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## DEFINITIONS



**“Absa” or “Absa Bank”**

Absa Bank Limited, who act as trustees for Capital.

**“Capital” or “Fund” or “Trust”**

Capital Property Fund, a portfolio in the Capital Property Trust Scheme, a collective investment scheme in property registered with the Financial Services Board.

**“Companies Act”**

The Companies Act of South Africa.

**“Collective Investment Schemes Control Act”**

The Collective Investment Schemes Control Act, 45 of 2002, the current act regulating property and other unit trusts.

**“Finlay”**

Finlay-Stevens Retail (Proprietary) Limited, who act as property managers on a portion of Capital’s property portfolio.

**“Group”**

Capital Property Fund, its subsidiaries and associate.

**“JHI”**

Gensec Property Services (Proprietary) Limited, trading as JHI, who act as property managers on the majority of Capital’s property portfolio.



**“Nepi”**

New Europe Property Investments plc, a property fund listed on AIM, the alternative market of the London Stock Exchange, and ALTX, the alternative exchange of the JSE.

**“Pangbourne”**

Pangbourne Properties Limited, a property loan stock company.

**“Prominent”**

Promprops cc trading as Prominent Properties, who acts as property managers on a portion of Capital’s property portfolio.

**“Property Unit Trust” or “PUT”**

A property unit trust regulated by the Collective Investment Schemes Control Act.

**“Property Fund Managers” or “PFM”**

Property Fund Managers Limited, the management company appointed to manage Capital in terms of the Collective Investment Schemes Control Act and the trust deed dated 17 December 2003.

**“Resilient”**

Resilient Property Income Fund Limited, a property loan stock company.

**“Unit Trust Control Act”**

The Unit Trust Control Act, 54 of 1981, the previous act regulating property and other unit trusts.

## FUND PROFILE



Capital is a property unit trust established in June 1984 in terms of the Unit Trust Control Act and is one of the original South African Property Unit Trusts (PUTs).



The Trust is obliged to distribute all its net rental income to unitholders. The nature of the income distribution means that Capital is exempt from income tax and is also not liable for capital gains tax at trust level. The tax is payable in the hands of the recipient unitholders. Unitholders' overall returns are calculated on the aggregate of the increase in the capital value of the units and the distribution payable to unitholders every six months.

# BOARD OF DIRECTORS



**WILLY ROSS (64)**

**INDEPENDENT NON-EXECUTIVE CHAIRMAN CTA, CA(SA)** | Willy commenced his merchant banking career with the Nedbank Group in 1974 in corporate finance. He later became involved in project and structured finance and private equity. At the time of the delisting of Nedcor Investment Bank, he was an executive director responsible for infrastructure, project and structured finance, private equity and risk and legal. Willy retired after 30 years' service with the Nedbank Group and he now serves on the boards of a number of listed and unlisted companies.



**ANDREW TEIXEIRA (42)**

**MANAGING DIRECTOR BSC (QS)** | Andrew started his career in his own construction company. He then joined JHI Real Estate in 1993 in their property management division. He was appointed as the director responsible for property management nationally in 2002. Andrew has 19 years' experience managing commercial, retail and industrial property.



**RUAL BORNMAN (32)**

**EXECUTIVE DIRECTOR CA(SA)** | Rual started his career with KPMG in financial services auditing. In 2003 he joined Stanlib where he was involved in management reporting, accounting and system integration. He then joined a software development firm implementing reconciliation systems at Stanlib, before being employed by Resilient in 2005.



**ROWLAND CHUTE (56)**

**INDEPENDENT NON-EXECUTIVE DIRECTOR BCOM, MBL AND A POSTGRADUATE DIPLOMA IN LAW** | Rowland spent over 30 years with Old Mutual in the asset management business as an executive director, both in South Africa and a number of other African countries. He was an executive director of Old Mutual Properties (Proprietary) Limited and Old Mutual Asset Managers (Proprietary) Limited.



**JORGE DA COSTA (54)**

**INDEPENDENT NON-EXECUTIVE DIRECTOR (PORTUGUESE CITIZEN)** | Jorge has been in the property industry for the past 28 years and is a founding director of Improvon Property Group, developers of prime industrial properties across South Africa.



**DES DE BEER (49)**

**EXECUTIVE DIRECTOR BPROC, MAP |**

Des spent most of his career with the Nedbank Group, initially in property finance and later in private equity. Des is managing director of Resilient and a director of Pangbourne, Fortress Income Fund Limited and Nepi.



**ANDRIES DE LANGE (36)**

**EXECUTIVE DIRECTOR CA(SA), CFA |**

After gaining experience at the Industrial Development Corporation of South Africa Limited and Nedbank in private equity and debt and equity restructurings, Andries joined the Resilient group in 2004.



**PROTAS PHILI (35)**

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**BCOM, CTA, MCOM (TAXATION), CA(SA) |** Protas was previously a director in the corporate finance and transactions division of the Department of Public Enterprises, non-executive director of Rand Merchant Bank and WesBank and national taxation committee member of the South African Institute of Chartered Accountants. Protas is currently a director of April 27 Corporate Finance (Proprietary) Limited, Veterans Capital (Proprietary) Limited and also serves on the audit and risk committees of Aventura Holiday Resorts Limited, Mogale City Municipality, Safety and Security Setra and Wholesale and Retail Setra.



**BARRY STUHLER (52)**

**NON-INDEPENDENT NON-EXECUTIVE DIRECTOR BCOM, BACC, CA(SA) |**

Barry has widespread financial and property experience. While employed by Hill Samuel Merchant Bank, he was responsible for management of the part bond scheme and the gilt fund. Barry was previously the financial director of Integrated Property Resources Limited and managing director of Intaprop Management Services (Proprietary) Limited. In 1994, Barry and a partner founded Inline Properties (Proprietary) Limited, a property management and corporate property advisory company. Barry is managing director of Pangbourne.



**TSHIAMO DAPHNE VILAKAZI (45)**

**INDEPENDENT NON-EXECUTIVE DIRECTOR BA (SW), LLB, CERTIFICATE IN MINING PROSPECTING (SA) |**

Tshiamo is a practicing attorney, conveyancer and notary public. She is a legal consultant to Gauteng Provincial Government and Department of Housing. She is also a member of the Housing Advisory Panel of North West Provincial Government, Department of Housing and has been in practice for 15 years.



**TRACEY VISSER (49)**

**EXECUTIVE DIRECTOR |**

Tracey has been involved in property for over 20 years and has held various property-related positions at Stocks & Stocks and V&A Waterfront. Tracey was an asset manager with Old Mutual Properties (Proprietary) Limited prior to joining PFM.

## ATTENDANCE AT BOARD AND SUBCOMMITTEE MEETINGS

<b>Attendance at board meetings</b>	<b>Scheduled</b>	<b>Attended</b>
Willy Ross (chairman)	5	5
Andrew Teixeira	5	5
Rual Bornman*	2	2
Rowland Chute	5	5
Jorge da Costa	5	5
Des de Beer	5	5
Andries de Lange	5	5
Protas Phili	5	5
Barry Stuhler	5	5
Tshiamo Vilakazi	5	5
Tracey Visser	5	4

*\*Rual Bornman was appointed to the board with effect from 29 June 2009*

<b>Attendance at audit and risk committee meetings</b>	<b>Scheduled</b>	<b>Attended</b>
Protas Phili (chairman)	4	4
Rowland Chute	4	4
Tshiamo Vilakazi	4	4

<b>Attendance at investment committee meetings</b>	<b>Scheduled</b>	<b>Attended</b>
Rowland Chute (chairman)	3	3
Andrew Teixeira	3	3
Jorge da Costa	3	3
Des de Beer	3	3

# ANALYSIS OF UNITHOLDERS AND UNIT TRADING

## UNITHOLDER SPREAD AT 31 DECEMBER 2009 AS DEFINED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

	<b>Number of unitholders</b>	<b>Number of units held</b>	<b>Percentage of issued units</b>
Public	3 426	372 625 312	51,9%
Non-public	24	316 887 478	44,2%
Directors and employees	36	28 065 269	3,9%
	<b>3 486</b>	<b>717 578 059</b>	<b>100,0%</b>

<b>Size of holding</b>	<b>Number of unitholders</b>	<b>Number of units held</b>	<b>Percentage of issued units</b>
up to 2 500 units	1 577	806 088	0,1%
2 501 to 10 000 units	804	4 861 276	0,7%
10 001 to 100 000 units	813	26 592 526	3,7%
100 001 to 1 000 000 units	202	63 634 788	8,9%
1 000 001 to 3 500 000 units	56	108 198 106	15,1%
More than 3 500 000 units	34	513 485 275	71,5%
	<b>3 486</b>	<b>717 578 059</b>	<b>100,0%</b>

<b>Registered unitholders owning 5% or more of issued units</b>	<b>Number of units held</b>	<b>Percentage of issued units</b>
Resilient Property Income Fund	176 500 000	24,6%
	<b>176 500 000</b>	<b>24,6%</b>

<b>Control of more than 5% of issued units</b>	<b>Number of units controlled</b>	<b>Percentage of issued units</b>
Resilient	176 500 000	24,6%
STANLIB	140 387 478	19,6%
Investec	108 813 942	15,2%
Old Mutual	58 678 938	8,2%
	<b>484 380 358</b>	<b>67,6%</b>

# ANALYSIS OF UNITHOLDERS AND UNIT TRADING

(CONTINUED)

## BENEFICIAL UNITHOLDING OF DIRECTORS AND OFFICERS

<b>At 31 December 2009</b>	<b>Direct holding</b>	<b>Indirect holding</b>	<b>Total units held</b>	<b>Percentage of units issued</b>
Rual Bornman	100 000	–	100 000	0,0%
Andrew Teixeira	–	1 156 000	1 156 000	0,2%
Andries de Lange	2 661 363	452 350	3 113 713	0,4%
Barry Stuhler	1 624 927	8 071 499	9 696 426	1,4%
Des de Beer	–	5 606 898	5 606 898	0,8%
Jorge da Costa	–	422 765	422 765	0,1%
	<b>4 386 290</b>	<b>15 709 512</b>	<b>20 095 802</b>	<b>2,9%</b>

<b>At 31 December 2008</b>	<b>Direct holding</b>	<b>Indirect holding</b>	<b>Total units held</b>	<b>Percentage of units issued</b>
Rual Bornman	100 000	–	100 000	0,0%
Andrew Teixeira	–	1 000 000	1 000 000	0,2%
Andries de Lange	2 661 363	352 350	3 013 713	0,5%
Barry Stuhler	1 624 927	7 040 570	8 665 497	1,4%
Des de Beer	–	3 969 059	3 969 059	0,7%
Jorge da Costa	–	226 600	226 600	0,0%
	<b>4 386 290</b>	<b>12 588 579</b>	<b>16 974 869</b>	<b>2,8%</b>

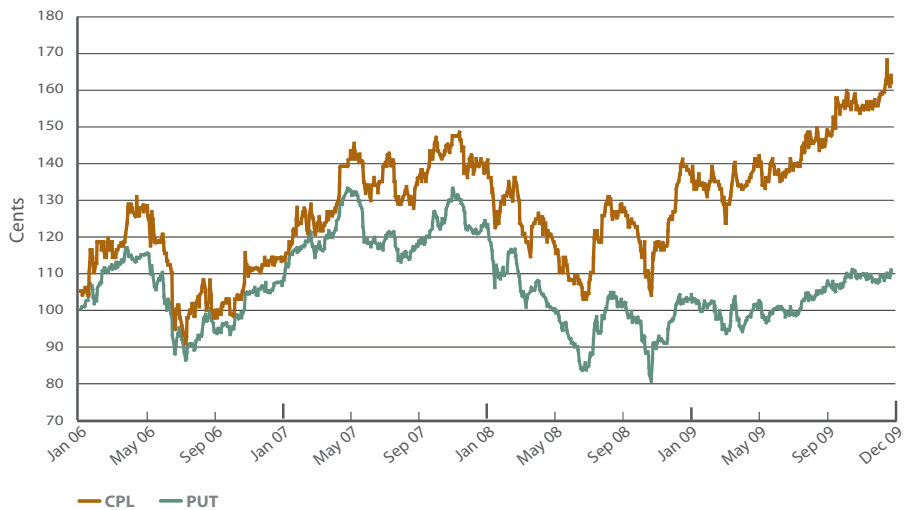
The unitholding of directors and officers has not changed between the end of the financial year and the date of this financial report.

## CLOSING PRICE



Closing price	Cents
2005	432
2006	479
2007	604
2008	595
2009	710

## CAPITAL VS PUT INDEX (INDEXED TO 100 ON 1 JANUARY 2006)

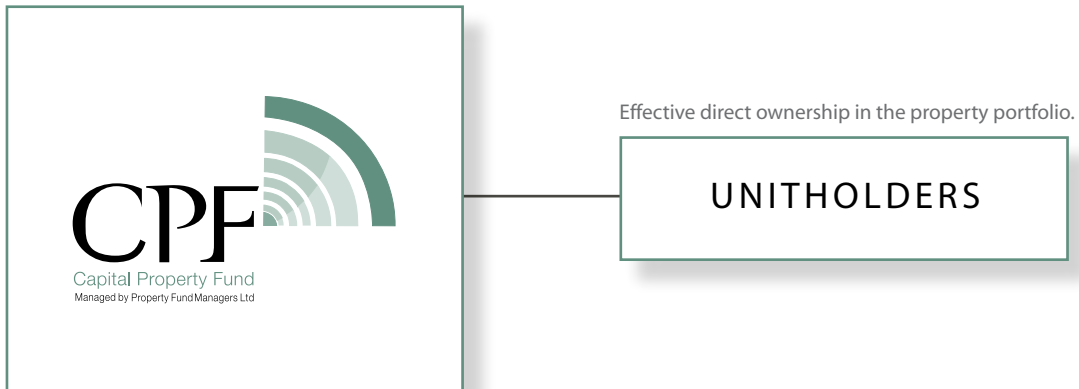


Average daily value traded	R'million
2005	3,2
2006	2,7
2007	5,3
2008	4,4
2009	8,6

Average daily volume traded	('000)
2005	866,1
2006	596,7
2007	931,3
2008	847,6
2009	1 379,2

# FUND STRUCTURE

## OWNERSHIP



**Capital Property Fund**  
717 578 059 units listed on the JSE Limited.

## REGULATORY BODIES



**The JSE Limited**  
Ensures compliance with JSE regulations. Provides market for trading of units.

**Registrar of Collective Investment Schemes**  
Ensures compliance with the Collective Investment Schemes Control Act.

**Trustee: Absa Bank Limited**  
Protects unitholder interests. Custodian of assets and securities. Ensures adherence to investment policy and trust deed provisions.

**Auditors: PKF (Jhb) Inc.**  
Ensures compliance with legislation and trust deed. Ensures fair presentation of financial results.

## MANAGEMENT



**Property Fund Managers Limited**  
Manages the Fund. Reports to unitholders.

**Shareholder of the management company**  
Resilient Property Income Fund Limited



# MANAGEMENT COMPANY'S REPORT TO UNITHOLDERS

## DIRECTORS' COMMENTARY

### DISTRIBUTABLE EARNINGS

The total distribution for the year ended 31 December 2009 is 54,58 cents per unit, representing an increase of 14,4% on the distributions for the previous financial year. The distribution of 28,86 cents for the final six months represents an increase of 14,1% on the distribution for the final six months of the previous financial year.

### COMMENTARY ON RESULTS

This strong performance during a challenging year is the result of Capital's focus on selling poorer quality properties at the top of the property cycle and acquiring properties located in prime nodes with corporate tenants. The emphasis has also been on acquiring properties with sound property fundamentals. In a market with increased vacancies where tenants have a number of alternatives, these properties have performed well.

General demand for industrial and commercial space has been subdued and, notwithstanding the quality of the properties, portfolio vacancies have increased from 2,7% in December 2008 to 4,4% in December 2009.

### DISPOSALS

#### Fortress Income Fund Limited ("Fortress")

Capital sold 14 properties valued at R321,35 million to Fortress at a yield of 12,1%. The sale was settled through 17 289 250 Fortress A and B linked units and R148,5 million in cash. Capital has disposed of its holding in Fortress.

Property name	Valuation at 31 Dec 2008 (R'000)	Sales price (R'000)
Cunningham Street Uitenhage	54 000	56 000
Sinoville Shopping Centre	50 000	56 000
619 Voortrekker Road Gezina	36 800	39 900
Burry Koen	35 200	34 400
Hanover Square	22 500	25 300
396 Voortrekker Road Parow	22 275	27 000
Elston Street Benoni	17 000	10 800
Eden Park Drive Pietermaritzburg	15 000	16 150
7 – 9 Maitland Street Bloemfontein	14 300	16 900
Silver Creek Centre	14 500	14 000
563 Voortrekker Road Gezina	10 400	9 800
City Centre	6 000	7 000
Brits Office Park	5 000	5 800
31 Indianapolis Street (Unit 1)	2 000	2 300
<b>Total</b>	<b>304 975</b>	<b>321 350</b>

### PROPERTY ACQUISITIONS

#### Resilient industrial portfolio

Capital acquired Isando Business Park, City Deep Industrial Park, Chemsolve Spartan and a 25% interest in Montague Business Park from Resilient for R611,5 million. The purchase price was settled through the issue of 98 629 032 Capital units. All the properties were transferred by year-end.

#### Cullinan Place and 28-On-Sloane

Capital acquired two A-grade office blocks in Morningside and Bryanston in Johannesburg for R172 million at an initial yield of 9,6%, settled in cash. Both properties have been transferred.

#### Improvon industrial portfolio

Capital has agreed to acquire five A-grade industrial properties for R219 million at an initial yield of 9,02% from Improvon, payable in cash. The transaction is subject to Competition Commission approval. Four of the buildings are located in Longmeadow and one in Rustivia on the East Rand.



# MANAGEMENT COMPANY'S REPORT TO UNITHOLDERS

(CONTINUED)

## Other properties sold

Capital sold and transferred the following non-core properties to individual purchasers during the financial year:

Property name	Valuation at 31 Dec 2008 (R'000)	Net sales price (R'000)	Exit yield
87 Bofors Circle Epping	16 750	25 480	3,8%
Hendrik Verwoerd Road Centurion	19 700	20 200	10,3%
349 Roan Crescent	10 800	10 800	9,6%
Pasita Park Belville	10 000	10 540	13,8%
138 Old Main Road Pinetown	6 500	6 825	10,1%
17 Brand Hatch Close	3 400	5 000	6,7%
31 Indianapolis Street (Unit 3)	2 890	3 000	12,4%
<b>Total</b>	<b>70 040</b>	<b>81 845</b>	

## LISTED EQUITIES

Capital's conservative gearing at the top of the property cycle allowed the Fund to take advantage of the discount that the listed property sector presented during the past 18 months. Capital acquired 43 169 000 units in Pangbourne during this period at an average cost of R13,85.

The intention is to retain this holding as a long term strategic investment. Capital has reduced its holding in Nepi from 6 155 000 shares to 4 362 837 shares. This investment is no longer equity accounted and the intention remains to sell the holding over time.

## STRATEGY

Capital's focus is to invest in industrial and commercial properties. Retail properties constitute 10% (based on book value) of the portfolio and, should the opportunity arise, the board will consider selling these properties.

The Fund's gearing is currently 21,2%. With the economy showing signs of recovery, the board will support an increase in gearing to up to 30% should attractive investment opportunities present themselves.

## GEARING

Swap maturity	Nominal amount R'000	Swap rate
May 2010	45 600	8,67%
Oct 2010	50 000	9,19%
Feb 2011	100 000	7,85%
May 2011	100 000	7,68%
Dec 2011	50 000	8,29%
Dec 2011	50 000	8,53%
Feb 2012	50 000	8,04%
Feb 2013	100 000	8,18%
Oct 2013	50 000	9,47%
May 2014	100 000	8,60%
May 2014	50 000	8,67%
Aug 2015	50 000	8,39%
	<b>795 600</b>	<b>8,36%</b>
<b>Fixed rate borrowings</b>		<b>Rate</b>
Jul 2012	144 000	10,30%
Jul 2012	218 000	10,49%
	<b>362 000</b>	
<b>Total hedged borrowings</b>	<b>1 157 600</b>	
Variable rate borrowings	131 516	
<b>Total gearing</b>	<b>1 289 116</b>	

## SUMMARY OF FINANCIAL PERFORMANCE

	31 Dec 2009	30 Jun 2009	31 Dec 2008	30 Jun 2008
Distribution per unit (cents)	28,86	25,72	25,29	22,43
Units in issue	717 578 059	618 949 027	608 949 027	503 801 158
Net asset value	6,55	6,18	6,20	5,61
Gearing ratio*	21,2%	22,5%	20,8%	10,7%

\*The gearing ratio is calculated by dividing the total gearing (interest-bearing borrowings plus current liabilities less current assets) by non-current assets.

## Weighted average rental per square meter per sector

	R
Commercial	77,33
Industrial	32,28
Retail	84,16

## Weighted average rental escalation per sector

	%
Commercial	8,7%
Industrial	8,5%
Retail	7,7%

The average annualised property yield is 9,84%.

## PROSPECTS

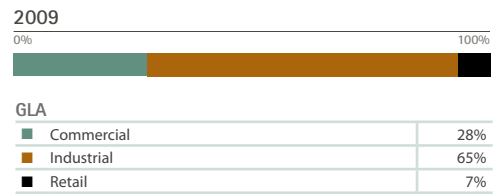
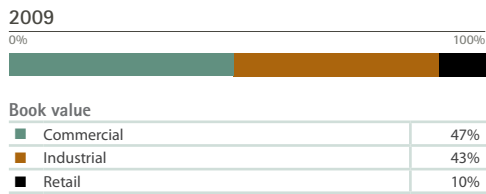
The industrial and commercial property markets are expected to stabilise in 2010 and no further increases in valuation capitalisation rates for A-grade properties are expected. This should support further growth in asset values.

Vacancies should stabilise around current levels and start reducing towards the end of the financial year.

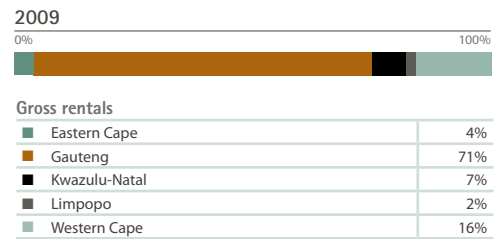
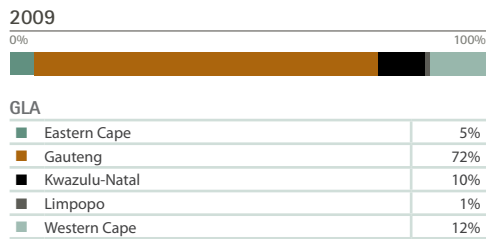
Capital's growth prospects for 2010 remain positive and the board anticipates growth in distributions of between 9% and 11% for the 2010 financial year. This forecast has not been reviewed or reported on by the Fund's auditors.

# PORTFOLIO STATISTICS

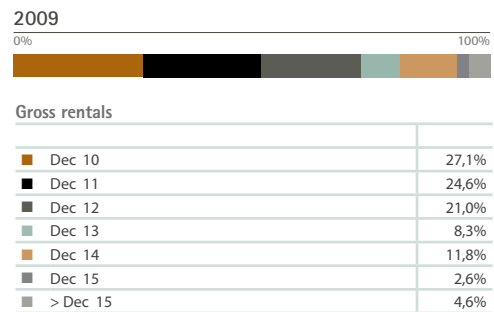
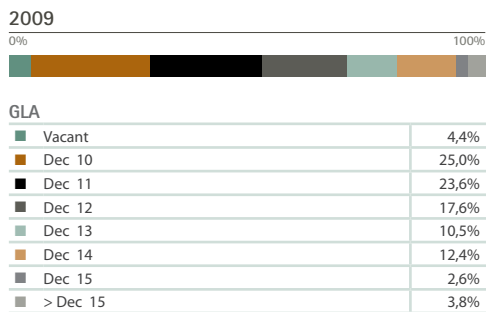
## SECTORAL SPLIT



## GEOGRAPHICAL SPLIT



## LEASE EXPIRY



### COMMERCIAL – LEASE EXPIRY

2009



GLA

Vacant	3,9%
Dec 10	25,4%
Dec 11	25,7%
Dec 12	22,0%
Dec 13	5,1%
Dec 14	9,0%
Dec 15	0,2%
> Dec 15	8,7%

2009



Gross rentals

Dec 10	25,1%
Dec 11	26,7%
Dec 12	26,6%
Dec 13	5,1%
Dec 14	9,2%
Dec 15	0,2%
> Dec 15	7,1%

### INDUSTRIAL – LEASE EXPIRY

2009



GLA

Vacant	4,8%
Dec 10	23,6%
Dec 11	24,2%
Dec 12	16,2%
Dec 13	13,4%
Dec 14	12,8%
Dec 15	4,0%
> Dec 15	1,0%

2009



Gross rentals

Dec 10	25,4%
Dec 11	25,7%
Dec 12	16,5%
Dec 13	12,2%
Dec 14	12,8%
Dec 15	6,2%
> Dec 15	1,2%

### RETAIL – LEASE EXPIRY

2009



GLA

Vacant	2,9%
Dec 10	33,7%
Dec 11	13,2%
Dec 12	13,7%
Dec 13	7,6%
Dec 14	20,4%
Dec 15	0,0%
> Dec 15	8,5%

2009



Gross rentals

Dec 10	37,3%
Dec 11	16,0%
Dec 12	16,7%
Dec 13	7,1%
Dec 14	16,5%
Dec 15	0,0%
> Dec 15	6,4%

### TENANT PROFILE

2009



GLA

A	54%
B	23%
C	23%

2009



Gross rentals

A	57%
B	20%
C	23%

A Large national tenants, large listed tenants, government and major franchisees.

B National tenants, listed tenants, franchisees, medium to large professional firms.

C Other, comprising mainly smaller tenants.

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# DIRECTORS' RESPONSIBILITY STATEMENT

*for the year ended 31 December 2009*

The directors of PFM are responsible for the preparation and fair presentation of the group annual financial statements and separate parent annual financial statements of Capital Property Fund ("the Fund") and annual financial statements of Property Fund Managers Limited ("the Company"), comprising the statements of financial position as at 31 December 2009, the statements of comprehensive income, the statements of changes in equity and statements of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and Collective Investment Schemes Control Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group, Fund and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group annual financial statements and separate parent annual financial statements of the Fund and the Company are fairly presented in accordance with the applicable financial reporting framework.

*Approval of group annual financial statements and annual financial statements of the Fund and the company.*

The group annual financial statements and the annual financial statements of the Fund and the company were approved by the board of directors on 27 January 2010 and signed on its behalf by:



**Andrew Teixeira**  
*Managing director*

27 January 2010



**Rual Bornman**  
*Financial director*

27 January 2010

## DECLARATION BY COMPANY SECRETARY

*for the year ended 31 December 2009*

In terms of the Companies Act of South Africa, I certify that 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.



**QK Khumalo**  
*Company secretary*

27 January 2010

# INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2009



chartered accountants  
& business advisers

## TO THE UNITHOLDERS OF CAPITAL PROPERTY FUND

We have audited the consolidated financial statements and annual financial statements of Capital Property Fund ("the Fund"), which comprise the statements of financial position at 31 December 2009, the statements of comprehensive income, the statements of changes in equity and statements of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 10, 14 to 17 and 23 to 53.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Capital Property Fund at 31 December 2009, its consolidated and separate financial performance and consolidated and separate cash flow for the year then ended in accordance with International Financial Reporting Standards as required by the Collective Investment Schemes Control Act of South Africa.

PKF (JHB) Inc.

Per **P Badrick**  
Chartered Accountant (SA)  
Registered Auditor  
Director

Johannesburg  
27 January 2010

# REPORT OF THE TRUSTEE



Commercial Property Finance

11 Diagonal Street  
Johannesburg 2001  
PO Box 42010 Fordsburg 2033

Docex 342 Johannesburg  
Tel 011 556 6000  
Swift Address: ABSA ZA JJ  
<http://www.absa.co.za>

Kommersiële Eiendomsfinansiering

Diagonalstraat 11  
Johannesburg 2001  
Posbus 42010 Fordsburg 2033

Docex 342 Johannesburg  
Tel 011 556 6000  
Swift-Adres: ABSA ZA JJ  
<http://www.absa.co.za>

## Report of the Trustee

For the year ended 31 December 2009

In terms of Section 70(1)(f) of the Collective Investment Schemes Control Act of 2002

### To the unitholders of Capital Property Fund

During the period as set out above during which the Collective Investment Schemes Control Act of 2002 has been in effect the Trust has been administered in accordance with

- i) the limitations imposed on the investment and borrowing powers of the Manager by the Act; and
- ii) the provisions of the Act and the deed.

### ABSA Bank Limited

Trustee

Johannesburg

06 January 2010

ABSA Bank Limited/Beperk, Reg No 1986/004794/06

Member of the  
Lid van die BARCLAYS Group  
Groep

Directors/Direkteure: DC Brink (Chairperson/Voorsitter) \* M Ramos (Chief Executive/Uitvoerende Hoof) DC Arnold BP Connellan YZ Cuba BCMM de Vitry d'Avaucourt (French/Frans) SA Fakie G Griffin MW Hlahla MJ Husain AP Jenkins (British/Brits) R Le Blanc (British/Brits) EC Mondlane Jr (Mozambican/Mosambiëks) TM Mkgosi-Mwantembe TS Munday SG Pretorius \*JH Schindehütte \*LL von Zeuner BJ Willemsse  
\*Executive Directors/Uitvoerende Direkteure Secretary/Sekretaris: S Martin (07/2009)

Authorised Financial Services Provider/Gemagtigde Finansiële diensteverskaffer – Registered Credit Provider/Geregistreerde Kredietverskaffer, Reg-no NCRCP7

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2009

	Note	GROUP		FUND	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>6 090 175</b>	4 850 819	<b>4 925 638</b>	3 482 555
Investment property	3	<b>5 033 139</b>	4 459 286	<b>3 649 089</b>	2 863 682
Straight-lining of rental revenue adjustment	3	<b>72 319</b>	58 107	<b>48 968</b>	38 511
Investment property under development	3	<b>126 091</b>	41 703	<b>126 091</b>	41 703
Investment in associate company	4	–	118 923	–	122 995
Investments	5	<b>858 626</b>	172 800	<b>858 626</b>	172 800
Interest in subsidiaries	6	–	–	<b>242 864</b>	242 864
<b>Current assets</b>		<b>60 286</b>	107 249	<b>582 029</b>	603 113
Investment property held for sale	3	–	50 692	–	22 412
Straight-lining of rental revenue adjustment	3	–	610	–	115
Trade and other receivables	7	<b>25 497</b>	54 941	<b>11 959</b>	14 465
Loans to subsidiaries	6	–	–	<b>570 035</b>	565 978
Cash and cash equivalents	8	<b>34 789</b>	1 006	<b>35</b>	143
<b>Total assets</b>		<b>6 150 461</b>	4 958 068	<b>5 507 667</b>	4 085 668
<b>EQUITY AND LIABILITIES</b>					
<b>Capital of Fund</b>		<b>4 698 372</b>	3 772 738	<b>4 388 493</b>	3 510 822
Trust capital	9	<b>2 645 963</b>	1 981 763	<b>2 645 963</b>	1 981 763
Non-distributable reserves		<b>2 052 409</b>	1 790 975	<b>1 742 530</b>	1 529 059
Retained earnings		–	–	–	–
<b>Total liabilities</b>		<b>1 452 089</b>	1 185 330	<b>1 119 174</b>	574 846
<b>Non-current liabilities</b>		<b>1 156 652</b>	798 702	<b>679 615</b>	329 016
Interest-bearing borrowings	10	<b>1 053 965</b>	731 615	<b>679 615</b>	329 016
Deferred tax	11	<b>102 687</b>	67 087	–	–
<b>Current liabilities</b>		<b>295 437</b>	386 628	<b>439 559</b>	245 830
Trade and other payables	12	<b>78 732</b>	171 371	<b>56 724</b>	61 423
Loans from subsidiaries	6	–	–	<b>166 130</b>	–
Interest-bearing borrowings		–	53 531	–	22 681
Unitholders for distribution		<b>207 093</b>	154 003	<b>207 093</b>	154 003
Bank overdraft	8	<b>9 612</b>	7 723	<b>9 612</b>	7 723
<b>Total equity and liabilities</b>		<b>6 150 461</b>	4 958 068	<b>5 507 667</b>	4 085 668

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Note	GROUP		FUND	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Net rental and related revenue</b>		<b>447 516</b>	260 213	<b>400 359</b>	261 718
Recoveries and contractual rental revenue		<b>600 059</b>	361 113	<b>389 053</b>	320 186
Dividends from fixed property companies		–	–	<b>103 925</b>	31 199
Straight-lining of rental revenue adjustment		<b>13 602</b>	(7 555)	<b>10 342</b>	(6 105)
Rental revenue		<b>613 661</b>	353 558	<b>503 320</b>	345 280
Property operating expenses		<b>(166 145)</b>	(93 345)	<b>(102 961)</b>	(83 562)
<b>Distributable income from investments</b>		<b>49 815</b>	1 831	<b>49 815</b>	1 831
<b>Fair value gain on investment property and investments</b>		<b>293 198</b>	377 043	<b>205 602</b>	231 925
Fair value gain on investment property		<b>144 433</b>	351 465	<b>57 221</b>	207 797
Fair value adjustment resulting from straight-lining of rental revenue		<b>(13 602)</b>	7 555	<b>(10 342)</b>	6 105
Fair value gain on investments		<b>162 367</b>	18 023	<b>158 723</b>	18 023
<b>Administrative expenses</b>		<b>(28 665)</b>	(17 025)	<b>(28 999)</b>	(17 025)
<b>Share of post acquisition reserves from associate</b>		<b>8 493</b>	6 639	<b>8 064</b>	10 711
Distributable income from associate		<b>8 064</b>	10 711	<b>8 064</b>	10 711
Profit/(loss) from associate		<b>429</b>	(4 072)	–	–
<b>Profit before net finance costs</b>	13	<b>770 357</b>	628 701	<b>634 841</b>	489 160
<b>Net finance costs</b>		<b>(106 966)</b>	(3 383)	<b>(55 083)</b>	(3 438)
Finance income		<b>8 617</b>	27 737	<b>6 758</b>	27 737
Interest on units issued <i>cum</i> distribution		<b>6 100</b>	27 027	<b>6 100</b>	27 027
Interest received		<b>2 517</b>	710	<b>658</b>	710
Finance costs		<b>(115 583)</b>	(31 120)	<b>(61 841)</b>	(31 175)
Interest on borrowings		<b>(112 637)</b>	(27 623)	<b>(66 547)</b>	(27 678)
Interest capitalised		<b>7 179</b>	3 607	<b>7 179</b>	3 607
Fair value adjustment on interest rate derivatives		<b>(10 125)</b>	(7 104)	<b>(2 473)</b>	(7 104)
<b>Profit before income tax</b>		<b>663 391</b>	625 318	<b>579 758</b>	485 722
Income tax expense	14	<b>(35 670)</b>	(11 525)	–	–
<b>Profit for the year attributable to equity holders</b>		<b>627 721</b>	613 793	<b>579 758</b>	485 722
<b>Total comprehensive income for the year</b>		<b>627 721</b>	613 793	<b>579 758</b>	485 722
Basic earnings per unit (cents)*	15	<b>93,93</b>	110,32		

\*The Fund has no dilutionary instruments in issue.

# STATEMENTS OF CHANGES IN UNITHOLDERS' INTEREST

for the year ended 31 December 2009

<b>GROUP</b>	<b>Trust capital R'000</b>	<b>Non- distributable reserves R'000</b>	<b>Retained earnings R'000</b>	<b>Total R'000</b>
<b>Balance at 31 December 2007</b>	1 382 567	1 444 188	–	2 826 755
Total comprehensive income for the year			613 793	613 793
Issue of units	599 196			599 196
Transfer to non-distributable reserves		346 787	(346 787)	–
Distribution			(267 006)	(267 006)
<b>Balance at 31 December 2008</b>	1 981 763	1 790 975	–	3 772 738
Total comprehensive income for the year			627 721	627 721
Issue of units				
– 10 000 000 units on 1 April 2009	57 679			57 679
– 98 629 032 units on 1 August 2009	606 521			606 521
Transfer to non-distributable reserves		261 434	(261 434)	–
Distribution			(366 287)	(366 287)
<b>Balance at 31 December 2009</b>	<b>2 645 963</b>	<b>2 052 409</b>	–	<b>4 698 372</b>

<b>FUND</b>	<b>Trust capital R'000</b>	<b>Non- distributable reserves R'000</b>	<b>Retained earnings R'000</b>	<b>Total R'000</b>
<b>Balance at 31 December 2007</b>	1 382 567	1 310 343	–	2 692 910
Total comprehensive income for the year			485 722	485 722
Issue of units	599 196			599 196
Transfer to non-distributable reserves		218 716	(218 716)	–
Distribution			(267 006)	(267 006)
<b>Balance at 31 December 2008</b>	1 981 763	1 529 059	–	3 510 822
Total comprehensive income for the year			579 758	579 758
Issue of units				
– 10 000 000 units on 1 April 2009	57 679			57 679
– 98 629 032 units on 1 August 2009	606 521			606 521
Transfer to non-distributable reserves		213 471	(213 471)	–
Distribution			(366 287)	(366 287)
<b>Balance at 31 December 2009</b>	<b>2 645 963</b>	<b>1 742 530</b>	–	<b>4 388 493</b>

# STATEMENTS OF CASH FLOW

for the year ended 31 December 2009

	Note	GROUP		FUND	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Operating activities</b>					
Profit for the year		627 721	613 793	579 758	485 722
Adjusted for:					
Income tax		35 670	11 525	-	-
Straight-lining of rental revenue adjustment		(13 602)	7 555	(10 342)	6 105
Fair value gain on investment property		(144 433)	(351 465)	(57 221)	(207 797)
Fair value adjustment resulting from straight-lining of rental revenue		13 602	(7 555)	10 342	(6 105)
Fair value gain on investments		(162 367)	(18 023)	(158 723)	(18 023)
(Profit)/loss from associate		(429)	4 072	-	-
Interest received		(2 517)	(710)	(658)	(710)
Interest on borrowings		105 458	24 016	59 368	24 071
Fair value adjustment on interest rate derivatives		10 125	7 104	2 473	7 104
<b>Cash inflow from operating activities</b>		<b>469 228</b>	<b>290 312</b>	<b>424 997</b>	<b>290 367</b>
<b>Working capital changes</b>					
Decrease/(increase) in trade and other receivables		14 233	(8 650)	(5 054)	(7 743)
Decrease in dividends receivable		-	-	-	11 086
(Decrease)/increase in trade and other payables		(92 639)	11 557	(4 699)	10 435
<b>Cash (outflow)/inflow from working capital</b>		<b>(78 406)</b>	<b>2 907</b>	<b>(9 753)</b>	<b>13 778</b>
<b>Cash generated from operations</b>		<b>390 822</b>	<b>293 219</b>	<b>415 244</b>	<b>304 145</b>
Interest received		2 517	710	658	710
Interest on borrowings		(105 458)	(24 016)	(59 368)	(24 071)
Income tax paid	16.1	(70)	(2 279)	-	-
Distributions paid	16.2	(313 197)	(222 806)	(313 197)	(222 806)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(25 386)</b>	<b>44 828</b>	<b>43 337</b>	<b>57 978</b>
<b>Investing activities</b>					
Additions to investment property		(808 610)	-	(808 610)	-
Proceeds on disposal of investment property		312 744	44 746	92 075	44 746
Additions, developments and improvements to investment property		(129 310)	(52 063)	(123 029)	(31 245)
Acquisition of investments		(443 139)	(153 630)	(443 139)	(153 630)
Proceeds on disposal of investments		192 576	-	83 178	-
Loans advanced to/(received from) subsidiaries		-	-	162 073	(61 857)
<b>Cash outflow from investing activities</b>		<b>(875 739)</b>	<b>(160 947)</b>	<b>(1 037 452)</b>	<b>(201 986)</b>
<b>Financing activities</b>					
Units issued for no consideration	16.3	-	-	-	-
Proceeds from the issue of new units	16.4	664 200	-	664 200	-
Increase in interest-bearing borrowings		268 819	128 180	327 918	155 206
<b>Cash inflow from financing activities</b>		<b>933 019</b>	<b>128 180</b>	<b>992 118</b>	<b>155 206</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>31 894</b>	<b>12 061</b>	<b>(1 997)</b>	<b>11 198</b>
Cash and cash equivalents at the beginning of the year		(6 717)	(18 778)	(7 580)	(18 778)
<b>Cash and cash equivalents at the end of the year</b>	8	<b>25 177</b>	<b>(6 717)</b>	<b>(9 577)</b>	<b>(7 580)</b>

# SEGMENTAL ANALYSIS

for the year ended 31 December 2009

	Retail	Commercial	Industrial	Investments and other	Total
<b>Segmental analysis – 2009</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Recoveries and contractual rental revenue	78 940	284 327	236 792	–	600 059
Straight-lining of rental revenue adjustment	(3 298)	10 668	6 232	–	13 602
External segmental revenue	75 642	294 995	243 024	–	613 661
<b>Segment result</b>					
Operating profit	51 254	217 173	179 089	(28 665)	418 851
Finance income	–	–	–	8 617	8 617
Finance costs	–	–	–	(115 583)	(115 583)
Distributable income from investments	–	–	–	49 815	49 815
Fair value gain on investments and investment property	8 335	47 969	74 527	162 367	293 198
Share of post-acquisition reserves from associate	–	–	–	8 493	8 493
Income tax expense	–	–	–	(35 670)	(35 670)
Profit for the year attributable to equity holders	59 589	265 142	253 616	49 374	627 721
<b>Other information</b>					
Investment property	528 000	2 463 648	2 239 901	–	5 231 549
Investments	–	–	–	858 626	858 626
Trade and other receivables	4 184	6 690	7 261	7 362	25 497
Cash and cash equivalents	–	–	–	34 789	34 789
Total assets	532 184	2 470 338	2 247 162	900 777	6 150 461
Interest-bearing borrowings	–	–	–	1 053 965	1 053 965
Deferred tax	–	–	–	102 687	102 687
Trade and other payables	6 594	25 881	26 666	19 591	78 732
Unitholders for distribution	–	–	–	207 093	207 093
Bank overdraft	–	–	–	9 612	9 612
Total liabilities	6 594	25 881	26 666	1 392 948	1 452 089
Additions to investment property	–	172 134	636 475	–	808 610

<b>Segmental analysis – 2008</b>	<b>Investments</b>				<b>Total</b>
	<b>Retail</b>	<b>Commercial</b>	<b>Industrial</b>	<b>and other</b>	
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Recoveries and contractual rental revenue	52 153	154 088	154 872	–	361 113
Straight-lining of rental revenue adjustment	524	(9 866)	1 787	–	(7 555)
External segmental revenue	52 677	144 222	156 659	–	353 558
<b>Segment result</b>					
Operating profit	10 431	107 275	142 507	(17 025)	243 188
Finance income	–	–	–	27 027	27 027
Finance costs	–	–	–	(30 410)	(30 410)
Distributable income from investments	–	–	–	1 831	1 831
Fair value gain on investments and investment property	25 211	90 494	143 678	117 660	377 043
Share of post-acquisition reserves from associate	–	–	–	6 639	6 639
Income tax expense	–	–	–	(11 525)	(11 525)
Profit for the year attributable to equity holders	35 642	197 769	286 185	94 197	613 793
<b>Other information</b>					
Investment property	651 702	2 305 998	1 601 396	–	4 559 096
Investment property held for sale	–	6 500	44 802	–	51 302
Investment in associate company	–	–	–	118 923	118 923
Investments	–	–	–	172 800	172 800
Trade and other receivables	8 127	9 312	10 185	27 317	54 941
Cash and cash equivalents	(351)	1	–	1 356	1 006
Total assets	659 478	2 321 811	1 656 383	320 396	4 958 068
Interest-bearing borrowings	–	–	–	785 146	785 146
Deferred tax	–	–	–	67 087	67 087
Trade and other payables	5 068	13 671	14 173	138 459	171 371
Unitholders for distribution	–	–	–	154 003	154 003
Bank overdraft	–	–	–	7 723	7 723
Total liabilities	5 068	13 671	14 173	1 152 418	1 185 330
Additions to investment property	138 065	805 638	189 885	–	1 133 588

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2009

## 1 ACCOUNTING POLICIES

Capital Property Fund (the "Fund") is a Collective Investment Scheme in Property domiciled in South Africa. The consolidated financial statements of the Fund for the year ended 31 December 2009 comprise the Fund and its subsidiaries (together referred to as the "Group"). The directors authorised the issue of the financial statements on 27 January 2010.

### 1.1 Basis of preparation and accounting policies

The financial statements and Group financial statements have been prepared on the historical cost basis modified for the revaluation of investment property and financial assets and financial liabilities measured at fair value through profit and loss. The financial statements have been prepared on the going concern basis. They are presented in rand, which is the Group and Fund's functional currency, and all values are rounded to the nearest thousand (R'000) except where otherwise indicated. The accounting policies have remained unchanged from those applied in the prior year except for the adoption of the revised IAS1 and the application of Circular 3/2009 for the calculation of headline earnings (the impact of which is included in the headline earnings reconciliation).

The Group previously disclosed profit and loss on disposal of investments and investment property separately from the fair value adjustments on these items. To better reflect the nature of these transactions the amounts are now combined into the fair value adjustment lines in the statement of comprehensive income.

### 1.2 Statement of compliance

The financial statements and Group financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of these standards as adopted by the International Accounting Standards Board, the requirements of the South African Companies Act and the Collective Investment Schemes Control Act and the JSE Listings Requirements.

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have been applied consistently by Group entities.

### 1.3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgements and assumptions that affect reported amounts. It also requires management to exercise its judgement in applying the Group's accounting policies.

Actual results may vary from these estimates. The areas involving a higher degree of judgement or complexities or areas where assumptions or estimates are significant are disclosed in note 21. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### 1.4 Basis of consolidation

#### Subsidiaries

The consolidated annual financial statements incorporate the annual financial statements of the Fund and its subsidiaries. Subsidiaries are all entities, including special purpose entities, over which the Group has the power directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a beneficial shareholding of more than one half of the voting rights. The results of subsidiaries are included from the date control was acquired up to the date control ceased.

Investment in subsidiaries of the Fund are reflected at cost less accumulated impairment losses.

Inter-company transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated in the preparation of the consolidated annual financial statements.

The accounting policies of the subsidiaries are consistent with those of the Fund.

### **Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost.

The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealised gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the investment in the associates. The investments in associates are accounted for at cost less accumulated impairment in the Fund.

### **1.5 Investment property**

Investment property is property held to earn rental income and for capital appreciation.

The cost of investment property comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that there will be future economic benefits from the use of the asset. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition, investment property is measured at fair value. Fair values are determined annually by external independent registered valuers on the open market value basis. The valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of both methods to determine fair value. Gains or losses arising from changes in the fair values of investment property are included in profit or loss for the year in which they arise. The unrealised gain or loss is transferred to or from non-distributable reserves.

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains investment property which is measured based on the fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for development qualifying as acquisition costs, are capitalised.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the asset is substantially ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of development cost financed out of general funds, the weighted average cost of borrowings.

### **1.6 Non-distributable reserves**

All unrealised surpluses/deficits arising from the revaluation of investment property, fair value adjustments on investments, interest rate derivatives, post-acquisition reserves from associates, gains and losses on the sale of investment property and investments, are transferred to non-distributable reserves and are not available for distribution.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

## 1.7 Financial instruments

The Group's financial instruments consist mainly of investments, trade and other receivables, trade and other payables, cash and borrowings.

Financial instruments other than financial instruments classified as fair value through profit and loss, are initially measured at fair value including transaction costs.

Subsequent to initial recognition these instruments are measured as set out below:

Cash and cash equivalents	– Measured at fair value.
Investments	– Carried at fair value, being the quoted bid price at the balance sheet date, through profit and loss.
Trade and other receivables	– Stated at amortised cost using the effective interest rate method less accumulated impairment losses.
Trade and other payables	– Stated at amortised cost using the effective interest rate method.
Related party loans receivable	– Stated at amortised cost using the effective interest rate method less accumulated impairment losses.
Related party loans payable	– Stated at amortised cost using the effective interest rate method.
Financial liabilities	– Non-derivative financial liabilities, not at fair value through profit and loss, are recognised at amortised cost using the effective interest rate method.

For all financial instruments carried at amortised cost, where the financial effect of the time value of money is not considered to be material, discounting is not applied as the fair values of these instruments approximate their carrying values.

### 1.7.1 Derecognition

#### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the contractual rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash 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.

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

#### *Financial liabilities*

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

#### *Offset*

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.7.2 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives used as hedges which do not qualify as such in terms of hedge accounting rules, are accounted for as trading instruments.

Derivative financial instruments are recognised initially and subsequently stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the risk being hedged.

The fair value of interest rate derivatives is the estimated amount that the Group would receive or pay to terminate the derivative at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

#### **1.7.3 Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of the statements of cash flow.

#### **1.7.4 Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

#### **1.8 Assets held for sale**

Immediately before classification as held for sale, the measurement of assets is brought up to date in accordance with the applicable IFRS. Then, on initial classification as held for sale, non-current assets are recognised at the lower of the carrying amount and fair value less costs to sell.

#### **1.9 Impairment**

##### **Non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount and is recognised in profit or loss.

Impairment losses recognised are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

The recoverable amount of an asset or a cash-generating unit is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For any asset that does not generate largely independent cash flow, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss no longer exists.

An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

##### **Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit or loss.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined had no impairment loss initially been recognised. An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

## 1.10 Letting commission and tenant installation costs

Letting commission and tenant installation costs are amortised over the period of the lease. Amounts charged to the income statement in respect of tenant installation costs are recognised as an integral part of total rental income.

## 1.11 Provisions

Provisions are recognised when the Group has present legal or constructive obligations arising from past events, from which outflows of economic benefits are probable, and where the amount of the obligations can be reliably estimated. Where the effect of discounting is material, provisions are discounted. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## 1.12 Revenue

Revenue comprises gross rental income including all recoveries from tenants, excluding VAT. Rental income from investment property is recognised in the statements of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Turnover rentals are recognised on the accrual basis.

Distributions are accrued for on a daily basis using the time apportionment method.

Dividend income is recognised when the right to receive payment is established.

## 1.13 Property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

## 1.14 Net financing costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method.

Finance income comprises interest received and is recognised as it accrues, taking into account the effective yield on the asset.

## 1.15 Income tax

The Fund is not liable for income tax or capital gains tax as the income and capital gains taxes are payable by the unitholders. The Fund therefore does not provide for current or deferred taxation.

Income tax on subsidiaries' profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

To the extent that the current tax is due to the tax authorities at year end, it is recognised as a current liability.

Deferred tax is provided by subsidiaries using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

## 1.16 Segmental reporting

The Group consists of investment property owned by the Fund and subsidiaries and earns revenue in the form of rentals from tenants of the investment property. On a primary basis the Group is organised into four major business segments, namely retail consisting mainly of shopping centres, commercial comprising mainly office parks and buildings, industrial comprising warehouses and factories, and an investments and other segment comprising all assets, liabilities and expenses not directly attributable to the other segments.

The Group will from time to time invest in/divest from certain primary segments in which case segmental reporting will be adjusted to reflect only the relevant operating segments.

No geographical segmentation information is provided as the associated risks of the geographical segments are considered the same.

#### **1.17 Related parties**

Related parties in the case of the Group include any unitholder who is able to exert a significant influence on the operating policies of the Group. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Group are also considered to be related parties.

In the case of the Fund, related parties would also include subsidiaries, associates and joint ventures.

#### **1.18 Earnings per unit**

The Group presents basic earnings per unit and headline earnings per unit for its units.

Basic earnings per unit is calculated by dividing the profit attributable to equity holders by the weighted average number of units in issue during the year.

Headline earnings per unit is calculated by dividing the headline earnings attributable to equity holders by the weighted average number of units in issue during the year.

There are no dilutionary instruments in issue.

## **2 FINANCIAL RISK MANAGEMENT**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, as well as the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has delegated the responsibility for developing and monitoring the Group's risk management policies to the audit committee. The audit committee reports to the board of directors on its activities. The audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

### **2.1 Credit risk**

Credit risk is the risk of financial loss to the Group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants and investment securities.

#### **Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including its industry and geographical spread, reduces credit risk. The majority of rental income is derived from Gauteng and the Western Cape, but within these areas, there is no concentration of credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. When available, the Group's review includes external ratings.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, industry, size of business and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's tenants and deposits with municipalities.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

## **Investments**

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that are listed on a recognised stock exchange.

## **Cash and cash equivalents**

The Group limits its exposure to credit risk by investing cash and cash equivalents with reputable financial institutions.

## **2.2 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group receives rental on a monthly basis and uses it to reduce its borrowings. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## **2.3 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the audit committee.

## **Currency risk**

The Group was exposed to currency risk on its investment in Nepi that was denominated in Euro in 2008. The investment in Nepi was not hedged as the currency position was considered to be long term in nature.

## **Equity price risk**

The Group is exposed to equity price risk on its investment in Nepi and Pangbourne.

## **Interest rate risk**

The Group adopts a policy of ensuring that at least 50 percent of its exposure to interest rates on borrowings is hedged. This is achieved by entering into interest rate derivatives.

## **2.4 Capital management**

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the year. Neither the Fund nor any of its subsidiaries are subject to externally imposed capital requirements.

Refer to note 20.2 detailing the limitation on permitted borrowings.

	GROUP		FUND	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>3 INVESTMENT PROPERTY</b>				
Investment property comprises:				
Investment property	5 033 139	4 459 286	3 649 089	2 863 682
Straight-lining of rental revenue adjustment	72 319	58 107	48 968	38 511
	<b>5 105 458</b>	4 517 393	<b>3 698 057</b>	2 902 193
Investment property held for sale	–	50 692	–	22 412
Straight-lining of rental revenue adjustment	–	610	–	115
	<b>5 105 458</b>	4 568 695	<b>3 698 057</b>	2 924 720
Investment property under development	126 091	41 703	126 091	41 703
<b>Total investment property</b>	<b>5 231 549</b>	4 610 398	<b>3 824 148</b>	2 966 423
<b>Movement in investment property is as follows:</b>				
Carrying value at the beginning of the year	4 568 695	3 086 047	2 924 720	2 740 146
Additions	808 610	1 133 588	808 610	–
Disposals	(461 202)	(44 746)	(131 135)	(44 746)
Capital expenditure	13 889	24 096	7 608	5 396
Transfer from development property	31 033	18 245	31 033	16 127
Fair value adjustment	130 831	359 020	46 879	213 902
Straight-lining of rental revenue adjustment	13 602	(7 555)	10 342	(6 105)
Carrying value at the end of the year	<b>5 105 458</b>	4 568 695	<b>3 698 057</b>	2 924 720
<b>Movement in investment property under development is as follows:</b>				
Carrying value at the beginning of the year	41 703	31 981	41 703	31 981
Additions	97 102	–	97 102	–
Cost capitalised	11 140	24 360	11 140	22 294
Interest capitalised	7 179	3 607	7 179	3 555
Transfer to investment property	(31 033)	(18 245)	(31 033)	(16 127)
Carrying value at the end of the year	<b>126 091</b>	41 703	<b>126 091</b>	41 703
<b>Total investment property</b>	<b>5 231 549</b>	4 610 398	<b>3 824 148</b>	2 966 423

Investment property with a market value of R3 608 million (Dec 08: R3 211 million) is mortgaged to secure borrowing facilities (refer note 10).

All investment property is externally valued by Peter Parfitt of Quadrant Properties (Proprietary) Limited, a professional associated valuer (Dip Val MIV (SA)). The valuations were done on an open market basis and with consideration to the future earnings potential and an appropriate capitalisation rate for each property. The determined fair value of all investment property is supported by market evidence.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

	GROUP		FUND	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>4 INVESTMENT IN ASSOCIATE COMPANY</b>				
Interest in associated company Nepi				
Investment at cost	122 995	122 995	122 995	122 995
Share of post-acquisition loss	(3 643)	(4 072)	(3 643)	-
Transfer to investments and derecognition of associate	(119 352)	-	(119 352)	-
Carrying amount	-	118 923	-	122 995
Directors' open market valuation	-	143 042	-	143 042

	Jun 2008 R'000
<b>Nepi – Condensed consolidated balance sheet**</b>	
Non-current assets	1 098 160
Equity	(683 965)
Non-current liabilities	(405 589)
Working capital	(8 606)

\*\*The information was extracted from Nepi's condensed consolidated interim balance sheet at 30 June 2008.

	2009 R'000	2009 R'000	2008 R'000	2008 R'000
<b>GROUP</b>				
		<b>New Europe Pangbourne Properties Limited</b>	<b>New Europe Property Investments plc</b>	<b>New Europe Property Investments plc</b>
<b>5 INVESTMENTS</b>				
Holding	9,82%	10,73%	2,80%	-
Price at 31 December	17,05	28,10	14,40	-
Cost	550 414	89 679	152 946	-
Revaluation	138 114	31 636	18 023	-
Accrued distribution	47 503	1 280	1 831	-
	736 031	122 595	172 800	*
<b>Total</b>		858 626		

		<b>New Europe Pangbourne Properties Limited</b>	<b>New Europe Property Investments plc</b>	<b>New Europe Property Investments plc</b>
<b>FUND</b>				
Holding	9,82%	10,73%	2,80%	-
Price at 31 December	17,05	28,10	14,40	-
Cost	550 414	89 679	152 946	-
Revaluation	138 114	31 636	18 023	-
Accrued distribution	47 503	1 280	1 831	-
	736 031	122 595	172 800	*
<b>Total</b>		858 626		

\* Refer to note 4

FUND	2009	2009	2008	2008
	Investment R'000	Loans to/(from) R'000	Investment R'000	Loans to R'000
<b>6 INTEREST IN AND LOANS TO/(FROM) SUBSIDIARIES (WHOLLY-OWNED)</b>				
Interest in and loans to/(from) subsidiaries can be analysed as follows:				
Bands Properties (Proprietary) Limited	47 534	131 721	47 534	128 072
Monyetla Property Fund Limited	195 330	438 314	195 330	437 906
Monyetla Property Holdings (Proprietary) Limited*	-	(166 130)	-	-
	<b>242 864</b>	<b>403 905</b>	242 864	565 978

\*Effective interest 100%

The loans to/(from) subsidiaries are unsecured, interest free and terms of repayment have not been determined. The loans will be settled in cash in the event that the subsidiaries' properties are sold.

	FUND	
	2009 R'000	2008 R'000
<b>Profits from subsidiaries are as follows:</b>		
Profits	103 901	31 199
	<b>103 901</b>	31 199

	GROUP		FUND	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>7 TRADE AND OTHER RECEIVABLES</b>				
Municipal deposits	3 883	3 465	2 459	2 347
Tenant arrears	6 759	9 824	5 100	3 432
Cash in RMB securitisation vehicle	-	11 350	-	-
Interest rate derivative debtor	724	8 373	724	885
Other	14 131	21 929	3 676	7 801
	<b>25 497</b>	54 941	<b>11 959</b>	14 465
<b>8 CASH AND CASH EQUIVALENTS</b>				
Deposits at banks*	34 789	1 006	35	143
Bank overdraft	(9 612)	(7 723)	(9 612)	(7 723)
	<b>25 177</b>	(6 717)	<b>(9 577)</b>	(7 580)

\*Included in deposits at banks is R34,7 million restricted cash which forms part of the securitisation structure.

	2009		2008	
	Number of units in issue	R'000	Number of units in issue	R'000
<b>9 TRUST CAPITAL</b>				
Capital	717 578 059	2 645 963	608 949 027	1 981 763

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

2009			GROUP		FUND	
	Nominal interest rate	Date of maturity	Fair value	Carrying amount	Fair value	Carrying amount
<b>10</b>	<b>INTEREST-BEARING BORROWINGS</b>					
Standard Bank Limited	3-month Jibar + 1,965%	Feb 11	26 093	26 093	26 093	26 093
Standard Bank Limited	1-month Jibar + 1,940%	Feb 11	100 000	100 000	100 000	100 000
Standard Bank Limited	3-month Jibar + 1,750%	Feb 11	155 352	155 352	155 352	155 352
Absa Bank Limited	Prime less 1,25%	Nov 13	79 168	79 168	79 168	79 168
Absa Bank Limited	3-month Jibar + 2,05%	Nov 13	75 000	75 000	75 000	75 000
Nedbank Limited	Prime less 2,30%	Oct 11	145 646	145 646	145 646	145 646
Nedbank Limited	Prime less 1,00%	Sep 14	38 333	38 333	38 333	38 333
Rand Merchant Bank	Prime less 1,50%	Apr 10	59 852	59 852	60 023	60 023
Securitisation debt	9,98%	Jul 12	148 981	148 981	-	-
Securitisation debt	9,53%	Jul 12	225 540	225 540	-	-
			<b>1 053 965</b>	<b>1 053 965</b>	<b>679 615</b>	<b>679 615</b>
Less short-term portion			-	-	-	-
			<b>1 053 965</b>	<b>1 053 965</b>	<b>679 615</b>	<b>679 615</b>

2008			GROUP		FUND	
	Nominal interest rate	Date of maturity	Fair value	Carrying amount	Fair value	Carrying amount
Standard Bank Limited	Prime less 1,50%	Feb 11	27 398	27 398	27 398	27 398
Standard Bank Limited	12,60%	Feb 11	102 208	102 208	102 208	102 208
Absa Bank Limited	Prime less 1,25%	Nov 13	39 355	39 355	39 355	39 355
Absa Bank Limited	Prime less 2,00%	Aug 09	20 457	20 457	20 457	20 457
Nedbank Limited	Prime less 2,30%	Oct 11	162 279	162 279	162 279	162 279
Rand Merchant Bank	1-month Jibar + 1,4063%	Apr 09	18 587	18 587	-	-
Rand Merchant Bank	1-month Jibar + 1,4063%	Apr 10	40 599	40 599	-	-
Securitisation debt	9,98%	Jul 12	151 385	151 385	-	-
Securitisation debt	9,53%	Jul 12	222 878	222 878	-	-
			<b>785 146</b>	<b>785 146</b>	<b>351 697</b>	<b>351 697</b>
Less short-term portion			(53 531)	(53 531)	(22 681)	(22 681)
			<b>731 615</b>	<b>731 615</b>	<b>329 016</b>	<b>329 016</b>

Interest-bearing loans are measured at amortised cost. The Group's exposure to interest rate, foreign currency and liquidity risk is discussed in note 20.

The bank loans are secured over investment property with a carrying amount of R3 608 million (Dec 08: R3 211 million).

	GROUP		FUND	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>11 DEFERRED TAX</b>				
Deferred tax comprises the following:				
– Revaluation of investment property	102 687	67 087	–	–
	<b>102 687</b>	67 087	–	–
Carrying value at the beginning of the year	67 087	55 562	–	–
Charged to the statement of comprehensive income during the year	35 600	11 525	–	–
Carrying value at the end of the year	<b>102 687</b>	67 087	–	–
Deferred tax is provided at 28% (Dec 08: 28%) on buildings and 14% (Dec 08: 14%) on land, except in the case of revaluation surpluses applicable to investment property held for sale where deferred tax is provided at 14% on land and buildings. The deferred tax relates to the revaluation of investment property owned by Bands Properties (Proprietary) Limited and Monyetla Property Holdings (Proprietary) Limited, wholly-owned subsidiaries of Capital Property Fund.				
<b>12 TRADE AND OTHER PAYABLES</b>				
Tenant deposits	21 146	15 716	13 737	9 959
Accruals and other payables	57 586	66 581	42 987	51 464
Pangbourne loan payable	–	89 074	–	–
	<b>78 732</b>	171 371	<b>56 724</b>	61 423
The loan from Pangbourne in 2008 beared interest at prime less 1.5%, was unsecured and was payable on demand.				
<b>13 PROFIT BEFORE NET FINANCE COSTS</b>				
Profit before net finance costs is stated after charging :				
– Auditors' remuneration				
– current	710	850	710	850
– Asset management fee*	26 223	14 095	26 223	14 095
– Other costs	1 732	2 080	2 066	2 080
Administrative expenses	<b>28 665</b>	17 025	<b>28 999</b>	17 025
– Impairment charge	8 839	2 222	3 467	2 201
– Letting commission and tenant installation	1 622	2 551	153	2 384
– Expenditure relating to income producing properties	139 592	79 449	89 793	71 078
– Remuneration for managerial services	16 092	9 123	9 548	7 899
Property expenses	<b>166 145</b>	93 345	<b>102 961</b>	83 562

\*The asset management fee is equal to 0,5% per annum of the Fund's aggregate capitalisation and borrowing facilities and a pro-rata portion is payable on a monthly basis. The market capitalisation is based on the closing price of the units as quoted on the JSE Limited.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

	GROUP		FUND	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>14 INCOME TAX EXPENSE</b>				
South African normal tax				
– Income tax	70	–	–	–
– Capital gains tax	–	–	–	–
– Deferred tax	35 600	11 525	–	–
	<b>35 670</b>	<b>11 525</b>	<b>–</b>	<b>–</b>
<b>RECONCILIATION OF TAX RATE</b>				
Standard tax rate	28,00%	28,00%	28,00%	28,00%
Capital gains tax differential	0,26%	–	–	–
Deferred tax rate differential	1,60%	0,18%	–	–
Exempt income and other	(24,48%)	(26,34%)	(28,00%)	(28,00%)
Effective tax rate	5,38%	1,84%	–	–

	GROUP	
	2009 R'000	2008 R'000
<b>15 RECONCILIATION OF PROFIT FOR THE YEAR TO HEADLINE EARNINGS AND DISTRIBUTABLE INCOME</b>		
<b>Profit for the year attributable to equity holders</b>	<b>627 721</b>	613 793
Adjusted for:	<b>(95 161)</b>	(347 495)
– Fair value gain on investment property	<b>(144 433)</b>	(351 465)
– Fair value adjustment resulting from straight-lining of rental revenue	<b>13 602</b>	(7 555)
– Income tax	<b>35 670</b>	11 525
<b>Headline earnings</b>	<b>532 560</b>	266 298
Headline earnings per unit (cents)*	<b>79,69</b>	47,86
<b>Reconciliation of profit for the year to amount available for distribution</b>		
Profit for the year attributable to equity holders	<b>627 721</b>	613 793
Straight-lining of rental revenue adjustment	<b>(13 602)</b>	7 555
Fair value gain on investment property	<b>(144 433)</b>	(351 465)
Fair value adjustment resulting from straight-lining of rental revenue	<b>13 602</b>	(7 555)
Fair value gain on investments	<b>(162 367)</b>	(18 023)
(Profit)/loss from associate	<b>(429)</b>	4 072
Fair value adjustment on interest rate derivatives	<b>10 125</b>	7 104
Income tax	<b>35 670</b>	11 525
<b>Distributable income</b>	<b>366 287</b>	267 006
<b>Distribution declared</b>	<b>366 287</b>	267 006
Interim	<b>159 194</b>	113 003
Final	<b>207 093</b>	154 003

Basic earnings per unit is 93,93 cents (2008: 110,32 cents). The calculation of the basic earnings per unit is based on a weighted average number of units in issue during the year of 668 263 543 (2008: 556 375 093) and earnings of R627,721 million (2007: R613,793 million).

Headline earnings per unit is 79,69 cents (2008: 47,86 cents). The calculation of headline earnings per unit is based on a weighted average number of units in issue during the year of 668 263 543 (2008: 556 375 093) and headline earnings of R532,560 million (2008: R266,298 million).

\*The Fund has no dilutionary instruments in issue

	GROUP		FUND	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>16 NOTES TO THE STATEMENTS OF CASH FLOW</b>				
<b>16.1 Income tax paid</b>				
Amounts unpaid at the beginning of the year	-	2 279	-	-
Amounts charged to the statement of comprehensive income during the year	70	-	-	-
Amounts unpaid at the end of the year	-	-	-	-
	<b>70</b>	<b>2 279</b>	<b>-</b>	<b>-</b>
<b>16.2 Distributions paid</b>				
Amounts unpaid at the beginning of the year	154 003	109 803	154 003	109 803
Amounts declared during the year	366 287	267 006	366 287	267 006
Amounts unpaid at the end of the year	(207 093)	(154 003)	(207 093)	(154 003)
	<b>313 197</b>	<b>222 806</b>	<b>313 197</b>	<b>222 806</b>
<b>16.3 Buildings and related receivables and payables acquired in exchange for units issued not included in additions to investment property or financing activities</b>				
Interest in subsidiaries	-	-	-	188 317
Loans advanced to subsidiaries	-	-	-	410 879
Buildings acquired	-	1 126 574	-	-
Trade and other receivables	-	39 783	-	-
Interest-bearing borrowings	-	(460 475)	-	-
Trade and other payables	-	(106 686)	-	-
Units issued	-	(599 196)	-	(599 196)
Cash flow effect	-	-	-	-
<b>16.4 Proceeds from the issue of units</b>				
Units issued	664 200	-	664 200	-
Cash flow effect	664 200	-	664 200	-
<b>17 OPERATING LEASE RENTALS</b>				
Contractual rental income from tenants can be analysed as follows:				
Within one year	434 321	353 086	315 987	231 260
Within two to five years	834 147	388 748	638 400	177 610
More than five years	157 859	412 168	131 363	380 841
	<b>1 426 327</b>	<b>1 154 002</b>	<b>1 085 750</b>	<b>789 711</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

	2009	2008
	R'000	R'000
<b>18 CAPITAL COMMITMENTS</b>		
Contractual capital commitments at year-end, which will be funded from available debt facilities, were as follows:		
Authorised and contracted	222 482	87 197
Authorised and not yet contracted	41 638	52 254
	<b>264 120</b>	<b>139 451</b>

## 19 SUBSEQUENT EVENTS

The directors are not aware of any events subsequent to 31 December 2009, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report. Capital has agreed to acquire five A-grade industrial properties for R219 million at an initial yield of 9,02% from Improvon, payable in cash. The transaction is subject to Competition Commission approval. Four of the buildings are located in Longmeadow and one in Rustivia on the East Rand.

	GROUP		FUND	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000

## 20 FINANCIAL INSTRUMENTS

### 20.1 Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Trade and other receivables	25 497	54 941	11 959	14 465
Cash and cash equivalents	34 789	1 006	35	143

The maximum exposure to credit risk for trade receivables at the reporting date by industry was:

Industrial	7 261	10 185	3 978	8 511
Commercial	6 690	9 312	3 664	680
Retail	4 184	8 127	2 151	1 629
Investments and other	7 362	27 317	2 166	3 645
Gross exposure	25 497	54 941	11 959	14 465
Tenant arrears covered by deposits	(6 759)	(15 716)	(5 100)	(9 959)
Net exposure	18 738	39 225	6 859	4 506

The ageing of trade receivables at the reporting date was less than 90 days. All amounts past due are impaired in full.

At 31 December 2009 debtors past due were Rnil (2008: Rnil).

The Group believes that no impairment allowance is necessary in respect of trade receivables as a comprehensive analysis of outstanding amounts are performed on a regular basis and impairment losses are accounted for timeously. Doubtful amounts are impaired when recoverability is in question.

## 20.2 Liquidity risk

The maturity of the undiscounted contractual financial liabilities excluding the impact of netting agreements are as follows:

GROUP	1 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000
<b>2009</b>			
<b>Non-derivative financial liabilities</b>			
Secured bank loans – capital	–	425 602	613 154
Secured bank loans – interest	15 209	–	–
Trade and other payables	71 373	–	–
Bank overdraft	9 612	–	–
<b>Derivative financial liabilities</b>			
Swap revaluation creditor	7 359	–	–
<b>2008</b>			
<b>Non-derivative financial liabilities</b>			
Secured bank loans – capital	53 531	40 599	691 016
Secured bank loans – interest	88 978	94 135	170 637
Trade and other payables	166 487	–	–
Bank overdraft	7 723	–	–
<b>Derivative financial liabilities</b>			
Swap revaluation creditor	4 884	–	–
<b>FUND</b>			
<b>2009</b>			
<b>Non-derivative financial liabilities</b>			
Secured bank loans – capital	–	425 602	251 154
Secured bank loans – interest	2 859	–	–
Trade and other payables	49 602	–	–
Bank overdraft	9 612	–	–
<b>Derivative financial liabilities</b>			
Swap revaluation creditor	7 122	–	–
<b>2008</b>			
<b>Non-derivative financial liabilities</b>			
Secured bank loans – capital	22 681	–	329 016
Secured bank loans – interest	45 257	48 110	54 301
Trade and other payables	56 612	–	–
Bank overdraft	7 723	–	–
<b>Derivative financial liabilities</b>			
Swap revaluation creditor	4 811	–	–

Cash flows are monitored on a regular basis to ensure that cash resources are adequate to meet funding requirements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>R'000</b>	<b>R'000</b>
<b>Permitted borrowings for the Group</b>		
Value of property portfolio	5 231 549	4 610 398
30% of portfolio value	1 569 465	1 383 119
Total borrowings	(1 063 577)	(792 869)
Unutilised borrowing capacity	505 888	590 250

	<b>2009</b>	<b>2008</b>
	<b>Euro'000</b>	<b>Euro'000</b>

## 20.3 Currency risk

The Group's exposure to foreign currency risk was as follows:

Investment in Nepi	–	12 310
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## 20.4 Interest rate risk

The Group adopts a policy of ensuring that at least 50% of its exposure to interest rates on borrowings is hedged.

Details of existing interest rate derivatives are:

<b>GROUP 2009</b>	<b>Swap maturity</b>	<b>Nominal amount R'000</b>	<b>Swap rate</b>	<b>Fair value R'000</b>
	May 10	45 600	8,67%	(299)
	Oct 10	50 000	9,19%	(1 012)
	Feb 11	100 000	7,85%	(773)
	May 11	100 000	7,68%	(598)
	Dec 11	50 000	8,29%	(704)
	Dec 11	50 000	8,53%	(896)
	Feb 12	50 000	8,04%	(412)
	Feb 13	100 000	8,18%	(411)
	Oct 13	50 000	9,47%	(2 097)
	May 14	100 000	8,595%	(847)
	May 14	50 000	8,67%	(563)
	Aug 15	50 000	8,39%	427

20.4 Interest rate risk (continued)

<b>FUND 2009</b>	<b>Swap maturity</b>	<b>Nominal amount R'000</b>	<b>Swap rate</b>	<b>Fair value R'000</b>
	Oct 10	50 000	9,19%	(1 012)
	Feb 11	100 000	7,85%	(773)
	May 11	100 000	7,68%	(598)
	Dec 11	50 000	8,29%	(704)
	Dec 11	50 000	8,53%	(896)
	Feb 12	50 000	8,04%	(412)
	Feb 13	100 000	8,18%	(411)
	Oct 13	50 000	9,47%	(2 097)
	May 14	100 000	8,595%	(847)
	May 14	50 000	8,67%	(563)
	Aug 15	50 000	8,39%	427

<b>GROUP 2008</b>	<b>Swap maturity</b>	<b>Nominal amount R'000</b>	<b>Swap rate</b>	<b>Fair value R'000</b>
	May 09	45 600	8,51%	370
	Oct 09	50 000	9,22%	139
	May 10	45 600	8,67%	(73)
	Oct 10	50 000	9,19%	(713)
	Dec 11	50 000	8,29%	(298)
	Dec 11	50 000	8,53%	(644)
	Oct 13	50 000	9,47%	(3 157)

	<b>CAP maturity</b>	<b>Nominal amount R'000</b>	<b>CAP rate</b>	<b>Fair value R'000</b>
	Jul 13	50 000	11,55%	747

<b>FUND 2008</b>	<b>Swap maturity</b>	<b>Nominal amount R'000</b>	<b>Swap rate</b>	<b>Fair value R'000</b>
	Oct 09	50 000	9,22%	139
	Oct 10	50 000	9,19%	(713)
	Dec 11	50 000	8,29%	(298)
	Dec 11	50 000	8,53%	(644)
	Oct 13	50 000	9,47%	(3 157)

	<b>CAP maturity</b>	<b>Nominal amount R'000</b>	<b>CAP rate</b>	<b>Fair value R'000</b>
	Jul 13	50 000	11,55%	747

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

### 20.4 Interest rate risk (continued)

	Profit or loss 100 basis point increase	Profit or loss 100 basis point decrease
<b>GROUP 2009</b>		
Interest-bearing borrowings	12 891	(12 891)
Hedged borrowings	(11 576)	11 576
Cash flow sensitivity (net)	1 315	(1 315)
<b>FUND 2009</b>		
Interest-bearing borrowings	5 371	(5 371)
Hedged borrowings	(7 500)	7 500
Cash flow sensitivity (net)	(2 129)	2 129
<b>GROUP 2008</b>		
Interest-bearing borrowings	10 110	(10 110)
Hedged borrowings	(7 532)	7 532
Cash flow sensitivity (net)	2 578	(2 578)
<b>FUND 2008</b>		
Interest-bearing borrowings	5 377	(5 377)
Hedged borrowings	(2 500)	2 500
Cash flow sensitivity (net)	2 877	(2 877)

## 20.5 Fair value

The fair value of all financial instruments are substantially the same as the carrying amounts reflected on the balance sheet.

	Designated at fair value	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Total carrying amount R'000	Fair value R'000
<b>GROUP 2009</b>					
Cash and cash equivalents	-	34 789	-	34 789	34 789
Bank overdraft	-	(9 612)	-	(9 612)	(9 612)
Interest-bearing borrowings	-	-	(1 053 965)	(1 053 965)	(1 053 965)
Trade and other receivables	-	24 773	-	24 773	24 773
Swap revaluation debtor – level 2	724	-	-	724	724
Swap revaluation creditor – level 2	(7 359)	-	-	(7 359)	(7 359)
Trade and other payables and unitholders for distribution	-	-	(278 466)	(278 466)	(278 466)
Investments – level 1	858 626	-	-	858 626	858 626
	851 991	49 950	(1 332 431)	(430 490)	(430 490)
<b>FUND 2009</b>					
Cash and cash equivalents	-	35	-	35	35
Bank overdraft	-	(9 612)	-	(9 612)	(9 612)
Interest-bearing borrowings	-	-	(679 615)	(679 615)	(679 615)
Trade and other receivables	-	11 235	-	11 235	11 235
Swap revaluation debtor – level 2	724	-	-	724	724
Swap revaluation creditor – level 2	(7 122)	-	-	(7 122)	(7 122)
Trade and other payables and unitholders for distribution	-	-	(256 695)	(256 695)	(256 695)
Investments – level 1	858 626	-	-	858 626	858 626
	852 228	1 658	(936 310)	(82 424)	(82 424)
<b>GROUP 2008</b>					
Cash and cash equivalents	-	1 006	-	1 006	1 006
Bank overdraft	-	(7 723)	-	(7 723)	(7 723)
Interest-bearing borrowings	-	-	(785 146)	(785 146)	(785 146)
Trade and other receivables	-	46 568	-	46 568	46 568
Swap revaluation debtor – level 2	8 373	-	-	8 373	8 373
Swap revaluation creditor – level 2	(4 884)	-	-	(4 884)	(4 884)
Trade and other payables and unitholders for distribution	-	-	(320 490)	(320 490)	(320 490)
Investments – level 1	172 800	-	-	172 800	172 800
	176 289	39 851	(1 105 636)	(889 496)	(889 496)
<b>FUND 2008</b>					
Cash and cash equivalents	-	143	-	143	143
Bank overdraft	-	(7 723)	-	(7 723)	(7 723)
Interest-bearing borrowings	-	-	(351 697)	(351 697)	(351 697)
Trade and other receivables	-	13 580	-	13 580	13 580
Swap revaluation debtor – level 2	885	-	-	885	885
Swap revaluation creditor – level 2	(4 811)	-	-	(4 811)	(4 811)
Trade and other payables and unitholders for distribution	-	-	(210 615)	(210 615)	(210 615)
Investments – level 1	172 800	-	-	172 800	172 800
	168 874	6 000	(562 312)	(387 438)	(387 438)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

## 21 ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses with the audit committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

The revaluation of investment property requires judgement in the determination of an appropriate capitalisation rate. Changes in the capitalisation rate attributable to changes in market conditions can have a significant impact on property valuations.

The impairment of tenant arrears requires judgement as to the recoverability of the arrears.

## 22 RELATED PARTY TRANSACTIONS

### Parent entity

The holding entity of the subsidiaries is Capital Property Fund.

### Identity of related parties with whom material transactions have occurred

The subsidiaries of the Fund are identified in note 6 of these financial statements. These entities are related parties of the Fund.

PFM is the management company of the Fund in terms of the Collective Investment Schemes Control Act.

Resilient, the owner of PFM, owns a significant number of units in the Fund.

The Fund owns 20% of the property known as N1 Business Park and has a joint venture agreement with Imbali Props 7 (Proprietary) Limited, to develop this property. Jorge da Costa, who is an independent non-executive director of PFM has a 25% interest in Imbali Props 7 (Proprietary) Limited.

Capital has agreed to acquire five A-grade industrial properties for R219 million at an initial yield of 9,02% from Improvon Property Group, payable in cash. The transaction is subject to Competition Commission approval. Four of the buildings are located in Longmeadow and one in Rustivia on the East Rand. Jorge de Costa, who is an independent non-executive director of PFM, is a director of Improvon Property Group. In terms of the JSE Listings Requirements, the transaction is not a related party transaction.

Capital acquired Isando Business Park, City Deep Industrial Park, Chemserve Spartan and a 25% interest in Montague Business Park from Resilient for R611,5 million. Unitholders are referred to the circular dated 16 July 2009.

	GROUP		FUND	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Management company</b>				
Asset management fee paid to PFM	26 223	14 095	26 223	14 095
Unit creation fee paid to PFM*	295	2 997	295	2 997
<b>Material related party transactions</b>				
<b>Subsidiaries</b>				
Loans to/from subsidiaries (Refer note 6)				

\*No unit creation fee was payable to Resilient for the acquisition of the portfolio of properties acquired from Resilient valued at R611,5 million.

23 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	<ul style="list-style-type: none"> <li>Amendments relating to oil and gas assets and determining whether an arrangement contains a lease</li> </ul>	1 January 2010
IFRS 2: Share-based Payment	<ul style="list-style-type: none"> <li>Clarification of scope of IFRS 2 and IFRS 3 revised</li> </ul>	1 July 2009
	<ul style="list-style-type: none"> <li>Accounting for group cash-settled share-based payment transactions – clarity of the definition of the term “Group”.</li> </ul>	1 January 2010
IFRS 3: Business Combinations	<ul style="list-style-type: none"> <li>Amendments to accounting for business combinations</li> </ul>	1 July 2009
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	<ul style="list-style-type: none"> <li>Plan to sell the controlling interest in a subsidiary</li> </ul>	1 July 2009
	<ul style="list-style-type: none"> <li>Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations</li> </ul>	1 January 2010
	<ul style="list-style-type: none"> <li>Amendments resulting from IFRIC 17 for assets held for distribution to owners</li> </ul>	1 July 2009
IFRS 8: Operating Segments	<ul style="list-style-type: none"> <li>Disclosure of information about segment assets</li> </ul>	1 January 2010
IFRS 9: Financial Instruments	<ul style="list-style-type: none"> <li>New standard that forms the first part of a three part project to replace IAS 39 Financial Instruments: Recognition and Measurement</li> </ul>	1 January 2013
IAS 1: Presentation of Financial Statements	<ul style="list-style-type: none"> <li>Current/non-current classification of convertible instruments</li> </ul>	1 January 2010
IAS 7: Statement of Cash Flows	<ul style="list-style-type: none"> <li>Classification of expenditures on unrecognised assets</li> </ul>	1 January 2010
IAS 10: Events after the Reporting Period	<ul style="list-style-type: none"> <li>Amendment resulting from the issue of IFRIC 17</li> </ul>	1 July 2009
IAS 17: Leases	<ul style="list-style-type: none"> <li>Classification of leases of land and buildings</li> </ul>	1 January 2010

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

## 23 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Standard	Details of Amendment	Annual periods beginning on or after
IAS 24: Related Party Disclosure	<ul style="list-style-type: none"> <li>• Simplification of the disclosure requirements for government related entities</li> </ul>	1 January 2011
	<ul style="list-style-type: none"> <li>• Clarification of the definition of related party</li> </ul>	
IAS 27: Consolidated and separate financial statements	<ul style="list-style-type: none"> <li>• Consequential amendments from changes to Business Combinations</li> </ul>	1 July 2009
	<ul style="list-style-type: none"> <li>• Measurement of subsidiary held for sale in separate financial statements</li> </ul>	1 July 2009
IAS 31: Interests in Joint Ventures	<ul style="list-style-type: none"> <li>• Consequential amendments from changes to Business Combinations</li> </ul>	1 July 2009
IAS 32: Financial Instruments: Presentation	<ul style="list-style-type: none"> <li>• Accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the Issuer</li> </ul>	1 February 2010
IAS 36: Impairment of Assets	<ul style="list-style-type: none"> <li>• Unit of accounting for goodwill impairment test</li> </ul>	1 January 2010
IAS 38: Intangible Assets	<ul style="list-style-type: none"> <li>• Additional consequential amendments arising from revised IFRS 3</li> <li>• Measuring the fair value of an intangible asset acquired in a business combination</li> </ul>	1 July 2009
IAS 39: Financial Instruments: Recognition and Measurement	<ul style="list-style-type: none"> <li>• Clarifies two hedge accounting issues:                             <ul style="list-style-type: none"> <li>– Inflation in a financial hedged item</li> <li>– A one-sided risk in a hedged item</li> </ul> </li> </ul>	1 July 2009
	<ul style="list-style-type: none"> <li>• Amendments for embedded derivatives when reclassifying financial instruments.</li> </ul>	Annual periods ending on or after 30 June 2009
	<ul style="list-style-type: none"> <li>• Treating loan prepayment penalties as closely related embedded derivatives</li> <li>• Scope exemption for business combination contracts</li> <li>• Cash flow hedge accounting</li> </ul>	1 January 2010

<b>Interpretations</b>	<b>Annual periods beginning on or after</b>
IFRIC 9: (amended) Reassessment of Embedded Derivatives Scope of IFRIC 9 and revised IFRS 3	1 July 2009
IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum funding Requirements and their interaction. Amendments relating to the recognition as assets of some voluntary prepayments for minimum funding contributions	1 January 2011
IFRIC 16: (amended) Hedges of a Net Investment in a Foreign Operation Amendment to the restriction on the entity the entity that can hold hedging instruments	1 July 2009
IFRIC 17: Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18: Transfer of Assets from Customers	1 July 2009
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

# SCHEDULE OF PROPERTIES

	<b>Property name</b>	<b>Address</b>	<b>Province</b>	<b>Sector</b>
1	Grand Central	Cnr Darling and Plein Streets Cape Town	Western Cape	Retail
2	Long Street Cape Town	2 Long Street Cape Town	Western Cape	Commercial
3	Isando Business Park	Cnr Andre Greyvenstein Avenue and Hulley Road and Vanacht Street and 14 Skietlood Street Kempton Park	Gauteng	Industrial
4	Monyetla Office Park	Inyanga Close Sunninghill	Gauteng	Commercial
5	City Deep Industrial Park	Cnr Outspan Road and Fortune Street Johannesburg	Gauteng	Industrial
6	Leeuwkop Road	Cnr Simba and Leeuwkop Road Sunninghill	Gauteng	Commercial
7	Nokia Siemens Networks	Oak Avenue Highveld Business Park Centurion	Gauteng	Commercial
8	Cullinan Office Park	2 Cullinan Place Morningside	Gauteng	Commercial
9	Wedgewood Office Park	3 Muswell Road Bryanston	Gauteng	Commercial
10	PricewaterhouseCoopers Pretoria	Ida Street Menlo Park	Gauteng	Commercial
11	Mutsindo Mall & Capricorn Plaza	Post Office Street Thohoyandou	Limpopo	Retail
12	Medscheme	37 Conrad Drive Constantia Kloof	Gauteng	Commercial
13	Surprise Park Pinetown	Surprise Road Pinetown	KwaZulu-Natal	Industrial
14	11 Fitzmaurice Epping	11 Fitzmaurice Epping	Western Cape	Industrial
15	11 Naivasha Road	11 Naivasha Road Sunninghill	Gauteng	Commercial
16	Caxton House East London	35 Terminus Street East London	Eastern Cape	Commercial
17	15th Road Midrand	15th Road Midrand	Gauteng	Industrial
18	Chemserve Spartan	3 Johann Birkart Road Kempton Park	Gauteng	Industrial
19	114 Dennis Road Athol Gardens	114 Dennis Road Athol Gardens	Gauteng	Commercial
20	Mahogany Road	19 – 21 Sugarbush Crescent Mahogany Ridge Pinetown	KwaZulu-Natal	Industrial
21	Parc Nicol	3001 William Nicol Drive Bryanston	Gauteng	Commercial
22	City Deep Hi-Tech	Outspan Road City Deep	Gauteng	Industrial
23	Corporate Park North	Roan Crescent Corporate Park North Midrand	Gauteng	Industrial
24	Shoprite Centre Pretoria North	Cnr B Viljoen and DF Malan Streets Pretoria North	Gauteng	Retail

GLA (m <sup>2</sup> )	Valuation R'000	Purchase price R'000	Effective date of acquisition	Rental per m <sup>2</sup> R	Vacancy
33 616	358 000	159 000	Aug 04	95	
23 295	298 000	59 000	Jan 03	84	3%
56 606	266 000	256 000	Aug 09	36	9%
17 535	242 500	217 000	Dec 08	88	1%
61 608	200 000	191 000	Aug 09	25	
11 747	131 800	120 247	Nov 06 and Aug 07	81	
11 700	126 750	121 000	Oct 07	81	
9 227	120 000	116 000	Oct 09	90	4%
9 625	113 700	110 500	Dec 08	106	6%
6 405	112 200	39 636	Dec 00	125	
12 330	111 200	65 250	Sep 05 and Aug 06	74	
6 792	97 000	74 777	Dec 06	108	
25 333	87 000	13 000	Aug 04	32	12%
17 631	81 500	23 000	Aug 04	34	
6 659	81 300	50 323	Nov 06	67	
10 275	79 500	21 566	Aug 04	56	5%
14 308	77 000	24 640	Aug 04	44	
14 556	69 000	67 500	Aug 09	37	
5 736	68 800	57 200	Dec 08	84	
16 209	66 600	65 000	May 09	36	
5 606	64 900	67 300	Dec 08	134	14%
18 125	62 200	46 000	Sep 07	30	
11 402	61 000	33 466	Mar 06	42	
6 442	58 700	29 000	Aug 04	59	

## SCHEDULE OF PROPERTIES (CONTINUED)

	<b>Property name</b>	<b>Address</b>	<b>Province</b>	<b>Sector</b>
25	West Street Durban	336 – 342 West Street Durban	KwaZulu-Natal	Retail
26	Otto Volek Road Pinetown	22 Otto Volek Road Pinetown	KwaZulu-Natal	Industrial
27	Platinum Road	Platinum Road Longmeadow	Gauteng	Industrial
28	Harries Street Germiston	Cnr Harries and Sigma Roads Germiston South	Gauteng	Industrial
29	28 On Sloane	28 Sloane Street Bryanston	Gauteng	Commercial
30	19 Girton Road Parktown	19 Girton Road Parktown	Gauteng	Commercial
31	Centurion Office Park	Hendrik Verwoerd Drive Centurion	Gauteng	Commercial
32	Cambridge Manor Paulshof	Witkoppen Road Paulshof	Gauteng	Commercial
33	Tiger Moth Road Aeroton	Cnr Tiger Moth and Guy Gibson Road Aeroton	Gauteng	Industrial
34	Homeworld Centre	Malibongwe Drive Randburg	Gauteng	Retail
35	Culross Court Bryanston	16 Culross Road Bryanston	Gauteng	Commercial
36	33 Angus Crescent	33 Angus Crescent Longmeadow	Gauteng	Industrial
37	Noursepack Epping II	Nourse Avenue Epping	Western Cape	Industrial
38	45 Angus Crescent	45 Angus Crescent Longmeadow	Gauteng	Industrial
39	4th Street Wynberg	4th Street Wynberg	Gauteng	Industrial
40	Howick Close	Howick Close Midrand	Gauteng	Commercial
41	Watt Road Uitenhage	Watt Road Uitenhage	Eastern Cape	Industrial
42	Appleton's	Malibongwe Drive Randburg	Gauteng	Retail
43	N1 Business Park*	N1 Highway Midrand	Gauteng	Industrial
44	Constantia View Office Park	2 Hogsback Road Quellerina	Gauteng	Commercial
45	Cape Road Port Elizabeth	Cnr Cape Road and Langenhoven Drive Port Elizabeth	Eastern Cape	Commercial
46	Rigger Road Spartan	79 – 83 Rigger Road Spartan	Gauteng	Industrial
47	Brands Hatch Close	Cnr Indianapolis and Brands Hatch Close Kyalami Park	Gauteng	Industrial
48	Blackheath Pavilion	309 Pendering Road Blackheath	Gauteng	Retail

\*Capital has a 20% interest in this property.

GLA (m <sup>2</sup> )	Valuation R'000	Purchase price R'000	Effective date of acquisition	Rental per m <sup>2</sup> R	Vacancy
6 202	58 500	18 912	Aug 04	82	
18 296	57 600	16 557	Aug 04	28	7%
7 386	57 200	50 519	Jun 07	61	
17 592	56 000	24 000	Aug 04	26	
4 681	56 000	56 000	Oct 09	85	
7 384	53 000	47 000	Dec 08	63	
7 660	52 000	23 017	Aug 04	67	
7 016	52 000	49 000	Dec 08	57	24%
15 893	50 000	13 887	Jun 93	28	
6 582	49 000	27 000	Aug 04	91	7%
4 070	48 500	45 000	Dec 08	94	1%
7 503	47 750	43 514	Jun 07	55	
17 486	47 000	6 591	Aug 84	22	
7 985	46 500	40 068	Mar 07	54	
14 873	45 500	7 943	Aug 04	21	
3 949	45 000	14 841	Aug 04	81	
23 370	45 000	45 300	Dec 08	23	
3 772	45 000	45 700	Dec 08	118	16%
26 488	44 160	16 912	Aug 06	57	
5 210	44 100	48 500	Dec 08	89	12%
5 127	41 800	15 000	Aug 04	68	5%
8 229	41 600	8 900	Aug 04	46	
6 597	40 200	26 890	Nov 06	44	
6 229	39 400	38 500	Dec 08	63	21%

## SCHEDULE OF PROPERTIES (CONTINUED)

	<b>Property name</b>	<b>Address</b>	<b>Province</b>	<b>Sector</b>
49	Corporate Place Cape Town	17 Mispel Avenue Bellville Cape Town	Western Cape	Commercial
50	189 Monte Carlo Crescent Kyalami	189 Monte Carlo Crescent Kyalami Park	Gauteng	Commercial
51	Westmead Road Pinetown	4 – 10 Westmead Road Westmead Pinetown	KwaZulu-Natal	Industrial
52	Covora Road	Covora Road Jet Park	Gauteng	Industrial
53	Director and Megawatt Road	Cnr Director and Megawatt Road Spartan	Gauteng	Industrial
54	Standard Bank Crossing	1 Twilight Avenue Fourways	Gauteng	Commercial
55	357 Rivonia Boulevard	357 Rivonia Boulevard Edenburg	Gauteng	Commercial
56	Chelsea Office Park Rivonia	57 Wessels Road Rivonia	Gauteng	Commercial
57	Rutherfords	Cnr Smit and Harris Street Industries West Germiston	Gauteng	Industrial
58	McCarthy Isando	Industries Road Isando	Gauteng	Industrial
59	31 Beacon Road Florida North	31 Beacon Road Florida North	Gauteng	Commercial
60	Robertville Industrial	Katrol Avenue Robertville	Gauteng	Industrial
61	38 Reedbuck Crescent	38 Reedbuck Crescent Corporate Park Midrand	Gauteng	Industrial
62	Citrus Street	Citrus Street Laser Park	Gauteng	Industrial
63	Ayshire Avenue	Ayshire Avenue Longmeadow	Gauteng	Industrial
64	Armstrong Road La Lucia	8 Torsvale and Armstrong Roads La Lucia	KwaZulu-Natal	Commercial
65	86 Tsessebe Crescent	86 Tsessebe Crescent Corporate Park Midrand	Gauteng	Industrial
66	Imperial Motors Strijdom Park	Cnr Malibongwe Drive and Tungsten Road Randburg	Gauteng	Retail
67	Cranberry Street	Cranberry Street Laser Park	Gauteng	Industrial
68	Milkyway Road	Milkyway Road Crown Mines	Gauteng	Industrial
69	Le Roux and West Street Allandale	Cnr Le Roux and West Street Midrand	Gauteng	Industrial
70	Richmond Forum Richmond	Cnr Cedar and Napier Road Richmond	Gauteng	Commercial
71	Redlands Office Park	George Macfarlane Avenue Wembyl	KwaZulu-Natal	Commercial
72	Moore's Rowland House Durban	245 North Ridge Road Morningside	KwaZulu-Natal	Commercial

	<b>GLA (m<sup>2</sup>)</b>	<b>Valuation R'000</b>	<b>Purchase price R'000</b>	<b>Effective date of acquisition</b>	<b>Rental per m<sup>2</sup> R</b>	<b>Vacancy</b>
	4 328	36 300	4 681	Feb 96	63	14%
	5 212	35 000	28 800	Dec 08	59	
	8 921	33 000	3 186	May 88	33	
	9 197	33 000	28 700	Jun 07	31	20%
	5 216	30 200	29 278	Jun 07	54	
	2 194	29 200	13 900	Aug 04	107	
	3 640	28 200	23 000	Dec 08	64	7%
	3 633	28 000	26 000	Dec 08	59	
	7 800	27 000	6 670	Aug 04	25	
	5 412	26 600	12 497	Jun 07	35	
	4 153	26 500	25 500	Dec 08	59	24%
	9 137	25 200	10 137	Dec 05	14	
	6 143	25 000	18 103	Nov 06	38	
	6 833	25 000	24 193	Jun 07	43	15%
	4 912	24 800	21 604	Mar 07	45	
	2 033	24 700	17 008	Nov 06	92	22%
	6 362	23 600	27 661	Jun 07	37	100%
	2 104	23 000	12 350	Aug 04	95	
	5 641	22 000	18 856	Jun 07	36	11%
	3 865	20 300	19 359	Jun 07	40	
	4 998	20 200	11 150	Oct 96	37	
	4 250	18 500	15 000	Dec 08	44	17%
	2 326	17 900	18 900	Dec 08	72	21%
	2 342	17 800	16 800	Dec 08	65	14%

## SCHEDULE OF PROPERTIES (CONTINUED)

	<b>Property name</b>	<b>Address</b>	<b>Province</b>	<b>Sector</b>
73	Albert Amon Road	Albert Amon Road Meadowdale	Gauteng	Industrial
74	Houer Road	Houer Road City Deep	Gauteng	Industrial
75	Koornhof Road	Koornhof Road Meadowdale	Gauteng	Industrial
76	1257 South Road Centurion	1257 South Road Centurion	Gauteng	Commercial
77	Megawatt Road	Megawatt Road Spartan	Gauteng	Industrial
78	Cascades Office Park Pietermaritzburg	Cascades Street Pietermaritzburg	KwaZulu-Natal	Commercial
79	Rutland Mews	30 Main Street Eastleigh Edenvale	Gauteng	Industrial
80	35 Impala Road Chislehurst Sandton	35 Impala Road Chislehurst, Sandton	Gauteng	Commercial
81	35 Reedbuck Crescent	35 Reedbuck Crescent Corporate Park Midrand	Gauteng	Industrial
82	Bofors Circle Park Epping	Bofors Circle Park Epping	Western Cape	Industrial
83	368 Sifon Street Robertville	368 Sifon Street Robertville	Gauteng	Industrial
84	Kingfisher Crescent Meyersdal	Kingfisher Crescent Meyersdal	Gauteng	Commercial
85	108 Roan Crescent	108 Roan Crescent Corporate Park Midrand	Gauteng	Industrial
86	York Road Wynberg Cape Town	York Road Wynberg Cape Town	Western Cape	Industrial
87	Lees Street Wynberg	Lees Street Wynberg	Gauteng	Industrial
88	112 Roan Crescent	112 Roan Crescent Corporate Park Midrand	Gauteng	Industrial
89	71 Tsessebe Crescent	71 Tsessebe Crescent Corporate Park Midrand	Gauteng	Industrial
90	Director Road Spartan	Director Road Spartan	Gauteng	Industrial
91	75 Kyalami Boulevard	75 Kyalami Boulevard Kyalami Park	Gauteng	Industrial
92	9 Reedbuck Crescent	9 Reedbuck Crescent Corporate Park Midrand	Gauteng	Industrial
93	City Deep Mini Units	Cnr Heidelberg and Vickers Roads City Deep	Gauteng	Industrial
94	109 Roan Crescent	109 Roan Crescent Corporate Park Midrand	Gauteng	Industrial
95	3 Capital Hill Business Park	3 Capital Hill Business Park Midrand	Gauteng	Industrial
96	50 Tsessebe Crescent	50 Tsessebe Crescent Corporate Park Midrand	Gauteng	Industrial

GLA (m <sup>2</sup> )	Valuation R'000	Purchase price R'000	Effective date of acquisition	Rental per m <sup>2</sup> R	Vacancy
4 064	17 600	16 471	Mar 07	35	
5 584	17 600	14 300	Oct 07	31	100%
3 027	17 000	16 511	Jun 07	43	
1 805	16 700	12 900	Dec 08	65	
2 710	16 400	14 243	Jun 07	41	
1 561	16 000	6 517	Aug 04	58	
4 405	14 500	11 648	Nov 06	32	
1 399	14 100	10 350	Dec 08	70	3%
3 202	12 200	8 079	Nov 06	34	
2 828	11 900	12 226	Jan 96	35	
2 258	11 500	12 300	Dec 08	64	
1 445	11 100	12 200	Dec 08	86	
2 683	10 500	5 920	Nov 06	37	
2 514	10 500	10 500	Dec 08	58	
4 105	10 200	2 382	Aug 84	24	
2 177	10 000	5 925	Nov 06	39	
1 809	8 200	5 945	Nov 06	38	
1 600	8 000	8 600	Jun 07	42	
1 665	8 000	6 784	Nov 06	41	
1 950	7 300	4 007	Nov 06	38	
1 350	7 200	3 356	Nov 06	34	
1 723	6 800	6 845	Nov 06	40	
1 825	6 800	3 898	Nov 06	28	
1 849	6 300	6 765	Nov 06	41	

## SCHEDULE OF PROPERTIES (CONTINUED)

	<b>Property name</b>	<b>Address</b>	<b>Province</b>	<b>Sector</b>
97	39 Loper Street Spartan	39 Loper Street Spartan Ext 2 Aeroport	Gauteng	Industrial
98	62 Gazelle Avenue	62 Gazelle Avenue Corporate Park Midrand	Gauteng	Industrial
<b>Sub total</b>				
<b>Developments</b>				
99	Montague Gardens	Cnr Platteklouf and Koeberg Road Milnerton Cape Town	Western Cape	N/A
100	N1 Business Park*	N1 Highway Midrand	Gauteng	Industrial
<b>Sub total</b>				
<b>Total</b>				

\*Capital has a 20% interest in this development.

GLA (m <sup>2</sup> )	Valuation R'000	Purchase price R'000	Effective date of acquisition	Rental per m <sup>2</sup> R	Vacancy
953	5 500	1 944	Nov 06	45	
1 318	5 098	4 606	Nov 06	39	
<b>834 809</b>	<b>5 105 458</b>	<b>3 415 511</b>			
–	101 392	97 000	Aug 09	N/A	
–	24 699	13 277	Aug 06	N/A	
–	<b>126 091</b>	<b>110 277</b>			
<b>834 809</b>	<b>5 231 549</b>	<b>3 525 788</b>			

# BOARD CHARTER

## **FUNCTIONS OF THE BOARD**

The board acknowledges that they:

- regard corporate governance as vitally important to the success of the business;
- are responsible to all stakeholders for the Group achieving the highest standards of business conduct;
- are unreservedly committed to applying the principles necessary to ensure that good corporate governance, as set out in the King II report, is practiced in all of the Group's business dealings; and
- are expected to act with due regard to their fiduciary duties and responsibilities in a professional manner, and to uphold the Group's core values.

## **RESPONSIBILITIES OF THE BOARD**

Although certain responsibilities are delegated to committees or management executives, the board acknowledges that it is not discharged from its obligations in regards to these matters.

The board acknowledges its responsibilities for:

- the adoption of strategic plans and ensuring that these plans are carried out by management;
- the monitoring of the operational performance of the business against predetermined budgets;
- the monitoring of the performance of management at both operational and executive level;
- ensuring that the group complies with all laws, regulations and codes of business practice;
- ensuring a clear division of responsibilities at board level to ensure a balance of power and authority in terms of group policies; and
- timeous, relevant and meaningful reporting to all stakeholders.

# CORPORATE GOVERNANCE REVIEW

## INTRODUCTION

The board of directors subscribe to and practice good corporate governance and ensure compliance with all legislation to which it is subject, including the listings requirements of the JSE. The directors further endorse the principles incorporated in the Code of Corporate Practices and Conduct as set out in the King II report and confirm that the Group is compliant with the provisions thereof in all material respects.

## COMPOSITION OF THE BOARD OF DIRECTORS

The board comprises five executive directors and six non-executive directors, five of whom are independent.

Board appointments are made in terms of a formal and transparent policy on nominations and appointments.

## ROLE OF THE DIRECTORS

Ultimate control of the Fund rests with the board of directors while management is responsible for the proper management of the Fund. The board is therefore responsible for establishing the objectives of the Fund and setting a philosophy for investments, performance and ethical standards. Board meetings are held quarterly and whenever else circumstances necessitate.

## INDEPENDENCE OF THE DIRECTORS

The board of directors' independence from the executive management team is ensured by the following:

- separation of the roles of chairman and managing director, with the chairman being independent;
- the board being dominated by non-executive directors;
- the audit and risk committee having a majority of independent directors;
- non-executive directors not holding service contracts;
- all directors having access to the advice and services of the company secretary; and
- with prior agreement from the chairman, all directors are entitled to seek independent professional advice concerning the affairs of the Fund at the Fund's expense.

## AUDIT AND RISK COMMITTEE

The audit and risk committee evaluates the Group's exposure and response to significant risks, including sustainability issues.

The committee's primary objective is to provide the board with additional assurance regarding the efficiency of the operations and reliability of the financial information, and to assist the board in discharging their duties in regard to these matters.

The committee reviews audit plans for external audits and the outcome of the work performed in executing these plans. They further ensure that items identified for action are followed up. The committee recommends the appointment of external auditors, the level of fees payable and the level of non-audit services. The external auditors report annually to the audit committee to confirm that they are and have remained independent from the Group during the year. The audit committee is satisfied that the auditors have remained independent. The audit committee is further satisfied that the financial director is sufficiently competent.

It is the function of the committee to review and make recommendations to the board regarding half-yearly financial results, and the annual financial statements prior to approval by the board.

The audit and risk committee comprises three non-executive directors, all of whom are independent. The managing director, financial director, external auditors and company secretary attend all meetings of the committee as invitees. Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties, as do the external auditors.

## INVESTMENT COMMITTEE

All acquisitions and sales of investments and capital expenditure are considered by the investment committee.

The investment committee comprises two independent non-executive directors and two executive directors. All members of this committee have extensive experience and technical expertise in the commercial, retail and industrial property industry.

## INTERNAL FINANCIAL AND OPERATING CONTROLS

A framework of financial reporting has been established by the board to ensure reasonable assurance as to accurate and timely reporting of financial information and general operation. In addition, the audit committee continually examines the appropriateness in utilising independent internal auditors to periodically review activities of the company and service providers.

## DEALING IN SECURITIES BY DIRECTORS

Dealing in the Fund's securities by directors and Fund officials is regulated and monitored as required by the JSE Listings Requirements. Capital maintains a closed period from the end of a financial period to the date of publication of the financial results.

## COMMUNICATIONS WITH STAKEHOLDERS AND UNITHOLDERS

Capital is committed to ensuring timely, effective and transparent communication with unitholders and other stakeholders through annual and interim financial reports, presentations to analysts, press releases, etc.

# PROPERTY FUND MANAGERS LIMITED

## DIRECTORS' REPORT

<b>NATURE OF BUSINESS</b>	The company continued with its business as the manager of the Fund in terms of the Collective Investment Schemes Control Act, 45 of 2002.
<b>GENERAL REVIEW</b>	The results for the year are reflected in the accompanying annual financial statements.
<b>SHARE CAPITAL</b>	Details of the authorised and issued share capital of the company appear in note 5 to the financial statements.
<b>DIRECTORS</b>	The directors of the company appear on pages 6 to 7.
<b>REGISTERED OFFICE</b>	4th Floor Rivonia Village Rivonia Boulevard Rivonia 2191 PO Box 2555 Rivonia 2128
<b>AUDITORS</b>	PKF (Jhb) Inc. was appointed as the auditors in terms of the Companies Act of South Africa.

# INDEPENDENT AUDITOR'S REPORT



chartered accountants  
& business advisers

## TO THE MEMBERS OF PROPERTY FUND MANAGERS LIMITED

We have audited the annual financial statements of Property Fund Managers Limited ("the Company"), which comprise the statement of financial position at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' Report as set out on page 66 and pages 68 to 74.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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, these financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2009, and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PKF (Jhb) Inc.

Per **P Badrick**  
Chartered Accountant (SA)  
Registered Auditor  
Director

Johannesburg  
27 January 2010

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Note	2009 R'000	2008 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	2	–	799
<b>Current assets</b>			
Trade and other receivables	3	5 678	7 729
Cash and cash equivalents	4	1	140
<b>Total assets</b>		<b>5 679</b>	<b>8 668</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	5	100	100
Share premium		900	900
Non-distributable reserves	6	632	465
Retained earnings		2 210	2 210
<b>Non-current liabilities</b>			
Deferred tax	7	–	132
<b>Current liabilities</b>			
Trade and other payables	8	1 828	4 860
Income tax payable		9	1
<b>Total equity and liabilities</b>		<b>5 679</b>	<b>8 668</b>

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Note	2009 R'000	2008 R'000
<b>Revenue</b>		<b>26 518</b>	17 092
<b>Operating expenses</b>		<b>(26 587)</b>	(17 154)
Operating loss		(69)	(62)
Profit on sale of investments		116	–
Finance income - interest received		69	63
<b>Profit before taxation</b>	9	<b>116</b>	1
Income tax	10	51	(1)
<b>Profit after taxation</b>		<b>167</b>	–
Transfer to non-distributable reserves		(167)	–
<b>Total comprehensive income for the year</b>		<b>–</b>	–

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Share capital R'000	Share premium R'000	Non- distributable reserves R'000	Retained income R'000	Total R'000
<b>Balance at 31 December 2007</b>	100	900	466	2 210	3 676
Total comprehensive income for the year				-	-
Fair value adjustment net of taxation			(1)		(1)
<b>Balance at 31 December 2008</b>	100	900	465	2 210	3 675
Total comprehensive income for the year				-	-
Transfer to non-distributable reserves			167		167
<b>Balance at 31 December 2009</b>	<b>100</b>	<b>900</b>	<b>632</b>	<b>2 210</b>	<b>3 842</b>

# STATEMENT OF CASH FLOW

for the year ended 31 December 2009

	Note	2009 R'000	2008 R'000
<b>Operating activities</b>			
Profit before taxation:		116	1
Adjustments for:			
Income tax expense		-	(1)
Profit on sale of investments		(116)	-
Finance income - interest received		(69)	(63)
<b>Cash outflow from operating activities</b>		<b>(69)</b>	<b>(63)</b>
Decrease/(increase) in trade and other receivables		2 051	(3 256)
(Decrease)/increase in trade and other payables		(3 032)	3 378
<b>Cash (utilised in)/generated from operations</b>		<b>(1 050)</b>	<b>59</b>
Income tax paid	10.1	(74)	-
Interest received		69	63
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1 055)</b>	<b>122</b>
<b>Investing activities</b>			
Proceeds from sale of investments		916	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(139)</b>	<b>122</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>140</b>	<b>18</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>1</b>	<b>140</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2009

## 1 ACCOUNTING POLICIES

### 1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis modified for financial assets and financial liabilities measured at fair value. The financial statements have been prepared on the going concern basis. They are presented in Rands and all values are rounded to the nearest thousand (R'000) except where otherwise indicated.

### 1.2 Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards and interpretations of these standards as adopted by the International Accounting Standards Board, the requirements of the South African Companies Act and the Collective Investment Schemes Control Act and the JSE Listings Requirements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgements and assumptions that affect reported amounts. It also requires management to exercise its judgement in the company's process of applying the accounting policies. Actual results may vary from these estimates. The areas involving a higher degree of judgement or complexities or areas where assumptions or estimates are significant are disclosed in note 14. The estimates and underlying assumptions are reviewed on an ongoing basis.

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have remained unchanged from those applied in the prior year.

### 1.3 Impairment

#### Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

All receivables past due are fully impaired. Amounts are considered past due if they are in excess of payment terms.

No allowance for doubtful debts is recognised.

The recovery of amounts previously written off are recorded in profit and loss.

### 1.4 Non-distributable reserves

All realised gains/losses arising on the fair value adjustments on investments classified as fair value through profit and loss and all realised profits/losses on the sale of such investments are transferred to non-distributable reserves and are not available for distribution.

### 1.5 Financial instruments

Financial instruments other than financial instruments classified as fair value through profit and loss, are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

- Trade and other receivables are stated at their cost less accumulated impairment losses.
- Cash and cash equivalents are measured at fair value.
- Investments - designated as held for trading and carried at fair value being the quoted bid price at the balance sheet date, through profit and loss.

- Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.
- Financial liabilities, consisting of trade and other payables, are measured at amortised cost using the effective interest rate method.
- Related party loans receivable are stated at amortised cost using the effective interest rate method less accumulated impairment losses.

For all financial instruments carried at amortised cost, where the financial effect of the time value of money is not considered to be material, discounting is not applied as the fair value of these instruments approximate their carrying values.

#### **1.6 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, current account balances and funds held on call with banks.

#### **1.7 Revenue**

Revenue represents asset management fees, unit creation fees and distributions received.

The asset management fee represents management fees for the asset management of Capital Property Fund, net of VAT and are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Unit creation fees are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Distributions are accrued for on a daily basis using the time apportionment method.

Interest received is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate which exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying value.

#### **1.8 Taxation**

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the tax rates enacted or substantially enacted at the balance sheet date. Where there is current tax due at year end, this is recognised as a current liability.

Deferred tax is provided using the balance sheet liability, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date. The effect on deferred tax of any changes in tax rates is recognised in the income statement.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

	2009 R'000	2008 R'000
<b>2 LISTED INVESTMENTS</b>		
Nil (2008 : 135 421) units in Capital Property Fund at fair value	-	799
<b>Schedule of movement</b>		
Carrying value at the beginning of the year	799	799
Revaluation	-	-
Disposals	(799)	-
<b>Carrying value at the end of the year</b>	-	799
<b>3 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	2 865	4 949
Loan to Resilient	2 813	2 780
	<b>5 678</b>	<b>7 729</b>
The loan to Resilient is interest free and is payable on demand.		
<b>4 CASH AND CASH EQUIVALENTS</b>		
Current account	1	140
<b>5 SHARE CAPITAL</b>		
<i>Authorised and issued</i>		
100 000 ordinary shares of R1 each	100	100
Share premium	900	900
<b>6 NON-DISTRIBUTABLE RESERVES</b>		
Balance at the beginning of the year	465	466
Investments	167	-
Deferred tax	-	(1)
Balance at the end of the year	<b>632</b>	<b>465</b>
<b>7 DEFERRED TAX</b>		
<i>Schedule of movement</i>		
<i>Comprising</i>		
- Revaluation of investments	-	132
Balance at the beginning of the year	132	131
Charged to the statement of comprehensive income during the year	(132)	1
Balance at the end of the year	-	132
Deferred tax has been calculated at a rate of 28% (2008: 28%) on the revaluation of investments.		
<b>8 TRADE AND OTHER PAYABLES</b>		
Accruals	186	35
Trade payables	1 642	4 825
	<b>1 828</b>	<b>4 860</b>
<b>9 PROFIT BEFORE TAXATION</b>		
Profit before taxation is stated after:		
Distributions received	(69)	(60)
Asset management fee received	(26 223)	(14 095)
Unit creation fee	(295)	(2 997)
Asset management fee paid and administration expenses	26 410	17 092
Audit fees	40	35

	2009 R'000	2008 R'000
<b>10 INCOME TAX EXPENSE</b>		
South African normal tax		
Current year		
– Income tax	(1)	–
– Capital gains tax	82	–
– Deferred tax	(132)	–
	(51)	–
<i>Reconciliation of tax rate</i>		
Company tax rate	28,00%	28,00%
– Deferred tax differential	–	72,00%
– Capital gains tax differential	(71,97%)	–
Effective tax rate	(43,97%)	100,00%
<b>10.1 Income tax paid</b>		
Balance due at the beginning of the year	1	1
Tax charge in income statement	82	–
Balance due at the end of the year	(9)	(1)
Tax paid	74	–
<b>11 FINANCIAL INSTRUMENTS</b>		
Exposure to credit and liquidity risk arises in the normal course of business.		
<b>11.1 Credit risk</b>		
Trade receivables consist of the asset management and unit creation fees from Capital Property Fund and the loan to Resilient Property Income Fund Limited and the credit risk relating thereto is considered minimal. At year end management believed there was no material credit risk exposure and no amounts past due.		
Reputable financial institutions are used for cash handling and investing purposes.		
<b>11.2 Liquidity risk</b>		
Cash flows are continuously monitored to ensure the company is able to meet its funding requirements. All financial liabilities comprising trade and other payables, will be settled within 12 months and will not incur interest.		
<b>11.3 Fair values</b>		
The fair values of all financial instruments classified as designated as at fair value through profit or loss are substantially identical to carrying amounts reflected in the balance sheet.		

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2009

	2009 R'000	2008 R'000
<b>12 RELATED-PARTY TRANSACTIONS</b>		
<b>12.1 Identity of related parties</b>		
Property Fund Managers Limited ("PFM") is the management company of Capital Property Fund in terms of the Collective Investment Schemes Control Act.		
The holding company of PFM is Resilient Property Income Fund Limited, which effectively holds 100% of PFM's ordinary shares.		
An asset management agreement is in place between PFM and Fortress Asset Managers (Proprietary) Limited ("Fortress"), which is ultimately 100% owned by Resilient.		
<b>12.2 Material related party transactions</b>		
<i>Capital Property Fund</i>		
Distributions received	69	60
Asset management fee received	(26 223)	(14 095)
Unit creation fee received	(295)	(2 997)
<i>Directors</i>		
Directors' emoluments (see note 13)	810	596
<i>Shareholders</i>		
Asset management fee to Fortress	25 541	17 092
<b>13 DIRECTORS' REMUNERATION</b>		
Fees paid to directors during the year ended 31 December 2009 were as follows:		
<b><i>Non-executive (for services as directors)</i></b>		
WC Ross	135	101
RA Chute	170	131
JJG da Costa	135	101
PT Phili	135	101
BL Stuhler	100	76
TD Vilakazi	135	86
	<b>810</b>	<b>596</b>

The management of Capital Property Fund by PFM has been outsourced to Fortress, a wholly owned subsidiary of Resilient, and therefore the executive directors are not remunerated by PFM.

## 14 ACCOUNTING ESTIMATES AND JUDGEMENTS

There were no areas where significant accounting estimates and judgements have been made in the preparation of these financial statements.

### **Additional information required in terms of the Collective Investment Schemes Control Act of 2002**

In terms of the Collective Investment Schemes Control Act the company is required to have a minimum capital of R1 492 500 (2008: R1 692 246). At 31 December 2009 the capital balance was R2 351 857 (2008: R1 821 807).

**ASSET MANAGER**

Property Fund Managers Limited  
4th Floor Rivonia Village  
Rivonia Boulevard  
Rivonia 2191  
PO Box 2555 Rivonia 2128

**AUDITOR**

PKF (Jhb) Inc.  
42 Wierda Road West  
Wierda Valley  
Sandton 2196  
Private Bag X10046 Sandton 2146

**BANKER**

The Standard Bank of South Africa Limited  
Registration number: 1967/00735/06  
Corporate and Investment Banking  
7th Floor 3 Simmonds Street  
Johannesburg 2001  
PO Box 61029 Marshalltown 2107

**COMPANY SECRETARY**

QK Khumalo  
4th Floor Rivonia Village  
Rivonia Boulevard  
Rivonia 2191  
PO Box 2555 Rivonia 2128

**SPONSOR**

Java Capital (Proprietary) Limited  
2 Arnold Road  
Rosebank 2196  
PO Box 2087 Parklands 2121

**TRUSTEE**

Absa Bank Limited  
Commercial Property Finance  
18th Floor 11 Diagonal Street  
Johannesburg 2001  
PO Box 42010 Fordsburg 2033

**TRANSFER SECRETARIES**

Link Market Services South Africa (Proprietary) Limited  
16th Floor 11 Diagonal Street  
Johannesburg 2001  
PO Box 4844 Johannesburg 2000

# UNITHOLDERS' DIARY

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## DECEMBER 2009

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Financial year end	Thursday, 31 December 2009
Announcement of 2009 results and declaration of final distribution (on SENS)	Thursday, 28 January 2010
Last day to trade units inclusive of distribution ( <i>cum</i> distribution)	Friday, 12 February 2010
Units trade exclusive of distribution ( <i>ex</i> distribution) from	Monday, 15 February 2010
Last day to update register for distribution (record date)	Friday, 19 February 2010
Payment of 2009 final distribution	Monday, 22 February 2010
Posting of 2009 annual report	Wednesday, 31 March 2010

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## JUNE 2010

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Interim period ends	Wednesday, 30 June 2010
Announcement of 2010 interim report and declaration of interim distribution (on SENS)	Wednesday, 4 August 2010
Payment of 2010 interim distribution	Monday, 30 August 2010

# FACT SHEET

<b>FUND NAME</b>	Capital Property Fund	
<b>CONTACT</b>	Tel: +27 (0) 11 612 6870 Fax: +27 (0) 11 612 6869	
<b>REGISTERED ADDRESS</b>	4th Floor Rivonia Village Rivonia Boulevard Rivonia 2191 (PO Box 2555 Rivonia 2128)	
<b>YEAR-END</b>	31 December	
<b>CHAIRMAN OF THE BOARD</b>	WC Ross	
<b>BOARD OF DIRECTORS</b>	WC Ross (chairman), AE Teixeira (managing director), AA Bornman, RA Chute, JG da Costa, D de Beer, A de Lange, PT Phili, BL Stuhler, TD Vilakazi, TL Visser	
	Independent non-executive	5
	Non-independent non-executive	1
	Executive	5
		<u>11</u>
<b>MANAGING DIRECTOR</b>	AE Teixeira	
<b>COMPANY SECRETARY</b>	QK Khumalo	
<b>CORPORATE ADVISORS</b>	Java Capital	
<b>EXTERNAL AUDITORS</b>	PKF (Jhb) Inc.	
<b>UNITS IN ISSUE</b>	717 578 059	
<b>GEARING RATIO</b>	21,2%	
<b>INVESTMENT PORTFOLIO</b>	Direct Property: R5 231,5 million Listed equity: R858,6 million	
<b>UNIT PRICE (CENT)</b>	<b>2009 year</b>	
	High	740 cpu
	Low	525 cpu
	Closing	710 cpu
<b>VOLUME TRADED</b>	349,8 million units	
<b>VALUE TRADED</b>	R2 179,9 million	
<b>DISTRIBUTIONS</b>	Interim	25,72 cents
	Final	28,86 cents
		<u>54,58 cents</u>
<b>NUMBER OF INVESTMENT PROPERTIES</b>	99 (2008:112)	
<b>DISTRIBUTION CALENDAR (FINAL DISTRIBUTION FOR THE 2009 FINANCIAL YEAR)</b>		
Last day to trade <i>cum</i> distribution	12 February 2010	
Record date	19 February 2010	
Distribution payment	22 February 2010	



## CAPITAL PROPERTY FUND

4th Floor Rivonia Village  
Rivonia Boulevard Rivonia 2191  
PO Box 2555 Rivonia 2128  
+27 (0) 11 612 6870  
+27 (0) 11 612 6899