



CPF

Capital Property Fund
Managed by Property Fund Managers Ltd



CAPITAL PROPERTY FUND

***Unaudited results for the
six months ended 30 June 2009***

SHARE CODE CPL

ISIN ZAE000001731

(“CAPITAL” OR “THE FUND” OR “THE GROUP”)

DIRECTORS' COMMENTARY

1. DISTRIBUTABLE EARNINGS

Capital's distribution per unit for the interim period ended 30 June 2009 amounted to 25,72 cents. This represents an increase of 14,67% over the 22,43 cents for the interim period ended 30 June 2008.

2. COMMENTARY ON RESULTS

These results are attributable to the strategy of selling poorer quality properties at the top of the property cycle and investing in well located industrial and commercial properties with strong tenant covenants. Firm control of arrears and vacancies, together with upward rental reversions, contributed to the strong performance. Lower demand for industrial and commercial space has, however, resulted in the vacancies in the portfolio increasing from 2,7% to 3,6%.

Capital's gearing increased to 22,5% following the acquisition of an additional 31 169 000 units in Pangbourne Properties Limited ("Pangbourne") at an average price of R13,85 and it now holds 43 169 000 units, representing 9,8% of Pangbourne's units in issue. Capital's relatively low gearing places it in a strong position to continue to take advantage of any opportunities which may arise.

3. PROPERTY ACQUISITIONS AND DEVELOPMENTS

3.1 N1 BUSINESS PARK (20% INTEREST)

Two warehouse facilities of 4 600m² and 7 821m² were completed and let to Landis+Gyr (initial yield 10,3%) and Digistics (initial yield 10,1%) respectively. The joint venture consortium will not be undertaking any speculative developments until market conditions improve.

3.2 SURPRISE PARK

A 3 514m² industrial development built on unutilised land in Surprise Park, Pinetown, was completed in April 2009. The market for industrial property has deteriorated in the Pinetown node and the property is currently vacant. Management is confident that the property will be let by year end.

3.3 RESILIENT PORTFOLIO

Capital acquired Isando Business Park, City Deep Industrial Park, Chemserv Spartan and a 25% stake in Montague Business Park (vacant land) from Resilient Property Income Fund Limited ("Resilient") for R611,5 million with effect from 1 August 2009. The purchase price is payable in Capital units to be issued at R6,20 per unit, excluding the distribution for the period ended 30 June 2009. The acquisition became unconditional when Capital unitholders approved the transaction at a general meeting of unitholders on 3 August 2009. The initial yield on the developed properties is 9,5%.

The acquisition is in line with Capital's strategy of investing in quality industrial parks with corporate tenants located in prime nodes.

3.4 MAHOGANY ROAD

Capital acquired Mahogany Road, a 16 209m² industrial park in Mahogany Ridge, for R65 million at an initial yield of 9,2%. Tenants include Freddy Hirsh and LG Electronics.

4. DISPOSALS

4.1 PROPERTIES SOLD

Capital sold the following non-core properties during the interim period:

Property name	Net proceeds (R' million)	Book value (R' million)	Yield	Transfer date
Hendrik Verwoerd Road Centurion	20,2	19,7	9,9%	8 June 2009
87 Bofors Circle Epping	25,5	16,8	3,8%	Pending
17 Brands Hatch Close	5,0	3,4	6,8%	Pending

138 Old Main Road Pinetown, 31 Indianapolis Street (Unit 3) and 349 Roan Crescent, properties which were held for sale at December 2008, were transferred during the interim period.

4.2 PROPERTIES HELD FOR SALE

Capital has in principle agreed to the sale of 14 properties valued at R321,4 million to a new property fund, Fortress Income Fund Limited ("Fortress"), planned to list on the JSE in October 2009. Capital's projected exit yield is 12,1%. Fortress will list A and B linked units with the A units entitled to a predetermined initial yield, escalating at a fixed annual percentage. The A units will have preference over the B units. Similar structures have in the past been well received by the market.

5. PROSPECTS

Further deterioration in market conditions is anticipated that will limit rental growth and increase vacancies from current levels. Capital's growth prospects nonetheless remain strong and the board anticipates that growth in distributions of between 14% and 16% will be achieved for the 2009 financial year. This forecast has not been reviewed or reported on by the Fund's auditors.

By order of the board

Andrew Teixeira
Managing director

Rual Bornman
Financial director

5 August 2009
Johannesburg

CONSOLIDATED BALANCE SHEET

	Unaudited 30 Jun 2009 R'000	Audited 31 Dec 2008 R'000	Unaudited 30 Jun 2008 R'000
ASSETS			
Non-current assets	5 030 845	4 850 819	3 225 583
Investment property	4 218 541	4 459 286	3 019 443
Straight-lining of rental income adjustment	61 785	58 107	50 782
Investment property under development	39 752	41 703	31 265
Investments	591 415	172 800	–
Investment in associate company	119 352	118 923	124 093
Current assets	384 421	107 249	13 128
Investment property held for sale	353 920	50 692	–
Straight-lining of rental income adjustment	7 417	610	–
Trade and other receivables	22 892	54 941	12 991
Cash and cash equivalents	192	1 006	137
Total assets	5 415 266	4 958 068	3 238 711
EQUITY AND LIABILITIES			
Capital of Fund	3 827 092	3 772 738	2 827 215
Trust capital	2 039 442	1 981 763	1 382 567
Non-distributable reserves	1 787 650	1 790 975	1 444 648
Retained earnings	–	–	–
Total liabilities	1 588 174	1 185 330	411 496
Non-current liabilities	1 286 539	798 702	239 699
Interest-bearing borrowings	1 215 110	731 615	186 053
Deferred tax	71 429	67 087	53 646
Current liabilities	301 635	386 628	171 797
Trade and other payables	73 913	171 371	41 385
Interest-bearing borrowings	53 666	53 531	–
Unitholders for distribution	159 194	154 003	113 003
Bank overdraft	14 862	7 723	17 409
Total equity and liabilities	5 415 266	4 958 068	3 238 711

CONSOLIDATED INCOME STATEMENT

	Unaudited 30 Jun 2009 R'000	Audited 31 Dec 2008 R'000	Unaudited 30 Jun 2008 R'000
Net rental and related income	207 699	260 213	131 241
Recoveries and contractual rental income	280 126	361 113	172 129
Straight-lining of rental income adjustment	10 485	(7 555)	4 475
Rental income	290 611	353 558	176 604
Property operating expenses	(82 912)	(93 345)	(45 363)
Distributable income from investments	17 336	1 831	–
Profit/(loss) on disposal of investment property	3 142	(2 389)	513
Fair value (loss)/gain on investments and investment property	(7 367)	379 432	(4 475)
Fair value gain on investment property	27 759	353 854	–
Fair value adjustment resulting from straight-lining of rental income	(10 485)	7 555	(4 475)
Fair value (loss)/gain on investments	(24 641)	18 023	–
Administrative expenses	(13 376)	(17 025)	(8 445)
Share of post acquisition reserves from associate	5 390	6 639	857
Distributable income from associate	4 961	10 711	4 929
Profit/(loss) from associate	429	(4 072)	(4 072)
Profit before net finance costs	212 824	628 701	119 691
Net finance costs	(52 493)	(3 383)	(8 144)
Finance income	1 268	27 027	2 103
Fair value adjustment on interest rate derivatives	–	–	2 103
Interest on units issued cum distribution	1 268	27 027	–
Finance costs	(53 761)	(30 410)	(10 247)
Interest on borrowings	(48 209)	(23 306)	(10 247)
Fair value adjustment on interest rate derivatives	(5 552)	(7 104)	–
Profit before income tax	160 331	625 318	111 547
Income tax	(4 462)	(11 525)	1 916
Profit for the period attributable to equity holders	155 869	613 793	113 463
Basic earnings per unit (cents)*	25,18	110,32	22,52
Headline earnings per unit (cents)*	26,59	44,62	22,93

*The Fund has no dilutionary instruments in issue.

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

	Unaudited 30 Jun 2009 R'000	Audited 31 Dec 2008 R'000	Unaudited 30 Jun 2008 R'000
Basic earnings	155 869	613 793	113 463
Adjusted for:	8 687	(365 518)	2 046
– (Profit)/loss on disposal of investment property	(3 142)	2 389	(513)
– Fair value gain on investment property	(27 759)	(353 854)	–
– Fair value adjustment resulting from straight-lining of rental income	10 485	(7 555)	4 475
– Fair value loss/(gain) on investments	24 641	(18 023)	–
– Income tax	4 462	11 525	(1 916)
Headline earnings	164 556	248 275	115 509
Reconciliation of profit for the period to amount available for distribution			
Profit for the period	155 869	613 793	113 463
Straight-lining of rental income adjustment	(10 485)	7 555	(4 475)
(Profit)/loss on disposal of investment property	(3 142)	2 389	(513)
Fair value gain on investment property	(27 759)	(353 854)	–
Fair value adjustment resulting from straight-lining of rental income	10 485	(7 555)	4 475
Fair value loss/(gain) on investments	24 641	(18 023)	–
Share of post acquisition reserves from associate	(429)	4 072	4 072
Fair value adjustment on interest rate derivatives	5 552	7 104	(2 103)
Income tax	4 462	11 525	(1 916)
Distributable income	159 194	267 006	113 003
Distribution declared	159 194	267 006	113 003
Interim	159 194	113 003	113 003
Final	–	154 003	–

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 30 Jun 2009 R'000	Audited 31 Dec 2008 R'000	Unaudited 30 Jun 2008 R'000
Net cash (outflow)/inflow from operating activities	(65 435)	44 828	(5 156)
Cash (outflow)/inflow from investing activities	(483 827)	(160 947)	17 100
Cash inflow/(outflow) from financing activities	541 309	128 180	(10 438)
(Decrease)/increase in cash and cash equivalents	(7 953)	12 061	1 506
Cash and cash equivalents at the beginning of the period	(6 717)	(18 778)	(18 778)
Cash and cash equivalents at the end of the period	(14 670)	(6 717)	(17 272)

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' INTEREST

	Trust capital R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000
Balance at 31 December 2007	1 382 567	1 444 188	–	2 826 755
Profit for the period			113 463	113 463
Transfer to non-distributable reserves		460	(460)	–
Distribution			(113 003)	(113 003)
Balance at 30 June 2008	1 382 567	1 444 648	–	2 827 215
Profit for the period			500 330	500 330
Issue of units	599 196			599 196
Transfer to non-distributable reserves		346 327	(346 327)	–
Distribution			(154 003)	(154 003)
Balance at 31 December 2008	1 981 763	1 790 975	–	3 772 738
Profit for the period			155 869	155 869
Issue of units				
– 10 000 000 units on 1 April 2009	57 679			57 679
Transfer to non-distributable reserves		(3 325)	3 325	–
Distribution			(159 194)	(159 194)
Balance at 30 June 2009	2 039 442	1 787 650	–	3 827 092

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 preparation and disclosure requirements of IAS 34 and the Collective Investments Schemes Control Act (Act 45 of 2002). The accounting policies are consistent with those of the prior periods. The interim financial statements have not been audited or reviewed by the Fund's auditors.

The fair value gain on investment property relates to investment property held for sale. It is the Fund's policy to revalue investment property annually.

SUMMARY OF FINANCIAL PERFORMANCE

	30 Jun 2009	31 Dec 2008	30 Jun 2008	31 Dec 2007
Distribution per unit (cents)	25,72	25,29	22,43	21,79
Units in issue	618 949 027	608 949 027	503 801 158	503 801 158
Net asset value	R6,18	R6,20	R5,61	R5,61
Gearing ratio*	22,5%	20,8%	10,7%	10,2%

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

GEARING

Swap maturity	Nominal amount R'000	Rate
Oct 2009	50 000	9,22%
May 2010	45 600	8,67%
Oct 2010	50 000	9,19%
Feb 2011	100 000	7,85%
May 2011	100 000	7,68%
Dec 2011	50 000	8,29%
Dec 2011	50 000	8,53%
Feb 2012	100 000	8,04%
Feb 2013	100 000	8,18%
Oct 2013	50 000	9,47%
May 2014	50 000	8,67%
May 2014	100 000	8,60%
	845 600	8,40%

Fixed rate borrowings

Jul 2012	144 000	10,30%
Jul 2012	218 000	10,49%
	362 000	

Total hedged borrowings

Variable rate borrowings	(75 276)
Total gearing	1 132 324

PROPERTY PORTFOLIO SUMMARY

	Unaudited 30 Jun 2009 R'000	Number of properties
Movement in investment property		
Carrying value at 31 December 2008	4 568 695	112
Additions	65 000	1
Disposals (gross)	(39 890)	(3)
Capital expenditure	5 499	
Transfer from development property	15 055	
Fair value adjustment	27 759	
Amortised letting commission and tenant installation	(455)	
Carrying value at 30 June 2009	4 641 663	110

Movement in investment property under development

Carrying value at 31 December 2008	41 703
Transfer to investment property	(15 055)
Cost capitalised	11 118
Interest capitalised	1 986
Carrying value at 30 June 2009	39 752

Total investment property at 30 June 2009

	4 681 415	110
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LISTED EQUITY INVESTMENTS

	Unaudited 30 Jun 2009	
	Pangbourne Properties Limited	New Europe Property Investments plc
Linked units/shares	43 169 000	6 155 000
Value (R'000)	R591 415	R138 488*

*This represents the market value at 30 June 2009. The investment has been equity accounted.

SECTORAL SPLIT

	GLA	Book value
Commercial	29%	49%
Industrial	61%	38%
Retail	10%	13%
	100%	100%

LEASE EXPIRY PROFILE

	GLA	Rental income
Vacant	3,6%	-
Dec 2009	13,3%	12,8%
Dec 2010	26,2%	27,0%
Dec 2011	19,8%	21,8%
Dec 2012	13,3%	16,5%
Dec 2013	9,6%	7,4%
Dec 2014	6,9%	8,1%
> Dec 2014	7,3%	6,4%
	100%	100%

SEGMENTAL ANALYSIS

	Unaudited 30 Jun 2009 R'000	Audited 31 Dec 2008 R'000	Unaudited 30 Jun 2008 R'000
Segmental revenue – rental income			
Retail	46 392	52 677	25 799
Commercial	141 539	144 222	76 318
Industrial	102 680	156 659	74 487
Total	290 611	353 558	176 604
Profit for the period			
Retail	34 503	35 642	18 887
Commercial	97 978	197 769	55 926
Industrial	95 634	286 185	51 953
Corporate	(72 246)	94 197	(13 303)
Total	155 869	613 793	113 463

CAPITAL COMMITMENTS

	Unaudited 30 Jun 2009 R'000	Audited 31 Dec 2008 R'000	Unaudited 30 Jun 2008 R'000
Authorised and contracted	616 538	87 197	25 119
Authorised and not yet contracted	43 336	52 254	72 542
	659 874	139 451	97 661

PROFIT DISTRIBUTION

Notice is hereby given that a cash distribution of 25,72 cents interest per unit, being number 52 for Capital Property Fund, has been declared in respect of the period 1 January 2009 to 30 June 2009 and is payable to the unitholders recorded in the books of Capital at the close of business on the record date, Friday, 28 August 2009. Unitholders are advised that the last day to trade *cum* distribution will be Friday, 21 August 2009. The units will trade *ex* distribution as from Monday, 24 August 2009. Payment will be made on Monday, 31 August 2009. Unit certificates may not be dematerialised or rematerialised during the period 24 August 2009 to 28 August 2009, both days inclusive.

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

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

Sponsor Java Capital (Proprietary) Limited

Company secretary Kenneth Khumalo

Directors Willy Ross (chairman)*, Andrew Teixeira (managing director), Rual Bornman, Rowland Chute*, Jorge da Costa* (alternate: Stefano Contardo), Des de Beer, Andries de Lange, Protas Phili*, Barry Stuhler#, Tshiamo Vilakazi*, Tracey Visser

*Independent non-executive director

#Non-independent non-executive director

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