

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

Reviewed Interim Results for the 6 months ended 30 September 2003

Share Code: ACP
ISIN: ZAE 000037651

Condensed Income Statement

	6 months ended 30 Sept 2003 R'000	13 months ended 31 March 2003 R'000	7 months ended 30 Sept 2002 R'000
Operating income before interest paid	67 554	177 425	74 369
Revenue	68 204	129 973	67 405
Interest received	2 869	558	345
Net operating expenses	(5 820)	(9 843)	(5 226)
Asset management fees paid to Acucap Property Management (Pty) Ltd	(2 369)	-	-
Revaluation of investment properties	4 670	56 737	11 845
Interest paid and payable	62 569	122 314	63 722
- Debenture holders – post listing - interim	33 858	25 796	25 796
- Debenture holders – post listing - final	-	28 633	-
- Debenture holders – pre listing	-	1 035	1 035
- Total interest paid to debenture holders	33 858	55 464	26 831
- Interest paid to banks and vendors	28 711	66 850	36 891
Income before exceptional items & taxation	4 985	55 111	10 647
Exceptional items			
Listing costs and costs of raising finance	-	9 392	9 392
Profit before tax	4 985	45 719	1 255
Deferred tax	(1 401)	(16 512)	(1 776)
Net profit / (loss) for the period	3 584	29 207	(521)
Reconciliation of net profit / (loss) to headline profit / (loss)			
Net profit / (loss) for the period	3 584	29 207	(521)
Listing costs	-	7 393	7 393
Revaluation of investment properties	(4 670)	(56 737)	(11 845)
Deferred tax on revaluation	1 401	16 512	1 776
Headline profit / (loss)	315	(3 625)	(3 197)
Interest paid to debenture holders	33 858	55 464	26 831
Headline linked unit earnings	34 173	51 839	23 634
	Cents	Cents	Cents
Earnings / (loss) per share	7.97	76.20	(1.32)
Headline profit / (loss) per share	0.70	(9.46)	(8.07)
Headline earnings per linked unit	68.23	139.67	59.63
Interest distribution per linked unit-post listing			
- Interim	67.60	65.08	65.08
- Final	-	72.24	-
Interest distribution per linked unit – pre listing	-	5.67	5.67

Condensed Cash Flow Statement

	6 months ended 30 Sept 2003 R'000	13 months ended 31 March 2003 R'000	7 months ended 30 Sept 2002 R'000
Cash flows from operating activities			
Cash generated by operations	64 436	135 003	75 976
Interest received	2 869	558	345
Interest paid	(62 569)	(122 314)	(63 722)
Net cash inflow from operating activities	4 736	13 247	12 599
Cash flows from investing activities			
Cash flows from investing activities	(48 952)	(535 463)	(533 025)
Cash flows from financing activities			
Cash flows from financing activities	132 770	548 985	543 985
Net cash inflow for the period	88 554	26 769	23 559
Cash and cash equivalents at beginning of period	27 141	372	372
Cash and cash equivalents at end of period	115 695	27 141	23 931

Condensed Balance Sheet

	30 Sept 2003 R'000	31 March 2003 R'000	30 Sept 2002 R'000
Assets			
Non current assets			
Investment properties	966 272	912 650	864 750
Current assets	125 007	32 568	28 203
Accounts receivable	9 312	5 427	4 272
Cash and cash equivalents	115 695	27 141	23 931
Total assets	1 091 279	945 218	892 953
Equity and liabilities			
Shareholders' interest	28 962	22 497	(7 231)
Non current liabilities	1 021 246	889 956	870 220
Debentures	500 342	395 953	395 953
Loans	503 500	478 000	473 000
Deferred tax	17 404	16 003	1 267
Current liabilities	41 071	32 765	29 964
Accounts payable	7 213	4 132	4 168
Debenture interest payable	33 858	28 633	25 796
Total equity and liabilities	1 091 279	945 218	892 953

Condensed 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
Balance at 1-March-02	9 707 132	10	87	-	(7 106)	(7 009)
Issue of shares on 14-March-02	19 221 732	19	173	-	-	192
Issue of shares on 26-March-02	10 706 049	11	96	-	-	107
Net loss for the period	-	-	-	-	(521)	(521)
Transfer to NDR	-	-	-	7 183	(7 183)	-
Balance at 30-September-02	39 634 913	40	356	7 183	(14 810)	(7 231)
Net profit for the period	-	-	-	-	29 728	29 728
Transfer to NDR	-	-	-	30 156	(30 156)	-
Balance at 31-March-03	39 634 913	40	356	37 339	(15 238)	22 497
Issue of shares on 30-June-03	3 504 925	3	32	-	-	35
Issue of shares on 30-June-03	6 944 444	7	2 839	-	-	2 846
Net profit for the period	-	-	-	-	3 584	3 584
Transfer to NDR	-	-	-	3 269	(3 269)	-
Balance at 30-September-03	50 084 282	50	3 227	40 608	(14 923)	28 962

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, and the accounting policies are consistent with those applied in the previous 13 months ended 31 March 2003.

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

As disclosed in note 17.2.2 of the company's 2003 annual financial statements, the management company had agreed to underwrite Acucap's first year forward yield by contributing an amount limited to its first year management fee for this purpose. From 1 April 2003, however, normal asset management fees have been levied in terms of the asset management agreement.

Despite incurring these fees for the first time, Acucap has shown growth of 3.9% in distributions over the same period last year, resulting in a distribution per linked unit of 67,60 cents (2002 : 65,08 cents). The Board is pleased with this result, which is attributable to focused management and the continued sound performance of the property portfolio.

2. DISTRIBUTION

The Board has approved an interim distribution of 67,60 cents per linked unit for the period from 1 April 2003 to 30 September 2003.

3. BORROWINGS

At the last year end, 91% of borrowings were subject to fixed interest rates. This has reduced to 75% at 30 September 2003 through a combination of fixed rate unwinding and exposure to new prime-linked borrowings. As the prime overdraft rate has declined, this has reduced the company's overall weighted average borrowing cost for the six month period under review to 13.0%, and assuming no further changes in the prime rate, the cost of funding for the remaining six months of the financial year will be 12.6%. Management will continue to focus on strategies to optimise the cost of funding, including re-financing activities aimed at minimizing these costs.

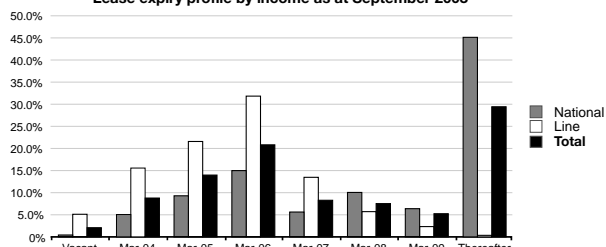
4. VACANCIES

Vacancies amount to 4.0% of the portfolio by gross rental income, and 3.3% by gross lettable area (GLA). This has increased from the vacancy at 31 March 2003, mainly as a result of the expiry of leases covering 4,000 m² at the Atterbury Office Park in Pretoria during August and September 2003. As at September 2003, the tenant void at Atterbury accounted for 52% of the vacancy by income and 50% of the vacancy by GLA. As referred to in point 10 below, however, a new tenant has been secured to take up this space on a long-term lease, and the directors anticipate that vacancies will have once again reduced by the time Acucap reports for the year ending 31 March 2004.

5. LEASE EXPIRY PROFILE

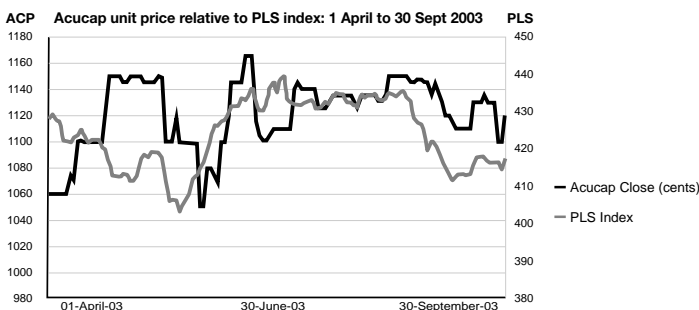
The lease expiry profile is reflected in the following chart. The letting activities at Atterbury Office Park previously referred to, as well as the premature renewal of all but one of the leases expiring in March 2004 at the Village Square in Randfontein, have both contributed to a significant lengthening in the expiry profile. The strong national tenant component of the portfolio has been maintained, preserving both its capital value, and its ability to deliver sustained income growth. At 31 March 2003, 67% of the portfolio income was derived from national tenants, and this has remained fairly constant at 66% as at 30 September 2003.

Lease expiry profile by income as at September 2003



6. LIQUIDITY AND UNITHOLDER PROFILE

In the six months to 30 September 2003, trade in Acucap linked units has amounted to an annualised 36% of the weighted average number of units in issue. The performance of the Acucap unit price relative to the PLS index is shown below :



Details of Acucap unitholder spread are as follows

	30 September 2003	31 March 2003
Total number of unitholders	998	790
Unitholders owning more than 5% of units in issue	5	7
Institutions controlling more than 10% of units in issue	5	4
Institutions controlling more than 15% of units in issue	1	3
Percentage of units controlled by the largest institutional unitholder	15.2%	27.7%

7. NAV OF THE PROPERTY PORTFOLIO

An external valuation of the property portfolio was last conducted in March 2003. In view of declining interest rates and property capitalization rates over recent months, the directors estimate that the NAV per linked unit will be in excess of the R10.56 reported at the last year end. The company's practice is to obtain external valuations of the property portfolio on an annual basis, and in terms of this practice, the portfolio will once again be externally revalued at 31 March 2004. Acquisitions are stated at fair value, and where this differs from the purchase price, the revaluation or impairment is reflected in income, net of deferred tax at the normal rate of 30%.

8. ACQUISITIONS

During the period under review, Acucap concluded an agreement with the Keystone Investments group for the acquisition of the 39,000 m² Kempton Park Mall, to be linked with Acucap's existing 20,500 m² Kempton Park Checkers Hyper to create a regional shopping centre of approximately 60,000 m², anchored by Checkers Hyper, Pick 'n Pay, Woolworths and Edgars. The development is due for completion in October 2004, and transfer is most likely to occur in February 2005, with an estimated purchase price of R220 million, based on a forward yield of 12.8% on net income. This acquisition is anticipated to be both yield and NAV enhancing, and will take Acucap's property portfolio to a value of approximately R1.2 billion. Details of the acquisition were set out in the company's announcement of 19 September 2003.

9. SEGMENTAL RESULTS

Segmental results are set out in the table below :

	6 months ended 30 Sept 2003 R'000	7 months ended 30 Sept 2002 R'000
Gauteng		
Revenue	48 477	50 055
Net operating expenses	(2 874)	(2 897)
Operating income	45 603	47 158
Cape		
Revenue	19 727	17 350
Net operating expenses	(2 137)	(2 234)
Operating income	17 590	15 116
Total		
Revenue	68 204	67 405
Net operating expenses	(5 011)	(5 131)
Operating income allocated	63 193	62 274
Reconciliation to operating income		
Revenue	68 204	67 405
Operating expenses	(5 011)	(5 131)
Operating income allocated	63 193	62 274
Revaluation of investment properties	4 670	11 845
Unallocated operating expenses	(3 178)	(95)
Interest received	2 869	345
Operating income for the period	67 554	74 369

10. PROSPECTS

Management has continued to operate with a dual focus, firstly to optimize the income earning and growth potential of existing properties through specific re-development and re-tenanting activities, and secondly to look for opportunities to acquire good quality properties that are fairly priced and can be expected to contribute to sustained growth in distributions. In this regard, management has been open to acquiring, on a turnkey basis, new developments that offer strong growth potential. Typically there is a longer lead time for such developments to contribute to income, and in this regard, the financial effects of the Kempton Park project referred to earlier will only reflect fully in the financial year to March 2006.

As far as the company's second half performance is concerned, management has successfully concluded a number of initiatives to :

- deal with vacancies;
- improve the lease expiry profile of portfolio; and
- maintain the strong national tenant component of the portfolio.

Nevertheless, whilst the retail sector continues to outperform office and industrial property, evidence is emerging that the nominal growth in retail sales for the current year will not be as high as the growth that the retail sector produced in the same period last year, largely as a result of lower retail inflation. In addition, whilst the Atterbury vacancy has been resolved, the new lease will only commence after the completion of a substantial refurbishment and tenant installation program. Although growth in distributions for the second half is therefore expected to be more muted than first half growth, management nevertheless maintains its outlook for moderate overall growth for the year from 1 April 2003 to 31 March 2004.

11. PAYMENT OF DEBENTURE INTEREST

Notice is hereby given that an interim distribution of 67,60 cents per linked unit has been approved in respect of the six month period ended 30 September 2003. The last date to trade the linked units cum-distribution will be Friday 5 December 2003 and will trade ex distribution from Monday 8 December 2003. The record date will be Friday 12 December 2003 and distributions will be made to unitholders on Monday 15 December 2003.

Linked unit certificates may not be dematerialised or rematerialised between Monday 8 December and Friday 12 December 2003 both days inclusive.

On behalf of the Board

BS Kantor
Chairman

30 October 2003

PA Theodosiou
Managing Director

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