

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The interpretations and definitions commencing on page 4 of this circular have, where appropriate, been used on this cover page.

If you are in any doubt as to what action to take, please consult your broker, CSDP, banker, accountant, legal advisor or other professional advisor.

**Action required**

If you have disposed of all your Capital units, this circular should be handed to the purchaser of such units or to the broker, CSDP, banker or other agent through whom the disposal was effected.

Beneficial unitholders who have dematerialised their units through a CSDP or broker who wish to attend the general meeting must request their CSDP or broker to provide them with the necessary letter of representation to attend the general meeting or must instruct their CSDP or broker to vote on their behalf in terms of their respective agreements with their CSDP or broker.

Capital unitholders are referred to page 2 of this circular, which sets out the detailed action required of them in respect of this circular.

**Capital does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of any holder of dematerialised units to notify such unitholder of the contents of this circular.**



**CAPITAL**  
CAPITAL PROPERTY FUND

**Capital Property Fund**

Share Code: CPL ISIN: ZAE000001731

("Capital")

(a portfolio in the Capital Property Trust Scheme, a collective investment scheme in property registered as such in terms of the Collective Investment Schemes Control Act, No. 45 of 2002) herein represented by

**Property Fund Managers Limited**

(Registration number 1980/009531/06)

(Incorporated in the Republic of South Africa)

("PFM")

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## CIRCULAR TO CAPITAL UNITHOLDERS

relating to:

- **the proposed disposal of a property to Resilient Property Income Fund Limited; and**
- **approval of a general authority to repurchase Capital units;**

and enclosing:

- **a notice of general meeting of Capital unitholders; and**
- **a form of proxy to vote at the general meeting of Capital unitholders for use by certificated Capital unitholders and dematerialised Capital unitholders who have elected "own-name" registration only.**

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Corporate advisor, legal advisor and sponsor

**JAVACAPITAL**

Competition law advisor

**✓ ANI CHETTY**  
COMPETITION LAW

Trustee

**ABSABANK**  
ABSA Bank Limited/Bepenk, Reg No 1986/004794/06 ("Absa")

Independent reporting accountants

**PKF**  
chartered accountants  
& business advisers

Independent expert

**CORPORATE FINANCE | PKF**

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Date of issue: Friday, 28 October 2011

*This circular is only available in English. Copies of this circular may be obtained from the registered offices of Capital, being 4<sup>th</sup> Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191.*

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## CORPORATE INFORMATION

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### Registered office of Capital

4<sup>th</sup> Floor, Rivonia Village  
Rivonia Boulevard  
Rivonia  
2191  
(PO Box 2555, Rivonia, 2128)

### Company secretary of PFM

Inge Pick CA (SA)  
4<sup>th</sup> Floor, Rivonia Village  
Rivonia Boulevard  
Rivonia  
2191  
(PO Box 2555, Rivonia, 2128)

### Management company of Capital

Property Fund Managers Limited  
(Registration number 1980/009531/06)  
4<sup>th</sup> Floor, Rivonia Village  
Rivonia Boulevard  
Rivonia  
2191  
(PO Box 2555, Rivonia, 2128)

### Independent expert

PKF Corporate Finance (Proprietary) Limited  
(Registration number 1998/018420/07)  
42 Wierda Road West  
Wierda Valley  
Sandton  
Johannesburg  
2196  
(Private Bag X10046, Sandton, 2146)

### Independent property valuer

Quadrant Properties (Proprietary) Limited  
(Registration number 1995/003097/07)  
16 North Road, Cnr Jan Smuts  
Dunkeld West  
Johannesburg  
2196  
(PO Box 1984, Parklands, 2121)

### Transfer secretaries of Capital

Link Market Services South Africa (Proprietary) Limited  
(Registration number 2000/007239/07)  
13<sup>th</sup> Floor, Rennie House  
19 Ameshoff Street  
Braamfontein  
Johannesburg  
2001  
(PO Box 4844, Johannesburg, 2000)

### Date of establishment of Capital

Capital is a collective investment scheme in property established in June 1984 in terms of the Unit Trust Control Act, 54 of 1981, the previous Act regulating property and other collective investment schemes which has been substituted by the Collective Investment Schemes Control Act, 45 of 2002.

### Corporate advisor and legal advisor to Capital

Java Capital (Proprietary) Limited  
(Registration number 2002/031862/07)  
2 Arnold Road  
Rosebank  
Johannesburg  
2196  
(PO Box 2087, Parklands, 2121)

### Sponsor to Capital

Java Capital Trustees and Sponsor (Proprietary) Limited  
(Registration number 2006/005780/07)  
2 Arnold Road  
Rosebank  
Johannesburg  
2196  
(PO Box 2087, Parklands, 2121)

### Competition law advisor

Vani Chetty Competition Law (Proprietary) Limited  
(Registration number 2007/009553/07)  
1<sup>st</sup> Floor, 24 Hurlingham Road  
Illovo Boulevard  
Illovo  
2132  
(PO Box 52531, Saxonwold, 2132)

### Independent reporting accountants

PKF (Jhb) Inc.  
(Registration number 1994/001166/21)  
42 Wierda Road West  
Wierda Valley  
Sandton  
Johannesburg  
2196  
(Private Bag X10046, Sandton, 2146)

### Trustee for Capital unitholders

Absa Bank Limited  
(Registration number 1986/004794/06)  
4<sup>th</sup> Floor, Absa Towers West  
15 Troye Street  
Johannesburg  
2001  
(PO Box 42010, Johannesburg, 2033)

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## ACTION REQUIRED BY CAPITAL UNITHOLDERS

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The interpretations and definitions commencing on page 4 of this circular apply *mutatis mutandis* to this section.

### THE GENERAL MEETING

The implementation of the transaction and the general authority are subject, *inter alia*, to Capital unitholders passing the requisite resolutions at the general meeting of Capital unitholders to be held at 14h00 on Friday, 25 November 2011 at the registered office of Capital (4<sup>th</sup> Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191).

A notice convening the general meeting to be held at 14h00 on Friday, 25 November 2011 is attached to and forms part of this circular.

Certificated unitholders and dematerialised unitholders who have elected “own-name” registration in the sub-register of Capital maintained by a CSDP, who are unable to attend the general meeting but who wish to be represented thereat, are requested to complete and return the attached form of proxy in accordance with the instructions contained therein. The duly completed forms of proxy must be received by the transfer secretaries by no later than 14h00 on Wednesday, 23 November 2011 in respect of the general meeting of Capital unitholders.

Dematerialised unitholders who have not elected “own-name” registration in the sub-register of Capital maintained by a CSDP, and who wish to attend the general meeting, must instruct their CSDP or broker timeously in order that such CSDP or broker may issue them with the necessary letter of representation or equivalent authority to attend.

Dematerialised unitholders who have not elected “own-name” registration in the sub-register of Capital maintained by a CSDP, and who do not wish to attend the general meeting, must provide their CSDP or broker with their instruction for voting at the general meeting in the manner stipulated in the agreement between the unitholder concerned and the CSDP or broker governing the relationship between such unitholder and his CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.

**Capital does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised unitholder to notify such unitholder of the general meeting or any business to be conducted thereat.**

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## SALIENT DATES AND TIMES

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**2011**

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Circular posted on	Friday, 28 October
Last day to trade in order to be eligible to vote at the general meeting	Friday, 11 November
Record date in order to vote at the general meeting	Friday, 18 November
Receipt of forms of proxy by 14h00 on	Wednesday, 23 November
General meeting of Capital unitholders at 14h00 on	Friday, 25 November
Results of the general meeting released on SENS on	Friday, 25 November
Results of the general meeting published in the press on	Monday, 28 November

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Notes:

1. All dates and times in this circular are local times in South Africa. The above dates and times are subject to change. Any changes will be released on SENS and published in the press.
2. Capital unitholders are referred to page 2 of this circular for information on the action required to be taken by them.

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## INTERPRETATIONS AND DEFINITIONS

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In this circular and the annexures hereto, unless inconsistent with the context, an expression which denotes one gender includes the other gender, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the expressions set out in the first column bear the meaning assigned to them in the second column.

<b>“Boardwalk Shopping Centre”</b>	Boardwalk Shopping Centre situated in Krugerrand Road, Richards Bay, Umhlathuze Municipal Authority held under Title Deed numbers T28675/2009, T28414/2007 and T48145/2007;
<b>“business day”</b>	any day other than a Saturday, Sunday or official public holiday in South Africa;
<b>“Capital” or “the Fund”</b>	Capital Property Fund, a portfolio in Capital Property Trust Scheme, a collective investment scheme in property registered as such in terms of CISCA, and managed by PFM;
<b>“Capital register”</b>	Capital’s unit register, including all sub-registers;
<b>“Capital unitholders” or “unitholders”</b>	holders of Capital units;
<b>“Capital units” or “units”</b>	participatory interests in Capital, listed on the JSE;
<b>“certificated unitholders”</b>	unitholders who hold certificated units;
<b>“certificated units”</b>	Capital units which have not been dematerialised into the Strate system, title to which is represented by unit certificates or other physical documents of title;
<b>“CISCA”</b>	the Collective Investment Schemes Control Act, 2002 (Act 45 of 2002), as amended;
<b>“Companies Act”</b>	the Companies Act, 2008 (Act 71 of 2008), as amended;
<b>“Competition authorities”</b>	the Competition Commission of South Africa and/or the Competition Tribunal of South Africa and/or the Competition Appeal Court of South Africa, being regulatory and/or judicial authorities established in terms of the Competition Act, 1998 (Act 89 of 1998), as amended;
<b>“consideration units”</b>	the 16 211 238 Resilient linked units to be issued to Capital in part settlement of the purchase consideration;
<b>“CSDP”</b>	Central Securities Depository Participant;
<b>“Deed”</b>	the Deed entered into between PFM and the Trustee (including all supplemental deeds thereto) in terms of CISCA and approved by the FSB on 17 December 2003;
<b>“dematerialised unitholders”</b>	Capital unitholders who hold dematerialised units;
<b>“dematerialised units”</b>	Capital units which have been incorporated into the Strate system, title to which is not represented by unit certificates or other physical documents of title;
<b>“directors”</b>	the directors of PFM;
<b>“this document” or “the/this circular”</b>	all the documents and annexures contained in this bound document, including the notice of general meeting and the form of proxy;
<b>“FSB”</b>	the Financial Services Board;
<b>“general authority”</b>	a general authority for the directors to repurchase Capital units as detailed in paragraph 6 of this circular;

<b>“general meeting”</b>	the general meeting of Capital unitholders to be held at the registered office of the Fund at 4 <sup>th</sup> Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191 at 14h00 on Friday, 25 November 2011, convened for the purpose of unitholders passing with or without modification the resolutions requisite to implement the transaction and grant the general authority;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“independent expert”</b>	PKF Corporate Finance (Proprietary) Limited, a company incorporated in South Africa, the details of which are set out on the inside front cover of this circular;
<b>“independent property valuer”</b>	Quadrant Properties (Proprietary) Limited, a company incorporated in South Africa, the details of which are set out on the inside front cover of this circular;
<b>“independent reporting accountants”</b>	PKF (Jhb) Inc., a limited partnership incorporated in South Africa, the details of which are set out on the inside front cover of this circular;
<b>“initial charge”</b>	the initial charge payable by Capital to PFM, equivalent to an agreed percentage of the issue price per Capital unit issued, to be charged by PFM to the Fund in accordance with clause 30.1 of the Deed;
<b>“JHI”</b>	Topeka Trading 4 (Proprietary) Limited trading as JHI (Registration number 2007/021131/07), a company incorporated in South Africa, whose registered address is JHI Place, 2 Norwich Close, Benmore, 2010, a wholly-owned subsidiary of Nevada Trading (Proprietary) Limited;
<b>“JHI property management agreement”</b>	the agreements, dated 30 November 2009, governing the provision of property management services by JHI to Capital in respect of properties in the Capital portfolio;
<b>“JSE”</b>	JSE Limited (Registration number 2005/022939/06), a company incorporated in South Africa and licensed as an exchange under the Securities Services Act, 2004 (Act 36 of 2004), as amended;
<b>“last practical date”</b>	Wednesday, 19 October 2011, being the last practical date prior to the finalisation of the circular;
<b>“Listings Requirements”</b>	the JSE Listings Requirements, as amended from time to time;
<b>“own-name dematerialised unitholders”</b>	dematerialised unitholders who/which have elected “own-name” registration;
<b>“Pangbourne”</b>	Pangbourne Properties Limited (Registration number 1987/002352/06), a company incorporated in South Africa and which is wholly-owned by Capital;
<b>“Pangbourne merger”</b>	the acquisition by Capital, with effect from 1 January 2011, of all the Pangbourne linked units in issue that were not already owned by it, which transaction accordingly resulted in Pangbourne becoming wholly-owned by Capital;
<b>“PFM”</b>	Property Fund Managers Limited (Registration number 1980/009531/06), a company incorporated in South Africa, the manager of Capital registered as such in terms of CISCA, whose registered address is set out on the inside front cover of this circular being a wholly-owned subsidiary of Resilient
<b>“purchase consideration”</b>	the purchase consideration to be received by Capital from Resilient in respect of the sale of Boardwalk Shopping Centre, being R1 028 000 000 to be settled by the payment of R514 000 000 in cash and the issue of 16 211 238 Resilient linked units to Capital, as detailed in paragraph 4 of this circular;
<b>“prime rate”</b>	the publicly quoted prime bank overdraft rate (nominal annual compounded monthly) from time to time at which The Standard Bank of South Africa Limited lends on overdraft as certified by a manager of the said bank (whose authority and appointment need not be proved);

<b>“R” or “Rand”</b>	South African Rand;
<b>“Resilient”</b>	Resilient Property Income Fund Limited (Registration number 2002/016851/06), a property loan stock company incorporated in South Africa and listed on the JSE;
<b>“Resilient acquisition agreement”</b>	the agreement dated 29 August 2011 entered into between Pangbourne and Resilient, governing the disposal of Boardwalk Shopping Centre by Pangbourne to Resilient;
<b>“Resilient debenture”</b>	an unsecured variable rate subordinated debenture in the capital of Resilient having a nominal value of 480 cents;
<b>“Resilient linked unit”</b>	a linked unit in the capital of Resilient comprising one Resilient share indivisibly linked to one Resilient debenture;
<b>“Resilient Properties”</b>	Resilient Properties (Proprietary) Limited (Registration number 2002/016890/07), a company incorporated in South Africa and a wholly-owned subsidiary of Resilient;
<b>“Resilient share”</b>	an ordinary share in the capital of Resilient having a par value of one cent;
<b>“SENS”</b>	the Securities Exchange News Service, the news service operated by the JSE;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Strate”</b>	Strate Limited (Registration number 1998/022242/06), a company incorporated in South Africa, which is a registered central securities depository and which is responsible for the electronic settlement system used by the JSE;
<b>“transaction”</b>	the sale of Boardwalk Shopping Centre by Pangbourne to Resilient;
<b>“transfer secretaries”</b>	Link Market Services South Africa (Proprietary) Limited, a company incorporated in South Africa, the details of which are set out on the inside front cover of this circular;
<b>“Trustee”</b>	Absa Bank Limited, a company incorporated in South Africa, in its capacity as trustee of Capital, full details of which are set out on the inside front cover of this circular; and
<b>“VWAP”</b>	volume weighted average price.



**CAPITAL**  
CAPITAL PROPERTY FUND  
**Capital Property Fund**

Share code: CPL ISIN: ZAE000001731

("Capital")

(a portfolio in the Capital Property Trust Scheme, a collective investment scheme in property registered as such in terms of the Collective Investment Schemes Control Act, No. 45 of 2002) herein represented by

**Property Fund Managers Limited**

(Registration number 1980/009531/06)

(Incorporated in the Republic of South Africa)

("PFM")

---

**Directors of PFM**

Willy Ross\*†

Barry Stuhler

Iraj Abedian\*

Rual Bornman

Des de Beer

Andries de Lange

Protas Phili\*

Andrew Teixeira

Banus van der Walt\*

Tshiamo Vilakazi\*

Trurman Zuma\*

† Chairman

\* Independent non-executive director

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**CIRCULAR TO CAPITAL UNITHOLDERS**

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**1. INTRODUCTION**

On 30 August 2011, it was announced on SENS that Capital had concluded an agreement for the sale of Boardwalk Shopping Centre to Resilient for R1 028 000 000.

The purpose of this circular is, *inter alia*, to provide Capital unitholders with information regarding the transaction and to convene a general meeting of Capital unitholders at 14h00 on Friday, 25 November 2011 at the registered offices of Capital (4<sup>th</sup> Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191) to consider and if deemed fit, pass with or without modification, the resolutions contained in the Notice of General Meeting attached to this circular.

**2. NATURE OF BUSINESS**

Capital was established on 26 June 1984. Capital is a collective investment scheme in property, managed by PFM, a wholly-owned subsidiary of Resilient, and is listed on the JSE in the "Financial Services – Real Estate – Investment Trusts" sector. Capital's portfolio comprises of R17.4 billion in direct property and R257.1 million in listed equity investments. Capital is currently the third largest listed property fund on the JSE.

### 3. RATIONALE FOR THE TRANSACTION

- 3.1 Capital's portfolio includes R7.9 billion of industrial properties, R5.4 billion of commercial properties, R3.8 billion of retail centres and approximately R300 million of other properties. Capital's strategy remains to invest in prime commercial and industrial properties in the four major metropolitan areas.
- 3.2 As previously communicated to unitholders, retail properties are not part of Capital's long term strategy and the disposal of Boardwalk Shopping Centre to Resilient is in furtherance of Capital's aim to reduce its retail holdings over time.

### 4. TERMS OF THE TRANSACTION

- 4.1 Capital, *via* Pangbourne, has agreed to sell Boardwalk Shopping Centre to Resilient for a purchase consideration of R1 028 000 000. The purchase consideration is payable by Resilient on the date of registration of transfer of ownership of the property through the issue of 16 211 238 Resilient linked units and the payment of R514 000 000 in cash.
- 4.2 The effective date of the transaction will be 1 December 2011.
- 4.3 The cash portion of the purchase consideration will bear interest at the prime rate less 1.8% from the effective date of the transaction to the date of registration of transfer of Boardwalk Shopping Centre.
- 4.4 The transaction has been approved by the Competition authorities and is subject only to approval by Capital's unitholders at the general meeting.
- 4.5 The consideration units issued to Capital pursuant to the transaction will, for the time being, be retained by Capital.
- 4.6 The cash proceeds paid to Capital pursuant to the transaction will be used to reduce interest-bearing borrowings.

### 5. RELATED PARTY TRANSACTION

- 5.1 As Resilient owns PFM the transaction is, from a Capital perspective, a disposal to a related party under the Listings Requirements requiring:
  - 5.1.1 a statement by PFM confirming whether the transaction is fair insofar as unitholders are concerned; and
  - 5.1.2 unitholder approval at the general meeting.
- 5.2 Although Resilient will be taken into account in determining a quorum at the general meeting, the Listings Requirements require that the resolution authorising the transaction must be approved by a majority of Capital unitholders (excluding the votes cast by Resilient, its associates and PFM).
- 5.3 In addition, Des de Beer and Andries de Lange, who are both directors of each of Resilient, PFM and Resilient Properties, have agreed that although they will be taken into account in determining a quorum at the general meeting, their votes as Capital unitholders should not be taken into account in determining the validity of the resolution authorising the transaction.
- 5.4 As required in terms of the Listings Requirements, the directors hereby confirm that it is of the opinion that the transaction is fair insofar as unitholders are concerned, having had regard to the fairness opinion prepared by the independent expert, a copy which is contained in **Annexure 4**, and having compared the purchase consideration being received from Resilient to the value of Boardwalk Shopping Centre as per the valuation report prepared by the independent property valuer in respect thereof, a summary of which is contained in **Annexure 3**.

### 6. GENERAL AUTHORITY

- 6.1 In terms of Capital's Deed as read with CISCA, Capital is entitled to repurchase and cancel its units provided that it has been authorised thereto by way of a special resolution of its unitholders.
- 6.2 Given its current low levels of gearing, PFM believes that, if the opportunity arises and market conditions permit, undertaking repurchases will be to the benefit of investors.
- 6.3 Accordingly, Capital will be using the opportunity presented by the general meeting to ask unitholders to grant it the general authority.
- 6.4 Having considered the aggregate effect of the maximum repurchase of 20% of Capital's issued units in any one financial year pursuant to the general authority to repurchase units, the directors are of the opinion that, for a period of 12 months after the date of issue of this circular:

- 6.4.1 Capital will be able to repay its debts in the ordinary course of business;
- 6.4.2 Capital's assets will be in excess of the liabilities of Capital; and
- 6.4.3 Capital will have sufficient working capital for ordinary business purposes.

## 7. GENERAL MEETING

- 7.1 A general meeting of Capital unitholders will be held at 14h00 on Friday, 25 November 2011 at the registered offices of Capital (4<sup>th</sup> Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191) to consider and, if deemed fit, pass with or without modification the proposed resolutions necessary to implement the transaction and the general authority.
- 7.2 Details of the action required by Capital unitholders are set out on page 2 of this circular.

## 8. FINANCIAL INFORMATION

- 8.1 The unaudited *pro forma* financial effects of the transaction on Capital's basic earnings per unit, headline earnings per unit and distribution per unit for the six months ended 30 June 2011 and net asset value per unit and tangible net asset value per unit as at 30 June 2011 are set out below.
- 8.2 Due to its nature, the unaudited *pro forma* financial information (collectively, the unaudited *pro forma* financial effects, the unaudited consolidated *pro forma* statement of comprehensive income and the unaudited consolidated *pro forma* statement of financial position) may not give a fair reflection of Capital's financial position, changes in equity, results of operations and cash flows subsequent to the transaction.
- 8.3 The unaudited *pro forma* financial information is the responsibility of the directors and has been prepared for illustrative purposes only, to provide information on how the transaction may have impacted on the historical financial results of Capital for the six months ended 30 June 2011.
- 8.4 The unaudited consolidated *pro forma* statement of comprehensive income for the six months ended 30 June 2011 and the unaudited consolidated *pro forma* statement of financial position of Capital as at 30 June 2011 and the explanatory notes thereto are set out in **Annexure 1** to this circular and should be read in conjunction with the independent reporting accountants' limited assurance report thereon which is presented in **Annexure 2**.
- 8.5 The unaudited *pro forma* financial information has been prepared in accordance with Capital's accounting policies and in compliance with IFRS.
- 8.6 The table below reflects the unaudited *pro forma* financial effects of the transaction on a Capital unitholder:

	<b>Unadjusted before the transaction</b>	<b><i>Pro forma</i> after the transaction</b>	<b>Percentage change (%)</b>
Basic earnings per unit (cents)	28.56	34.16	19.6
Headline earnings per unit (cents)	34.90	35.51	1.7
Distribution per unit (cents)	31.36	32.09	2.3
Net asset value per unit (Rand)	7.39	7.44	0.7
Net tangible asset value per unit (Rand)	7.39	7.44	0.7
Actual number of units in issue	1 606 986 279	1 606 986 279	–
Weighted average number of units in issue	1 606 986 279	1 606 986 279	–

### Notes and assumptions:

- The amounts set out in the "Unadjusted before the transaction" column have been extracted, without adjustment, from the condensed consolidated unaudited interim financial report of Capital for the six months ended 30 June 2011.
- The amounts set out in the "*Pro forma* after the transaction" column reflect the impact on the historical financial results of Capital for the six months ended 30 June 2011 assuming that the transaction was implemented on 1 January 2011 for purposes of basic earnings per unit, headline earnings per unit and distribution per unit and on 30 June 2011 for purposes of net asset value per unit and net tangible asset value per unit.
- Boardwalk Shopping Centre was disposed of to Resilient for a consideration of R1 046 000 000 which was settled as to R514 000 000 in cash and the balance by the issue of 16 211 238 Resilient linked units at R32.81 per linked unit, being the 30-day VWAP of a Resilient linked unit prior to 30 August 2011 (the day the transaction was announced on SENS). The disposal of Boardwalk Shopping Centre at 30 June 2011 is assumed to have resulted in a fair value adjustment on disposal of R92 216 000 and a related tax charge of approximately R12 910 000.
- Boardwalk Shopping Centre earned historic net rental income of R19 971 000 for 3 months from 1 April 2011 (the date on which the property was acquired pursuant to the Pangbourne merger) to 30 June 2011.

- The historical property revenue of R29 759 000 and property expenses of R8 936 000 (net of a reversal of tenant installations of R111 000) were extracted from the underlying books and records of Boardwalk Shopping Centre which have been reviewed by the independent reporting accountants who have issued an unqualified review report thereon and which is available for inspection. The directors of PFM are satisfied with the quality of the information.
- A straight-lining adjustment of R852 000 was recognised as a result of the disposal of Boardwalk Shopping Centre.
- The cash proceeds of R514 000 000 from the disposal of Boardwalk Shopping Centre are assumed to be used by Capital to partly settle interest-bearing borrowings. Accordingly, interest on loans is assumed to be saved at a rate of 9.99%, being the historical cost at which Capital incurred interest.
- There is a saving on asset management fees which were incurred at 0.4% per annum in respect of the cash proceeds of R514 000 000 received from Resilient, which were assumed to partly settle the interest-bearing borrowings.
- Interest of R12 257 000 on units which were issued *cum* distribution as a result of the Pangbourne merger for the period from 1 January 2011 to 31 March 2011 (the date immediately prior to the effective date of the Pangbourne merger) was reversed.
- The issue of 16 211 238 Resilient linked units to Capital results in Capital acquiring a holding in Resilient of approximately 5.9%. Consequently, the investment in Resilient has been accounted for as an investment, with distributable income of R17 729 000 assumed to be received from Resilient in respect of the six month period ended 30 June 2011. The distributable income received from Resilient was based on Resilient's interim distribution of 109.36 cents per linked unit for the six months ended 30 June 2011.
- Estimated transaction costs of approximately R952 000 are assumed to be incurred by Capital in respect of the transaction and have been expensed.
- With the exception of transaction costs and the fair value adjustment on disposal, all adjustments have a continuing effect.

## 9. CAPITAL'S TRUST CAPITAL

The trust capital of Capital as at the last practical date is as follows:

Trust capital	Number of units in issue	R'000
Capital	1 606 986 279	9 273 620

There are no units held in treasury.

## 10. MAJOR UNITHOLDERS

Set out below are the names of those Capital unitholders that, directly or indirectly, are beneficially interested in 5% or more of the total Capital units in issue at the last practical date.

Holder	Number of units controlled	Percentage of issued units (%)
STANLIB	239 493 771	14.9
Resilient	216 577 221	13.5
Investec	200 587 651	12.5
Old Mutual	93 249 210	5.8
<b>Total</b>	<b>749 907 853</b>	<b>46.7</b>

## 11. MANAGEMENT

### 11.1 PFM

11.1.1 Capital is managed by PFM and accordingly has no directors. The names, ages, addresses, qualifications and experience of the directors of PFM are set out in **Annexure 5**.

11.1.2 In terms of the Deed entered into between the Trustee and PFM on 28 November 2003, PFM was appointed the manager of Capital. The salient terms of the Deed, insofar as it relates to the provision of asset management services, are as follows:

11.1.2.1 PFM shall, after written notice from the Trustee, be subject to dismissal:

11.1.2.1.1 if PFM is placed under provisional or final liquidation or the like; or

11.1.2.1.2 if the Registrar in terms of Cisca requests PFM to retire from the administration of the Fund.

11.1.2.2 PFM is entitled to receive the following as remuneration for its administration of the Fund:

11.1.2.2.1 an initial charge per Capital unit issued to be determined by PFM provided that such charge shall in no event amount to more than 5% of the issue price per Capital unit; and

- 11.1.2.2.2 Capital pays a monthly management fee to PFM amounting to  $\frac{1}{12}$ <sup>th</sup> of 0,4% of the monthly aggregate of the total market capitalisation and borrowings of Capital (reduced from  $\frac{1}{12}$ <sup>th</sup> of 0,5% following implementation of the scheme of arrangement referred to in paragraph 16.4 below). The market capitalisation is based on the average daily closing price of Capital units as quoted on the JSE.
- 11.1.2.3 The management fee paid to PFM by Capital for the year ended 31 December 2010 was R33 248 000 (exclusive of VAT). There were no initial fees charged in respect of Capital unit creations by PFM to Capital for the year ended 31 December 2010.
- 11.1.2.4 In accordance with CISCA, PFM's appointment is indefinite, unless PFM is dismissed or retires in terms of CISCA.
- 11.1.2.5 PFM has outsourced its property management, primarily to JHI, who have been responsible for Boardwalk Shopping Centre. Relevant details in respect of JHI are set out in paragraph 11.4 below.

## 11.2 Asset management

- 11.2.1 PFM has outsourced its asset management function to Resilient Properties and has appointed Resilient Properties as its authorised agent to manage the portfolio on behalf of PFM and undertake the asset management, general management, administrative and secretarial work in respect of PFM and Capital. Resilient Properties employs a management team dedicated to the operations of Capital. The directors of Resilient Properties are Andries de Lange, Johann Kriek, David Lewis, Nick Hanekom and Des de Beer.
- 11.2.2 The salient terms of the Resilient Properties asset management agreement include, *inter alia*, the following:
  - 11.2.2.1 the agreement commenced on or about 1 October 2006 and is stated as enduring until the earlier of 30 September 2009 and the date on which Resilient Properties ceases to be the asset manager of Capital. The agreement has subsequently been renewed to 30 September 2012;
  - 11.2.2.2 as remuneration for the services rendered by Resilient Properties to PFM, PFM pays to Resilient Properties on a monthly basis, exclusive of VAT:
    - 11.2.2.2.1  $\frac{1}{12}$ <sup>th</sup> of 0,4% of the monthly aggregate of the average daily closing price of the participatory interests of each of the portfolios as quoted on the JSE for the relevant month multiplied by the number of participatory interests in issue; plus
    - 11.2.2.2.2  $\frac{1}{12}$ <sup>th</sup> of 0,4% of the monthly aggregate amount of the loans contracted by each of the fixed property companies forming part of each such portfolio or the portfolio itself from time to time; plus
    - 11.2.2.2.3 Resilient Properties is entitled by written agreement with PFM to determine from time to time the initial charge per participatory interest, provided that it shall in no event amount to more than 5% of the made-up price per participatory interest;
- 11.2.3 PFM is liable, *inter alia*, for its annual audit fees, non-executive directors' remuneration, annual JSE fees, and all corporate finance costs, legal fees, statutory charges, taxation and the like.

## 11.3 Further information

- 11.3.1 PFM does not provide management services to any other entity. Resilient Properties does not provide asset management services to any other entity other than Resilient and its subsidiaries.
- 11.3.2 Each of PFM and Resilient Properties' business address is 4<sup>th</sup> Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191.
- 11.3.3 Each of PFM and Resilient Properties is a wholly-owned subsidiary of Resilient.

## 11.4 Property management

- 11.4.1 JHI is the property manager responsible for the management of Boardwalk Shopping Centre and performs these services in accordance with the terms of the JHI property management agreement, which agreement is available for inspection in accordance with the provisions of paragraph 20 below.
- 11.4.2 Neither JHI nor its directors have any beneficial interest, direct or indirect, in relation to any property held by Capital.

11.4.3 JHI's directors are JE Wellsted, GG Hulley, M van der Walt and J Boshoff.

11.4.4 JHI's business address is JHI Place, 2 Norwich Close, Benmore, 2010.

11.4.5 JHI is a wholly-owned subsidiary of Nevada Trading (Proprietary) Limited.

## 11.5 Director relationships

Other than in respect of:

11.5.1 Des de Beer who is a director of each of Resilient, PFM and Resilient Properties; and

11.5.2 Andries de Lange who is a director of each of Resilient, PFM and Resilient Properties,

there is no relationship between any promoter, manager, director, management company (or its subsidiary or holding company) and any other person where a duty in relation to that other person may be seen to conflict with a duty to Capital.

## 12. INTERESTS OF DIRECTORS AND OFFICERS OF PFM

12.1 The interests of the directors and officers of PFM in Capital as at 31 December 2010 were as follows:

Directors	Beneficially held		Total	%
	Directly	Indirectly		
Rual Bornman	100 000	–	100 000	–
Stefano Contardo*¥	8 600	–	8 600	–
Jorge de Costa¥	–	422 765	422 765	0.1
Des de Beer	–	6 488 909	6 488 909	0.9
Andries de Lange	2 661 363	452 350	3 113 713	0.4
Protas Philli	–	261 510	261 510	–
Andrew Teixeira	–	2 016 000	2 016 000	0.3
Tracey Visser¥	75 000	–	75 000	–
<b>Total</b>	<b>2 844 963</b>	<b>9 641 534</b>	<b>12 486 497</b>	<b>1.7</b>

\* Alternate to Jorge da Costa

¥ Resigned with effect from 25 May 2011

12.2 The interests of the directors and officers of PFM in Capital at the last practical date are as follows:

Directors	Beneficially held		Total	%
	Directly	Indirectly		
Rual Bornman	814 000	1 949 600	2 763 600	0.2
Des de Beer	–	11 508 799	11 508 799	0.7
Andries de Lange	3 398 660	5 063 581	8 462 241	0.5
Inge Pick†	223 800	–	223 800	–
Barry Stuhler*	1 624 927	14 765 642	16 390 569	1.0
Andrew Teixeira	–	5 807 730	5 807 730	0.4
Banus van der Walt	32 368	–	32 368	–
<b>Total</b>	<b>6 093 755</b>	<b>39 095 352</b>	<b>45 189 107</b>	<b>2.8</b>

\* Appointed with effect from 25 May 2011

† Company secretary, appointed with effect from 25 May 2011

12.3 The interests of the directors and officers of PFM in Resilient at the last practical date are as follows:

Directors	Beneficially held		Total	%
	Directly	Indirectly		
Iraj Abedian	–	385 986	385 986	0.1
Rual Bornman	505 000	345 000	850 000	0.3
Des de Beer	3 256 000	16 229 827	19 485 827	7.5
Andries de Lange	639 183	2 020 059	2 659 242	1.0
Protas Phili	–	186 338	186 338	0.1
Inge Pick	20 000	–	20 000	–
Barry Stuhler	1 741 603	6 214 255	7 955 858	3.1
Andrew Teixeira	1 065 000	30 157	1 095 157	0.4
Trurman Zuma	–	186 338	186 338	0.1
<b>Total</b>	<b>7 226 786</b>	<b>25 597 960</b>	<b>32 824 746</b>	<b>12.6</b>

12.4 The interests of the directors and officers of PFM in Pangbourne prior to the Pangbourne merger were disclosed in the circular and revised listings particulars issued on 3 February 2011 in connection with that transaction.

12.5 Neither PFM nor its directors:

12.5.1 are beneficially interested, whether directly or indirectly, in the disposal of Boardwalk Shopping Centre in terms of the transaction, other than in their capacity as holders of Resilient linked units and/or Capital units, which holdings are as detailed in paragraphs 12.2 and 12.3 above; and

12.5.2 were beneficially interested, whether directly or indirectly, in the acquisition of Boardwalk Shopping Centre by Capital, other than in their capacity as holders of Pangbourne linked units and/or Capital units, which holdings were as detailed in paragraphs 12.1 and 12.4 above.

### 13. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 7 of this circular, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the circular contains all information required by law and the Listings Requirements.

### 14. LITIGATION STATEMENT

14.1 Other than as stated in paragraph 14.2 below, there are no material legal or arbitration proceedings against Capital nor, as far as the directors are aware, are there any legal or arbitration proceedings pending or threatened against Capital that may have had, if successful in the 12 months preceding the date of this circular, a material effect on the financial position of Capital.

14.2 Capital is involved in legal matters related to normal business activities and, other than a dispute regarding the validity of a claim by Nedbank resulting from a surety given by Pangbourne, limited to R45 000 000, for a loan advanced to Covey Trade and Invest 17 (Proprietary) Limited, these are not material.

### 15. MATERIAL CHANGES

There have been no material changes in the financial or trading position of Capital since Capital published its unaudited results for the six months ended 30 June 2011.

### 16. MATERIAL CONTRACTS

Save as set out below, Capital has not entered into any material contracts in the two years preceding the date of this circular and has not entered into any contracts which contain an obligation or settlement that is material to Capital as at the date of this circular and which remains outstanding:

16.1 Capital entered into an agreement pursuant to which it agreed to dispose of, with effect from 1 October 2009, the entire issued share capital of and shareholder's claims against Fortress Income 5 (Proprietary) Limited to Fortress Income Fund Limited for a purchase consideration of R321 350 000.

- 16.2 Pangbourne entered into an agreement pursuant to which it agreed to dispose of, with effect from 1 October 2009, the entire issued share capital of and shareholder's claims against Fortress Income 3 (Proprietary) Limited to Fortress Income Fund Limited for a purchase consideration of R1 098 215 000.
- 16.3 As announced on SENS on 25 March 2011, Capital acquired 23 768 569 Pangbourne linked units from Panya Investments (Proprietary) Limited at R17.00 per linked unit.
- 16.4 Capital proposed a scheme of arrangement between Pangbourne and its linked unitholders pursuant to which Capital acquired all of the Pangbourne linked units in issue that were not already owned by it. The consideration offered by Capital was 2.38 Capital units for every Pangbourne linked unit held, save that any Pangbourne linked unitholder holding 500 or less Pangbourne linked units on the scheme consideration record date was entitled to elect to receive a cash consideration of R20.00 per Pangbourne linked unit. The scheme was implemented in early April 2011.
- 16.5 As announced on SENS on 30 August 2011, Capital has entered into an agreement to dispose of a portfolio of retail properties to Fortress Income Fund Limited for a consideration of R704 000 000. This disposal is not subject to unitholder approval.

## 17. CONSENTS

- 17.1 Each of Java Capital (Proprietary) Limited, Java Capital Trustees and Sponsors (Proprietary) Limited, Quadrant Properties (Proprietary) Limited, Vani Chetty Competition Law (Proprietary) Limited, PKF (Jhb) Inc., PKF Corporate Finance (Proprietary) Limited, ABSA Bank Limited and Link Market Services South Africa (Proprietary) Limited have consented in writing to act in the capacities stated and to their names appearing in this circular and have not withdrawn their consent prior to the publication of this circular.
- 17.2 The independent reporting accountants and the independent expert have consented to the inclusion of their reports in the form and context in which they are included in this circular, which consent has not been withdrawn prior to the publication of this circular.

## 18. BOARDWALK SHOPPING CENTRE PROPERTY SPECIFIC INFORMATION

- 18.1 The independent valuer has valued Boardwalk Shopping Centre at R1 028 000 000 as at 1 December 2011 (being the effective date of the transaction). Boardwalk Shopping Centre which is situated in Krugerrand Road, Richards Bay has a total rentable area of 65 516m<sup>2</sup> at a weighted average rental of R115 per m<sup>2</sup>. The average annualised property yield in respect of Boardwalk Shopping Centre is 8%. Boardwalk Shopping Centre was originally purchased by Capital with effect from April 2011 for a purchase consideration of R948 000 000 pursuant to the Pangbourne merger. The weighted average rental escalation for Boardwalk Shopping Centre is 7.03%.
- 18.2 An analysis of Boardwalk Shopping Centre, in respect of tenant spread and lease expiry profile, is provided in the tables below.

### *Tenant spread*

	Based on GLA	Based on gross rentals
A	69.3%	58.5%
B	24.3%	27.7%
C	6.4%	13.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

For the tenant profile table, the following key is applicable:

- A – Large national tenants, large listed tenants, government and major franchisees.  
 B – National tenants, listed tenants, franchisees and medium to large professional firms.  
 C – Other, comprising approximately 57 tenants.

### *Lease expiry profile*

	<b>GLA</b>	<b>Gross rentals</b>
December 2012	14.8%	18.8%
December 2013	30.1%	37.4%
December 2014	6.8%	8.2%
December 2015	16.5%	12.9%
December 2016	6.5%	6.2%
>December 2016	25.3%	16.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## **19. PRELIMINARY EXPENSES AND ISSUE EXPENSES**

19.1 The preliminary costs of the transaction which have been or are expected to be incurred by Capital, are set out below:

	<b>R'000</b>
Corporate advisor, legal advisor and sponsor fees payable to Java Capital (Proprietary) Limited	350
Press announcements	65
Printing costs payable to Ince (Proprietary) Limited	100
Competition Commission – merger filing fee	175
Legal fees payable to Vani Chetty Competition Law (Proprietary) Limited	50
Independent expert's fees payable to PKF Corporate Finance (Proprietary) Limited	150
Independent reporting accountants' fees payable to PKF (Jhb) Inc.	40
Independent property valuer fees payable to Quadrant Properties (Proprietary) Limited	10
JSE documentation inspection fee	12
<b>Total costs</b>	<b>952</b>

19.2 All amounts are stated exclusive of VAT.

19.3 Capital has not incurred any preliminary expenses within the three years preceding the date of this circular in respect of this transaction.

## **20. DOCUMENTS AVAILABLE FOR INSPECTION**

20.1 The documents listed below will be available for inspection during normal office hours on business days from Friday, 28 October 2011 until Friday, 25 November 2011 at the registered office of Capital at 4<sup>th</sup> Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191.

20.2 The documents available for inspection are as follows:

- 20.2.1 Capital's Trust Deed and all Supplemental Deeds thereto;
- 20.2.2 a copy of the Resilient acquisition agreement;
- 20.2.3 the JHI management agreement;
- 20.2.4 the material contracts referred to in paragraph 16;
- 20.2.5 consent letters referred to in paragraphs 17.1 and 17.2;
- 20.2.6 the unaudited *pro forma* financial information attached to this circular as **Annexure 1**;
- 20.2.7 the independent reporting accountants' limited assurance report on the unaudited *pro forma* financial information of Capital, which report is attached to this circular as **Annexure 2**;
- 20.2.8 the independent reporting accountants' review opinion on the historical financial information of Boardwalk Shopping Centre;
- 20.2.9 the valuation report and summary thereof referred to in paragraph 5.4;
- 20.2.10 the fairness opinion attached to this circular as **Annexure 4**;
- 20.2.11 the audited financial statements for the preceding three years; and
- 20.2.12 the reporting accountant specialist's confirmation of advice provided.

Signed at Rivonia, Johannesburg by an executive director of PFM, and on behalf of the remaining directors of PFM in terms of the powers of attorney granted to him by each director of PFM.

**Property Fund Managers Limited  
in its capacity as manager of Capital Property Fund**

**Registered address**

Property Fund Managers Limited  
(Registration number 1980/009531/06)  
4<sup>th</sup> Floor  
Rivonia Village  
Rivonia Boulevard  
Rivonia  
2191  
(PO Box 2555, Rivonia, 2128)  
28 October 2011

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**UNAUDITED *PRO FORMA* FINANCIAL INFORMATION**


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The unaudited consolidated *pro forma* statement of comprehensive income and the unaudited consolidated *pro forma* statement of financial position are the responsibility of the directors and have been prepared for illustrative purposes only, in order to provide information about the results and financial position of Capital, assuming that the transaction had been implemented on 1 January 2011 and 30 June 2011, respectively. Due to its nature, the unaudited consolidated *pro forma* statement of comprehensive income and the unaudited consolidated *pro forma* statement of financial position may not give a fair reflection of Capital's results of operations and financial position subsequent to the transaction. The independent reporting accountants' limited assurance report on the unaudited *pro forma* financial information, including the unaudited consolidated *pro forma* statement of comprehensive income and the unaudited consolidated *pro forma* statement of financial position, is set out in **Annexure 2**. The unaudited consolidated *pro forma* statement of comprehensive income and the unaudited consolidated *pro forma* statement of financial position have been prepared in accordance with Capital's accounting policies and in compliance with IFRS.

**UNAUDITED CONSOLIDATED *PRO FORMA* STATEMENT OF COMPREHENSIVE INCOME**

Set out below is the unaudited consolidated *pro forma* statement of comprehensive income of Capital for the six months ended 30 June 2011, reflecting the effects of the transaction.

	Unadjusted before the transaction <sup>1</sup> R'000	Adjustments for the transaction R'000	<i>Pro forma</i> after the transaction <sup>2</sup> R'000
<b>Net rental and related revenue</b>	<b>507 865</b>	<b>(20 823)<sup>4/5</sup></b>	<b>487 042</b>
Recoveries and contractual rental revenue	744 733	(28 907) <sup>4/5</sup>	715 826
Straight-lining of rental revenue adjustment	13 874	(852) <sup>6</sup>	13 022
Rental revenue	758 607	(29 759) <sup>4/5</sup>	728 848
Property operating expenses	(250 742)	8 936 <sup>4/5</sup>	(241 806)
<b>Distributable income from investments</b>	<b>5 068</b>	<b>17 729<sup>9</sup></b>	<b>22 797</b>
<b>Fair value gain on investment property and investments</b>	<b>19 347</b>	<b>93 068</b>	<b>112 415</b>
Fair value gain on investment property	5 413	92 216 <sup>3</sup>	97 629
Adjustment resulting from straight-lining of rental revenue	(13 874)	852	(13 022)
Fair value gain on investments	27 808	- <sup>10</sup>	27 808
<b>Administrative expenses</b>	<b>(32 596)</b>	<b>514<sup>8</sup></b>	<b>(32 082)</b>
<b>Transaction costs</b>	<b>-</b>	<b>(952)<sup>11/13</sup></b>	<b>(952)</b>
<b>Impairment of goodwill</b>	<b>(98 042)</b>	<b>-</b>	<b>(98 042)</b>
<b>Profit before net finance costs</b>	<b>401 642</b>	<b>89 536</b>	<b>491 178</b>
<b>Net finance income</b>	<b>52 197</b>	<b>13 417</b>	<b>65 614</b>
Finance income	193 261	(12 257)	181 004
Interest on units issued <i>cum</i> distribution	175 900	(12 257) <sup>12</sup>	163 643
Fair value adjustment on interest rate derivatives	14 709		14 709
Interest received	2 652		2 652
Finance costs	(141 064)	25 674	(115 390)
Interest paid on borrowings	(154 194)	25 674 <sup>7</sup>	(128 520)
Capitalised interest	13 130		13 130
<b>Profit before income tax expense</b>	<b>453 839</b>	<b>102 953</b>	<b>556 792</b>
Income tax expense	5 100	(12 910) <sup>3</sup>	(7 810)
<b>Profit for the period attributable to equity holders</b>	<b>458 939</b>	<b>90 043</b>	<b>548 982</b>
Basic earnings per unit (cents)*	28.56		34.16

	Unadjusted before the transaction <sup>1</sup> R'000	Adjustments for the transaction R'000	<i>Pro forma</i> after the transaction <sup>2</sup> R'000
<b>Reconciliation of profit for the period to headline earnings and distributable income</b>			
<b>Basic earnings – profit for the period attributable to equity holders</b>	<b>458 939</b>	<b>90 043</b>	<b>548 982</b>
Adjusted for:	101 860	(80 158)	21 702
– Fair value gain on investment property	(5 413)	(92 216)	(97 629)
– Adjustment resulting from straight-lining of rental revenue	13 874	(852)	13 022
– Impairment of goodwill	98 042	–	98 042
– Income tax effect	(4 643)	12 910	8 267
<b>Headline earnings</b>	<b>560 799</b>	<b>9 885</b>	<b>570 684</b>
Headline earnings per unit (cents)*	34.90		35.51
Weighted average number of units	1 606 986 279		1 606 986 279
<b>Reconciliation of profit for the period to amount available for distribution</b>			
<b>Profit for the period attributable to equity holders</b>	<b>458 939</b>	<b>90 043</b>	<b>548 982</b>
Straight-lining of rental revenue adjustment	(13 874)	852	(13 022)
Fair value gain on investment property	(5 413)	(92 216)	(97 629)
Adjustment resulting from straight-lining of rental revenue adjustment	13 874	(852)	13 022
Fair value gain on investments	(27 808)	–	(27 808)
Transaction costs	–	952	952
Impairment of goodwill	98 042	–	98 042
Fair value adjustment on interest rate swaps	(14 709)		(14 709)
Income tax expense	(5 100)	12 910	7 810
<b>Distributable income</b>	<b>503 951</b>	<b>11 689</b>	<b>515 640</b>
<b>Less: distribution declared</b>	<b>(503 951)</b>	<b>(11 689)</b>	<b>(515 640)</b>
– Interim	(503 951)	(11 689)	(515 640)
<b>Income not distributed</b>	<b>–</b>	<b>–</b>	<b>–</b>
Units in issue	1 606 986 279		1 606 986 279
Distribution per unit (cents)	31.36	0.73	32.09
– Interim	31.36	0.73	32.09

\* Capital has no dilutionary instruments in issue

## Notes and assumptions:

1. The amounts set out in the “Unadjusted before the transaction” column have been extracted, without adjustment, from the condensed consolidated unaudited interim financial report of Capital for the six months ended 30 June 2011.
2. The amounts set out in the “*Pro forma* after the transaction” column reflect the impact on the historical financial results of Capital for the six months ended 30 June 2011 assuming that the transaction was implemented on 1 January 2011.
3. Boardwalk Shopping Centre was disposed of to Resilient for a consideration of R1 046 000 000 which was settled as to R514 000 000 in cash and the balance by the issue of 16 211 238 Resilient linked units at R32.81 per linked unit, being the 30-day VWAP of a Resilient linked unit prior to 30 August 2011 (the day the transaction was announced on SENS). The disposal of Boardwalk Shopping Centre at 30 June 2011 is assumed to have resulted in a fair value adjustment on disposal of R92 216 000 and a related tax charge of approximately R12 910 000.
4. Boardwalk Shopping Centre earned historic net rental income of R19 971 000 for the 3 months from 1 April 2011 (the date on which the property was acquired pursuant to the Pangbourne merger) to 30 June 2011.
5. The historical property revenue of R29 759 000 and property expenses of R8 936 000 (net of a reversal of tenant installations of R111 000) were extracted from the underlying books and records of Boardwalk Shopping Centre which have been reviewed by the independent reporting accountants who have issued an unqualified review report thereon and which is available for inspection. The directors of PFM are satisfied with the quality of the information.
6. Represents the reversal of the straight-lining adjustment resulting from the disposal of Boardwalk Shopping Centre.
7. The cash proceeds of R514 000 000 from the disposal of Boardwalk Shopping Centre are assumed to be used by Capital to partly settle interest-bearing borrowings. Accordingly, interest on loans is assumed to be saved at a rate of 9.99%, being the historical cost at which Capital incurred interest.
8. There is a saving on asset management fees which were incurred at 0.4% per annum in respect of the cash proceeds of R514 000 000 received from Resilient, which were assumed to partly settle the interest-bearing borrowings.
9. The issue of 16 211 238 Resilient linked units to Capital results in Capital acquiring a holding in Resilient of approximately 5.9%. Consequently, the investment in Resilient has been accounted for as an investment, with distributable income of R17 729 000 assumed to be received from Resilient in respect of the six month period ended 30 June 2011. The distributable income received from Resilient was based on Resilient’s interim distribution of 109.36 cents per linked unit for the six months ended 30 June 2011.
10. No fair value adjustment has been recognised at 30 June 2011 in respect of the 16 211 238 Resilient linked units which form part of the purchase consideration due to the fact that the fair value adjustment raised in respect of the Boardwalk Shopping Centre, prior to the disposal, has been based on a market related price of a Resilient linked unit being the 30-day VWAP of a Resilient linked unit prior to 30 August 2011 (the day the transaction was announced on SENS).
11. Estimated transaction costs of approximately R952 000 are assumed to be incurred by Capital in respect of the transaction and have been expensed.
12. Relates to the reversal of interest which was calculated in respect of Boardwalk Shopping Centre and which interest was included in the line item “interest on units issued *cum* distribution” as a result of the Pangbourne merger for the period from 1 January 2011 to 31 March 2011 (the date immediately prior to the effective date of the Pangbourne merger).
13. With the exception of transaction costs and the fair value adjustment on disposal, all adjustments have a continuing effect.

## UNAUDITED CONSOLIDATED *PRO FORMA* STATEMENT OF FINANCIAL POSITION

Set out below is the unaudited consolidated *pro forma* statement of financial position of Capital as at 30 June 2011, reflecting the effects of the transaction.

	Unadjusted before the transaction <sup>1</sup> R'000	Adjustments for the transaction R'000	<i>Pro forma</i> after the transaction <sup>2</sup> R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	17 644 178	(421 784)	17 222 394
Investment property	16 843 215	(953 675) <sup>3</sup>	15 889 540
Straight-lining of rental revenue adjustment	102 541	– <sup>4</sup>	102 541
Investment property under development	441 322	–	441 322
Investments	257 100	531 891 <sup>3/6</sup>	788 991
<b>Current assets</b>	212 259	(952)	211 307
Trade and other receivables	183 054		183 054
Cash and cash equivalents	29 205	(952) <sup>7</sup>	28 253
<b>Total assets</b>	<b>17 856 437</b>	<b>(422 736)</b>	<b>17 433 701</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital of fund</b>	11 880 707	78 354	11 959 061
Trust capital	9 273 620		9 273 620
Non-distributable reserves	2 607 087	78 354 <sup>3/4/7</sup>	2 685 441
Retained earnings	–	–	–
<b>Total liabilities</b>	5 975 730	(501 090)	5 474 640
<b>Non-current liabilities</b>	3 525 426	(535 916)	2 989 510
Interest-bearing borrowings	2 949 386	(514 000) <sup>3/5</sup>	2 435 386
Deferred tax	576 040	(21 916) <sup>3</sup>	554 124
<b>Current liabilities</b>	2 450 304	34 826	2 485 130
Trade and other payables	462 739		462 739
Unitholders for distribution	503 951		503 951
Income tax payable	–	34 826 <sup>3</sup>	34 826
Interest-bearing borrowings	1 483 614		1 483 614
<b>Total equity and liabilities</b>	<b>17 856 437</b>	<b>(422 736)</b>	<b>17 433 701</b>
Number of units in issue	1 606 986 279		1 606 986 279
Net asset value per unit	R 7.39		R 7.44
Net tangible asset per unit	R 7.39		R 7.44

**Notes and assumptions:**

1. The amounts set out in the “Unadjusted before the transaction” column have been extracted, without adjustment, from the condensed consolidated unaudited interim financial report of Capital for the six months ended 30 June 2011.
2. The amounts set out in the “*Pro forma* after the transaction” column reflect the impact on the historical financial results of Capital for the six months ended 30 June 2011 assuming that the transaction was implemented on 30 June 2011.
3. Boardwalk Shopping Centre was disposed of to Resilient for a consideration of R1 046 000 000 which was settled as to R514 000 000 in cash and the balance by the issue of 16 211 238 Resilient linked units at R32.81 per linked unit, being the 30-day VWAP of a Resilient linked unit prior to 30 August 2011 (the day the transaction was announced on SENS). The disposal of Boardwalk Shopping Centre at 30 June 2011 is assumed to have resulted in a gain on disposal of R92 216 000 and a tax charge of approximately R12 910 000.
4. Represents the reversal of the straight-lining adjustment and the reversal of the adjustment resulting from straight-lining of rental revenue both of which resulted from the disposal of Boardwalk Shopping Centre.
5. The cash proceeds of R514 000 000 from the disposal of Boardwalk Shopping Centre are assumed to be used by Capital to partly settle interest-bearing borrowings.
6. The issue of 16 211 238 Resilient linked units to Capital results in Capital acquiring a holding in Resilient of approximately 5.9%. Consequently, the investment in Resilient has been accounted for as an investment. No fair value adjustment has been recognised at 30 June 2011 in respect of the 16 211 238 Resilient linked units which form part of the purchase consideration due to the fact that the fair value adjustment raised in respect of the Boardwalk Shopping Centre, prior to the disposal, has been based on a market related price of a Resilient linked unit being the 30-day VWAP of a Resilient linked unit prior to 30 August 2011 (the day the transaction was announced on SENS).
7. Estimated transaction costs of approximately R952 000 are assumed to be incurred by Capital in respect of the transaction and have been expensed.

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**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF CAPITAL**

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"The Directors  
Property Fund Managers Limited  
PO Box 2555  
Rivonia  
2191

19 October 2011

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF CAPITAL PROPERTY FUND**

We have performed our limited assurance engagement in respect of the pro forma financial information set out in paragraph 8 and Annexure 1 of the circular to unitholders of Capital Property Fund ("Capital") to be dated on or about 28 October 2011 ("the Circular"). Terms used herein and defined in the Circular have the meaning assigned to them in the Circular unless otherwise indicated.

The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("the JSE") Listings Requirements, for illustrative purposes only, to provide information about how the transaction might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* statement of financial position being reported on.

**Directors' responsibility**

The directors of Property Fund Managers Limited ("PFM") are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that:

- the *pro forma* financial information has been properly compiled on the basis stated;
- the basis is consistent with the accounting policies of Capital;
- the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

**Reporting accountants' responsibility**

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the Circular to Capital unitholders.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by SAICA. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Sources of information and work performed**

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Capital, considering the evidence supporting the *pro forma* adjustments, and discussing the adjusted *pro forma* financial information with the directors and management of PFM in respect of the corporate action that is the subject of this Circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors and management of PFM and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information, and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Conclusion**

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that in terms of section 8.17 and 8.30 of the Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Capital; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

### **Consent**

This report on the *pro forma* financial information is included solely for the information of the Capital unitholders. We consent to the inclusion of our report on the *pro forma* financial information and the references thereto, in the form and context in which they appear.

Yours faithfully

### **PKF (Jhb) Inc**

Per: Ian Vorster

Registration number 1994/001166/21

Registered Auditors

Chartered Accountants (SA)

42 Wierda Road West

Wierda Valley

Sandton”

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**SUMMARY OF VALUATION REPORT FOR BOARDWALK SHOPPING CENTRE**

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"The Directors  
Property Fund Managers Limited  
4<sup>th</sup> Floor, Rivonia Village  
Rivonia Boulevard  
Rivonia

19 October 2011

Dear Sir,

**INDEPENDENT VALUERS' REPORT OF BOARDWALK SHOPPING CENTRE**

In accordance with your instruction of 18 July 2011, I confirm that I have visited and inspected Boardwalk Shopping Centre ("the property") during July 2011 (Section 13.23 (a) (iii)) and have received all necessary details required to perform a valuation in order to provide you with my opinion of the property's market value as at 1 December 2011 (Section 13.23 (c)).

**1. INTRODUCTION**

The valuation of the property has been carried out by the valuer who has carefully considered all aspects of the property. This property has a 14 page report which has been given to the management of Capital Property Fund. The detailed report includes commentary on the current economy, nature of the property, locality, tenancy, risk profile, forward rent earning capability, exposure to future expenses and property risk. All these aspects have been considered in the valuation report of the property. The detailed report has further addressed the tenancy income capability and expenditure for the property and tenants. Historic expenditure profiles as well as future expenditure increases have been considered. The value, therefore, indicates the fair market value at this date for the property, which is detailed in section 11 of the detailed report.

**2. BASIS OF VALUATION**

The valuation is based on the market value.

Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**3. VALUE CALCULATION**

The calculation of the market value of this property has mainly been based on income capitalisation.

This is the fundamental basis on which the value of investment properties is calculated. Investment properties produce a perpetual income stream, and the capitalisation of such net revenue flow is an accurate means of determining the value.

Properties traded in the current market reflect a yield rate relationship between net revenue potential and capital value. This rate is an accurate determinant of the capitalisation rate. (Section 13.23 (d)).

The discounted cash flow has also been calculated for the property as a check to ensure that the capitalised value calculated is consistent with market norms and expectations. Where there is additional revenue from property as a result of rentalisations or other tenant specific revenue, then these have been regarded as finite income streams and the cashflow has been discounted at an appropriate rate.

The considerations for the capitalised valuations are as follows:

- 3.1 Calculating the forward cash flow of all contractual income from the property;
- 3.2 Calculating the forward contractual and other expenditure as well as provisions for various expenses in order to provide for vacancy or future capital expenditure to which the property may be exposed;

- 3.3 Current area vacancy as a percentage of the total size of the property is approximately 0%. In order to adjust for potential vacancy and future void, I have deducted approximately 1.45% of the gross income as a provision against income. The void provisions used in the valuations are therefore adequate. (Section 13.23 (f) (i));
- 3.4 There is no loss of rental due to renovations or refurbishments currently being carried out on the building. Deductions have been made for general repairs and maintenance required on the building. (Section 13.23 (f)(ii));
- 3.5 Generally the rentals are market related. This has been determined by comparing similar buildings in comparable areas to the property valued in terms of rental per square metre. The rental rate has also been checked against various published indices including the South African Property Owners Association (SAPOA) index.
- There are no tenants that are over rented, or that cannot be re-rented at the same or higher rental rate should such area become vacant.
- There is therefore minimal potential for rental flow reversion as the rentals are market related. This is provided that the economy remains in a slow recovery pattern as currently being experienced and that there are no major economic fluctuations which may upset the economy. (Section 13.23 (f) (iii));
- 3.6 Capitalising the net contractual income derived from the property for a period of 1 year in advance calculated from 1 December 2011;
- 3.7 The valuation has considered published market statistics regarding rental rates and expenditure for the property. It has also considered numerous other portfolios of similar properties in order to determine if the property is over rented or has excessive expenditure;
- 3.8 Various provisions for capital contingencies were deducted from the capitalised value;
- 3.9 The building has been valued in its existing use. No alternative use for the property has been considered in determining the value. (Section 13.27); and
- 3.10 Subsequent to the valuation date of 1 December 2011 there have been no changes resulting in a material change in value.

#### **4. BASIC DESCRIPTION**

- 4.1 Existing Use: Dominant regional retail centre
- 4.2 Current Annual Net Rental: R83 404 422.99 (as at 1 December 2011)
- 4.3 Physical Address: Krugerrand Road, corner of Bullion Boulevard
- 4.4 Property Nature: Dominant regional retail centre
- 4.5 Total Lettable Area: 65 516 sqm
- 4.6 Approximate Building Age: 13 years and new extensions and refurbishments over the last three years
- 4.7 Legal Description: Portions 4, 5, 38, 40 & 41 of Erf 11161 Richards Bay
- 4.8 Land Nature: Freehold
- 4.9 Land Area: 144 371 sqm

#### **5. SPARE LAND**

There is minimal spare land relating to the shopping centre. The land has generally been consumed by the existing development as well as the parking requirements relating to the property

The building has been valued on a capitalised basis. Spare land has no value attributed to it as this land is used for parking purposes as required by the local authority

The property has generally been developed to its best use. In no case has alternative use or speculative use been used to consider or calculate value. (Section 13.27).

The retail building is well constructed. The property is not highly specialised for which there is little market demand. The property is therefore highly generic and has sufficient parking on site for its current use. Internally the facilities appear in good condition and well maintained.

The property is well managed with a high utility cost recovery. This is an important aspect in the current market where utilities are increasing at an exponential rate. Escalations are market related but are high enough to ensure a positive growth rate but without creating an overrent position. The property is well located in a desired and established business node.

## **6. VALUATION QUALIFICATIONS**

Qualifications are usually detailed as a consequence of: leases under negotiation that have not yet been formalised; leases of a large nature where the premises are difficult to re-let; specialised properties; large exposure to a single tenant; potential tenant failure due to over-rent; expenses required for major repairs; maintenance or other contingent expenses to maintain the lettable of the building; potential expropriations or servitudes that may be enforced; or poor lease records whereby the lease may be disputed or rendered invalid.

I have, to the best of my knowledge, considered all of these aspects in the valuation of the property. The property is not prejudiced in value by the influence of the above factors.

The valuer is however not responsible for the competent daily management of the property that will ensure that this status is maintained, or for the change of any laws, services by local authority or economic circumstances that may adversely impact on the integrity of the building or the tenant profile.

## **7. OPTIONS OR BENEFIT / DETRIMENT OF CONTRACTUAL ARRANGEMENTS**

No valuation has been required detailing the benefit or detriment of contractual arrangements in respect of the property or where there may be a benefit in options held. (Section 13.23 (g)).

I am unaware of any options in favour of any parties for any purchase of the property. (Section 13.23(h)).

## **8. RELATED PARTY LEASES (Section 13.23 (a) (xi))**

Having inspected all the tenant schedules and leases, it is noted that there are no related party leases.

## **9. CURRENT STATE OF DEVELOPMENT**

The property is developed and capable of accommodating tenants. (Section 13.24 and 13.25).

The property is not being held for future development currently as it is developed to its best use. Future demand for retail space at the centre may however warrant further expansion within the town planning parameters.

## **10. EXTERNAL PROPERTY**

There is no external property. (Section 13.28).

## **11. OTHER GENERAL MATTERS AND VALUATION SUMMARY (Sections 13.30 and 13.31)**

A full valuation report is available on a property basis detailing tenancy, town planning, valuer's commentary, expenditure and other details.

## **12. OTHER COMMENTS**

To my knowledge there are no contractual arrangements on the property other than the leases, as detailed in the reports, or contracts relating to management, security, insurance or general building maintenance that have a major benefit or are detrimental to the fundamental value base of the property. Our valuation excludes any amounts of Value-added Tax, transfer duty, or duty on shares in the event of a company transaction.

## **13. CAVEATS**

### **13.1 Source of information and verification (Section 13.23 (a) (xiii))**

Information on the property regarding rental income, recoveries, turnovers and other income detail has been provided to me by the current owners and their managing agents.

I have further compared certain expenditures given to me to market norms of similar properties. This has also been compared to historic expenditure levels of the property itself. Historical contractual expenditures and municipal utility services were compared to the past performance of the property in order to assess potential expenditure going forward.

### 13.2 **Full disclosure**

This valuation has been prepared on the basis that full disclosure of all information and factors that may affect the valuation has been made to ourselves.

I have, to the best of my ability, researched the market as well as taken all reasonable steps to check income against contractual lease agreements and rent rolls and expenditure against historical expense invoices. These were compared to the market to accurately represent the property's income capability.

### 13.3 **Leases (Section 13.23 (a) (ix))**

Our valuation has been based upon an inspection of the leases from which a summary of the leases has been compiled. This has been compared to the property manager's summary of the leases to identify variances. There is minimal variance and the leases have been summarised and detailed in the valuation report and are accurate and correctly reflect the contractual cash flows of this property. All other details in respect of the existing leases and option terms and rentals supplied to us by the owners and managing agents have been examined and have assisted the valuations.

### 13.4 **Lessee's credibility**

In arriving at our valuation, cognisance has been taken of the lessees' security and rating. This has influenced the capitalisation rate by way of risk consideration.

### 13.5 **Mortgage bonds, loans, etc.**

The property has been valued as if wholly-owned with no account being taken of any outstanding monies due in respect of mortgage bonds, loans and other charges. No deductions have been made in our valuation for costs of acquisition.

The valuation is detailed in a completed state and no deductions have been made for retention or any other set-off or deduction for any purposes which may be made at the discretion of the purchaser when purchasing the property.

### 13.6 **Calculation of areas**

The area indicated in the valuation report has been verified from the leases. Updated plans were not available in respect of exact internal configuration which may in any event change from time to time. The building generally appears to have the stated square meterage which could only be more accurately determined if remeasured by a professional. The reported square meterage is therefore considered as correct as possible without a remeasurement exercise being undertaken.

### 13.7 **Structural condition**

The property has been valued in its existing state. I have not carried out any structural surveys, nor inspected those areas that are unexposed or inaccessible, neither have I arranged for the testing of any electrical or other services.

### 13.8 **Contamination**

The valuation assumes that a formal environmental assessment is not required and further that the property is not environmentally impaired or contaminated, unless otherwise stated in our report.

### 13.9 **Town planning (Section 13.23 (a) (vi) and (vii))**

Full town planning details and title deeds have been supplied in the detailed valuation report including conditions and restrictions and the property has been checked against such conditions. This is to ensure that it complies with town planning regulations and title deeds. There do not appear to be any infringements of local authority regulations or deeds by the property.

The valuation has further assumed that the improvements have been erected in accordance with the relevant Building and Town Planning Regulations and on inspection it would appear that the improvements are in accordance with the relevant town planning regulations.

#### **14. MARKET VALUE**

I am of the opinion that the market value of the property (as per the valuation and summary schedule) is an amount of R1 028 000 000.00 excluding VAT as at 1 December 2011.

I have more than 26 years experience in the valuation of all nature of property and I am qualified to express an opinion on the fair market value of the property.

I trust that I have carried out all instructions to your satisfaction and thank you for the opportunity of undertaking this valuation on your behalf.

Assuring you of our best services at all times.

Yours faithfully,

**PETER PARFITT**

**PROFESSIONAL ASSOCIATED VALUER**

Dip. Val. MIV (SA)

(Registration No.: 2712/2)

Registered in terms of the Property Valuer's Professional Act No. 47 of 2000

Dunkeld Court  
16 North Road  
Dunkeld West  
(Section 13.23 (b))”

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**FAIRNESS OPINION BY THE INDEPENDENT EXPERT ON THE TRANSACTION**

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“The Directors  
 Property Fund Managers Limited  
 PO Box 2555  
 Rivonia 2128

19 October 2011

Dear Sirs

**FAIRNESS OPINION ON THE TRANSACTION**

**Introduction**

We have agreed to provide a fairness opinion with regard to the proposed disposal of Boardwalk Shopping Centre by Pangbourne Properties Limited (“Pangbourne”), a wholly-owned subsidiary of Capital Property Fund (“Capital”), to Resilient Property Income Fund Limited (“Resilient”) for the purchase consideration of 16 211 238 Resilient linked units (“consideration units”) and R514 million cash (“the purchase consideration”) (“the transaction”).

Our opinion on the transaction is required in terms of Section 10.4(f) of the Listings Requirements as the transaction constitutes a related party transaction in that Property Fund Managers Limited (“PFM”) is a wholly-owned subsidiary of Resilient and is also the management company of Capital.

Full details of the transaction are set out in the circular to be issued to Capital unitholders on or about 28 October 2011 (“the circular”). Terms defined in the circular have, unless the context requires otherwise, the same meanings in this report as given to them elsewhere in the circular.

**Meaning of fairness**

Fairness is primarily based on quantitative issues and reasonableness on qualitative issues. For illustrative purposes, in the case of the disposal of a property by the issuer such disposal may be said to be fair if the consideration to be received for the property is equal to or more than the fair market value of the property. In other instances even though the consideration may be less than the fair market value, the disposal may be said to be reasonable after considering other significant qualitative factors.

In preparing our opinions we will apply the aforementioned principles.

**Sources of information**

We have relied on information from the following sources in arriving at our opinion:

- The annual financial statements of Resilient for the year ended 31 December 2010 and the published reviewed interim results of Resilient for the 6 month period ended 30 June 2011 (“the historical information of Resilient”);
- The financial forecasts prepared by the management of Resilient for the years ending 31 December 2011 and 2012 (“the financial forecast of Resilient”);
- The valuation report of Boardwalk Shopping Centre prepared by an independent property valuer in terms of which Boardwalk Shopping Centre was valued at R1.028 billion (“the Boardwalk independent value”);
- Discussions with the directors and senior management of PFM and Resilient;
- The listed linked unit price history of Resilient;
- The *pro forma* financial effects of the transaction; and
- The circular.

Where practical, we have corroborated the reasonability of the information provided to us for the purposes of our opinion, including publicly available information, whether in writing or obtained in discussion with the directors of PFM and Resilient. Where possible, such information has been substantiated by reference to supporting documentation and other corroborating evidence. Whilst our work has involved an analysis of the financial information, as provided to us, our engagement does not constitute, nor does it include an audit or review in accordance with International Standards on Auditing. We have not and we do not assume responsibility or liability for such information.

### **Scope and factors considered**

In arriving at our opinion we have:

- Considered the rationale for the transaction.
- Reviewed the historical financial information of Resilient.
- Reviewed the independent valuation of Boardwalk Shopping Centre.
- Considered the Boardwalk independent value and the 30-day VWAP of Resilient linked units at 29 August 2011, being the price prior to the day on which the transaction was announced, with reference to the purchase consideration. The 30-day VWAP of the Resilient linked units implied a value for the purchase consideration of R1.046 billion.
- Discussed the strategic plans, budget and financial forecast of Resilient as prepared by Resilient management, and challenged the assumptions on which they are based.
- Performed a valuation of the linked units in Resilient. The valuation was performed using capitalisation of maintainable distribution methodology in terms of which a suitable earnings yield is applied to the maintainable distribution to determine the value. Principal assumptions applied in the valuation were as follows:
  - The historic and forward distributions for Resilient unitholders.
  - A forward yield range between 7.8% and 8.0%.
- On this basis we valued a linked unit in Resilient between R32.62 and R31.81. The midpoint value of R32.22 has been used for purposes of valuing the consideration units. Consequently we have valued the purchase consideration at R1.036 billion which is considered fair when compared to the Boardwalk independent value.
- Considered the *pro forma* financial effects of the transaction.
- Obtained management representation letters from the directors of Resilient wherein they have confirmed that they are not aware of any unpublished price sensitive information.

### **Opinion**

Our opinion is based on the economic, regulatory, market and other conditions in effect on, and information made available to us, at 19 October 2011. Subsequent developments may affect this opinion which we are under no obligation to update, review or re-affirm.

This letter and opinion is provided to the directors of PFM in connection with and for the purpose of their consideration of the transaction and may not be reproduced in any form save with our prior written consent.

Based upon and subject to the foregoing we are of the opinion, at 19 October 2011, that the terms and conditions of the transaction are fair to the unitholders of Capital.

An individual unitholder's decision may be influenced by his or her particular circumstances. This fair and reasonable opinion does not purport to cater for each unitholder's circumstances and risk profile, but rather the general body of unitholders taken as a whole. Should a unitholder be in any doubt as to what action to take, he or she should consult an independent advisor.

### **Conclusion**

We record that the directors of PKF Corporate Finance (Pty) Ltd have no interest in:

- the issued unit capital of Capital and/or the issued linked unit capital of Resilient; and
- the success or failure of the transaction.

We hereby consent to the inclusion of this letter in its entirety in the circular to be issued to unitholders of Capital on or about 28 October 2011.

Yours faithfully

**PKF Corporate Finance (Pty) Ltd**

**Per: Ian Vorster**

Registration number 1998/018420/07

Registered Auditors

Chartered Accountants (SA)

42 Wierda Road West

Wierda Valley

Sandton”

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**INFORMATION ON DIRECTORS OF PFM**


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Information on the directors of PFM is set out in the table below.

<b>Director, age, role and qualification</b>	<b>Address</b>	<b>Occupation and Experience</b>
<b>Willy Ross</b> (66) Independent non-executive chairman CTA, CA(SA)	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	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, 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.
<b>Barry Stuhler</b> (54) Managing director BCom, BAcc, CA(SA)	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	Barry is a chartered accountant who completed his articles with Arthur Young. Barry's experience includes management of the Part Bond Scheme and Gilt Fund for Hill Samuel Merchant Bank. He was financial director of Integrated Property Resources ("Intaprop") and managing director of Intaprop Management Services, the property management company for the Intaprop group. In 1994 Barry co-founded Inline Properties, a property management and corporate property advisory company. Barry is a founding director of Resilient. Barry relinquished his duties as executive director of Resilient to become managing director of PFM, the asset manager of Capital in 2004. He resigned as non-executive director of Resilient in February 2007. Barry resigned as managing director of PFM to join the Pangbourne board as executive director on 17 October 2007 and was appointed managing director with effect from 1 March 2008. Barry resigned as non-executive director of PFM in June 2010.

<b>Director, age, role and qualification</b>	<b>Address</b>	<b>Occupation and Experience</b>
<b>Iraj Abedian</b> (55) Independent non-executive director BA (Honours) MA (Economics) (University of Cape Town) PhD (Economics) (Simon Fraser University, Canada)	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	Iraj is the founder and Chief Executive of Pan-African Capital Holdings (Pty) Ltd. He was a professor of economics at the University of Cape Town ("UCT"), before joining Standard Bank Group in 2000 as Group Chief Economist. He obtained his BA (Honours) and MA in Economics from UCT. He received his PhD in Economics from Simon Fraser University in Canada in 1993. He was the founder and director of the Applied Fiscal Research Centre (AFReC) at UCT and he has been a consultant on economic policy issues to public and private sector organisations in South Africa as well as internationally. His recent involvement in policy development in South Africa includes: The Transformation of the Development Bank of Southern Africa (1995), the RDP White Paper (1995), Growth, Employment and Redistribution (GEAR 1996), Medium Term Expenditure Framework (MTEF), and the Presidential Review Commission (PRC 1997). He is a prolific researcher and has written numerous articles and co-authored a number of books. Iraj is an honorary Professor of Economics at Pretoria University.
<b>Rual Bornman</b> (34) Financial director CA(SA)	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	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.
<b>Des de Beer</b> (50) Executive director BProc, MAP	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	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 New Europe Property Investments plc.
<b>Andries de Lange</b> (38) Executive director CA(SA), CFA	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	After completing his articles, Andries joined the Industrial Development Corporation of South Africa Limited and then Nedbank Limited where he gained experience in debt finance, debt and equity restructurings and private equity. Andries joined the Resilient group in 2004 and is a director of Resilient.
<b>Protas Phili</b> (36) Independent non-executive director BCom, CTA, MCom (Taxation), CA(SA)	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	Protas was previously the 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 audit and risk committees of Aventura Holiday Resorts Limited, Mogale City Municipality, Safety and Security Seta and Wholesale and Retail Seta.

<b>Director, age, role and qualification</b>	<b>Address</b>	<b>Occupation and Experience</b>
<b>Andrew Teixeira</b> (43) Executive director BSc (QS)	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	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 served as a director of Diversified Property Fund Limited.
<b>Banus van der Walt</b> (61) Independent non-executive director B Econ, Advanced Executive Programme	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	Banus is a retired property practitioner. He was previously the managing director of Sanlam Properties and Gensec Property Services for 16 years. He has 40 years' property experience with the Sanlam Group and has travelled extensively to study the property industry, both locally and internationally. Banus is a past president of the South African Property Owners Association (SAPOA) and has been a non-executive director of Martprop, Acucap, SA Retail and iFour. He was involved in the listing of Primegro, Acucap, Resilient, iFour, SA Retail, MICC and Vukile. He is a non-executive director of Sanlam Properties and a member of the Property Committee of Sanlam. Banus is also a non-executive director of three non-listed companies.
<b>Tshiamo Vilakazi</b> (47) Independent non-executive director BA (SW), LLB, Certificate in Mining Prospecting (SA)	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	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 17 years.
<b>Trurman Zuma</b> (42) Independent non-executive director CA(SA), BComm and PGrad Dip (Acc) (University of Natal)	4 <sup>th</sup> Floor Rivonia Village Rivonia Boulevard Rivonia 2191	Trurman first worked as an equity analyst for Old Mutual, focusing on large cap counters in food, pharmaceuticals, retail and leisure. After three years he moved to Standard Bank, Johannesburg, working as a Private Equity dealmaker before taking the post of Unit Trust Single Manager Head at Stanlib Investments Limited for two years. During his time at Stanlib, Trurman was awarded a scholarship to study at Harvard Business School. He completed his Program for Management Development in 2004. In May 2006, he opted to leave the corporate environment. He purchased a stake in South Africa's largest accounts receivable management company, MBD where he had the position of strategic director. He also has interests in commodity and energy-related businesses and he sits on the board of governors at Hilton College. He was the chief executive officer of advisory services at Momentum Wealth, part of the Momentum Group. After leaving Momentum, Trurman joined the ABSA group to head up their new division, Investment and Product Office.



**CAPITAL**  
CAPITAL PROPERTY FUND  
**Capital Property Fund**

Share code: CPL ISIN: ZAE000001731

("Capital")

(a portfolio in the Capital Property Trust Scheme, a collective investment scheme in property registered as such in terms of the Collective Investment Schemes Control Act, No. 45 of 2002) herein represented by

**Property Fund Managers Limited**

(Registration number 1980/009531/06)

(Incorporated in the Republic of South Africa)

("PFM")

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**Directors of PFM**

Willy Ross\*†

Barry Stuhler

Iraj Abedian\*

Rual Bornman

Des de Beer

Andries de Lange

† Chairman

\* Independent non-executive director

Protas Phili\*

Andrew Teixeira

Banus van der Walt\*

Tshiamo Vilakazi\*

Trurman Zuma\*

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**NOTICE OF GENERAL MEETING OF CAPITAL UNITHOLDERS**

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Notice is hereby given that a general meeting of unitholders of Capital recorded in the register as at Friday, 18 November 2011 will be held at the registered office of Capital at 4<sup>th</sup> Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191 at 14h00 on Friday, 25 November 2011 ("**the general meeting**"), for the purpose of considering and, if deemed fit, passing with or without modification, the resolutions set out below.

Where considered appropriate and applicable, the terms defined in the circular to which this notice of meeting is attached and forms part, bear the same meanings in this notice of meeting and in particular in the resolutions set out below.

**SPECIAL RESOLUTION 1**

"RESOLVED THAT, subject to the JSE Listings Requirements and the restrictions set out below, the repurchase of Capital units is hereby authorised, on the basis that:

- (a) the general authority given in terms of this resolution shall remain in force for a period of fifteen months from the date on which this resolution is passed.
- (b) the general authority in (a) shall provide authorisation to PFM to repurchase on Capital's behalf issued Capital units as follows:
  - (i) it will be limited, in any one of Capital's financial years to a maximum of 20% of Capital's issued units on the date on which this special resolution is passed;
  - (ii) the repurchase of units may not be at a price which exceeds 10% of the weighted average of the market value at which Capital units traded on the JSE for the five business days immediately preceding the date on which the transaction is effected;
  - (iii) any such repurchase will be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between Capital or PFM and the counter-party;
  - (iv) an announcement will be published as soon as Capital has repurchased units constituting, on a cumulative basis, 3% of the number of units in issue prior to the repurchase pursuant to which the aforesaid 3% threshold was reached (and for each 3% in aggregate of the initial number of units acquired thereafter). Such announcement must contain full details of such acquisitions;

- (v) Capital must continue to be authorised to do so in terms of the Deed;
- (vi) at any point in time, Capital may only appoint one agent to effect any repurchase(s) on its behalf;
- (vii) Capital will only undertake a repurchase of securities if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements; and
- (viii) repurchases may not take place during a prohibited period as defined in paragraph 3.67 of the Listings Requirements unless there is a repurchase programme in place and the dates and quantities of shares to be repurchased during the prohibited period are fixed and full details thereof have been disclosed in an announcement over SENS prior to commencement of the prohibited period.”

In accordance with the provisions of the Capital Deed as read with Cisca, special resolution 1 is required to be adopted with the support of at least 75% of the votes cast by unitholders present in person or by proxy at the general meeting.

### **ORDINARY RESOLUTION 1**

“RESOLVED THAT the proposed disposal by Capital Property Fund of Boardwalk Shopping Centre to Resilient Property Income Fund Limited for a purchase consideration of R1 028 000 000 to be settled by the issue of 16 211 238 Resilient linked units and R514 000 000 in cash on the basis set out in the circular to which this notice is attached and forms part of, be and is hereby approved and that any director of Property Fund Managers Limited be and is hereby authorised to do all things and sign all documents required to give effect to this resolution.”

The validity of ordinary resolution 1, for purposes of the Listings Requirements, is subject to a simple majority of the votes of unitholders, other than Resilient and its associates, being cast in favour thereof.

In addition, Des de Beer and Andries de Lange, who are both directors of each of Resilient, PFM and Resilient Properties, have agreed that although they will be taken into account in determining a quorum at the general meeting, their votes as Capital unitholders should not be taken into account in determining the validity of ordinary resolution 1.

### **PROXIES**

A form of proxy is attached for the convenience of any certificated unitholder who cannot attend the general meeting and same may also be obtained on request from PFM’s registered office. The completed form of proxy must be deposited at or posted to the office of the transfer secretaries Link Market Services South Africa (Proprietary) Limited, 13<sup>th</sup> Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) or faxed to fax number +27 86 674 2450 to be received by not later than 14h00 on Wednesday, 23 November 2011. Any unitholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the unitholder subsequently decide to do so.

Dematerialised unitholders who have elected “own-name” registration and who are unable to attend but wishing to vote at the general meeting should complete and return the attached relevant form of proxy in accordance with the instructions contained therein.

Dematerialised unitholders who have not elected “own-name” registration and who wish to attend the general meeting must instruct their CSDP or broker to issue them with a letter of representation.

Dematerialised unitholders who have not elected “own-name” registration and who are unable to attend but wish to vote at the general meeting should ensure that the person or entity (such as a nominee) whose name has been entered into the sub-register maintained by a CSDP or broker completes and returns the attached relevant form of proxy in terms of which it appoints a proxy to vote at the general meeting.

### **Property Fund Managers Limited in its capacity as manager of Capital Property Fund**

#### **Registered address**

Property Fund Managers Limited  
 (Registration number 1980/009531/06)  
 4<sup>th</sup> Floor  
 Rivonia Village  
 Rivonia Boulevard  
 Rivonia  
 2191  
 (PO Box 2555, Rivonia, 2128)

#### **Transfer secretaries**

Link Market Services South Africa (Proprietary) Limited  
 13<sup>th</sup> Floor  
 Rennie House  
 19 Ameshoff Street  
 Braamfontein  
 Johannesburg  
 2001  
 (PO Box 4844, Johannesburg, 2000)  
 Fax number: +27 86 674 2450

28 October 2011



**CAPITAL**  
 CAPITAL PROPERTY FUND  
**Capital Property Fund**

Share Code: CPL ISIN: ZAE000001731  
 (“Capital”)

(a portfolio in the Capital Property Trust Scheme, a collective investment scheme in property registered as such in terms of the Collective Investment Schemes Control Act, No. 45 of 2002) herein represented by

**Property Fund Managers Limited**  
 (Registration number 1980/009531/06)  
 (Incorporated in the Republic of South Africa)  
 (“PFM”)

**FORM OF PROXY FOR CAPITAL UNITHOLDERS**

For use by certificated unitholders and dematerialised unitholders who have elected “own-name” registration (“unitholders”) at the general meeting of Capital unitholders to be held at 4<sup>th</sup> Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191 at 14h00 on Friday, 25 November 2011.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

of (Address)

being the holder(s) of

Capital units hereby appoint:

1. \_\_\_\_\_ or failing him/her
2. \_\_\_\_\_ of failing him/her
3. the chairperson of the general meeting of Capital unitholders

as my/our proxy to attend and speak and to vote for me/us and on my/our behalf at the meeting of unitholders and at any adjournment thereof in the following manner:

	Number of votes		
	*For	*Against	*Abstain
Special resolution number 1 – approval of the general authority			
Ordinary resolution number 1 – approval of the transaction			

\*Mark “For”, “Against” or “Abstain” as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Unless otherwise instructed my proxy may vote or abstain from voting as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Signature

Assisted by me (where applicable)

(State capacity and full name)

A unitholder entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a unitholder of Capital.

Forms of proxy must be deposited at Link Market Services South Africa (Proprietary) Limited, 13<sup>th</sup> Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 or posted to PO Box 4844, Johannesburg, 2000 or faxed to fax number +27 86 674 2450 so as to arrive by no later than 14h00 on Wednesday, 23 November 2011.

**Please read notes on the reverse side hereof**

**Notes:**

1. A unitholder may insert the name of a proxy or the names of two alternative proxies of the unitholder's choice in the space. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A unitholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the unitholder's votes exercisable thereat relating to the resolutions proposed in this form of proxy.
3. The form of proxy should be lodged at Link Market Services South Africa (Proprietary) Limited, 13<sup>th</sup> Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 or posted to PO Box 4844, Johannesburg, 2000 or faxed to fax number +27 86 674 2450 so as to be received by not later than 14h00 on Wednesday, 23 November 2011.
4. The completion and lodging of this form of proxy will not preclude the relevant unitholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such unitholder wish to do so.
5. The chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
6. Any alteration to this form of proxy other than a deletion of alternatives must be initialled by the signatory(ies).
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by PFM.
8. Where there are joint holders of units:
  - 8.1 any one holder may sign the form of proxy; and
  - 8.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of unitholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of units.
9. A form of proxy lodged in respect of the general meeting will also be valid in respect of an adjourned general meeting should the general meeting to be held on Friday, 25 November 2011 be adjourned. If no form of proxy was lodged for the general meeting to be held on Friday, 25 November 2011 and that general meeting is adjourned to a later date a form of proxy may be lodged for the adjourned general meeting by handing same to the chairperson of the general meeting immediately prior to the commencement of the adjourned general meeting.



