

DIRECTORS' COMMENTARY

1 DISTRIBUTABLE EARNINGS

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

2 COMMENTARY ON RESULTS

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

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

3 PROPERTY ACQUISITIONS

3.1 RESILIENT INDUSTRIAL PORTFOLIO

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

3.2 CULLINAN PLACE AND 28-ON-SLOANE

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

3.3 IMPROVON INDUSTRIAL PORTFOLIO

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

4 DISPOSALS

4.1 FORTRESS INCOME FUND LIMITED

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

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

4.2 OTHER PROPERTIES SOLD

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

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

5 LISTED EQUITIES

Capital's conservative gearing at the top of the property cycle allowed the Fund to take advantage of the discount that the listed property sector presented during the past 18 months. Capital acquired 43 169 000 units in Pangbourne Properties Limited during this period at an average cost of R13,85. The intention is to retain this holding as a long term strategic investment. Capital has reduced its holding in New Europe Property Investments plc ("Nepi") from 6 155 000 shares to 4 362 837 shares. This investment is no longer equity accounted and the intention remains to sell the holding over time.

6 STRATEGY

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

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

7 PROSPECTS

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

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

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

By order of the board

Andrew Teixeira
Managing director

Rual Bornman
Financial director

27 January 2010
Johannesburg

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

GROUP	AUDITED 31 Dec 2009 R'000	AUDITED 31 Dec 2008 R'000
ASSETS		
Non-current assets	6 090 175	4 850 819
Investment property	5 033 139	4 459 286
Straight-lining of rental revenue adjustment	72 319	58 107
Investment property under development	126 091	41 703
Investment in associate company	-	118 923
Investments	858 626	172 800
Current assets	60 286	107 249
Investment property held for sale	-	50 692
Straight-lining of rental revenue adjustment	-	610
Trade and other receivables	25 497	54 941
Cash and cash equivalents	34 789	1 006
Total assets	6 150 461	4 958 068
EQUITY AND LIABILITIES		
Capital of Fund	4 698 372	3 772 738
Trust capital	2 645 963	1 981 763
Non-distributable reserves	2 052 409	1 790 975
Retained earnings	-	-
Total liabilities	1 452 089	1 185 330
Non-current liabilities	1 156 652	798 702
Interest-bearing borrowings	1 053 965	731 615
Deferred tax	102 687	67 087
Current liabilities	295 437	386 628
Trade and other payables	78 732	171 371
Interest-bearing borrowings	-	53 531
Unitholders for distribution	207 093	154 003
Bank overdraft	9 612	7 723
Total equity and liabilities	6 150 461	4 958 068

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GROUP	AUDITED 31 Dec 2009 R'000	AUDITED 31 Dec 2008 R'000
Net rental and related revenue	447 516	260 213
Recoveries and contractual rental revenue	600 059	361 113
Straight-lining of rental revenue adjustment	13 602	(7 555)
Rental revenue	613 661	353 558
Property operating expenses	(166 145)	(93 345)
Distributable income from investments	49 815	1 831
Fair value gain on investment property and investments	293 198	377 043
Fair value gain on investment property	144 433	351 465
Fair value adjustment resulting from straight-lining of rental revenue	(13 602)	7 555
Fair value gain on investments	162 367	18 023
Administrative expenses	(28 665)	(17 025)
Share of post acquisition reserves from associate	8 493	6 639
Distributable income from associate	8 064	10 711
Profit/(loss) from associate	429	(4 072)
Profit before net finance costs	770 357	628 701
Net finance costs	(106 966)	(3 383)
Finance income	8 617	27 737
Interest on units issued cum distribution	6 100	27 027
Interest received	2 517	710
Finance costs	(115 583)	(31 120)
Interest on borrowings	(112 637)	(27 623)
Interest capitalised	7 179	3 607
Fair value adjustment on interest rate derivatives	(10 125)	(7 104)
Profit before income tax	663 391	625 318
Income tax expense	(35 670)	(11 525)
Profit for the year attributable to equity holders	627 721	613 793
Total comprehensive income for the year	627 721	613 793
Basic earnings per unit (cents)*	93,93	110,32
Headline earnings per unit (cents)*	79,69	47,86

*The Fund has no dilutionary instruments in issue

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

GROUP	AUDITED 31 Dec 2009 R'000	AUDITED 31 Dec 2008 R'000
Profit for the year attributable to equity holders	627 721	613 793
Adjusted for:	(95 161)	(347 495)
- Fair value gain on investment property	(144 433)	(351 465)
- Fair value adjustment resulting from straight-lining of rental revenue	13 602	(7 555)
- Income tax	35 670	11 525
Headline earnings	532 560	266 298
Reconciliation of profit for the year to amount available for distribution		
Profit for the year attributable to equity holders	627 721	613 793
Straight-lining of rental revenue adjustment	(13 602)	7 555
Fair value gain on investment property	(144 433)	(351 465)
Fair value adjustment resulting from straight-lining of rental revenue	13 602	(7 555)
Fair value gain on investments	(162 367)	(18 023)
(Profit)/loss from associate	(429)	4 072
Fair value adjustment on interest rate derivatives	10 125	7 104
Income tax	35 670	11 525
Distributable income	366 287	267 006
Distribution declared	366 287	267 006
Interim	159 194	113 003
Final	207 093	154 003

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

GROUP	AUDITED 31 Dec 2009 R'000	AUDITED 31 Dec 2008 R'000
Net cash (outflow)/inflow from operating activities	(25 386)	44 828
Cash outflow from investing activities	(875 739)	(160 947)
Cash inflow from financing activities	933 019	128 180
Increase in cash and cash equivalents	31 894	12 061
Cash and cash equivalents at the beginning of the year	(6 717)	(18 778)
Cash and cash equivalents at the end of the year	25 177	(6 717)

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' INTEREST

GROUP	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
Total comprehensive income for the year	-	-	613 793	613 793
Issue of units	599 196	-	-	599 196
Transfer to non-distributable reserves	-	346 787	(346 787)	-
Distribution	-	-	(267 006)	(267 006)
Balance at 31 December 2008	1 981 763	1 790 975	-	3 772 738
Total comprehensive income for the year	-	-	627 721	627 721
Issue of units	-	-	-	-
- 10 000 000 units on 1 April 2009	57 679	-	-	57 679
- 98 629 032 units effective 1 August 2009	606 521	-	-	606 521
Transfer to non-distributable reserves	-	261 434	(261 434)	-
Distribution	-	-	(366 287)	(366 287)
Balance at 31 December 2009	2 645 963	2 052 409	-	4 698 372

PREPARATION AND ACCOUNTING POLICIES

The summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34, the JSE Listings Requirements, the requirements of the South African Companies Act and the Collective Investment Schemes Control Act (Act 45 of 2002). The accounting policies are consistent with those applied for the year ended 31 December 2008 except for the adoption of the revised IAS1 and the application of Circular 3/2009 for the calculation of headline earnings (the impact of which is included in the headline earnings reconciliation).

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

The independent auditors PKF (Jhb) Inc. have audited these results. Their unqualified report is available for inspection at the Fund's registered office.

SUMMARY OF FINANCIAL PERFORMANCE

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

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

GEARING

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

PROPERTY PORTFOLIO SUMMARY

	AUDITED 31 Dec 2009 R'000	Number of properties
Movement in investment property is as follows:		
Carrying value at the beginning of the year	4 568 695	112
Additions	808 610	6
Disposals	(461 202)	(20)
Capital expenditure	13 889	
Transfer from investment property under development	31 033	
Fair value adjustment	130 831	
Straight-lining of rental revenue adjustment	13 602	
Carrying value at the end of the year	5 105 458	
Movement in investment property under development is as follows:		
Carrying value at the beginning of the year	41 703	
Additions	97 102	1
Cost capitalised	11 140	
Interest capitalised	7 179	
Transfer to investment property	(31 033)	
Carrying value at the end of the year	126 091	
Total investment property at 31 December 2009	5 231 549	99

LISTED EQUITY INVESTMENTS

	AUDITED 31 Dec 09	
	Pangbourne Properties Limited	New Europe Property Investments plc
Units/shares	43 169 000	4 362 837
Value (R'000)	736 031	122 595

SECTORAL SPLIT

Based on:	GLA	Book value
Commercial	28%	47%
Industrial	65%	43%
Retail	7%	10%
Total	100%	100%

LEASE EXPIRY PROFILE

Based on:	GLA	Rental income
Vacant	4,4%	-
Dec 2010	25,0%	27,1%
Dec 2011	23,7%	24,6%
Dec 2012	17,6%	21,0%
Dec 2013	10,5%	8,3%
Dec 2014	12,4%	11,8%
Dec 2015	2,6%	2,6%
> Dec 2015	3,8%	4,6%
Total	100%	100%

SEGMENTAL ANALYSIS

	AUDITED 31 Dec 2009 R'000	AUDITED 31 Dec 2008 R'000
Segmental revenue - rental revenue		
Commercial	294 995	144 222
Industrial	243 024	156 659
Retail	75 642	52 677
Total	613 661	353 558
Profit for the year		
Commercial	265 142	197 769
Industrial	253 616	286 185
Retail	59 589	35 642
Investments and other	49 374	94 197
Total </		