
TERMS AND CONDITIONS OF GUARANTEE

Capitalised terms used in this section headed "Terms and Conditions of the Guarantee" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

GUARANTEE

We the undersigned

CAPITAL PROPFUND PROPRIETARY LIMITED

(registration number 2014/013211/07), being a private company incorporated in accordance with the laws of South Africa

and

PANGBOURNE PROPERTIES LIMITED

(registration number 1987/002352/06), being a public company incorporated in accordance with the laws of South Africa,

(collectively the **Guarantors**),

hereby, jointly and severally, irrevocably and unconditionally guarantee (as primary obligors and not merely as sureties) to the holders of notes (the **Noteholders**) issued by Capital Property Fund Limited (registration number 2013/226575/06) (the **Issuer**) under the Capital Property Fund Limited ZAR3,000,000,000 Domestic Medium Term Note Programme (the **Programme**), the due and punctual performance of all obligations arising under the Programme pursuant to the Programme Memorandum (defined below) which the Issuer may incur to the Noteholders and the due and punctual payment of all amounts due by the Issuer in respect of the Notes arising under the Programme pursuant to the Programme Memorandum issued by the Issuer, dated 30 June 2014, as amended and/or supplemented from time to time (the **Programme Memorandum**).

1. Terms used but not defined herein have the meanings set forth in the section of the Programme Memorandum headed "*Terms and Conditions of the Notes*" (the **Terms and Conditions**).
2. All payments made in terms of this Guarantee shall be made *mutatis mutandis* in accordance with Conditions 9 (*Interest*) and 10 (*Payments*) of the Terms and Conditions.
3. This Guarantee shall be binding on each Guarantor jointly and severally, and shall continue to be binding on each Guarantor and, with respect to any payment, or any part thereof, of principal and/or interest on any Note that is rescinded or must otherwise be returned by the Transfer Agent or any Noteholder if such rescission or return of payment has been compelled by law as the result of the insolvency of any of the Issuer or any other Person or if such rescission or return of payment is a result of any law, regulation or decree applicable to the Issuer or such Persons.
4. Each Guarantor hereby renounces, jointly and severally, all benefits arising from the legal exceptions "*non numeratae pecuniae*" (no money was paid over), "*non causa debiti*" (lack of actionable debt) "*errore calculi*" (mistake in calculation of amount due) and "*beneficia excussionis et divisionis*" (the benefits of excussion and division), with the force and effect of which each Guarantor hereby declares it to be fully acquainted. The Guarantors agree that this Guarantee is to be in addition and without prejudice to any other suretyship/s and security/ies now or hereafter to be held by the Noteholders and shall remain in force as a continuing security, notwithstanding any intermediate settlement of account and notwithstanding any legal

disability of the Guarantor.

5. For so long as a Tranche of Senior Notes remain Outstanding, each Guarantor undertakes not to create or permit the creation of any Encumbrance, other than any Permitted Encumbrance over any of its present or future businesses, undertakings, assets or revenues (including any uncalled capital) to secure any present or future Indebtedness of the Issuer or any current or other Guarantor or any guarantee or indemnity given in respect of any present or future Indebtedness (save for those that have been accorded a preference by law) without at the same time securing all Senior Notes equally and rateably with such Indebtedness or any such guarantee or indemnity or providing such other security as may be approved by Extraordinary Resolution of the Senior Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Senior Noteholders.
6. No action in respect of any collateral or security given by the Issuer, or any other Persons, in respect of the Notes is required to be taken before action is taken against the Guarantors under this Guarantee, and the existence or enforceability of this Guarantee shall not affect or be affected by any other security held in respect of the Issuer's obligations under the Notes.
7. Any admission made by the Issuer in respect of the Notes shall be binding on each Guarantor.
8. A demand made under this Guarantee by any Noteholder after an Event of Default has occurred and while it is continuing shall be made in writing to the Guarantors at the address specified below.
9. Payment to the Transfer Agent under this Guarantee shall:
 - 9.1 be made by the Guarantors to the Transfer Agent not later than 3 (three) Business Days after receipt of a demand in accordance with clause 8 above;
 - 9.2 discharge each Guarantor of its applicable obligations to the Noteholders under this Guarantee; and
 - 9.3 *pro tanto* discharge the Issuer of its corresponding obligations to the Noteholders under the Notes.
10. Notwithstanding any part payment by any Guarantor or on the Guarantors' behalf, the Guarantors shall have no right to any cession of action in respect of such part payment and shall not be entitled to take any action against the Issuer or against any other surety for the Issuer in respect thereof unless and until the indebtedness of the Issuer to the Noteholders shall have been discharged in full.
11. Each notice, demand or other communication under this Guarantee shall be in writing delivered personally or by recognised courier or facsimile and be deemed to have been given:
 - 11.1 in the case of a facsimile, on this first Business Day following the date of transmission; and
 - 11.2 in the case of a letter, when delivered,

and shall be sent to the Guarantors at:

Physical Address: 4th Floor, Rivonia Village
Rivonia Boulevard
Rivonia
2191
South Africa

Attention: Mr R Bornman

Facsimile Number: +27 11 612 6899

or to such other address in South Africa or facsimile number as is notified from time to time by the Guarantors to the Noteholders in accordance with Condition 19 (*Notices*) of the Terms and Conditions.

12. Each Guarantor chooses the above address as its *domicilium citandi et executandi* for all purposes under this Guarantee, whether in respect of court process, notices or other documents or communications of whatsoever nature.
13. This Guarantee is, and all rights and obligations relating to this Guarantee are, governed by, and shall be construed in accordance with, the laws of South Africa.
14. This Guarantee will terminate upon all of the obligations of the Issuer under the Notes being fully and finally discharged in accordance with the Terms and Conditions.
15. Each Guarantor agrees for the benefit of the Noteholders that the South Gauteng High Court, Johannesburg, South Africa shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes which may arise out of or in connection with this Guarantee and, for such purposes, irrevocably submits to the jurisdiction of such court.
16. This Guarantee will be deposited with, and be held by, the Transfer Agent until the later of:
 - 16.1 the date on which the Programme is terminated by the Issuer; and
 - 16.2 the date on which all of the obligations of the Issuer under or in respect of the Notes have been discharged in full.
17. Each Guarantor acknowledges and agrees that each Noteholder shall be entitled to require the Transfer Agent to produce the original of this Guarantee on request and further shall be entitled to require the Transfer Agent, which shall be obliged, to provide a copy of this Guarantee to that Noteholder on request. In holding the Guarantee, the Transfer Agent shall not act in any fiduciary or similar capacity for the Noteholders and shall not accept any liability, duty or responsibility to Noteholders in this regard.
18. Any member of the Capital Property Fund Group may become an Additional Guarantor if such member delivers to the Issuer and the Issuer accepts:
 - 18.1 a duly completed and executed Accession Letter in the form as attached hereto as Schedule 1 (*Form of Accession Letter*); and
 - 18.2 all of the documents and other evidence listed in Schedule 2 (*Conditions Precedent*) hereto in relation to that Additional Guarantor, each in a form and substance satisfactory to the Issuer.
19. This Guarantee constitutes the whole agreement relating to the subject matter hereof. No amendment or consensual cancellation of this Guarantee or any provision or term hereof shall be binding unless approved by Extraordinary Resolution of Noteholders and thereafter recorded in a written document signed by each Guarantor. Any waiver or relaxation or suspension given or made shall be strictly construed as relating strictly to the matter in respect whereof it was made or given.

SIGNED at _____ on this _____ day of _____ 2014

For and on behalf of

CAPITAL PROPFUND PROPRIETARY LIMITED

Name:
Capacity: Director
Who warrants his/her authority hereto

Name:
Capacity: Director
Who warrants his/her authority hereto

For and on behalf of

PANGBOURNE PROPERTIES LIMITED

Name:
Capacity: Director
Who warrants his/her authority hereto

Name:
Capacity: Director
Who warrants his/her authority hereto

FORM OF ACCESSION LETTER

To: [Insert]
And to: [Insert]
From: [Insert full name of Additional Guarantor] (the Acceding Party)
Date: [Insert]

Dear Sirs

CAPITAL PROPERTY FUND LIMITED ZAR3,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME – GUARANTEE DATED 30 JUNE 2014 (the Guarantee)

1. We refer to the Guarantee. This is an Accession Letter and terms used in this Accession Letter have the same meaning as in the Guarantee.
2. This Accession Undertaking is delivered to you as Issuer pursuant to Condition 8 (*Guarantee*) of the Terms and Conditions and Clause 18 of the Guarantee.
3. In consideration of the Acceding Party being accepted as a Guarantor for the purposes of the Guarantee, the Acceding Party hereby confirms that, as from the date of acceptance of this Accession Letter by the Issuer, it:
 - 3.1. intends to be a party to the Guarantee as a Guarantor;
 - 3.2. intends to be a party to the Programme Agreement as a Guarantor;
 - 3.3. undertakes to perform all the obligations expressed in the Guarantee and the Programme Agreement to be assumed by a Guarantor; and
 - 3.4. agrees that it shall be bound by all the provisions of the Guarantee and the Programme Agreement as if it had been an original party to the Guarantee and Programme Agreement as a Guarantor.
4. This Accession Letter may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Accession Letter.
5. This Accession Letter shall be governed by and construed in accordance with the laws of South Africa.

For and on behalf of

[The Acceding Party]

Name: [Full name of Additional Guarantor]

Capacity:

Who warrants his/her authority hereto

Address for notices:

Address:

Facsimile number:

For and on behalf of
CAPITAL PROPERTY FUND LIMITED

Name:
Capacity:
Who warrants his/her authority hereto

Name:
Capacity:
Who warrants his/her authority hereto

CONDITIONS PRECEDENT

1. An Accession Letter executed by the Additional Guarantor.
2. A copy of the Constitutional Documents of the Additional Guarantor.
3. A certified copy of all resolutions and other authorisations required to be passed or given, and evidence of any other action required to be taken, on behalf of the Additional Guarantor and/or its shareholders:
 - 3.1. to approve its entry into the Accession Letter, the Guarantee and the Programme Agreement; and
 - 3.2. to authorise appropriate Persons to execute and enter into each of the Accession Letter, the Guarantee and the Programme Agreement; and to take any other action in connection therewith; and to authorise appropriate Persons to enter into the Accession Letter, the Guarantee and the Programme Agreement.
4. A copy of any other authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration or other document, opinion or assurance which the Issuer considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by the Accession Letter, Guarantee and Programme Agreement or for the validity and enforceability of the Accession Letter, Guarantee and Programme Agreement.
5. If available, the latest audited financial statements of the Additional Guarantor.
6. A legal opinion of the legal advisers to the Issuer, Arranger and Dealer(s) addressed to the Issuer, Arranger and Dealer(s), dealing with, *inter alia*, the capacity and authority of the Additional Guarantor to enter into the Accession Letter, the Programme Agreement and the Guarantee, substantially in the form distributed to, and agreed by, the Additional Guarantor prior the date of the Accession Letter.

USE OF PROCEEDS

Capitalised terms used in this section headed "Use of Proceeds" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

For purposes of the Commercial Paper Regulations it is recorded that the "*Ultimate Borrower*", as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer, unless otherwise indicated in the Applicable Pricing Supplement.

The proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement

DESCRIPTION OF CAPITAL PROPERTY FUND LIMITED

1. INTRODUCTION AND BACKGROUND

Capital Property Fund Limited (registration number 2013/226475/06) (the “**Issuer**”) is a corporate real estate investment trust (“**REIT**”) which will be listed on the Industrial and Offices sector of the JSE Limited (“**JSE**”) with effect from 30 June 2014.

Capital Property Fund, a portfolio in the Capital Property Trust Scheme, a collective investment scheme in property registered as such in terms of the Collective Investment Schemes Control Act (Act 45 of 2002) (the “**Fund**”) owned a portfolio of logistics, industrial, retail, office and other properties and listed property securities directly and through its wholly owned subsidiaries. In terms of the Collective Investment Schemes Control Act, property unit trusts such as the Fund are required to be managed by an external management company. In April 2014, the unitholders of the Fund voted in favour of internalising the management of the Fund and the conversion from a collective investment scheme in property to a corporate REIT. The internalisation has been given effect through the disposal of the Fund’s assets and liabilities to Capital Propfund Proprietary Limited (registration number 2014/013211/07), Capital Propfund 1 Proprietary Limited (registration number 2010/022311/07) and Capital Propfund 2 Proprietary Limited (registration number 2013/230191/07), wholly owned subsidiaries of the Issuer. All of the interests in and amounts due to and from the Fund’s wholly owned subsidiaries will be sold to the Issuer effective 1 July 2014, in consideration for which the Fund’s unitholders will receive shares in the Issuer in the ratio of one Issuer share for each Fund unit held.

The Issuer and its subsidiaries (the “**group**”) have a strategic focus on investments in A-grade logistics facilities and premium grade offices in the major metropolitan areas of Gauteng, Kwa-Zulu Natal and the Western Cape. This focus is driven largely by the attributes of these areas, as these areas have developed infrastructure, major arterial connections to the national transport grid, greater tenant demand and a higher percentage of national and international tenants. The group typically avoids developing and investing in regions that do not display sound long term growth prospects. The group’s property portfolio is externally valued at the end of each financial year by a JSE approved independent valuer.

In addition to its investments in property, the group owns a listed equity portfolio in property. The group’s holding in listed securities, however, is reduced or increased depending on the relative yields and possible returns on the listed securities, and in order to finance acquisitions and extensions to existing properties.

The group’s total investment property portfolio consists of a focused portfolio of logistics facilities, industrial properties, offices and retail centres.

The day-to-day operational property management of the group’s property portfolio is outsourced to reputable independent property managers including JHI (registered as Excellerate Property Services Proprietary Limited), Broll (registered as Broll Property Group Proprietary Limited), Prominent Properties (registered as Promprops CC) and Braamcor (registered as Braamcor Management Services Proprietary Limited).

The Fund’s gearing as at 31 December 2013 was 20.8%. The board of directors of the Issuer (the “**Board**”) will be placing a gearing limit of 60% of group assets. The Board’s policy through the executive is to hedge against interest rate fluctuations of at least 80% of borrowings.

As at the Programme date, the Guarantors have agreed to provide a guarantee to Noteholders for the due and punctual performance of all obligations arising under the Programme pursuant to this Programme Memorandum which the Issuer may incur to the Noteholders and the payment of all amounts owing by the Issuer in respect of the Notes arising under the Programme pursuant to this Programme Memorandum.

History

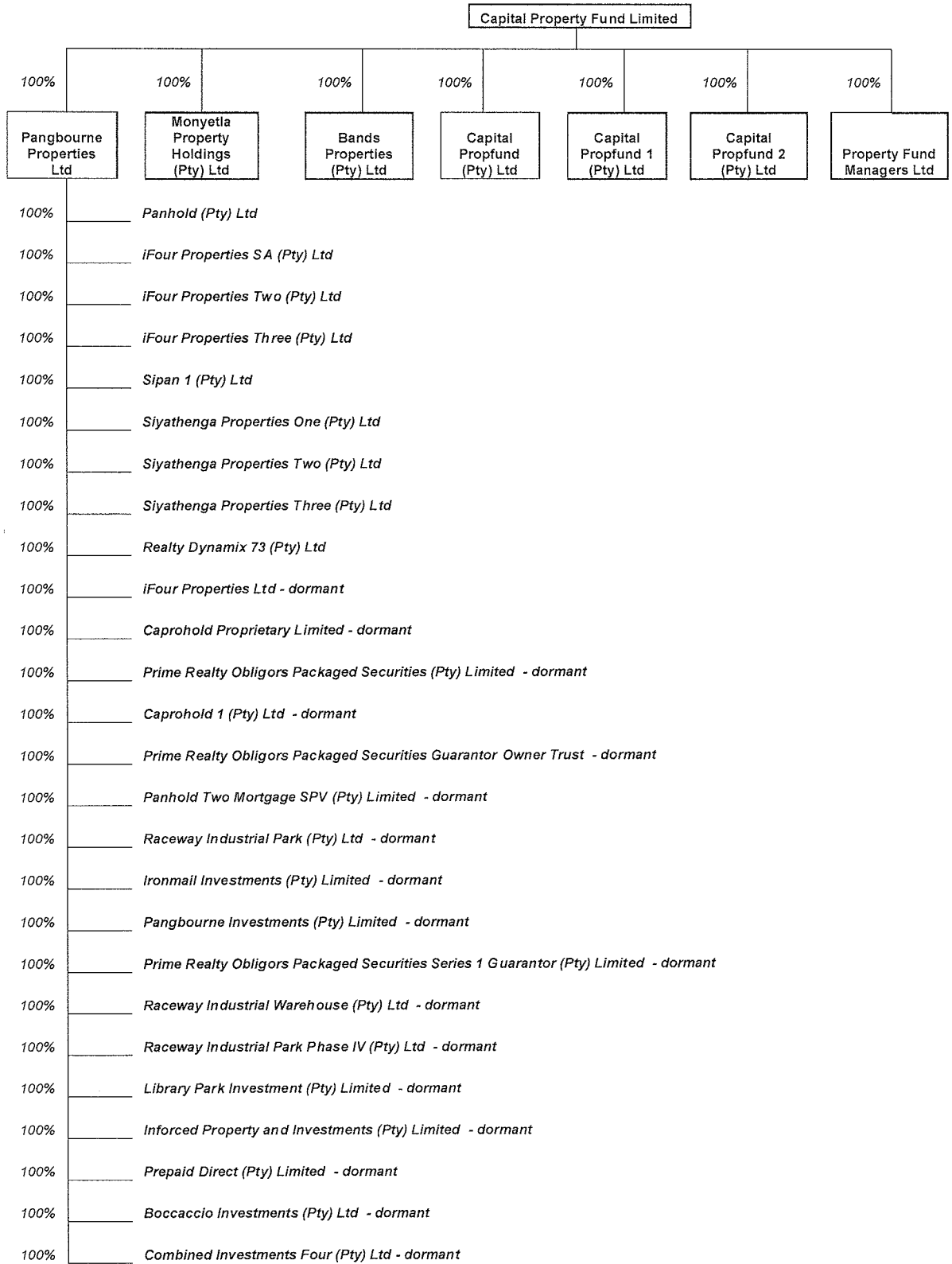
The Issuer was incorporated in South Africa on or about 4 December 2013 in accordance with the Companies Act, 2008, under registration number 2013/226575/07, with the main object of carrying on the business of a corporate REIT by holding properties and investments in listed property securities through its wholly owned subsidiaries.

Some of the significant transactions and events in the history of the Fund were:

June 1984	Listing of Capital Property Fund on the JSE.
July 2004	Change of shareholding in Property Fund Managers Limited (" Property Fund Managers ") in which Shanduka Property Fund Managers Proprietary Limited (" Shanduka "), Old Mutual Properties Proprietary Limited (" Old Mutual ") and Resilient Capital Proprietary Limited acquired the entire share capital of Property Fund Managers from various vendors.
September 2004	Acquisition by the Fund of 65 properties from various vendors, which boosted the property holdings from 55 to 120 and the market capitalisation from ZAR425 million to ZAR1.2 billion.
October 2005	Acquisition of entire share capital in Property Fund Managers Limited by Resilient from Shanduka and Old Mutual.
September 2008	Acquisition by the Fund of the entire share capital of Monyetla Property Fund Limited (" Monyetla "), and the subsequent de-listing of Monyetla.
October 2009	Vendor support for the listing of Fortress Income Fund Limited.
March 2011	Acquisition by the Fund of the entire share capital of Pangbourne Properties Limited (" Pangbourne ") and the subsequent de-listing of Pangbourne. Following implementation of the transaction, the Fund is one of the largest property funds in South Africa, by market capitalisation, differentiated by its industrial and office focus.
June 2014	Internalisation of the management of the Fund and listing of the Issuer as a corporate REIT on the JSE.

2. OWNERSHIP AND CONTROL

Group structure of the Issuer as at 1 July 2014



Unitholders controlling more than 5% of the issued units in the Fund as at 31 December 2013:

Name	Number of units controlled	Percentage of issued units
STANLIB	166 734 448	10.4%
Resilient	139 350 000	8.7%
Investec	118 984 942	7.4%
TOTAL	425 069 390	26.5%

3. DESCRIPTION OF BUSINESS

The Issuer is a corporate REIT and is the owner of an A-grade logistics portfolio in South Africa. The Issuer's investment portfolio also includes A and B-grade offices, a small portfolio of retail properties and a portfolio of listed securities. The Guarantors are each involved in the business of letting properties.

More than 96.6% of the group's property assets by gross lettable area ("GLA") are situated in the provinces of Gauteng, the Western Cape and Kwa-Zulu Natal. As at 31 December 2013, the highest geographical exposure of the portfolio based on property value was located in Gauteng at 77.3%.

The group's equity holding in listed securities is reduced or increased depending on relative yields and possible returns on the listed securities, and in order to finance acquisitions and extensions to existing properties.

The top 10 properties by valuation showing the GLA and major tenants as at 31 December 2013:

The Crescent Umhlanga

Valuation: ZAR428 million
 GLA: 26 804m²
 Major tenants include: Pick n Pay; FNB; Food Lovers Market

West Street, Sandton

Valuation: ZAR340 million
 GLA: 14 143m²
 Major tenants include: Edward Nathan Sonnenbergs

Long Street, Cape Town

Valuation: ZAR330 million
 GLA: 23 295m²
 Major tenants include: FNB; Fairheads International; South African Maritime Safety Authority

Isando Business Park, Kempton Park

Valuation: ZAR311 million
 GLA: 56 606m²
 Major tenants include: Wurth SA; Kapele Freight & Logistics

City Deep Industrial Park, Johannesburg

Valuation: ZAR284 million
 GLA: 14 143m²
 Major tenants include: Monsanto SA; African Commerce & Development; New Just

City Deep Industrial Park, Johannesburg

Valuation: ZAR284 million

GLA: 14 143m²

Major tenants include: Monsanto SA; African Commerce & Development; New Just Fun Group

Pineslopes Shopping Centre

Valuation: ZAR281 million

GLA: 55 107m²

Major tenants include: Spar; Checkers

Palm Springs Mall

Valuation: ZAR275 million

GLA: 19 085m²

Major tenants include: Shoprite Checkers; ABSA

Monyetla Office Park

Valuation: ZAR270 million

GLA: 17 535m²

Major tenants include: DRA Mining Projects; Eskom

Thrupps Illovo Centre

Valuation: ZAR254 million

GLA: 13 818m²

Major tenants include: Thrupps

118 Brakpan Road

Valuation: ZAR221.3 million

GLA: 37 027m²

Major tenants include: DHL

Property Developments

In the year ended 31 December 2013 the following developments were completed:

Description	% owned	100% GLA	Yield	Completion
Raceway Industrial Park	100%	21 345m ²	9,7%	Jul 13
16 Industry Road	100%	11 182m ²	8,2%	Oct 13
N1 Business Park	20%	7 355m ²	9,1%	May 13
N1 Business Park	20%	5 300m ²	9,2%	Nov 13
Montague Business Park	25%	6 332m ²	9,0%	Jul 13
Montague Business Park	25%	4 466m ²	8,5%	Dec 13
Montague Business Park	25%	1 686m ²	8,3%	Aug 13
14 Fitzmaurice Epping		3 368m ²	9,2%	Apr 13

The following new developments have commenced:

Description	% owned	100% GLA	Estimated yield	Estimated completion
Raceway Industrial Park	100%	40 750m ²	9,0%	Jun 14
Montague Business Park	25%	19 840 m ²	8,1%	Jul 14
N1 Business Park	20%	12 907m ²	9,9%	Jan 14

The group owns the following land for future developments:

Description	% owned	100% GLA	Intended use	Estimated commencement
Clairwood Logistics Park	100%	350 000m ²	Logistics	Sep 14
Sandton Offices*	80%	60 000m ²	P-grade offices	Sep 14
Tradeport City Deep	100%	52 000m ²	Logistics	May 14
Linbro Park	100%	30 000m ²	Logistics	Feb 14
Linbro Park	100%	30 000m ²	Logistics	Jun 14
Pomona	100%	20 000m ²	Logistics	May 14

*acquisition unconditional, not yet transferred.

The following redevelopments have commenced:

Description	% owned	Redevelopment GLA	Estimated yield	Estimated completion
Noursepack Epping 2	100%	17 634m ²	8,5%	Jun 14
14 Fitzmaurice Avenue Epping 2	100%	11 718m ²	8,5%	Jun 14

The group holds the following listed property investments as at 31 December 2013:

Investments	Number of units/shares	% of units/shares in issue	Carrying Value (R'000)	Market Value (R'000)
Rockcastle Global Real Estate Company	121 705 087	22.96%	1 608 542	1 703 871
New Europe Property Investments plc	16 024 304	7.83%	1 297 969	1 297 969
Resilient Property Income Fund Limited	16 200 000	5.52%	899 100	899 100
Fortress Income Fund Limited - FFB	96 000 000	26.78%	878 400	878 400
Fortress Income Fund Limited – FFA	23 100 000	6.47%	341 040	341 040
Ascension Properties Limited - AIA	42 750 000	13.84%	190 238	190 238
Ascension Properties Limited – AIB	45 600 000	12.12%	114 000	114 000
Delta Property Fund Limited	8 204 677	2.03%	70 971	70 971
Tower Property Fund Limited	4 021 474	3.52%	32 976	32 976

4. MANAGEMENT STRATEGY

The Issuer's strategy is to invest in and develop A-grade logistics facilities and premium grade offices in the major metropolitan areas. The South African office market is currently characterised by high vacancies, increasing supply from developers and rising operating costs. Average municipal rates in the group's office portfolio now exceeds R17/m² and this is impacting negatively on both net income and valuations. The board of the Fund was of the opinion that this market will remain distressed for a number of years, making it difficult to achieve acceptable returns. As a result the Fund reduced its exposure to offices from 23,7% of total assets to 20,1% as at 31 December 2013.

The group continues to reduce its exposure to smaller retail properties and to re-invest the proceeds in its development pipeline. Through redevelopment and sales, progress continues with the reduction in exposure to industrial buildings designed for manufacturing purposes. Manufacturing properties comprise R559 million of total assets as at 31 December 2013.

The offshore investments have increased significantly and now constitute approximately 13,3% of total assets compared with 4,5% at 31 December 2012 based on market value. The Board is of the opinion that the political and economic conditions in South Africa will remain challenging and that the Issuer is well structured to perform in this environment.

5. BOARD OF DIRECTORS AND BOARD COMMITTEES

As at the Programme Date, the directors of the Issuer are:

Willy Ross (68)

CTA, CA(SA)

Independent non-executive chairman

Willy retired from his merchant banking career with the Nedbank Group in 2004 after 30 years service. He spent much of his time in corporate finance and later became involved in project and structured finance and private equity. At the time of the delisting of Nedcor Investment Bank, he was an executive director responsible for infrastructure, project and structured finance, private equity and governance. Subsequently Willy continues to serve on the boards of a number of listed and large unlisted companies as an independent non-executive director.

Barry Stuhler (56)

BCom, BAcc, CA(SA)

Managing director

Barry is a chartered accountant who completed his articles with Arthur Young. Barry's experience includes management of the Part Bond Scheme and Gilt Fund for Hill Samuel Merchant Bank. He was financial director of Integrated Property Resources and managing director of Intaprop Management Services, the property management company for the Intaprop group. In 1994 Barry co-founded Inline Properties, a property management and corporate property advisory company. Barry is a founding director of Resilient Property Income Fund Limited ("Resilient"). Barry relinquished his duties as executive director of Resilient to become managing director of Property Fund Managers Limited ("PFM"), the asset manager of Capital, in 2004. He resigned as non-executive director of Resilient in February 2007. Barry resigned as managing director of PFM to join the Pangbourne Properties Limited ("Pangbourne") board as executive director on 17 October 2007 and was appointed managing director with effect from 1 March 2008. After the merger with Pangbourne, Barry was re-appointed as managing director of PFM.

Dr Iraj Abedian (58)

BA (Honours), MA (Economics) (University of Cape Town), PhD (Economics) (Simon Fraser University, Canada)

Independent non-executive director

Iraj Abedian is the founder and Chief Executive of Pan-African Capital Holdings Proprietary Limited. He was professor of economics at the University of Cape Town, before joining Standard Bank Group in 2000 as Group Chief Economist. He obtained his BA (Honours) and MA in Economics from UCT. He received his PhD in Economics from Simon Fraser University in Canada in 1993. He was the founder and director of the Applied Fiscal Research Centre (AFReC) at UCT and he has been a consultant on economic policy issues to public and private sector organisations in South Africa as well as internationally. His involvement in policy development in South Africa includes: The Transformation of the Development Bank of Southern Africa (1995), the RDP White Paper (1995), Growth, Employment and Redistribution (GEAR 1996), Medium Term Expenditure Framework (MTEF), and the Presidential Review Commission (PRC 1997). He is a prolific researcher and has written numerous articles and co-authored a number of books. Iraj is an honorary Professor of Economics at Graduate School of Business, Nelson Mandela Metropolitan University, Port Elizabeth. He is a member of the board of directors of Munich Re of Africa and serves as a member of the Advisory Board of Auditor General of the South African Government.

Rual Bornman (36)

CA(SA)

Financial director

Rual started his career with KPMG in financial services auditing. In 2003 he joined Stanlib where

he was involved in management reporting, accounting and system integration. He then joined a software development firm implementing reconciliation systems at Stanlib, before being employed by Resilient in 2005.

Andries de Lange (40)

CA(SA), CFA

Executive director

After completing his articles, Andries joined the Industrial Development Corporation of South Africa Limited and then Nedbank Limited where he gained experience in debt finance, debt and equity restructuring and private equity. He joined the Resilient Group in 2004, is a director of Resilient and a non executive director of Rockcastle Global Real Estate Company Limited.

David Lewis

BSc Bldg Mgt, NDip (Real Estate), MBA (Wits & Cranfield)

Executive director

David started his career with Wilson Bayly Holmes-Ovcon Limited and was responsible for a number of retail developments and refurbishment construction projects. David then joined Boxer Superstores (now part of the Pick 'n Pay group) as projects and development manager and later the former Nedcor Investment Bank Limited – corporate equity division. He was a founding executive director of Resilient and was the managing director of Diversified Property Fund Limited until its incorporation into Resilient.

Protas Phili (39)

BCom, CTA, MCom (Taxation), CA(SA)

Independent non-executive director

Protas was previously the director in the corporate finance and transactions division of the Department of Public Enterprises, non-executive director of Rand Merchant Bank and WesBank, national taxation committee member of the South African Institute of Chartered Accountants, member of the South African Reserve Bank Governor's Economic Roundtable Forum, deputy director-general and chief financial officer in the Department of Rural Development and Land Reform and chief financial officer of Sentech Limited. Protas also previously served on the audit and risk committees of Mogale City Municipality, Safety and Security SETA, Wholesale and Retail SETA and Aventura Holiday Resorts Limited. Protas is currently a director of April 27 Corporate Finance Proprietary Limited, Veterans Capital Proprietary Limited and Anchor Park Investments Proprietary Limited.

Jan Potgieter (45)

BCompt (Hons), CTA, CA(SA), Management Development Program (University of Michigan), Strategic Planning & Management in Retailing (Monash University Australia)

Independent non-executive director

Jan qualified as a CA doing his articles with PWC. He held various managerial positions early in his career including business manager at Clover SA and then 7 years at various divisions of SABMiller in senior financial roles. In 2005, he was headhunted by Massmart to join their Massdiscounters team first as financial director then 6 years as chief executive officer. He then did consulting work and will join the Italtile group in August as chief operating officer.

Andrew Teixeira (46)

BSc Quantity Surveying

Executive director

Andrew started his career in his own construction company. He then joined JHI Real Estate in 1993 in their property management division. He was appointed as the director responsible for property management nationally in 2002. Andrew served as a director of Diversified Property

Fund Limited and was the managing director of PFM prior to the Pangbourne merger.

Banus van der Walt (63)

B Econ, Advanced Executive Programme

Independent non-executive director

Banus is a retired property practitioner. Banus was previously the managing director of Sanlam Properties and Gensec Property Services for 16 years. Banus has 40 years' property experience with the Sanlam Group and has travelled extensively to study the property industry, both locally and internationally. Banus is a past president of the South African Property Owners Association (SAPOA) and has been a non-executive director of Martprop, Acucap, SA Retail, Vukile and iFour. He was also involved in the listing of Primegro, Acucap, Resilient, iFour, SA Retail, MICC and Vukile. He is currently a member of the Property Committee of Sanlam and a non-executive director of three non-listed companies.

Tshiamo Vilakazi (49)

BA(SW), LLB, Certificate in mining prospecting (SA)

Independent non-executive director

Tshiamo is a practising attorney, conveyancer and notary public. She is a legal consultant to Gauteng Provincial Government and Department of Housing. She was a member of the Housing Advisory Panel of North West Provincial Government, Department of Housing and has been in practice for 20 years.

Trurman Zuma (44)

CTA, CA(SA)

Independent non-executive director

Trurman first worked as an equity analyst for Old Mutual, focusing on large cap counters in food, pharmaceuticals, retail and leisure. After three years he moved to Standard Bank, Johannesburg, working as a Private Equity deal-maker before taking the post of Unit Trust Single Manager Head at Stanlib Investments Limited for two years. During his time at Stanlib, Trurman was awarded a scholarship to study at Harvard Business School. He completed his Programme for Management Development in 2004. In May 2006, he opted to leave the corporate environment. He purchased a stake in South Africa's largest accounts receivable management company, MBD, where he had the position of strategic director. He also has interests in commodity and energy-related businesses and he sits on the board of governors at Hilton College. He was the chief executive officer of Advisory Services at Momentum Wealth, part of the Momentum Group.

After leaving Momentum, Trurman joined the Absa Group to head up their new division Global Investments and Solutions ("**GI&S**"). GI&S is responsible for all product that passes through Absa advisers and is responsible for ensuring seamless access of Barclays product and toolsets into the South Africa and the Africa continent. Trurman also sits on several boards within the Absa Group.

Fareed Wania (39)

Alternate director to Andrew Teixeira

Fareed started his property career with RMP Properties in 1996. He subsequently joined the JHI Real Estate Group Ltd where he was involved in their property management division as a portfolio manager. Fareed was instrumental in the setup, opening and running of the JHI Lesotho office.

In 2004 he joined the Pangbourne group as a senior asset manager reporting to the MD. After the merger with Pangbourne, Fareed has been employed as an asset manager.

Company Secretary and Registered Offices

Inge Pick CA(SA)
4th Floor Rivonia Village
Rivonia Boulevard
Rivonia, 2191

6. CORPORATE GOVERNANCE

Corporate governance review

The Board endorses the code of corporate practices and conduct as set out in the King III report and confirms that the Issuer is compliant with the provisions thereof, save for Principle 2.27 requiring the shareholders of the Company to approve the remuneration policy of the Company, on the basis that the Board finds it more meaningful to detail the remuneration report in the integrated report than putting a non binding resolution to vote.

The Board will be addressed by independent corporate governance consultants to ensure that all directors are fully conversant with best practice and current thinking with regard to corporate governance.

A register of all 75 King III principles and the extent of the Issuer's compliance therewith will be available on Capital's website at <http://www.capitalproperty.co.za/Capital-Governance>.

Composition of the board of directors of the Issuer

The Board will comprise of five executive directors and seven independent non-executive directors. There is one alternate director for one of the executive directors. All directors will serve for a maximum period of three years and are subject to retirement by rotation and re-election by members in general meeting. Board appointments are made in terms of the policy on nominations and appointments, such appointments are transparent and a matter for the Board as a whole.

There will be no fixed term contracts for executive directors and the notice period for termination or resignation is one calendar month. There will be no restraint of trade period for executive directors.

Role of the directors

Ultimate control of the Issuer will rest with the Board while the executive management will be responsible for the day-to-day management of the Issuer. To achieve this, the Board is responsible for establishing the objectives of the Issuer and setting a philosophy for investments, performance and ethical standards. Although quarterly Board meetings are arranged every year, additional meetings are called should circumstances require it.

The chairman, with the assistance of the company secretary, will conduct a formal review of the effectiveness of the board and its committees and of the individual directors. Each director will complete detailed evaluation questionnaires and an analysis of the findings will be presented to the Board.

The sub-committee composition will be reviewed on an annual basis.

Functions and responsibilities of the Board

The Board acknowledges that it is responsible for ensuring the following functions as set out in the Board charter:

- good corporate governance and implementation of the code of corporate practices and conduct as set out in the King III report;
- that the group performs at an acceptable level and that its affairs are conducted in a responsible and professional manner; and
- the Board recognises its responsibilities to all stakeholders.

Although certain responsibilities are delegated to committees or management executives, the Board acknowledges that it is not discharged from its obligations in regard to these matters.

The Board acknowledges its responsibilities as set out in the Board charter in the following areas:

- the adoption of strategic plans and ensuring that these plans are carried out by management;
- monitoring of the operational performance of the business against predetermined budgets;
- monitoring the performance of management at both operational and executive level;
- ensuring that the group complies with all laws, regulations and codes of business practice; ensuring a clear division of responsibilities at Board level to ensure a balance of power and authority in terms of group policies;
- ensuring the integrity of the Issuer's integrated report;
- appointing the chief executive officer; and
- establishing the framework for the delegation of authority.

Independence of the directors

The Board's independence from the executive management team is ensured by the following:

- separation of the roles of chairman and managing director, with the chairman being independent;
- the Board being dominated by independent non-executive directors;
- the audit, investment, nomination, remuneration, social and ethics and risk committees having a majority of independent non-executive directors;
- non-executive directors not holding service contracts;
- all directors having access to the advice and services of the company secretary; and
- with prior agreement from the chairman, all directors are entitled to seek independent professional advice concerning the affairs of the Issuer at the Issuer's expense.

The following independent non-executive directors will chair the various sub-committees of the Board:

- | | |
|---------------------|--------------------|
| • Audit | Protas Phili |
| • Investment | Banus van der Walt |
| • Remuneration | Trurman Zuma |
| • Nomination | Willy Ross |
| • Risk | Iraj Abedian |
| • Social and ethics | Tshiamo Vilakazi |

The independence of the non-executive directors will be assessed so as to determine whether all non-executive directors can be deemed to be independent in terms of the requirements of King III. Independence evaluations will be done annually for all non-executive directors as set out in King III as follows:

- whether the director is a representative of a shareholder who has the ability to control or significantly influence management or the Board;
- whether the director has a direct or indirect interest in the Issuer (including any parent or subsidiary in a consolidated group with the Issuer) which exceeds 5% of the group's total number of units in issue;
- whether the director has a direct or indirect interest in the Issuer which is less than 5% of the group's total number of units in issue, but is material to the director's personal wealth;
- whether the director has been employed by the Issuer or the group of which it currently forms part of in any executive capacity, or appointed as the designated auditor or partner in the group's external audit firm, or senior legal adviser for the preceding three financial years;
- whether the director is a member of the immediate family of an individual who is or has during the preceding three financial years been employed by the Issuer or the group in an executive capacity;

- whether the director is a professional adviser to the Issuer or group other than in the capacity as a director;
- whether the director is free from any business or other relationship (contractual or statutory) which could be seen by an objective outsider to interfere materially with the director's capacity to act in an independent manner, such as being a director of a material customer or supplier to the Issuer; and
- whether the director receives remuneration contingent upon the performance of the Issuer.

The chairman is to be appointed by the Board annually.

Directors' personal interests

A full list of directors' interests will be maintained and directors will certify that the list is correct at each Board meeting.

Directors will recuse themselves from any discussion and decision on matters in which they have a material financial interest.

Audit committee

The primary role of the audit committee is to ensure the integrity of financial reporting and overseeing the audit process. In pursuing these objectives, the audit committee will oversee relations with the external auditors. The committee will also assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal control processes, overseeing the preparation of accurate financial reports and statements in compliance with all applicable legal requirements and accounting standards, ensuring compliance with good governance practices and nomination of external auditors.

The role of the audit committee will be codified in the audit committee charter. This charter will be aligned with the requirements of King III and the Companies Act.

The audit committee will comprise of Protas Phili (chairman), Tshiamo Vilakazi and Trurman Zuma, all of whom are independent non-executive directors. The managing director, financial director and company secretary will attend the committee meetings as invitees. The committee members will have unlimited access to all information, documents and explanations required in the discharge of their duties, as do the external auditors.

The Board, in consultation with the audit committee, will make appointments to the committee to fill vacancies. Members of the audit committee will be subject to re-election by members in general meeting on an annual basis. The Board will determine whether the committee members have the skills and experience necessary to contribute meaningfully to the committee's deliberations. In addition, the Board will consider whether the chairman has the requisite experience in accounting and financial management.

The committee will meet at least four times during the financial year.

The audit committee will satisfy itself that no breakdown in accounting controls, procedures and systems has occurred that could have a material impact on the preparation of the annual financial statements.

In fulfilling its responsibility of monitoring the integrity of financial reports to unitholders, the audit committee will review accounting principles, policies and practices adopted in the preparation of financial information and will review documentation relating to the integrated report. The disclosures included in the financial statements will be reviewed by the audit committee, as will the basis for significant estimates and judgements. The audit committee will satisfy itself regarding the competency of the financial director and that the finance function has adequate resources and sufficient expertise.

It is the function of the committee to review and make recommendations to the Board regarding interim financial results and the integrated report prior to approval by the Board.

The audit committee will apply its mind to the preparation and presentation of the integrated report and acknowledge its responsibility to ensure the integrity of the integrated report.

The audit committee will ensure compliance with its legal, regulatory and other responsibilities.

External audit

A key factor that may impair auditors' independence is a lack of control over non-audit services provided by the external auditors. In essence, the external auditors' independence is deemed to be impaired if the auditors provide a service which:

- results in auditing of own work by the auditors;
- results in the auditors acting as a manager or employee of the group;
- puts the auditors in the role of advocate for the group; or
- creates a mutuality of interest between the auditors and the group.

The Issuer addresses this issue through three primary measures, namely:

- disclosure of the extent and nature of non-audit services;
- the prohibition of selected services; and
- prior approval by the audit committee of non-audit services where the cost of the proposed assignment is likely to exceed R25 000.

Other safeguards encapsulated in the policy include:

- the external auditors are required to assess periodically, in their professional judgement, whether they are independent of the group;
- the audit committee ensures that the scope of the auditors' work is sufficient and that the auditors are fairly remunerated; and
- the audit committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors.

The audit committee will review audit plans for external audits and the outcome of the work performed in executing these plans. They will further ensure that items identified for action are followed up. The external auditors will report annually to the audit committee to confirm that they are and have remained independent from the group during the year.

The audit committee will satisfy itself as to the suitability of the external auditors for re-appointment for the ensuing year.

Internal audit

The Issuer does not have a formalised internal audit department. This is primarily due to the fact that the majority of the property management functions have been outsourced to external property managers who are subjected to annual external audits. The audit committee will examine the appropriateness of utilising independent internal auditors to periodically review activities of the group and service providers.

Ethical performance

The Board forms the core of the values and ethics subscribed to by the Issuer through its various committees. These values and ethics will be sustained by the directors' standing and reputation in the business community and their belief in free and fair dealings in utmost good faith and respect for laws and regulations.

The code of ethics stipulates, among other things, that all stakeholders are expected to act in good faith, that bribery in any form is not tolerated, all conflicts of interest need to be declared and that compliance with all legislation is of utmost importance. This code has been communicated to all staff working on the portfolio. The code of ethics will be reviewed by the social and ethics committee on an annual basis.

Internal financial and operating controls

A framework of financial reporting, internal and operating controls has been established by the Board to ensure reasonable assurance as to accurate and timeous reporting of business information, safeguarding of group assets, compliance with laws and regulations, financial information and general operation.

The Board will review the effectiveness of the internal financial and operating controls, the process of risk management and the monitoring of legal governance compliance within the group.

Combined assurance

The Issuer's combined assurance model will be based on three levels of assurance for all of the significant risks. Level one will be management assurance instigated by the line managers. Level two will be internal assurance achieved through the oversight by the executive management of the Issuer and level three will be external assurance achieved through the oversight by the independent non-executive directors and the external auditors.

By adopting this approach, the Issuer is doing everything reasonably practical to give assurance to the Board that risks are mitigated and that effective controls are in place.

Investment committee

All acquisitions, disposals and capital expenditure are considered by the investment committee. The investment committee approves acquisitions, disposals and capital expenditure up to pre-set limits.

The investment committee will comprise of Banus van der Walt (chairman), Barry Stuhler, Andrew Teixeira, Tshiamo Vilakazi and Trurman Zuma, the majority of whom are independent, non-executive directors. All members of this committee have extensive experience and technical expertise in the office, retail, logistics and industrial property industry.

The investment committee's responsibilities and duties are governed by a charter.

Nomination committee

The nomination committee is mandated by the Board to identify suitable candidates to be appointed to the Board, identify suitable Board candidates in order to fill vacancies, ensure there is a succession plan in place for key management, assess the independence of non-executive directors and assess the composition of the Board sub-committees. The nomination committee recommends the individuals to the Board for appointment.

The nomination committee will comprise of Willy Ross (chairman), Iraj Abedian, Barry Stuhler and Tshiamo Vilakazi.

The nomination committee's responsibilities and duties are governed by a charter.

Risk committee

The risk committee is mandated by the Board to ensure that a sound risk management and internal control system is maintained, to assist the Board in discharging its duties relating to the safeguarding of assets, ensuring that the sustainability reporting is comprehensive, timely and relevant and to ensure that the group has implemented an effective plan for risk management that will enhance the group's ability to achieve its strategic objectives.

The risk management plan will be reviewed annually and the risk matrix will be presented and discussed at each meeting.

The risk committee will comprise of Iraj Abedian (chairman) and Protas Phili who are independent non-executive directors and Andrew Teixeira, who is an executive director.

The risk committee's responsibilities and duties are governed by a charter.

Social and ethics committee

The social and ethics committee is a statutory committee whose focus is to monitor compliance with labour legislation as well as corporate social responsibilities and corporate citizenship.

The social and ethics committee will comprise of Tshiamo Vilakazi (chairperson) and Banus van der Walt who are independent non-executive directors and Barry Stuhler, who is an executive director.

The social and ethics committee's responsibilities and duties are governed by a charter.

Remuneration committee

The remuneration committee is mandated by the board to set the remuneration and

incentivisation of all employees, including executive directors. In addition, the remuneration committee recommends directors' fees payable to non-executive directors and members of board sub-committees.

The remuneration committee's responsibilities and duties are governed by a charter.

Information Technology Governance

The Board is ultimately responsible for IT governance. The IT function will be outsourced to a third party service provider and will be governed by a service level agreement. Compliance with the service level agreement will be monitored by management and the terms will be reviewed on a regular basis. There will be a dedicated member of the management team who oversees the IT function, attends the executive committee meetings and reports to the managing director. The risks and controls over IT assets and data will be considered by the risk committee.

Company secretary

The Board will appoint a competent and suitably qualified company secretary. The Board will assess the competence, qualifications and experience and the relationship of the company secretary with the Board on an annual basis.

Dealing in securities by the directors

Dealing in the Issuer's securities by directors and officials of the Issuer will be regulated and monitored as required by the JSE Listings Requirements and the Issuer's policy. In addition, the Issuer will maintain a closed period from the end of a financial reporting period to the date of publication of the financial results.

Promotion of Access to Information Act

As at the Programme Date there were no requests for information lodged with the Issuer or the Guarantors in terms of the Promotion of Access to Information Act No 2 of 2000.

Communications with stakeholders

The Issuer is committed to ensuring timeous, effective and transparent communication with unitholders and other stakeholders as set out below.

Stakeholder	Communication
Shareholders	The Issuer is committed to providing shareholders with timely access to applicable information. Communication with its shareholders is open, honest and transparent. Shareholders will be provided with information via circulars and integrated and interim reports. The Issuer will hold semi-annual results presentations in Johannesburg and Cape Town. Additional information is provided on Issuer's website, via SENS announcements and press releases.
Financiers	The Issuer will meet with its financiers on a regular basis to discuss its requirements and theirs. Information will be provided through analyst presentations, road shows, integrated reports and interim reporting.
Tenants	The Issuer strives to form mutually beneficial business relationships with the tenants of the group. The asset managers and property managers meet with the tenants on a regular basis and conduct regular site visits to the group's properties.
Government	The Issuer endeavours to have mutually beneficial relationships with government, its departments and parastatals. The issuer engages with local authorities both directly and via its property managers and external consultants regarding utility issues, rates clearances, zoning etc.
Industry associations	The asset managers belong to various industry bodies including SAPOA and the SA Shopping Centre Council and will attend industry conferences regularly.
Business	The group maintains professional working relationships with its

partners	business partners at the same time as fostering a culture of teamwork. The group will ensure that all of its business partners fully understand its performance standards and requirements. The group's business partners include the property managers and asset managers and senior management meet with the property managers on a regular basis.
Communities and environment	The Issuer is committed to being a good corporate citizen and will evaluate the impact of its projects and developments on society and the environment.
Suppliers	The group will maintain professional working relationships with all of its suppliers and will ensure that its suppliers understand its performance standards and requirements. Where possible, the group will have service level agreements or terms of reference for its relationships with suppliers, which include performance expectations.

7. FINANCIAL RISK MANAGEMENT

The Issuer has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This section presents information about Issuer's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital. The Board has overall responsibility for the establishment and oversight of Issuer's risk management framework. The Board will delegate the responsibility for developing and monitoring the Issuer's risk management policies to the risk committee. The risk committee will report to the Board on its activities. The risk committee will oversee how management monitors compliance with the Issuer's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Issuer.

The Issuer's risk management policies will be established to identify and analyse the risks faced by Issuer, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Issuer's activities.

Credit risk

Credit risk to the group is the risk of financial loss to the group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from tenants and investment securities.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including its industry and geographical spread, reduces credit risk. The majority of rental income is derived from Gauteng and the Western Cape, but within these areas, there is no concentration of credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the standard payment terms and conditions are offered. When available, Issuer's review includes external ratings.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, industry, size of business and existence of previous financial difficulties. Trade and other receivables relate mainly to tenants and deposits with municipalities.

Investments

The group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that are listed on a recognised stock exchange.

Cash and cash equivalents

The group limits its exposure to credit risk by investing cash and cash equivalents with reputable financial institutions.

Sureties

The group's policy is to provide surety with regards to group entities to the extent required in the normal course of business. Such sureties are provided to enable the subsidiaries to obtain the funding necessary to enable them to acquire investment property or investments.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Issuer's reputation.

The group receives rental on a monthly basis and uses it to reduce its borrowings. Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Issuer's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group utilises derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the risk committee.

Equity price risk

The group is exposed to equity price risk on its investments in Fortress, Resilient, Rockcastle and NEPI. The group limits its exposure by only investing in liquid securities and only with counterparties that are listed on a recognised exchange.

Interest rate risk

The group is exposed to interest rate risk on its interest-bearing borrowings and cash and cash equivalents. Interest-bearing borrowings and cash and cash equivalents bear interest at rates linked to prime/Jibar.

The group adopts a policy of ensuring that at least 80 percent of its exposure to interest rates on borrowings is hedged. This is achieved by entering into interest rate derivatives.

Currency risk

The group is exposed to currency risk through its investments in Rockcastle and Nepi.

Fair value and Investment property

The group is exposed to market risk in relation to investment property.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board also monitors the level of distributions to unitholders. Neither the Issuer nor any of its subsidiaries are subject to externally imposed capital requirements.

8. LITIGATION

Pangbourne is appealing the arbitration award wherein it was found to be liable to Nedbank, as surety for a loan that Nedbank advanced to Coveway Trade and Invest 17 Proprietary Limited, for the sum of R45 million plus interest and costs.

INVESTOR CONSIDERATIONS

Capitalised terms used in this section headed "Investor Considerations" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Programme Memorandum to reach their own views prior to making any investment decision.

References below to the "Terms and Conditions", in relation to Notes, shall mean the "Terms and Conditions of the Notes" set out under the section of this Programme Memorandum headed "Terms and Conditions of the Notes".

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the government of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Because uncertificated Notes are held by or on behalf of the CSD, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and/or lodged in the CSD will, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be lodged in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of uncertificated Notes will be made to the CSD's Nominee or the Participants and the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the CSD's Nominee or the Participants for distribution to their account holders. A holder of a Beneficial Interest in uncertificated Notes, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD or the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

Holders of Beneficial Interests in uncertificated Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

Recourse to the JSE Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE Guarantee Fund Trust. Claims against the JSE Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Guarantee Fund Trust. Unlisted notes are not regulated by the JSE.

Credit Rating

Tranches of Notes issued under the Programme, the Issuer, the Guarantors and/or the Programme, as the case may be, may be rated or unrated. A Rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning

Rating Agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Risks related to the structure of the particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked and Dual Currency Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Notes to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**) or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the Nominal Amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate may at any time be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes where denominations involve integral multiples: Individual Certificates

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding and would need to purchase a Nominal Amount of Notes such that its holding amounts to a minimum Specified Denomination.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Modification and waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Notes are governed by, and will be construed in accordance with, South African law in effect as at the Programme Date. No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice in South Africa after the Programme Date.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

SETTLEMENT, CLEARING AND TRANSFER OF NOTES

Capitalised terms used in this section headed "Settlement, Clearing and Transfer of Notes" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Notes listed on the Interest Rate Market of the JSE and/or held in the CSD

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

Clearing systems

Each Tranche of Notes listed on the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the Applicable Procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

Participants

The CSD maintains accounts only for Participants. As at the Programme Date, the Participants which are approved by the JSE, in terms of the listings requirements of the JSE, as Settlement Agents to perform electronic settlement of funds and scrip are Absa Bank Limited; Citibank N.A., South Africa; FirstRand Bank Limited; Nedbank Limited; Standard Chartered Bank, Johannesburg Branch; Société Générale, Johannesburg Branch; The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear, as operator of the Euroclear System, and Clearstream will settle off-shore transfers in the Notes through their Participants.

Settlement and clearing

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in the CSD, the CSD's Nominee, a wholly owned subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Financial Markets Act, and any reference to "CSD's Nominee" shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Financial Markets Act, will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE will be made to the CSD's Nominee, as the registered Noteholder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the CSD or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the CSD or the relevant Participant, as the case may be, for such person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the CSD's Nominee, as the registered Noteholder of such Notes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market

of the JSE will be recorded by the CSD's Nominee, as the registered Noteholder of such Notes, distinguishing between interest and principal, and such record of payments by the CSD's Nominee, as the registered Noteholder of such Notes, shall be *prima facie* proof of such payments.

Transfers and exchanges

Subject to Applicable Laws, title to Beneficial Interest held by clients of Participants indirectly through such Participants will be freely transferrable and will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Subject to Applicable Laws, title to Beneficial Interests held by Participants directly through the CSD will be freely transferrable and will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 15.2 (*Transfer of Notes represented by Individual Certificates*).

Records of payments, trust and voting

Neither the Issuer nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Neither the Issuer nor the Paying Agent nor the Transfer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

JSE Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the JSE Guarantee Fund Trust. Claims against the JSE Guarantee Fund Trust may only be made in respect of the trading of the Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Guarantee Fund Trust.

Notes listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

SUBSCRIPTION AND SALE

Capitalised terms used in this section headed "Subscription and Sale" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Dealer(s) has in terms of the amended and restated programme agreement dated 30 June 2014, as may be amended, supplemented or restated from time to time (the **Programme Agreement**), agreed with the Issuer a basis upon which it may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

Selling restrictions

South Africa

The Dealer(s) has (or will have) represented, warranted and agreed that it (i) will not offer Notes for subscription, (ii) will not solicit any offers for subscription for or sale of the Notes, and (iii) will itself not sell or offer the Notes in South Africa in contravention of the Companies Act, Banks Act, Exchange Control Regulations and/or any other Applicable Laws and regulations of South Africa in force from time to time.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not make an "offer to the public" (as such expression is defined in the Companies Act, and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa. This Programme Memorandum does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

Offers not deemed to be offers to the public

Offers for subscription for, or sale of, Notes are not deemed to be offers to the public if:

- (a) made to certain investors contemplated in section 96(1)(a) of the Companies Act; or
- (b) the total contemplated acquisition cost of Notes, for any single addressee acting as principal, shall be equal to or greater than ZAR1,000,000, or such higher amount as may be promulgated by notice in the Government Gazette of South Africa pursuant to section 96(2)(a) of the Companies Act.

Information made available in this Programme Memorandum should not be considered as "advice" as defined in the Financial Advisory and Intermediary Services Act, 2002.

United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) the Notes in that Tranche have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act;
- (b) it has not offered, sold or delivered any Notes in that Tranche and will not offer, sell or deliver any Notes in that Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 (forty) Days after completion of the distribution, as determined and certified by the Dealer(s) or, in the case of an issue of such Notes on a syndicated basis, the relevant Lead Manager, of all Notes of the Series of which that Tranche of Notes is a part, within the United States or to, or for the account or benefit of, U.S. Persons;
- (c) it will send to each dealer to which it sells any Notes in that Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and

sales of such Notes within the United States or to, or for the account or benefit of, U.S. Persons; and

- (d) it, its Affiliates and any persons acting on its or any of its Affiliates behalf have not engaged and will not engage in any directed selling efforts in the United States (as defined in Regulation S under the Securities Act) with respect to the Notes in that Tranche and it, its Affiliates and any Persons acting on its or any of its Affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Until 40 (forty) Days after the commencement of the offering of a Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act.

European Economic Area

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive and ending on the date which is 12 (twelve) months after the date of such publication;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal Persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) in relation to any of the Notes in that Tranche which have a maturity of less than one year, (i) it is a Person whose ordinary activities involve in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any of such Notes other than to Persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses

where the issue of such Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act, 2000 (the **FSMA**) by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any of the Notes in that Tranche in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom.

General

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales; and
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealer(s) represent that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder nor assumes any responsibility for facilitating such subscription or sale.

SOUTH AFRICAN TAXATION

Capitalised terms used in this section headed "South African Taxation" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The comments below are intended as a general guide to the relevant tax laws of South Africa as at the Programme Date. The contents of this section headed "South African Taxation" do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

Securities Transfer Tax

No STT is payable on the issue or transfer of Notes (bonds) under the Securities Transfer Tax Act, 2007, because they do not constitute securities for the purposes of that Act.

Value-Added Tax

No VAT is payable on the issue or transfer of Notes. Notes (bonds) constitute "*debt securities*" as defined in section 2(2)(iii) of the South African Value-Added Tax Act, No. 89 of 1991. The issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security is a financial service, which is exempt from VAT in terms of section 12(a) of that Act.

Commissions, fees or similar charges raised for the facilitation of these services will however be subject to VAT at the standard rate (currently 14 percent), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) of the South African Value-Added Tax Act, 1991.

Income Tax

Under current taxation law effective in South Africa a "*resident*" (as defined in section 1 of the Income Tax Act) is subject to income tax on his/her worldwide income. Accordingly, all Noteholders who are "*residents*" of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned pursuant to the Notes. Non residents of South Africa are subject to income tax on all income derived from a South African source (subject to domestic exemptions or relief in terms of an applicable double taxation treaty).

Interest income is from a South African source if that amount:

- (a) is attributable to an amount incurred by a person that is a resident, unless the interest is attributable to a permanent establishment which is situated outside of South Africa; or
- (b) is received or accrues in respect of the utilisation or application in South Africa by any person of any funds or credit obtained in terms of any form of interest-bearing arrangement.

Accordingly, the interest paid to the Noteholders will be from a South African source and subject to South African income tax unless such income is exempt under section 10(1)(h) of the Income Tax Act (see below).

Under section 10(1)(h) of the Income Tax Act interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve month period preceding the date on which the interest is received by, or accrues to, that person; or
- (b) at any time during the twelve month period preceding the date on which the interest is received by, or accrues to, that person carried on business through a permanent establishment in South Africa.

If a Noteholder does not qualify for the exemption under Section 10(1)(h) of the Income Tax Act, exemption from, or reduction of any South African income tax liability may be available under an applicable double taxation treaty.

Purchasers are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act.

Under section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Note is treated as part of the interest income on the Note. Section 24J of the Income Tax Act deems interest income to accrue to a Noteholder on a day to-day basis until that Noteholder disposes of the Note or until maturity unless an election has been made by the Noteholder (if the Noteholder is entitled under Section 24J(9) of the Income Tax Act to make such election) to treat its Notes on a mark to market basis. This day to day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. Interest as defined in section 24J of the Income Tax Act (including the premium or discount) may qualify for the exemption under section 10(1)(h) of the Income Tax Act.

The tax treatment of subordinated notes where the issuer has no obligation to make interest and/or capital payments, the proceeds of which qualify as primary share capital may differ from the section 24J treatment noted above.

To the extent the disposal of the Note gives rise to a gain or a loss, the normal principles are to be applied in determining whether such gain or loss should be subject to income tax in terms of the Income Tax Act.

Capital Gains Tax

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability to capital gains tax.

Withholding Tax

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa. However, legislation has been enacted introducing a withholding tax on South African sourced interest payments to foreign persons at a rate of 15%. It has been proposed that this withholding tax takes effect on 1 January 2015. A foreign person will be exempt from the withholding tax on interest if that foreign person -

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve month period preceding the date on which the interest is paid; or
- (b) at any time during the twelve month period preceding the date on which the interest is paid carried on business through a permanent establishment in South Africa.

Such persons are subject to normal South African income tax on the interest sourced in South Africa unless exempted under Section 10(1)(h) of the Income Tax Act. Please refer to the section on Income Tax below.

In terms of the legislation, South African sourced interest that is paid to a foreign person in respect of any listed debt will be exempt from the withholding tax on interest. In terms of the legislation, a "*listed debt*" is a debt that is listed on a recognised exchange as defined in the Income Tax Act.

Definition of Interest

The references to "*interest*" above mean "*interest*" as understood in South African tax law. The statements above do not take account of any different definitions of "*interest*" or "*principal*" which may prevail under any other law or which may be created by the Terms and Conditions or any related documentation.

SOUTH AFRICAN EXCHANGE CONTROL

Capitalised terms used in this section headed "South African Exchange Control" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The information below is intended as a general guide to the position under the Exchange Control Regulations as at the Programme Date. The Exchange Control Regulations are subject to change at any time without notice. The contents of this section headed "South African Exchange Control" do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

Non-South African resident Noteholders and emigrants from the Common Monetary Area

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the Applicable Terms and Conditions may be subject to the Exchange Control Regulations.

Blocked Rands

Blocked Rands may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rands may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed "*non-resident*". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an "*non-resident*" account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder's Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "*non-resident*". In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account maintained for such Noteholder by the relevant Participant will be designated as a "*non-resident*" account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed "*non-resident*" or the relevant securities account has been designated as a "*non-resident*" account, as the case may be.

For purposes of this section, "**Common Monetary Area**" means South Africa, Lesotho, Namibia, and Swaziland.

The Issuer is established and resident in South Africa and as such is not required to obtain exchange control approval for the Programme.

GENERAL INFORMATION

Capitalised terms used in this section headed "General Information" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa as at the Programme Date, have been given for the establishment of the Programme and the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Memorandum and the Notes.

Listing

The Programme Memorandum was approved by the JSE on 30 June 2014. Notes to be issued under the Programme will be listed on the Interest Rate Market of the JSE or any other Financial Exchange. Unlisted Notes may also be issued under the Programme Memorandum.

Documents Available

So long as the Notes are capable of being issued under the Programme, copies of the documents incorporated under the section headed "*Documents Incorporated by Reference*" will, when published, be available at the registered office of the Issuer as set out at the end of this Programme Memorandum. This Programme Memorandum, any supplement and/or amendment hereto, the Applicable Pricing Supplements relating to any issue of listed Notes and the published audited annual financial statements of the Issuer will also be available on the Issuer's website at www.capitalproperty.co.za and this Programme Memorandum, any supplement and/or amendment hereto and the Applicable Pricing Supplements relating to any issue of listed Notes will be available on the JSE's website, www.jse.co.za.

Material Change

As at the Programme Date, and after due and careful inquiry, there has been no material change in the financial or trading position of the Issuer and the Guarantors since the date of the Issuer's and each of the Guarantor's latest audited financial statements. As at the Programme Date, there has been no involvement by Deloitte & Touche in making the aforementioned statement.

Litigation

Save as disclosed herein, neither the Issuer and/or the Guarantors are or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and/or the Guarantors are aware) which may have or has had a significant effect on the financial position of the Issuer or its consolidated Subsidiaries.

Auditors

Deloitte & Touche have acted as the auditors of the financial statements of the Issuer for the financial period ended 31 January 2014 and, in respect of those years, have issued unmodified audit reports.

ISSUER

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