

FOUNTAINHEAD

Property Trust ■■■■■■



**THE 25TH ANNUAL REPORT
2008**



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PROFILE, INVESTMENT POLICY AND FINANCIAL HIGHLIGHTS

PROFILE

Fountainhead Property Trust (the "Trust") is a property unit trust established in 1983 in terms of the Unit Trusts Control Act, 1981, subsequently, in March 2003, replaced by the Collective Investment Schemes Control Act, 2002. The Trust is a closed-end fund and is obliged to distribute all net income earned to its unitholders. As a result of its distribution obligations, the Trust is not taxed on its income. The Registrar of Collective Investment Schemes regulates the Trust insofar as its compliance with the Collective Investment Schemes Control Act is concerned and the JSE Limited (JSE) regulates its trading regulations.

The Trust's portfolio of investments in retail, commercial and industrial properties, at 30 September 2008, was capitalised on the JSE at R5.6 billion.

OBJECTIVE

The Trust is managed by Fountainhead Property Trust Management Limited whose investment policy is to create wealth for the Trust's unitholders by consistently generating a total rate of return in excess of inflation. This is to be achieved by optimising net rental growth and thereby maximising the appreciation in the value of the underlying properties in the portfolio.

FINANCIAL HIGHLIGHTS

	2008	2007
Distributions		
Cents per unit	48.10	42.92
Growth	12.1%	10.1%
Average vacancy factor (based on lettable space)	6%	6%
Property portfolio valuations (Rm)	7 335	6 793
Funding capacity (Rm)		
Maximum borrowings in terms of trust deed	2 201	2 038
Approved facility	1 000	1 000
Unutilised facility after capital commitments	67	321
Fountainhead Property Trust units (cents per unit)		
Net asset value	666	634
Listed market price at year-end	560	675
(Decrease)/increase on previous year	(17%)	30.8%
(Discount)/premium to net asset value	(15.9%)	6.5%
FTSE/JSE Property Trust Index at year-end	321	413
(Decrease)/Increase on previous year	(22%)	30.1%

DIRECTORATE AND ADMINISTRATION

A Raubenheimer CA (SA)
(Chief Executive Officer)
Former Chief Financial Officer
of Fountainhead Property Trust
Management Limited and
Head of Business Development
at Virgin Active (South Africa).

S Shaw-Taylor CA (SA)
Global Head of Real Estate
investments for Standard Bank.
Over twenty years' experience
in property.

J D Rainier BCom LLB
(Managing Director)
Twenty-eight years'
experience in property
management.



S Segar CA (SA)
Director of Strategic
Development for Stanlib.
Fourteen years' experience
in asset management.
Executive committee member
of Liberty Properties.

V A Christian BCom CTA
CA (SA)*
Former partner at Ernst &
Young and non-executive
director of other listed
companies.

W M Kirchmann R.Q.S.,
M.A.Q.S.* (Chairman)
Managing Director of
Northprop (Pty) Ltd.
Forty-nine years' experience
in property.

*AUDIT COMMITTEE

Administrators

Broll Property Group
(Proprietary) Limited
2nd Floor, Broll House
27 Fricker Road
Illovo 2196
Johannesburg

Transfer Secretaries

Computershare Investor
Services (Proprietary)
Limited
70 Marshall Street
Johannesburg
2001

Trustees

ABSA Bank Limited
11 Diagonal Street
18th Floor
Johannesburg
2001

Auditors

KPMG Inc.

JSE code

FPT

Bankers

The Standard Bank of
South Africa Limited

ISIN

ZAE000097416

Sponsor

The Standard Bank of
South Africa Limited

MANAGER'S REPORT

CHANGE IN SHAREHOLDING OF THE MANAGEMENT COMPANY

On 31 March 2008 Standard Bank sold 50 percent of its shares in Fountainhead Property Trust Management Limited to Liberty Group Limited. Management believes this is a positive step and should open up new opportunities for the Trust. Sean Segar from Liberty joined the board on 6 April 2008.

GLOBAL ECONOMY

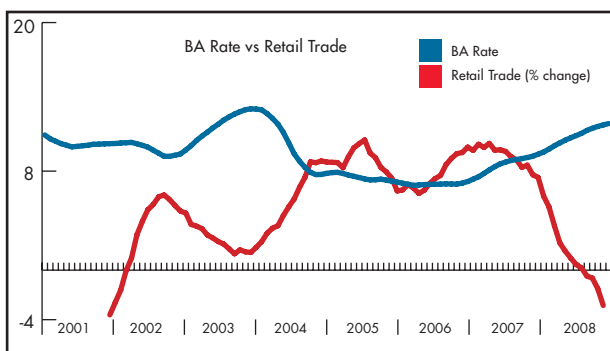
During the middle of 2007 world financial markets became aware of risks associated with the United States sub-prime mortgage market. Sub-prime mortgages are primarily poor quality mortgages which are often securitised and on-sold to investors after having their credit risk rated by independent rating agencies. Subsequently it became apparent that the associated credit risk ratings were overstated and defaults of underlying mortgage holders began to increase, thereby reducing the value of securitised debt. This problem turned into a crisis during the middle of 2008 with large investment banks having to write down the value of their investments in sub-prime mortgages, which resulted in banks being undercapitalised and eroded confidence in financial markets. This hindered the efforts of banks to recapitalise by issuing more equity. Sizable financial institutions failed or were bailed out, such as Bear Sterns, Washington Mutual, Merrill Lynch and Lehman Brothers, causing financial distress and forcing central banks to stabilise the financial system by injecting billions of dollars into the economy with the hope of enhancing liquidity. Stock markets around the world have seen major sell-offs of equities since July 2008 and volatility has increased substantially.

South African banks do not have exposure to sub-prime debt. However, our economy is not ring-fenced from this crisis as the

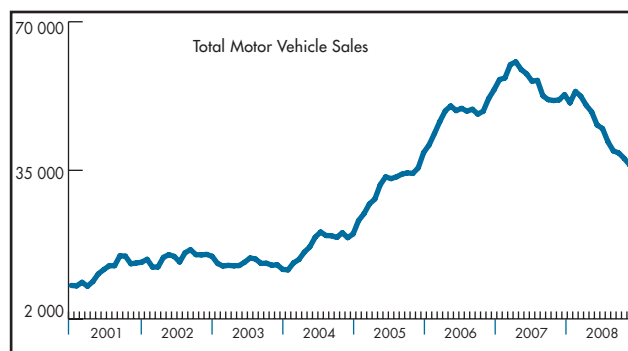
economy is reliant on exports and runs a current account deficit. The sub-prime crisis will cause the global economic growth to slow with the US, being the world's biggest consumer, likely to go into recession. South Africa can expect a slow-down in demand for its export products which could reduce our GDP growth predictions. South Africa also relies on exports to fund our current account deficit, estimated to be 7 percent of gross domestic product, and with exports decreasing the currency may well come under pressure, causing a devaluation of the rand which in turn would cause further inflationary pressure due to high import costs.

THE DOMESTIC SOUTH AFRICAN ECONOMY

The past year has seen the SARB hike interest rates four times in order to curb domestic inflation. The SARB has consistently applied an inflation targeting policy of trying to keep CPIX within its 3 percent – 6 percent target range and has used interest rates as a tool to control CPIX growth. The prime lending rate has increased to 15.5 percent as at September 2008 compared with 13.5 percent in the previous year. This has resulted in slowing the economic growth which is demonstrated by the decrease in new vehicle and retail sales. The percentage change in retail trade is inversely correlated to movement in the three-month BA rate. This demonstrates the effectiveness of using interest rates as a tool to subdue consumer spending and reduce inflationary pressure. CPIX is currently out of the target range at 13 percent as the SARB interest rate hikes, while slowing consumer spending, have had little effect on supply side inflation like oil and food prices which are determined by world markets. Economists are forecasting CPIX to be within the target range by 2010. There is currently also evidence of consumers starting to deleverage as a result of high funding costs.



(Source: I-Net Bridge)



(Source: I-Net Bridge)



GRAYSTON RIDGE OFFICE PARK

MANAGER'S REPORT

South Africa still appears unlikely to fall into a recession and official growth rates of 3.5 percent are being predicted by government. However, in light of recent global economic problems it seems likely that this figure will be moderated downwards. Management believes interest rates have peaked and predicts the prime rate will begin to fall during the first half of 2009. This, together with the lower oil price, will provide some relief to consumers. The Fountainhead portfolio is defensive in nature due to the large component of regional and super regional shopping centres which attract A-grade tenants. Management believes the portfolio is well placed to perform well through good and difficult times.

THE SOUTH AFRICAN PROPERTY MARKET

Rode's Report (2008:3) shows the following percentage increases in nominal market rentals over the past year, continuing the marked improvement in the physical property market:

Prime decentralised offices		Prime Industrial	
Sandton CBD	9.3	Central Witwatersrand	18.1
Brooklyn/Waterkloof	22.6	East Rand	21.3
La Lucia Ridge	13.6	Cape Peninsula	17.5
Tyger Valley	7.5	Durban Metro	26.6
		Pretoria Metro	7.8

Over this period the BER building cost index rose by 10 percent.

The continued rise of interest rates has started to effect capitalisation rates during the second quarter of 2008. Rode reports capitalisation rates should hold up due to continued rental growth, provided the inflation outlook for the economy remains positive. Rode notes that currency devaluation is a potential risk to the inflation outlook. New contractual lease escalations remain in the range of 8 to 9 percent.

Vacancy rates in the decentralised office market continue to be at record lows of below 5 percent. The market is generally moving sideways with Sandton and Illovo showing marginal increases. During the last two years developers have taken advantage of low vacancy rates by developing new offices in premium office nodes. This new supply of offices, many of which have been developed on a speculative basis, will be coming "on-stream" within the next two years. The slow-down of the local economy increases the risk of an oversupply of office space in the near term. However, increased building costs and greater market risk are now curtailing further office development. The industrial market has continued to perform well with strong rental growth. All the major industrial nodes have minimal vacancies in prime space of between 3 percent and 5 percent. The industrial market may weaken due to a slowing economy although this risk has been mitigated by the electricity supply constraint and the shortage of industrial-zoned land which hinders new supply.

	Offices	Shops	Industrial
12 months to June 2008			
(% change on a year earlier)			
Completed	48.1	31.2	4.6
Plans passed	-10.6	15.1	-0.6
6 months to June 2008			
(% change on a year earlier)			
Completed	34.5	25.2	-19.8
Plans passed	3.4	54.0	-4.4
	Other		Total
12 months to June 2008			
(% change on a year earlier)			
Completed	10.8		20.5
Plans passed	-23.9		12.8
6 months to June 2008			
(% change on a year earlier)			
Completed	-35.3		2.0
Plans passed	-33.4		7.6

Please note that not all buildings for which plans are passed are built.

The table indicates a substantial increase in office and shops building completions in the first half of 2008 and a decline in industrial space coming onto the market. The total growth in plans passed and completed has decreased quite significantly in the first half of 2008. This is a result of the slowing economy, electricity supply constraints and the inability to continue the substantial growth which occurred in the prior year. The increase in office supply of 34.5 percent has not resulted in higher vacancies, which indicates supply is being met by demand growth.

Rode reports a take-up of prime office space during the last year to June 2008 of some 410 000 m², of which some 223 000 m² occurred in the decentralised Johannesburg nodes. Asking rentals for new office blocks in decentralised Sandton are approximately R140/m² compared to rentals of R107/m² for existing A-grade office space. This differential implies that there is still scope for rental growth in this dominant market.

Retail sales decreased by 5.5 percent in real terms (Source Stats SA) for August 2008 compared to August 2007. This is a result of continued interest rate hikes by the SARB in an effort to curb inflation. The recent global credit crunch has put

THE FOUNTAINHEAD PORTFOLIO IS DEFENSIVE IN NATURE DUE TO THE LARGE COMPONENT OF REGIONAL AND SUPER REGIONAL SHOPPING CENTRES WHICH ATTRACT A-GRADE TENANTS

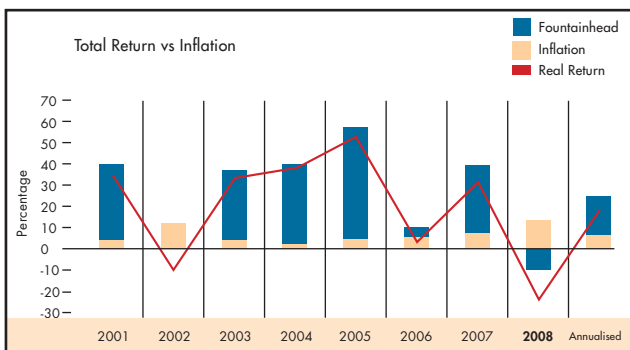
significant pressure on the exchange rate. Inflationary pressures caused by a weak exchange rate have been off-set by a weakening of commodity prices, most notably crude oil. Management predicts consumers will remain under pressure for the duration of the next financial year.

INITIATIVES AND MARKET DEVELOPMENTS DURING 2008

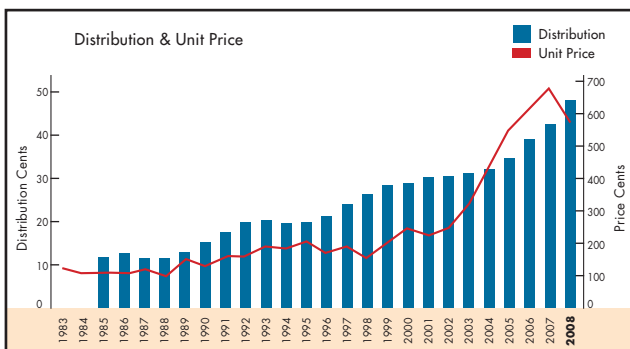
We continued with our programme of redeveloping our core assets. For details we refer you to the "Property portfolio" section set out on pages 22 and 23.

PERFORMANCE AND FINANCIAL RESULTS

Our purpose is the creation of long-term wealth for our unitholders. Over the last eight years to September 2008 the total return per annum generated by Fountainhead Property Trust compared with inflation has been as follows:

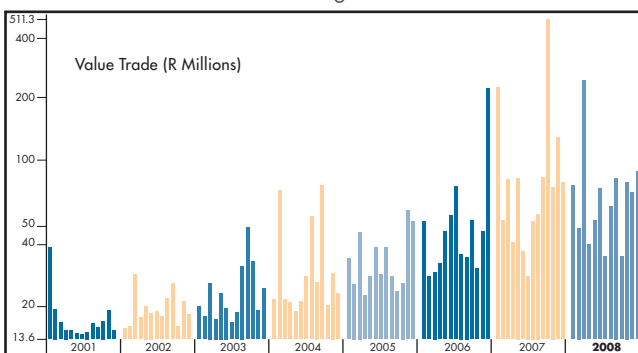


(Source: I-Net Bridge)



(Source: I-Net Bridge)

Fountainhead shows consistent growth in distribution



(Source: I-Net Bridge)

Total distributions for the year to 30 September 2008 were R479.097 million, equivalent to 48.10 cents per unit (2007: 42.92 cents). The total distribution comprised an interim distribution of 23.60 cents (2007: 21.40 cents) and a final distribution of 24.50 cents (2007: 21.52 cents) was paid on 24 November 2008. This is a 12.1 percent increase for the year.

Fountainhead Property Trust participates in the IPD South Africa annual benchmark survey which measures the performance of its underlying direct property portfolio against other listed funds. For 2007 Fountainhead Property Trust's total return was 38.5 percent compared with the benchmark of 29.9 percent. In addition, Fountainhead won the award for the best listed office portfolio, based on total return over a three-year period.

VACANCY LEVELS

Vacancy levels in terms of rentable area at 30 September were as follows (percent):

Sector	2008	2007
Retail	6	6
Offices	8	2
Industrial	6	9
Other	-	-
Total	6	6

By value, the vacancies equated to 4.5 percent of potential rental income, compared with 4 percent at half-year.

In the retail sector 82 percent of the vacancies were contained in The Boulders, The Brightwater Commons and the offices at Centurion Mall, approximately 40 percent of which have been let for future occupation.

The office sector had a vacancy of 7.6 percent which is primarily situated in Grayston Ridge.

In the industrial sector, 60 percent of the vacancy is in the mini units. Mini units have historically always been a challenge to let during adverse economic conditions. Approximately 20 percent of the mini unit vacant industrial area has been let for future occupation.

FOUNTAINHEAD WON THE
 AWARD FOR THE BEST LISTED
 OFFICE PORTFOLIO, BASED
 ON TOTAL RETURN OVER A
 THREE-YEAR PERIOD

MANAGER'S REPORT



DOUGLAS ROBERTS CENTRE

During the past year 13 285 m² of new leases were signed in the office portfolio and 46 338 m² of leases were renewed, a total of 53 percent of the rentable area of the portfolio. The leases were concluded at a cost of 1 percent of the gross value of R398 million.

During the past year 28 723 m² of new leases were signed in the industrial portfolio and 17 913 m² of leases were renewed, a total of 25 percent of the rentable area of the portfolio. The leases were concluded at a cost of 5 percent of the gross value of R79 million.

Leasing activity for the year was as follows:

The table below shows the fund's letting performance during 2008. The growth in office renewals indicates the strength of the sector and shows office rentals lagging the market which bodes well for future renewals.

	Retail		Offices		Industrial	
	Area (m ²)	% of year-end area	Area (m ²)	% of year-end area	Area (m ²)	% of year-end area
Vacant at 30 September 2007	25 612	6	2 611	2	16 351	8
Sold	-	-				
Vacated	21 492	5	19 129	17	22 981	12
New leases	(21 772)	5	(13 285)	12	(28 723)	16
Vacant at 30 September 2008	25 332	6	8 455	8	10 609	6
Renewals 2 yr plus	32 771		37 632		11 756	
Renewals 1yr	3 670		8 706		6 157	

PROPERTY PORTFOLIO

During the year, the following change was made to the portfolio:

SALES

During the year, the following sale was concluded:

Property	Net selling price R000	2007 valuation R000	Deficit percent
Cenmag	5 084	6 278	(19)

Note that this sale was negotiated in the previous financial year, prior to the revaluation of the property. The actual profit on original cost was R3.4 million.

CAPITAL PROJECTS

Significant capital projects and planned projects are:

KENILWORTH CENTRE

The R56 million development of a food court and the new Game store was completed in November 2008. The R50.6 million reconfiguration of a portion of the Shoprite space which will accommodate the new Virgin Active, and the extension to Shoprite, which will be converted to a Checkers, has also commenced. The target date for completion of Checkers is the beginning of February 2009 and Virgin Active will be June 2009. The refurbishment of the mall will be attended to simultaneously, and should be completed by the end of 2008.



BENMORE GARDENS SHOPPING CENTRE

THE BRIGHTWATER COMMONS

The construction work for Woolworths and Virgin Active is complete. Further leasing is in progress.

BENMORE GARDENS SHOPPING CENTRE

The redevelopment is progressing well. All new tenants, including Pick n Pay, are trading. The area on the lower level will be converted to parking and limited retail during the first half of 2009. The proposed sale of the Pick n Pay premises to the tenant is not being proceeded with and Fountainhead will retain ownership of the entire property.

DOUGLAS ROBERTS CENTRE

The construction of the parking garage is complete. The remaining upgrade of the office block will be completed by the end of 2008. Fountainhead's capped contribution to the project is R147.2 million.

VALUATION

The composition of the Trust's portfolio, as valued by the independent valuer, Rode and Associates CC, is as follows:

Sector	Value (Rm)	Cents/unit	Forward EY (%)	% of portfolio	
				2008	2007
Retail	5 434	546	8.4%	74	75
Office blocks	973	98	8.6%	13	12
Industrial	654	66	9.3%	9	9
Specialised	274	28	9.6%	4	4
Total property	7 335	738	8.5%	100	100
Long-term borrowings	(731)	(73)			
Net current assets	5	1			
	6 609	666			

The net asset value per unit is 5 percent higher than that of the previous year despite a weakening of capitalisation rates. This is due to management's strategy of expanding their existing portfolio at superior yields rather than purchasing new property at inferior yields.

The portfolio is concentrated significantly in 14 properties making up 74 percent of the portfolio by value. The major properties are discussed below.

RETAIL PORTFOLIO

This portfolio consists of 415 743 m² of rentable area, of which 6 percent is vacant at year-end (6 percent last year). It is instructive to note that all our dominant regional centres serve the growing middle-income market and are thus well positioned to benefit from the strength and increasing importance of this market segment.

The major components of this portfolio by value are (details are for 100 percent of property):

- Centurion Mall (a 75 percent undivided share) totalling 109 625 m² with 86 025 m² of retail space and 23 600 m² of offices, including the Munpen and Die Anker office buildings adjoining the Mall. It is budgeted to contribute 25 percent of property earnings in the new financial year. The major tenants are Pebble Bed Modular Reactor, Pick n Pay, Woolworths, Edgars, Game, Dischem, Jet, Hi Fi Corporation and Furniture City. Many management services are being provided to the adjoining property occupied by Checkers Hyper to provide shoppers with a common shopping experience in the greater 131 167 m² node. Sales growth for the year to 30 September was 3 percent (7 percent last year).

MANAGER'S REPORT

- Westgate Shopping Centre (a 41 percent undivided share) with 105 995 m² of retail space. It is budgeted to contribute 10 percent of property earnings in the new financial year. The major tenants are Checkers Hyper, Woolworths, Edgars, Game, Stuttafords, Toys R Us, Ster Kinekor, Hi Fi Corporation and all the national fashion chains. Again during this year a number of changes were made to the tenancies to cater better for the changing demographics and shopper patterns being experienced. Sales growth for the year to 30 September was negative 3 percent (3 percent last year).
- Blue Route Mall with 48 304 m² of retail space. It is budgeted to contribute 10 percent of property earnings in the new financial year. The major tenants are Checkers Hyper, Woolworths, Mr Price, Boardmans and Edgars. Most major national fashion chains are represented in the centre as well. Provisional investigations have commenced to expand the space occupied by existing tenants and to introduce national tenants who wish to be in the centre but cannot be accommodated. Sales growth for the year to 30 September was 13 percent (9 percent last year)
- Kenilworth Centre with 40 694 m² of retail space. It is budgeted to contribute 8 percent of property earnings in the new financial year. The major tenants are Pick n Pay, Woolworths, Edgars, Virgin Active, Shoprite and all the major national fashion chains. Sales growth for the year to 30 September was 10 percent (13 percent last year). Work has commenced on major alterations to the Centre which are outlined in the section dealing with Capital Projects above.
- N1 City Mall (a 58 percent undivided share) with 64 313 m² of retail space. It is budgeted to contribute 8 percent of property earnings in the new financial year. This family centre is anchored by Checkers Hyper, Pick n Pay, Woolworths and Edgars. All national fashion tenants are also represented in the centre. Sales growth for the year to 30 September was a negative 3 percent (30 percent last year).
- The Boulders with a total of 48 258 m² of space. It is budgeted to contribute 8 percent of property earnings in the new financial year. The major tenants are Pick n Pay, Game and Edgars, with all the other national chains having representation. Vacancies have reduced from 10 percent to 8 percent during the year. The remaining vacancy is situated on the lower level. Negotiations are under way to let part of this space. Sales growth to 30 September was 11 percent (13 percent last year).
- Benmore Gardens with 20 446 m² of retail and associated office space. It is budgeted to contribute 6 percent of property earnings in the new financial year. Pick n Pay anchors this neighbourhood centre, which offers free

parking and numerous service tenants. Work is nearing completion on major alterations to the Centre which are outlined in the section dealing with Capital Projects above.

- Southgate Mall and Value Market (16 and 19 percent undivided shares respectively) with 70 939 m² and 18 885 m² respectively. They are budgeted to contribute 4 percent of property earnings in the new financial year. The major tenants are Pick n Pay, Woolworths, Checkers, Edgars, Jet, Ster Kinekor, Virgin Active, Dion and Sportsman's Warehouse. Southgate is well positioned to take advantage of the growing new middle class in South Africa. Sales growth for the year to 30 September was 1 percent (5 percent last year).
- The Brightwater Commons with 42 551 m² of space. It is budgeted to contribute 4 percent of property earnings in the new financial year and is commented on in the section dealing with Capital Projects above.
- Bryanston Shopping Centre with 11 586 m² of retail space. It is budgeted to contribute 3 percent of property earnings in the new financial year. Major tenants in this neighbourhood centre are Checkers and a Woolworths Food Store. Preliminary investigations remain under way to provide certain national tenants with the expansion they require and to create additional parking.

For more comprehensive details of this portfolio see page 22.

COMMERCIAL AND INDUSTRIAL PORTFOLIO

The total area of the commercial and industrial portfolio is 296 481 m² with average vacancy at year-end of 6 percent (6 percent last year). Of this, the office portfolio is 111 556 m² with an average vacancy of 8 percent (2 percent last year), and the industrial portfolio is 184 925 m² with an average vacancy of 6 percent (9 percent last year).

The largest buildings by value are:

- Douglas Roberts Centre which is a 19 166 m² office building in Bedfordview. It is budgeted to contribute 4 percent of property earnings in the new financial year. It is commented on further in the section dealing with Capital Projects above.
- Strijdom Industrial Park in Strijdom Park, Randburg, which is a 24 957 m² complex consisting of 45 units. It is budgeted to contribute 2 percent of property earnings in the new financial year. The park is currently 2 percent vacant (2 percent last year).
- Mifa Industrial Park which is a 34 002 m² industrial park in Midrand, comprising 10 buildings and flexible premises varying between 780 m² and 4 000 m² with offices and ample parking. It is budgeted to contribute 2 percent of

property earnings in the new financial year. The complex has a zero vacancy (8 percent last year).

- Grayston Ridge Office Park which is in Sandton and comprises three prime office buildings measuring 10 023 m² in total, set in a secure, attractively landscaped environment. It is budgeted to contribute 1 percent of earnings in the new financial year. The complex is currently 35 percent vacant (5 percent last year), of which 28 percent have been let for future occupation.
- Buildings with material vacancies or the threat of materially increased vacancies are:

	Rentable area (m ²)	Vacant area (%)	Monthly loss R000
--	---------------------------------	-----------------	-------------------

Offices

Actual

AMR Office Park	9 965	10	77
Grayston Ridge	10 023	35	317
Delmat	3 915	30	42
256 Kent Avenue	2 244	51	113

549

Potential*

AMR Office Park	9 965	17	122
The Ambridge	4 407	27	88

210

Industrial

Actual

Supreme Industrial Park	31 061	11	122
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122

881

*Potential is where tenants have indicated that they will not renew their leases.

For more comprehensive details of this portfolio see pages 22 and 23.

SPECIALISED PORTFOLIO

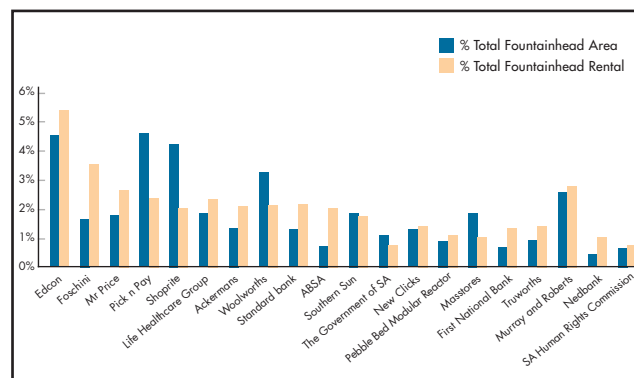
The specialised portfolio comprises two properties:

- Bedford Gardens Private Hospital. The lease with Life Healthcare Group has a further 13 years to run with average escalations of 10.5 percent per annum. It is budgeted to contribute 3 percent of property earnings in the new financial year.
- Southern Sun O.R. Tambo International Airport. The lease over this property has a further three years to run and escalates at an inflation-linked rate, with a 10-year option to renew. It is budgeted to contribute 2 percent of property earnings in the new financial year.

For more comprehensive details of this portfolio see page 23.

EXPOSURE TO MAJOR TENANTS

Exposure to major tenants is as follows (proportionate share where appropriate):



CASH FUNDS

A R1 billion facility is available from Standard Bank with an additional R1 billion headroom facility negotiated post year-end. Capital commitments at year-end were R202 million. These will be funded by the sale of properties or from the approved loan facility. After the capital commitments the fund will have an unutilised facility of R67 million and access to a R1 billion headroom facility.

UNITS IN ISSUE

At year-end the number of units in issue was 996 043 081 (2007: 996 043 081).

TRADING STATEMENT

The board anticipates that distributions per unit for the year ending 30 September 2009 will increase by approximately 8 percent compared with the year ended 30 September 2008. This forecast has not been reviewed or reported on by Fountainhead Property Trust's auditors.

FEES

The service fee payable by the Trust to the Manager for the year was 0.5 percent per annum of the enterprise value of the fund, that is total market capitalisation plus the aggregate amount of borrowings, calculated monthly on the average daily closing prices. The amount paid was R32.66 million (2007: R34.02 million).



THE BRIGHTWATER COMMONS

The Trust during 2008 paid the following fees and commissions (excluding VAT):

To Broll Property Group for:

(R000)	2008	2007
Administration Fees	27 205	23 951
Letting Fees	5 564	4 847
	32 769	28 798

To the Motseng Property Services for:

(R000)	2008	2007
Administration Fees	1 925	1 825
Letting Fees	162	171
	2 087	1 996

To McWilliam Murray Realty for:

(R000)	2008	2007
Administration Fees	824	736
Letting Fees	58	55
	882	791

Asset management fees of R13.277 million (2007: R8.688 million) and R11.221 million (2007: Rnil) were paid by the Manager to the Standard Bank of South Africa Limited and Evening Star Trading 768 (Proprietary) Limited respectively. Administration fees of R1.014 million (2007: R0.939 million) were paid by the Manager to Broll Property Group.

UNITHOLDER SPREAD

According to the Trust's transfer secretaries, the unitholder spread of the Trust is as follows:

Type of unitholder	Number of unitholders	% of securities held
Public	6 786	99.94
Non-public	4	0.06

The non-public unitholders are three directors whose interests are disclosed below, and the Manager whose holding is disclosed in note 2 to the Annual Financial Statements of the Company.

To the best of the Directors' knowledge and belief, Old Mutual Life Assurance Company SA Limited with a holding of 7 percent is the only single shareholder registered as being interested beneficially in 5 percent or more of the capital of the Trust. As far as can be ascertained, the following groupings hold significant stakes:



THE BRIGHTWATER COMMONS

Grouping	Holding
Stanlib	>10%
Old Mutual	>10%
Coronation Asset Managers	>5%
Investec Asset Management	>5%

Directors' interests in Fountainhead Property Trust:

	Beneficial Holding	Movement
J D Rainier	160 000*	40 000*
V C Christian	–	–
W M Kirchmann	100 000	25 705
S Shaw-Taylor	100 000	100 000
S Segar	–	–

No directors have any non-beneficial holdings in the Trust.

* 40 000 units purchased subsequent to year-end.

GREEN BUILDING INITIATIVE

Global warming is one of the biggest moral challenges facing mankind with the corporate property industry having a big role to play in creating a sustainable future. Not only do buildings utilise a substantial portion of the world's energy but corporate properties are also a major source of waste generation and a huge consumer of water resources. It is for this reason that Fountainhead Property Trust has earmarked The Brightwater Commons, a property in the portfolio that has evolved from

being a water front entertainment destination to a shopping centre with open spaces and an environmental feel, to introduce its first Carbon Offsetting Programme.

We aim to have The Brightwater Commons "walk the talk", in other words – Be Seen to be Green and Be Green. Through a partnership with OrganiCarbon, a turn-key sustainable development company and A-Z Philosophy, a reputable marketing and communications company in the retail industry, a sustainable way forward which can be independently verified has been plotted for The Brightwater Commons. Assessments on centre management, including the relevant services, have been concluded to ensure that management's deliverables with regard to electricity usage, travelling, waste, water usage and office operation are in place. A carbon footprint has also been calculated for the centre. Two of the areas Brightwater Commons will focus on to reduce the centre's carbon footprint, while supporting its Corporate Social Responsibility (CSR) statements and to prove its environmental performance, are waste generation and water consumption. While water consumption systems are in place that support the green cause, namely the biofilters installed for the filtration of the wet areas, the centre has the ability to introduce run-off and rain water back into the irrigation system through the installation of storage tanks, which is currently under consideration. While the implementation of this system would cost a substantial amount, it is projected it would create a massive saving in water consumption of 48 764kl of water per annum. During the

MANAGER'S REPORT

assessment it was found that an additional CO₂ footprint was created with the transport of uncompacted waste from one of the major tenants to the nearest waste collection point in the centre. By installing a waste collection point closer to this major tenant (this has been done) the CO₂ footprint for waste transportation should be nearly halved. Other waste collection points on site have also been upgraded to assist and improve the centre and tenant's effectiveness in disposing of waste. Introducing waste separation at source, which could culminate in a total saving of 45 percent on the waste removal bill of the centre, is a long-term objective as it would need the buy-in of tenants.

CORPORATE GOVERNANCE

The Directors endorse the Code of Corporate Practices and Conduct as set out in the 2002 report. By supporting the Code, the Directors recognise their responsibility to conduct the affairs of the Company with integrity and accountability in accordance with generally accepted corporate practices and recognise that they are ultimately accountable and responsible for the performance and affairs of the Company.

As the Trust is not a legal entity and Fountainhead Property Trust Management Limited manages its affairs in terms of the Collective Investment Schemes Control Act, many of the requirements of the Code are not directly applicable. Neither the Trust nor Fountainhead Property Trust Management Limited has employees or an administrative infrastructure of their own, having contracted out these functions to third parties.

Neither the Trust nor the Manager has a share incentive scheme, as there are no employees.

BOARD OF DIRECTORS

Mr Segar joined the Board on 6 April 2008 as a result of Liberty Group Limited purchasing 50 percent of the management company from Standard Bank Limited.

In terms of the Collective Investment Schemes Control Act, the Registrar of Collective Investment Schemes strictly controls the shareholding in the statutory management company. As such its current shareholders are The Standard Bank of South Africa Limited and Liberty Group Limited and it is thus their nominees who are Directors. Each Director has one vote. The roles of Chairman and Managing Director are separated. Mr Kirchmann is acting as the Chairman of the Company and Mr Rainier is the Managing Director. Mr Rainier is the only executive Director. Mr Rainier, Mr Shaw-Taylor and Mr Segar as employees of the controlling shareholder are not independent non-executive Directors. Messrs Christian and Kirchmann are independent non-executive Directors. It is the policy of the Company to invite any significant unitholders to be represented on the Board, should they so desire. To date no such request has been received.

The Board meets at least quarterly and retains full and effective control over the Trust. Through a structured approach to

reporting and accountability, the Board monitors the activities and performance of management. The Board has responsibility for the Company's overall strategy, acquisitions and divestment policy, approval of development projects and significant matters relating to finance and corporate governance. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable regulations are adhered to. They also have access, at the Company's cost, to independent professional advisers, should they so require.

The table below sets out the attendance of Directors at Board and audit committee meetings held during the year.

Director	Status	Board	Audit Committee	Percentage
Number of Meetings		4	3	
M Kirchmann	Non-exec	3	2	71
V Christian	Non-exec	4	3	100
S Shaw-Taylor	Non-exec	4		100
S Segar (appointed 6 April 08)	Non-exec	2		100
J Rainier	Exec	4	3	100

The Company has established a formal policy to regulate private account dealings in the Trust's units. The Managing Director (alternate Chairman) is the compliance officer from whom authority is required for any dealings outside closed periods. This is applicable to all Directors as well as employees of its asset manager who are involved in the management of the Trust as well as those employees of the contracted third party managers. The Company enforces a closed period when no private account dealings are permitted from one month prior to year-end or half-year, as the case may be, until such time as the results are published.

The Company has established an audit committee, which has met three times during the year. It comprises Messrs Christian (as Chairman) and Kirchmann, both independent non-executive Directors. Both are financially literate. It is not considered necessary to have the interim published results audited. The audit committee has during the year satisfied its responsibilities in compliance with its terms of reference. The terms of reference are consistent, where not in conflict with the Collective Investment Schemes Control Act, with those required by the amendments to the Companies Act for widely held companies. The board considers that, although the Company is not a "widely held company" as defined, as it manages the affairs of a collective investment scheme in property listed on the JSE, it was prudent and right to adopt those requirements insofar as possible.

The mandate of the audit committee is to assist the Board of Directors with discharging its responsibility to safeguard the Company's and Fountainhead Property Trust's assets, maintain adequate accounting records and standards, to review the



N1 CITY MALL

MANAGER'S REPORT

effectiveness of systems of internal control, and as such to assist the Board in meeting its statutory and regulatory responsibilities as well as the corporate governance and reporting responsibilities. The Company and the Trust have access to the internal audit functions of its contracted third-party managers.

The external audit firm performs no non-audit services for the Company or the Trust.

Risk Management is the responsibility of the Board. In the Trust the main assets are its properties. Risk is considered to fall into five categories in these circumstances:

- 1) the risk that the properties are destroyed while not covered by insurance is monitored by the audit committee;
- 2) the risk that the title deeds for its properties are not in the possession of the Trust is controlled by the Trustee and monitored by the audit committee;
- 3) the risk of the physical deterioration of the properties is monitored by the Asset Manager;
- 4) the risk of investment deterioration of the properties is considered on an annual basis by the Board as part of its annual investment review; and
- 5) the risk of theft or fraud by the contracted third-party managers is subject to their own internal audit and internal controls and is reviewed from time to time and reported on to the audit committee.

The following departures from the Code should be noted:

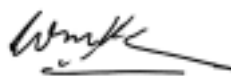
- As the Company has no employees, having contracted out the asset management of the portfolio, the management of the properties and all other aspects of its functions, it has neither worker participation nor affirmative action

programmes nor any other employee-targeted programmes. For the same reason it has not formed a remuneration committee. However, it does encourage and support such practices within its contracted third-party managers.

DIRECTORS' RESPONSIBILITY

The Directors of the Company are responsible for the preparation of the financial statements that fairly present the state of affairs and the results of the Trust, in conformity with International Financial Reporting Standards. The Trust's external auditors are responsible for independently auditing and reporting on these financial statements in conformity with International Standards on Auditing. In preparing the financial statements set out in this report, the Directors have used appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates, and have complied with all applicable accounting statements.

The financial statements have been prepared on the going concern basis since the Directors have every reason to believe that the Trust has adequate resources in place to continue in operation for the foreseeable future. The Directors are of the opinion that adequate accounting records are maintained and that no major deficiencies exist in the system of internal controls, which are subject to ongoing review. The external auditors concur with the above statements by the Directors.



W M Kirchmann
Director



J D Rainier
Managing Director

Fountainhead Property Trust Management Limited
29 October 2008



CENTURION MALL

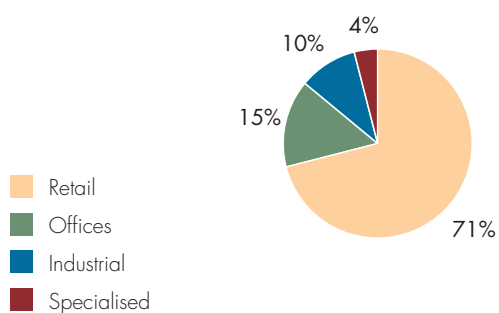
SALIENT FEATURES

FINANCIAL SUMMARY

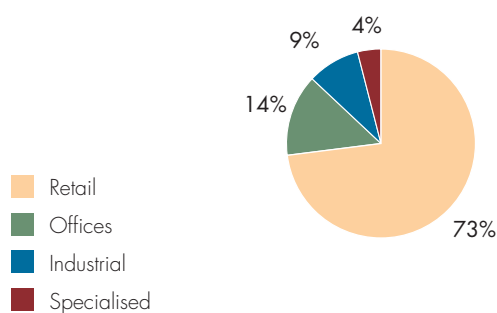
(R000)	2008	2007	2006	2005	2004	2003	2002
Net contractual property income	551 712	477 872	421 977	374 260	330 564	278 957	303 303
Interest received	37 969	27 774	21 476	20 035	30 407	45 823	25 587
Interest paid	(74 713)	(40 942)	(23 602)	(20 758)	(22 913)	(31 444)	(30 176)
	514 968	464 704	419 851	373 537	338 058	293 336	298 714
Trust audit fees, service charges and taxes	(35 871)	(37 202)	(31 394)	(24 880)	(17 332)	(15 296)	(12 941)
	479 097	427 502	388 457	348 657	320 726	278 040	285 773
Transfer from/(to) maintenance reserve	–	–	–	–	–	9 597	–
Income distributions	479 097	427 502	388 457	348 657	320 726	287 637	285 773
Distribution per unit (cents)	48.10	42.92	39.00	35.00	32.20	30.90	30.70
Weighted average number of units in issue during the period (000)	996 043	996 043	996 043	996 043	996 043	930 858	930 858
Growth in distribution (%)	12.1	10.1	11.4	8.7	4.2	0.7	–

SECTORAL SPREAD

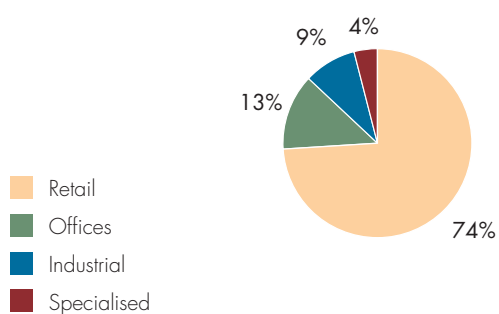
Contractual rent by sector 2008



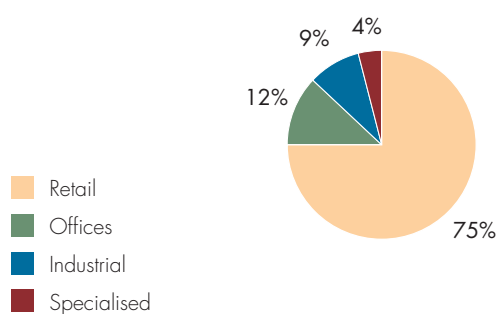
Contractual rent by sector 2007



Property market value by sector 2008



Property market value by sector 2007

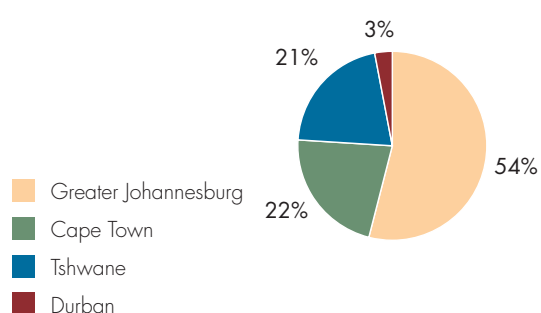


SUMMARY OF STOCK EXCHANGE PRICES

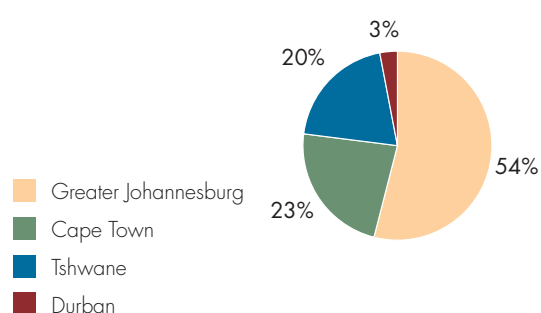
2007/2008	Highest cents	Lowest cents	Last transaction cents	Volumes traded (000)
October	730	640	727	25 549
November	775	670	675	56 937
December	690	650	675	22 529
January	720	565	580	30 829
February	640	570	590	39 468
March	625	535	605	23 265
April	625	526	562	36 473
May	570	460	494	49 377
June	500	435	456	28 399
July	570	452	535	50 113
August	620	520	595	40 816
September	600	535	560	47 947

GEOGRAPHIC SPREAD

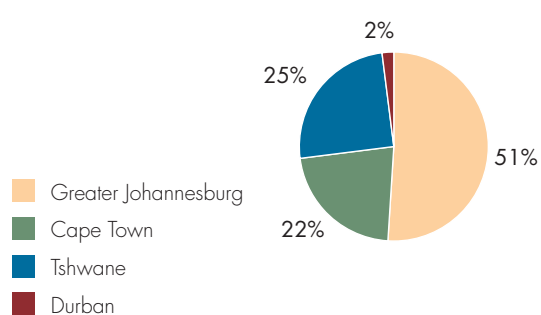
Contractual rent by geographic spread 2008



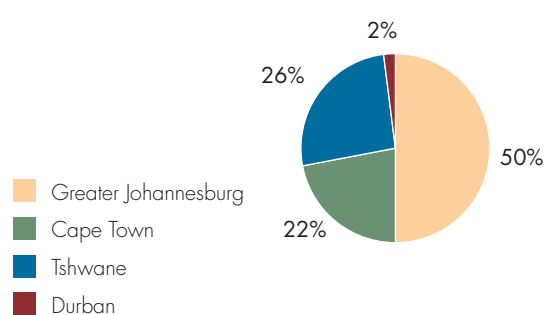
Contractual rent by geographic spread 2007



Property market value by geographic spread 2008

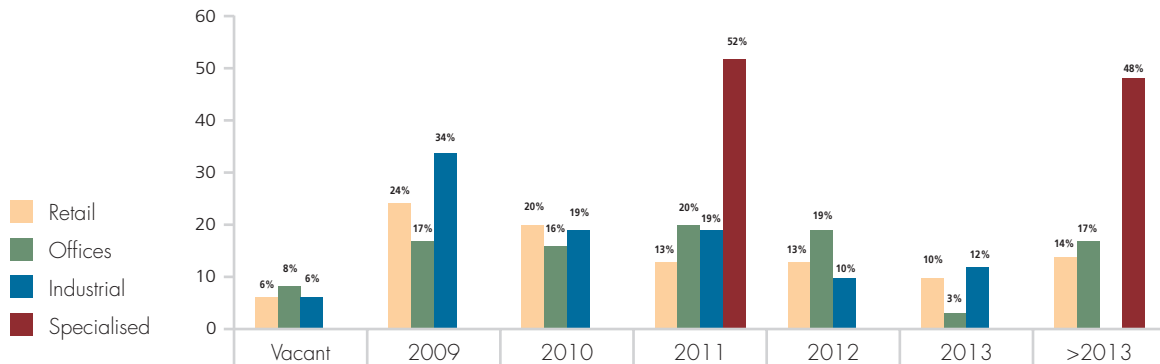


Property market value by geographic spread 2007

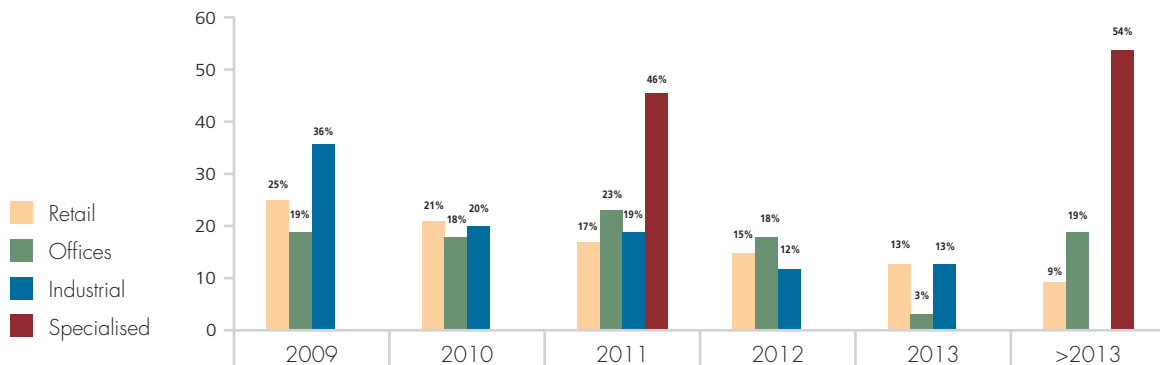


SALIENT FEATURES

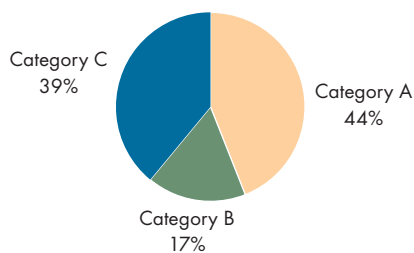
Lease expiries by rentable area



Lease expiries by gross rental



Tenant profile analysis



- Category A Large national tenants, large listed tenants, government and major franchisees. These include inter alia, ABSA Bank, Edgars Consolidated Stores, FirstRand Bank, Foschini, Pick n Pay Stores, Standard Bank, Telkom, Department of Public Works, Electoral Commission, Human Rights Commission, South African Post Office
- Category B National tenants, listed tenants, franchisees. These include inter alia, Cell C, Cape Union Mart, Calamari King, Coricraft, Exclusive Books, Flight Centre, Incredible Connection, Nandos, Nu Metro Cinemas, Pie City Holdings, Ocean Basket, Spec Savers
- Category C Other tenants comprise all other tenants that do not fall in the above two categories



GRAYSTON RIDGE OFFICE PARK

PROPERTY PORTFOLIO

Name of property	Location	Rentable area (m ²)	Market value (R000)	% of portfolio	Cents/unit	Weighted average rental (R/m ²)	Weighted average rental escalation (%)
RETAIL							
Gauteng							
Centurion Mall (75 percent)	Heuwel Avenue, Centurion	82 219	1 736 663	23.7		134	
Westgate Shopping Centre (41.32 percent)	Ontdekkers Road, Roodepoort	43 797	601 107	8.2		100	
The Boulders Shopping Centre	Old Pretoria Road, Midrand	48 258	450 630	6.1		83	
Benmore Gardens Shopping Centre	Benmore Road, Sandton	20 446	320 049	4.4		137	
The Brightwater Commons	Republic Road, Randburg	42 551	203 870	2.8		72	
Bryanston Shopping Centre	Hobart Road, Bryanston	11 586	179 694	2.4		140	
Southgate Mall (15.97 percent)	Rifle Range Road, Mondeor	11 024	166 036	2.3		127	
Northmead Mall	1st Street, Northmead, Benoni	13 969	72 981	1.0		60	
Rosebank Mews	173 Oxford Road, Rosebank	7 310	54 162	0.7		96	
Dekema Mall	Dekema Road, Wadeville, Germiston	4 632	25 844	0.4		71	
Southgate Value Market (19.01 percent)	Rifle Range Road, Mondeor	3 651	21 498	0.3		67	
Western Cape							
Blue Route Mall	Tokai Road, Tokai, Cape Town	48 304	580 980	7.9		97	
N1 City Mall (58 percent)	Louwtjie Rothman Street, Goodwood	37 302	516 188	7.0		109	
Kenilworth Centre	Doncaster Road, Kenilworth	40 694	504 643	6.9		93	
Total retail		415 743	5 434 345	74.1	545.6	107	8.7
OFFICE BLOCKS							
Gauteng							
Douglas Roberts Centre	22 Skeen Boulevard, Bedfordview	19 166	228 573	3.1		79	
Grayston Ridge Office Park	144 Katherine Street, Sandown, Sandton	10 023	108 893	1.5		83	
Rosebank Corner	Jan Smuts Avenue, Rosebank	9 083	86 878	1.2		86	
Dunkeld Office Park	6 North Road, Dunkeld West	5 480	77 104	1.1		107	
AMR Office Park	Concorde Road, Bedfordview	9 965	73 781	1.0		91	
240 Walker Street	Sunnyside, Pretoria	7 807	46 643	0.6		62	
Kimberley-Clark House	Leicester Road, Bedford Gardens	6 017	44 977	0.6		78	
The Ambridge	Vrede Avenue, Epsom Downs	4 407	40 039	0.6		94	
260 Walker Street	Sunnyside, Pretoria	5 279	35 480	0.5		85	
Sunridge (75 percent)	62 Wierda Road East, Wierda Valley	2 930	34 597	0.5		112	
Human Rights House	29 Princess of Wales Terrace, Parktown	5 176	27 873	0.4		78	
Summit Park	439 Summit Road, Morningside	2 873	27 674	0.4		79	
Lakeside Place	Queen Street, Bruma	3 315	16 264	0.2		69	
Wierda Mews	41 Wierda Road, Wierda Valley	2 217	15 705	0.2		75	
22 Wellington Road	Parktown	3 228	15 302	0.2		65	
256 Kent Avenue	256 Kent Avenue, Randburg	2 244	14 203	0.2		79	
RPA Centre	180 Smit Street, Fairland	1 716	8 333	0.1		56	
KwaZulu-Natal							
Delmat House	27 Jan Hofmeyr Road, Westville	3 915	30 981	0.4		62	
Essex Park	46 Essex Terrace, Berea West, Westville	4 344	23 502	0.3		72	
Kent House	1 Neptune Road, Berea West, Westville	2 371	15 689	0.2		87	
Total offices		111 556	972 491	13.3	97.6	81	9.4

Name of property	Location	Rentable area (m ²)	Market value (R000)	% of portfolio	Cents/unit	Weighted average rental (R/m ²)	Weighted average rental escalation (%)
INDUSTRIAL							
Gauteng							
Mifa Industrial Park	399 George Street, cnr 16th Road, Midrand	34 002	125 976	1.7		39	
Strijdom Industrial Park	Hammer Avenue, Strijdompark, Randburg	24 957	125 226	1.7		42	
Supreme Industrial Park	Klipriviersberg Road, Steeledale	31 061	73 481	1.0		34	
Nashua House	Old Pretoria Road, Midrand	7 551	52 405	0.7		48	
Pick n Pay Warehouse	Nasmith Road, Jupiter Ext. 1, Germiston	10 540	30 058	0.4		26	
Degussa	142 16th Road, Midrand	4 607	25 719	0.3		48	
Gateway Industrial Park	Graniet Street, Jet Park	4 805	13 546	0.2		36	
Dismed House	733 / 747 16th Road, Midrand	2 871	12 804	0.2		48	
Delta	Old Pretoria Road, Midrand	1 504	9 662	0.1		127	
Canberra Industrial Park	Derick Coetzee Street, Jet Park	2 621	8 885	0.1		35	
Strike House	Richards Drive, Halfway House	1 880	7 907	0.1		44	
Humsa House	Graniet Street, Jet Park	2 113	6 959	0.1		22	
Jay Park	Piet Bekker Street, Jet Park	2 264	6 923	0.1		37	
Mercury Park	Piet Bekker Street, Jet Park	2 107	6 878	0.1		34	
Stacey Lee Industrial Park	Derick Coetzee Street, Jet Park	1 876	6 625	0.1		38	
Monit House	Van Der Bijl Street, Meadowdale	1 985	6 462	0.1		36	
The House Of Rubber	Crusher Road, Crown Extension 1 876	2 266	6 359	0.1		27	
Astro Place	Van Der Bijl Street, Meadowdale	1 876	6 327	0.1		37	
Lifetime House	Kelly Road, Jet Park	1 801	5 611	0.1		39	
Hydra Park	Piet Bekker Street, Jet Park	1 643	4 886	0.1		34	
Ventura Industrial Park	Derick Coetzee Street, Jet Park	1 402	4 815	0.1		36	
Orion Place	Piet Bekker Street, Jet Park	1 519	4 770	0.1		38	
Dale House	Cnr Bell & Fleming Streets, Meadowdale	1 308	4 249	0.1		30	
Gail Industrial Park	Patrick Road, Jet Park	1 504	4 197	0.0		35	
Zero Park	Fabriek Street, Strijdom Park	1 180	3 713	0.0		36	
Medsave House	Fabriek Street, Strijdom Park	2 113	2 976	0.0		23	
Precision House	Precision Road, Kya Sand	604	1 496	0.0		27	
KwaZulu-Natal							
Murrayfield	Prospecton Road, Prospecton	16 869	45 307	0.6		34	
4 Walter Place	Watervalpark, Mayville	8 242	20 243	0.3		24	
Western Cape							
7 Benbow Avenue	7 Benbow Avenue, Epping 1	5 854	19 407	0.3		28	
Total industrial		184 925	653 872	8.9	65.6	37	9.9
SPECIALISED							
Gauteng							
Bedford Gardens Private Hospital	Leicester Road, Bedford Gardens	12 817	155 828	2.1		88	
Southern Sun O.R. Tambo							
International Airport	Kempton Park	14 152	118 583	1.6		69	
Total specialised		26 969	274 411	3.7	27.6	78	9.0
Total property portfolio of Fountainhead		739 193	7 335 119	100.0	736.4	87	8.9

The average annualised property historical yield based on valuations as at 30 September 2008 is 7%.

BALANCE SHEET

as at 30 September 2008

(R000)	Notes	2008	2007
ASSETS			
Property assets		7 335 119	6 793 126
Investment properties	2	7 103 135	6 575 794
Straight-line lease accrual	3	231 984	217 332
Other current assets		355 697	304 772
Trade and other receivables	4	38 513	23 287
Cash and cash equivalents	5	317 184	281 485
Total assets		7 690 816	7 097 898
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' funds		6 609 335	6 315 086
Capital of the fund	6	1 933 354	1 933 354
Capital reserve		501 906	498 517
Revaluation reserve		3 942 031	3 665 823
Retained earnings		232 044	217 392
Non-current liabilities			
Interest-bearing liability	7	731 000	487 000
Current liabilities		350 481	295 812
Trade and other payables		106 450	81 464
Unitholders for distribution		244 031	214 348
Total unitholders' funds and liabilities		7 690 816	7 097 898

INCOME STATEMENT

for the year ended 30 September 2008

(R000)	Notes	2008	2007
Revenue		704 091	606 544
Contractual rental income		689 439	599 295
Straight-line lease adjustment	2, 3	14 652	7 249
Expenses		(173 598)	(158 625)
Administrative expenses	8	(35 871)	(37 202)
Property operating expenses	8	(137 727)	(121 423)
Operating profit		530 493	447 919
Net finance costs		(36 744)	(13 168)
Interest received		37 969	27 774
Interest paid		(74 713)	(40 942)
(Deficit)/surplus on disposal of investment properties	9	(1 194)	13 371
Fair value adjustments to investment properties	2	280 791	1 096 390
Profit for the year		773 346	1 544 512
Basic earnings per unit (cents)	13	77.6	155.1

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

for the year ended 30 September 2008

(R000)	Capital of the fund	Capital reserve	Revaluation reserve	Retained earnings	Total unitholders' funds
Balance as at 1 October 2006	1 933 354	470 243	2 584 336	210 143	5 198 076
Profit/total income and expenses for the year				1 544 512	1 544 512
Profit and revaluation reserve realised on sale of properties transferred to capital reserve		28 274	(14 903)	(13 371)	–
Fair value adjustment on investment properties transferred to revaluation reserve			1 096 390	(1 096 390)	–
Income distributions				(427 502)	(427 502)
Balance at 30 September 2007	1 933 354	498 517	3 665 823	217 392	6 315 086
Profit/total income and expenses for the year				773 346	773 346
Loss and revaluation reserve realised on sale of properties transferred to capital reserve		3 389	(4 583)	1 194	–
Fair value adjustment on investment properties transferred to revaluation reserve			280 791	(280 791)	–
Income distributions				(479 097)	(479 097)
Balance at 30 September 2008	1 933 354	501 906	3 942 031	232 044	6 609 335

CASH FLOW STATEMENT

for the year ended 30 September 2008

(R000)	Notes	2008	2007
Cash effects from operating activities			
Profit for the year		773 346	1 544 512
Adjustments for:			
Straight-line lease adjustment		(14 652)	(7 249)
Interest received		(37 969)	(27 774)
Interest paid		74 713	40 942
Deficit/(surplus) on disposal of investment properties		1 194	(13 371)
Fair value adjustments to investment properties		(280 791)	(1 096 390)
		515 841	440 670
Trade and other receivables (increased)/decreased		(15 226)	1 274
Trade and other payables increased		24 986	3 924
		525 601	445 868
Cash generated from the operations			
Interest received		37 969	27 774
Interest paid		(74 713)	(40 942)
Income distributions	11	(449 414)	(409 374)
		39 443	23 326
Cash flows from operating activities			
Cash effects from investing activities			
Additions to investment properties		(252 828)	(234 147)
Proceeds from disposal of investment properties		5 084	49 852
		(247 744)	(184 295)
Cash effects from financing activities			
Long-term loan raised		244 000	202 000
Long-term loan repaid		–	(14 000)
		244 000	188 000
Net increase in cash and cash equivalents		35 699	27 031
Cash and cash equivalents at 1 October		281 485	254 454
Cash and cash equivalents at 30 September	5	317 184	281 485

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

1 ACCOUNTING POLICIES

Fountainhead Property Trust (the Trust) is a trust domiciled in South Africa. The financial statements were authorised for issue by the directors of Fountainhead Property Trust Management Limited on 29 October 2008.

1.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Collective Investment Schemes Control Act.

1.2 BASIS OF PREPARATION

The financial statements are presented in Rands, rounded to the nearest thousand. They are prepared on the historical cost basis, except for investment properties and certain financial instruments which are stated at fair value. Fair value adjustments (where applicable) do not affect the calculation of distributable earnings but do affect the net asset value per unit to the extent that adjustments are made to the carrying values of assets and liabilities.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not apparent from other sources. Significant estimates are required in the determination of future cash flows, probabilities in assessing net recoverable amounts and fair value for disclosure purposes. Actual results may differ from these estimates.

The accounting policies set out below are consistent in all material respects with those applied in prior years.

1.3 INVESTMENT PROPERTIES

Investment properties are properties which are held for the purpose of earning rental income and for capital appreciation.

Properties are stated initially at cost on acquisition, which comprises the purchase price and directly attributable expenditure. Property interests held under an operating lease are accounted for as an investment property, using the fair value model. Subsequent expenditure relating to investment properties is capitalised when it is probable that future economic benefits associated with the item will flow to the Trust and when the cost can be reliably measured. All other subsequent expenditure is expensed in the period in which it is incurred.

Subsequent to initial recognition investment properties are measured at their fair values. Fair value is determined annually by an independent valuer based on the open market value basis, using either the discounted cash flow method or the capitalisation of net income method. Gains or losses arising from changes in fair value are included in profit or loss for the period in which they arise. These gains or losses are transferred to a revaluation reserve as they are not available for distribution.

When the Trust begins to redevelop an existing investment property for continued use as an investment property, the property remains an investment property, which is measured on the fair value model, and is not reclassified as property, plant and equipment during redevelopment.

Realised gains and losses on the disposal of investment properties are recognised in net income for the year and are calculated as the difference between the sale price and the sum of the carrying amount of the property and the straight-line lease accrual. The net gain or loss on the sale of investment properties is transferred to the capital reserve. The balance relating to the sold properties which was previously included in the revaluation reserve is also transferred to the capital reserve.

1.4 IMPAIRMENT

The carrying amounts of the Trust's assets, other than investment property, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss in the period in which they are incurred.

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and the fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

1.5 FINANCIAL INSTRUMENTS

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

MEASUREMENT

Financial instruments are initially measured at fair value, which includes transaction costs, except in the case of financial instruments carried at fair value through profit and loss. Subsequent to the initial recognition these instruments are measured as set out below:

- **Trade and other receivables**

Trade and other receivables are carried at amortised cost, using the effective interest rate method after deducting accumulated impairment losses.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, negotiable certificates of deposit and surplus funds deposited in the Trust's access bond facility, all of which are available for use by the Trust. Cash and cash equivalents are measured at fair value.

- **Trade and other payables**

Trade and other payables are carried at cost.

- **Financial liabilities**

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Financial liabilities are measured at amortised cost using the effective interest rate method.

SET-OFF

Financial assets and financial liabilities are off-set and the net amount reported in the balance sheet when the Trust has an enforceable right to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

1.6 CAPITAL RESERVE

All surpluses/deficits arising on the disposal of investment properties are transferred to the capital reserve and are not available for distribution.

1.7 REVALUATION RESERVE

All unrealised surpluses/deficits arising on the revaluation of investment properties and financial instruments from cost to fair value are transferred to the revaluation reserve and are not available for distribution.

1.8 REVENUE

Rental income comprises gross rental and is recognised in the income statement on a straight-line basis over the period of the term of the lease. Lease incentives granted and costs incurred that are directly attributable to the lease, are recognised as an integral part of the total rental income.

1.9 INTEREST INCOME

Interest income is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

1.10 SEGMENTAL INFORMATION

The Trust consists of investment properties. The Trust earns revenue in the form of rentals from tenants of these investment properties. On a primary basis, the Trust is organised into five major operating segments:

- Retail segment comprising mainly shopping centres;
- Office segment comprising mainly office parks and office buildings;
- Industrial segment comprising mainly industrial buildings such as warehouses and factories;
- Specialised segment comprising a hospital and a hotel; and
- Corporate segment comprising all assets and expenses not directly attributable to the other segments.

On a secondary basis, the geographical location of the properties has been identified.

The basis of segment reporting is representative of the internal structure used for management reporting.

Segment results include revenue and property expenses that are directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to that segment, whether from external transactions or from transactions with other Trust segments.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to a segment on a reasonable basis. Segment assets are reported after deducting related allowances that are reported as direct offsets in the Trust's balance sheet.

Capital expenditure represents the total costs incurred during the period to acquire segment assets that are expected to be used during more than one period.

(R000)	2008	2007
2 INVESTMENT PROPERTIES		
Independent property valuations	7 335 119	6 793 126
Straight-line lease accrual	(231 984)	(217 332)
Investment properties at fair value	7 103 135	6 575 794
Movement for the year		
Balance at 1 October:	6 575 794	5 281 738
Expenditure/costs capitalised	252 828	234 147
Carrying amount of investment properties disposed of	(6 278)	(36 481)
Fair value adjustments	280 791	1 096 390
Unrealised surplus on revaluation of investment properties	295 443	1 103 639
Change in straight-line lease accrual	(14 652)	(7 249)
Balance at 30 September	7 103 135	6 575 794
With the exception of six investment properties which are partially held – (see property portfolio on pages 22 and 23), all other investment properties are 100 percent held by the Trust.		
Investment properties are reflected at fair value. Fair value is the market value of the property less the straight-line lease accrual. It is the policy of the Trust to obtain independent valuations of the investment properties annually.		
The investment properties were independently valued on 30 September 2008 by E G Rode and K Scott, registered valuers with Rode & Associates CC, both members of the South African Institute of Valuers.		
The market valuation methodology is based on capitalising the first year's market-related, normalised net operating income (before tax) at a market-derived capitalisation rate. Appropriate adjustments are made to this value to reflect the effects of leases which are above or below market rentals. Two specialised properties are valued on a discounted cash flow basis.		
3 STRAIGHT-LINE LEASE ACCRUAL		
Non-current receivable	202 531	182 868
Current receivable	29 453	34 464
	231 984	217 332
Rental income from investment property leased out under operating leases is recognised in the income statement on a straight-line basis over the terms of the leases. Lease incentives granted are recognised as an integral part of the total rental income.		
4 TRADE AND OTHER RECEIVABLES		
Rent debtors	24 532	14 699
Prepayments	3 355	2 756
Other debtors	10 626	5 832
	38 513	23 287

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

(R000)	2008	2007
5 CASH AND CASH EQUIVALENTS		
Deposits at banks	9 184	2 485
Deposits in access bond (see note 7)	308 000	279 000
	317 184	281 485
6 CAPITAL OF THE FUND		
Balance at 30 September	1 933 354	1 933 354
Units in issue at 30 September 2008 – 996 043 081 (2007: 996 043 081). The capital of the fund is governed by the Trust Deed which can be viewed upon request at the registered office.		
7 INTEREST-BEARING LIABILITY		
The Standard Bank of South Africa Limited	731 000	487 000
This is an access bond facility and funds are deposited into this account when they become available. The amount deposited in this facility is reflected in note 5 above. The loan bears interest at prime less 2.3 percent payable monthly in arrears. On 15 February 2008, R250 000 000 of the loan has been fixed at a rate of 11.07 percent until 15 February 2013. The capital of the loan is repayable by instalments of R150 000 000 on 30 September 2010 to 30 September 2012 and R281 000 000 on 30 September 2013. The Standard Bank of South Africa Limited is entitled and reserves the right to register First Covering Mortgage over the properties for a total amount of R1.26 billion.		
8 INCOME AND EXPENDITURE		
8.1 ADMINISTRATIVE EXPENSES INCLUDE:		
Audit fees	702	706
Service fee paid to the Manager	32 663	34 016
8.2 PROPERTY OPERATING EXPENSES INCLUDE:		
Property management fees	29 953	26 512
The service fee is equal to 0.5 percent per annum of the Trust's enterprise value. The enterprise value is the sum of the market capitalisation and the long-term borrowings of the Trust. The market capitalisation is based on the average daily closing price of the units as quoted on the JSE.		
9 DEFICIT/SURPLUS ON DISPOSAL OF INVESTMENT PROPERTIES		
(Deficit)/surplus on disposal of investment properties	(1 194)	13 371

The following investment properties were disposed of by the Trust during the year:

(R000)	Carrying value	Proceeds	(Deficit)/Surplus on disposal
2008			
– Cenmag House	6 278	5 084	(1 194)
	6 278	5 084	(1 194)
2007			
– 377 Rivonia Boulevard	13 628	21 500	7 872
– 271 Oak Avenue	10 484	14 000	3 516
– Fourways Haulage	8 083	10 000	1 917
– Cyrus House	4 286	4 352	66
	36 481	49 852	13 371

(R000)	2008	2007
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10 TAXATION

The Trust is not liable for income tax or capital gains tax as the income and capital gains vest in the unitholders' hands. The Trust therefore does not provide for current taxation or deferred taxation.

11 NOTES TO THE CASH FLOW STATEMENT

Income distributions

Amounts unpaid at 1 October	(214 348)	(196 220)
Distributable income for the year	(479 097)	(427 502)
Amounts unpaid at 30 September	244 031	214 348
	(449 414)	(409 374)

12 INCOME DISTRIBUTION PER UNIT

Income distribution per unit is calculated based on distributable earnings of R479.1 million for the year ended 30 September 2008 (2007: R427.5 million) and on a weighted average number of units in issue of 996 043 081 (2007: 996 043 081).

Distribution income reconciliation

Profit for the year	773 346	1 544 512
Straight-line lease adjustment	(14 652)	(7 249)
Deficit/(surplus) on disposal of investment properties	1 194	(13 371)
Fair value adjustments to investment properties	(280 791)	(1 096 390)
Distribution income	479 097	427 502
Income distribution		
Interim distribution	235 066	213 154
Final distribution	244 031	214 348
	479 097	427 502

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

(R000)	2008	2007
13 BASIC AND HEADLINE EARNINGS PER UNIT		
Basic earnings per unit is calculated based on earnings of R773.3 million for the year ended 30 September 2008 (2007: R1 544.5 million) and on a weighted average number of units in issue of 996 043 081 (2007: 996 043 081).		
Headline earnings per unit is calculated based on earnings of R493.7 million for the year ended 30 September 2008 (2007: R434.7 million) and on a weighted average number of units in issue of 996 043 081 (2007: 996 043 081).		
Headline earnings reconciliation		
Profit for the year	773 346	1 544 512
Deficit/(surplus) on disposal of investment properties	1 194	(13 371)
Fair value adjustments to investment properties	(280 791)	(1 096 390)
Headline earnings	493 749	434 751
14 OPERATING LEASE RENTALS		
As at 30 September 2008 the Trust had contracted with tenants for the following future minimum lease rentals:		
Within one year	617 232	513 669
In the second to fifth years inclusive	1 341 687	1 163 401
After five years	608 424	604 617
Total future minimum lease rentals	2 567 343	2 281 687
15 CAPITAL COMMITMENTS		
As at 30 September 2008 the capital contractual commitments were R202 million (2007: R192 million). Funds to meet these commitments can be provided by the Trust out of existing approved loan facilities.		
16 MANAGEMENT COMPANY		
The management company, Fountainhead Property Trust Management Limited, is equally owned by The Standard Bank of South Africa Limited and the Liberty Group Limited.		
17 BORROWING POWERS		
In terms of its Trust Deed, the Trust may borrow up to 30 percent of the value of the underlying assets comprising the portfolio, effectively the value of the investment properties.		
The borrowings of the Trust at 30 September 2008 were R731 million (2007: R487 million), which is 10 percent (2007: 7.2 percent) of the value of the property portfolio.		
18 CONTINGENT LIABILITIES		
Guarantees		
The Trust has provided bank guarantees in lieu of deposits for municipal services and electricity to the value of R4.0 million (2007: R3.4 million).		
19 SUBSEQUENT EVENTS		
On 10 October 2008 management refinanced the Standard Bank loan facility. The facility comprises a R1 billion loan repayable in three years from date of mortgage registration and a further headroom facility of R1 billion repayable in five years. Mortgage bonds will be registered over Centurion Mall, Blue Route Mall, Kenilworth Centre and the Boulders Shopping Centre.		

(R000)	2008	2007
20 DEFINED CONTRIBUTION PLAN		
As the Trust has no employees there are no obligations arising from a defined contribution plan.		
21 FINANCIAL RISK MANAGEMENT		
The Trust's financial instruments consist mainly of deposits with banks, loans from banks, accounts receivable and accounts payable. In respect of all financial instruments listed above, carrying value approximates fair value.		
Exposure to interest rate, credit and liquidity risk arises in the normal course of business.		
Credit risk		
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Trust. The Trust's financial assets that are subject to credit risk are cash resources and trade and other receivables.		
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:		
Trade and other receivables	38 513	23 287
Cash and cash equivalents	317 184	281 485
	355 697	304 772
Credit risk attached to the Trust's cash resources is minimised by using reputable financial institutions.		
Trade receivables consist of a large widespread tenant base. Management has a credit policy in place. The outstanding balance of these tenants is monitored on an ongoing basis. At balance sheet date there was no significant concentration of credit risk.		
<i>Rental receivable</i>		
The ageing of gross trade receivables at reporting date was:		
Current	25 201	14 479
Past due 0 – 30 days	1 392	809
Past due 31 – 120 days	1 627	1 302
120+ days	708	1 731
Total	28 928	18 321
The movement in allowance for doubtful debt was as follows:		
Balance at 1 October	(3 622)	(5 484)
Impairment loss recognised	(2 838)	(1 520)
Amounts written off as uncollectible	2 064	3 382
Balance at 30 September	(4 396)	(3 622)
The ageing of the doubtful debt was as follows:		
Current	(1 667)	(515)
Past due 0 – 30 days	(954)	(549)
Past due 31 – 120 days	(1 348)	(1 083)
120+ days	(427)	(1 475)
Total	(4 396)	(3 622)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

(R000)	2008	2007
21 FINANCIAL RISK MANAGEMENT CONTINUED		
Liquidity risk		
Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. Cash flows are monitored on a weekly basis to ensure that cash resources are adequate to meet funding requirements.		
The following table details the Trust's contractual maturities of financial liabilities, excluding interest payments. The table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date that the Trust may be required to pay.		
Between 0 – 12 months		
– Unitholders for distribution	244 031	214 348
– Trade and other payables	106 450	81 464
Between one and five years		
– Interest-bearing liability	731 000	487 000
	1 081 481	782 812
Interest rate risk		
Interest rate movements impact on the net cost of the Trust's short-term cash investments and interest-bearing borrowings. The risk is managed by the Trust by maintaining an appropriate mix between fixed and floating rate borrowings, and investing surplus cash at negotiated rates.		
At balance sheet date the interest rate profile of the Trust's interest-bearing financial instruments were as follows.		
Fixed rate instruments		
– Interest-bearing liabilities	250 000	–
Variable rate instruments		
– Cash and cash equivalents	317 184	281 485
– Interest-bearing liabilities	481 000	487 000
<i>Interest rate sensitivity analysis</i>		
The sensitivity analysis is based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis assumes that the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate internally to key management personnel and represents management's reasonable assessment of the possible change in interest rates.		
If interest rates were 50 basis points higher/lower and all other variables were constant, the Trust's net profit for the year ended 30 September 2008 would decrease/increase by R2 405 000 (2007: decrease/increase by R2 435 000).		
The Trust's sensitivity to interest rates has decreased during the current year as a result of fixing the interest rate on a portion of the long-term debt.		
Capital management		
The capital structure of the Trust is governed by the Trust Deed. The allowed borrowing capacity is 30 percent of the value of the underlying asset comprising the property portfolio.		
Value of property portfolio	7 335 119	6 793 126
30 percent thereof	2 200 536	2 037 938
Total borrowings	(731 000)	(487 000)
Unutilised borrowing capacity	1 469 536	1 550 938

(R000)	2008	2007
22 RELATED PARTIES		
Related parties with whom the Trust transacted during the year:		
<i>Fountainhead Property Trust Management Limited</i>		
Relationship: Manager of the Trust in terms of the Collective Investment Schemes Control Act		
Related party transactions for the year:		
– Service fee paid to Fountainhead Property Trust Management Limited	32 663	34 016
<i>The Standard Bank of South Africa Limited</i>		
Relationship: Shareholder in Fountainhead Property Trust Management Limited		
Related party transactions for the year:		
– Loan	731 000	487 000
– Interest on loan	74 713	40 942
– Interest income	36 301	27 434
– Bank charges	266	218
– Gross rent received	13 463	12 162
– Sponsor fee	100	55
<i>Absa Bank Limited</i>		
Relationship: Trustee of Fountainhead Property Trust		
Related party transactions for the year		
– Interest income	192	193
– Bank charges	74	62
– Trustee fees	515	476
– Gross rent received	12 847	9 516

23 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There are a number of forthcoming new standards and interpretations which have been issued by the IASB prior to the publication of these financial statements, but which are only effective in future accounting periods, unless early adoption is chosen.

IFRS 8 – Operating Segments

IFRS 8 replaces IAS 14 *Segment Reporting*. This statement is effective for annual periods commencing on or after 1 January 2009.

The standard requires an entity to adopt the “management approach” when reporting on the financial performance of its operating segments.

The reporting would be based on the information that management uses internally for evaluating segment performance and when deciding how to allocate resources to operating segments. The statement will therefore not impact the results of the Trust but will impact the format of disclosure and measurement of the results of reportable segments.

IAS 23 – Borrowing Costs

A revised IAS 23 *Borrowing Costs* was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This standard will impact on the Trust’s financial statements, as certain interest charges previously expensed will have to be capitalised. However, when determining unitholder distributions, all interest charges will be expensed as incurred.

IAS 1 – Presentation of Financial Statement

The revised IAS 1 introduces the concept of comprehensive income. Comprehensive income is all income earned, net of related costs, which is currently shown in both the income statement and statement of changes in equity, other than transactions directly with owners. This amendment is effective for periods commencing on or after 1 January 2009.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

(R000)	Retail 2008	Office 2008	Industrial 2008	Specialised 2008	Corporate 2008	Total 2008
24 SEGMENTAL INFORMATION						
24.1 BUSINESS SEGMENT						
Segment revenue						
Contractual rental income	497 394	100 634	66 426	24 985	–	689 439
Straight-line rental adjustment	(1 503)	3 063	5 030	8 062	–	14 652
Total revenue	495 891	103 697	71 456	33 047	–	704 091
Segment result						
Operating profit/(loss)	397 173	80 069	56 307	32 815	(35 871)	530 493
Interest received	1 707	128	162	–	35 972	37 969
Interest paid	–	–	–	–	(74 713)	(74 713)
Deficit on disposal of investment properties	–	–	(1 194)	–	–	(1 194)
Fair value adjustments to investment properties	109 039	91 638	62 574	17 540	–	280 791
	507 919	171 835	117 849	50 355	(74 612)	773 346
Other information						
Property assets	5 434 345	972 491	653 872	274 411	–	7 335 119
Trade and other receivables	29 261	4 153	2 827	5	2 267	38 513
Cash and cash equivalents	–	–	–	–	317 184	317 184
Total assets	5 463 606	976 644	656 699	274 416	319 451	7 690 816
Interest-bearing liabilities	–	–	–	–	731 000	731 000
Trade and other payables	48 697	24 779	14 472	6 714	11 788	106 450
Unitholders for distribution	–	–	–	–	244 031	244 031
Total liabilities	48 697	24 779	14 472	6 714	986 819	1 081 481
Capital expenditure	198 770	54 006	52	–	–	252 828

(R000)	Retail 2007	Office 2007	Industrial 2007	Specialised 2007	Corporate 2007	Total 2007
24.1 BUSINESS SEGMENT CONTINUED						
Segment revenue						
Contractual rental income	437 205	85 365	54 835	21 890	–	599 295
Straight-line rental adjustment	(4 741)	(1 477)	4 220	9 247	–	7 249
Total revenue	432 464	83 888	59 055	31 137	–	606 544
Segment result						
Operating profit/(loss)	347 949	61 582	44 403	30 967	(36 982)	447 919
Interest received	1 136	102	116	5	26 415	27 774
Interest paid	–	–	–	–	(40 942)	(40 942)
Surplus on disposal of investment properties	–	11 388	1 983	–	–	13 371
Fair value adjustments to investment properties	806 141	141 973	145 469	2 807	–	1 096 390
	1 155 226	215 045	191 971	33 779	(51 509)	1 544 512
Other information						
Property assets	5 128 039	823 783	592 495	248 809	–	6 793 126
Trade and other receivables	16 843	3 737	2 661	4	42	23 287
Cash and cash equivalents	1 297	–	–	–	280 188	281 485
Total assets	5 146 179	827 520	595 156	248 813	280 230	7 097 898
Interest-bearing liabilities	–	–	–	–	487 000	487 000
Trade and other payables	40 427	20 996	12 224	282	7 535	81 464
Unitholders for distribution	–	–	–	–	214 348	214 348
Total liabilities	40 427	20 996	12 224	282	708 883	782 812
Capital expenditure	158 054	76 093	–	–	–	234 147

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

(R000) 2008 2007

24 SEGMENTAL INFORMATION CONTINUED

24.2 GEOGRAPHICAL SEGMENTS

Segment revenue by location

The following table shows the distribution of the group's consolidated rentals by geographical location:

Gauteng	541 139	457 568
Western Cape	144 569	132 597
KwaZulu-Natal	18 383	16 379
	704 091	606 544

Analysis of segment assets by location

The following table shows the carrying amount of segment assets by the geographical area in which the assets are located:

Gauteng	5 610 098	5 195 095
Western Cape	1 627 678	1 495 922
KwaZulu-Natal	136 136	126 651
Corporate	316 904	280 230
	7 690 816	7 097 898

Capital expenditure by location

The following table shows the capital expenditure by the geographical area in which the assets are located:

Gauteng	205 235	229 605
Western Cape	47 593	4 542
KwaZulu-Natal	-	-
	252 828	234 147

Segment revenue and expenses

Revenue and expenses that are directly attributable to properties in a segment are allocated to those segments. Expenses not directly attributable to a segment are allocated to the corporate segment.

Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of investment properties, receivables and cash. Assets not directly attributable to a particular segment are allocated to the corporate segment. Segment liabilities include all operating liabilities of a segment and consist principally of outstanding accounts.

BALANCE SHEET

as at 30 September 2008

(R000)	Notes	2008	2007
ASSETS			
Non-current assets			
Investment in Fountainhead Property Trust	2	1 399	1 687
Current assets			
Trade and other receivables	3	3 106	3 517
Cash and cash equivalents	4	2 234	9 193
Total assets		6 739	14 397
EQUITY AND LIABILITIES			
Equity			
Share capital	5	1 000	1 000
Revaluation reserve		773	1 015
Retained earnings		2 080	1 867
Non-current liabilities			
Deferred taxation	7	126	172
Current liabilities			
Trade and other payables		2 504	9 995
Taxation payable		256	348
Total equity and liabilities		6 739	14 397

INCOME STATEMENT

for the year ended 30 September 2008

(R000)	Notes	2008	2007
Revenue			
Service fee		32 663	34 016
Interest received		409	352
Distributions received		113	103
Expenditure			
Administration expenses		687	567
Audit fees		68	62
Directors' fees	6	363	285
Donations		–	232
Management and administration fees	8	25 512	26 451
Profit before taxation		6 555	6 874
Taxation			
South African normal tax	7	2 242	2 779
Secondary tax on companies		1 832	1 979
		410	800
Profit for the year		4 313	4 095

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2008

(R000)	Share capital	Revaluation reserve	Retained earnings	Total equity
Balance at 1 October 2006	1 000	675	4 172	5 847
Fair value adjustment on investment in Fountainhead Property Trust		398		398
Deferred taxation thereon		(58)		(58)
Net income recognised directly in equity		340		340
Profit for the year			4 095	4 095
Total recognised income and expense for the year		340	4 095	4 435
Dividends paid			(6 400)	(6 400)
Balance at 30 September 2007	1 000	1 015	1 867	3 882
Fair value adjustment on investment in Fountainhead Property Trust		(288)		(288)
Deferred taxation thereon		40		40
Change in tax rate		6		6
Net income recognised directly in equity		(242)		(242)
Profit for the year			4 313	4 313
Total recognised income and expense for the year		(242)	4 313	4 071
Dividends paid			(4 100)	(4 100)
Balance at 30 September 2008	1 000	773	2 080	3 853

CASH FLOW STATEMENT

for the year ended 30 September 2008

(R000)	Notes	2008	2007
Cash flows from operating activities			
Profit before taxation		6 555	6 874
Adjustments for:			
Interest received		(409)	(352)
		6 146	6 522
Trade and other receivables decreased/(increased)		411	(796)
Trade and other payables (decreased)/increased		(7 491)	7 953
Cash generated from operations		(934)	13 679
Interest received		409	352
Taxation paid	9.1	(2 334)	(2 814)
Dividends paid	9.2	(4 100)	(6 400)
Net cash inflow from operating activities		(6 959)	4 817
Cash and cash equivalents at 1 October		9 193	4 376
Cash and cash equivalents at 30 September	4	2 234	9 193

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

1 ACCOUNTING POLICIES

Fountainhead Property Trust Management Limited (the company) is a company domiciled in South Africa. The financial statements were authorised for issue by the directors on 29 October 2008.

1.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act and the Collective Investment Schemes Control Act.

1.2 BASIS OF PREPARATION

The financial statements are presented in Rands, rounded to the nearest thousand. They are prepared on the historical cost basis, except for certain financial instruments which are stated at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not apparent from other sources. Significant estimates are required in the determination of future cash flows, probabilities in assessing net recoverable amounts and fair value for disclosure purposes. Actual results may differ from these estimates.

1.3 REVENUE

Revenue comprises service fees, interest income and distributions received.

1.4 SERVICE FEES

Service fees represent management fees received for the asset management of the Trust, and are recognised on an accrual basis.

1.5 DISTRIBUTIONS RECEIVED

Distributions on investments are taken into account where the distribution date falls within the accounting period.

1.6 INTEREST INCOME

Interest income is recognised on an accrual basis, using the effective interest method.

1.7 TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance sheet date and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for when they arise on initial recognition of assets and liabilities, and the initial recognition affects neither accounting profit nor taxable income. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary tax on companies is recognised at the same time as the liability to pay the related dividend.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

1.8 REVALUATION RESERVE

All unrealised surpluses/deficits arising on the revaluation of the investment in the Trust to market value are recognised directly in the revaluation reserve and recycled through the income statement on sale or impairment.

1.9 INVESTMENT IN THE TRUST

The investment is stated at fair value (note 2) and is classified as an available-for-sale asset. Any surplus or deficit arising from a change in fair value is included directly in equity for the year in which it arises.

1.10 FINANCIAL INSTRUMENTS

A financial asset or financial liability is recognised on the balance sheet for as long as the company is party to the contractual provisions of the instrument.

MEASUREMENT

Financial instruments are initially measured at fair value, including directly attributable transaction costs, except in the case of financial instruments carried at fair value through profit and loss. Subsequent to the initial recognition these instruments are measured as set out below.

– Trade and other receivables

Trade and other receivables are carried at amortised cost.

– Other investments in debt and equity

The company classifies its investments in debt and equity securities into the following categories:

- at fair value through profit and loss;
- held-to-maturity; and
- available-for-sale.

Held-to-maturity investments are those that the company has the positive intent and ability to hold to maturity and these are held at amortised cost using the effective interest rate method, after deducting accumulated impairment losses.

Financial assets classified as at fair value through profit and loss and available-for-sale are held at fair value, which is the market price at the reporting date.

– Trade and other payables

Trade and other payables are carried at cost.

– Financial liabilities

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Financial liabilities are measured at amortised cost using the effective interest rate method.

CHANGES IN FAIR VALUE ON SUBSEQUENT MEASUREMENT

Changes in fair value on subsequent measurement of financial assets classified as:

- at fair value through profit and loss are recognised in profit and loss; and
- available-for sale are recognised directly in equity, other than changes related to impairment losses, which are recognised in profit and loss.

(R000)	2008	2007
2 INVESTMENT IN FOUNTAINHEAD PROPERTY TRUST		
249 904 (2007: 249 904) units in the Trust	1 399	1 687
The investment in the Trust is stated at fair value. The fair value is based on the closing price on the JSE Limited on 30 September.		
3 TRADE AND OTHER RECEIVABLES		
Service fee	2 983	3 364
Prepayments	123	109
Other	–	44
	3 106	3 517
4 CASH AND CASH EQUIVALENTS		
Deposits at bank	21	3
Negotiable certificates of deposit	–	5 000
Deposits on call	2 213	4 190
	2 234	9 193
5 SHARE CAPITAL		
Authorised and issued		
1 000 000 ordinary shares of R1 each	1 000	1 000
6 DIRECTORS' REMUNERATION		
Directors' emoluments		
For services as directors of the company		
– J D Rainier*	66	–
– V A Christian	99	90
– W M Kirchmann	99	90
– D M Nurek	–	45
– S Segar	33	–
– S Shaw-Taylor	66	60
Total directors' remuneration	363	285

* Executive

Directors' service contracts

No directors have service contracts with Fountainhead Property Trust or with Fountainhead Property Trust Management Limited.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

(R000)	2008	2007
7 TAXATION		
South African normal taxation		
– current	1 832	1 979
Secondary tax on companies	410	800
	2 242	2 779
<i>The taxation charge is reconciled as follows:</i>		
Profit before taxation	6 555	6 874
Tax calculated at a tax rate of 28 percent (2007: 29 percent)	1 836	1 993
Prepaid expenditure	(4)	(14)
Secondary tax on companies	410	800
Taxation per the income statement	2 242	2 779
<i>The taxation rate is reconciled as follows:</i>	%	%
Statutory taxation rate	28.00	29.00
Prepaid expenditure	(0.06)	(0.21)
Secondary tax on companies	6.25	11.64
Effective tax charge	34.19	40.43
Deferred taxation liability		
Opening balance	172	114
Change in tax rate	(6)	–
Fair value adjustment of investment in Fountainhead Property Trust	(40)	58
Closing balance	126	172
Deferred tax comprises:		
Deferred tax on fair value adjustment of investment in Fountainhead Property Trust	126	172
	(R000)	(R000)
8 MANAGEMENT AND ADMINISTRATION FEES		
The following management and administration fees were paid during the year:		
Allan Gray Limited	–	16 824
Standard Bank of South Africa Limited	13 277	8 688
Evening Star Trading 768 (Proprietary) Limited	11 221	–
Broll Property Group (Proprietary) Limited	1 014	939
	25 512	26 451
9 NOTES TO THE CASH FLOW STATEMENT		
9.1 TAXATION PAID		
Amounts unpaid at 1 October	520	497
Amounts charged to income statement	2 242	2 779
Amount recognised directly in equity	(46)	58
Amounts unpaid at 30 September	(382)	(520)
	2 334	2 814
9.2 DIVIDENDS PAID		
Amounts unpaid at 1 October	–	–
Amounts declared	4 100	6 400
Amounts unpaid at 30 September	–	–
	4 100	6 400

10 ADDITIONAL INFORMATION REQUIRED IN TERMS OF THE COLLECTIVE INVESTMENT SCHEMES CONTROL ACT OF 2002

In terms of the Collective Investment Schemes Control Act, 2002, the company is required to have a minimum capital of R949 866. At 30 September 2008 the capital balance was R3 853 000.

The cost of the investment in Fountainhead Property Trust at 30 September 2008 was R499 808 (2007: R499 808).

(R000)

2008

2007

11 FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of its investment in Fountainhead Property Trust, deposits with banks, accounts receivable and accounts payable.

In respect of all financial instruments listed above, carrying value approximates fair value.

Exposure to interest rate, credit and liquidity risk arises in the normal course of business.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company. The company's financial assets that are subject to credit risk are cash resources and trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

Trade and other receivables	3 106	3 517
Cash and cash equivalents	2 234	9 193

5 340

12 710

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Cash flows are monitored on a weekly basis to ensure that cash resources are adequate to meet funding requirements.

The following table details the company's contractual maturities of financial liabilities, excluding interest payments. The table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date that the company may be required to pay.

Less than three months
– Trade and other payables

2 504

9 995

Interest rate risk

Interest rate movements impact on the net income of the company's short-term cash investments. The risk is managed by the company by investing surplus cash at negotiated rates.

Capital management

The capital structure of the company is governed by the Collective Investment Schemes Control Act, 2002. The minimum capital requirement is R949 866 (2007: R1 021 000).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

12 RELATED PARTIES

Shareholders

The shareholders of Fountainhead Property Trust Management Limited are The Standard Bank of South Africa Limited (50 percent) and Liberty Group Limited (50 percent).

Identity of the related parties with whom material transactions have occurred

Fountainhead Property Trust Management Limited is the Manager of Fountainhead Property Trust in terms of the Collective Investment Schemes Control Act.

The Standard Bank of South Africa Limited and Liberty Group Limited are the shareholders.

Type of related party transactions

A service fee has been received from Fountainhead Property Trust. The management company has paid administration fees to The Standard Bank of South Africa Limited and Evening Star Trading (Proprietary) Limited. All transactions between related parties have occurred at arm's length.

Material related party transactions

Service fee	– refer Income statement
Management and administration fees	– refer note 8
Directors' emoluments	– refer note 6

13 CHANGE OF SHAREHOLDING

On 31 March 2008 Standard Bank sold 50 percent of its shares in Fountainhead Property Trust Management Limited to Liberty Group Limited.

14 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The revised IAS 1 introduces the concept of comprehensive income. Comprehensive income is all income earned, net of related costs, which is currently shown in both the income statement and statement of changes in equity, other than transactions directly with owners. This amendment is effective for periods commencing on or after 1 January 2009.

DIRECTORS' REPORT

for the year ended 30 September 2008

NATURE OF BUSINESS:	The company continued with its business as the manager for the Trust in terms of the Collective Investment Schemes Control Act.
GENERAL REVIEW:	The results for the year under review are reflected in the accompanying annual financial statements.
SHARE CAPITAL:	Details of the authorised and issued share capital of the company appear in note 5 to the financial statements.
DIVIDENDS:	A dividend of R4.1 million (2007: R6.4 million) was declared during the year.
DIRECTORS:	The directors of the company are as follows: J D Rainier (Managing Director) W M Kirchmann V A Christian S Shaw-Taylor S J Segar (appointed 6 April 2008)
MANAGERS AND SECRETARIES:	Broll Property Group (Proprietary) Limited
Business address:	2nd Floor, Broll House 27 Fricker Road Illovo 2196 Johannesburg
Postal address:	PO Box 1455 Saxonwold 2132
AUDITORS:	KPMG Inc. are reappointed in terms of section 270 of the Companies Act.
REGISTRATION NO:	1983/003324/06

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2008

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the audit committee.

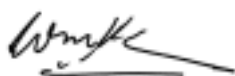
The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework. There is no indication that there was a breakdown in the functioning of these controls during the period under review.

The external auditors, KPMG Inc., are responsible for reporting on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, and the South African Companies Act and Collective Investment Schemes Control Act. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that Fountainhead Property Trust and Fountainhead Property Trust Management Limited will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The annual financial statements for the period ended 30 September 2008 set out on pages 24 to 49 were approved by the board of directors of Fountainhead Property Trust Management Limited on 29 October 2008 and are signed on its behalf by:



W M Kirchmann
Director



J D Rainier
Managing Director

29 October 2008

CERTIFICATE BY COMPANY SECRETARY

for the year ended 30 September 2008

We hereby certify that for the year ended 30 September 2008, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 268G(d) of the Companies Act, 1973, as amended, and all such returns are true, correct and up to date.

Broll Property Group (Proprietary) Limited
Secretaries

29 October 2008

REPORT OF THE INDEPENDENT AUDITORS

for the year ended 30 September 2008

To the unitholders of Fountainhead Property Trust and the members of Fountainhead Property Trust Management Limited

We have audited the annual financial statements of Fountainhead Property Trust and Fountainhead Property Trust Management Limited, which comprise the balance sheet at 30 September 2008 and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 49.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the Collective Investment Schemes Control Act of South Africa, where applicable. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fountainhead Property Trust and Fountainhead Property Trust Management Limited at 30 September 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Collective Investment Schemes Control Act and the Companies Act of South Africa, where applicable.

KPMG Inc.

Registered Auditor



Per GM Pickering
Chartered Accountant (SA)
Registered Auditor
Director

85 Empire Road
Parktown
2193

29 October 2008

REPORT OF THE TRUSTEE

for the year ended 30 September 2008 in terms of section 70(1)(f) of the Collective Investment Schemes Control Act

To the unitholders of Fountainhead Property Trust

During the period as set out above, during which the Collective Investment Schemes Control Act has been in effect, the Trust has been administered in accordance with:

- (i) the limitations imposed on the investment and borrowing powers of the Manager by the Act; and
- (ii) the provisions of the Act and Deed.



ABSA Bank Limited
Trustee

Johannesburg
29 October 2008

UNITHOLDERS' DIARY

Financial year-end	30 September
Interim results announcement	May
Interim distribution paid	May
Final results announcement	November
Final distribution paid	November
Annual financial statements	December

FOUNTAINHEAD

Property Trust ■■■■■■■■

Fountainhead Property Trust Annual Report 2008

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