

Acucap Properties Limited Reg. No. 2001/021725/06

Audited Final Results for the 13 months ended 31 March 2003

Abridged Income Statement

	13 months ended 31 Mar 2003	12 Sept 2001 (date of incorporation) to 28 Feb 2002
	R'000	R'000
Operating income before interest paid	177 425	4 880
Revenue	129 973	8 803
Net operating expenses	(9 285)	(528)
Revaluation of investment properties	56 737	(3 395)
Interest paid and payable	122 314	9 189
- Debenture holders - post listing - interim	25 796	-
- Debenture holders - post listing - final	28 633	-
- Debenture holders - pre listing	1 035	1 908
- Interest paid to financial institutions	63 725	4 037
- Interest paid to property vendors	3 125	3 244
Income before exceptional items and taxation	55 111	(4 309)
Exceptional items		
Listing costs and costs of raising finance	9 392	3 306
Profit / (loss) before tax	45 719	(7 615)
Deferred tax	(16 512)	509
Net profit / (loss) for the period	29 207	(7 106)
Earnings / (loss) per share	76.20	(73.20)
Headline loss per share	(9.46)	(15.10)
Interest Distribution per linked unit - post listing	137.32	-
- Interim	65.08	-
- Final	72.24	-
Interest Distribution per linked unit - pre listing	5.67	27.15
Distribution per linked unit	142.99	27.15
Reconciliation of Headline loss to net profit		
Profit / (loss) for the period	29 207	(7 106)
Listing costs	7 393	2 754
Revaluation of investment properties	(56 737)	3 395
Deferred tax on revaluation	16 512	(509)
Headline loss	(3 625)	(1 466)

Abridged Cash Flow Statement

	13 months ended 31 Mar 2003	12 Sept 2001 (date of incorporation) to 28 Feb 2002
	R'000	R'000
Cash flows from operating activities		
Cash generated by operations	135 003	7 677
Interest received	558	365
Interest paid	(122 314)	(9 189)
Net cash inflow/outflow from operating activities	13 247	(1 147)
Cash flows from investing activities		
Cash flows from investing activities	(535 463)	(323 845)
Cash flows from financing activities		
Cash flows from financing activities	548 985	325 364
Net cash inflow for the period	26 769	372
Cash and cash equivalents at beginning of period	372	-
Cash and cash equivalents at end of period	27 141	372

Comments

1. Review of Results

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) and the requirements of the Companies Act in South Africa on a basis consistent with that of the prior period.

KPMG Inc. has audited the financial information set out in this report. Their unqualified audit report is available for inspection at the company's registered office.

Acucap was listed on 27 March 2002, and the forecast distribution for the year to 31 March 2003 was 138.06 cents per linked unit. During the year, interest rates escalated ahead of our projections. The prime overdraft rate increased by 400 basis points to 17%, against Acucap's forecast for the average prime rate for the year of 14%. However, net operating income from the properties in the Acucap portfolio exceeded our forecasts, and as a result, the company has achieved a distribution of 137.324 cents per linked unit in the twelve months since listing, comprising an interim distribution of 65.083 cents declared on 8 November 2002, and a final distribution of 72.241 cents approved on 27 May 2003. The distribution is 0.53% below the forecast, and the directors are satisfied with this result.

2. Distribution

The Board has approved a final distribution of 72.241 cents per linked unit for the period from 1 October 2002 to 31 March 2003.

3. Borrowings

The company has fixed the interest rate on 90% of its borrowings with terms varying between 2 and 10 years as follows:

Amount (R million)	% of total borrowings	Rate (naom)	Expiry of fixed rates
50	10.46%	12.73%	1 April 2004
60	12.55%	12.21%	3 January 2005
120	25.10%	12.84%	2 January 2007
100	20.92%	13.34%	15 May 2008
50	10.46%	14.43%	8 October 2009
50	10.46%	14.06%	31 March 2012
48	10.05%	Prime less 1.5%	
478	100.00%		

The company's weighted average total borrowing costs are tabulated below:

	% of borrowings at fixed rates	Average rate
As forecast in the Acucap Prospectus	70%	12.94%
Actual for the period to 31 March 2003	91%	13.63%
Estimated for period to 31 March 2004	90%	13.26%

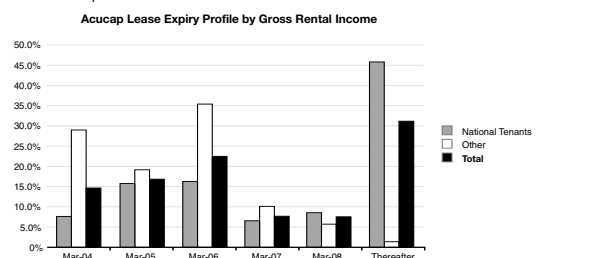
Management continues to focus on strategies that will optimize the cost of funding, and this will include re-financing activities aimed at minimizing these costs.

4. Vacancies

Vacancies amount to 2.24% of the portfolio by gross rental income, and 2.14% by gross lettable area. This has not changed materially since listing, and is well below the 2002 SAPIX/IPD average of 13% by gross lettable area.

5. Lease Expiry Profile

The lease expiry profile is reflected below, and it includes the effects of the Old Mutual acquisitions referred to in point 8 of this results announcement:



6. Liquidity

The company's unitholder spread, as defined in clauses 4.26 and 4.27 of the JSE Listing Requirements, reflects 66.87% public ownership. For the twelve months since date of listing on 27 March 2002, trade in Acucap linked units has amounted to 58.34% of its market capitalization as at 31 March 2003. No restrictions are placed on trade in linked units issued to property vendors, and as the group acquires additional properties, the sale of linked units by vendors is expected to promote continued liquidity.

7. Property portfolio revaluation

The property portfolio was revalued by independent valuers at 31 March 2003, and full details of the changes in the portfolio valuation are set out in the table below:

	(R'000's)
Portfolio cost at listing	856,299
Revaluation at listing	8,451
Portfolio valuation at listing	864,750
Capital expenditure since listing	3,008
Revaluation at 31 March 2003	44,892
Portfolio valuation at 31 March 2003	912,650
% increase in portfolio valuation since listing	5.54

Net asset value (NAV) per linked unit increased from R9.84 at listing to R10.56, after providing for deferred tax at the normal tax rate of 30%. Standard practice within the PLS and PUT sectors has been to provide for deferred tax on revaluation surpluses at 15%, based on the normal tax rate of 30% applied to the capital gains inclusion rate of 50%. GAAP Statement AC 102, however, requires deferred tax on the revaluation surplus of investment properties to be provided at the normal tax rate of 30%, and Acucap has complied with this requirement. The table below sets out

Abridged Balance Sheet

	31 Mar 2003 R'000	28 Feb 2002 R'000
Assets		
Non current assets	912 650	320 450
Investment properties	912 650	320 450
Current assets	32 568	4 846
Accounts receivable	5 427	3 965
Deferred tax	-	509
Cash and cash equivalents	27 141	372
Total assets	945 218	325 296
Equity and liabilities		
Shareholders' interest	22 497	(7 009)
Non current liabilities	889 956	325 267
Debentures	395 953	96 974
Loans	478 000	228 293
Deferred tax	16 003	-
Current liabilities	32 765	7 038
Accounts payable	4 132	5 130
Debenture interest payable	28 633	1 908
Total equity and liabilities	945 218	325 296

Statement of Changes in Equity

	Shares Issued	Share Capital	Share Premium	Non-Distributable Reserve	Accumulated loss	Total
	Number	R'000	R'000	R'000	R'000	R'000
Issue of shares on 12-Sept-01	7	-	-	-	-	-
Issue of shares on 4-Feb-02	9 707 125	10	87	-	-	97
Net loss for the period	-	-	-	-	(7 106)	(7 106)
Balance at 28-Feb-02	9 707 132	10	87	-	(7 106)	(7 009)
Issue of shares on 14-Mar-02	19 221 732	19	173	-	-	192
Issue of shares on 26-Mar-02	10 706 049	11	96	-	-	107
Net profit for the period	-	-	-	-	29 207	29 207
Transfer to NDR	-	-	-	37 339	(37 339)	-
Balance at 31 March 2003	39 634 913	40	356	37 339	(15 238)	22 497

the effect on NAV per linked unit of providing for deferred tax on the revaluation surplus at the AC 102 required rate of 30%, compared to the rate of 15% previously applied.

	Deferred tax provided at 30% on revaluation surplus	Deferred tax provided at 15% on revaluation surplus
NAV per linked unit at 31 March 2003	R10.56	R10.76
NAV per linked unit at listing	R 9.84	R 9.88
Increase in NAV per linked unit	7.32%	8.91%

The change in deferred tax rate recommended by AC 102 has no effect on distributions to linked unitholders.

8. Acquisitions

Subsequent to the year end, a subsidiary concluded an agreement of sale with Old Mutual Properties for the acquisition of two industrial properties. Board approval for the acquisition was given in February 2003. Details of the transaction are set out below:

- 8.1 **Vendor** Old Mutual Life Assurance Company (South Africa) Limited
- 8.2 **Description** (1) Old Mutual Mini Units, erf 160, City Deep Extension 7, measuring 4.8969 hectares in extent
(2) Epping Industrial Park, erf 32480, Cape Town, measuring 4.8070 hectares in extent
- 8.3 **Consideration** R44,829,690 (forty four million eight hundred and twenty nine thousand six hundred and ninety rand) paid in cash
- 8.4 **Cash raised** R26,840,000 (twenty six million eight hundred and forty thousand rand) by way of loan from Absa Bank Limited; and
R17,989,690 (seventeen million nine hundred and eighty nine thousand six hundred and ninety rand) by way of an issue of 1,798,969 (one million seven hundred and ninety eight thousand nine hundred and sixty nine) Acucap linked units at R10 per linked unit, to be issued on the first day that linked units trade ex-distribution on 23 June 2003
- 8.5 **Effective date** The effective date of the transaction is the date of transfer, which is anticipated to be by the end of May 2003
- 8.6 **Effect on NAV** Historic NAV per linked unit pre-acquisition R9.84
Pro-forma historic NAV per linked unit post-acquisition R9.85
- 8.7 **Effect on earnings** Historic distribution per linked unit pre-acquisition 137.32c
Pro-forma historic distribution per linked unit post-acquisition 138.74c

9. Prospects

Management has maintained its focus on the acquisition of good quality properties that will contribute to sustained growth in distributions and to the long term growth in the market value of the group's property portfolio. In addition, management will continue to engage in activities to optimize the income earning and growth potential of existing properties in the portfolio.

The retail sector continues to outperform office and industrial property, and expected growth in consumer spending and retail sales should help sustain this trend in the year ahead. Acucap will therefore maintain its overweight position in the retail sector for the period under review to March 2004. Fundamentals in the office market remain weak, with vacancy levels substantially unchanged for the last nine months. The continued trend amongst many office tenants towards the consolidation of space has weakened demand, but rising building costs and a sharp decline in plans completed have stemmed the growth in oversupply. Acucap remains cautious about the office sector, yet remains open to longer term growth opportunities in this as in all sectors of the market. The group has just entered the industrial market through the Old Mutual acquisitions referred to above, and will continue to seek selected opportunities in this area as rentals start to show evidence of firming and vacancies decline.

Economic fundamentals look satisfactory for the 2003 / 2004 year even as dramatic changes in the exchange value of the rand complicate the tasks of managers, particularly those producing goods for export and in competition with imports. Declining inflation and higher wage settlements from the prior year, together with the wealth effect created by rising residential house prices, and income tax cuts for individuals in the 2003 National Budget, should support growth of around 2.5% in the GDP. The continued strength of the rand, however, may dampen these prospects in the absence of significant relief from lower interest rates and a moderately weaker rand. Acucap remains generally positive about the economic outlook, but we do not foresee a rapid improvement in property fundamentals over the next year. We are gratified that the rand and especially the dollar value of securitised real estate has held up so well in the face of rand strength. We think past performance of this kind must be good for the future of securitised property as an investment class.

We are of the view that declining interest rates will continue to support the listed property sector, where starting yields continue to track the long-bond rate. We expect the prime lending rate to decline over the second half of 2003, and for long-bond rates to sustain the lower levels which they have reached.

In light of the above, we are forecasting a moderate growth in distributions for the financial year ending 31 March 2004.

10. Payment Of Debenture Interest

Notice is hereby given that a final distribution of 72.241 (seventy two comma two four one) cents per linked unit has been approved in respect of the six month period ended 31 March 2003. The last date to trade the linked units cum-distribution is 20 June 2003 and the record date will be 27 June 2003. The linked units will start trading ex-distribution from 23 June 2003. Distributions will be made to unit holders on Monday 30 June 2003.

Linked unit certificates may not be dematerialised or rematerialised between Monday 23 June and Friday 27 June 2003 both days inclusive.

On behalf of the Board

BS Kantor
Chairman
29 May 2003

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