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blignault gouws chairman

chairman's report

for the year ended 30 June 2008

In discussing the outlook for your company in last year's report, I made the following comment: "Economic and investment conditions have certainly become less favourable in the course of the year, and the question arises as to how this may affect Attfund". I then motivated the suggestion that shareholders may well expect continued above-average performance.

Whereas the environment within which Attfund operates certainly deteriorated to a greater extent than expected, the company nevertheless managed to produce another excellent set of results.

The Business Environment

A significant financial meltdown was sparked by the sub-prime debt crisis in the United States. This development spilled over to other world markets and resulted in a substantial re-rating of the value of property and financial shares. Sharp rises in food and fuel prices added to the woes of consumers as inflation and interest rates rose. South Africa did not escape the impact of these developments, with consumer inflation and interest rates recording levels not seen for many years.

South Africans, especially those from the south western parts of the country, have for some time been aware of an emerging problem with the generation and distribution of an adequate and reliable supply of electricity. This turned into a crisis in January 2008 when the industrial and financial heartland in the north was hit by regular power outages which severely affected the business, industrial and mining sectors.

Attfund's property portfolio weathered these and other challenges remarkably well, recording satisfactory increases in net income and foot count while overall vacancy levels even declined compared to 2007.

The Group's Performance and Financial Position

Profit after taxation, which is stated after fair value adjustments, increased from R653 million in 2007 to R907 million.

The value of Attfund's investment portfolio, including properties under construction and other investments, increased by R700 million to R7,964 billion on 30 June 2008. International investments, valued at R1,190 billion, account for approximately 15% of the portfolio.

The net assets of the Group now exceed R5 billion, and the value per Attfund Limited share increased by 19,52% over the year to R111,07.

Portfolio Developments

Apart from funding a number of extensions and improvements, Attfund's new investments during the year were largely directed at increasing its international exposure.

An indirect share of 22,5% of Nova Eventis, a German regional shopping centre in Leipzig, was obtained at a cost of R261 million. Other international investments, totalling R340 million, consisted of the acquisition of shares in Investec Plc and Annaly Capital Management Inc, as well as additional shares in Deutsche EuroShop AG. A further R200 million was invested offshore after 30 June. It is the company's intention to switch these financial investments into investments in suitable overseas properties as and when attractive opportunities arise.

Attfund disposed of the bulk of its holding of units in the Sycom Property Fund in the course of the year.

Political and Socio-economic Climate

The past year saw a number of developments involving and affecting the country's political landscape, political leadership and judiciary, which in the minds of many citizens led to a degree of uncertainty with regard to the country's immediate future as a constitutional democracy.

At the same time, South Africans from all walks of life continue to be affected by crime, and are frustrated by law enforcement agencies and a judicial system that appear to be unable to come to grips with this scourge.

Unemployment and poverty remain at unacceptably high levels. If to this is added a serious lack of service delivery mainly as a result of lack of planning, maintenance and technical skills, it is not surprising that general dissatisfaction sometimes spills over into unrest.

South Africans react to the above realities in different ways. Large numbers, including members of previously disadvantaged groups, have already or are about to emigrate, taking with them skills and experience that the country can ill afford to lose. Others withdraw in a state of negativism and resentment. The country is not served by either of these positions.

Responding to South Africa's Challenges

It seems increasingly unlikely that government will on its own be capable of solving the challenges facing the country. Its citizens, businesses and other formations of civil society will have to join hands and reach out in an attempt to bring about change for the better, and in particular to make a difference to the circumstances, life experience and future of the more vulnerable and less fortunate sections of the community.

Atfund sponsors the Parkdev Academy, which focuses on training and skills development in the property sector. I believe that the directors,

management and staff of Atfund are capable of devising and implementing further and more general initiatives, ideally involving the investment of personal time and the transfer of skills, as a constructive response to the present situation. This cause will receive our attention in due course.

Prospects

Management has set stretching targets for the current year. If past experience is anything to go by, I am confident that these targets will be achieved despite the challenging business environment.

This confidence is based on the strength of the company's balance sheet, the quality of its asset portfolio, and the ability and dedication of its management and staff.

Acknowledgement

On behalf of the directors, I wish to thank Atfund's management and staff for their contribution to the successes achieved during the past reporting period.

A special word of thanks goes to the CE, Louis Norval, for his leadership, and together with executive director Neno Haasbroek for the key role that they play in the running of the company.

Finally, I would like to thank my fellow non-executive directors for their valuable and constructive participation in the activities of the board.



blignault gouws chairman



blignault gouws
non-executive chairman



louis norval
chief executive



нено хаасброек
executive director



frank berkeley
non-executive director

board of directors



francois van niekerk
non-executive director



sisa ngebulana
non-executive director



gary steinberg
non-executive director



louis van der watt
non-executive director



gary vogelman
non-executive director



nazeem khan
non-executive director