CPF
Capital Property Fund
Managed by Property Fund Managers Ltd

Share code CPL ISIN ZAE000001731

CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

("Capital" or "the Fund" or "the Group")

DIRECTORS' COMMENTARY

1 DISTRIBUTABLE EARNINGS

The distribution of 28,36 cents for the interim period ended 30 June 2010 represents an increase of 10,26% on the distribution of 25,72 cents for the first six months of the previous financial year.

2 COMMENTARY ON RESULTS

Capital has continued to perform well despite operating in a weak economic environment. The quality of Capital's property portfolio has placed it at an advantage relative to the market as the prime areas in which most of its properties are located have continued to perform well. Capital has focused on the flexible utilisation and the general functionality of its properties and avoided specialised properties. Capital has also focused on properties which are let to, and remain attractive to, corporate tenants which are less vulnerable to the economic downturn.

These strategies have resulted in high levels of tenant retention, growth in rentals and low vacancies being achieved in a difficult property market.

The arrears book has increased marginally but remains firmly under control. Vacancies increased marginally from 4,4% in December 2009 to 4,6% as at 30 June 2010. This figure excludes 10 380m² of space which has been let but where tenants will only take occupation after 30 June 2010. If these lettings are included, the vacancy percentage reduces to 3,4%.

3 PROPERTY ACQUISITIONS

3.1 IMPROVON INDUSTRIAL PORTFOLIO

Capital took transfer of the five A-grade industrial properties purchased for R219 million at an initial yield of 9,02% from Improvon, which were acquired in the previous financial year. Four of the properties are located in Longmeadow and one in Rustivia on the East Rand.

3.2 MURRAY AND ROBERTS PORTFOLIO

Capital has agreed to acquire two industrial properties in Epping, Cape Town and one commercial property in Westway Office Park, Westville, from Murray and Roberts for R82,1 million at an initial forward yield of 10,6%.

3.3 87–89 GOODWOOD ROAD, MAHOGANY RIDGE

Capital has agreed to acquire an A-grade industrial property together with vacant land of 5 000m² for R33,6 million at an initial yield of 10,3% in Mahogany Ridge. Transfer is expected in October 2010.

4 DISPOSALS

A portion of 4th Street Wynberg (portion 1 of erf 473) was sold and transferred for R9 million at an exit yield of 8,5%. The valuation for this portion as at 31 December 2009 was R5,7 million.

Capital owns 25% of the vacant land in Montague Gardens. The consortium has agreed to sell 6,3 hectares to Eris Property Group for R81,6 million and the land is to be used for the development of a Makro store. The sale remains subject to suspensive conditions including the servicing and sub-division of the portion that has been sold.

5 LISTED EQUITIES

Capital retained its holding of 43 169 000 units in Pangbourne Properties Limited ("Pangbourne") which equates to 9,8% of Pangbourne's units in issue. Capital intends holding these units as a long term strategic investment. Capital has continued to reduce its holding in New Europe Property Investments plc from 4 362 837 shares to 3 682 500 shares.

6 STRATEGY

Capital's strategy is to increase its gearing level from the current 19,4% to a maximum of 30% by acquiring additional A-grade commercial and industrial properties. In accordance with international best practice, Capital intends becoming a specialised commercial and industrial Fund owning only A-grade properties situated in the four major metropolitan areas of Cape Town, Durban, Johannesburg and Pretoria. Retail properties which currently constitute 10% (based on book value) of the portfolio and the small exposure to the Eastern Cape will be disposed of over time.

7 PROSPECTS

Capital expects vacancies and rental levels in the commercial and industrial markets to remain stable at the current levels for the remainder of the financial year.

The board is confident that Capital will achieve its previous guidance of 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.

By order of the board

Andrew Teixeira	Rual Bornman
Managing director	Financial director

3 August 2010
Johannesburg

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

GROUP	UNAUDITED 30 Jun 2010 R'000	AUDITED 31 Dec 2009 R'000	UNAUDITED 30 Jun 2009 R'000
ASSETS			
Non-current assets	**6 322 736**	6 090 175	5 030 845
Investment property	5 248 466	5 033 139	4 218 541
Straight-lining of rental revenue adjustment	76 100	72 319	61 785
Investment property under development	137 330	126 091	39 752
Investment in associate company	–	–	119 352
Investments	860 840	858 626	591 415
Current assets	**47 410**	60 286	384 421
Investment property held for sale	–	–	353 920
Straight-lining of rental revenue adjustment	–	–	7 417
Trade and other receivables	11 347	25 497	22 892
Cash and cash equivalents	36 063	34 789	192
Total assets	**6 370 146**	6 150 461	5 415 266
EQUITY AND LIABILITIES			
Capital of Fund	**4 714 306**	4 698 372	3 827 092
Trust capital	2 645 963	2 645 963	2 039 442
Non-distributable reserves	2 068 343	2 052 409	1 787 650
Retained earnings	–	–	–
Total liabilities	**1 655 840**	1 452 089	1 588 174
Non-current liabilities	**1 013 900**	1 156 652	1 286 539
Interest-bearing borrowings	918 534	1 053 965	1 215 110
Deferred tax	95 366	102 687	71 429
Current liabilities	**641 940**	295 437	301 635
Trade and other payables	96 744	78 732	73 913
Interest-bearing borrowings	317 202	–	53 666
Unitholders for distribution	203 505	207 093	159 194
Bank overdraft	24 489	9 612	14 862
Total equity and liabilities	**6 370 146**	6 150 461	5 415 266

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GROUP	UNAUDITED 30 Jun 2010 R'000	AUDITED 31 Dec 2009 R'000	UNAUDITED 30 Jun 2009 R'000
Net rental and related revenue	**242 636**	447 516	207 699
Recoveries and contractual rental revenue	335 771	600 059	280 126
Straight-lining of rental revenue adjustment	3 781	13 602	10 485
Rental revenue	339 552	613 661	290 611
Property operating expenses	(96 916)	(166 145)	(82 912)
Distributable income from investments	**34 893**	49 815	17 336
Fair value gain/(loss) on investment property and investments	**19 518**	293 198	(4 225)
Fair value gain on investment property	3 045	144 433	30 901
Fair value adjustment resulting from straight-lining of rental revenue	(3 781)	(13 602)	(10 485)
Fair value gain/(loss) on investments	20 254	162 367	(24 641)
Administrative expenses	**(17 330)**	(28 665)	(13 376)
Share of post acquisition reserves from associate	**–**	8 493	5 390
Distributable income from associate	–	8 064	4 961
Profit from associate	–	429	429
Profit before net finance costs	**279 717**	770 357	212 824
Net finance costs	**(67 599)**	(106 966)	(52 493)
Finance income	1 289	8 617	2 594
Interest on units issued *cum* distribution	–	6 100	1 268
Interest received	1 289	2 517	1 326
Finance costs	(68 888)	(115 583)	(55 087)
Interest on borrowings	(60 444)	(112 637)	(51 521)
Interest capitalised	6 242	7 179	1 986
Fair value adjustment on interest rate derivatives	(14 686)	(10 125)	(5 552)
Profit before income tax	**212 118**	663 391	160 331
Income tax expense	7 321	(35 670)	(4 462)
Profit for the period attributable to equity holders	**219 439**	627 721	155 869
Total comprehensive income for the period	**219 439**	627 721	155 869
Basic earnings per unit (cents)*	30,58	93,93	25,18
Headline earnings per unit (cents)*	29,66	79,69	22,61

*The Fund has no dilutionary instruments in issue

RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS AND DISTRIBUTABLE INCOME

GROUP	UNAUDITED 30 Jun 2010 R'000	AUDITED 31 Dec 2009 R'000	UNAUDITED 30 Jun 2009 R'000
Profit for the period attributable to equity holders	**219 439**	627 721	155 869
Adjusted for:	(6 585)	(95 161)	(15 954)
– Fair value gain on investment property	(3 045)	(144 433)	(30 901)
– Fair value adjustment resulting from straight-lining of rental revenue	3 781	13 602	10 485
– Income tax expense	(7 321)	35 670	4 462
Headline earnings	**212 854**	532 560	139 915
Reconciliation of profit for the period to amount available for distribution			
Profit for the period attributable to equity holders	219 439	627 721	155 869
Straight-lining of rental revenue adjustment	(3 781)	(13 602)	(10 485)
Fair value gain on investment property	(3 045)	(144 433)	(30 901)
Fair value adjustment resulting from straight-lining of rental revenue	3 781	13 602	10 485
Fair value (gain)/loss on investments	(20 254)	(162 367)	24 641
Profit from associate	–	(429)	(429)
Fair value adjustment on interest rate derivatives	14 686	10 125	5 552
Income tax expense	(7 321)	35 670	4 462
Distributable income	**203 505**	366 287	159 194
Distribution declared	**203 505**	366 287	159 194
Interim	203 505	159 194	159 194
Final	–	207 093	–

CONSOLIDATED CASH FLOW STATEMENT

GROUP	UNAUDITED 30 Jun 2010 R'000	AUDITED 31 Dec 2009 R'000	UNAUDITED 30 Jun 2009 R'000
Net cash inflow/(outflow) from operating activities	10 499	(25 386)	(65 435)
Cash outflow from investing activities	(205 873)	(875 739)	(483 827)
Cash inflow from financing activities	181 771	933 019	541 309
(Decrease)/increase in cash and cash equivalents	(13 603)	31 894	(7 953)
Cash and cash equivalents at the beginning of the period	25 177	(6 717)	(6 717)
Cash and cash equivalents at the end of the period	11 574	25 177	(14 670)

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' INTEREST

GROUP UNAUDITED	Trust capital R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000
Balance at 31 December 2008	1 981 763	1 790 975	–	3 772 738
Total comprehensive income for the period			155 869	155 869
Issue of units	57 679			57 679
Transfer to non-distributable reserves		(3 325)	3 325	–
Distribution			(159 194)	(159 194)
Balance at 30 June 2009	2 039 442	1 787 650	–	3 827 092
Total comprehensive income for the period			471 852	471 852
Issue of units	606 521			606 521
Transfer to non-distributable reserves		264 759	(264 759)	–
Distribution			(207 093)	(207 093)
Balance at 31 December 2009	2 645 963	2 052 409	–	4 698 372
Total comprehensive income for the period			**219 439**	**219 439**
Transfer to non-distributable reserves		**15 934**	**(15 934)**	**–**
Distribution			**(203 505)**	**(203 505)**
Balance at 30 June 2010	**2 645 963**	**2 068 343**	**–**	**4 714 306**

PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34, the AC500 Standards, the JSE Listings Requirements, the requirements of the South African Companies Act and the Collective Investment Schemes Control Act (Act 45 of 2002). The accounting policies are consistent with those applied in the prior periods. The interim financial statements have not been audited or reviewed by the Fund's auditors.

The directors are not aware of any matters or circumstances arising subsequent to the interim period end that require any additional disclosure or adjustment to the financial statements.

SUMMARY OF FINANCIAL PERFORMANCE

	30 Jun 2010	31 Dec 2009	30 Jun 2009	31 Dec 2008
Distribution per unit (cents)	**28,36**	28,86	25,72	25,29
Units in issue	**717 578 059**	717 578 059	618 949 027	608 949 027
Net asset value	**R6,57**	R6,55	R6,18	R6,20
Gearing ratio*	**19,4%**	17,1%	23,4%	15,8%

*The gearing ratio is calculated by dividing interest-bearing borrowings by total assets.

GEARING

Swap maturity	Nominal amount R'000	Swap rate
Oct 2010	50 000	9,19%
Feb 2011	100 000	7,85%
May 2011	100 000	7,68%
Dec 2011	50 000	8,29%
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 2014 (effective Aug 2010)	100 000	7,15%
Jul 2015 (effective Jul 2010)	100 000	7,50%
Aug 2015	50 000	8,39%
	850 000	8,11%
Fixed rate borrowings		**Rate**
Jul 2012	144 000	10,30%
Jul 2012	218 000	10,49%
	362 000	
Total hedged borrowings	**1 212 000**	
Variable rate borrowings	23 736	
Total gearing	**1 235 736**	

PROPERTY PORTFOLIO SUMMARY

	UNAUDITED 30 Jun 2010 R'000	Number of properties
Movement in investment property is as follows:		
Carrying value at beginning of period	5 105 458	98*
Additions	219 537	5
Disposals	(9 000)	**
Capital expenditure	5 238	
Fair value adjustment	(448)	
Straight-lining of rental revenue adjustment	3 781	
Carrying value at end of period	**5 324 566**	
Movement in investment property under development is as follows:		
Carrying value at beginning of period	126 091	1*
Cost capitalised	4 997	
Interest capitalised	6 242	
Carrying value at end of period	**137 330**	
Total investment property at 30 June 2010	**5 461 896**	**104**

*For number of properties, N1 Business Park is counted as a single property and is not split between investments and developments.
** Only portion 1 of erf 473 Wynberg was disposed of.

LISTED EQUITY INVESTMENTS

	UNAUDITED 30 Jun 2010 Pangbourne Properties Limited	New Europe Property Investments plc
Units/shares	43 169 000	3 682 500
Value (R' 000)	755 889	104 951

SECTORAL SPLIT

	GLA	Book value
Commercial	26%	45%
Industrial	67%	45%
Retail	7%	10%
	100%	**100%**

LEASE EXPIRY PROFILE

	GLA	Rental income
Vacant	4,6%	–
Dec 2010	13,5%	15,3%
Dec 2011	24,8%	24,9%
Dec 2012	19,7%	22,8%
Dec 2013	14,1%	14,2%
Dec 2014	13,7%	13,4%
Dec 2015	5,2%	4,5%
> Dec 2015	4,4%	4,9%
	100%	**100%**

SEGMENTAL ANALYSIS

	UNAUDITED 30 Jun 2010 R'000	AUDITED 31 Dec 2009 R'000	UNAUDITED 30 Jun 2009 R'000
Segmental revenue – rental income			
Commercial	149 126	294 995	141 539
Industrial	154 643	243 024	102 680
Retail	35 783	75 642	46 392
Total	**339 552**	613 661	290 611
Profit for the period			
Commercial	109 349	265 142	97 978
Industrial	108 894	253 616	95 634
Retail	23 657	59 589	34 503
Corporate	(22 461)	49 374	(72 246)
Total	**219 439**	627 721	155 869

CAPITAL COMMITMENTS

	UNAUDITED 30 Jun 2010 R'000	AUDITED 31 Dec 2009 R'000	UNAUDITED 30 Jun 2009 R'000
Authorised and contracted	126 495	222 482	616 538
Authorised and not yet contracted	92 584	41 638	43 336
	219 079	264 120	659 874

PROFIT DISTRIBUTION

Notice is hereby given that a cash distribution of 28,36 cents interest per unit, being number 54 for Capital Property Fund, has been declared in respect of the period 1 January 2010 to 30 June 2010 and is payable to the unitholders recorded in the books of Capital at the close of business on the record date, Friday, 27 August 2010. Unitholders are advised that the last day to trade *cum* distribution will be Friday, 20 August 2010. The units will trade *ex* distribution as from Monday, 23 August 2010. Payment will be made on Monday, 30 August 2010. Unit certificates may not be dematerialised or rematerialised during the period 23 August 2010 to 27 August 2010, both days inclusive.

Registered office 4th Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191 (PO Box 2555, Rivonia, 2128)

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

Sponsor Java Capital

Company secretary Kenneth Khumalo

Directors Willy Ross (chairman)*, Andrew Teixeira (managing director), Rual Bornman, Rowland Chute*, Jorge da Costa* (alternate: Stefano Contardo), Des de Beer, Andries de Lange, Protas Phili*, Banus van der Walt*, Tshiamo Vilakazi*, Tracey Visser *Independent non-executive director

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