

The logo graphic for CPF consists of a dark green outer arc and several concentric, lighter green arcs inside it, resembling a stylized signal or a fan shape.

CPF

Capital Property Fund

A large, thick, dark green arc that curves across the middle of the page, starting from the left and ending on the right. It is surrounded by a thin white line and a thin dark green line.

Capital Property Fund

Abridged Unaudited Interim Financial Report
for the six months ended 30 June 2008

Share code CPL
ISIN ZAE000001731
("Capital" or "the Fund" or "the Group")

COMMENTARY

1 PREPARATION AND ACCOUNTING POLICIES

The summarised consolidated interim financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of IAS 34, the requirements of the Companies Act of South Africa (Act 61 of 1973) and the Collective Investment Schemes Control Act (Act 45 of 2002). The accounting policies adopted are consistent with those of the prior period. The interim financial statements have not been audited or reviewed by the Fund's auditors.

2 DISTRIBUTABLE EARNINGS

Capital's distributable earnings for the interim period ended 30 June 2008 amounted to 22,43 cents per unit. This represents an increase of 11,59% over the 20,10 cents per unit distribution for the interim period ended 30 June 2007.

3 COMMENTARY ON RESULTS

Capital's strategy of focusing on industrial and commercial properties has placed the Fund in a position to achieve strong growth in distributions despite a challenging macroeconomic environment. The industrial property market continued to perform well with limited new supply of quality industrial stock and continued firm demand, particularly from companies supporting the mining and electricity supply sectors of the economy.

Vacancies of well-located commercial properties have been substantially taken up and this is placing upward pressure on office market rentals. Building a quality portfolio has paid off with strong growth in distributions.

4 THE PROPERTY PORTFOLIO

The portfolio is performing well with renewals and relettings exceeding budgeted expectations notwithstanding the weakening macroeconomy. Vacancies remain low at 1,1%.

4.1 Acquisitions and Developments

Two warehouse and office developments of 4 070 m² and 2 092 m² were completed at N1 Business Park, Midrand at an initial yield of 10,5%. The joint venture consortium will be developing an additional 8 000 m² on the site at a projected yield of 10%. Capital owns 20% of this development.

Construction of a 3 514 m² warehouse development on an unutilised portion of land in Surprise Park, Pinetown commenced in June 2008. As there is no land cost, the development is projected to yield 11,5%.

Capital did not acquire any properties in the past six months as sellers of quality industrial properties have not adjusted their price expectations to be in line with the current economic environment.

An area showing value at present is the listed property sector which has been trading at substantial discounts to net asset value and at significantly higher yields than can be achieved in direct property investments. As a result of recent legislative amendments Property Unit Trusts are, within certain limitations, permitted to invest in listed property funds. Investments in listed property stocks will be considered in future.

4.2 Disposals

Two properties, Main Street Somerset West and Palm Centre Centurion, which were held for sale at 31 December 2007, transferred in February 2008. Unit 5 of 31 Indianapolis Street, a sectional title unit in Kyalami, was sold for R1,5 million. Capital has accepted an offer of R12,325 million for McCarthy Drive, an office block in Pietermaritzburg.

5 PROSPECTS

Although some weakening in the industrial and commercial property market is expected during the next reporting period, Capital's growth prospects remain strong with positive rental reversions anticipated in the 2008 and 2009 financial years. The Fund's strong tenant profile together with its low level of gearing and favourable lease expiry profile will shield the Fund from a deterioration in the macroeconomic environment.

6 PROFIT DISTRIBUTION

Notice is hereby given that a cash distribution of 22,43 cents per unit, being distribution number 50 for Capital Property Fund, has been declared payable to the unitholders recorded in the books of Capital at the close of business on the record date, being Friday, 22 August 2008.

Unitholders are advised that the last day to trade *cum* distribution will be Friday, 15 August 2008. The units will trade *ex* distribution from Monday, 18 August 2008. The distribution payment will be made on Monday, 25 August 2008. Unit certificates may not be dematerialised or rematerialised between Monday, 18 August 2008 and Friday, 22 August 2008, both days inclusive.

By order of the board

29 July 2008

Johannesburg

CONSOLIDATED BALANCE SHEET

| | Unaudited 30 Jun 2008 R'000 | Audited 31 Dec 2007 R'000 | Unaudited 30 Jun 2007 R'000 |
|---|-----------------------------------|---------------------------------|-----------------------------------|
| ASSETS | | | |
| Non-current assets | 3 225 583 | 3 211 420 | 2 308 284 |
| Investment property | 3 019 443 | 3 009 277 | 2 259 277 |
| Straight-lining of rental income adjustment | 50 782 | 46 020 | 49 007 |
| Investment property under development | 31 265 | 31 981 | - |
| Investment in associate company | 124 093 | 124 142 | - |
| Current assets | 13 128 | 45 440 | 121 713 |
| Investment property held for sale | - | 30 463 | - |
| Straight-lining of rental income adjustment | - | 287 | - |
| Trade and other receivables | 12 991 | 14 476 | 18 550 |
| Cash and cash equivalents | 137 | 214 | 103 163 |
| Total assets | 3 238 711 | 3 256 860 | 2 429 997 |
| EQUITY AND LIABILITIES | | | |
| Capital of Fund | 2 827 215 | 2 826 755 | 2 175 331 |
| Trust capital | 1 382 567 | 1 382 567 | 1 337 586 |
| Non-distributable reserves | 1 444 648 | 1 444 188 | 788 738 |
| Retained earnings | - | - | 49 007 |
| Total liabilities | 411 496 | 430 105 | 254 666 |
| Non-current liabilities | 239 699 | 252 053 | 40 715 |
| Interest-bearing borrowings | 186 053 | 196 491 | - |
| Deferred tax | 53 646 | 55 562 | 40 715 |
| Current liabilities | 171 797 | 178 052 | 213 951 |
| Trade and other payables | 41 385 | 46 978 | 115 085 |
| Unitholders for distribution | 113 003 | 109 803 | 96 587 |
| Income tax payable | - | 2 279 | 2 279 |
| Bank overdraft | 17 409 | 18 992 | - |
| Total equity and liabilities | 3 238 711 | 3 256 860 | 2 429 997 |

CONSOLIDATED INCOME STATEMENT

| | Unaudited 6 months ended 30 Jun 2008 R'000 | Audited 12 months ended 31 Dec 2007 R'000 | Unaudited 6 months ended 30 Jun 2007 R'000 |
|---|--|---|--|
| Net rental and related income | 131 241 | 242 260 | 128 131 |
| Recoveries and contractual rental income | 172 129 | 299 773 | 146 709 |
| Straight-lining of rental income adjustment | 4 475 | 18 000 | 20 701 |
| Rental income | 176 604 | 317 773 | 167 410 |
| Property operating expenses | (45 363) | (75 513) | (39 279) |
| Profit on disposal of investment property | 513 | 42 784 | 42 784 |
| Fair value (loss)/gain on investment property | (4 475) | 528 688 | (20 701) |
| Fair value gain on investment property | - | 546 688 | - |
| Fair value adjustment resulting from straight-lining of rental income | (4 475) | (18 000) | (20 701) |
| Administrative expenses | (8 445) | (15 961) | (8 141) |
| Share of post-acquisition reserves from associate | 857 | 1 147 | - |
| Distributable income from associate | 4 929 | 1 147 | - |
| Loss from associate | (4 072) | - | - |
| Profit before net finance costs | 119 691 | 798 918 | 142 073 |
| Net finance (cost)/income | (8 144) | 1 851 | 1 014 |
| Finance income | | | |
| Fair value adjustment on interest rate swaps | 2 103 | 4 907 | 3 716 |
| Interest received | - | - | 616 |
| Interest on units issued cum distribution | - | 14 114 | 11 710 |
| Finance costs | | | |
| Interest on borrowings | (10 247) | (17 170) | (15 028) |
| Profit before income tax | 111 547 | 800 769 | 143 087 |
| Income tax | 1 916 | (14 847) | - |
| Profit for the period attributable to equity holders | 113 463 | 785 922 | 143 087 |
| Basic earnings per unit (cents)* | 22,52 | 159,69 | 29,78 |
| Headline earnings per unit (cents)* | 22,93 | 46,59 | 25,18 |

*The Fund has no dilutionary instruments in issue.

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

| | Unaudited 6 months ended 30 Jun 2008 R'000 | Audited 12 months ended 31 Dec 2007 R'000 | Unaudited 6 months ended 30 Jun 2007 R'000 |
|--|--|---|--|
| Net cash (outflow)/inflow from operating activities | (5 156) | (119 611) | 67 229 |
| Net cash inflow/(outflow) from investing activities | 17 100 | (370 618) | (120 634) |
| Net cash (outflow)/inflow from financing activities | (10 438) | 487 939 | 173 056 |
| Net increase/(decrease) in cash and cash equivalents | 1 506 | (2 290) | 119 651 |
| Cash and cash equivalents at the beginning of the period | (18 778) | (16 488) | (16 488) |
| Cash and cash equivalents at the end of the period | (17 272) | (18 778) | 103 163 |

SUMMARY OF FINANCIAL PERFORMANCE

| | 30 Jun 2008 | 31 Dec 2007 | 30 Jun 2007 | 31 Dec 2006 |
|-------------------------------|----------------|----------------|----------------|----------------|
| Distribution per unit (cents) | 22,43 | 21,79 | 20,10 | 19,02 |
| Units in issue | 503 801 158 | 503 801 158 | 480 531 928 | 401 234 900 |
| Net asset value | 5,61 | 5,61 | 4,53 | 4,34 |
| Gearing ratio (%)** | 10,7% | 10,2% | 4,0% | 15,9% |

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

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' INTEREST

| | Unaudited 30 Jun 2008 R'000 | Audited 31 Dec 2007 R'000 | Unaudited 30 Jun 2007 R'000 |
|---|-----------------------------------|---------------------------------|-----------------------------------|
| Trust Capital | 1 382 567 | 1 382 567 | 1 337 586 |
| Balance at beginning of period | 1 382 567 | 909 060 | 909 060 |
| Issue of units | - | 504 134 | 385 742 |
| Transfer of prior periods' profit and losses on disposal of investment property | - | (30 627) | - |
| Profit on disposal of investment property | - | - | 42 784 |
| Non-distributable reserves | 1 444 648 | 1 444 188 | 788 738 |
| Balance at beginning of period | 1 444 188 | 805 723 | 805 723 |
| Transfer from/(to) retained earnings | 460 | 638 465 | (16 985) |
| Retained earnings | - | - | 49 007 |
| Balance at beginning of period | - | 28 306 | 28 306 |
| Profit for the period | 113 463 | 785 922 | 143 087 |
| Transfer to non-distributable reserves and trust capital | (460) | (607 838) | (25 799) |
| Distribution | (113 003) | (206 390) | (96 587) |
| Total | 2 827 215 | 2 826 755 | 2 175 331 |

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

| | Unaudited 6 months ended 30 Jun 2008 R'000 | Audited 12 months ended 31 Dec 2007 R'000 | Unaudited 6 months ended 30 Jun 2007 R'000 |
|---|--|---|--|
| Basic earnings | 113 463 | 785 922 | 143 087 |
| Adjusted for: | 2 046 | (556 625) | (22 083) |
| - Fair value loss/(gain) on investment property | 4 475 | (528 688) | 20 701 |
| - Profit on disposal of investment property | (513) | (42 784) | (42 784) |
| - Income tax effect | (1 916) | 14 847 | - |
| Headline earnings | 115 509 | 229 297 | 121 004 |
| Reconciliation of profit for the period to amount available for distribution | 113 463 | 785 922 | 143 087 |
| Profit for the period | 113 463 | 785 922 | 143 087 |
| Fair value gain on investment property | - | (546 688) | - |
| Fair value gain on interest rate swaps | (2 103) | (4 907) | (3 716) |
| Profit on disposal of investment property | (513) | (42 784) | (42 784) |
| Loss from associate | 4 072 | - | - |
| Income tax | (1 916) | 14 847 | - |
| Distributable income | 113 003 | 206 390 | 96 587 |
| Distribution declared | 113 003 | 206 390 | 96 587 |
| - Interim | 113 003 | 96 587 | 96 587 |
| - Final | - | 109 803 | - |

CAPITAL COMMITMENTS

| | R'000 | R'000 | R'000 |
|-----------------------------------|---------------|---------------|----------------|
| Authorised and contracted | 25 119 | 3 058 | 276 053 |
| Authorised and not yet contracted | 72 542 | 82 209 | 13 209 |
| Total | 97 661 | 85 267 | 289 262 |

SEGMENTAL ANALYSIS

| | Unaudited 6 months ended 30 Jun 2008 R'000 | Audited 12 months ended 31 Dec 2007 R'000 | Unaudited 6 months ended 30 Jun 2007 R'000 |
|--|--|---|--|
| Segmental revenue – rental income | | | |
| Commercial | 76 318 | 127 078 | 62 484 |
| Industrial | 74 487 | 131 964 | 64 737 |
| Retail | 25 799 | 58 731 | 40 189 |
| Total | 176 604 | 317 773 | 167 410 |
| Profit for the period | | | |
| Commercial | 55 926 | 314 944 | 55 875 |
| Industrial | 51 953 | 369 028 | 44 409 |
| Retail | 18 887 | 132 589 | 51 302 |
| Corporate | (13 303) | (30 639) | (8 499) |
| Total | 113 463 | 785 922 | 143 087 |

GEARING

| | Nominal amount R'000 | Rate % |
|--------------------------|----------------------------|-----------|
| Swap maturity | | |
| August 2008 | 50 000 | 9,70% |
| October 2009 | 50 000 | 9,22% |
| October 2010 | 50 000 | 9,19% |
| | 150 000 | |
| Cap maturity | | |
| July 2013 | 50 000 | 11,55% |
| | 50 000 | |
| Hedged borrowings | 200 000 | |

SECTORAL SPLIT (BASED ON BOOK VALUE)

| | |
|------------|---------------|
| Commercial | 44,0% |
| Industrial | 43,0% |
| Retail | 13,0% |
| | 100,0% |

LEASE EXPIRY PROFILE (BASED ON CONTRACTUAL RENTAL INCOME)

| | |
|---------------|---------------|
| December 2008 | 11,2% |
| December 2009 | 24,7% |
| December 2010 | 29,0% |
| December 2011 | 9,4% |
| December 2012 | 16,8% |
| December 2013 | 3,8% |
| Thereafter | 5,1% |
| | 100,0% |

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(Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001
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Sponsor Java Capital (Proprietary) Limited

Company secretary Abraham Bornman

Directors Willy Ross (Chairman)*, Rowland Chute*, Jorge da Costa*,
Des de Beer, Andries de Lange, Protas Phili*, Barry Stuhler*,
Andrew Teixeira (Managing director), Tshiamo Vilakazi*, Tracey Visser

*Independent non-executive director

†Non-independent non-executive director

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