responsibility of the auditors to report on the Group and Company financial statements in conformity with International Standards on Auditing.

Ernst & Young Inc's audit report is presented on page 8.

The financial statements were approved by the Board on 28 October 2008.

A B Adrian
Chairman

A L Carleo-Novello
Managing director

Johannesburg
28 October 2008

STATEMENT BY THE COMPANY SECRETARY

for the year ended 30 June 2008

COMPLIANCE STATEMENT BY THE COMPANY SECRETARY

The Company secretary, D Campbell, certifies that the Company has lodged with the Registrar of Companies all such returns as are required for a listed company in terms of the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date in respect of the financial year reported.

D Campbell
Secretary

Johannesburg
28 October 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PUTPROP LIMITED for the year ended 30 June 2008

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Company annual financial statements and Group annual financial statements of Putprop Limited, which comprise the directors' report, the balance sheet as at 30 June 2008, 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 9 to 25.

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 and the Group as of 30 June 2008 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 Inc.

Ernst & Young Inc
Registered Auditor

Johannesburg
28 October 2008

DIRECTOR'S REPORT

Your directors have pleasure in submitting their 21st Group report and financial statements for the year ended 30 June 2008.

NATURE OF BUSINESS

Your Company, incorporated and domiciled in the Republic of South Africa, owns industrial and commercial properties, for rental purposes.

All subsidiary companies are dormant.

GENERAL REVIEW

A general review of the affairs of the Group is found in the Chairman's statement on page 5.

GROUP RESULTS

The Group annual financial statements reflect the results of the Group's operations during the year under review.

Shareholders and other interested parties are referred to the Group annual financial statements found on pages 9 to 25.

Details of dividends paid are disclosed in Note 4.

SHARE CAPITAL

The authorised and issued share capital of the Company remained unchanged during the year under review.

UNISSUED SHARES

Unissued shares of 21 207 039 (2007: 21 207 039) are held under the control of the directors, subject to section 22 of the Companies Act, 1973 and the relevant rules of the JSE Limited, until the next annual general meeting.

HOLDING COMPANY

The Company's holding company is Carleo Enterprises (Pty) Ltd and its ultimate holding company is Carleo Investments (Pty) Ltd.

SUBSIDIARY COMPANIES

The names of the subsidiary companies and the information required by paragraphs 69 and 70 of schedule 4 to the Companies Act are detailed on page 25.

DIRECTORS AND SECRETARY

Details of the current directors and secretary appear on page 1 of the Group annual report.

DIRECTORS' INDIRECT AND DIRECT SHAREHOLDINGS

On 30 June 2008, the directors held a total of 3 394 695 (2007: 3 292 394) shares in the Company. There has been no material change in these interests between 30 June 2008 and the date of this report.

	2008		2007	
	Indirect	**Direct beneficial**	Indirect	Direct beneficial
	%	**%**	%	%
A Carleo	**3,44**		3,39	–
A L Carleo-Novello	**3,42**	**0,05**	3,38	0,05
B C Carleo	**4,63**	**0,08**	4,47	0,08
A B Adrian		**0,16**	–	*
P Senatore	*	**0,06**	–	0,06

* Less than 0,01%

TANGIBLE ASSETS

Additions

Additions to existing properties amounted to R5 517 million.

Valuation

The investment properties were valued professionally at 30 June 2008 resulting in a net upward valuation of R15 631 million.

POST-BALANCE SHEET EVENTS

There are no significant post-balance sheet events that have a material impact on the financial statements at 30 June 2008.

Two commercial properties, titles to which were transferred to Putprop in August 2008, were acquired for R28,4 million.

INCOME STATEMENTS

for the year ended 30 June 2008

		Group		Company	
		2008	2007	**2008**	2007
	Note	**R'000**	R'000	**R'000**	R'000
Rent received	1	**28 902**	17 249	**28 902**	17 249
Interest received		**4 317**	3 332	**4 317**	3 332
Revenue		**33 219**	20 581	**33 219**	20 581
Operating income	2	**15 631**	13 903	**15 631**	13 903
Operating expenses	2	**5 518**	3 934	**5 518**	3 934
Operating profit	2	**43 332**	30 550	**43 332**	30 550
Finance cost		**–**	–	**–**	–
Profit before taxation		**43 332**	30 550	**43 332**	30 550
Taxation	3	**10 840**	9 426	**10 840**	9 426
Profit attributable to equity holders		**32 492**	21 124	**32 492**	21 124
Earnings per share (cents)	5	**112,8**	73,4		
Dividends paid per share (cents)		**35,0**	35,0		
– final 2007 (2006)		**20,0**	20,0		
– interim 2008 (2007)		**15,0**	15,0		
Final dividend declared after year end (cents)		**22,0**	20,0		

BALANCE SHEETS

for the year ended 30 June 2008

		Group		Company	
		2008	2007	**2008**	2007
	Note	**R'000**	R'000	**R'000**	R'000
ASSETS					
Non-current assets					
Investment properties	7	**132 577**	111 429	**132 577**	111 429
Furniture and equipment	7	**97**	93	**97**	93
Investment in subsidiaries	8	**–**	–	**69**	69
Other investments	9	**8 527**	8 098	**8 527**	8 098
		141 201	119 620	**141 270**	119 689
Current assets					
Accounts receivable	11	**8 544**	3 534	**8 544**	3 534
Taxation receivable	12	**1 100**	12	**1 099**	–
Cash and cash equivalents	13	**37 145**	50 439	**37 145**	50 439
		46 789	53 985	**46 788**	53 973
Total assets		**187 990**	173 605	**188 058**	173 662
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	14	**4 146**	4 146	**4 146**	4 146
Accumulated profit		**174 242**	151 829	**174 242**	151 829
	6	**178 388**	155 975	**178 388**	155 975
Non-current liabilities					
Deferred taxation	15	**6 375**	3 035	**6 375**	3 035
		6 375	3 035	**6 375**	3 035
Current liabilities					
Taxation payable	12	**–**	2 353	**–**	2 353
Accounts payable	16	**1 906**	10 980	**1 863**	10 937
Amount due to subsidiary	20			**111**	100
Amount due to fellow subsidiary	20	**1 321**	1 262	**1 321**	1 262
		3 227	14 595	**3 295**	14 652
Total equity and liabilities		**187 990**	173 605	**188 058**	173 662

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2008

	Notes	Stated capital R'000	Accumulated profit R'000	Total R'000
GROUP				
Balance at 1 July 2006	14	4 146	140 782	144 928
Profit attributable to equity holders			21 124	21 124
Dividends paid	4		(10 078)	(10 078)
Balance at 30 June 2007		4 146	151 828	155 974
Profit attributable to equity holders			**32 492**	**32 492**
Dividends paid	4		**(10 078)**	**(10 078)**
Balance at 30 June 2008		**4 146**	**174 242**	**178 388**
COMPANY				
Balance at 1 July 2006	14	4 146	140 782	144 928
Profit attributable to equity holders			21 124	21 124
Dividends paid	4		(10 078)	(10 078)
Balance at 30 June 2007		4 146	151 828	155 974
Profit attributable to equity holders			**32 492**	**32 492**
Dividends paid	4		**(10 078)**	**(10 078)**
Balance at 30 June 2008		**4 146**	**174 242**	**178 388**

CASH FLOW STATEMENTS

for the year ended 30 June 2008

	Note	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Cash (outflow)/inflow from operating activities		**(7 373)**	33 196	**(7 384)**	33 196
Cash receipts from customers		**23 892**	48 348	**23 892**	48 348
Cash paid to suppliers		**(14 562)**	(1 081)	**(14 562)**	(1 081)
Net cash generated from operations	18	**9 330**	47 267	**9 330**	47 267
Interest received		**4 317**	3 332	**4 317**	3 332
Finance costs		**–**	–	**–**	–
Taxation paid	12	**(10 942)**	(7 325)	**(10 953)**	(7 325)
Dividends paid	4	**(10 078)**	(10 078)	**(10 078)**	(10 078)
Cash outflow from investing activities		**(5 980)**	(2 804)	**(5 980)**	(2 804)
Additions to investment properties and furniture and equipment	19	**(5 551)**	(2 804)	**(5 551)**	(2 804)
Additions to other investments	9	**(429)**	–	**(429)**	–
Cash inflow from financing activities		**59**		**70**	
Increase in amounts due to subsidiary	20			**11**	–
Increase in amounts due to fellow subsidiary	20	**59**		**59**	–
Net (decrease)/increase in cash and cash equivalents		**(13 294)**	30 392	**(13 294)**	30 392
Cash and cash equivalents at beginning of year		**50 439**	20 047	**50 439**	20 047
Cash and cash equivalents at end of year	13	**37 145**	50 439	**37 145**	50 439

ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of Putprop Limited, as set out on pages 9 to 25, have been prepared in accordance with IFRS.

The consolidated financial statements have been prepared on an historical cost basis, except for measurement at fair value of investment properties and financial instruments, as described further in the accounting policy notes below.

The consolidated financial statements are presented in South African Rand and denominated in thousands (R'000).

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, management are required to make estimates and assumptions that effect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Significant estimates made relate to the determination of fair values of investment properties, estimate of useful life and residual values of tangible assets, allowance for doubtful debts and estimating the fair value of investments held.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Putprop Limited and its subsidiaries, which are defined as entities in which the Group has the ability to exercise control over their financial and operating policies, so as to obtain benefits from their activities. Operating results of subsidiaries acquired during the reporting period are included from the effective date of acquisition. Operating results of subsidiaries disposed of during the reporting period are included to the effective date of disposal. Subsidiaries acquired with the intention of disposal within a short period of time, provided IFRS 5 conditions are met, are not consolidated, but accounted for in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

All intra-Group transactions, balances and unrealised profits/losses are eliminated on consolidation.

In Company figures in the financial statements all subsidiary investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

At the date of acquisition of a subsidiary, the cost of the investment is allocated to the fair value of individual identifiable assets, liabilities and contingent liabilities of the subsidiary.

After initial recognition, the Company's investments in subsidiaries continue to be held at cost less any impairment in value. Investment in subsidiaries are reviewed annually for impairment.

SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP AND COMPANY

1. Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

2. Other tangible assets

Other tangible assets, consisting of furniture and equipment, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such furniture and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated on a straightline basis at 16,7% to 25,0% to write the assets down to residual values at the end of their useful lives.

An item of property, furniture and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

3. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss was reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

4. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependant on the use of the specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the agreement;
b) A renewal option is exercised or extension granted, unless the terms of the renewal or extension was initially included in the lease terms;
c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or
d) There is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease to commence from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for b).

Group as lessee

Finance leases, which transfer for the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased property or, if lower at, at the present value of the minimum lease payments.

Lease payments are apportioned between the financial charges and reduction of the lease liability so as to achieve constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the term of the lease.

Group as lessor

Leases where the Group does not transfer all the risks and benefits of ownership of the assets are classified as operating leases.

Operating lease income are recognised as an revenue in the income statement on a straight line basis over the term of the lease.

5. Taxes

Current income tax

Current income tax 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 substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except;

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neighter the accounting profit nor taxable profit or loss; and
- in resect of deductable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable rights exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenues, expenses and assets are recognised net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Secondary Taxation on Companies (STC)

Secondary Taxation on Companies (STC) is provided in respect of dividend payments net of dividends received or receivable. STC is recognised as a taxation charge for the year in which the dividend is declared.

6. Revenue recognition

Revenue consists of rentals and interest received, and is recognised to the extent that it is probable that economic benefits will flow to the Group, and the revenue can be reliably measured. Revenue earned from leases is recognised based on the underlying lease agreements, on a straightline basis.

Interest is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity when it is determined that such income will accrue to the Group.

7. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reinbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

8. Borrowing costs

Borrowing costs are expensed as and when incurred.

9. Financial instruments

Financial instruments recognised on the balance sheet are other investments, accounts receivable, cash and cash equivalents, amounts due to subsidiary and to fellow subsidiary companies and accounts payable. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

The subsequent measurement of financial instruments is dealt with below.

Where the Group holds a currently legally enforceable right to offset and intends to settle on a net basis or realise financial assets and settle liabilities simultaneously, the financial assets and liabilities are offset within the balance sheet totals.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or loss on investments held for trading are recognised in profit or loss.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Held-to-maturity investment
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial investments
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

Fair value
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost
Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.
- *Cash and cash equivalents*
  Cash and cash equivalents consist of cash in banks and short-term deposits and are measured at fair value, with changes in fair value included in profit or loss.
- *Accounts payable*
  Accounts payable are subsequently measured at amortised cost using the effective interest rate.
- *Other investments*
  Other investments are recognised as available-for-sale financial assets.
- *Derecognition of financial assets and liabilities*
  Financial assets
  A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
  – the rights to receive cash flows from the asset have expired;
  – the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
  – the Group has transferred its rights to receive cash from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

10. Financial asset impairment
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Impairment losses on trade and other receivables are determined based on specific and objective evidence that assets are impaired and measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discontinued at the financial asset's original effective interest rate.

Impairment losses are recognised in profit and loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal rate.

11. Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 30 June 2008 and 30 June 2007.

12. Changes in accounting policies
The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year; Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- ***IFRS 7 – Financial Instruments: Disclosures***
- ***IAS 1 – Amendment*** – Presentation of financial statements
- ***IFRIC 8 – Scope of IFRS 2***

The principal effects of these changes are as follows:

IFRS 7 – Financial instruments disclosures
The Standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 – Presentation of financial statements
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 11 above.

IFRIC 8 – Scope of IFRS 2
No impact on the Group's activities.

13. International Financial Reporting Standards issued, not yet effective
The Company has not applied various IFRS and IFRIC interpretations that have been issued, but which are not yet effective, and does not plan on early adoption. These are as follows and, other than IAS 1R, will not have a significant effect on the Group's future reporting:

Standard or interpretation	Title	Effective date
IFRS 8	Operating segments	1 January 2009
IAS 23	Borrowing costs – revised	1 January 2009
IFRIC 12	Service concession arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 January 2008
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
IAS 1R	Amendment – presentation of financial statements	1 January 2009
IFRS 2R	Amendment – vesting conditions and cancellations	1 January 2009
IFRS 3R	Amendment – business combinations	1 July 2009
IAS 27R	Amendment – consolidated and separate financial statements	1 July 2009
IAS 32 R and IAS 1R	Amendment – puttable financial instruments and obligations arising on liquidation	1 January 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
1. RENT RECEIVED				
Rent charged to tenants	**24 343**	25 887	**24 343**	25 887
Rent escalation straightline adjustments	**4 559**	(8 638)	**4 559**	(8 638)
New Putco and other leases	**4 559**		**4 559**	
New Putco lease – six months to 30 June 2007	**–**	2 620	**–**	2 620
Old Putco lease agreement – prior to 31 December 2006	**–**	(3 626)	**–**	(3 626)
– effect at 31 December 2006 of early cessation	**–**	(7 632)	**–**	(7 632)
	28 902	17 249	**28 902**	17 249
2. OPERATING PROFIT				
Operating profit is stated after taking into account amongst others, the following:				
Income				
Profit on disposal of property held for future development	**–**	9 328	**–**	9 328
Fair value adjustment of investment properties	**15 631**	9 677	**15 631**	9 677
Impairment write down of other investments	**–**	(5 102)	**–**	(5 102)
	15 631	13 903	**15 631**	13 903
Expenses				
Auditors' remuneration	**304**	262	**304**	262
Current year provision	**287**	222	**287**	222
Prior year underprovision	**1**	17	**1**	17
Other services	**16**	23	**16**	23
Administration fees	**547**	508	**547**	508
Depreciation	**30**	17	**30**	17
Staff remuneration	**583**	137	**583**	137
Maintenance	**1 641**	1 561	**1 641**	1 561
Lease expense	**131**	44	**131**	44

	Fees	Basic salary	Other benefits	**Total 2008**	Total 2007
Directors emoluments					
Executive Directors					
A Carleo	16	255	20	**291**	239
E M R L Oldham (retired 30 June 2007)	–	–	–	**–**	332
A L Carleo-Novello	16	90	15	**121**	10
B C Carleo	17	–	–	**17**	14
	49	345	35	**429**	595
Non-executive Directors					
A B Adrian	17			**17**	15
P Nucci	17			**17**	15
P Senatore	3			**3**	–
	37	–	–	**37**	30

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2008

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
3. TAXATION				
South African normal tax – current year	**6 538**	9 991	**6 538**	9 991
South African normal tax – prior year	**(46)**	–	**(46)**	–
Deferred – current year	**3 340**	(1 825)	**3 340**	(1 825)
Secondary tax	**1 008**	1 260	**1 008**	1 260
	10 840	9 426	**10 840**	9 426
A reconciliation of the standard tax rate charge with the effective tax rate is as follows :	**%**	%	**%**	%
Standard tax rate	**28**	29	**28**	29
Non deductible expense/(exempt income)	**(5)**	(2)	**(5)**	(2)
Tax rate change effect (less than 1%)	**–**	–	**–**	–
Secondary tax	**2**	4	**2**	4
Net (decrease)/increase	**(3)**	2	**(3)**	2
Effective tax rate	**25**	31	**25**	31
4. DIVIDENDS PAID				
Ordinary				
– final 2007 (2006)	**5 759**	5 759	**5 759**	5 759
– interim 2008 (2007)	**4 319**	4 319	**4 319**	4 319
	10 078	10 078	**10 078**	10 078
5. EARNINGS PER SHARE (IN CENTS)				
The calculation is based on earnings of R32 492 000 (2007: R21 124 000) and on the weighted average number of 28 793 000 (2007: 28 793 000) shares in issue for the year	**112,8**	73,4		
No diluted earnings have been calculated as there are no dilutive potential ordinary shares as at 30 June 2008 (2007 – no dilutive potential ordinary shares)				
6. HEADLINE EARNINGS AND NET ASSET VALUE PER SHARE (IN CENTS)				
Headline earnings per share have been calculated in terms of Circular 8 of 2007 and exclude profits of a capital nature	**66,2**	59,8		
Net asset value per share	**619,6**	541,7		
	R'000	R'000		
Reconciliation of headline earnings:				
Net profit for the year	**32 492**	21 124		
Adjusted for:				
– Fair value and impairment adjustments per Note 2 above	**(15 631)**	(4 575)		
– Taxation effect of these adjustments	**2 188**	663		
Headline earnings	**19 049**	17 212		
7. INVESTMENT PROPERTIES				
Properties at valuation at beginning of year	**111 429**	92 663	**111 429**	92 663
Additions	**5 517**	9 089	**5 517**	9 089
	116 946	101 752	**116 946**	101 752
Fair value adjustment of investment properties	**15 631**	9 677	**15 631**	9 677
Properties at valuation at end of year	**132 577**	111 429	**132 577**	111 429

Properties were professionally valued by an independent valuer (A.I.V. (S.A.) C.I.E.A.) at 30 June 2008, on the open market value basis.

A register of fixed properties is available for inspection at the registered office of the Company. (see note 10)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
7. FURNITURE AND EQUIPMENT				
Cost at beginning of year	**209**	157	**209**	157
Additions	**34**	52	**34**	52
Cost at end of year	**243**	209	**243**	209
Accumulated depreciation at beginning of year	**116**	99	**116**	99
Depreciation for the year	**30**	17	**30**	17
Accumulated depreciation at end of year	**146**	116	**146**	116
Net book value	**97**	93	**97**	93
8. INVESTMENT IN SUBSIDIARIES				
Shares at cost at beginning of year			**73**	73
Impairment provision			**(4)**	(4)
			69	69
Refer to page 25 for details of Interest in Subsidiaries				
9. OTHER INVESTMENTS				
Breaking Waves Investments (Pty) Ltd	**2 363**	2 363	**2 363**	2 363
Loans receivable – Breaking Waves	**429**	–	**429**	–
Impairment provision	**(107)**	(107)	**(107)**	(107)
Belle Isle Investments (Pty) Ltd	**6 300**	6 300	**6 300**	6 300
Loans receivable – Belle Isle	**4 537**	4 537	**4 537**	4 537
Impairment provision	**(4 995)**	(4 995)	**(4 995)**	(4 995)
	8 527	8 098	**8 527**	8 098

The Group owns a 17,5% interest in the issued share capital of Breaking Waves Investments (Pty) Ltd and a 15% interest in the issued share capital of Belle Isle Investments (Pty) Ltd.

Both companies are incorporated in the Republic of South Africa. These investments are carried at fair value. The loans to Breaking Waves are unsecured, attract interest at rates to be determined by the directors of the relevant companies and have no fixed terms of repayment.

The loans made to Belle Isle Investments are repayable on a pro-rata basis over the period of sale of the development and attract interest determinable at the discretion of their board of directors.

10. PUTPROP RENTABLE PROPERTY DETAILS

Description	Tenant PUTCO	Tenants Other	Total square metres
Stands 1770 and 1771	10 635		47 653
Piet Rautenbach St, Brits	37 018		
Stand 287	3 718		3 718
Wynberg Carlin House			
8, 4th St, Wynberg			
Portion 21 of Farm Vogelstruisfontein	50 064		50 064
233 iq			
Dobsonvilled Rd, Dobsonville			
Agricultural Holding	29 693		29 693
No 27 Garthdale, Klipriver			
Stand 72	3 977		7 951
Stand 73	3 974		
1 Minerva Ave, Lea Glen			
Cons Lot 91	8 690		8 690
Cnr Minerva and Amanda St, Lea Glen			
Remainder Farm	42 178		42 178
Mamelodi 608 JR, Mamelodi			
Portion 78 (Por. Of por. 33)	54 023		54 023
Farm Olifantsvlei			
316 Cumming Rd, Nancefield			
Lots 1 and 2	50 007		50 007
Putcoton			
Cnr Main Reef Rd			
Commando Rd, Roodepoort			
Cons Lot 482	55 529		55 529
Ignatius St, Selby Ext 6			
Portion 1 of Rietgat	99 997		99 997
105 JR Soshanguve			
Erf 134, Eastgate		5 871	5 871
Ptn 86 of Erf 1, Lonehill		529	529
Ptn 87 of Erf 1, Lonehill		516	516
Cons lot 96	5 772		5 772
Minerva Ave, Lea Glen			
Totals	455 275	6 716	461 991

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
11. ACCOUNTS RECEIVABLE				
Sundry receivables	**1 365**	914	**1 365**	914
Future rent escalation receivable (refer Note 1)	**7 179**	2 620	**7 179**	2 620
	8 544	3 534	**8 544**	3 534

At 30 June 2008

As at 30 June, the ageing analysis of trade receivables is as follows:

	Total 000	Neither past due nor impaired 000	Past due but not impaired: 30 days 000	60 days 000	90 days 000	>120 days 000
2008	**8 544**	**117**	**478**	**79**	**31**	**7 839**
2007	3 534	187	628	–	–	2 719

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2008

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
12. TAXATION PAID				
Amounts (prepaid)/owing at beginning of year	**2 342**	(1 584)	**2 342**	(1 573)
Amounts charged per the income statement – current	**6 492**	9 991	**6 503**	9 991
– STC	**1 008**	1 260	**1 008**	1 260
Amounts (owing)/prepaid at end of year	**1 100**	(2 342)	**1 100**	(2 353)
	10 942	7 325	**10 953**	7 325
13. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Term deposits	**24 136**	40 000	**24 136**	40 000
Cash at banks	**13 009**	10 439	**13 009**	10 439
	37 145	50 439	**37 145**	50 439
Cash held at banks and term deposits earn interest at prevailing market rates. The carrying value of these assets approximates their fair values due to the short term maturities thereof.				
14. STATED CAPITAL				
Authorised				
50 000 000 shares of no par value				
Issued				
28 792 961 shares at no par value	**4 146**	4 146	**4 146**	4 146
	4 146	4 146	**4 146**	4 146
15. DEFERRED TAXATION				
Deferred tax liability comprises:				
Investment properties – potential CGT	**4 688**	2 608	**4 688**	2 608
Future rent escalation receivable	**2 010**	760	**2 010**	760
Other investments	**(323)**	(333)	**(323)**	(333)
Deferred tax liability	**6 375**	3 035	**6 375**	3 035
The movement on the deferred tax balance is as follows:				
Balance at beginning of year	**3 035**	4 859	**3 035**	4 859
Income statement charge	**3 340**	(1 824)	**3 340**	(1 824)
Balance at end of year	**6 375**	3 035	**6 375**	3 035
16. ACCOUNTS PAYABLE				
Accruals and property purchase liability	**60**	6 414	**60**	6 414
Value added taxation	**466**	3 427	**466**	3 427
Shareholders unclaimed dividends	**694**	639	**694**	639
Audit fees	**299**	218	**299**	218
Sundry creditors	**387**	282	**344**	239
	1 906	10 980	**1 863**	10 937

The carrying value of these payables approximates their fair values due to their maturity profile indicated below. They are non-interest bearing.

	Total	30 days	60 days	90 days	120 + days
2008	**1 906**	**975**	**0**	**0**	**931**
2007	10 980	6 518	0	0	4 462

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

17. FINANCIAL INSTRUMENTS

The Group's principle financial instruments comprise accounts receivable, accounts payable, amounts due to subsidiaries and fellow subsidiaries other investments and cash and cash equivalents, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate risk and price risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Groups accounting policies in relation to financial instruments are set out on page 15 to 16.

Financial risk management objectives and policies

The Group's principal financial liabilities, comprise bank loans and overdrafts, trade payables, and loans given. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market rates relates primarily to the Group's cash and cash equivalents with floating interest rates.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Increase/decrease in basis points	Effect on profit before tax R'000
2008	**+100**	**0,371**
	-100	**(0,371)**
2007	+100	0,504
	-100	(0504)

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 16. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial investments and loan notes, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (eg accounts receivables, other financial assets) and projected cash flows from operations.

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
18. CASH GENERATED FROM OPERATIONS				
Operating profit	**43 332**	30 550	**43 332**	30 550
Adjusted for:				
Fair value adjustment of investment properties	**(15 631)**	(9 677)	**(15 631)**	(9 677)
Impairment adjustment other investments	**–**	5 102	**–**	5 102
Depreciation	**30**	17	**30**	17
Interest received	**(4 317)**	(3 332)	**(4 317)**	(3 332)
Decrease/(increase) in work in progress	**–**	13 664	**–**	13 664
(Increase)/decrease in accounts receivable	**(5 010)**	8 107	**(5 010)**	8 107
(Decrease)/increase in accounts payable	**(9 074)**	2 836	**(9 074)**	2 836
	9 330	47 267	**9 330**	47 267

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
19. ADDITIONS:				
Investment properties	**5 517**	2 752	**5 517**	2 752
Furniture and fittings	**34**	52	**34**	52
	5 551	2 804	**5 551**	2 804
20. RELATED PARTY TRANSACTIONS				
Details of the Company's directors are disclosed on page 1, emoluments paid to directors in Note 2 and directors' shareholdings in the directors' report. The executive directors of the Company constitute the key management of the Group. Details of the holding company are disclosed in the directors' report.				
A related party relationship exists with Putco Limited, a fellow subsidiary and Carmanzan (Pty) Ltd a subsidiary.				
The value of rentals for the year on a cash basis are	**21 960**	25 376	**21 960**	25 376
Administration fees paid	**426**	426	**426**	426
The following amounts are (payable)/receivable as at year end:				
Putco Limited	**(1 321)**	(1 262)	**(1 321)**	(1 262)
Carmanzan (Pty) Ltd	**(111)**	(100)	**(111)**	(100)
Amounts outstanding between related parties are unsecured bear no interest and have no fixed terms of repayment.				

21. SEGMENT REPORTING

Management considers the Company to contain only a single reportable operating segment. This segment contains the business as a whole, as management monitors the operating results of the business in its entirety, and does not identify individual segments for the purpose of decision making.

Segment revenue therefore consists of revenue as disclosed in the Income Statement after the adjustments recorded in Notes 1 and 2 to the financial statements. All revenue is derived from external customers within South Africa.

22. BORROWINGS

The borrowing powers of the Company and its subsidiaries are as determined by the Company's holding company. These have been fixed at not more than 50% of equity.

23. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessor

The Group has entered into commercial leases on its investment property portfolio.
These non-cancellable leases have remaining terms of between 1 to 5 years.
Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2008 are as follows:

	2008	2007
Within one year	**25 183**	22 732
After one year but not more than five years	**102 800**	109 637
More than five years	**–**	15 862
Operating lease commitments – Group as lessee The Group has entered into commercial property lease of an office building These non-cancellable leases have remaining terms of between 1 to 5 years Future minimum rentals payable under non-cancellable operating leases as at 30 June 2008 are as follows:		
Within one year	**135**	124
After one year but not more than five years	**95**	229
More than five years	**–**	–

24. EVENTS AFTER BALANCE SHEET TIME

Two commercial properties were acquired in August 2008 for R28,4 million.

INTEREST IN SUBSIDIARIES

at 30 June 2008

	Nature of business	Issued share capital	% held in issued share capital 2008	2007	Cost of shares held in subsidiaries 2008 (R'000)	2007 (R'000)	Amount owing by/(to) 2008 (R'000)	2007 (R'000)
Baraville (Pty) Ltd	Dormant	2 000	**100**	100	**2**	2	**–**	–
Carmanzan (Pty) Ltd	Dormant	1 000	**100**	100	*****	*	**(111)**	(100)
Edenvale Bus Service (Pty) Ltd	Dormant	65 978	**100**	100	**69**	69	**–**	–
Namasota (Pty) Ltd	Dormant	1 000	**100**	100	**1**	1	**–**	–
Putfield (Pty) Ltd	Dormant	1 000	**100**	100	**1**	1	**–**	–
					73	73	**(111)**	(100)

* Less than R1 000

DIVIDEND ANNOUNCEMENT

ORDINARY DIVIDEND NO 39

The Board of directors has resolved to declare a final dividend of 22 cents per share to all ordinary shareholders. The dividend is declared out of current year profits before tax of R43 332 million.

In compliance with the requirements of Strate, the following dates are applicable.

Last date to trade cum the dividend	Friday, 17 October 2008
Date trading commences ex the dividend	Monday, 20 October 2008
Record date	Friday, 24 October 2008
Date of payment	Monday, 27 October 2008

Certified shareholders may not dematerialise or rematerialise their share certificates between Monday, 20 October 2008 and Friday, 24 October 2008, both dates inclusive.

By order of the board

D Campbell
Secretary
28 October 2008

Registered office and postal address
91 Protea Road
Chislehurston
Sandton
2196

Transfer Secretaries
Computershare Investor Services 2004 (Pty) Ltd
Registration no 2004/003647/07
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown
2107

NOTICE OF ANNUAL GENERAL MEETING

PUTPROP LIMITED
Incorporated in the Republic of South Africa
(Registration number 1988/001085/06)
Share code: PPR ISIN: ZAE000072310
("Putprop" or "the Company")

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the annual general meeting of shareholders of the company will be held on Wednesday, 19 November 2008 at 11:00 at the registered office of the company, 91 Protea Road, Chislehurston, Sandton, to conduct the following business:

1. To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 30 June 2008, including the directors' report and the report of the auditors therein.
2. To elect, Mr B Carleo who, in terms of the company's articles of association, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.
   Bruno Carleo, born in South Africa in 1955, was appointed as a director to Putprop on 11 March 1997 and to the position of general manager on 1 July 2007.
3. To elect, Ms A L Carleo-Novello who, in terms of the company's articles of association, retires by rotation at this annual general meeting but, being eligible to do so, offers herself for re-election.
   Anna Lucia Carleo-Novello, born in South Africa in 1961, was appointed as a director to Putprop on 20 September 2006 and to the position of managing director on 1 July 2007.
4. To confirm the re-appointment of Ernst & Young Inc. as independent auditors of the company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.

As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

ORDINARY RESOLUTION NUMBER 1

Control of authorised but unissued ordinary shares

5. "Resolved by way of a general authority that the authorised but unissued ordinary shares in the capital of Putprop Limited ("the company") be and are hereby placed under the control and authority of the directors of the company ("directors") and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 221 and 222 of the Companies Act No. 61 of 1973, as amended, the articles of association of the company and the Listings Requirements of JSE Limited from time to time."

ORDINARY RESOLUTION NUMBER 2

Approval to issue ordinary shares, and to sell treasury shares, for cash

6. "Resolved that the directors of Putprop Limited ("the company") and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:
   - allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
   - sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company,

   for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act No. 61 of 1973, as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE Listing Requirements") from time to time.

The JSE Listings Requirements currently provide, inter alia, that:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, inter alia, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;

- this general authority will be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- a paid press announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Under the JSE Limited ("the JSE") Listings Requirements, Ordinary Resolution Number 2 must be passed by a 75% (seventy five) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting.

SPECIAL RESOLUTION NUMBER 1

General authority to repurchase shares

7. "Resolved, by way of a general approval that Putprop Limited ("the company") and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the company in terms of sections 85 to 89 of the Companies Act No. 61 of 1973, as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE") from time to time, provided that:
   - the acquisition of the ordinary shares be effected through the order book operated by the JSE trading system without any prior understanding or arrangement between the company and the counter party;
   - this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
   - in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
   - the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty per cent) of the company's issued ordinary share capital;
   - the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
   - the repurchase of ordinary shares may only be undertaken if, after such repurchase, the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listing Requirements concerning shareholder spread;
   - an announcement will be published once the company has cumulatively repurchased 3% (three per cent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three per cent) in aggregate of the initial number acquired thereafter; and
   - at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf."

7.1 Reason and effect of special resolution

The reason for and effect of this Special Resolution Number 1 is to grant the directors of the company and the subsidiary of the company a general authority, to acquire the company's issued ordinary shares, subject to the terms and conditions set out in the resolution.

It is the intention of the directors of the company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

7.2 Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which are contained in the annual report of which this notice forms part:

– directors and management – page 1;
– major shareholders of Putprop – page 2;
– directors' interests in securities – page 9;
– share capital of the company – page 22; and
– litigation statement – page 7.

7.3 Material change

There have been no material changes in the affairs or financial position of Putprop and its subsidiaries since Putprop's financial year end and the date of this notice.

7.4 Directors' responsibility statement

The directors, whose names appear on page 1 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the Special Resolution and certify that to the best of their knowledge and belief there are no facts in relation to the Special Resolution that have been omitted which would make any statement in relation to the Special Resolution false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution together with this notice contains all information required by law and the JSE Listings Requirements in relation to the Special Resolution.

7.5 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the company will ensure that:

- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;
- the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting;
- the issued share capital and reserves of the company and the group will be adequate for the purpose of the business of the company and the group for a period of 12 months after the date of the notice of the annual general meeting;
- the working capital available to the company and the group will be sufficient for the group's requirements for a period of 12 months after the date of the notice of the annual general meeting; and
- the company will provide its Sponsor, Merchantec (Proprietary) Limited, and the JSE with all documentation as required in Schedule 25 of the JSE Listings Requirements, and will not commence any repurchase programme until the Sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

ORDINARY RESOLUTION NUMBER 3

Signature of documents

8. **"Resolved that** each director of Putprop Limited ("the company") be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider this resolution which are passed (in the case of ordinary resolutions) or are passed and registered by the Registrar of Companies (in the case of special resolutions)."

9. **Other business**

   To transact such other business as may be transacted at an annual general meeting.

VOTING AND PROXIES

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own name" dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without "own name" registration and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms should be forwarded to reach the transfer secretaries, Computer Share Investor Services (Proprietary) Limited, at least 48 hours, excluding Saturdays, Sundays and South African public holidays, before the time of the meeting.

Forms of proxy may also be obtained on request from the company's registered office.

By order of the Board

D Campbell
Company Secretary

Sandton
28 October 2008