2010

ANNUAL REPORT

UNIT TRUST

ALLANGRAY

Contents

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Edgar Loxton

Chairman's Report

2010 delivered a strong rand, declining interest rates, significantly increased foreign ownership of domestic equities and historically high commodity prices. Although we make investment decisions based on individual stock analysis and not on macroeconomic predictions, we do invest against this backdrop and our views are naturally reflected in your portfolios. We have no crystal ball, but we do believe that there is a significant risk that from here things may slow down on the JSE and that the rand may hold up less firmly. We have thus positioned our portfolios to protect you against these risks.

In his commentary (a new addition to this report) on page 2, our chief investment officer Ian Liddle provides a more detailed account of how the markets and regulatory changes have influenced our decisions.

New fund launched

On 1 March 2010 we launched a new offshore fund for investors who want exposure to a low-risk global portfolio in major foreign currencies without using their own offshore investment allowance.

The new Allan Gray-Orbis Global Optimal Fund of Funds provides access to a mix of the Orbis Optimal SA funds, which aim to produce capital appreciation in their respective currencies principally by investing in a focused portfolio of selected global equities believed to offer superior relative value, and by employing stock market hedging to reduce risk of loss. (Based in Bermuda, Orbis is our offshore partner. We share a common founder, investment approach and ethos).

In a low-interest rate environment the Fund provides a compelling alternative to cash for investors looking for superior, low-risk offshore returns.

Stable Fund completes a decade

The Allan Gray Stable Fund celebrated its tenth birthday in July, with a long-term track record showing returns well ahead of its benchmark and satisfactory capital stability. Nevertheless, the Fund has disappointed some investors recently as its offshore positions have languished under the strong rand and its early move to a more cautious local share exposure has allowed more daring funds in the same category to overtake it on the short-term performance tables.

While it would be nice for the Stable Fund to always be on top of the short-term performance tables, we do not aim for this. When we launched the Fund in July 2000, we had a simple goal: to provide investors with a superior long-term return to that which they could earn on a South African bank deposit, while seeking to minimise the risk of capital loss over any two-year period. We remain focused on this today.

Constantly aiming to improve our service

From an operational perspective, we are focused on offering a service that makes dealing with us an easy and satisfying experience. The confidence you place in our ability to deal with your service requests should mirror the confidence you place in our investment team. We constantly assess the knowledge levels of our staff members and how they interact with you. In addition, we keep a tight handle on turnaround times, completeness of information captured and other aspects that could negatively affect service. Finally, we ensure that our systems and processes add to the level of service.

Overview of funds

Net flows into our funds were R4 billion in 2010. Assets under management as at 31 December 2010 were R116 billion. We are pleased to report that the total number of unitholders who entrust us with their investments continues to increase.

While the absolute returns of most of our portfolios have been satisfactory, many of them have lagged their benchmarks over the last year, which we find disappointing. Periods of underperformance are an inherent characteristic of our long-term, contrarian approach to investing. Over the past 36 years, there have been a number of occasions when our stock-picking decisions have caused us to lag the market and our peers. History has shown, however, that those decisions tend to be vindicated over the long run, and clients who have endured the tough periods have been well rewarded for their patience. We encourage you to stay the course.

Our funds had different fortunes over 2010 - specific information on each fund follows after the chief investment officer report.

Ian Liddle

Chief Investment Officer's Report

All over the world, it has become a popular sport to disparage one's regulators. But I wonder how many of us South African investors have thanked our regulators for saving us from undoing ourselves?

Regulations worked in our favour

The rand weakened from just over R6 per dollar in January 2000 to R12 per dollar by the end of December 2001. As the panic out of the rand accelerated in the second half of 2001, many South African investors were scrambling to invest offshore. But the exchange controls in effect at the time fortunately restricted our ability to do so. Of course, these exchange controls were widely hated back then.

Since then the rand has strengthened, commodity prices are up massively and emerging markets have regained their popularity with global investors. The result has been stellar returns for most South African investors. In July 2000, the rand was still below R7 per dollar, and the blow-off to R12 per dollar still lay ahead. Despite what would have been a rocky start, R100 invested in a South African rand bank deposit in July 2000, would have been worth R221 by the end of 2010 if all income had been reinvested. This contrasts starkly with the R126 that one would have ended with in a US dollar bank deposit or the R115 if one had invested in the MSCI World Index. If that R100 had instead been invested in the FTSE/JSE All Share Index, it would have grown to R575 by the end of 2010. South Africa has been a great place for investors to be trapped over the last decade.

Exchange controls loosened

Quite remarkably our regulator has stepped in at what could prove to be a critical juncture by substantially loosening exchange controls for South African individuals to the point where their only remaining bite is on the super-rich. This leaves most South Africans free to take profits on at least some of their South African assets and diversify into foreign assets when prices are in their favour. Could it be that our regulators have given South African investors another reason to be grateful to them in a decade's time?

We certainly think so. The JSE accounts for only about 1.3% of the total world stock market capitalisation, so it is hard to believe that the best value opportunities still lie in the 1.3% of the market that has outperformed the MSCI World Index by a factor of FIVE times over the last decade.

In our Balanced and Stable funds we have increased the exposure to foreign investments to 25%, which is the new regulation 28 maximum binding on the funds. However, fund investors who are not constrained by regulation 28, are of course free to upweight their foreign exposure by investing in one of the three Allan Gray-Orbis foreign funds listed in this report. These funds are fully invested overseas and they give full exposure to the underlying Orbis funds. They are priced daily in rands based on the prevailing market prices and exchange rates. Investors do not even need a tax clearance certificate to invest in these funds. The three funds cover the full range from 100% equity market exposure to low equity market exposure, and investors should choose their equity market exposure carefully. Most stock markets around the world are up substantially off their lows from late 2008/early 2009.

Those investors who prefer to choose from a wider range of foreign alternatives, will need to apply for a tax clearance certificate before investing overseas. Those who are daunted by the 'admin' associated with switching foreign investments and accounting to SARS for capital gains in foreign currencies, may consider holding these investments via an offshore investment platform. You can find out more about the Allan Gray offshore platform at www.allangray.co.za.

Focus on the long term

The Balanced and Stable funds have disappointingly lagged many of their peers over the last year. Their foreign holdings suffered under a strong rand, and their relatively lower exposure to equity markets has made it hard to keep pace with the herd. In July 2007, Chuck Prince (former CEO of Citigroup) famously said: "As long as the music is playing, you've got to get up and dance. We're still dancing." As Mr Prince found out, the music can stop quite suddenly. We believe that our clients are best served by a patient, disciplined value-based approach, even if it means that we drop down the performance tables for a while.

Portfolio Managers

Ian Liddle
Chief investment officer
B Bus Sc (Hons) CFA

Ian graduated from UCT and joined Allan Gray in 2001 as an equity analyst after several years as a management consultant. Ian has been managing a portion of client equity and balanced portfolios since January 2005, when he was appointed as a portfolio manager. In February 2008 he was appointed as chief investment officer, with overall responsibility for the investment team and portfolio management. He is a director of Allan Gray Limited.

Duncan Artus
Portfolio manager
B Bus Sc (Hons) PGDA CFA CMT

Duncan joined Allan Gray in 2001 as an equity analyst after completing his honours in Business Science and a postgraduate diploma in accounting at UCT. Duncan has been managing a portion of client equity and balanced portfolios since January 2005, when he was appointed as a portfolio manager. Duncan holds both the CFA and CMT charters.

Delphine Govender
Portfolio manager
B Com Dip FMI (Cum laude) CA (SA) CFA

Delphine joined Allan Gray as an analyst in July 2001. After completing her articles at Deloitte, she worked as an investment analyst, gaining three years investment experience prior to joining Allan Gray. In January 2005, Delphine was promoted to the position of portfolio manager. She is also the fund manager of the Allan Gray Optimal Fund and is a director of Allan Gray Limited.

Andrew Lapping
Portfolio manager
B Sc (Eng) B Com CFA

Andrew completed his B Sc (Eng) and B Com at UCT. He joined Allan Gray in February 2001 as a fixed interest trader and moved to the research team as an equity analyst in February 2003. He was appointed as fixed interest portfolio manager in June 2006 and he is a fund manager for the Allan Gray Bond and Money Market funds. In February 2008 he took on the additional responsibility of managing a portion of client equity and balanced portfolios.

Sandy McGregor
Portfolio manager
B Sc BA (Hons)

Sandy joined Allan Gray as an investment analyst and economist in October 1991. Previously he was employed by Gold Fields of South Africa Limited in a variety of management positions for 22 years where much of his experience was focused on investment related activities. His current responsibilities include the management of fixed interest and individual client portfolios and he is a fund manager for the Allan Gray Bond Fund. He was a director of Allan Gray Limited from 1997 to 2006.

Simon Raubenheimer
Portfolio manager
B Com (Hons) (Cum Laude) CFA

Simon joined Allan Gray Limited in February 2002 as a trainee equity analyst. He completed a B Com (Econometrics) degree at UP and a B Com Honours (Finance) degree at UCT in 2001 and is a CFA charter holder. He was promoted to the position of senior analyst in 2007 and in July 2008 was appointed as an equity portfolio manager.

Allan Gray Unit Trusts

Fund	Fund objective (specific benchmarks are shown on the performance pages that follow)	Local/ offshore	Suitable for investors who:	Category
100% High net equity exposure				
Allan Gray Equity Fund	The Fund aims to outperform the South African equity market (as represented by the FTSE/JSE All Share Index, including income) without assuming greater risk.	Local	• Seek long-term wealth creation • Are comfortable with market fluctuation i.e. short-term volatility • Typically have an investment horizon of five years plus • Seek an equity 'building block' for a diversified multi-asset class portfolio	Domestic-Equity-General
Allan Gray-Orbis Global Equity Feeder Fund	The Fund aims to outperform global stock markets at no greater-than-average risk of loss in its sector.	Offshore	• Would like to invest in global shares and benefit from offshore exposure • Want to gain exposure to markets and industries that may not be available locally • Would like to hedge their investments against rand depreciation	Foreign-Equity-General
40% - 75% Medium net equity exposure				
Allan Gray Balanced Fund	The Fund aims to earn a higher rate of return than similar balanced funds, without assuming any greater-than-average risk of loss in its sector.	Local	• Seek long-term wealth creation • Have an appetite for risk similar to the average person investing in pension funds • Typically have an investment horizon of three years plus • Wish to delegate their asset allocation decisions to Allan Gray	Domestic Asset Allocation-Prudential-Variable Equity
Allan Gray-Orbis Global Fund of Funds	The Fund aims to earn a higher rate of return than the average global 'balanced' fund, without assuming any greater-than-average risk of loss in its sector.	Offshore	• Wish to hedge their investments against any rand depreciation • Want to gain exposure to markets and industries that may not be available locally • Wish to invest in rands but benefit from offshore exposure • Would like to invest in an offshore balanced fund	Foreign-Asset Allocation-Flexible
0% - 40% Low net equity exposure				
Allan Gray Stable Fund	The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period while producing returns that are superior to bank deposits on an after-tax basis.	Local	• Are risk-averse and require a high degree of capital stability • Require a reasonable income but also some capital growth • Are retired or nearing retirement • Seek to preserve capital over any two-year period	Domestic Asset Allocation-Prudential-Low Equity
0% - 20% Very low net equity exposure				
Allan Gray Optimal Fund	The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market trends.	Local	• Seek absolute (i.e. positive) returns regardless of stock market trends • Are risk-averse and require a high degree of capital stability • Are retired or nearing retirement • Seek the diversification benefits of uncorrelated returns relative to shares or bonds • Wish to add a product with an alternative investment strategy to their overall portfolio	Domestic Asset Allocation-Targeted Absolute Return
Allan Gray-Orbis Global Optimal Fund of Funds	The Fund seeks capital appreciation on a low risk global portfolio. The Fund aims to earn a higher rate of return than the simple average of the bank deposit rates in the currencies of the underlying Orbis funds.	Offshore	• Wish to invest in a global low risk portfolio • Wish to hedge their investment against rand depreciation • Wish to invest in rands but benefit from offshore exposure • Seek the diversification benefits of uncorrelated returns relative to shares and bonds	Foreign-Asset Allocation-Flexible
No equity exposure				
Allan Gray Bond Fund	The Fund aims to provide investors with a return superior to the All Bond Index, at no greater risk, over an interest rate cycle. The Fund seeks to preserve at least the nominal value of investors' capital.	Local	• Are looking for returns in excess of those provided by money market or cash investments • Seek a bond 'building block' for a diversified multi-asset class portfolio • Are prepared to accept some risk of capital depreciation in exchange for the prospect of earning increased returns • Want to draw a regular income stream without consuming capital	Domestic-Fixed Interest-Bond
Allan Gray Money Market Fund	The Fund aims to preserve capital, maintain liquidity and generate a high level of income. While capital losses are unlikely, they can occur if, for example, one of the issuers of the assets underlying the Fund defaults. In this event, losses will be borne by the Fund and its investors.	Local	• Require monthly income distributions • Want to find a short-term safe haven for funds during times of market volatility • Are highly risk-averse • Have retired and have invested in a living annuity product. Underlying growth in the Fund and distributions are not taxed in a living annuity	Domestic-Fixed Interest-Money Market

Performance Summary

Annualised performance to 31 December 2010 over 10, 5 and 3 years.
Fund performance is shown net of all management fees and expenses.

Fund	10 years	5 years	3 years
Allan Gray Equity Fund	23.0%	15.0%	6.8%
Benchmark[1]	17.9%	15.2%	6.5%
Allan Gray-Orbis Global Equity Feeder Fund		5.7%	-2.0%
Benchmark[2]		4.9%	-4.3%
Allan Gray Balanced Fund	19.2%	12.7%	7.3%
Benchmark[3]	14.2%	11.1%	5.7%
Allan Gray-Orbis Global Fund of Funds		6.2%	1.0%
Benchmark[4]		6.8%	0.3%
Allan Gray Stable Fund (net of tax)	12.4%	9.7%	6.9%
Benchmark[5]	7.6%	7.4%	7.6%
Allan Gray Optimal Fund		8.3%	7.9%
Benchmark[6]		7.7%	8.0%
Allan Gray Bond Fund		8.5%	10.8%
Benchmark[7]		7.9%	10.0%
Allan Gray Money Market Fund		9.1%	9.5%
Benchmark[8]		8.9%	9.2%

Allan Gray-Orbis Global Optimal Fund of Funds: New Fund - performance information not available

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance calculated by Allan Gray as at 31 December 2010.
2. FTSE World Index (Source: Bloomberg), performance calculated by Allan Gray as at 31 December 2010.
3. The daily average return weighted by market value of funds in both the Domestic Asset Allocation Prudential Medium and Prudential Variable Equity categories excluding the Allan Gray Balanced Fund (Source: Morningstar), performance calculated by Allan Gray as at 31 December 2010.
4. 60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index (Source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2010.
5. Return of call deposits (for amounts in excess of R5 million) with FirstRand Bank Limited plus 2%; on an after-tax basis at a tax rate of 25% (Source: FirstRand Bank), performance calculated by Allan Gray as at 31 December 2010.
6. The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5 million) (Source: FirstRand Bank), performance calculated by Allan Gray as at 31 December 2010.
7. All Bond Index (Source: I-Net Bridge), performance calculated by Allan Gray as at 31 December 2010.
8. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. The current benchmark is the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund (Source: Morningstar), performance calculated by Allan Gray as at 31 December 2010.

Allan Gray Equity Fund

Portfolio managers

Ian Liddle, Duncan Artus, Delphine Govender, Andrew Lapping, Simon Raubenheimer

Fund objective

The Fund aims to outperform the South African equity market (as represented by the FTSE/JSE All Share Index, including income) without assuming greater risk.

Commentary

The Equity Fund returned 17.1% for 2010. This is substantially better than CPI inflation of 3.5% over the 12-month period. When one takes into account that the rand strengthened from R7.40 to R6.62 per US dollar over the year, the Fund returned 30.9% in US dollars. However, the Fund lagged its benchmark, the FTSE/JSE All Share Index (ALSI), by 1.9% over the same period.

This speaks to just how strongly the South African stock market has performed of late. Since its lows in late 2008, the ALSI has almost tripled in US dollar terms. It is now close to its dollar highs of October 2007. Fund investors should not forget that after peaking in October 2007, this benchmark index lost two-thirds of its dollar value in just under a year. If the overall market continues to rise vigorously as it has done over the last two years, the Fund will probably continue to underperform its benchmark, although absolute returns should be satisfactory in this event. An interesting aspect of Allan Gray's long-term performance track record since 1974 is that the major portion of our alpha has been earned in falling markets.

The Fund's investment universe is restricted to shares on the JSE, which account for only about 1.3% of the world's total stock market capitalisation. South Africa's small fraction of the world's stock markets has performed incredibly well since the bottom of the emerging markets crash in September 1998. R100 invested in this Fund when it was launched on 1 October 1998 would have grown to R2 399 by the end of 2010. The same R100 invested in the benchmark FTSE/JSE All Share Index would have grown to R897, while R100 invested in the MSCI World Index would have grown to only R175 (with all income re-invested).

In light of these outstanding relative returns and the prevailing high prices on the JSE, we would understand if our clients wished to take advantage of the recently relaxed foreign exchange controls to diversify into global markets. This can be done by investing in any of the Allan Gray-Orbis foreign funds, which offer a variety of equity exposures and are detailed on pages 10, 12 and 15 of this report, or by investing directly in any of the Orbis funds available on our offshore platform.

We continue to position the Fund in the JSE-listed shares which we believe offer the best relative value, based on our assessment of the intrinsic value of their underlying business operations. The Fund's biggest positions are currently Sasol, SABMiller, British American Tobacco and Remgro.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	2298.9	797.3
Latest 10 years (annualised)	23.0	17.9
Latest 5 years (annualised)	15.0	15.2
Latest 3 years (annualised)	6.8	6.5
Latest 1 year	17.1	19.0

1. Fund performance to 31 December 2010 shown net of all management fees and expenses.
2. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance calculated by Allan Gray as at 31 December 2010.

Sector allocation at 31 December 2010

There may be slight discrepancies in the totals due to rounding.

Sector	% of portfolio	ALSI
Oil & gas	10.9	4.9
Basic materials	22.0	38.0
Industrials	11.0	6.2
Consumer goods	25.5	13.6
Healthcare	1.8	2.0
Consumer services	2.3	9.5
Telecommunications	5.7	6.8
Financials	11.8	18.8
Technology	1.1	0.3
Fixed interest/Liquidity	5.6	-
Other	2.5	-

Income yield and income distribution

The Fund has a low income yield and distributes income biannually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	-	-	47.57

Allan Gray-Orbis Global Equity Feeder Fund

Portfolio manager

Ian Liddle (The underlying Orbis funds are managed by Orbis)

Fund objective

The Fund aims to outperform global stock markets at no greater than average risk of loss in its sector.

Commentary

In 2010, the Orbis Global Equity Fund meaningfully underperformed its benchmark. A number of macro factors swayed markets this year, but none fully explains the poor performance. Put simply, there were fewer winners than losers and few big winners. Orbis' timing over the period was also disappointing.

SanDisk is a classic example of good stock picking but poor timing. Orbis began purchasing shares in November 2008 at around US$10, and continued buying as the price fell below US$7. At the time, SanDisk was trading below half its tangible net asset value and Orbis believed its licensing business alone was worth US$6 to US$9 a share. After bottoming out around US$5, SanDisk rose steadily. Orbis started selling in April 2009 at US$13 and exited the position by May 2010, when it was trading at US$40. Today the stock trades above US$50. In hindsight, Orbis could have produced better returns by keeping the whole position and letting its profits run.

Over the long term, however, we believe it is more important to maintain a disciplined, value-oriented approach, even at the cost of poor short-term performance. Often, this makes Orbis early to buy - and to sell.

Performance to 31 December 2010 in US dollars

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	52.8	35.8
Latest 5 years (annualised)	4.7	3.9
Latest 3 years (annualised)	(1.3)	(3.6)
Latest 1 year	5.8	12.7

Performance to 31 December 2010 in rands

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	63.7	45.4
Latest 5 years (annualised)	5.7	4.9
Latest 3 years (annualised)	(2.0)	(4.3)
Latest 1 year	(4.6)	1.7

1. Fund performance to 31 December 2010 in US dollars or rands as indicated shown net of all fees and expenses.
2. FTSE World Index (Source: Bloomberg), performance calculated by Allan Gray as at 31 December 2010.

Geographical deployment at 31 December 2010

This Fund invests solely into the Orbis Global Equity Fund

Region	Fund's % exposure to:		% of World index
	Equities	Currencies	
United States	42	46	44
Canada	2	2	5
North America	**44**	**48**	**49**
United Kingdom	7	9	9
Continental Europe	10	13	18
Europe	**17**	**22**	**27**
Japan	**20**	**9**	**9**
Korea	6	6	2
Greater China	10	12	4
Other	0	0	1
Asia ex-Japan	**16**	**18**	**7**
South Africa and other	**3**	**3**	**8**
Total	**100**	**100**	**100**

Income yield and income distribution

The Fund has a low income yield and distributes income annually. To the extent that the total expenses exceeded the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	0.44	-	0.11

Allan Gray Balanced Fund

Portfolio managers

Ian Liddle, Duncan Artus, Delphine Govender, Andrew Lapping and Simon Raubenheimer (Most foreign assets are invested in Orbis funds)

Fund objective

The Fund aims to earn a higher rate of return than similar balanced funds, without assuming any greater risk of loss.

Commentary

The Fund returned 10.4% for 2010. This is substantially better than CPI inflation of 3.5% over the 12-month period. When one takes into account that the rand strengthened from R7.40 to R6.62 per US dollar over the year, the Fund returned 23.4%% in US dollars. However, the Fund lagged its benchmark by 2.1% over the same period.

A portion of the Fund's portfolio has been invested outside South Africa since June 2004. The bulk of this foreign exposure is obtained by investing in the funds managed by Orbis, with a smaller portion attributable to the Fund's current holding in British American Tobacco. For most of this period, the performance of the Fund's foreign holdings has been disappointing when compared with the outstanding returns from the South African stock market and even rand bank deposits. This is especially true over the last two years. The strengthening of the rand has detracted significantly from the Fund's recent returns.

So in light of this disappointing past performance, why has the Fund taken advantage of the higher prudential limit on foreign investments (now 25%) to increase its foreign exposure to 24.6%?

Money-flows into emerging markets, rising commodity prices and the strong rand may seem to have unstoppable momentum right now, but investors would do well to remember that they probably cannot last forever, and that the foreign portion of the Fund may play a valuable role in the event of these trends reversing - just as it did in 2008. The disappointing relative performance of the Fund's foreign investments to date makes us more optimistic about their potential to add value to the Fund from this day on, because today they start from a lower relative price.

The JSE accounts for about 1.3% of the world's stock market capitalisation. In US dollar terms, the FTSE/JSE All Share Index has almost tripled since its lows in late 2008, and at the time of writing is back at its US dollar highs of October 2007. One should not forget that after peaking in October 2007 this index lost two-thirds of its dollar value in just under a year. Most stock markets around the world are up substantially from their lows, but not to the same extent as the JSE. At current prices, there must be a very strong probability that Orbis is now able to find better opportunities globally than we can find in the limited investment universe on the JSE.

Of course, a 25% foreign exposure means that three-quarters of the Fund is still invested domestically in JSE-listed stocks, rand-denominated bonds and money market instruments and the Newgold debenture.

We continue to position the Fund in the JSE-listed shares which we believe offer the best relative value, based on our assessment of the intrinsic value of their underlying business operations. The Fund's biggest positions are currently Sasol, SABMiller, British American Tobacco and Remgro. The Fund's overall effective equity exposure of just less than 60% is lower than its historical average.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	727.2	351.2
Latest 10 years (annualised)	19.2	14.2
Latest 5 years (annualised)	12.7	11.1
Latest 3 years (annualised)	7.3	5.7
Latest 1 year	10.4	12.5

1. Fund performance to 31 December 2010 shown net of all management fees and expenses.
2. The daily average return weighted by market value of funds in both the Domestic Asset Allocation Prudential Medium and Prudential Variable Equity categories excluding the Allan Gray Balanced Fund (Source: Morningstar), performance calculated by Allan Gray as at 31 December 2010.

Asset allocation at 31 December 2010

There may be slight discrepancies in the totals due to rounding.

	% of portfolio		
Asset class	**Total**	**SA**	**Foreign**
Net equities	59.8	45.0	14.8
Hedged equities	8.0	1.4	6.6
Property	0.2	0.2	-
Commodities (gold)	3.3	3.3	-
Bonds	10.0	10.0	-
Money market and bank deposits	18.7	15.5	3.2
Total	**100.0**	**75.4**	**24.6**

Income yield and income distribution

The Fund has an average income yield and distributes income biannually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	55.21	-	67.64

Allan Gray-Orbis Global Fund of Funds

Portfolio manager

Ian Liddle (The underlying Orbis funds are managed by Orbis)

Fund objective

The Fund aims to earn a higher rate of return than the average global 'balanced' fund at no greater risk of loss.

Commentary

In 2010, the portion of the Fund invested in the Orbis Global Equity Fund meaningfully underperformed its benchmark, owing to poor stock picking and market timing. Orbis had fewer winners than losers, and few big winners. In some cases, one might produce better returns by letting winners run, but in the long term, we think it is more important to maintain a disciplined, value-oriented approach. Often, this makes Orbis early to buy - and to sell.

Japan faces a number of entrenched structural challenges: an ageing population, bloated government debt, persistent deflation, and indecisive political leadership. Performance for the portion of the Fund invested in the Orbis Japan Equity Fund has been underwhelming, but Orbis continues to find attractive long-term investment opportunities in Japan.

The Fund invested in the Orbis Asia ex-Japan Fund in the latter part of the year. Over this period, the Fund has performed well in absolute terms but performance relative to the benchmark has been poor. In our view, this speaks to the volatility of investing in emerging markets, but we believe that Orbis' disciplined approach will produce pleasing results in the long term.

The Orbis Optimal SA Fund underperformed US dollar bank deposits and had negative returns in 2010. This disappointing performance comes largely from stock selections in the Global Equity Fund, which accounts for over 70% of Optimal SA's portfolio. Though returns over the past five years have been modest, the Optimal SA strategy is designed for the long term, and we remain confident in its potential going forward.

2010 began with the Fund overweight the yen; as the year went on, the Fund's exposure shifted toward the US dollar, euro, and Asia ex-Japan currencies. At 31 December, the Fund of Funds was overweight the US dollar and substantially overweight Asia ex-Japan currencies. The Fund was underweight the euro and slightly underweight the Japanese yen.

Performance to 31 December 2010 in US dollars

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	54.7	54.2
Latest 5 years (annualised)	5.1	5.7
Latest 3 years (annualised)	1.7	1.0
Latest 1 year	0.7	10.6

Performance to 31 December 2010 in rands

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	46.7	46.2
Latest 5 years (annualised)	6.2	6.8
Latest 3 years (annualised)	1.0	0.3
Latest 1 year	(9.2)	(0.2)

1. Fund performance to 31 December 2010 in US dollars or rands as indicated shown net of all fees and expenses.
2. 60% of the FTSE World Index and 40% of the JP Morgan Global Government Bond Index. (Source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2010.

Geographical exposure of funds as at 31 December 2010

Region	Net equity exposure (%)	Hedged equity exposure (%)	Fund currency exposure (%)
North America	12	17	48
Europe	5	9	18
Japan	29	5	16
Asia ex-Japan	10	6	16
South Africa & other	1	1	2
Total	**57**	**38**	**100**

Income yield and income distribution

The Fund has a low income yield and distributes income annually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	0.29	-	0.08

Allan Gray Stable Fund

Portfolio manager

Ian Liddle (Most foreign assets are invested in Orbis funds)

Fund objective

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period while producing returns that are superior to bank deposits on an after-tax basis.

Commentary

The Fund returned 4% for 2010. This is marginally better than CPI inflation of 3.5% over the 12-month period. However, the Fund lagged its benchmark by 1.7% over the year.

Although the Fund achieved its objective of capital stability in spite of the remarkable volatility in global investment markets over the last three years, it has disappointingly underperformed its benchmark over the last three years.

The primary reason for this underperformance (especially over the last two years) has been the disappointing performance of the Fund's foreign investments. This disappointing performance can be ascribed to a few important factors including a strengthening rand, low developed market interest rates, developed stock markets underperforming emerging markets such as South Africa, and disappointing relative performance from Orbis' stock picks.

So when the South African Reserve Bank (SARB) and the Financial Services Board (FSB) recently announced an increase in the prudential limit on foreign investments, why did we increase the Fund's foreign exposure to 25%?

Money flows into emerging markets, rising commodity prices and the strong rand may seem to have unstoppable momentum right now, but investors would do well to remember that they probably can't last forever, and that the foreign portion of the Fund may play a valuable role in the event of these trends reversing just as it did in 2008. The disappointing relative performance of the Fund's foreign investments to date makes us more optimistic about their potential to add value to the Fund from this day on, because today they start from a lower relative price.

The JSE accounts for about 1.3% of the world's stock market capitalisation. In US dollar terms the FTSE/JSE All Share Index has almost tripled since its lows in late 2008, and at the time of writing is back at its dollar highs of October 2007. One should not forget that after peaking in October 2007 this index lost two-thirds of its dollar value in just under a year. Of course, most stock markets around the world are up substantially from their lows, but not to the same extent as the JSE. At current prices, there must be a very strong probability that Orbis is now able to find better opportunities globally than we can find in the very limited investment universe on the JSE.

The Fund's most significant exposure is still to high quality rand-denominated interest-bearing investments. Effective exposure to South African equities has been lowered substantially, and the bulk of the Fund's net equity exposure now derives from its foreign investments. Overall domestic and foreign effective equity exposure is currently a relatively low 16.6%.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	257.2	117.4
Latest 10 years (annualised)	12.4	7.6
Latest 5 years (annualised)	9.7	7.4
Latest 3 years (annualised)	6.9	7.6
Latest 1 year	4.0	5.7

1. Fund and benchmark performance adjusted for income tax at a rate of 25%. Fund performance to 31 December 2010 shown net of all fees and expenses.
2. Return of call deposits (for amounts in excess of R5 million) with FirstRand Bank Limited plus 2%; on an after-tax basis at a tax rate of 25% (Source: FirstRand Bank), performance calculated by Allan Gray as at 31 December 2010.

Asset allocation at 31 December 2010

There may be slight discrepancies in the totals due to rounding.

	% of portfolio		
Asset class	Total	SA	Foreign
Net equities	16.6	5.5	11.1
Hedged equities	27.1	17.7	9.5
Property	0.1	0.1	-
Commodities (gold)	4.5	4.5	-
Bonds	8.2	8.2	-
Money market and bank deposits	43.6	39.4	4.2
Total	**100.0**	**75.4**	**24.8**

Income yield and income distribution

The Fund has a high income yield and distributes income quarterly. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
21.65	21.93	19.36	18.47

Allan Gray Optimal Fund

Portfolio manager

Delphine Govender

Fund objective

The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market trends. The Fund aims to exceed the return of the daily call rate of FirstRand Bank Limited.

Commentary

The Optimal Fund invests in a portfolio of equities and substantially reduces stock market risk and exposure by selling equity derivatives against the equity portfolio. As a result, the Fund's return should not be correlated with equity markets, but it is dependent rather on the level of short-term interest rates and the ability of the Fund's equity portfolio to outperform the underlying benchmark equity index. In essence, therefore, the Fund's return comprises two components: (1) the cash return implicit in the pricing of the sold futures contracts +/- (2) the out/underperformance of the equity portfolio versus the index (i.e. the alpha).

Since inception the Fund has returned 106.3%, outperforming the benchmark return of 85.7%. For the 12 months ended 31 December 2010, the Fund has delivered 5.2%, marginally below the benchmark return of 5.5%.

Following the sharp rally in the FTSE/JSE All Share Index (ALSI) in 2009, we witnessed further strength in the overall equity market in 2010, albeit with considerably more volatility in monthly returns during the past year. The Optimal Fund, with its very low net equity exposure of just over 3%, has as a result naturally lagged in the context of rising equity prices. In addition, the equity component of the Fund is invested in more defensive shares which have underperformed the index as a whole. At the same time, interest rates in South Africa have fallen to 30-year lows, which also negatively impacted the level of absolute cash return that is implicitly earned on futures contracts used to hedge the Fund's equity exposure.

The current positioning of the Optimal Fund is reflective of our view of equities, which we are presently finding expensive on average. With current valuations in historically expensive territory on most measures, there is little margin of safety (if any) in share prices. Given this Fund's explicit mandate to minimise volatility; preserve capital (i.e. limit loss) and deliver uncorrelated returns versus equity markets, we feel the Optimal Fund is appropriately positioned in an environment where we hold the view that the risk of loss from the equity market as a whole is now higher than average.

While the Optimal Fund's performance has been disappointing in 2010, we are clearly aware of the reasons for this, and we continue to remain confident about the relevance of this Fund as a component of an investor's overall portfolio.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	106.3	85.7
Latest 5 years (annualised)	8.3	7.7
Latest 3 years (annualised)	7.9	8.0
Latest 1 year	5.2	5.5

1. Fund performance to 31 December 2010 shown net of all fees and expenses.
2. The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5 million) (Source: FirstRand Bank), performance calculated by Allan Gray as at 31 December 2010.

Asset allocation at 31 December 2010

	% of portfolio
Asset class	**Total**
Net SA equities	3.3
Foreign inward listing on the JSE	0.4
Hedged SA equities	82.7
Property	0.3
Money market and bank deposits	13.3
Total	**100.0**

Income yield and income distribution

The Fund has a low income yield and distributes income biannually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
-	9.46	-	14.39

Allan Gray-Orbis Global Optimal Fund of Funds

Portfolio manager

Ian Liddle (The underlying Orbis funds are managed by Orbis)

Fund objective

The Fund seeks capital appreciation on a low risk global portfolio. The Fund aims to earn a higher rate of return than the simple average of the bank deposit rates in the currencies of the underlying Orbis funds.

Commentary

2010 was a disappointing year for the Orbis Optimal SA Fund: the Fund underperformed US dollar bank deposits, and returns were negative. This poor performance comes largely from poor stock selection and market timing in the Orbis Global Equity Fund. The Global Equity Fund accounts for more than 70% of Optimal SA's portfolio, and it had negative alpha in 2010. Returns on cash were also underwhelming. Historically, cash returns have accounted for a significant portion of Optimal SA's absolute return; in 2010, this contribution was miniscule.

Like all investments, Optimal SA's performance should be judged over long periods. Although performance over the past five years has been modest, returns have been positive and on par with US dollar bank deposits, despite the turmoil caused by the global financial crisis.

Going forward, we and Orbis remain confident in the Optimal SA strategy's soundness, transparency, and time-tested investment strategy.

Performance to 31 December 2010

% Returns (unannualised)	Fund[1]	Benchmark[2]
Since inception in rands	(13.5)	(13.5)
Since inception in US dollars	(0.1)	(0.1)

1. Fund performance to 31 December 2010 in US dollars or rands as indicated shown net of all fees and expenses.
2. The simple average of the benchmarks of the underlying portfolios (Source: Orbis website), performance as calculated by Allan Gray as at 31 December 2010.

Allocation of offshore funds at 31 December 2010

Foreign absolute return funds	%
Orbis Optimal SA (US dollar)	70
Orbis Optimal SA (euro)	30
Total	**100**

Income yield and income distribution

The Fund distributes annually. To the extent that the total expenses exceed the income earned in the form of dividends and interest, the Fund will not make a distribution.

The Fund is less than one-year old and therefore no distribution has been made to date.

Allan Gray Bond Fund

Portfolio managers

Sandy McGregor, Andrew Lapping

Fund objective

The Fund aims to provide investors with a return superior to the All Bond Index, at no greater risk, over an interest rate cycle. The Fund seeks to preserve at least the nominal value of investors' capital.

Commentary

2010 was a good year for bond investors. The yield curve rallied by about 100 points during July and August after a very stable first six months of the year. Towards the later part of the year the South African bond market weakened in sympathy with international bond markets. This weakness was caused by inflation fears and the pure weight of issuance brought to the market in the US and EU.

The Allan Gray Bond Fund unfortunately underperformed for the year as the Fund was underweight duration compared to the All Bond Index (ALBI). The underperformance was mitigated by the Fund benefiting from the long end of the curve selling off slightly relative to the middle area of the curve.

South African fixed interest investors are fairly sanguine about the inflation outlook. We are more cautious on long-term inflation. One of the reasons for caution is that the tailwind of a strengthening rand cannot last forever. The rand has strengthened 10% against the US dollar over the past 10 years, despite a cumulative inflation differential of 40%. If the rand begins to weaken, recently higher international food prices will impact the local market and cause consumer goods to appreciate in price. This will add to the already substantial pressure of administered prices, such as electricity and municipal rates, on the consumer price index (CPI).

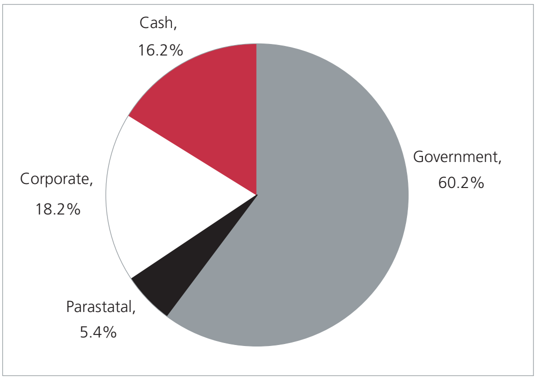
Taking these factors into account when calculating what we believe is a long-term normal inflation rate for South Africa, in our view long bonds are slightly overvalued. Accordingly, we believe a cautious investment stance is appropriate and the Fund's duration remains below that of its ALBI benchmark.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	78.4	74.8
Latest 5 years (annualised)	8.5	7.9
Latest 3 years (annualised)	10.8	10.0
Latest 1 year	13.8	15.0

1. Fund performance to 31 December 2010 shown net of all fees and expenses.
2. All Bond Index (Source: I-Net Bridge), performance calculated by Allan Gray as at 31 December 2010.

Sector allocation at 31 December 2010



Income yield and income distribution

The Fund has a high income yield and distributes income quarterly.

1 Jan - 31 Mar	1 Apr - 30 Jun	1 Jul - 30 Sep	1 Oct - 31 Dec
20.86	20.90	21.33	21.23

Allan Gray Money Market Fund

Portfolio manager

Andrew Lapping

Fund objective

The Fund aims to preserve capital, maintain liquidity and generate a high level of income.

Commentary

2010 was an interesting year for investors and demonstrated how difficult it is to forecast the future, even over relatively short periods. The consensus in January was that the interest rate cutting cycle had come to an end and rates would remain flat for some time. As it turned out rates were cut a further three times during 2010 as the inflation rate fell.

South African short-term interest rates are now at 30-year lows, however real interest rates are closer to the 20-year average. The reason for this is the low inflation rate of 3.5%, which is a result of the strong rand. The rand, which has strengthened consistently over the past two years, is the key inflation driver in South Africa. We believe the local currency is overvalued at current levels and is more likely to weaken rather than strengthen further. A weaker rand, together with the already-higher international food prices, may cause inflation to surprise on the upside.

The consensus expectation is for slightly higher inflation, but nothing material, and similar to last year, the general expectation is for interest rates to remain unchanged for some time. This may turn out to be the case, but the shape of the money market yield curve means the potential upside of investing with this view is relatively small compared to the downside risk of this view being wrong. As noted above, we believe inflation may surprise on the upside; consequently we believe interest rates may increase sooner than anticipated, and have positioned the Money Market Fund accordingly.

Performance to 31 December 2010

% Returns	Fund[1]	Benchmark[2]
Since inception (unannualised)	132.0	131.0
Latest 5 years (annualised)	9.1	8.9
Latest 3 years (annualised)	9.5	9.2
Latest 1 year	7.1	6.8

1. Fund performance to 31 December 2010 shown net of all fees and expenses.
2. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. The current benchmark is the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund (Source: Morningstar), performance calculated by Allan Gray as at 31 December 2010.

Exposure by issuer at 31 December 2010

There may be slight discrepancies in the totals due to rounding.

Government and parastatals	
RSA	18.9
Denel	3.0
Transnet	1.1
Total	23.0
Corporates	
Sanlam	2.9
Toyota	0.9
MTN	0.3
Total	4.1
Banks[3]	
Nedbank	17.6
FirstRand Bank	17.0
Standard Bank	16.5
ABSA	14.1
Investec	7.8
Total	73.0
Total	**100.0**

3. Banks include negotiable certificates of deposit (NCDs), fixed deposits and call deposits.

Income yield and income distribution

The Fund has a high income yield and distributes income daily and pays monthly.

Allan Gray Unit Trusts Annual Fees and Total Expense Ratios

Fund	Annual investment management fee (excl. VAT)	Total expense ratio[1] (incl. VAT)				
		Total expense ratio (TER)	Included in TER			
			Performance component	Fee at benchmark	Trading costs	Other expenses
Allan Gray Equity Fund (JSE code: AGEF)	Performance fee on the out/underperformance of the benchmark (adjusted for fund expenses and cash flows) over a two-year rolling period. Minimum fee: 0.00% Fee at benchmark: 1.50% Sharing rate (of two-year outperformance): 10.00% Maximum fee: 3.00%	2.76%	0.94%	1.71%	0.10%	0.01%
Allan Gray-Orbis Global Equity Feeder Fund[3] (JSE code: AGOE)	Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structure.	2.27%	0.60%	1.49%	0.13%	0.05%
Allan Gray Balanced Fund (JSE code: AGBF)	Performance fee on the out/underperformance of the benchmark over a two-year rolling period.[2] Minimum fee: 0.50% Fee at benchmark: 1.00% Sharing rate (of two-year outperformance): 10.00% Maximum fee: 1.50%	1.59%	0.31%	1.17%	0.09%	0.02%
Allan Gray-Orbis Global Fund of Funds[3] (JSE code: AGGF)	Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structure.	1.81%	0.34%	1.24%	0.16%	0.07%
Allan Gray Stable Fund (JSE code: AGSF)	Performance fee on the out/underperformance of the benchmark over a two-year rolling period.[2] Minimum fee: 0.50% Fee at benchmark: 1.00% Sharing rate (of two-year outperformance): 10.00% Maximum fee: 1.50% No fee is charged if the Fund's cumulative return over a two-year period is equal to or less than 0%.	1.29%	0.06%	1.15%	0.06%	0.02%
Allan Gray Optimal Fund (JSE code: AGOF)	Performance fee on the outperformance of the benchmark. A high watermark structure applies. Minimum fee: 1.00% Fee at benchmark: 1.00% Sharing rate: 20.00% Maximum fee: uncapped	1.29%	0.00%	1.14%	0.14%	0.01%
Allan Gray-Orbis Global Optimal Fund of Funds[3] (JSE code: AGOO)	Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structure.	1.28%	0.06%	0.96%	0.18%	0.08%
Allan Gray Bond Fund (JSE code: AGBD)	Performance fee on the outperformance of the benchmark (adjusted for fund expenses and cash flows) over a one-year rolling period. Minimum fee: 0.25% Fee at benchmark: 0.25% Sharing rate: 25.00% Maximum fee: 0.75%	0.53%	0.20%	0.29%	0.00%	0.04%
Allan Gray Money Market Fund (JSE code: AGMF)	Fixed fee: 0.25%	0.30%	0.00%	0.29%	0.00%	0.01%

1. A total expense ratio (TER) of a unit trust is a measure of the unit trust's assets that were relinquished as a payment of services rendered in the management of the unit trust. The total operating expenses are expressed as a percentage of the average value of the unit trust, calculated for the year to the end of December 2010. Included in the TER is the proportion of costs incurred by the performance component, fee at benchmark and other expenses. These are disclosed separately as percentages of the net asset value. Trading costs (including brokerage, VAT, STT, STRATE, levy and insider trading levy) are included in the TER. A high TER will not necessarily imply a poor return nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.
2. The annual management fee is calculated on the daily value of the Fund excluding any assets invested in the Orbis funds. Assets invested in the Orbis funds incur a management fee. These, along with other expenses are included in the total expense ratio.
3. Due to foreign exchange control regulations, the Fund may be closed from time to time. Unitholders can contact our Client Service Centre to confirm whether or not the Fund is open.

Compliance with Prudential Investment Guidelines for retirement funds:

Allan Gray Balanced and Stable funds

The Funds are managed to comply with Regulation 28 of the Pension Funds Act (with total foreign exposure limit of 25% as per FSB Circular 6 of 2010). Exposures in excess of the limits will be corrected immediately except where due to market value fluctuations or capital withdrawals in which case they will be corrected within a reasonable time period. Allan Gray Unit Trust Management Limited does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 9 of Annexure A to Regulation 28).

Allan Gray Bond and Money Market funds

The Funds are managed to comply with the limits of Annexure A to Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately except where due to market value fluctuations or capital withdrawals in which case they will be corrected within a reasonable time period. Allan Gray Unit Trust Management Limited does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 9 of Annexure A to Regulation 28).

Corporate Governance Report

The Company and Group

1. Allan Gray Unit Trust Management Limited ('Company') is a subsidiary of Allan Gray Limited ('AGL') and forms part of the Allan Gray group of companies ('Group') of which Allan Gray Group Limited ('AGGL') is the ultimate holding company. AGL and AGGL are incorporated in the Republic of South Africa and are subject to the corporate governance regime set out in the South African Companies Act and the King Code of Governance for South Africa 2009 ('King III' or 'the Code').
2. The Group provides financial services to clients in Southern Africa. It offers a range of investment products and services through various operating companies and subsidiaries registered in South Africa, Namibia, Botswana and Swaziland. These operating companies and subsidiaries are registered and / or licensed financial services providers in South Africa and / or their respective countries of registration. The Group's size, structure and location of operations and activities as well as its products and services are detailed on its website.
3. The Company is registered in Republic of South Africa and its principal business is to manage the Allan Gray Unit Trust Funds registered under the Allan Gray Unit Trust Scheme in accordance with the Collective Investment Schemes Control Act No. 45 of 2002. The Company has appointed its holding company as investment manager and to undertake certain company administrative and marketing functions and the day to day administration of local unit trusts. AGL is licensed as an authorised financial service provider with the Financial Services Board in South Africa. The Company is a member of the Association for Savings & Investments SA ('ASISA').
4. The Group is privately owned.

Client orientation

5. The Group provides investment management services to clients through a variety of investment products. Its main sources of revenue and its only sources of operating income are fees charged to clients for these investment management services. All fees are aligned with the interests of clients in that they are charged in proportion to assets and / or directly linked to the investment performance achieved for clients. Shareholder value is therefore created by excelling for clients.
6. The Group is client oriented and its corporate governance efforts are therefore mostly directed towards protecting the interests of clients. This is appropriate as clients have entrusted their investment funds with the Group that, in managing such funds, acts in a fiduciary capacity.

King III

7. The Group applies the highest standards of integrity and ethics in its business and in its dealings with clients, the public, employees, shareholders, regulatory and fiscal authorities and all other stakeholders and interested or effected parties. It is committed to the principles of effective corporate governance. The Group supports King III.

Board composition

8. The board of the Company ('Board') consists of five directors of which three are non-executive and one is independent.
9. The board of AGL consists of eight directors of which three are non-executive and one is independent. The chairman of the board is a non-executive director and shareholder of AGGL. He is not independent. He is suitably experienced, including as a former executive of the Group, to fulfill his role as chairman.
10. The board of AGGL consists of nine directors of which four are non-executive and two are independent. The chairman of the board is a non-executive director and shareholder of AGGL. He is not independent. He is suitably experienced, including as a former executive of the Group, to fulfill his role as chairman.

Board meetings

11. The Board meets regularly, including as often as is required to effectively perform its duties. It met twice in the 2010 financial year.

Board appointment

12. Directors are appointed and annually re-appointed by shareholders.

Corporate Governance Report

Audit Committee

13. The Board is assisted by an Audit Committee appointed by AGGL. The Audit Committee has five members of which three are independent. It is chaired by a non-executive AGGL director. It meets at least four times a year.

14. The financial officer and internal auditor as well as the external auditors of the Group attend Audit Committee meetings on invitation.

15. The Audit Committee performs its functions in accordance with applicable legislation and as set out in its terms of reference adopted by the AGGL board.

Role and responsibility of the Board

16. The Board directs, controls and monitors the affairs of the Company while at the same time protecting the interests of clients. The Board is responsible for risk management.

Company Secretary

17. The Company Secretary attends to all company secretarial matters as prescribed by law and King III. All directors have access to the Company Secretary.

18. The Company Secretary is not a director of the Company.

Code of ethics

19. In support of its commitment to apply the highest standards of integrity and ethics in dealing with all stakeholders, the Group has adopted the Code of Ethics and Standards of Professional Conduct of the CFA Institute (www.cfainstitute.org).

Remuneration of directors and senior executives

20. Executive and director remuneration are dealt with at a Group level and are monitored and approved by the AGGL shareholders that act through a shareholder appointed Remuneration Committee constituted in terms of the AGGL Memorandum and Articles of Association.

Sustainability

21. As a provider of financial services, the Group's business activities have minimal direct environmental impact and the Group strives to minimise these and any indirect impact through appropriate environmentally sensitive practices and procedures.

22. The Group's investment professionals carefully consider the sustainability of the companies in which the Group invests client funds.

23. The Group meets its social responsibility by, amongst other things, contributing 7% of its profits (after tax) to the Allan Gray Orbis Foundation, a registered public benefit organisation which promotes entrepreneurship in Southern Africa.

24. The Group is committed to employment equity and meaningful transformation.

Compliance

25. The Group has appointed Compliance Officers as required in applicable statutes. Compliance issues are dealt with by the Audit Committee and the Board through suitable reports and enquiry.

Internal control and risk management

26. The Group's internal control and risk management procedures serve to provide assurance against material misstatement and loss.

27. The Group internal audit function assists the Board and management in monitoring the adequacy and effectiveness of the Company's internal control and risk management processes, including to consider their design and operating efficiency and to recommend improvements.

28. The internal audit function reports directly to the Audit Committee.

Corporate Governance Report

29. The Group maintains a single risk management and audit plan that involves all senior executives and is regularly updated. The Audit Committee and the AGGL board monitor and review the implementation of the plan regularly, and in the case of the latter, at least once a year. A risk management and internal audit findings report is presented to management and the Audit committee each quarter. Follow-up audits are conducted in areas where significant internal control weaknesses are found.

Control opinion

30. Nothing has come to the attention of the Board that causes it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The Board's opinion is supported by the Audit Committee.

Going concern

31. The Board is satisfied that the Company remains a going concern.

Report of the Audit Committee

Introduction

1. The Allan Gray Audit Committee ('Committee') is a statutory committee appointed by Allan Gray Group Limited ('AGGL'), the ultimate holding company of the Allan Gray group of companies ('Group'). The duties of the Audit Committee are set out in the applicable Acts and in its terms of reference ('Charter'). The Committee acts as audit committee of all entities in the Group.

Terms of reference

2. The Committee acts in accordance with its Charter adopted by the AGGL board ('Board').

Membership, meetings and annual assessment

3. The Committee has four members. Two are directors of AGGL and / or its subsidiaries and one is a non-executive director. Two further members, chosen for their skills and experience, are not directors or executives of any Group company and are independent. Shareholders have approved the composition of the Committee in the knowledge that the King III Code of Corporate Governance ('King III') requires that a majority of members should be independent non-executive directors. The chairman of the Committee is a non-executive director of AGGL.
4. The Committee meets at least four times per year.
5. Various executives as well as the external auditors of the Group attend meetings by invitation.
6. During the year under review four meetings were held.
7. The effectiveness of the Committee and its members are assessed on an annual basis.

Role and responsibilities

8. The Committee's role and responsibilities include statutory duties set out in the Companies Act, 1973, and responsibilities assigned to it by the Board. Where appropriate, the Committee undertakes its duties in accordance with the requirements of King III and when not, the deviation has been explained in the Corporate Governance Report.
9. The Committee satisfied itself that the external auditor was independent of Allan Gray Unit Trust Management Limited ('Company') and the Group, as set out in section 94(8) of the Companies Act, 1973. This included consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the Company and the Group and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm supported and demonstrated its claim to independence. The Committee ensured that the appointment of the auditor complied with the Companies Act, 1973, and any other legislation relating to the appointment of auditors.
10. The Committee, in consultation with executive management, agreed to the audit plan and budgeted audit fees for the 2010 year with the external auditor. The Committee has not set a formal procedure for the engagement of the external auditor for non-audit services. When practicable, the Committee approves non-audit services in advance. When the external auditor provides non-audit services that have not been approved by the Committee in advance, full details are provided to the Committee at the earliest available opportunity.
11. The Committee has resolved to recommend to the Board and shareholders that Ernst & Young be reappointed as the external auditor for the 2011 financial year.
12. The Committee has reviewed the accounting policies and the draft financial statements of the Company and other Group entities and is satisfied that they are appropriate and comply with International Financial Reporting Standards.
13. The Committee relies on the Group's investor complaint resolution procedures (as required by legislation) to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the Company and the Group. No matters of significance have been raised in the past financial year.
14. The Committee reviews and reports to the Board on the effectiveness of the Group's internal control and risk management systems. In this it relies on the external auditor and the Group internal audit function.
15. The Committee receives and deals with concern and complaints, whether from within or outside the Company, relating to the accounting practices and internal audit of the Company, the content or auditing of the Company's financial statements, the internal financial controls of the Company and related matters.

Report of the Audit Committee

16. Additional duties and functions assigned by the Board to the Committee, as set out in its terms of reference, include the following:
    - an oversight role regarding the Company's integrated report and the reporting process generally;
    - satisfying itself that the Company has, in its reporting process, optimised the assurance coverage obtained from management and internal and external assurance providers in accordance with an appropriate combined assurance model;
    - reviewing and recommending, as it has done at its meeting held on 14 February 2011, the annual financial statements for approval by the board of the Company;
    - considering the performance, financial position and general state of affairs of the Group in assisting the board of the Company in formulating its statement regarding the 'going concern' status of the Company as set out in the Corporate Governance Report;
    - overseeing the Group's risk management function which has in turn been assigned to an executive risk and compliance committee, the meetings of which are, by invitation, open for any Committee member to attend; and
    - overseeing the management of financial and operational reporting risks, the implementation of internal financial and operational controls and measures aimed at preventing or mitigating fraud and information technology risks.
17. The Committee must ensure that the Group's internal audit function operates independently and has the resources, standing and authority necessary to discharge its duties. The Committee ensures cooperation between the internal and external auditors, and serves as a link between the Board and these functions.
18. The Committee has not as yet recommended a risk management charter for approval by the Board.
19. The Committee has approved the annual audit plan of the internal audit function. This includes that:
    - the internal audit function reports is responsible for reviewing and providing assurance on the adequacy of the internal control environment across all of the Group's operations; and
    - the internal audit function must report its findings against the agreed internal audit plan to the Committee on a regular basis. The internal audit function has direct access to the Committee.
20. The Committee must assess the performance of the internal audit function. An effectiveness review was performed and the internal audit function was rated satisfactorily. The Committee is satisfied that an independent external review is not required at this stage.
21. The Committee is satisfied to leave it to executive management (through the manager in charge of the Group risk department) to manage the appointment and employment status of the internal audit manager on the basis that the Committee has complete and unfettered access to these functions to be able to play an effective overseeing role.
22. The Committee has not required that the internal audit function consider the opportunities that will promote the realisation of strategic goals that are identified, assessed and effectively managed by the Company's management team. The Committee does not consider this King III requirement to be part of the remit or skill set of the internal audit function.
23. The Committee is satisfied that it has complied with its legal, regulatory or other responsibilities.
24. The Committee has considered and is satisfied that the Group and Company finance functions, including the respective heads and senior members of management, have the expertise and resources necessary to fulfil their duties.

F J van der Merwe
Chairman
Allan Gray Audit Committee
10 March 2011

Trustees' Report on the Allan Gray Unit Trust Scheme

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

We therefore confirm that for the period 1 January 2010 to 31 December 2010 the Scheme has been administered:

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

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

Nelia de Beer
Trustee Manager: Unit Trusts
FNB Custody Services
First National Bank, a division of FirstRand Bank Limited

Johannesburg
15 February 2011

Approval of the Annual Financial Statements

For the year ended 31 December 2010

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

The annual financial statements for the year ended 31 December 2010 set out on pages 27 to 58 have been approved by the board of directors of Allan Gray Unit Trust Management Limited and are signed on its behalf by:

ED Loxton	RW Dower
Chairman	Director
Cape Town	Cape Town
10 March 2011	10 March 2011

Independent Auditor's Report to the Unitholders of

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

Report on the financial statements

We have audited the accompanying financial statements of the Allan Gray Unit Trust Funds, which comprise the Statements of Financial Position as at 31 December, 2010, and the Statements of Comprehensive Income, Statements of Changes in Net Assets attributable to unit holders and Statements of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 27 to 58.

Directors' responsibility for the financial statements

The directors of Allan Gray Unit Trust Management Limited 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 Deeds, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about 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 judgment, 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 Allan Gray Unit Trust Funds as at 31 December, 2010, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Deeds.

Ernst + Young

Ernst & Young Inc.
Director – Christopher Clyde Sickle
Registered Auditor
Chartered Accountant (SA)
Ernst & Young House
35 Lower Long Street
Cape Town
10 March 2011

Statements of Comprehensive Income

For the year ended 31 December 2010

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	GLOBAL FUND OF FUNDS	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS*	BOND FUND		MONEY MARKET FUND	
		2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2010 R	2009 R	2010 R	2009 R
REVENUE		620 119 050	443 745 441	1 491 183	1 425 318	1 289 520 417	932 887 920	2 204 017	5 819 025	1 413 893 848	1 448 934 847	81 321 800	70 525 994	233 094	18 275 511	10 959 300	599 754 318	882 092 608
Dividends		545 894 677	404 670 698	-	-	440 670 706	376 068 590	-	3 765 326	171 242 195	158 052 076	55 167 380	38 880 393	-	-	-	-	-
Interest - Local		74 224 373	37 747 297	1 491 183	1 425 318	848 849 711	554 288 933	2 204 017	2 053 699	1 242 651 653	1 290 537 708	26 154 420	31 571 841	233 094	18 275 511	10 959 300	599 754 318	882 092 608
Bonds		-	-	-	-	276 363 156	83 034 895	-	-	109 578 508	32 355	-	-	-	15 528 375	7 411 784	-	2 855 797
Money market instruments		-	-	-	-	530 623 050	423 036 771	-	-	1 068 071 754	1 227 783 786	-	230 897	233 094	2 125 726	3 170 310	575 883 665	854 765 797
Property funds		1 437 606	-	-	-	4 549 003	-	-	-	2 300 872	-	-	-	-	-	-	-	-
Cash and cash equivalents		72 786 767	37 747 297	1 491 183	1 425 318	37 314 502	48 217 267	2 204 017	2 053 699	62 700 519	62 721 567	26 154 420	31 340 944	-	621 410	377 206	23 870 653	24 471 014
Sundry income		-	1 327 446	-	-	-	2 530 397	-	-	-	345 063	-	73 760	-	-	-	-	-
OPERATING EXPENSES		621 321 966	522 807 962	257 111	220 873	468 600 102	407 650 457	409 432	406 852	326 099 174	268 257 853	36 266 871	27 676 845	61 061	1 139 279	722 801	24 326 343	28 067 823
Audit fee		82 267	83 852	32 631	33 262	95 560	97 400	33 816	34 464	84 289	85 914	82 536	84 128	33 815	59 951	61 104	70 053	71 329
Bank charges		160 352	137 497	6 427	16 282	258 306	169 190	3 642	31 465	243 640	190 675	61 400	76 885	12 383	18 878	21 700	78 791	76 160
Trustee fees		1 312 020	993 376	218 053	171 329	2 083 590	1 531 051	371 974	340 923	1 737 185	1 475 227	174 546	127 928	14 863	12 688	6 828	474 220	546 733
Management fee		619 767 327	521 593 237	-	-	466 162 646	405 852 816	-	-	324 034 060	266 506 037	35 948 389	27 387 904	-	1 047 762	633 169	23 703 279	27 373 601
Operating (loss)/profit before income adjustments		(1 202 916)	(79 062 521)	1 234 072	1 204 445	820 920 315	525 237 463	1 794 585	5 412 173	1 087 794 674	1 180 676 994	45 054 929	42 849 149	172 033	17 136 232	10 236 499	575 427 975	854 024 785
Income adjustments on creation and cancellation of units		633 006	641 140	46 873	202 333	24 270 446	32 102 633	13 784	778 335	(15 599 386)	45 177 069	(1 737 696)	10 738 826	(258 659)	977 586	855 321	-	-
(Loss)/profit before undistributable income items	2	(569 910)	(78 421 381)	1 280 945	1 406 778	845 190 761	557 340 096	1 808 369	6 190 508	1 072 195 288	1 225 854 063	43 317 233	53 587 975	(86 626)	18 113 818	11 091 820	575 427 975	854 024 785
Investment transaction costs on investments at fair value through profit or loss		-	-	-	-	(44 535)	(13 963)	-	-	(425 792)	(151 934)	(269 147)	(167 111)	-	-	-	-	-
Realised gains/(losses) on disposal of available-for-sale investments		1 838 107 446	729 997 109	1 835 752	(15 122 252)	1 444 187 873	1 225 330 849	55 389 770	217 015 803	638 632 656	542 843 652	233 302 727	80 601 146	(2 968 874)	2 010 204	(369 784)	-	-
(Losses)/gains on investments at fair value through profit or loss		-	-	-	-	(47 622 203)	(25 755 627)	-	-	(485 098 517)	(353 004 986)	(307 035 742)	(448 689 930)	-	-	-	-	-
Foreign exchange gains/(losses) on monetary assets		-	-	704 659	(12 951 610)	(30 455 201)	3 571 938	(760 225)	761 563	(20 383 916)	(10 283 210)	-	-	774 951	-	-	-	-
Impairment of available-for-sale investments		(24 135 384)	(790 158 125)	-	-	(18 198 518)	(1 498 269 090)	-	-	(46 649 782)	(469 060 185)	(4 241 541)	(42 828 967)	-	-	-	-	-
Operating profit/(loss) for the year		1 813 402 152	(138 582 397)	3 821 356	(26 667 084)	2 193 058 177	262 204 203	56 437 914	223 967 874	1 158 269 937	936 197 400	(34 926 470)	(357 496 887)	(2 280 549)	20 124 022	10 722 036	575 427 975	854 024 785
Finance costs - distributions to unitholders	2	(63 194 692)	(7 752 091)	(1 280 945)	(1 406 778)	(845 190 761)	(557 340 096)	(1 808 369)	(6 190 508)	(1 072 195 288)	(1 225 854 063)	(43 317 233)	(53 587 975)	(119 314)	(18 113 818)	(11 091 820)	(575 427 975)	(854 024 785)
Undistributed profit/(loss) for the year		1 750 207 460	(146 334 488)	2 540 411	(28 073 862)	1 347 867 416	(295 135 893)	54 629 545	217 777 366	86 074 649	(289 656 663)	(78 243 703)	(411 084 862)	(2 399 863)	2 010 204	(369 784)	-	-
OTHER COMPREHENSIVE INCOME																		
Unrealised gains/(losses) on available-for-sale investments		3 716 615 763	3 651 719 675	(188 179 186)	357 778 904	2 907 377 467	3 110 292 215	(627 924 799)	(261 062 465)	806 881 953	829 592 514	413 292 198	524 154 673	(47 128 867)	9 305 768	(3 480 374)	-	-
Reclassification adjustment for realised (gains)/losses on available-for-sale investments included in profit or loss		(1 838 107 446)	(729 997 109)	(1 835 752)	15 122 252	(1 444 187 873)	(1 225 330 849)	(55 389 770)	(217 015 803)	(638 632 656)	(542 843 652)	(233 302 727)	(80 601 146)	2 968 874	(2 010 204)	369 784	-	-
Reclassification adjustment for impairment of available-for-sale investments		24 135 384	790 158 125	-	-	18 198 518	1 498 269 090	-	-	46 649 782	469 060 185	4 241 541	42 828 967	-	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders as a result of operations		3 652 851 161	3 565 546 203	(187 474 527)	344 827 294	2 829 255 528	3 088 094 563	(628 685 024)	(260 300 902)	300 973 728	466 152 384	105 987 309	75 297 632	(46 559 856)	9 305 768	(3 480 374)	-	-

*The Fund was launched on 1 March 2010, therefore no comparative figures are presented.

Statements of Financial Position

As at 31 December 2010

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	GLOBAL FUND OF FUNDS	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS**	BOND FUND		MONEY MARKET FUND	
		2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2010 R	2009 R	2010 R	2009 R
ASSETS																		
Investments	8	25 844 983 649	21 500 779 237	4 046 280 784	3 703 126 210	40 658 269 718	32 668 418 984	6 157 784 361	6 692 022 430	28 197 211 165	30 930 941 628	2 974 743 482	2 762 051 660	380 573 765	312 635 422	160 988 334	8 244 402 500	8 726 962 159
Available-for-sale investments		24 375 983 649	20 949 779 237	4 046 280 784	3 703 126 210	34 307 246 716	25 304 163 461	6 157 784 361	6 692 022 430	17 085 286 404	13 557 623 746	2 585 328 715	2 346 688 804	380 573 765	260 729 313	132 101 194	-	-
Listed equities		21 725 016 736	18 709 484 738	-	-	20 177 364 908	17 202 024 112	-	-	7 800 586 649	7 383 607 478	2 574 613 860	2 339 243 014	-	-	-	-	-
Listed bonds		-	-	-	-	4 155 858 561	1 603 890 938	-	-	2 334 429 381	-	-	-	-	260 729 313	132 101 194	-	-
Foreign investments		2 650 966 913	2 240 294 499	4 046 280 784	3 703 126 210	9 974 023 247	6 498 248 411	6 157 784 361	6 692 022 430	6 950 270 374	6 174 016 268	10 714 855	7 445 790	380 573 765	-	-	-	-
Money market investments classified as loans and receivables		-	-	-	-	6 056 831 089	6 688 724 114	-	-	10 646 232 990	16 289 562 302	-	-	-	40 906 109	23 887 140	7 842 402 500	8 543 962 159
Cash and cash equivalents held for investment purposes		1 469 000 000	551 000 000	-	-	294 191 913	675 531 409	-	-	465 691 771	1 083 755 580	389 414 767	415 362 856	-	11 000 000	5 000 000	402 000 000	183 000 000
Accounts receivable*		27 241 753	41 024 932	164	513 086	35 635 939	82 183 689	161	12 840 180	8 629 859	81 567 194	2 840 078	22 708 700	-	-	-	392	-
Interest receivable		7 182 510	3 166 430	105 982	72 383	1 659 732	3 798 195	35 128	149 502	2 142 437	5 499 525	1 521 562	2 146 106	15 502	32 599	23 176	1 893 463	1 595 160
Cash and cash equivalents		10 142 102	9 497 900	28 302 317	16 945 559	10 661 294	10 785 039	21 710 897	35 123 030	11 167 255	17 108 484	7 319 478	10 368 606	4 451 573	1 021 571	1 062 633	6 847 023	8 810 723
Total assets		25 889 550 014	21 554 468 499	4 074 689 247	3 720 657 238	40 706 226 683	32 765 185 907	6 179 530 547	6 740 135 142	28 219 150 716	31 035 116 831	2 986 424 600	2 797 275 072	385 040 840	313 689 592	162 074 143	8 253 143 378	8 737 368 042
LIABILITIES																		
Accounts payable*		70 610 548	117 035 613	36 331	11 974 975	198 243 356	377 329 298	46 856	31 583 447	137 424 102	520 352 019	3 044 954	25 771 086	619 367	2 193 107	230 852	2 059 380	192 766 012
Distribution payable to unitholders		63 194 692	-	264 356	1 406 778	478 899 861	274 847 848	391 419	6 190 508	225 465 831	268 317 698	25 649 510	20 382 607	119 314	6 029 725	3 219 184	41 950 414	53 431 472
Total liabilities, excluding net assets attributable to unitholders		133 805 240	117 035 613	300 687	13 381 753	677 143 217	652 177 146	438 275	37 773 955	362 889 933	788 669 717	28 694 464	46 153 693	738 681	8 222 832	3 450 036	44 009 794	246 197 484
Net assets attributable to unitholders		25 755 744 774	21 437 432 886	4 074 388 560	3 707 275 485	40 029 083 466	32 113 008 761	6 179 092 272	6 702 361 187	27 856 260 783	30 246 447 114	2 957 730 136	2 751 121 379	384 302 159	305 466 760	158 624 107	8 209 133 584	8 491 170 558

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

**The Fund was launched on 1 March 2010, therefore no comparative figures are presented.

Statements of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2010

	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	GLOBAL FUND OF FUNDS	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS*	BOND FUND		MONEY MARKET FUND	
	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2009 R	2010 R	2010 R	2009 R	2010 R	2009 R
Opening balance	21 437 432 886	13 601 092 875	3 707 275 485	2 587 000 476	32 113 008 761	22 162 353 833	6 702 361 187	5 837 548 740	30 246 447 114	20 960 950 377	2 751 121 379	1 221 179 940	-	158 624 107	106 974 106	8 491 170 558	9 475 111 514
Increase/(decrease) in net assets attributable to unitholders as a result of operations	3 652 851 161	3 565 546 203	(187 474 527)	344 827 294	2 829 255 528	3 088 094 563	(628 685 024)	(260 300 902)	300 973 728	466 152 384	105 987 309	75 297 632	(46 559 856)	9 305 768	(3 480 374)	-	-
Undistributed profit/(loss) for the year	1 750 207 460	(146 334 488)	2 540 411	(28 073 862)	1 347 867 416	(295 135 893)	54 629 545	217 777 366	86 074 649	(289 656 663)	(78 243 703)	(411 084 862)	(2 399 863)	2 010 204	(369 784)	-	-
Other comprehensive income	1 902 643 701	3 711 880 691	(190 014 938)	372 901 156	1 481 388 112	3 383 230 456	(683 314 569)	(478 078 268)	214 899 079	755 809 047	184 231 012	486 382 494	(44 159 993)	7 295 564	(3 110 590)	-	-
Change in net assets attributable to unitholders as a result of net creations/(cancellations) of units during the year	665 460 727	4 270 793 808	554 587 602	775 447 715	5 086 819 177	6 862 560 365	105 416 109	1 125 113 349	(2 691 160 059)	8 819 344 353	100 621 448	1 454 643 807	430 862 015	137 536 885	55 130 375	(282 036 974)	(983 940 956)
Total net assets attributable to unitholders	25 755 744 774	21 437 432 886	4 074 388 560	3 707 275 485	40 029 083 466	32 113 008 761	6 179 092 272	6 702 361 187	27 856 260 783	30 246 447 114	2 957 730 136	2 751 121 379	384 302 159	305 466 760	158 624 107	8 209 133 584	8 491 170 558
Represented by the following:																	
Cumulative available-for-sale reserve	6 287 978 861	4 385 335 161	138 866 233	328 881 171	5 321 482 143	3 840 094 029	(231 881 790)	451 432 778	1 731 486 695	1 516 587 616	712 091 909	527 860 895	(44 159 993)	6 294 950	(1 000 614)	-	-
Book value of net assets	19 467 765 913	17 052 097 725	3 935 522 327	3 378 394 314	34 707 601 323	28 272 914 732	6 410 974 062	6 250 928 409	26 124 774 088	28 729 859 498	2 245 638 227	2 223 260 484	428 462 152	299 171 810	159 624 721	8 209 133 584	8 491 170 558
Total	25 755 744 774	21 437 432 886	4 074 388 560	3 707 275 485	40 029 083 466	32 113 008 761	6 179 092 272	6 702 361 187	27 856 260 783	30 246 447 114	2 957 730 136	2 751 121 379	384 302 159	305 466 760	158 624 107	8 209 133 584	8 491 170 558

*The Fund was launched on 1 March 2010, therefore no comparative figures are presented.

Statements of Cash Flows

For the year ended 31 December 2010

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	GLOBAL FUND OF FUNDS	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS*	BOND FUND		MONEY MARKET FUND	
		2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	**2010**	2009	**2010**	2009
		R	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	**R**	R	**R**	R
CASH FLOW FROM OPERATING ACTIVITIES																		
Interest received		**70 208 293**	39 133 752	**1 457 584**	1 429 606	**831 033 289**	502 529 307	**2 318 391**	1 976 127	**1 336 755 998**	1 265 631 121	**26 778 962**	32 432 428	**217 592**	**15 500 192**	8 540 329	**640 095 011**	958 535 100
Dividends received		**545 894 677**	404 670 698	**-**	-	**440 670 706**	376 068 590	**-**	3 765 326	**171 242 195**	158 052 076	**55 167 380**	38 880 393	**-**	**-**	-	**-**	-
Sundry income		**-**	1 327 446	**-**	-	**-**	2 530 397	**-**	-	**-**	345 063		73 760	**-**	**-**	-	**-**	-
Distributions paid		**-**	(1 473 171 324)	**(2 423 367)**	(786 141)	**(641 138 749)**	(2 072 183 560)	**(7 607 458)**	(7 061 813)	**(1 115 047 155)**	(1 950 202 556)	**(38 050 330)**	(111 200 111)	**-**	**(15 303 277)**	(10 438 278)	**(586 909 033)**	(894 103 404)
Cash (used)/generated by operations before working capital changes	4	**(620 688 960)**	(522 166 822)	**494 421**	(12 970 150)	**(474 784 857)**	(371 975 886)	**(1 155 873)**	1 133 046	**(362 082 476)**	(233 363 994)	**(38 004 567)**	(16 938 019)	**455 231**	**(161 693)**	132 520	**(24 326 343)**	(28 067 823)
Working capital changes	4	**(32 641 886)**	22 686 149	**(11 425 722)**	10 721 272	**(132 538 192)**	275 441 947	**(18 696 572)**	18 094 975	**(309 990 582)**	411 344 443	**(2 857 510)**	(2 565 530)	**619 367**	**1 962 255**	(1 285 720)	**(190 707 024)**	192 923 433
Net cash flow from operating activities		**(37 227 876)**	(1 527 520 101)	**(11 897 084)**	(1 605 413)	**23 242 197**	(1 287 589 205)	**(25 141 512)**	17 907 661	**(279 122 020)**	(348 193 847)	**3 033 935**	(59 317 079)	**1 292 190**	**1 997 477**	(3 051 149)	**(161 847 389)**	229 287 306
CASH FLOW FROM INVESTING ACTIVITIES																		
Purchase of investments		**(8 070 296 412)**	(8 945 893 929)	**(1 336 401 398)**	(1 817 352 055)	**(33 991 055 341)**	(24 832 126 740)	**(1 726 921 177)**	(4 153 452 195)	**(39 444 875 700)**	(46 382 647 649)	**(6 865 848 469)**	(8 076 477 585)	**(556 222 118)**	**(390 719 285)**	(233 366 008)	**(16 793 850 061)**	(28 055 204 989)
Proceeds on disposal of investments		**7 442 707 763**	6 199 216 455	**805 772 297**	1 043 099 103	**28 850 415 021**	19 259 726 828	**1 472 474 222**	3 031 051 411	**42 388 832 634**	37 904 272 664	**6 759 143 958**	6 681 052 749	**289 294 437**	**251 143 861**	181 579 697	**17 235 770 724**	28 812 222 834
Net cash flow from investing activities		**(627 588 649)**	(2 746 677 474)	**(530 629 101)**	(774 252 952)	**(5 140 640 320)**	(5 572 399 912)	**(254 446 955)**	(1 122 400 784)	**2 943 956 934**	(8 478 374 985)	**(106 704 511)**	(1 395 424 836)	**(266 927 681)**	**(139 575 424)**	(51 786 311)	**441 920 663**	757 017 845
CASH FLOW FROM FINANCING ACTIVITIES																		
Net proceeds/(payments) from creation and cancellation of units		**665 460 727**	4 270 793 808	**554 587 602**	775 447 715	**5 086 819 177**	6 862 560 365	**265 416 109**	1 125 113 349	**(2 691 160 059)**	8 819 344 353	**100 621 448**	1 454 643 807	**270 862 015**	**137 536 885**	55 130 375	**(282 036 974)**	(983 940 956)
Net cash flow from financing activities		**665 460 727**	4 270 793 808	**554 587 602**	775 447 715	**5 086 819 177**	6 862 560 365	**265 416 109**	1 125 113 349	**(2 691 160 059)**	8 819 344 353	**100 621 448**	1 454 643 807	**270 862 015**	**137 536 885**	55 130 375	**(282 036 974)**	(983 940 956)
Net increase/(decrease) in cash and cash equivalents		**644 202**	(3 403 767)	**12 061 417**	(410 650)	**(30 578 946)**	2 571 248	**(14 172 358)**	20 620 226	**(26 325 145)**	(7 224 479)	**(3 049 128)**	(98 108)	**5 226 524**	**(41 062)**	292 915	**(1 963 700)**	2 364 195
Cash and cash equivalents at the beginning of the year		**9 497 900**	12 901 667	**16 945 559**	4 404 599	**10 785 039**	11 785 729	**35 123 030**	15 264 367	**17 108 484**	14 049 753	**10 368 606**	10 466 714	**-**	**1 062 633**	769 718	**8 810 723**	6 446 528
Foreign exchange (gain)/loss on monetary assets		**-**	-	**(704 659)**	12 951 610	**30 455 201**	(3 571 938)	**760 225**	(761 563)	**20 383 916**	10 283 210	**-**	-	**(774 951)**	**-**	-	**-**	-
Cash and cash equivalents at the end of the year		**10 142 102**	9 497 900	**28 302 317**	16 945 559	**10 661 294**	10 785 039	**21 710 897**	35 123 030	**11 167 255**	17 108 484	**7 319 478**	10 368 606	**4 451 573**	**1 021 571**	1 062 633	**6 847 023**	8 810 723

* The Fund was launched on 1 March 2010, therefore no comparative figures are presented.

Notes to the Annual Financial Statements

For the year ended 31 December 2010

1. ACCOUNTING STANDARDS AND POLICIES

1.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at either fair value or amortised cost, in accordance with International Financial Reporting Standards ('IFRS'). These financial statements are presented in South African rands being the functional currency of the Funds. The accounting policies have been applied consistently to all the years presented.

1.2 IFRS

The Funds have adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB that are relevant to their operations and effective for annual accounting periods ended 31 December 2010.

The significant accounting policies adopted in the preparation of the financial statements are set out below and are in accordance with and comply with IFRS.

There were no new IFRS statements, interpretations and amendments applicable to the Funds that were adopted during the current financial year.

The following new or revised IFRS statements, interpretations and amendments applicable to the Funds have been issued but are not yet effective.

Statements/interpretations/amendments		Effective date Years beginning on/after	Expected impact
IAS 24	Related Party Disclosures	1 Jan 2011	No significant impact expected
IFRS 7	Amendment re enhanced derecognition disclosure requirements for transfer transactions of financial assets	1 July 2011	No significant impact expected
IFRS 9	Financial Instruments	1 Jan 2013	The available for sale designation for investments will no longer be available. As a result, it is expected that these investments will be held at fair value through profit or loss.

A number of other changes, that are effective for accounting periods ended after 31 December 2010, have been issued by the IASB and IFRIC. However, these are not considered relevant to the Funds' operations.

Notes to the Annual Financial Statements

For the year ended 31 December 2010

1.3 Accounting policies

The Funds have identified the accounting policies that are most significant to their business operations and the understanding of their results. These accounting policies are set out below and have been consistently applied.

1.3.1 Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Funds and the amount of revenue can be measured reliably.

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

Interest income is accrued for on a daily basis using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its carrying value. Interest income includes income from cash and cash equivalents, debt securities and money market instruments.

1.3.2 Income adjustments

Income adjustments on creation/cancellation of units represent the income portion of the price received or paid when units are created or cancelled. The income portion of the price received by the Fund on creation of units is, in effect, a payment by unitholders for entitlement to a distribution of income that was earned by the Fund before they joined. The income portion of the price paid to unitholders when units are cancelled is, in effect, compensation for the income distribution they will forfeit when exiting the Fund before the distribution date. The income adjustment on creation or cancellation of units is recognised when units from which it arises are either purchased or sold.

1.3.3 Taxation and deferred taxation

Taxation and deferred taxation are not recognised in the financial statements of the Funds as the Funds are all exempt from tax under the current taxation laws of South Africa.

1.3.4 Expenses

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

All other expenses are recognised in profit or loss on an accrual basis.

1.3.5 Financial instruments

Financial assets and liabilities

Classification

The Funds classify their investments in debt and equity securities and unit trusts as available-for-sale financial assets, related derivatives as financial assets at fair value through profit or loss and money market instruments as loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are intended to be held for an indefinite period of time, and that may be sold in response to needs of liquidity or changes in interest rates, exchange rates or equity prices. Investments in bonds, equities and unit trusts are classified as available-for-sale assets.

Financial instruments at fair value through profit or loss

Financial assets classified as financial assets at fair value through profit or loss are designated as such upon initial recognition. This designation is based on the Funds' intention to hold and sell such financial assets for its benefit. Derivatives are categorised as held for trading and are not designated as effective hedging instruments in terms of IAS 39. Derivatives are used for hedging purposes in accordance with the Collective Investment Schemes Control Act, No. 45 of 2002.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Money market instruments are classified as loans and receivables.

Recognition and measurement

A 'regular way' contract is one that requires the delivery of an asset within the time frame established, generally by regulation or convention within the marketplace concerned. Regular way purchases and sales of financial assets are recognised using trade date accounting. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is

Notes to the Annual Financial Statements

For the year ended 31 December 2010

sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date. The trade date is the date that an entity commits itself to purchase or to sell an asset.

Financial instruments are recognised on the trade date at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Funds determine the classification of their financial instruments on initial recognition, when the Fund becomes a party to the contract governing the instrument.

Available-for-sale financial assets

Available-for-sale financial assets are subsequently carried at fair value. Fair value is determined as the quoted price at the reporting date. Gains and losses arising from changes in the fair value are recognised in other comprehensive income, with the exception of foreign exchange gains or losses on monetary items; these are recognised immediately in profit or loss. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss.

Interest on available-for-sale debt instruments is calculated using the effective interest method and is recognised in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established.

Financial instruments at fair value through profit or loss

Financial assets designated as at fair value through profit or loss are measured at fair value. Subsequent to initial recognition, investments at fair value through profit or loss are marked to market on a daily basis with changes in fair value taken through profit or loss as gains and losses.

Determination of fair value

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

An analysis of fair values of financial instruments and further details as to how they are measured, are provided in note 8.2.

Loans and receivables

Money market instruments are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. Balances held for the purposes of meeting short-term cash commitments rather than for investment or other purposes are current assets and disclosed separately on the face of the Statement of Financial Position. Margin deposits are aggregated with cash balances held for investment purposes and are disclosed as cash and cash equivalents held for investment purposes on the face of the Statement of Financial Position. Margin deposits are not readily available for use by the Funds as they are held as collateral to cover losses that the Funds may incur from their derivative trades. Details on margin deposits may be found in note 8.3.

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

Accounts receivable and accounts payable

Accounts receivable and accounts payable are interest free and settled within 30 days. Accounts receivable include balances due from brokers and accrued income. Accounts payable include balances due to brokers and accrued expenses.

Derecognition of financial assets and liabilities

A financial asset is derecognised when the:

- Contractual rights to receive cash flows from the asset have expired;
- Funds retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- Funds have transferred their contractual rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have not retained control of the asset.

A financial liability is derecognised when the obligation

Notes to the Annual Financial Statements

For the year ended 31 December 2010

under the liability is discharged, cancelled or expires. Where 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. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

A financial asset and a financial liability are offset, and the net amount presented in the Statement of Financial Position, only when the Funds currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are only offset to the extent that their related instruments have been offset in the Statement of Financial Position.

Impairment of financial assets

The Funds assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced directly. The amount of the loss is recognised in profit or 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 profit or loss, to the extent that the carrying value of the asset does not exceed its original amortised cost at the reversal date.

Available-for-sale financial investments

In the case of available-for-sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. A decrease of 30% in fair value is seen as significant and a period of 12 months or more as prolonged. If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its original amortised cost at the date of reversal.

1.3.6 Foreign currencies

Foreign currency items are recorded at the exchange rate ruling on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the reporting date or when settled. Gains and losses arising from the translation of these monetary assets and liabilities are recognised in profit or loss.

Non-monetary assets classified as available-for-sale investments are also translated at rates of exchange ruling at the reporting date. Unrealised gains and losses arising from the translation of these assets are included in unrealised gains and losses on available-for-sale investments and are recognised in other comprehensive income.

1.3.7 Realised gains and losses on investments

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

1.3.8 Management fee

The management fee is the fee paid by each Fund to Allan Gray Unit Trust Management Limited (the 'Manager') for the management of the Funds and the administration of unitholder transactions. Management fees are either performance-based or fixed and are calculated and accrued based on the daily market value of the portfolios.

Notes to the Annual Financial Statements

For the year ended 31 December 2010

1.3.9 Distributions paid

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

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

Distributions to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

1.3.10 Net assets attributable to unitholders

Units issued by the Funds are classified as financial liabilities and disclosed as net assets attributable to unitholders. The value of net assets attributable to unitholders is what is commonly known as the capital value of the fund. This terminology used in the financial statements was necessitated by the adoption of IFRS. This reclassification, however, has no impact on the value that the unitholder is entitled to on liquidation of units. This financial liability (as defined by IAS 32) is carried at fair value, being the redemption amount representing the unitholders' right to a residual interest in the Funds' net assets.

1.3.11 Critical judgement in applying the Funds' accounting policies

The Funds follow the guidance of IAS 39 to determine when an available-for-sale asset is impaired. In making this judgement the Funds evaluate, among other factors the duration and extent to which the fair value of an investment is less than its cost.

1.3.12 Financial results

The results of operations for the year are prepared in terms of International Financial Reporting Standards ('IFRS') and are set out in the accompanying Statements of Comprehensive Income and Statements of Cash Flows for the year ended 31 December 2010 as well as the Statements of Financial Position as at 31 December 2010.

1.3.13 Events subsequent to year-end

There were no significant events subsequent to year-end.

Notes to the Annual Financial Statements

For the year ended 31 December 2010

2. DISTRIBUTION SCHEDULES

	Notes	2010	2009
Distributions paid are calculated to the fourth decimal place.			
Allan Gray Equity Fund			
30 June			
Class A			
Cents per unit		-	6.6661
Distribution paid - R		-	7 752 091
31 December			
Class A			
Cents per unit		47.5663	-
Distribution paid - R		63 194 692	-
Total distribution for the year		63 194 692	7 752 091
Shortfall of income funded by net assets attributed to unitholders	3	(63 764 602)	(86 173 472)
Distributable (deficit)/profit for the year		(569 910)	(78 421 381)
Allan Gray-Orbis Global Equity Feeder Fund			
30 June			
Class A			
Cents per unit		0.4361	-
Distribution paid - R		1 016 589	-
31 December			
Class A			
Cents per unit		0.1058	0.6487
Distribution paid - R		264 356	1 406 778
Total distribution for the year		1 280 945	1 406 778
Allan Gray Balanced Fund			
30 June			
Class A			
Cents per unit		55.2117	53.0709
Distribution paid - R		357 132 316	272 665 774
Class B			
Cents per unit		23.1177	25.1265
Distribution paid - R		9 158 585	9 826 474
31 December			
Class A			
Cents per unit		67.6430	45.5988
Distribution paid - R		465 931 522	269 068 645
Class B			
Cents per unit		33.8799	14.5126
Distribution paid - R		12 968 338	5 779 203
Total distribution for the year		845 190 761	557 340 096
Allan Gray-Orbis Global Fund of Funds			
30 June			
Class A			
Cents per unit		0.2850	-
Distribution paid - R		1 416 950	-
31 December			
Class A			
Cents per unit		0.0787	1.2635
Distribution paid - R		391 419	6 190 508
Total distribution for the year		1 808 369	6 190 508

Notes to the Annual Financial Statements

For the year ended 31 December 2010

	2010	2009
Allan Gray Stable Fund		
31 March		
Class A		
Cents per unit	21.6542	32.5863
Distribution paid - R	275 525 994	308 917 290
Class B		
Cents per unit	14.8120	25.9407
Distribution paid - R	17 886 834	32 392 632
30 June		
Class A		
Cents per unit	21.9314	27.6436
Distribution paid - R	279 099 539	282 963 485
Class B		
Cents per unit	14.9594	20.9592
Distribution paid - R	17 194 434	26 674 301
30 September		
Class A		
Cents per unit	19.3605	24.5761
Distribution paid - R	243 617 459	283 845 106
Class B		
Cents per unit	12.3239	17.6592
Distribution paid - R	13 405 197	22 743 551
31 December		
Class A		
Cents per unit	18.4692	20.0864
Distribution paid - R	214 484 407	251 785 641
Class B		
Cents per unit	11.4523	13.1124
Distribution paid - R	10 981 424	16 532 057
Total distribution for the year	1 072 195 288	1 225 854 063
Allan Gray Optimal Fund		
30 June		
Class A		
Cents per unit	9.4560	22.0876
Distribution paid - R	17 667 723	32 465 319
Class B		
Cents per unit	-	12.4797
Distribution paid - R	-	740 049
31 December		
Class A		
Cents per unit	14.3938	11.9762
Distribution paid - R	25 482 936	20 254 655
Class B		
Cents per unit	3.7398	2.1524
Distribution paid - R	166 574	127 952
Total distribution for the year	43 317 233	53 587 975
Allan Gray-Orbis Global Optimal Fund of Funds		
30 June		
Class A		
Cents per unit	0.2683	-
Distribution paid - R	119 314	-
Shortfall of income funded by net assets attributed to unitholders	(205 940)	-
Distributable profit/(deficit) for the year	(86 626)	-
Allan Gray Bond Fund		
31 March		
Class A		
Cents per unit	20.8577	25.1050
Distribution paid - R	3 264 390	2 446 633
30 June		
Class A		
Cents per unit	20.8956	23.2748
Distribution paid - R	3 525 432	2 560 802

Notes to the Annual Financial Statements

For the year ended 31 December 2010

	2010	2009
Allan Gray Bond Fund (continued)		
30 September		
Class A		
Cents per unit	**21.3259**	22.1317
Distribution paid - R	**5 294 271**	2 865 201
31 December		
Class A		
Cents per unit	**21.2260**	20.7282
Distribution paid - R	**6 029 725**	3 219 184
Total distribution for the year	**18 113 818**	11 091 820

Allan Gray Money Market Fund

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

Investments applied to the funding of distribution payable to unitholders

In the event of a cash shortfall to fund distributions, the Funds have access to liquid assets classified as cash and cash equivalents held for investment purposes to honour their obligations to unitholders. The following Funds were in this position at reporting date:

2010	BALANCED FUND	STABLE FUND
Distribution payable to unitholders	**478 899 861**	**225 465 831**
Distribution to be reinvested	**(445 588 674)**	**(210 766 351)**
Distribution expected to be paid in cash	**33 311 187**	**14 699 480**
Less: Current account cash balance	**(10 661 294)**	**(11 167 255)**
Cash and cash equivalents held for investment purposes ring-fenced in the event of a cash shortfall at distribution date	**22 649 893**	**3 532 225**

2009	BALANCED FUND	STABLE FUND
Distribution payable to unitholders	274 847 848	268 317 698
Distribution to be reinvested	(254 521 912)	(248 578 975)
Distribution expected to be paid in cash	20 325 936	19 738 723
Less: Current account cash balance	(10 785 039)	(17 108 484)
Cash and cash equivalents held for investment purposes ring-fenced in the event of a cash shortfall at distribution date	9 540 897	2 630 239

3. SHORTFALLS OF DISTRIBUTABLE PROFITS

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

	2010 R	2009 R
Allan Gray Equity Fund A & B Class (June)	**61 329 995**	3 638 445
Allan Gray Equity Fund A & B Class (December)	**2 434 607**	82 535 027
Allan Gray-Orbis Global Optimal Fund of Funds (June)	**205 940**	-
Total shortfalls for the year	**63 970 542**	86 173 472

Notes to the Annual Financial Statements

For the year ended 31 December 2010

4. NOTES TO THE STATEMENTS OF CASH FLOWS

	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS	GLOBAL FUND OF FUNDS	STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS*	BOND FUND		MONEY MARKET FUND	
	2010 R	2009 R	**2010 R**	2009 R	**2010 R**	2009 R	**2010 R**	2009 R	**2010 R**	2009 R	**2010 R**	2009 R	**2010 R**	**2010 R**	2009 R	**2010 R**	2009 R
CASH GENERATED BY OPERATIONS																	
Profit for the year	**1 813 402 152**	(138 582 397)	**3 821 356**	(26 667 084)	**2 193 058 177**	262 204 203	**56 437 914**	223 967 874	**1 158 269 937**	936 197 400	**(34 926 470)**	(357 496 887)	**(2 280 549)**	**20 124 022**	10 722 036	**575 427 975**	854 024 785
Adjusted for:																	
Impairment of available-for-sale investments	**24 135 384**	790 158 125	-	-	**18 198 518**	1 498 269 090	-	-	**46 649 782**	469 060 185	**4 241 541**	42 828 967	-	-	-	-	-
Investment transaction costs on investments at fair value through profit and loss	-	-	-	-	**44 535**	13 963	-	-	**425 792**	151 934	**269 147**	167 111	-	-	-	-	-
Sundry income	-	(1 327 446)	-	-	-	(2 530 397)	-	-	-	(345 063)	-	(73 760)	-	-	-	-	-
Interest income	**(74 224 373)**	(37 747 297)	**(1 491 183)**	(1 425 318)	**(848 849 711)**	(554 288 933)	**(2 204 017)**	(2 053 699)	**(1 242 651 653)**	(1 290 537 708)	**(26 154 420)**	(31 571 841)	**(233 094)**	**(18 275 511)**	(10 959 300)	**(599 754 318)**	(882 092 608)
Dividend income	**(545 894 677)**	(404 670 698)	-	-	**(440 670 706)**	(376 068 590)	-	(3 765 326)	**(171 242 195)**	(158 052 076)	**(55 167 380)**	(38 880 393)	-	-	-	-	-
Realised (gains)/losses on disposal of available-for-sale investments	**(1 838 107 446)**	(729 997 109)	**(1 835 752)**	15 122 252	**(1 444 187 873)**	(1 225 330 849)	**(55 389 770)**	(217 015 803)	**(638 632 656)**	(542 843 652)	**(233 302 727)**	(80 601 146)	**2 968 874**	**(2 010 204)**	369 784	-	-
Losses on investments at fair value through profit or loss	-	-	-	-	**47 622 203**	25 755 627	-	-	**485 098 517**	353 004 986	**307 035 742**	448 689 930		-	-	-	-
Cash (used)/generated by operations before working capital changes	**(620 688 960)**	(522 166 822)	**494 421**	(12 970 150)	**(474 784 857)**	(371 975 886)	**(1 155 873)**	1 133 046	**(362 082 476)**	(233 363 994)	**(38 004 567)**	(16 938 019)	**455 231**	**(161 693)**	132 520	**(24 326 343)**	(28 067 823)
WORKING CAPITAL CHANGES																	
Decrease/(increase) in accounts receivable	**13 783 179**	(30 245 013)	**512 922**	(513 086)	**46 547 750**	(4 943 240)	**12 840 019**	(12 840 180)	**72 937 335**	43 508 402	**19 868 622**	(20 043 215)	-	-	193 403	**(392)**	215 597 135
(Decrease)/increase in accounts payable	**(46 425 065)**	52 931 162	**(11 938 644)**	11 234 358	**(179 085 942)**	280 385 187	**(31 536 591)**	30 935 155	**(382 927 917)**	367 836 041	**(22 726 132)**	17 477 685	**619 367**	**1 962 255**	(1 479 123)	**(190 706 632)**	(22 673 702)
Working capital changes	**(32 641 886)**	22 686 149	**(11 425 722)**	10 721 272	**(132 538 192)**	275 441 947	**(18 696 572)**	18 094 975	**(309 990 582)**	411 344 443	**(2 857 510)**	(2 565 530)	**619 367**	**1 962 255**	(1 285 720)	**(190 707 024)**	192 923 433

* The Fund was launched on 1 March 2010, therefore no comparative figures are presented.

Notes to the Annual Financial Statements

For the year ended 31 December 2010

5. RECONCILIATION OF UNITS

	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
2010									
Opening balance	133 682 412	216 807 851	629 571 600	489 848 696	1 379 098 806	174 970 640	-	15 525 859	8 491 170 558
Net units created/(cancelled) during the year	3 776 630	32 997 915	97 589 428	7 640 919	(121 487 737)	6 552 481	44 469 894	12 904 884	(282 036 974)
Closing balance	137 459 042	249 805 766	727 161 028	497 489 615	1 257 611 069	181 523 121	44 469 894	28 430 743	8 209 133 584
2009									
Opening balance	103 123 170	169 159 316	485 207 639	409 690 793	971 880 709	80 896 857	-	10 133 362	9 475 111 513
Net units created/(cancelled) during the year	30 559 242	47 648 535	144 363 961	80 157 903	407 218 097	94 073 783	-	5 392 497	(983 940 955)
Closing balance	133 682 412	216 807 851	629 571 600	489 848 696	1 379 098 806	174 970 640	-	15 525 859	8 491 170 558

6. REVIEW OF FLUCTUATIONS OF UNIT PRICES

Cents	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
2010									
Class A									
Lowest	15 610.98	1 533.18	5 056.87	1 221.03	2 187.58	1 568.41	857.64	1 016.10	100.00
Highest	18 811.04	1 795.63	5 577.67	1 442.04	2 263.15	1 646.70	1 019.39	1 105.99	100.00
Class B									
Lowest	14 946.63	n/a	5 050.54	n/a	2 187.28	1 568.14	n/a	n/a	n/a
Highest	17 976.15	n/a	5 545.80	n/a	2 259.33	1 636.83	n/a	n/a	n/a
2009									
Class A									
Lowest	11 654.08	1 318.75	4 235.79	1 277.52	2 093.32	1 514.95	n/a	1 011.11	100.00
Highest	16 146.06	1 766.70	5 172.76	1 508.65	2 236.91	1 584.31	n/a	1 067.12	100.00
Class B									
Lowest	11 128.72	n/a	4 225.27	n/a	2 091.29	1 514.64	n/a	n/a	n/a
Highest	15 500.54	n/a	5 143.00	n/a	2 234.34	1 574.48	n/a	n/a	n/a

n/a denotes funds without B-Class units

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

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For the year ended 31 December 2010

7. RELATED PARTY TRANSACTIONS

All transactions with related parties are conducted at arm's length. Outstanding balances bear no interest, are unsecured and are settled within 30 days of invoice date.

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

During the year, the Funds collectively paid management fees of R1 470.7 million, including VAT to the Manager (2009: R1 249.3 million). At 31 December 2010, the balance due to the Manager is detailed as follows:

	VAT inclusive	VAT inclusive
	2010 R	2009 R
Allan Gray Equity Fund	**18 521 122**	48 391 781
Allan Gray Balanced Fund	**19 706 639**	41 322 459
Allan Gray Stable Fund	**17 942 309**	27 188 470
Allan Gray Optimal Fund	**2 980 437**	2 708 368
Allan Gray Bond Fund	**74 176**	115 810
Allan Gray Money Market Fund	**1 981 701**	2 052 479
	61 206 384	121 779 367

The Directors of the Manager have acquired and hold units in the Funds. These units were valued at R40 257 832 at 31 December 2010 (2009: R52 904 893). During the year, the directors' share of distributions paid by the Funds on their attributable unit holdings amounted to R110 083 (2009: R1 865 748). The Manager holds discretionary investments in the Funds. These units were valued at R406 656 at 31 December 2010 (2009: R27 739 654). During the year, the Manager's share of distributions paid by the Funds on their attributable unit holdings amounted to R291 504 (2009: R1 178 654).

8. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

8.1 Financial risk management policies and objectives

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

Market risk

The Funds' investing activities expose unitholders to various types of risk that are associated with the financial instruments and markets in which the Funds invest. Market risk is defined as 'the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate, foreign currency and other price risks.

The tables on pages 48, 50, 51 and 52 show the Funds' exposure to price and interest rate risks, split into the different types of financial instruments held by the Funds at reporting date. The analysis only relates to instruments subject to those specific risks.

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Market risk

2010 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
Subject to price risk	24 375 984	4 046 281	30 151 388	6 157 784	14 750 857	2 585 329	380 574	-	-
Local instruments	21 725 017	-	20 177 365	-	7 800 587	2 574 614	-	-	-
Foreign instruments*	2 650 967	4 046 281	9 974 023	6 157 784	6 950 270	10 715	380 574	-	-
Subject to interest rate risk	1 469 000	-	10 506 882	-	13 446 354	389 415	-	312 635	8 244 403
Money market and cash investments	1 469 000	-	6 351 023	-	11 111 925	389 415	-	51 906	8 244 403
Bonds	-	-	4 155 859	-	2 334 429	-	-	260 729	-
Total investments	25 844 984	4 046 281	40 658 270	6 157 784	28 197 211	2 974 744	380 574	312 635	8 244 403

2009 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND	MONEY MARKET FUND
Subject to price risk	20 949 779	3 703 126	23 700 272	6 692 022	13 557 624	2 346 689	-	-	-
Local instruments	18 709 485	-	17 202 024	-	7 383 608	2 339 243	-	-	-
Foreign instruments*	2 240 294	3 703 126	6 498 248	6 692 022	6 174 016	7 446	-	-	-
Subject to interest rate risk	551 000	-	8 968 147	-	17 373 318	415 363	-	160 988	8 726 962
Money market and cash investments	551 000	-	7 364 256	-	17 373 318	415 363	-	28 887	8 726 962
Bonds	-	-	1 603 891	-	-	-	-	132 101	-
Total investments	21 500 779	3 703 126	32 668 419	6 692 022	30 930 942	2 762 052	-	160 988	8 726 962

*Included in foreign instruments is cash held in foreign currency for investment in foreign mutual funds.

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Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether the changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

Unitholders are exposed to changes in the market values of the individual investments underlying each Fund. The security selection and asset allocation within each of the Funds is monitored daily by the Manager in terms of each individual Fund's stated investment objectives. Allan Gray's compliance department monitors compliance with applicable regulations (for example Regulation 28 of the Pension Funds Act, No. 24 of 1956 where applicable ('Regulation 28') and the CISCA (as amended from time to time) and the investment mandate on a daily basis. In addition, price risk may be hedged using derivative financial instruments such as futures contracts.

Exposure to price risk is mainly through listed instruments.

There has been no change to the Funds' exposure to price risk or the manner in which it manages and measures the risk. The following analysis indicates the possible exposure of net assets attributable to unitholders to price risk, until such time as the investments are sold. The table also illustrates the effect of reasonably possible changes in fair value of investments for price risk, assuming that all other variables remain constant. It follows that the actual results may differ from the sensitivity analysis below and the difference could be material. Note that changes in the fair value of available for sale investments will impact other comprehensive income whilst changes in the fair value of derivative hedging instruments will impact profit or loss. The disclosure provides information on the risks to which unitholders are exposed and is not indicative of future performance.

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Price risk

2010 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS
Investments subject to price risk	24 375 984	4 046 281	30 151 388	6 157 784	14 750 857	2 585 329	380 574
Analysed as follows:							
Local Instruments							
Net exposure	21 725 017	-	19 608 983	-	2 838 407	107 784	-
Gross instruments	21 725 017	-	20 177 365	-	7 800 587	2 574 614	-
Hedged instruments	-	-	(568 382)	-	(4 962 180)	(2 466 830)	-
+ or - 5%	1 086 251	-	980 449	-	141 920	5 389	-
+ or - 10%	2 172 502	-	1 960 898	-	283 841	10 778	-
+ or - 20%	4 345 003	-	3 921 797	-	567 681	21 557	-
Foreign Instruments							
Foreign exposure	2 650 967	4 046 281	9 974 023	6 157 784	6 950 270	10 715	380 574
+ or - 5%	132 548	202 314	498 701	307 889	347 514	536	19 029
+ or - 10%	265 097	404 628	997 402	615 778	695 027	1 072	38 057
+ or - 20%	530 193	809 256	1 994 805	1 231 557	1 390 054	2 143	76 115

Notes to the Annual Financial Statements

For the year ended 31 December 2010

Price risk (Continued)

2009 - R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS
Subject to price risk	20 949 779	3 703 126	23 700 272	6 692 022	13 557 624	2 346 689	-
Analysed as follows:							
Local Instruments							
Net exposure	18 709 485	-	16 775 777	-	3 046 870	95 972	-
Gross equities	18 709 485	-	17 202 024	-	7 383 608	2 339 243	-
Hedged equities	-	-	(426 247)	-	(4 336 738)	(2 243 271)	-
+ or - 5%	935 474	-	838 789	-	152 344	4 799	-
+ or - 10%	1 870 949	-	1 677 578	-	304 687	9 597	-
+ or - 20%	3 741 897	-	3 355 155	-	609 374	19 194	-
Foreign Instruments							
Foreign exposure							
Gross foreign equities	2 240 294	3 703 126	6 498 248	6 692 022	6 174 016	7 446	-
+ or - 5%	112 015	185 156	324 912	334 601	308 701	372	-
+ or - 10%	224 029	370 313	649 825	669 202	617 402	745	-
+ or - 20%	448 059	740 625	1 299 650	1 338 404	1 234 803	1 489	-

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Interest rate risk

The value of the Funds' holding in listed interest-bearing investments varies in accordance with changes in the prevailing market interest rates. The risk of loss due to adverse interest rate movements is monitored daily by the Manager. All Funds are exposed to interest rate risk as a result of cash balances held, however, the Funds that are significantly exposed to interest rate risk are those that invest in bonds (the Allan Gray Balanced Fund, the Allan Gray Bond Fund and the Allan Gray Stable Fund) and money market instruments (the Allan Gray Bond Fund, the Allan Gray Balanced Fund, the Allan Gray Stable Fund, the Allan Gray Money Market Fund and the Allan Gray Optimal Fund). See note 8.4 for maturity profiles of interest-bearing investments.

The table below illustrates the effect of reasonably possible changes in prevailing interest rates, with all other variables held constant. The effect on initial margin deposits on derivative investments is factored into the calculation. This analysis ignores operating bank accounts in the underlying funds. Modified duration is used to estimate the change in the net assets attributable to unitholders as a result of a change in interest rate. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which unitholders are exposed and is not indicative of future performance.

R'000	2010			2009		
Sensitivity to changes in interest rates	Investment value	+ or - 0.50%	+ or - 1.00%	Investment value	+ or - 0.50%	+ or - 1.00%
Allan Gray Balanced Fund	**10 506 882**	**116 172**	**232 344**	8 968 147	42 903	85 806
Allan Gray Stable Fund	**13 446 354**	**125 622**	**251 244**	17 373 318	21 116	42 232
Allan Gray Bond Fund	**312 635**	**5 880**	**11 760**	160 988	2 744	5 488

The Allan Gray Money Market Fund investments do not change as a result of a change in interest rates. The Allan Gray Equity Fund, the Allan Gray-Orbis Global Fund of Funds, the Allan Gray Optimal Fund, the Allan Gray-Orbis Global Equity Feeder Fund and the Allan Gray-Orbis Global Optimal Fund of Funds all have cash balances that attract variable interest rates. Fluctuations in prevailing interest rates would therefore have no effect on those cash balances. However, there would be changes to the interest income of the Funds and due to the temporary nature of these balances the effect of any such changes would be immaterial.

Foreign currency risk

The Allan Gray Balanced Fund, the Allan Gray Stable Fund, the Allan Gray-Orbis Global Fund of Funds, the Allan Gray-Orbis Global Equity Feeder Fund, the Allan Gray Optimal Fund and the Allan Gray-Orbis Global Optimal Fund of Funds invest in foreign mutual funds. For the purposes of IFRS disclosure, currency risk is not considered to arise from financial instruments that are non-monetary items, however to the extent that these Funds hold cash in foreign currencies, they expose unitholders to risk in respect of changes in foreign exchange rates. The risk of loss due to adverse foreign exchange rate movements is monitored daily by the Manager.

The table on page 53 illustrates the effect of reasonably possible changes in exchange rates, with all other variables held constant. The actual results may differ from the sensitivity analysis and the difference could be material. The disclosure provides information on the risks to which unitholders are exposed and is not indicative of future performance.

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Foreign currency risk (Continued)

R'000	2010		2009	
	Dollar-denominated	Euro-denominated	Dollar-denominated	Euro-denominated
Allan Gray-Orbis Equity Feeder Fund	-	-	5 924	-
+ or - 5%	-	-	296	-
+ or - 10%	-	-	592	-
+ or - 20%	-	-	1 185	-
Allan Gray Balanced Fund	923 370	-	132 928	10 501
+ or - 5%	46 169	-	6 646	525
+ or - 10%	92 337	-	13 293	1 050
+ or - 20%	184 674	-	26 586	2 100
Allan Gray-Orbis Global Fund of Funds	-	-	9 873	-
+ or - 5%	-	-	494	-
+ or - 10%	-	-	987	-
+ or - 20%	-	-	1 975	-
Allan Gray Stable Fund	824 306	-	127 596	47 296
+ or - 5%	41 215	-	6 380	2 365
+ or - 10%	82 431	-	12 760	4 730
+ or - 20%	164 861	-	25 519	9 459

The Allan Gray-Orbis Equity Feeder Fund, Allan Gray Optimal Fund, Allan Gray Balanced Fund, Allan Gray-Orbis Global Fund of Funds, Allan Gray Stable Fund and Allan Gray-Orbis Global Optimal Fund of Funds use foreign currency to purchase investments in foreign mutual funds. Neither the Allan Gray Optimal Fund or the Allan Gray-Orbis Global Optimal Fund of Funds held foreign currency at 31 December 2010 or at 31 December 2009.

Liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk management rests with the Manager, which has built an appropriate liquidity risk management framework for the management of each of the Funds' short- medium- and long-term funding and liquidity management requirements. The Funds manage their liquidity risk by investing in marketable securities listed on recognised exchanges which may be sold in an active market at any point in time.

The Funds have access to overdraft facilities with one of the major banks. CISCA allows the Funds to utilise these facilities in cases where insufficient liquidity exists in a portfolio or where assets cannot be realised to repurchase participatory interests. Borrowings may not exceed 10% of the market value of such a portfolio at the time of borrowing. Allan Gray's compliance department monitors compliance with the applicable regulations. The contractual value of accounts payable, distribution payable and net assets attributable to unitholders is carrying value. The maturity for accounts payable and distribution payable is less than 30 days and net assets attributable to unitholders are payable on demand.

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In aggregate the Funds have an overdraft facility of R1 billion with First National Bank. This is limited to 10% of the market value of the borrowing Fund. None of the Funds were in overdraft at 31 December 2010.

The Funds' main concentration of liquidity risk lies with the net assets attributable to unitholders and distributions payable to unitholders, as disclosed on the face of the Statements of Financial Position and note 2.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds.

The Funds expose unitholders to credit risk as a result of transacting with various institutions. Risk is mitigated by transacting on recognised exchanges where it is possible and practical. An interest rate policy committee manages credit risk by setting exposure limits for counterparties, issuers and financial instruments.

Allan Gray's compliance department monitors compliance with applicable regulations (for example Regulation 28 and CISCA) and the investment mandate on a daily basis. Maximum exposure to individual instruments does not exceed those set out by the regulations mentioned above.

The carrying amount of financial assets recorded in the financial statements represents unitholders' maximum exposure to credit risk.

At 31 December 2010 the Funds did not consider there to be any significant concentration of credit risk which needed to be provided for.

Accounts receivable are considered to be of a high credit quality.

The table on page 55 provides an analysis of the credit quality of interest-bearing investments at reporting date. Fitch ratings are used to describe the credit quality. Ratings are presented in ascending order of credit risk.

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For the year ended 31 December 2010

Credit risk (Continued)

2010	EQUITY FUND	BALANCED FUND	STABLE FUND	OPTIMAL FUND	BOND FUND	MONEY MARKET FUND
National long-term credit ratings						
AAA	-	27%	17%	-	51%	-
AA+	-	1%	-	-	9%	-
AA	-	5%	-	-	7%	-
AA-	-	4%	-	-	11%	-
A+	-	2%	-	-	3%	-
A	-	-	-	-	-	-
A-	-	-	-	-	-	-
BB	-	-	-	-	1%	-
National short-term credit ratings						
F1+	44%	55%	75%	57%	14%	89%
F1	56%	6%	8%	43%	4%	11%
F2	-	-	-	-	-	-
	100%	100%	100%	100%	100%	100%

2009	EQUITY FUND	BALANCED FUND	STABLE FUND	OPTIMAL FUND	BOND FUND	MONEY MARKET FUND
National long-term credit ratings						
AAA	-	9%	-	-	56%	-
AA+	-	-	-	-	5%	-
AA	-	4%	-	-	9%	-
AA-	-	4%	-	-	9%	-
A+	-	1%	-	-	2%	-
A	-	-	-	-	1%	-
A-	-	-	-	-	-	-
National short-term credit ratings						
F1+	35%	66%	89%	1%	13%	94%
F1	65%	15%	11%	99%	5%	6%
F2	-	1%	-	-	-	-
	100%	100%	100%	100%	100%	100%

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8.2 Fair value

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Loans and receivables are usually held for the instruments' entire life, for periods not exceeding a year. The fair value of these instruments closely approximates the carrying amount. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

The directors are of the opinion that the fair value of all remaining financial instruments approximates the carrying amount in the Statement of Financial Position as these balances are due within 30 days.

IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy.

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Investments in listed instruments, bonds and foreign instruments are measured at fair value, based on quoted prices in active markets. Therefore these are classified within Level 1. The table below shows the fair values of these instruments at 31 December 2010.

2010 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Listed instruments	**21 626 183**	-	**20 097 898**	-	**7 792 100**	**2 568 487**	-	-
Foreign instruments	**2 650 967**	**4 046 281**	**9 974 023**	**6 157 784**	**6 950 270**	**10 715**	**380 574**	-
Listed bonds	-	-	**4 155 859**	-	**2 334 429**	-	-	**260 729**
Total	**24 277 150**	**4 046 281**	**34 227 780**	**6 157 784**	**17 076 799**	**2 579 202**	**380 574**	**260 729**

2009 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS*	BOND FUND
Listed instruments	18 589 682	-	17 122 569	-	7 374 928	2 329 708	-	-
Foreign instruments	2 240 294	3 703 126	6 498 248	6 692 022	6 174 016	7 446	-	-
Listed bonds	-	-	1 603 891	-	-	-	-	132 101
Total	20 829 976	3 703 126	25 224 708	6 692 022	13 548 944	2 337 154	-	132 101

The Funds hold investments in suspended and unlisted instruments. These are classified within Level 2. The table below shows the fair values of these instruments at 31 December 2010.

2010 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS	BOND FUND
Level 2 instruments	**98 834**	-	**79 467**	-	**8 487**	**6 127**	-	-

2009 R'000	EQUITY FUND	GLOBAL EQUITY FEEDER FUND	BALANCED FUND	GLOBAL FUND OF FUNDS	STABLE FUND	OPTIMAL FUND	GLOBAL OPTIMAL FUND OF FUNDS*	BOND FUND
Level 2 instruments	119 803	-	79 455	-	8 679	9 535	-	-

*The Fund was launched on 1 March 2010, therefore no comparative figures are presented.

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8.3 Derivative instruments

Derivatives are used for hedging purposes in accordance with CISCA. Derivatives are not designated as effective hedging instruments in terms of IAS 39 and are classified as investments at fair value through profit or loss.

Investments in derivatives are regulated by the Financial Services Board. Submissions were made to the Financial Services Board at the end of each quarter during the period under review in terms of CISCA Notice 1503 of 2005.

The fair value of derivative instruments are calculated using quoted prices.

In terms of the South Africa Futures Exchange ('SAFEX') requirements, margin deposits are pledged as collateral for derivatives held. Margin deposits are included in cash and cash equivalents for investment purposes.

Short exposure is the value of the Funds' commitment to sell a derivative instrument at contract maturity. Short exposures and margin deposits at 31 December were:

	Margin deposit 2010 R'000	Short exposure 2010 R'000	Margin deposit 2009 R'000	Short exposure 2009 R'000
Allan Gray Stable Fund	**324 692**	**4 962 180**	259 756	4 336 738
Allan Gray Balanced Fund	**37 192**	**568 382**	25 531	426 247
Allan Gray Optimal Fund	**161 415**	**2 466 830**	134 363	2 243 271

8.4 Interest-bearing instruments

Allan Gray Balanced Fund

Maturities	< 1 year R	1 to 3 years R	3 to 7 years R	> 7 years R	Total R
Bonds	48 683 140	623 785 464	2 177 673 195	1 305 716 762	4 155 858 561
Money market instruments	6 056 831 089	-	-	-	6 056 831 089
Money at call	294 191 913	-	-	-	294 191 913
Non-interest bearing equity investments	-	-	-	-	30 151 388 155
Total investments per Statement of Financial Position	6 399 706 142	623 785 464	2 177 673 195	1 305 716 762	40 658 269 718

Coupon rates on bonds are fixed and range between 2.60% and 16.00%. Yields on the money market instruments are fixed and range between 6.08% and 7.04% and money at call earns variable interest at rates ranging between 4.50% and 5.45%.

Allan Gray Stable Fund

Maturities	< 1 year R	1 to 3 years R	3 to 7 years R	> 7 years R	Total R
Bonds	30 114 000	357 175 000	-	1 947 140 381	2 334 429 381
Money market instruments	10 646 232 990	-	-	-	10 646 232 990
Money at call	465 691 771	-	-	-	465 691 771
Non-interest bearing equity investments	-	-	-	-	14 750 857 023
Total investments per Statement of Financial Position	11 142 038 761	357 175 000	-	1 947 140 381	28 197 211 165

Coupon rates on bonds are fixed and range between 2.60% and 8.22%. Yields on the money market instruments are fixed and range between 5.30% and 8.75% and money at call earns variable interest at rates ranging between 4.50% and 5.45%.

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Allan Gray Money Market Fund

Maturities	< 1 year R	1 to 3 years R	3 to 7 years R	> 7 years R	Total R
Bonds	-	-	-	-	-
Money market instruments	7 842 402 500	-	-	-	7 842 402 500
Money at call	402 000 000	-	-	-	402 000 000
Total investments per Statement of Financial Position	8 244 402 500	-	-	-	8 244 402 500

Yields on the money market instruments are fixed and range between 5.55% and 10.44% and money at call earns a variable interest rates ranging between 4.50% and 5.45%

Allan Gray Bond Fund

Maturities	< 1 year R	1 to 3 years R	3 to 7 years R	> 7 years R	Total R
Bonds	1 397 521	37 236 311	168 977 253	53 118 228	260 729 313
Money market instruments	40 906 109	-	-	-	40 906 109
Money at call	11 000 000	-	-	-	11 000 000
Total investments per Statement of Financial Position	53 303 630	37 236 311	168 977 253	53 118 228	312 635 422

Coupon rates for the bond portfolio are fixed and range between 6.75% and 16.00%. Yields on the money market instruments are fixed and range between 6.00% and 8.55% and money at call earns variable interest at rates ranging between 4.50% and 5.45%.

Accounts payable and accounts receivable are not interest-bearing.

Other funds

The Allan Gray Equity Fund had money at call amounting to R1 469 000 000 at 31 December 2010, earning variable interest at rates ranging between 4.50% and 5.45%.

The Allan Gray Optimal Fund had R389 414 767 at call at 31 December 2010, earning variable interest at rates ranging between 4.50% and 5.45%.

The Allan Gray-Orbis Global Fund of Funds, the Allan Gray-Orbis Global Equity Feeder Fund and the Allan Gray-Orbis Global Optimal Fund of Funds did not hold any interest bearing investments at 31 December 2010.

Approval of the Annual Financial Statements

For the year ended 31 December 2010

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

The annual financial statements for the year ended 31 December 2010 set out on pages 62 to 80 have been approved by the board of directors and are signed on its behalf by:

E D Loxton	R W Dower
Chairman	Director and Public Officer
Cape Town	Cape Town
10 March 2011	10 March 2011

Certification by the Company Secretary

For the year ended 31 December 2010

I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2010 the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

T J W Molloy
Company Secretary

Cape Town
10 March 2011

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

Report on the financial statements

We have audited the accompanying financial statements of Allan Gray Unit Trust Management Limited, which comprise the Statement of Financial Position as at 31 December, 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 62 to 80.

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about 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 judgment, 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 Allan Gray Unit Trust Management Limited as at 31 December, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa

Ernst & Young

Ernst & Young Inc.
Director – Christopher Clyde Sickle
Registered Auditor
Chartered Accountant (SA)
Ernst & Young House
35 Lower Long Street
Cape Town
10 March 2011

Report of the Directors

For the year ended 31 December 2010

The directors of Allan Gray Unit Trust Management Limited have pleasure in presenting their report for the year ended 31 December 2010.

Nature of the Company's business

The principal business of the Company is to manage the Allan Gray Unit Trust Funds (the 'Funds') registered under the Allan Gray Unit Trust Scheme (the 'Scheme') in accordance with the Collective Investment Schemes Control Act No. 45 of 2002 ('CISCA').

Allan Gray Unit Trust Funds	Fund launch date
Allan Gray Equity Fund	1 October 1998
Allan Gray Balanced Fund	1 October 1999
Allan Gray Stable Fund	1 July 2000
Allan Gray Money Market Fund	1 July 2001
Allan Gray Optimal Fund	1 October 2002
Allan Gray Bond Fund	1 October 2004
Allan Gray-Orbis Global Fund of Funds	3 February 2004
Allan Gray-Orbis Global Equity Feeder Fund	1 April 2005
Allan Gray-Orbis Global Optimal Fund of Funds	1 March 2010

The Company's investment in the Funds

Units Trust Funds	2010		2009	
	Units	Fair Value	Units	Fair Value
Allan Gray Balanced Fund	**7 298**	**406 656**	273 855	14 093 609
Allan Gray-Orbis Global Fund of Funds	-	-	996 418	13 646 045

Results of the Company

The results of the Company are set out in the accompanying Statement of Comprehensive Income and Statement of Cash Flows for the year ended 31 December 2010 and the Statement of Financial Position as at 31 December 2010.

Dividends

Declaration date	Rands per share
25 March 2010	271.98
12 October 2010	309.98

In 2010 the Company declared total dividends of R582 million (2009: R390 million).

Directors

The changes to the board of directors during the year were as follows:

- Mr J de Lange (resigned with effect 31 May 2010)
- Mrs J Marais (appointed with effect 31 May 2010)
- Mr I Liddle (resigned with effect 3 December 2010)
- Mr M Cooper (resigned with effect 3 December 2010)
- Mr J Mort (appointed with effect 22 December 2010)

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

Events subsequent to year end

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

Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 R	2009 R
INCOME			
REVENUE		1 411 307 570	1 199 546 537
Management fees	15	1 289 964 454	1 095 912 046
Income from the Company's investment in the Funds:			
- Dividends		101 234	968 409
- Interest		190 270	210 245
Interest earned		14 892 637	15 065 727
Service fees	15	106 158 975	87 390 110
OTHER INCOME		12 515 587	-
Realised gain on disposal of available-for-sale investments		12 494 948	-
Unrealised gain on investment at fair value through profit or loss		20 639	-
OPERATING COSTS		666 984 853	603 886 210
Linked investment service provider costs		282 331 388	236 305 537
Audit fees			
- Fees for audit		582 664	436 753
- Other services		17 840	47 339
Net foreign exchange loss		10 236 059	9 454 126
Fees charged by the holding company	15	361 468 703	343 311 515
Other operating expenses		12 348 199	14 330 940
Donation	15	37 511 097	29 734 596
Profit before taxation		719 327 207	565 925 731
Taxation expense	4	230 522 033	197 091 209
Profit for the year		488 805 174	368 834 522
OTHER COMPREHENSIVE INCOME			
Reclassification adjustments for gains included in comprehensive income		(12 494 948)	-
Taxation on reclassification adjustments for gains included in comprehensive income	10	1 636 164	-
Fair value adjustment on available-for-sale investments		(167 380)	97
Income taxation relating to components of other comprehensive income	4	23 433	(14)
Other comprehensive income for the year		(11 002 731)	83
Total comprehensive income for the year		477 802 443	368 834 605

Statement of Financial Position

As at 31 December 2010

	Notes	2010 R	2009 R
ASSETS			
Non-current assets		**406 656**	27 739 654
Available-for-sale investments	5	-	27 739 654
Investment at fair value through profit or loss	6	**406 656**	-
Current assets		**186 663 392**	286 641 464
Trade and other receivables	7	**167 834 650**	181 716 052
Cash and cash equivalents	8	**15 442 326**	73 580 648
Taxation receivable		**3 386 416**	31 344 764
Total assets		**187 070 048**	314 381 118
EQUITY AND LIABILITIES			
Total equity attributable to equity holder		**122 838 129**	227 035 686
Share capital	9	**1 000 060**	1 000 060
Share premium	9	**2 000 000**	2 000 000
Revaluation reserve		-	11 002 731
Accumulated profit		**119 838 069**	213 032 895
Non-current liabilities			
Deferred taxation liability	10	-	1 659 597
Current liabilities			
Trade and other payables	11	**64 231 919**	85 685 835
Total equity and liabilities		**187 070 048**	314 381 118

Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital R	Share premium R	Revaluation reserve R	Accumulated profit R	Total equity attributable to equity holder R
Balance as at 31 December 2008	1 000 060	2 000 000	11 002 648	234 198 373	248 201 081
Transactions with equity holder:					
Ordinary dividend	-	-	-	(390 000 000)	(390 000 000)
Change in total comprehensive income	-	-	83	368 834 522	368 834 605
Fair value adjustment on available-for-sale investments	-	-	83	-	83
Profit for the year	-	-	-	368 834 522	368 834 522
Balance as at 31 December 2009	**1 000 060**	**2 000 000**	**11 002 731**	**213 032 895**	**227 035 686**
Transactions with equity holder:					
Ordinary dividend	-	-	-	(582 000 000)	(582 000 000)
Change in total comprehensive income	-	-	(11 002 731)	488 805 174	477 802 443
Fair value adjustment on available-for-sale investments	-	-	(143 947)	-	(143 947)
Reclassification adjustments for gains included in profit or loss on sale of available-for-sale investments	-	-	(10 858 784)	-	(10 858 784)
Profit for the year	-	-	-	488 805 174	488 805 174
Balance as at 31 December 2010	**1 000 060**	**2 000 000**	**-**	**119 838 069**	**122 838 129**

Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations before working capital changes	16.1	**691 627 479**	549 681 350
Working capital changes	16.2	**(7 572 514)**	(58 536 377)
Cash generated from operations		**684 054 965**	491 144 973
Interest received		**15 082 907**	15 275 972
Dividends received		**101 234**	968 409
Dividends paid		**(582 000 000)**	(390 000 000)
Taxation paid	16.3	**(202 563 685)**	(201 246 821)
Net cash flow from operating activities		**(85 324 579)**	(83 857 467)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of investments in the Funds		**(386 017)**	-
Proceeds on disposal of investments in the Funds		**27 572 274**	-
Net cash flow from investing activities		**27 186 257**	-
Net decrease in cash and cash equivalents		**(58 138 322)**	(83 857 467)
Cash and cash equivalents at beginning of year		**73 580 648**	157 438 115
Cash and cash equivalents at end of year	8	**15 442 326**	73 580 648

Notes to the Financial Statements

For the year ended 31 December 2010

1. COMPANY DETAILS

Allan Gray Unit Trust Management Limited is an unlisted company incorporated and domiciled in South Africa. The address of its registered office is disclosed on the back cover of the report. The principal business activities of the Company are described in the report of the directors.

2. ACCOUNTING STANDARDS

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value, in accordance with International Financial Reporting Standards ('IFRS') and the Companies Act, No 61 of 1973 as amended, in South Africa. These financial statements are presented in South African rands. The accounting policies have been applied consistently in the current and prior years unless specifically stated.

2.2 IFRS

The Company has adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board (the 'IASB') and the International Financial Reporting Interpretations Committee (the 'IFRIC') of the IASB that are relevant to its operations and effective for annual accounting periods ended 31 December 2010.

The significant accounting policies adopted in the preparation of the financial statements are set out below and are in accordance with and comply with IFRS.

There were no new IFRS statements, interpretations and amendments applicable to the Company that were adopted during the year.

The following new and revised IFRS statements, interpretations and amendments applicable to the Company have been issued but are not yet effective:

Standards		Effective date: Years beginning on or after	Impact
IAS 24	Related party disclosures	1 Jan 2011	No material impact expected
IFRS 7	Amendment re enhanced derecognition disclosure requirements for transfer transactions of financial assets	1 July 2011	No material impact expected
IAS 12	Income taxes: amendment re recovery of underlying assets	1 Jan 2012	No material impact expected
IFRS 9	Financial instruments	1 Jan 2013	No material impact expected

Notes to the Financial Statements

For the year ended 31 December 2010

2.3 Use of estimates, assumptions and judgements

The preparation of the financial statements may necessitate the use of estimates, assumptions and judgements. These estimates and assumptions affect the reported amounts of assets, liabilities and contingent liabilities at the reporting date as well as the reported income and expenses for the year. Although estimates are based on management's best knowledge and judgement of current facts as at the reporting date, the actual outcome may differ from these estimates.

No critical estimates and judgements were applied in preparing these financial statements.

3. ACCOUNTING POLICIES

The Company has identified the accounting policies that are most significant to its business operations and the understanding of its results. These accounting policies are set out below and have been consistently applied in the current and prior years.

3.1 Revenue

Revenue excludes any value added taxation ('VAT') and includes management fees from managing and administering the collective investment scheme portfolios, service fees, interest income, and income distributions from investments in the Funds.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. All transactions with related parties are conducted at arm's length.

Management fees accrue on a daily basis and are based on the daily market values of the Funds.

Service fees are recognised monthly on an accrual basis based on the average market value of assets invested in Orbis Investment Management Limited's ('Orbis') funds.

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

Income from the Funds is recognised on declaration date.

3.2 Taxation

Taxation receivable / payable

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

Taxation expense

The taxation expense in the Statement of Comprehensive Income represents the sum of the normal taxation, capital gains taxation, deferred taxation and secondary tax on companies ('STC'). The normal taxation is based on taxable profit for the year. Taxable profit may differ from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes permanent differences.

STC is recognised as part of the taxation expense in the Statement of Comprehensive Income when the related dividend is declared. To the extent that it is probable that dividends will be declared against which any unused STC credits can be utilised, a deferred taxation asset is recognised for STC credits.

3.3 Deferred taxation

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit, based on the expected manner of recovery or settlement. Deferred taxation is accounted for using the liability method. Deferred taxation liabilities are generally recognised for all taxable differences. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated using the taxation rates and taxation laws that are enacted or substantively enacted by the reporting date.

Deferred taxation is charged or credited to income, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred taxation is dealt with in other comprehensive income.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off taxation assets against taxation liabilities and when they relate to income taxes levied by the same taxation authority and there is an intention to settle taxation assets and liabilities on a net basis.

3.4 Expenses

Expenses are recognised when they are incurred. Any interest expense is recognised on an accrual basis using the effective interest method. All transactions with related parties are conducted at arm's length.

3.5 Financial assets

Financial assets are classified as either financial assets at *fair value through profit or loss, loans and receivables or available-for-sale* financial assets. Financial assets are recognised on the trade date at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Detail on how fair value is determined may be found in note 13. The Company determines the classification of its financial assets on initial recognition when it becomes a party to the contract governing the instrument, according to the nature and purpose of the financial instrument.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in income. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the reporting date and the associated gains and losses are determined excluding any interest and dividends.

Available-for-sale investments consisted of discretionary holdings in the Funds which were disposed of during the year under review.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, except for short-term items where the recognition of interest would be immaterial. Losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables

Trade and other receivables, which are interest free, are classified as loans and receivables and are generally settled within 30 days. Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Any bad debts are written off when identified. Losses are recognised in income when the loans and receivables are derecognised or impaired.

Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are held for the purposes of meeting short-term cash commitments rather than for investment.

Financial assets at fair value through profit or loss

Financial assets classified as financial assets at fair value through profit or loss are designated as such upon initial recognition. This designation is based on the Company's intention to manage such assets on a fair value basis.

All assets at fair value through profit or loss are measured at quoted market values. Gains and losses on investments at fair value through profit or loss are determined by reference to the quoted market prices, excluding any interest and dividends.

Gains or losses on investments held at fair value through profit or loss are recognised in income.

Notes to the Financial Statements

For the year ended 31 December 2010

The investment at fair value through profit or loss consists of a discretionary holding in the Funds.

Derecognition of financial assets

A financial asset is derecognised where:

- the contractual rights to receive cash flows from the asset have expired;
- the Company 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 Company has transferred its rights to receive cash flows 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.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is then reduced directly. The amount of the loss is recognised in income. 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 such reversal of an impairment loss is recognised in income, to the extent that the carrying value of the asset does not exceed its original amortised cost at the reversal date.

Available-for-sale investments

A significant or prolonged decline in the fair value of the instrument below its cost is considered to be objective evidence of impairment. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to income. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised. Reversals of impairment losses on debt instruments are reversed through income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in income.

3.6 Financial liabilities

Financial liabilities are classified as financial liabilities held at amortised cost. Financial liabilities are recognised on the trade date at fair value plus directly attributable transaction costs. The Company determines the classification of its financial liabilities on initial recognition, when it becomes a party to the contract governing the instrument, according to the nature and purpose of the financial instrument.

Financial liabilities held at amortised cost

Trade and other payables

Trade and other payables are initially recognised at original invoice amount and are subsequently stated at amortised cost by applying the effective interest method. Trade and other payables are settled within 30 days and are interest free. Any gains on derecognition are recognised in income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where 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 income.

3.7 Foreign currencies

Transactions in foreign currencies are recorded at the prevailing exchange rates on the date of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Exchange differences arising on the settlement and translation of monetary items are included in income in the period in which they arise.

Notes to the Financial Statements

For the year ended 31 December 2010

3.8 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

3.9 Contingencies

In the event that there may ever be (1) possible obligations that arise from past events the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company or (2) present obligations of the Company that arise from past events where it is not probable that an outflow of economic benefits will be required to settle the obligation that arises from past events or where the amount of the obligation cannot be measured reliably, then a liability is not recognised in the Statement of Financial Position but rather disclosed in the notes to the financial statements.

Possible assets of the Company whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company are not recognised in the Statement of Financial Position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Notes to the Financial Statements

For the year ended 31 December 2010

4. TAXATION EXPENSE

	2010 R	2009 R
SA normal taxation		
- current year	**197 952 555**	158 188 050
- prior year over accrual	**(32 271)**	-
- capital gains taxation	**1 606 482**	-
Secondary tax on companies	**30 995 267**	38 903 159
	230 522 033	197 091 209
Reconciliation of taxation rate:	**%**	**%**
Standard taxation rate	**28.00**	28.00
Adjusted for:		
Exempt income	-	(0.05)
Realised gain on disposal of available-for-sale investments	**(0.49)**	-
Capital gains taxation	**0.22**	-
Secondary tax on companies	**4.31**	6.87
Effective taxation rate	**32.04**	34.82

The Company claimed inter group STC relief in terms of section 64B(5) of the Income Tax Act with respect to the dividend declared on the 25th of March 2010.

Recognised in other comprehensive income	**R**	R
Income taxation relating to components of other comprehensive income:		
Deferred taxation		
- Reclassification adjustments for gains included in comprehensive income	**1 636 164**	-
- Fair value adjustments on the available-for-sale investment	**23 433**	(14)
	1 659 597	(14)

5. AVAILABLE-FOR-SALE INVESTMENTS

It is not the policy of the Manager to maintain a trading stock of units.

	2010		2009	
	Cost **R**	**Fair value** **R**	Cost R	Fair value R
Allan Gray Balanced Fund				
- 0 units (2009: 273 855)	-	-	5 721 649	14 093 609
Allan Gray-Orbis Global Fund of Funds				
- 0 units (2009: 996 418)	-	-	9 355 677	13 646 045
	-	-	15 077 326	27 739 654

The available-for-sale investments consisted entirely of investments in the Funds, and therefore had no fixed maturity date or coupon rate. These were discretionary investments held by the Company to optimize the long-term return of the investment and were redeemed during the year under review.

Notes to the Financial Statements

For the year ended 31 December 2010

6. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010		2009	
	Cost R	Fair value R	Cost R	Fair value R
Allan Gray Balanced Fund - 7 298 units (2009: 0)	**386 017**	**406 656**	-	-
	386 017	**406 656**	-	-

The investment at fair value through profit or loss consists entirely of investments in the Funds, and therefore has no fixed maturity date or coupon rate.

7. TRADE AND OTHER RECEIVABLES

	2010 R	2009 R
Investment income due	**291 655**	142 542
Receivables from related parties - refer to note 15	**162 582 032**	172 004 173
Other receivables	**4 710 145**	9 453 956
Prepayments	**250 818**	115 381
	167 834 650	181 716 052

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

8. CASH AND CASH EQUIVALENTS

	2010 R	2009 R
First National Bank current account	**231 326**	162 288
First National Bank call account	**15 211 000**	73 418 360
	15 442 326	73 580 648

In terms of section 105 of CISCA, investments into and out of unit trust funds managed by the management company must be processed through trust bank accounts. These bank accounts belong to unitholders and therefore are not reflected in the Statement of Financial Position of the Manager. Unitholder cash awaiting investment at 31 December 2010 amounted to R23 197 577 (2009: R32 568 230).

9. SHARE CAPITAL AND SHARE PREMIUM

	2010 R	2009 R
Authorised		
3 000 000 ordinary shares of R1 each	**3 000 000**	3 000 000
Issued and fully paid		
1 000 060 ordinary shares of R1 each	**1 000 060**	1 000 060
Share premium account		
Arising on the issue of ordinary shares	**2 000 000**	2 000 000

Notes to the Financial Statements

For the year ended 31 December 2010

10. DEFERRED TAXATION

	2010 R	2009 R
Opening balance	**1 659 597**	1 659 583
- Reclassification adjustments for gains included in comprehensive income	**(1 636 164)**	-
- Fair value adjustments on the available-for-sale investment	**(23 433)**	14
Closing balance	**-**	1 659 597

The deferred taxation liability arose on the revaluation of the Company's available-for-sale investments based on capital gains since 1 October 2001. Deferred taxation was calculated using an inclusion rate of 50% and a taxation rate of 28% (resulting in an effective rate of 14%).

11. TRADE AND OTHER PAYABLES

	2010 R	2009 R
Payables to related parties - refer to note 15	**43 758 587**	60 644 171
Accruals and other payables	**20 473 332**	25 041 664
	64 231 919	85 685 835

Payables are interest free and are settled within 30 days.

12. CANCELLATION OF UNITS

The Company undertakes to repurchase units in accordance with the requirements of CISCA, and on terms and conditions set out in the Funds' trust deeds.

13. FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise:

- Investment at fair value through profit or loss: This investment consists of discretionary holdings in the Funds.
- Cash and cash equivalents: Cash arises from operating activities and is used to fund working capital requirements and distributions to the equity participant.
- Trade and other receivables: These arise from daily operations.
- Trade and other payables: These arise from daily operations.

The fair value through profit or loss investment is reviewed by the board periodically to ensure that it is consistent with the Company's risk strategy. Cash and cash equivalents are reviewed weekly and are invested to earn the most favourable interest rates. Trade and other payables and trade and other receivables arise from daily operations and are managed in such a way to achieve an operating cycle of not more than 30 days.

Notes to the Financial Statements

For the year ended 31 December 2010

13.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

At the reporting date, credit risk consisted principally of service fees due from the Funds, management fees due from Orbis and short-term cash deposits. Maximum credit exposure for these financial instruments is the carrying value per the Statement of Financial Position since all the balances are unsecured. The Funds and Orbis are both related parties of the Company (see note 15 for details). During the year, the Company deposited short-term cash surpluses with one of the major banks in the country and this institution is considered to be of high quality credit standing.

There has been no change in the Company credit risk management policy.

At 31 December 2010 the Company did not consider there to be any significant concentration of credit risk which needed to be provided for. All assets are considered to be of good credit quality. All financial assets disclosed in the financial statements are neither past due nor impaired.

13.2 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether the changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The investment at fair value through profit or loss consists of a discretionary holding in the Funds which is subject to market fluctuations. The actual risk and return profile of the investment is monitored and reviewed from time to time to ensure that it remains in line with the Company's risk appetite and long-term capital management framework.

The Company's price risk policy remains unchanged from previous years.

No sensitivity analysis has been prepared in respect of market movements as any reasonable variation is not expected to have a material impact on the financial results.

At 31 December 2010 the Company did not consider there to be any significant concentration of price risk.

13.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk on financial assets relates to cash and call instruments held as part of daily operations (see note 8 for details).

This interest rate risk is monitored by the Company to determine appropriate financial instrument allocations.

There has been no change in the interest rate risk management policies of the Company.

Interest rate risk analysis

All interest bearing instruments are subject to variable interest linked to the South Africa prime interest rate.

No sensitivity analysis has been prepared for the Company in respect of interest earned on cash and cash equivalents as any reasonable variation is not expected to have a material impact on the financial results as any significant cash balances held at year-end are distributed as a dividend.

13.4 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk as a result of foreign cash held.

Monitoring of the exchange rate takes place in order to ensure that currency risk, including the financial impact, is minimised at all times and that the amounts held remain appropriate for the Company's requirements and risk profile. Trade and other receivables include balances of US$16 344 172 (2009: US$8 776 541). Of this balance, US$8 525 094 (2009: US$5 334 714) was held in a local US dollar bank account on behalf of the Company and US$7 819 078 (2009: US$3 441 827) was receivable directly from Orbis.

The following table illustrates the effect on profit before taxation of reasonable possible changes in exchange rates, with all other variables held constant. The actual results may differ from the sensitivity analysis and the difference could be material:

Notes to the Financial Statements

For the year ended 31 December 2010

% rate change	2010 Rm	2009 Rm
+-5	5.4	3.2
+-10	10.8	6.5
+-20	21.6	12.9

13.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk arises primarily from trade and other payables, which arise from daily operations. These liabilities are settled on 30 day terms. The Company actively manages its liquidity risk by continuously assessing its projected cash outflows and considering the level of liquid assets necessary in relation thereto. The Company's liquidity risk is further managed by holding financial assets for which there is a liquid market and by holding sufficient deposits at a recognised financial institution to meet any upcoming negotiated liquidity requirements. There has been no change in the liquidity risk management policy.

The undertaking of the Company to repurchase units in accordance with the requirements of CISCA and on terms and conditions set out in the Funds' trust deeds exposes the Company to liquidity risk. This risk is mitigated by stringent cash management and capacity for substantial banking facilities at the reporting date. The Funds in aggregate have an overdraft facility of R1 billion with First National Bank. This facility is subject to regulatory limits on the borrowing of collective investments schemes in terms of CISCA. None of the funds were in overdraft at 31 December 2010.

13.6 Capital adequacy risk

CISCA requires that a manager must, on an ongoing basis, maintain in liquid form the capital for the matters and risks determined by the Registrar of Collective Investment Schemes (the 'Registrar'). Notice 2072 of 2003 prescribes the calculation of the capital required and requires that a calculation of the capital position as at the last business day of each calendar month, be submitted to the Registrar within 14 business days after the end of such calendar month.

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

The basic capital component is the greater of R600 000 or a sum equivalent to 13 weeks of the Manager's fixed cost calculated as the previous financial year's fixed costs divided by four. At 31 December 2010 this capital requirement was R60 715 477.

The requirement that seed capital of R1 million be invested by the Manager does not apply as the prescribed amount of R1 million may be reduced by 10% for every R1 million invested by investors (independent from the manager) in a portfolio. At 31 December 2010, the Manager did not have any investments held as seed capital.

Position risk capital is a sum equivalent to a percentage (10% for a money market portfolio, 15% for an income portfolio and 25% for all other portfolios) of the amount paid by the Manager for units in a portfolio administered by itself.

The Company satisfied the capital requirements and its reporting obligations under Notice 2072 of 2003. The quantum of dividends declared during the year was limited to the liquid resources of the Company as calculated in accordance with the capital adequacy requirements stipulated by Notice 2072 of 2003.

13.7 Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. As a result, all investments held at fair value are classified as 'Level 1' in the fair value hierarchy as set out in IFRS 7 Financial instruments: disclosure. Loans and receivables are held for periods not exceeding a year and these are usually held for the instruments' entire life, meaning that the carrying amount of these instruments closely approximates the fair value.

The directors are of the opinion that the carrying amount of all remaining financial instruments approximates the fair value in the Statement of Financial Position as these balances are due within 30 days.

14. CAPITAL MANAGEMENT STRATEGY

The Company's capital structure comprises its share capital and share premium. The Company's capital strategy is based on changing economic conditions in order to provide maximum benefit to equity participants.

Notes to the Financial Statements

For the year ended 31 December 2010

The Company does not have any target gearing ratio and instead focuses on determining the most efficient use of surplus funds. Changes in operations are traditionally funded from the Company's retained earnings.

15. RELATED PARTIES

Relationships exist between Allan Gray Unit Trust Management Limited, its holding company Allan Gray Limited ('AGL'), fellow subsidiaries Allan Gray Investment Services Limited ('AGIS') and Allan Gray Life Limited, the Funds, the Allan Gray Orbis Foundation and Orbis. All transactions with related parties are conducted at arm's length and terms are not more favourable than those arranged with third parties. Settlement terms are within two weeks of receipt of the invoice.

Transactions with the holding company

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

Fees charged by AGL for all services rendered during the year amounted to R361.4 million (2009: R343.3 million). The balance owed by Allan Gray Unit Trust Management Limited to AGL as at 31 December 2010 is R31.2 million (2009: R49.9 million).

Dividends paid to AGL amounted to R582 million during the year (2009: R390 million).

Payments to Allan Gray Investment Services Limited

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

The Company pays AGIS a monthly fee, based on funds invested in bulk by AGIS clients and those investing via the endowment and retirement products administered by the AGIS platform. Total fees incurred during the year amounted to R138.2 million (2009: R107.6 million). The balance owed by the Company to AGIS at 31 December 2010 was R12.6 million (2009: R10.7 million).

Allan Gray Orbis Foundation

The Company has, as part of the Group's initiative to social upliftment and black empowerment, made a commitment to donate 5% of its annual pre-tax income to deserving social causes. To this end, the Company made a contribution of R37.5 million (2009: R29.7 million) to the Allan Gray Orbis Foundation in 2010.

Mahesh Cooper, who during the year served as a director of the Company, serves as Trustee of the Allan Gray Orbis Foundation.

Allan Gray Unit Trust Funds

The Company earns a management fee for managing and administering the Funds. Management fees per fund may be performance-based or fixed. As a consequence of the performance fee orientation, management fees will typically be higher following periods where the Funds' total investment performance (income plus capital appreciation) has outperformed their respective benchmarks and lower in the case of underperformance.

Below is a summary of the management fees earned by the Company during the year and the amounts owing by the Funds to the Company as at 31 December 2010:

Notes to the Financial Statements

For the year ended 31 December 2010

	VAT exclusive balances			
	Management fees earned		Amounts receivable from the Funds	
	2010	2009	**2010**	2009
	R	R	**R**	R
Allan Gray Equity Fund	**543 636 063**	457 542 404	**16 252 244**	42 448 931
Allan Gray Balanced Fund	**408 862 370**	356 011 227	**17 234 233**	36 247 771
Allan Gray Stable Fund	**284 220 909**	233 766 597	**15 728 308**	23 849 544
Allan Gray Optimal Fund	**31 533 675**	24 024 476	**2 614 416**	2 375 761
Allan Gray Bond Fund	**919 089**	555 411	**65 067**	101 588
Allan Gray Money Market Fund	**20 792 350**	24 011 931	**1 738 335**	1 800 420
	1 289 964 456	1 095 912 046	**53 632 603**	106 824 015

Allan Gray Life Limited

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

Orbis Investment Management Limited

A related party relationship exists between the Allan Gray group of companies and Orbis by virtue of a common shareholder with significant influence. Allan Gray Unit Trust Management Limited earns service fees in respect of the Orbis products approved in terms of Section 65 of CISCA.

Service fees of R106.2 million (2009: R87.4 million) were earned during the year. The fees are received by Allan Gray Group Limited, the ultimate holding company, in a local US dollar denominated bank account. At 31 December 2010 the outstanding balance due from Allan Gray Group Limited was R56.4 million (2009: R39.3 million) and the balance due from Orbis was R51.8 million (2009: R25.4 million).

Notes to the Financial Statements

For the year ended 31 December 2010

Directors' fees

As mentioned before, the Company has appointed its holding company as investment manager of the Funds and to undertake certain company administrative and marketing functions and the day-to-day administration of the Funds. This service entails having certain of the holding company's employees serving on the board of directors from time to time. Messrs J C de Lange, J Marais, R Formby (executive directors), M Cooper, I S Liddle, E D Loxton and R W Dower (non-executive directors) were all employed by the holding company and were directors of the Company during the year. Below is an analysis of attributable amounts paid to them by the holding company, and recovered by the holding company, for time spent on Allan Gray Unit Trust Management Limited's activities during the year:

	2010 R	2009 R
Payments to executive directors:		
Cash salary	2 214 311	2 264 712
Medical aid contributions	62 698	71 682
Group life and disability benefit	17 564	14 448
Retirement annuity contribution	129 201	54 092
Bonuses and performance-related payments	1 207 289	165 479
Share-based payment	7 602 056	4 366 489
	11 233 119	6 936 902
Payments to non-executive directors:		
Cash salary	216 322	648 155
Medical aid contributions	7 338	10 854
Group life and disability benefit	1 318	2 811
Retirement annuity contribution	6 783	27 215
Share-based payment	641 732	1 280 469
	873 493	1 969 504
	12 106 612	8 906 406
IAS24 disclosure		
Short-term employee benefits	11 970 628	8 825 100
Post-employment benefits	135 984	81 306
	12 106 612	8 906 406

Notes to the Financial Statements

For the year ended 31 December 2010

16. NOTES TO THE STATEMENT OF CASH FLOWS

	2010 R	2009 R
16.1 Operating profit before working capital changes		
Profit before taxation	719 327 207	565 925 731
Adjustments for:		
Unrealised gain on the investment at fair value through profit or loss	(20 639)	-
Interest income	(15 082 907)	(15 275 972)
Dividend income	(101 234)	(968 409)
Realised gain on disposal of available-for-sale investments	(12 494 948)	-
	691 627 479	549 681 350
16.2 Working capital changes		
Decrease / (increase) in trade and other receivables	13 881 402	(1 834 828)
Decrease in trade and other payables	(21 453 916)	(56 701 549)
	(7 572 514)	(58 536 377)
16.3 Taxation paid		
Amount receivable at the beginning of the year	(31 344 764)	(27 189 152)
Amount charged through income	230 522 033	197 091 209
Amount receivable at the end of the year	3 386 416	31 344 764
Amount paid	202 563 685	201 246 821

Legal Notes

Collective Investment Schemes (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may change in line with market movements. Past performance is not necessarily a guide to the future. Fluctuations or movements in exchange rates may also cause the value of underlying international investments to change.

Performance data is based on a lump sum investment calculated on a net asset value (NAV) to NAV basis where distributions may be reinvested for certain classes of funds.

Collective Investment Schemes may borrow up to 10% of the market value of the portfolio where insufficient liquidity exists in a portfolio, or where assets cannot be realised to repurchase, or cancel participatory interests.

Minimum investment amounts may be raised in the future at the discretion of the Manager.

Units are priced using the forward pricing method

Investment, withdrawals and switching instructions received after 14:00 on any day shall be processed on the following day (excluding weekends and public holidays) at the value of the units on the day that the instruction is processed. Please refer to the relevant Terms and Conditions on the relevant application form. Collective Investment Schemes valuations take place at approximately 16:00 each business day.

Units will be repurchased by the Manager at the ruling price, according to the requirements of the Collective Investment Schemes Control Act No. 45 of 2002 and in line with the Terms and Conditions set out in the relevant deed, and paid to the investor.

The Allan Gray Money Market Fund aims to maintain a constant price of 100 cents per unit. The total return to the investor is primarily made up of interest received but may also include any gain or loss made on any particular instrument held. In most cases this will have the effect of increasing or decreasing the daily yield, but in some cases, for example in the event of a default on the part of an issuer of any instrument held by the fund, it can have the effect of a capital loss. Such losses will be borne by the Allan Gray Money Market Fund and its investors and in order to maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses.

Different classes of units are subject to different fees and charges

Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Commissions may be paid and if so, would be included in the overall costs. Different classes of units apply to the Allan Gray Equity, Balanced, Stable and Optimal Funds only and are subject to different fees and charges. A detailed schedule of fees and charges and maximum commissions is available on request from the management company. A fund of funds unit trust may only invest in other unit trusts, which levy their own charges. This could result in a higher fee structure for these Funds. Permissible deductions from the total portfolio may include bank charges, trustee/custodian fees, auditor's fees, manager's annual management fee, securities transfer tax (STT) and brokerage fees.

Unit trusts may be capped to allow them to stick to their mandates

All of the unit trusts except the Allan Gray Money Market Fund may be closed at any time. This is to allow them to be managed according to their mandates.

Initial adviser fees

The buying price of units may include an initial adviser fee of up to a maximum of 3.42% (3% plus VAT) of the investment amount. This fee is not compulsory and is negotiated independently between the unitholder and the financial adviser.

FTSE/JSE

The FTSE/JSE Africa Index Series is calculated by FTSE International Limited ('FTSE') in conjunction with the JSE Limited ('JSE') in accordance with standard criteria. The FTSE/JSE Africa Index Series is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE Africa Index Series index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

Allan Gray Unit Trust Management Limited

Allan Gray Unit Trust Management Limited is a member of the Association for Savings and Investment SA (ASISA) in South Africa. Allan Gray Limited, an authorised financial services provider, is the appointed investment manager of Allan Gray Unit Trust Management Limited.

Tax notes

Institutional investors should note that, compared to retirement funds, unit trusts operate under different tax rules. While unit trusts are in practice not taxed, they do not enjoy automatic tax exemption and any taxable income earned is taxable in the hands of investors.

A transfer of units to another legal entity or natural person may result in a payment of Capital Gains Tax (excluding transfers from the Allan Gray Money Market Fund).

Communication with investors

Statements are sent to all unitholders on a quarterly basis. In addition, confirmations are sent on a transaction basis (excluding debit orders).

Copies of the audited annual financial statements of the Manager and of the unit trusts it manages are available, free of charge, on request by any investor.

MANAGEMENT COMPANY

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DIRECTORS

Executive Directors
R Formby B Sc (Eng) MBA
J C Marais BSc

Non-executive Directors
R W Dower B Sc (Eng) MBA
E D Loxton B Com (Hons) MBA (Chairman)
J W T Mort BA LLB (Independent)

COMPANY SECRETARY

T J W Molloy B Com (Hons) CA (SA)

INVESTMENT MANAGER

Allan Gray Limited is an authorised financial services provider.

TRUSTEE

First National Bank, a division of FirstRand Bank Limited
PO Box 7713 Johannesburg 2000
South Africa

AUDITORS

Ernst & Young Inc.

Allan Gray Unit Trust Management Limited is a member of the
Association for Savings & Investment SA (ASISA)