

1 PREPARATION AND ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act and the Collective Investment Schemes Control Act. KPMG Inc. has audited the final financial information set out in this report. Their unqualified audit report is available for inspection at the Fund's registered office.

2 TOTAL DISTRIBUTION

Capital's total distribution for the twelve months ended 31 December 2006 amounted to 37,15 cents per unit (2005 – 34,53 cents). This was divided between the interim distribution of 18,13 cents for the six months ended 30 June 2006, (2005 – 16,52 cents) and the final distribution of 19,02 cents for the six months ended 31 December 2006 (2005 – 18,01 cents). The total distribution represents growth of 7,6% over the distribution for the year ended 31 December 2005.

3 PORTFOLIO COMMENTARY

Introduction

In 2004, the board of directors resolved to reposition Capital to be a robust, quality growth fund. The decision necessitated aggressive changes to Capital's property portfolio. Although this process was facilitated by a strong property market, the bulk of the properties sold were at higher yields than new acquisitions. As a result, growth in distributions for the 2006 financial year was limited to 7,6%.

The restructuring process has largely been completed and Capital is now well positioned for growth. Further planned sales are not expected to be yield dilutionary. The process has resulted in a reduction in the number of smaller properties and the sale of older properties. Strategic properties such as 2 Long Street in Cape Town have however, been retained. The portfolio is now focused on large, corporate tenanted rather than multi-tenanted properties. This places Capital in a strong position to weather any downturn in the property cycle.

Trading conditions in all sectors and geographies of the Capital portfolio remain positive. The retail centres are participating in the current boom and the industrial space is fully let. While the office market has been softer, office buildings in well-located growth nodes, such as Cape Town, have been improving steadily resulting in a significant decrease in the vacancies in the office portfolio.

The total value of Capital's property portfolio at year end was R2,28 billion, an increase of R825 million over the 2005 value. This increase includes a revaluation of

R408 million, acquisitions of R494 million and disposals of R83 million. This resulted in the number of properties in the portfolio increasing from 65 to 86.

At the end of December 2006, the sectoral spread of the portfolio by value was 43% offices, 24% retail and 33% industrial properties. Geographically 55% are located in Gauteng, 29% in the Western Cape, 9% in KwaZulu-Natal with the balance in the Eastern Cape, Limpopo and Free State.

Vacancies at 31 December 2006

Vacant space in the portfolio at the end of 2006 equated to 1% of the total floor area, down from 3% in the previous year.

Property acquisitions and initiatives in 2006

Capital acquired the following properties in 2006:

- Capricorn Plaza, Thohoyandou, in Limpopo Province was acquired for the purchase price of R19 million at a yield in excess of 11%. The retail centre is anchored by national tenants and adjoins Mutsindo Mall and Resilient's Mvusuludzo Mall.
- The Fedbond portfolio of 28 properties was acquired for R320 million with an effective date of 1 November 2006. Transfer of nine properties totalling R164,5 million had occurred by 31 December 2006.
- The Medscheme offices in Constantia Kloof were acquired with an effective date of 1 December 2006 for an amount of R74,7 million at a yield that was neutral to the Fund. The building has a long lease with 11% rental escalations, which bodes well for future growth.
- The four industrial units in Corporate Park North were completed during the year and were valued at R47,5 million against a cost of R34,6 million.

The Midrand industrial joint venture development consisting of 38 hectares of prime industrial land with highway frontage is continuing. The installation and construction of services and roads, as well as the boundary fence has commenced and new lettings have begun. A twelve year lease on a building of approximately 10 000 m² has been concluded with a multi-national corporate tenant.

Ten properties were disposed of and transferred during the course of 2006 for a total value of R82,9 million as part of the divestment by Capital of non-strategic properties.

Sale agreements for the disposal of five properties, to the value of R157,9 million, were concluded but not yet transferred as at 31 December 2006, due to certain conditions precedent still outstanding.

Extensions and refurbishments

Capital commenced or completed various construction and refurbishment projects during 2006:

2 Long Street, Cape Town

The construction of additional parking through the conversion of the two lower levels of offices to parking was completed in October 2006. This has increased the parking ratio by 50%. In addition, the lobbies in the building have been refurbished and the ground floor reception and retail areas were reconfigured. The total cost was R18 million.

West Street, Durban

R5 million was spent on the redevelopment of the property. Escalators were installed to create first floor retail space, that will be occupied by Ackermans until 2012. The work was completed in April 2006 and Ackermans has reported exceptional trading in the store. The value of this property has increased from R15,3 million to R35,8 million.

4 PORTFOLIO VALUATION

The portfolio was valued by Peter Parfitt of Quadrant Property Group, Professional Associated Valuer. Dip Val MIV (SA) Registration No: 2712/2. Properties for which agreements of sale were concluded were valued at net disposal price and those acquired towards the end of the year were valued at acquisition price.

The portfolio value was R2,28 billion as at 31 December 2006.

5 STRATEGY AND OUTLOOK

The management team has further refined Capital's strategy to focus on industrial and office properties and this has been partly achieved by the purchase of the Fedbond portfolio. This portfolio based on valuation is 49% industrial, 34% offices with a small retail component of 17% and the geographic spread is 89% Gauteng, 6% Western Cape and 5% KwaZulu-Natal, which management believes will provide major upside in terms of growth in the future. The Fedbond portfolio is fully let and has a good lease expiry profile.

From a macro-economic point of view, the outlook for 2007 is encouraging with business confidence at all time highs, and strong demand for space in the industrial and office sectors.

Building costs are likely to increase well above inflation, and property-related skills will be at a premium, as the effect of government spending and infrastructure expansion projects is felt. This will affect the viability of future developments and put further upward pressure on rentals in existing space.

The Capital portfolio is well-positioned to take advantage of this rental growth in its existing portfolio, which is mainly located in the growth nodes of the Western Cape, Gauteng and KwaZulu-Natal. Further, Capital's sectoral weighting has captured much of the growth in all three sectors, though the retail sector has been particularly buoyant over the last four years. Going forward, Capital

will focus on offices and industrial properties which are likely to outperform for the foreseeable future.

Capital will also continue to partner with developers who have proven their abilities in their specific sectors. The benefits of greenfield developments are apparent in the existing portfolio and Capital will continue to embark on such projects during this stage of the property cycle.

Management expects 2007 to be a solid year for growth in returns for unitholders and portfolio enhancements for Capital.

6 INCOME DISTRIBUTION


Notice is hereby given that a cash distribution of 19,02 cents per unit ("the distribution") has been declared payable to the unitholders recorded in the books of Capital at the close of business on the record date, Friday, 23 February 2007. Unitholders are advised that the last day to trade "cum" the distribution will be Friday, 16 February 2006. The units will trade "ex" the distribution as from Monday, 19 February 2007. Payment will be made on Monday, 26 February 2007. Unit certificates may not be dematerialised or rematerialised during the period Monday, 19 February 2007 to Friday, 23 February 2007, both days inclusive.

By order of the Board

Johannesburg
31 January 2007

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006
DISTRIBUTION DECLARATION


The directors of Property Fund Managers Limited, the management company of Capital, announce that the final audited consolidated results of the Fund for the year ended 31 December 2006 are as follows:



CPF

Capital Property Fund

Managed by Property Fund Managers Ltd



ABRIDGED CONSOLIDATED INCOME STATEMENTS

	Audited Year ended 31 December 2006 R000	Audited Year ended 31 December 2005 R000
Recoveries and contractual rental income	238 010	224 836
Straight-lining of rental income	3 463	7 663
Total income	241 473	232 499
Expenditure	(78 745)	(81 238)
Operating profit	162 728	151 261
Net financial charges	(15 160)	(11 186)
– Financial charges	(16 378)	(12 403)
– Financial income	1 218	1 217
	147 568	140 075
Revaluation of investment property	404 912	326 506
Profit on disposal of investment property	4 496	6 972
Profit before taxation	556 976	473 553
Income tax expense	–	–
– Deferred capital gains taxation	(19 775)	(16 622)
Profit for the year	537 201	456 931
RECONCILIATION OF PROFIT FOR THE YEAR TO HEADLINE EARNINGS AND AMOUNT AVAILABLE FOR DISTRIBUTION		
Profit for the year	537 201	456 931
Transfer to revaluation reserve	(385 137)	(309 884)
Transfer to trust capital	(4 496)	(6 972)
Headline earnings	147 568	140 075
Straight-lining of rental income adjustment	(3 463)	(7 663)
Fair value adjustment of interest rate swaps	1 729	–
Amount available for distribution	145 834	132 412
<i>There are no dilutionary instruments in issue</i>		
Units in issue	401 234 900	383 449 186
Weighted number of units in issue	392 342 043	383 449 186
Headline earnings per unit (cents)	37,61	36,53
Basic earnings per unit (cents)	136,92	119,16
Profit distribution per unit (cents)	37,15	34,53
Net asset value per unit (cents)	434	334

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Transfer secretaries Computershare Investor Services 2004 (Proprietary) Limited 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)

Share code CPL ISIN ZAE00001731 ("Capital" or "the Fund" or "the Group")

ABRIDGED CONSOLIDATED BALANCE SHEETS

	Audited Year ended 31 December 2006 R000	Audited Year ended 31 December 2005 R000
Assets		
Non-current assets		
Investment property	2 124 165	1 409 281
Current assets	175 579	79 787
– Investment property held for sale	157 915	48 202
– Trade and other receivables	17 504	31 495
– Cash on deposit	160	90
Total assets	2 299 744	1 489 068
Unitholders' interest and liabilities		
Unitholders' interest	1 743 089	1 279 895
Non-current liabilities	255 680	94 260
– Interest-bearing borrowings	212 686	71 041
– Deferred taxation	42 994	23 219
Current liabilities	300 975	114 913
– Trade and other payables	284 327	105 235
– Bank overdraft	16 648	9 678
Total unitholders' interest and liabilities	2 299 744	1 489 068

PROFIT DISTRIBUTIONS

	2006	2005
Amount available for distribution per unit (cents)	37,15	34,53
Distribution per unit (cents)	37,15	34,53
– Interim	18,13	16,52
– Final	19,02	18,01

The final distribution of 19,02 cents, being number 47 for Capital Property Fund, has been declared in respect of the income distribution period 1 July 2006 to 31 December 2006.

CAPITAL COMMITMENTS

	2006	2005
Authorised and contracted	134 920	73 807
Authorised and not yet contracted	1 300	712

ABRIDGED CONSOLIDATED CASH FLOW STATEMENTS

	Audited Year ended 31 December 2006 R000	Audited Year ended 31 December 2005 R000
Net cash retained from operating activities	191 353	4 506
Net cash (outflow)/inflow from investing activities	(411 725)	95 418
Net cash inflow/(outflow) from financing activities	213 472	(107 535)
Net decrease in cash and cash equivalents	(6 900)	(7 611)
Cash and cash equivalents at beginning of the year	(9 588)	(1 977)
Cash and cash equivalents at the end of the year	(16 488)	(9 588)

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' INTEREST

	2006	2005
Capital of Trust	909 060	832 737
Balance at beginning of the year	832 737	825 765
Issue of units	71 827	–
Profit on disposal of investment property	4 496	6 972
Revaluation reserve	805 723	422 315
Balance at beginning of the year	422 315	112 431
Transfer from distributable reserve	383 408	309 884
Undistributed income	28 306	24 843
Balance at beginning of the year	24 843	17 180
Profit for the year	537 201	456 931
Net transfers to trust capital and revaluation reserve	(387 904)	(316 856)
Profit distributions	(145 834)	(132 412)
Total unitholders' interest	1 743 089	1 279 895

SEGMENTAL INFORMATION

	Retail R000	Offices R000	Industrial R000	Corporate R000	Total R000
Total income					
2006	64 741	98 982	74 932	2 818	241 473
2005	70 965	86 397	75 137	–	232 499
Profit for the period					
2006	157 623	234 856	189 106	(44 384)	537 201
2005	177 385	163 270	155 177	(38 901)	456 931