

FOUNTAINHEAD

Property Trust



The 26th Annual Report **2009**



Dunkeld Office Park

Cover photo: Benmore Gardens Shopping Centre

1	Profile, Investment Policy and Financial Highlights
2	Directorate and Administration
5	Manager's Report
14	Salient Features
18	Property Portfolio
20	Fountainhead Property Trust
37	Fountainhead Property Trust Management Limited

45	Directors' Report
46	Approval of the Annual Financial Statements
46	Certificate by Company Secretary
47	Report of the Independent Auditors
49	Report of the Trustee
49	Unitholders' Diary

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 in so far 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 2009, was capitalised on the JSE at R6.2 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

	2009	2008
Distributions		
Cents per unit	52.00	48.10
Growth	8.1%	12.1%
Average vacancy factor (based on lettable space)	6%	6%
Property portfolio valuations (Rm)	7 621	7 335
Funding capacity (Rm)		
Maximum borrowings in terms of Trust Deed	2 286	2 201
Approved facility	1 200	1 000
Unutilised facility after capital commitments	180	67
Fountainhead Property Trust units (cents per unit)		
Net asset value	674	666
Listed market price at year-end	623	560
Increase/(decrease) on previous year	11%	(17%)
Discount to net asset value	(7.6%)	(15.9%)
FTSE/JSE Property Trust Index at year-end	356	321
Increase/(decrease) on previous year	11%	(22%)



Directors of Fountainhead Property Trust Management Limited

**A E Raubenheimer CA (SA)
(Managing Director)**

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



**W M Kirchmann R.Q.S.,
M.A.Q.S. (Chairman)**

Managing Director of Northprop (Proprietary) Limited. Involved in the property sector since 1959.



**V A Christian BCom, CA (SA)*
(Chairman of Audit Committee)**

Former partner at Ernst & Young and non-executive director of other companies.



S J Segar CA (SA)

Chief Investment Officer of Liberty Properties. 15 years' asset management experience.

H Y Laher B Proc LLB*

Partner at Bowman Gilfillan attorneys practising in the areas of commercial and banking litigation, insolvency and liquidation, BEE mergers and acquisitions, and tax.



D S Ogbu BA (Hons), ACA, MBA
Chief Executive Officer of Liberty Properties. President-elect of SAPOA.



S Shaw-Taylor CA (SA)

Global Head of Real Estate Investments for Standard Bank. Over 20 years' experience in property.



J D Rainier BCom, LLB*

Head of Real Estate Asset Management for Standard Bank. Involved in property management since 1980.

* 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
2nd Floor, Block E
Flora Office Park
Cnr Ontdekkers and Conrad Roads
Florida 1709

Auditor

KPMG Inc.

Bankers

The Standard Bank of South Africa Limited

Sponsor

The Standard Bank of South Africa Limited

JSE code

FPT

ISIN

ZAE000097416

Website

www.fountainheadproperty.co.za

E-mail

fountainhead@standardbank.co.za





Centurion Mall



Global economy

The global economy is recovering from one of the worst recessions recorded in many decades. Central banks in developed markets have been proactive in trying to stimulate the economy by injecting liquidity into financial markets. This appears to have worked in the short term as stock markets have recovered from their recent lows, however, it is uncertain if this approach will continue to support markets and generate growth over the longer term. Inflation risks have risen due to the injection of funds resulting in the US dollar and Sterling weakening against major currencies such as the Yen. Unemployment rates in the US remain high and the US consumer is reluctant to spend amid fears of job losses and personal balance sheet deterioration.

The domestic South African economy

The South African market lagged the world recession initially but technically entered the recession during the first quarter of 2009. Reduced demand by the consumer and reduced exports caused by weak overseas markets has resulted in a slow-down of retail sales and manufacturing output. Both these factors have acted negatively on the property market. Negative GDP growth coupled with a lower inflation outlook has allowed the SARB to reduce interest rates significantly during the year. It is the SARB's policy to target inflation between the 3 percent and 6 percent range. The government entered into an infrastructural expenditure programme which has reduced the effects of the recession by being counter-cyclical to the private sector. The increase in fiscal expenditure has caused the Treasury to run a budget deficit of approximately 7 percent of GDP, which is considered affordable in the short term but well up on last year's 1 percent.

The reduced interest rates will stimulate the economy and economists widely predict the economy will grow by approximately 1.5 percent during 2010. The soccer world cup will be an additional boost to the economy next year. The graph below indicates that the worst may be over for vehicle sales as the annual rate of decline has bottomed out indicating an improvement in market conditions. The reduction in interest rates and lower inflation levels should provide some relief to the consumer in the new year.

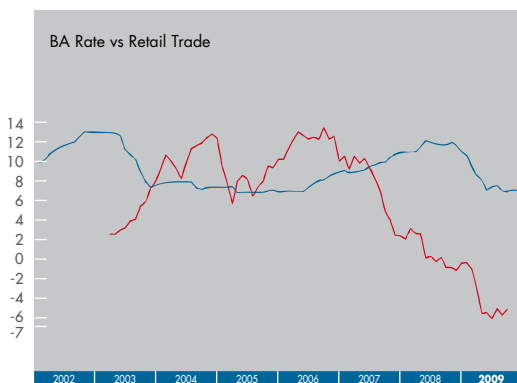
The South African property market

Rode's Report (2009:3) shows the following percentage increases in nominal market rentals over the past year, continuing the improvement in offices but showing a weakening in the industrial market:

Prime decentralised offices		Prime industrial	
Sandton CBD	9	Central Witwatersrand	9
Brooklyn/Waterkloof	17	East Rand	7
La Lucia Ridge	14	Cape Peninsula	4
Tyger Valley	13	Durban Metro	-1
		Pretoria Metro	-4

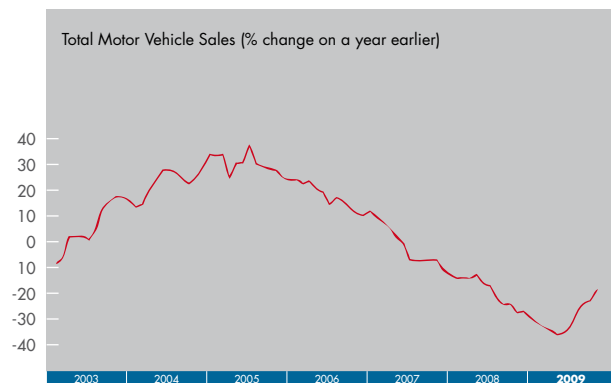
Over this period the BER building cost index rose by 1 percent.

Rode reports that capitalisation rates moved sideways in retail and industrial properties during the quarter. Prime office nodes in Johannesburg and Cape Town strengthened marginally, while prime nodes in Pretoria and Durban moved sideways. Capitalisation rates in inferior CBD office nodes weakened considerably during the quarter. This proves that in times of stress secondary office nodes perform far worse than primary office nodes. New contractual office lease escalations are in the range of 9 to 10 percent.



(Source: INet Bridge)

BA Rate Retail Trade (% change)



(Source: INet Bridge)

Vacancy rates in the decentralised office market have continued to weaken in Johannesburg and Cape Town to levels above 5 percent during the quarter. The 5 percent level is a significant yardstick as levels above this threshold result in the slowing of rental growth. Office vacancies in Durban and Pretoria decentralised are 2 percent and 3 percent respectively.

Industrial rental growth has slowed due to poor retail sales which has dampened demand for warehouse and manufacturing space. Rode estimates vacancies across the major industrial nodes in central Witwatersrand, Cape Town, Durban and Port Elizabeth to be between 5 percent and 6.5 percent. This has been a continuing trend since 2007 and has the effect of slowing rental growth. The Kagiso PMI index, which is an indicator of conditions in the manufacturing sector, edged up in August 2009 and could be considered a sign of improving conditions within the manufacturing sector.

Buildings completed and plans passed (% change on a year earlier)

	Offices	Shops	Industrial	Other	Total
12 months to					
July 2009					
Completed	37.6	(2.1)	20.9	23.5	19.0
Plans passed	(11.5)	(7.0)	(20.9)	12.5	(13.2)
6 months to					
July 2009					
Completed	(0.1)	(13.9)	31.1	12.1	8.3
Plans passed	(24.4)	23.5	(33.6)	16.7	(14.7)

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

The table above indicates a substantial decrease in building plans passed during the last 6 and 12 month period. A reduction in building plans passed is an indicator of reduced construction activity. The graph below depicting cement sales, which is also a good indicator of construction activity, has continued to show a downward slide indicating restrained conditions in the construction industry.

It is interesting to note the increase in building plans passed for shopping centres during the last six months considering the state of retail sales. It would also imply that certain shopping centre owners feel the retail market would have picked up by the time these new centres are developed due to long lead times. The decrease in offices completed and plans passed in the last six months indicates that capacity growth is slowing and bodes well for vacancy rates and, in turn, rental growth.

Rode reports a take-up of prime office space during the last year to July 2009 of some 296 000 m² in decentralised nodes, however, the take-up in CBDs was a negative 65 000 m². This further corroborates the assumption that premium established office nodes perform better in times of economic stress.

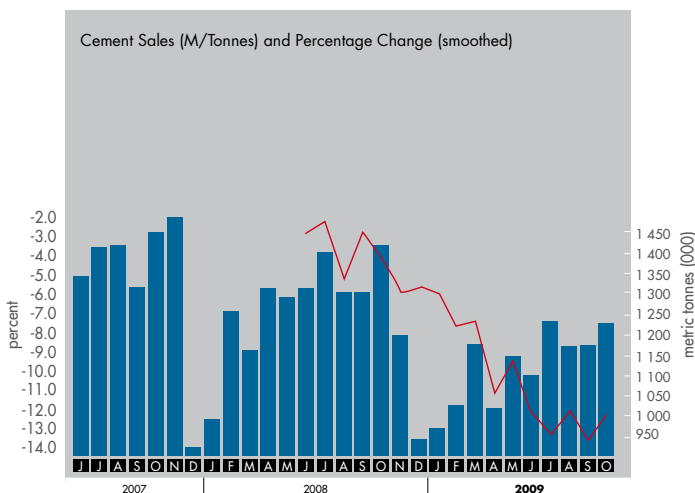
Retail sales decreased by 7 percent at constant prices (Source: Stats SA) for August 2009 compared to August 2008. This is a result of the weak domestic and global economy and the reduction of credit availability to consumers. The reduction in interest rates should start to support retail sales growth, however, there is a considerable time lag between interest rate reductions and the effect on the consumer.

Initiatives and market developments during 2009

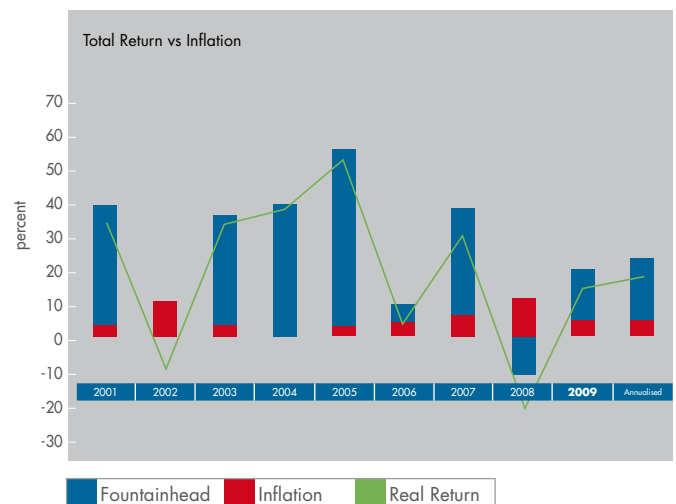
We continued with our programme of redeveloping certain properties. For details we refer you to the "Property portfolio" section set out on pages 18 and 19.

Performance and financial results

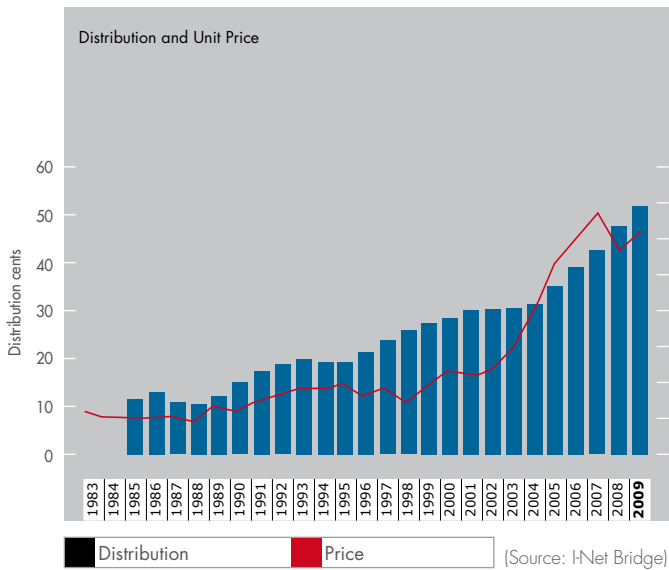
Our purpose is the creation of long-term wealth for our unitholders. Over the last nine years to September 2009 the total return per annum generated by Fountainhead Property Trust compared with inflation has been as follows:



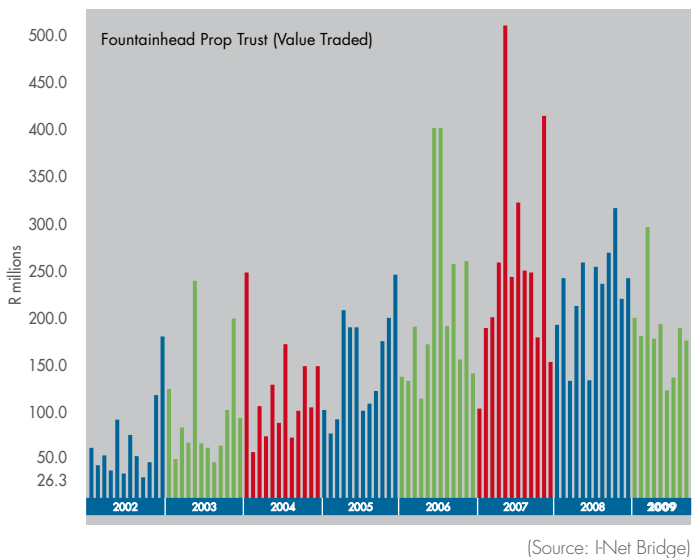
(Source: INet Bridge)



(Source: INet Bridge)



Fountainhead shows consistent growth in distribution.



Fountainhead is one of the most liquid property stocks.

Total distributions for the year to 30 September 2009 were R517.942 million, equivalent to 52.00 cents per unit (2008: 48.10 cents). The total distribution comprised an interim distribution of 25.70 cents (2008: 23.60 cents) and a final distribution of 26.30 cents (2008: 24.50 cents) to be paid on 23 November 2009. This is an 8.1 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 2008 Fountainhead Property Trust's total return over a three-year period was 25.2 percent compared with the benchmark of 22.4 percent. In addition, Fountainhead won the award for the best listed office portfolio, based on total return over a three-year period, for the fourth consecutive year.

Vacancy levels

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

Sector	2009	2008
Retail	6	6
Offices	7	8
Industrial	8	6
Other	–	–
Total	6	6

By value, the vacancies equated to 4 percent of potential rental income, the same as at half-year.

In the retail sector 74 percent of the vacancies remain at The Boulders, The Brightwater Commons and at Centurion Mall. Approximately 25 percent of the total retail vacant area has been let for future occupation.

The office sector had a vacancy of 7 percent, mainly at Grayston Ridge, AMR Office Park and The Ambridge.

The industrial sector had a vacancy of 8 percent compared with 7 percent at half-year. The increase in the vacancy is reflective of the depressed economic conditions within the manufacturing and distribution sectors.

During the past year 8 256 m² of new leases were signed in the office portfolio and 15 912 m² of leases were renewed, a total of 22 percent of the rentable area of the portfolio. The leases were concluded at a cost of 4 percent of the gross value of R86 million.

During the past year 18 963 m² of new leases were signed in the industrial portfolio and 23 616 m² of leases were renewed, a total of 23 percent of the rentable area of the portfolio. The leases were concluded at a cost of 4 percent of the gross value of R56 million.

Leasing activity for the year was as follows:

The table below shows the fund's letting performance during 2009.

	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 2008	25 332	6	8 455	8	10 609	6
Vacated	32 978	8	7 976	7	23 599	13
New leases	(34 731)	(8)	(8 256)	(8)	(18 963)	(11)
Vacant at 30 September 2009	23 579	6	8 175	7	15 245	8
Renewals 2 yr plus	67 829		10 464		21 100	
Renewals 1 yr	10 139		5 448		2 516	

Capital projects

Significant capital projects are:

Kenilworth Centre

The redevelopment of the centre is practically complete. The centre now has a larger Checkers, a new Game store, a food court and a new Virgin Active gym. The centre also had an aesthetic upgrade with new tiles and lighting. The cost of the redevelopment was R122 million at an initial yield of 8.3 percent. Since the redevelopment, turnover has increased by 20 percent and foot count by 6 percent.

Benmore Gardens Shopping Centre

The development of the parking decks is progressing well. The first deck will be open by November and the second deck will be completed during the first quarter of 2010. There will now be 1 019 parking bays at the centre. The total project cost for the centre is R195 million at an 8.5 percent initial yield.

Centurion Mall

The Edgars expansion is complete and has been handed over for beneficial occupation. The enlarged store commenced trading during November 2009. The cost is R19 million at an initial yield of 11.8 percent. The cinema redevelopment is progressing well with four of the six cinemas opening for the Christmas holiday season. The remaining two cinemas will open during the first quarter of next year. The cost of the cinemas is R10.9 million at an initial yield of 4.4 percent. This yield does not take into account additional income which will be received from parking and the benefits derived from supporting the total entertainment offering of the mall.

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	% of portfolio	
			EY (%)	2009	2008
Retail	5 764	579	8.4%	76	74
Office blocks	983	99	8.9%	13	13
Industrial	616	62	10.3%	8	9
Specialised	258	26	11.3%	3	4
Total property	7 621	766	8.7%	100	100
Long-term borrowings	(915)	(92)			
Net current assets	2	-			
	6 708	674			

The net asset value per unit is 1 percent higher than that of last year, as a result of improved valuations.

The portfolio is concentrated significantly in 14 properties making up 81 percent of the portfolio by value. The major properties are discussed below.

Retail portfolio

This portfolio consists of 425 309 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, management believes, 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 111 712 m² with 88 112 m² of retail space and 23 600 m² of offices, including the Lakeside and Die Anker office buildings adjoining the Mall. It is budgeted to contribute 26 percent of property earnings in the new financial year. The major tenants are Pebble Bed Modular Reactor, Pick n Pay, Woolworths, Edgars, Game, Truworths, Dischem 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 2 percent (3 percent last year). Work is nearing completion on alterations to the centre which are outlined in the section dealing with "Capital projects" above.
- Westgate Shopping Centre (a 41 percent undivided share) with 106 000 m² of retail space. It is budgeted to contribute 9 percent of property earnings in the new financial year. The major tenants are Checkers Hyper, Woolworths, Edgars, Game, Pick n Pay, Ackermans, 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 a negative 1 percent (negative 3 percent last year).
- Kenilworth Centre with 46 954 m² of retail space. It is budgeted to contribute 9 percent of property earnings in the new financial year. The major tenants are Pick n Pay, Woolworths, Edgars, Virgin Active, Game, Checkers and all the major national fashion chains. Sales growth for the year to 30 September was 28 percent (10 percent last year). Work has been substantially completed on major alterations to the centre which are outlined in the section dealing with "Capital projects" above.
- Blue Route Mall with 48 286 m² of retail space. It is budgeted to contribute 9 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 5 percent (13 percent last year).

- 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 the 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 5 percent (negative 3 percent last year).
- The Boulders with a total of 48 349 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. Sales growth to 30 September was 5 percent (11 percent last year).
- Benmore Gardens with 22 201 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. Work is in progress on major alterations to the centre which are outlined in the section dealing with "Capital projects" above.
- Bryanston Shopping Centre with 11 556 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.
- The Brightwater Commons with 42 497 m² of space. It is budgeted to contribute 3 percent of property earnings in the new financial year. Major tenants are Pick n Pay, Virgin Active and Woolworths.
- Southgate Mall and Value Market (16 percent and 19 percent undivided shares respectively) with 69 029 m² and 19 205 m² respectively. They are budgeted to contribute 3 percent of property earnings in the new financial year. The major tenants are Pick n Pay, Woolworths, Checkers, Edgars, Jet, Ster-Kinekor, Virgin Active and Game. 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 (1 percent last year).

For more comprehensive details of this portfolio see page 18.

Commercial and industrial portfolio

The total area of the commercial and industrial portfolio is 296 678 m² with average vacancy levels at year-end of 8 percent (6 percent last year). Of this, the office portfolio is 111 753 m² with an average vacancy of 7 percent (8 percent last year), and the industrial portfolio is 184 925 m² with an average vacancy of 8 percent (6 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. The building is totally let to Murray & Roberts on a long-term lease.
- 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 is currently 3 percent vacant (0 percent last year).
- Strijdom Industrial Park in Strijdom Park, Randburg, which is a 24 957 m² complex consisting of 45 units, is budgeted to contribute 2 percent of property earnings in the new financial year. The park is currently 12 percent vacant (2 percent last year).
- Grayston Ridge Office Park which is in Sandton and comprises three prime office buildings measuring 10 048 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 28 percent vacant (35 percent last year).
- Buildings with material vacancies or the threat of materially increased vacancies are:

	Rentable area (m ²)	Vacant area (%)	Monthly loss R000
OFFICES			
Actual			
Grayston Ridge	10 048	28	212
The Ambridge	4 406	48	179
Wierda Mews	2 327	39	81
AMR Office Park	9 965	11	79
			<u>551</u>
Potential*			
Sunridge	2 930	78	284
			<u>284</u>
INDUSTRIAL			
Actual			
Supreme Industrial Park	31 061	14	128
Strijdom Industrial Park	24 957	12	90
			<u>218</u>
			<u>1 053</u>

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

For more comprehensive details of this portfolio see pages 18 and 19.

Specialised portfolio

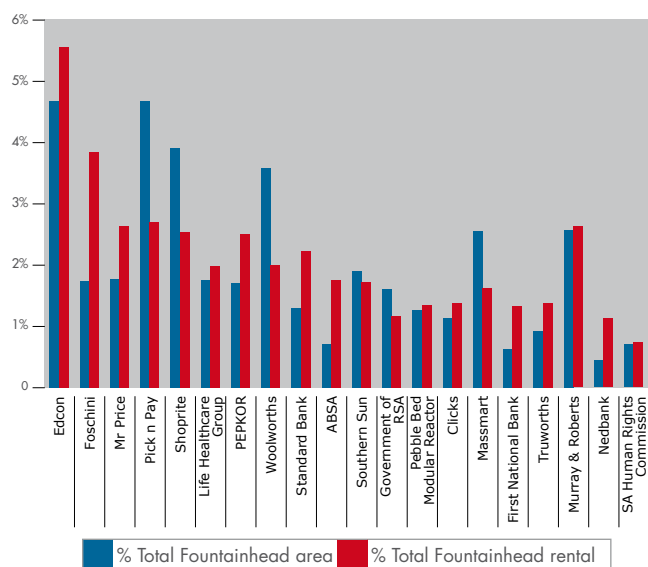
The Specialised portfolio comprises two properties:

- Bedford Gardens Private Hospital. The lease with Life Healthcare Group has a further 12 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 two years to run and escalates at an inflation-linked rate, with a 10-year option to renew. The lease is underwritten by ACSA until 2021. It is budgeted to contribute 2 percent of property earnings in the new financial year.

For more comprehensive details of this portfolio see page 19.

Exposure to major tenants

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



Cash funds

A R1.2 billion facility is available from Standard Bank. Capital commitments at year-end were R105 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 R180 million.

Units in issue

At yearend the number of units in issue was 996 043 081 (2008: 996 043 081).

Trading statement

Management believes that distribution growth will continue into the year ahead. This information has not been reviewed or reported on by Fountainhead Property Trust's auditor.

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, which is total market capitalisation plus the aggregate amount of borrowings, calculated monthly on the average daily closing prices. The amount paid was R32.12 million (2008: R32.66 million).

The Trust during 2009 paid the following fees and commissions (excluding VAT):

To Broll Property Group for:

(R000)	2009	2008
Administration fees	30 573	27 205
Letting fees	5 333	5 564
	35 906	32 769

To the Motseng Property Services for:

(R000)	2009	2008
Administration fees	2 248	1 925
Letting fees	389	162
	2 637	2 087

To McWilliam Murray Realty for:

(R000)	2009	2008
Administration fees	861	824
Letting fees	409	58
	1 270	882

Asset management fees of R24.092 million (2008: R11.221 million) and Rnil (2008: R13.277 million) were paid by the Manager to the Evening Star Trading 768 (Proprietary) Limited and Standard Bank of South Africa respectively. Administration fees of R1.116 million (2008: R1.014 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	6 845	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 6 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:

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

Directors' interests in Fountainhead Property Trust:

	Beneficial holding	Movement
A E Raubenheimer	–	–
W M Kirchmann	100 000	–
V C Christian	–	–
H Y Laher	–	–
D S Ogbu	–	–
J D Rainier	160 000	–
S J Segar	–	–
S Shaw-Taylor	100 000	–

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

Green building initiative

A number of the immediate objectives of the Green Campaign embarked upon in 2008 to ensure a sustainable business practice at the Brightwater Commons have been successfully met. Most notably is the installation during January 2009 of a water reticulation and water storage system to harness run-off and rain water. The decision to invest the capex and install four reservoirs with a total capacity of 230 000 litres proved a sound environmental and financial decision. The centre's average municipal water usage decreased drastically ensuring a saving of between 3 900 and 4 200 kilolitres per month on average. In financial terms this amounts to a saving of around R50 000 per month, providing a good return on the initial R218 000 spent on this project.

A further success story of Brightwater's sustainability programme is its recycling campaign. This campaign kicked off with a "Recycling Pays R100 000 competition" between October and December 2008. The drive was well supported by the public and the tenants with an impressive 48 577 kg of waste accumulated over the competition period. Participation from the public remains fairly constant since the competition closed with the collection of recyclables ranging between 13 and 18 tons per month.

To date power usage is the most challenging aspect of the "Green" process at The Brightwater Commons. With tenants using in excess of 80% of the centre's total power bill, meaningful savings cannot be achieved without their co-operation. The use

of energy efficient light fittings and an audit of the entire centre's electricity meters have already reduced consumption, with further saving targets in place. A benchmark is also in place should the pending NERSA Energy Conservation Scheme be implemented, showing that The Brightwater Commons is way ahead of many other centres in this regard.

The carbon footprint audit of the tenants has commenced. Key majors and a few small tenants were earmarked for the initial carbon footprint audits. Major tenants, like Woolworths and Virgin Active, are already committed to the audit recommendations.

In recognition of its efforts the centre recently received from the South African Council of Shopping Centres, the prized Gold Footprint Award in the Integration Category for its Green Campaign, proving that The Brightwater Commons has achieved its goal of "walking the talk" and is "Being Seen to be Green and Is Green"!

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 Raubenheimer succeeded Mr Rainier as Managing Director on 27 November 2008. Mr Rainier continues to serve on the Board as a non-executive director. Mr Laher was appointed to the Board on 4 December 2008. Mr Ogbu was appointed to the Board on 11 September 2009. Mr Kirchmann was formerly appointed as Chairman on 27 November 2008.

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 the Chairman of the Company and Mr Raubenheimer is the Managing Director. Mr Raubenheimer is the only executive

director. Mr Rainier, Mr Shaw-Taylor, Mr Ogbu and Mr Segar as employees of the controlling shareholders are not independent non-executive directors. Messrs Christian, Kirchmann and Laher 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 disinvestment 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	4	-	100
A Raubenheimer (Appointed 27 November 2008)	Exec	4	3	100
V Christian	Non-exec	4	3	100
H Laher (Appointed 4 December 2008)	Non-exec	4	3	100
D Ogbu (Appointed 11 September 2009)	Non-exec	-	-	-
S Shaw-Taylor	Non-exec	4	-	100
S Segar	Non-exec	4	-	100
J Rainier	Non-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 Laher, both independent non-executive directors, as well as Mr Rainier. All members of the audit committee 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 in so far 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 effectiveness of systems of internal control, and as such to assist the Board in meeting its statutory and regulatory responsibility, 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 auditor is 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
Chairman



A E Raubenheimer
Managing Director

Fountainhead Property Trust Management Limited

28 October 2009

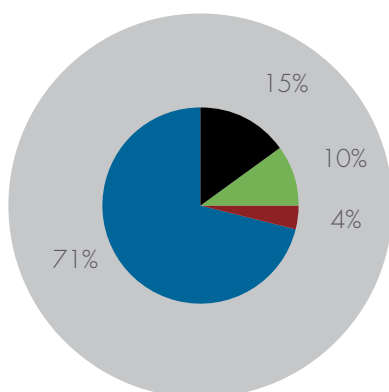


Rosebank Corner

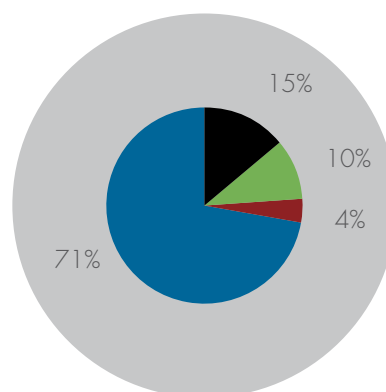
Financial summary

(R000)	2009	2008	2007	2006	2005	2004	2003
Net contractual property income	609 482	551 712	477 872	421 977	374 260	330 564	278 957
Interest received	34 658	37 969	27 774	21 476	20 035	30 407	45 823
Interest paid	(90 277)	(74 713)	(40 942)	(23 602)	(20 758)	(22 913)	(31 444)
	553 863	514 968	464 704	419 851	373 537	338 058	293 336
Trust audit fees, service charges and taxes	(35 921)	(35 871)	(37 202)	(31 394)	(24 880)	(17 332)	(15 296)
	517 942	479 097	427 502	388 457	348 657	320 726	278 040
Transfer from maintenance reserve		-	-	-	-	-	9 597
Income distributions	517 942	479 097	427 502	388 457	348 657	320 726	287 637
Distribution per unit (cents)	52.00	48.10	42.92	39.00	35.00	32.20	30.90
Weighted average number of units in issue during the period ('000)	996 043	996 043	996 043	996 043	996 043	996 043	930 858
Growth in distribution (%)	8.1	12.1	10.1	11.4	8.7	4.2	0.7

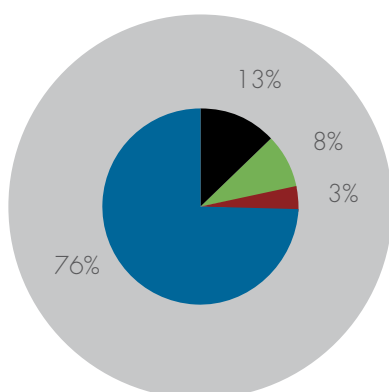
Contractual Rent by Sector 2009



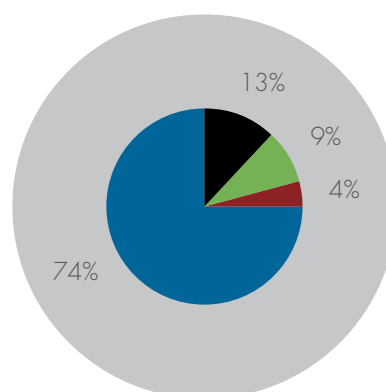
Contractual Rent by Sector 2008



Property Market Value by Sector 2009



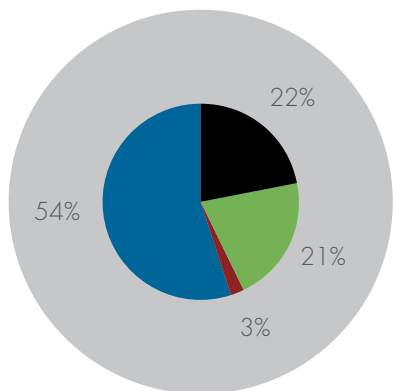
Property Market Value by Sector 2008



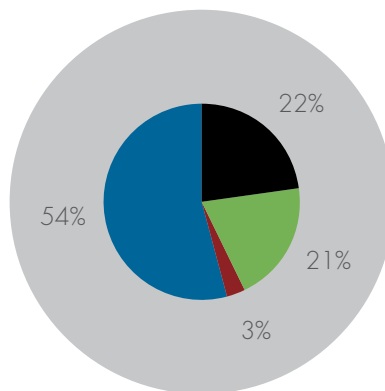
Summary of stock exchange prices

2008/2009	Highest cents	Lowest cents	Last transaction cents	Volumes traded ('000)
October	577	440	515	62 749
November	555	490	555	42 626
December	615	550	571	42 205
January	615	551	568	34 045
February	600	500	549	31 864
March	642	500	565	54 002
April	629	530	585	31 114
May	605	542	550	34 040
June	585	545	551	21 952
July	600	543	587	24 090
August	620	562	615	31 632
September	650	601	623	28 145

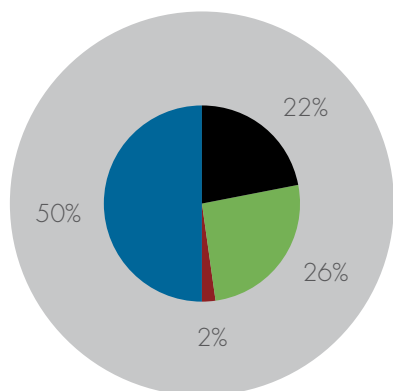
Contractual Rent by Geographic Spread 2009



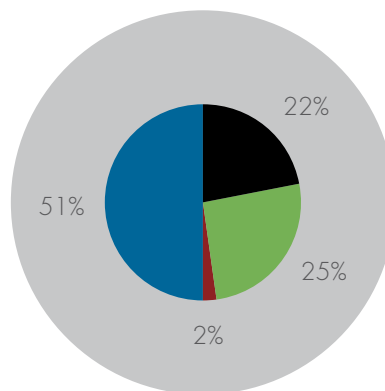
Contractual Rent by Geographic Spread 2008



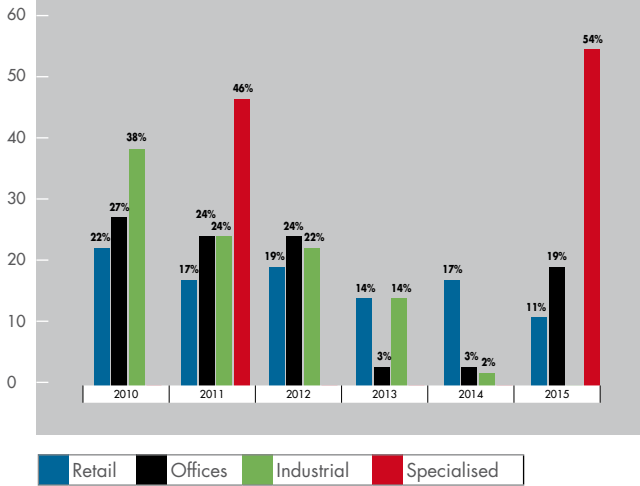
Property Market Value by Geographic Spread 2009



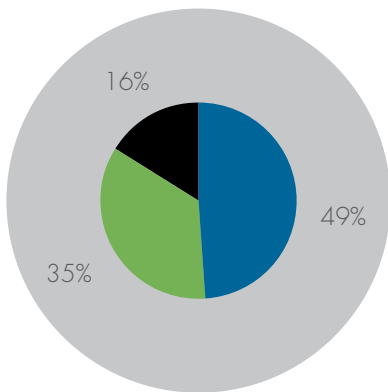
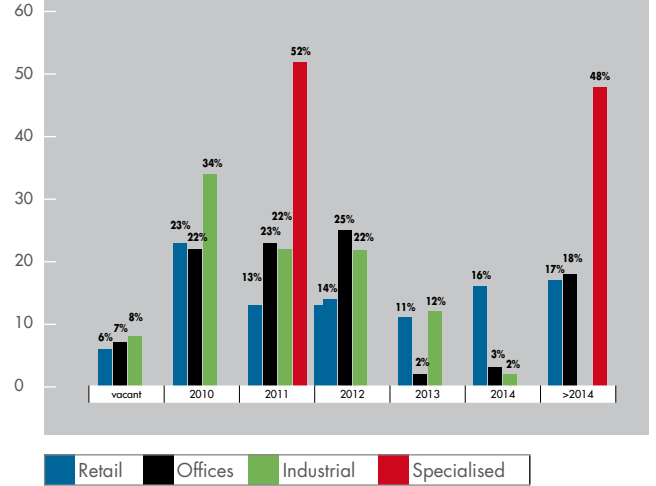
Property Market Value by Geographic Spread 2008



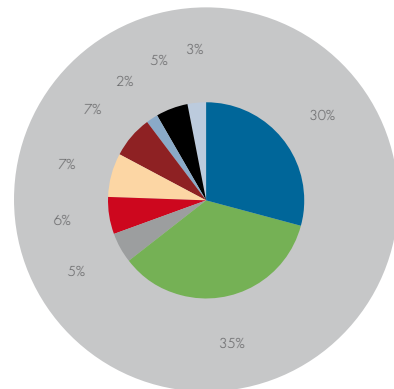
Analysis of lease expiries and reviews as a percentage of gross rental



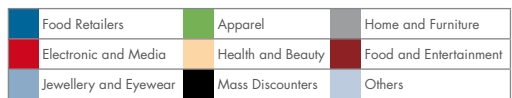
Analysis of lease expiries and reviews as a percentage of rentable area



Tenant Profile Analysis



Retail Turnover 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, Ster-Kinekor Cinemas, 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



Centurion Mall



Benmore Gardens Shopping Centre

Name of property	Location	Rentable area (m ²)	Market value ('000)	% of portfolio	Cents/unit	Weighted average rental (R/m ²)	Weighted average rental escalation (%)
RETAIL							
Gauteng							
Centurion Mall (75 percent)	Heuwel Avenue, Centurion	83 784	1 878 709	24.7		142	
Westgate Shopping Centre (41.32 percent)	Ontdekkers Road, Roodepoort	43 797	642 103	8.4		124	
The Boulders Shopping Centre	Old Pretoria Road, Midrand	48 349	399 679	5.2		97	
Benmore Gardens Shopping Centre	Benmore Road, Sandton	22 201	390 663	5.1		161	
Bryanston Shopping Centre	Hobart Road, Bryanston	11 556	224 547	2.9		156	
The Brightwater Commons	Republic Road, Randburg	42 497	201 137	2.6		70	
Southgate Mall (15.97 percent)	Rifle Range Road, Mondeor	11 024	154 416	2.0		126	
Rosebank Mews	173 Oxford Road, Rosebank	7 310	61 970	0.8		102	
Northmead Mall	1st Street, Northmead, Benoni	13 966	60 883	0.8		67	
Dekema Mall	Dekema Road, Wadeville, Germiston	4 632	27 405	0.4		80	
Southgate Value Market (19.01 percent)	Rifle Range Road, Mondeor	3 651	18 389	0.2		65	
Western Cape							
Kenilworth Centre	Doncaster Road, Kenilworth	46 954	594 420	7.8		102	
Blue Route Mall	Tokai Road, Tokai, Cape Town	48 286	592 214	7.8		104	
N1 City Mall (58 percent)	Louwitje Rothman Street, Goodwood	37 302	517 158	6.8		115	
Total retail		425 309	5 763 693	75.5	578.7	114	8.7%
OFFICE BLOCKS							
Gauteng							
Douglas Roberts Centre	22 Skeen Boulevard, Bedfordview	19 166	235 938	3.1		86	
Grayston Ridge Office Park	144 Katherine Street, Sandown, Sandton	10 048	100 578	1.3		106	
Rosebank Corner	Jan Smuts Avenue, Rosebank	9 082	91 553	1.2		99	
AMR Office Park	Concorde Road, Bedfordview	9 965	75 861	1.0		102	
Dunkeld Office Park	6 North Road, Dunkeld West	5 478	75 513	1.0		123	
240 Walker Street	Sunnyside, Pretoria	7 808	47 723	0.6		68	
Kimberley-Clark House	Leicester Road, Bedford Gardens	6 016	45 352	0.6		86	
260 Walker Street	Sunnyside, Pretoria	5 279	37 809	0.5		85	
The Ambridge	Vrede Avenue, Epsom Downs	4 406	36 224	0.5		92	
Sunridge (75 percent)	62 Wierda Road East, Wierda Valley	2 930	33 184	0.4		125	
Human Rights House	29 Princess of Wales Terrace, Parktown	5 176	27 933	0.4		87	
Summit Park	439 Summit Road, Morningside	2 874	27 244	0.4		95	
Lakeside Place	Queen Street, Bruma	3 381	16 709	0.2		75	
22 Wellington Road	Parktown	3 227	16 512	0.2		77	
256 Kent Avenue	256 Kent Avenue, Randburg	2 244	15 688	0.2		91	
Wierda Mews	41 Wierda Road, Wierda Valley	2 327	14 280	0.2		97	
RPA Centre	180 Smit Street, Fairland	1 716	8 504	0.1		61	
KwaZulu-Natal							
Delmat House	27 Jan Hofmeyr Road, Westville	3 916	35 092	0.5		102	
Essex Park	46 Essex Terrace, Berea West, Westville	4 343	24 851	0.3		80	
Kent House	1 Neptune Road, Berea West, Westville	2 371	16 915	0.2		93	
Total offices		111 753	983 463	12.9	98.7	92	9.3%

Name of property	Location	Rentable area (m ²)	Market value ('000)	% 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	123 092	1.6		40	
Strijdom Industrial Park	Hammer Avenue, Strijdompark, Randburg	24 957	109 965	1.4		46	
Supreme Industrial Park	Klipriviersberg Road, Steeledale	31 061	65 330	0.9		36	
Continuity SA	Old Pretoria Road, Midrand	7 551	51 594	0.7		62	
Pick n Pay Warehouse	Nasmith Road, Jupiter Ext. 1, Germiston	10 540	31 656	0.4		29	
Degussa	142 16th Road, Midrand	4 607	23 208	0.3		52	
Gateway Industrial Park	Graniet Street, Jet Park	4 805	11 955	0.2		37	
Dismed House	733/747 16th Road, Midrand	2 871	11 308	0.1		41	
Delta	Old Pretoria Road, Midrand	1 504	9 062	0.1		141	
Strike House	Richards Drive, Halfway House	1 880	8 459	0.1		50	
Canberra Industrial Park	Derick Coetzee Street, Jet Park	2 621	7 537	0.1		38	
The House Of Rubber	Crusher Road, Crown Extension	2 266	6 763	0.1		31	
Jay Park	Piet Bekker Street, Jet Park	2 264	6 081	0.1		37	
Humsa House	Graniet Street, Jet Park	2 113	5 885	0.1		29	
Monit House	Van der Bijl Street, Meadowdale	1 985	5 857	0.1		42	
Astro Place	Van der Bijl Street, Meadowdale	1 876	5 835	0.1		41	
Staceylee Industrial Park	Derick Coetzee Street, Jet Park	1 876	5 629	0.1		42	
Mercury Park	Piet Bekker Street, Jet Park	2 107	5 351	0.1		37	
Lifetime House	Kelly Road, Jet Park	1 801	5 057	0.1		42	
Orion Place	Piet Bekker Street, Jet Park	1 519	4 176	0.1		40	
Dale House	Cnr Bell & Fleming Streets, Meadowdale	1 308	4 118	0.1		35	
Ventura Industrial Park	Derick Coetzee Street, Jet Park	1 402	4 075	0.1		39	
Hydra Park	Piet Bekker Street, Jet Park	1 643	3 712	0.0		41	
Gail Industrial Park	Patrick Road, Jet Park	1 504	3 627	0.0		37	
Zero Park	Fabriek Street, Strijdom Park	1 180	3 366	0.0		39	
Medsave House	Fabriek Street, Strijdom Park	2 113	3 063	0.0		26	
Precision House	Precision Road, Kya Sand	604	1 584	0.0		33	
KwaZulu-Natal							
Murrayfield	Prospecton Road, Prospecton	16 869	51 693	0.7		39	
4 Walter Place	Watervalpark, Mayville	8 242	20 391	0.3		31	
Western Cape							
7 Benbow Avenue	7 Benbow Avenue, Epping 1	5 854	16 068	0.2		30	
Total industrial		184 925	615 497	8.2	61.8	40	9.4%
SPECIALISED							
Gauteng							
Bedford Gardens Private Hospital	Leicester Road, Bedford Gardens	12 817	157 266	2.1		98	
Southern Sun O.R. Tambo International Airport	Kempton Park	14 152	101 171	1.3		75	
Total specialised		26 969	258 437	3.4	25.9	86	8.7%
Total property portfolio of Fountainhead		748 956	7 621 090	100.0	765.1	94	8.8%

The average annualised property historical yield based on valuations as at 30 September 2009 is 7 percent.

Balance sheet

as at 30 September 2009

(R000)	Notes	2009	2008
ASSETS			
Property assets		7 621 090	7 335 119
Investment properties	2	7 372 551	7 103 135
Straight-line lease accrual	3	248 539	231 984
Other current assets		380 414	355 697
Trade and other receivables	4	46 542	38 513
Cash and cash equivalents	5	333 872	317 184
Total assets		8 001 504	7 690 816
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' funds		6 708 418	6 609 335
Capital of the fund	6	1 933 354	1 933 354
Capital reserve		501 906	501 906
Revaluation reserve		4 024 559	3 942 031
Retained earnings		248 599	232 044
Non-current liabilities			
Interest-bearing liability	7	915 000	731 000
Current liabilities		378 086	350 481
Trade and other payables		116 127	106 450
Unitholders for distribution		261 959	244 031
Total unitholders' funds and liabilities		8 001 504	7 690 816

Income Statement

for the year ended 30 September 2009

(R000)	Notes	2009	2008
Revenue		785 120	704 091
Contractual rental income		768 565	689 439
Straight-line lease adjustment	2, 3	16 555	14 652
Expenses		(195 004)	(173 598)
Administrative expenses	8	(35 921)	(35 871)
Property operating expenses	8	(159 083)	(137 727)
Operating profit before net finance cost and fair value adjustments		590 116	530 493
Net finance costs		(55 619)	(36 744)
Interest received		34 658	37 969
Interest paid		(90 277)	(74 713)
Deficit on disposal of investment properties	9	-	(1 194)
Fair value adjustments to investment properties	2	82 528	280 791
Profit for the year		617 025	773 346
Basic earnings per unit (cents)	13	61.9	77.6

Statement of Changes in Unitholders' Funds

for the year ended 30 September 2009

(R000)	Capital of the fund	Capital reserve	Revaluation reserve	Retained earnings	Total unitholders' funds
Balance as at 1 October 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
Profit/total income and expenses for the year	–	–	–	617 025	617 025
Fair value adjustment on investment properties transferred to revaluation reserve	–	–	82 528	(82 528)	–
Income distributions	–	–	–	(517 942)	(517 942)
Balance at 30 September 2009	1 933 354	501 906	4 024 559	248 599	6 708 418

Cash Flow Statement

for the year ended 30 September 2009

(R000)	Notes	2009	2008
Cash effects from operating activities			
Profit for the year		617 025	773 346
Adjustments for:			
Straight-line lease adjustment		(16 555)	(14 652)
Interest received		(34 658)	(37 969)
Interest paid		90 277	74 713
Deficit on disposal of investment properties		–	1 194
Fair value adjustments to investment properties		(82 528)	(280 791)
		573 561	515 841
Trade and other receivables increased		(8 029)	(15 226)
Trade and other payables increased		9 677	24 986
Cash generated from the operations		575 209	525 601
Interest received		34 658	37 969
Interest paid		(90 277)	(74 713)
Income distributions	11	(500 014)	(449 414)
Net cash flows from operating activities		19 576	39 443
Cash effects from investing activities			
Additions to investment properties		(186 888)	(252 828)
Proceeds from disposal of investment properties		–	5 084
Net cash flows used in investing activities		(186 888)	(247 744)
Cash effects from financing activities			
Long-term loan raised		184 000	244 000
Net cash flows from financing activities		184 000	244 000
Net increase in cash and cash equivalents		16 688	35 699
Cash and cash equivalents at 1 October		317 184	281 485
Cash and cash equivalents at 30 September	5	333 872	317 184

Notes to the Annual Financial Statements

for the year ended 30 September 2009

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 28 October 2009.

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, which is the Trust's functional currency. 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, liabilities, income and expenses. The estimates and underlying 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. 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 net disposal proceeds 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.

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. The reversal is recognised in profit or loss.

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 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 amortised cost.

– Trade and other payables

Trade and other payables are carried at amortised cost, using the effective interest method.

– Interest-bearing loans

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 using the effective interest method, 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.

Set-off

Financial assets and financial liabilities are off-set and the net amount reported in the balance sheet when the Trust has a legally 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.

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 are transferred to the revaluation reserve and are not available for distribution.

1.8 Revenue

Rental income from investment properties comprises gross rental and is recognised in profit or loss 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 as it accrues in profit or loss using the effective interest method.

1.10 Basic earnings per unit

The Trust presents basic earnings per unit calculated by dividing the profit or loss attributable to unitholders of the Trust by the weighted average number of units outstanding during the period.

Notes to the Annual Financial Statements

for the year ended 30 September 2009

1.11 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 business 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.

Segment 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)	2009	2008
2. Investment properties		
Independent property valuations	7 621 090	7 335 119
Straight-line lease accrual	(248 539)	(231 984)
Investment properties at fair value	7 372 551	7 103 135
Movement for the year		
Balance at 1 October:	7 103 135	6 575 794
Expenditure/costs capitalised	186 888	252 828
Carrying amount of investment properties disposed of:	–	(6 278)
Fair value adjustments	82 528	280 791
Unrealised surplus on revaluation of investment properties	99 083	295 443
Change in straight-line lease accrual	(16 555)	(14 652)
Balance at 30 September	7 372 551	7 103 135
With the exception of six investment properties which are partially held (see property portfolio on pages 18 and 19), 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 2009 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	219 543	202 531
Current receivable	28 996	29 453
	248 539	231 984
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	29 898	24 532
Prepayments	3 821	3 355
Other debtors	12 823	10 626
	46 542	38 513
5. Cash and cash equivalents		
Deposits at banks	9 872	9 184
Deposits in access bond (see note 7)	324 000	308 000
	333 872	317 184

Notes to the Annual Financial Statements

for the year ended 30 September 2009

(R000)	2009	2008
6. Capital of the fund		
Balance at 30 September	1 933 354	1 933 354
Units in issue at 30 September 2009 – 996 043 081 (2008: 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	915 000	731 000
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 interest-bearing liability comprises:		
Term Loan A – A R465 000 000 interest only facility at a rate of prime less 2.3 percent payable by 24 June 2012. An additional R275 000 000 of this facility is still available for access.		
Term Loan B – A R250 000 000 interest only facility fixed at a rate of 11.07 percent until 15 February 2013. This facility is payable by 24 June 2012, with the fixed interest rate transferable to any subsequent facility.		
Term Loan C – A R200 000 000 interest only facility fixed at a rate of 10.72 percent until 22 July 2012. This facility is payable by 22 July 2012.		
The Standard Bank of South Africa Limited has registered a First Continuing Covering Mortgage Bond over Centurion Mall, The Boulders Shopping Centre, Blue Route Mall and Kenilworth Centre for a total amount of R2.12 billion.		
8. Income and expenditure		
8.1 Administrative expenses include:		
Audit fees	831	702
Service fee paid to the Manager	32 123	32 663
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.		
8.2 Property operating expenses include:		
Property management fees	33 682	29 953
9. Deficit on disposal of investment properties		
Deficit on disposal of investment properties	–	(1 194)
The following investment properties were disposed of by the Trust during the year:		
	Carrying value	Proceeds
		Deficit on disposal
2009		
There were no disposals of investment properties in 2009.		
2008		
Cenmag House	6 278	5 084
	6 278	(1 194)

(R000)	2009	2008
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	(244 031)	(214 348)
Distributable income for the year	(517 942)	(479 097)
Amounts unpaid at 30 September	261 959	244 031
	(500 014)	(449 414)
12. Income distribution per unit		
Income distribution per unit is calculated based on distributable earnings of R517.9 million for the year ended 30 September 2009 (2008: R479.1 million) and on a weighted average number of units in issue of 996 043 081 (2008: 996 043 081).		
Distribution income reconciliation		
Profit for the year	617 025	773 346
Straight-line lease adjustment	(16 555)	(14 652)
Deficit on disposal of investment properties	–	1 194
Fair value adjustments to investment properties	(82 528)	(280 791)
Distribution income	517 942	479 097
Income distribution		
Interim distribution	255 983	235 066
Final distribution	261 959	244 031
	517 942	479 097
13. Basic and headline earnings per unit		
Basic earnings per unit is calculated based on earnings of R617 million for the year ended 30 September 2009 (2008: R773.3 million) and on a weighted average number of units in issue of 996 043 081 (2008: 996 043 081).		
Headline earnings per unit is calculated based on earnings of R534.5 million for the year ended 30 September 2009 (2008: R493.7 million) and on a weighted average number of units in issue of 996 043 081 (2008: 996 043 081).		
Headline earnings reconciliation		
Profit for the year	617 025	773 346
Deficit on disposal of investment properties	–	1 194
Fair value adjustments to investment properties	(82 528)	(280 791)
Headline earnings	534 497	493 749

Notes to the Annual Financial Statements

for the year ended 30 September 2009

(R000)	2009	2008
14. Operating lease rentals		
Leases as lessor:		
The Trust leases out its investment property held under operating leases (see note 2).		
As at 30 September 2009, the Trust had contracted with tenants for the following future minimum lease rentals:		
Within one year	656 258	617 232
In the second to fifth years inclusive	1 449 090	1 341 687
After five years	629 502	608 424
Total future minimum lease rentals	2 734 850	2 567 343

15. Capital commitments

As at 30 September 2009 the capital contractual commitments were R105 million (2008: R202 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 2009 were R915 million (2008: R731 million) which is 12 percent (2008: 10 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 R5.1 million (2008: R4.0 million).

19. Defined contribution plan

As the Trust has no employees there are no obligations arising from a defined contribution plan.

(R000)	2009	2008
20. Financial risk management		
The Trust's financial instruments consist mainly of deposits with banks, loans from banks, trade and other receivables and trade and other payables. 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 risks 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	46 542	38 513
Cash and cash equivalents	333 872	317 184
	380 414	355 697
Credit risk attached to the Trust's cash resources is minimised by using reputable financial institutions.		
The exposure to credit risk is mainly in respect of tenants and is influenced by the individual characteristics of each tenant. The widespread tenant base reduces credit risk. Management has established a credit policy under which each new tenant is analysed individually for creditworthiness before the standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit of at least one month's rental. When available, the credit review includes external ratings. Impairment losses have been recorded for those debts whose recovery was not reasonably assured at year-end.		
<i>Rental and utilities receivable</i>		
The ageing of rental and utilities receivable at reporting date was:		
Current*	28 816	25 201
Past due 0 – 30 days	2 369	1 392
Past due 31 – 120 days	5 754	1 627
120+ days	380	708
Total	37 319	28 928
* Included in current is September rentals of R4.4 million (2008: R4.1 million).		
<i>The movement in allowance for doubtful debt was as follows:</i>		
Balance at 1 October	(4 396)	(3 622)
Impairment loss recognised	(4 624)	(2 838)
Amounts written off as uncollectible	1 599	2 064
Balance at 30 September	(7 421)	(4 396)
<i>The ageing of the doubtful debt was as follows:</i>		
Current	(930)	(1 667)
Past due 0 – 30 days	(2 098)	(954)
Past due 31 – 120 days	(4 059)	(1 348)
120+ days	(334)	(427)
Total	(7 421)	(4 396)

Notes to the Annual Financial Statements

for the year ended 30 September 2009

(R000)	2009	2008
20. 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	261 959	244 031
– Trade and other payables	116 127	106 450
Between 1 and 5 years		
– Interest-bearing liability	915 000	731 000
	1 293 086	1 081 481
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	450 000	250 000
Variable rate instruments		
– Cash and cash equivalents	333 872	317 184
– Interest-bearing liabilities	465 000	481 000
<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 rates 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 2009 would decrease/increase by R2 325 000 (2008: decrease/increase by R2 405 000).		
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.		

(R000)	2009	2008
20. Financial risk management (continued)		
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	7 621 090	7 335 119
30 percent thereof	2 286 327	2 200 536
Total borrowings	(915 000)	(731 000)
Unutilised borrowing capacity	<u>1 371 327</u>	<u>1 469 536</u>
21. 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	32 123	32 663
<i>The Standard Bank of South Africa Limited</i>		
Relationship: Shareholder in Fountainhead Property Trust Management Limited		
Related party transactions for the year:		
– Loan	915 000	731 000
– Interest on loan	90 277	74 713
– Interest income	32 591	36 301
– Bank charges	305	266
– Gross rent received	14 969	13 463
– Sponsor fee	100	100
<i>Absa Bank Limited</i>		
Relationship: Trustee of Fountainhead Property Trust		
Related party transactions for the year:		
– Interest income	137	192
– Bank charges	44	74
– Trustee fees	525	515
– Gross rent received	12 768	12 847

Notes to the Annual Financial Statements

for the year ended 30 September 2009

22. 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.

IAS 1 – Presentation of Financial Statements

IAS 1 will be adopted by the Trust for the first time for its financial reporting period ending 30 September 2010. 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.

IAS 23 – Borrowing Costs

IAS 23 will be adopted by the Trust for the first time for its financial reporting period ending 30 September 2010. 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.

IFRS 3 – Business Combinations

The revised IFRS 3 will be adopted by the Trust for the first time for its financial reporting period ending 30 September 2010. IFRS 3 applies prospectively to all new business combinations that occur after 1 July 2009. For these future business combinations, the Trust will change its accounting policies to be in line with the revised IFRS 3. In future, all transaction costs will be expensed and contingent purchase considerations will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit or loss. Business acquisitions approved after balance sheet date, before the approval of the financial statements, are disclosed in line with the revised IFRS 3.

IFRS 7 – Improving disclosures about financial instruments (amendment)

The amendments to IFRS 7 *Financial Instruments – Disclosures*, will be adopted by the Trust for the first time for its financial reporting period ending 30 September 2010. In terms of the amendments, additional disclosure will be provided on the fair value measurement disclosures for financial instruments and the liquidity risk disclosures for financial liabilities.

IFRS 8 – Operating Segments

IFRS 8 will be adopted by the Trust for the first time for its financial reporting period ending 30 September 2010. 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.

Improvements to Standards and Interpretations not yet effective

Improvements have been made to Standards and Interpretations in issue not yet effective per the Improvements to IFRS 2008 Standards and Improvements to IFRS 2009 Standards with an effective date for the Trust of 1 October 2009 or 1 October 2010. Management have considered all the improvements and have concluded that they will have either no or minimal impact.

(R000)	Retail 2009	Office 2009	Industrial 2009	Specialised 2009	Corporate 2009	Total 2009
23. Segmental information						
23.1 Business segment						
Segment revenue						
Contractual rental income	549 175	114 168	78 694	26 528	–	768 565
Straight-line rental adjustment	7 190	6 382	(3 529)	6 512	–	16 555
Total revenue	556 365	120 550	75 165	33 040	–	785 120
Segment result						
Operating profit/(loss)	441 510	93 796	57 723	32 806	(35 719)	590 116
Interest received	1 912	233	246	7	32 260	34 658
Interest paid	–	–	–	–	(90 277)	(90 277)
Deficit on disposal of investment properties	–	–	–	–	–	–
Fair value adjustments to investment properties	136 688	4 477	(36 151)	(22 486)	–	82 528
	580 110	98 506	21 818	10 327	(93 736)	617 025
Other information						
Property assets	5 763 693	983 463	615 497	258 437	–	7 621 090
Trade and other receivables	38 211	4 642	3 554	5	130	46 542
Cash and cash equivalents	2 601	–	–	–	331 271	333 872
Total assets	5 804 505	988 105	619 051	258 442	331 401	8 001 504
Interest-bearing liabilities	–	–	–	–	915 000	915 000
Trade and other payables	59 211	28 754	13 314	1 752	13 096	116 127
Unitholders for distribution	–	–	–	–	261 959	261 959
Total liabilities	59 211	28 754	13 314	1 752	1 190 055	1 293 086
Capital expenditure	185 468	114	1 306	–	–	186 888
(R000)	Retail 2008	Office 2008	Industrial 2008	Specialised 2008	Corporate 2008	Total 2008
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

Notes to the Annual Financial Statements

for the year ended 30 September 2009

(R000)	2009	2008
23 Segmental information (continued)		
23.2 Geographical segments		
Segment revenue by location		
The following table shows the distribution of the group's consolidated rentals by geographical location:		
Gauteng	600 660	541 139
Western Cape	165 332	144 569
KwaZulu-Natal	19 128	18 383
	785 120	704 091
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	5 792 005	5 610 098
Western Cape	1 728 425	1 627 678
KwaZulu-Natal	149 673	136 136
Corporate	331 401	316 904
	8 001 504	7 690 816
Capital expenditure by location		
The following table shows the capital expenditure by the geographical area in which the assets are located:		
Gauteng	112 643	205 235
Western Cape	74 245	47 593
	186 888	252 828

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 2009

(R000)	Notes	2009	2008
ASSETS			
Non-current assets			
Investment in Fountainhead Property Trust	2	1 557	1 399
Current assets			
Trade and other receivables	3	3 511	3 106
Cash and cash equivalents	4	1 323	2 234
Taxation receivable		249	–
Total assets		6 640	6 739
EQUITY AND LIABILITIES			
Equity			
Share capital	5	1 000	1 000
Revaluation reserve		909	773
Retained earnings		1 780	2 080
Non-current liabilities			
Deferred taxation	7	148	126
Current liabilities			
Trade and other payables		2 803	2 504
Taxation payable		–	256
Total equity and liabilities		6 640	6 739

Income Statement

for the year ended 30 September 2009

(R000)	Notes	2009	2008
Revenue			
Service fee		32 123	32 663
Interest received		221	409
Distributions received		125	113
Expenditure		26 786	26 630
Administration expenses		906	687
Audit fees		82	68
Directors' fees	6	590	363
Management and administration fees	8	25 208	25 512
Profit before taxation		5 683	6 555
Taxation			
South African normal tax	7	1 983	2 242
Secondary tax on companies		1 583	1 832
		400	410
Profit for the year		3 700	4 313

Statement of Changes in Equity

for the year ended 30 September 2009

(R000)	Share capital	Revaluation reserve	Retained earnings	Total equity
Balance at 1 October 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
Fair value adjustment on investment in Fountainhead Property Trust	–	158	–	158
Deferred taxation thereon	–	(22)	–	(22)
Net income recognised directly in equity	–	136	–	136
Profit for the year	–	–	3 700	3 700
Total recognised income and expense for the year	–	136	3 700	3 836
Dividends paid	–	–	(4 000)	(4 000)
Balance at 30 September 2009	1 000	909	1 780	3 689

Cash Flow Statement

for the year ended 30 September 2009

(R000)	Notes	2009	2008
Cash flows from operating activities			
Profit before taxation		5 683	6 555
Adjustments for:			
Interest received		(221)	(409)
		5 462	6 146
Trade and other receivables (increased)/decreased		(405)	411
Trade and other payables increased/(decreased)		299	(7 491)
Cash generated from operations		5 356	(934)
Interest received		221	409
Taxation paid	9.1	(2 488)	(2 334)
Dividends paid	9.2	(4 000)	(4 100)
Net cash outflow from operating activities		(911)	(6 959)
Cash and cash equivalents at 1 October		2 234	9 193
Cash and cash equivalents at 30 September	4	1 323	2 234

Notes to the Annual Financial Statements

for the year ended 30 September 2009

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 28 October 2009.

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, which is the company's functional currency. 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, liabilities, income and expenses. The estimates and underlying 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. 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 expense 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 the reporting 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 in a transaction that is not a business combination, 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 reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary tax on companies that arise from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

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 financial asset. Any surplus or deficit arising from a change in fair value is included directly in equity for the year in which it arises.

Notes to the Annual Financial Statements

for the year ended 30 September 2009

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, using the effective interest method, after deducting accumulated impairment losses.

– Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and negotiable certificates of deposit. Cash and cash equivalents are measured 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 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 amortised cost, using the effective interest 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)	2009	2008
2. Investment in Fountainhead Property Trust		
249 904 (2008: 249 904) units in the Trust	1 557	1 399
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	3 359	2 983
Prepayments	152	123
	3 511	3 106
4. Cash and cash equivalents		
Deposits at bank	93	21
Deposits on call	1 230	2 213
	1 323	2 234
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		
– A E Raubenheimer*	73	–
– W M Kirchmann	81	99
– V A Christian	109	99
– H Y Laher	81	–
– D S Ogbu	–	–
– J D Rainier	100	66
– S J Segar	73	33
– S Shaw-Taylor	73	66
Total directors' remuneration	590	363
* 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 2009

(R000)	2009	2008
7. Taxation		
South African normal taxation		
– current	1 583	1 832
Secondary tax on companies	400	410
	1 983	2 242
<i>The taxation charge is reconciled as follows:</i>		
Profit before taxation	5 683	6 555
Tax calculated at a tax rate of 28%	1 591	1 836
Prepaid expenditure	(8)	(4)
Secondary tax on companies	400	410
Taxation per the income statement	1 983	2 242
<i>The taxation rate is reconciled as follows:</i>	%	%
Statutory taxation rate	28.00	28.00
Prepaid expenditure	(0.14)	(0.06)
Secondary tax on companies	7.04	6.25
Effective tax charge	34.90	34.19
<i>Deferred taxation liability</i>		
Opening balance	126	172
Change in tax rate	–	(6)
Fair value adjustment of investment in Fountainhead Property Trust	22	(40)
Closing balance	148	126
<i>Deferred tax comprises:</i>		
Deferred tax on fair value adjustment of investment in Fountainhead Property Trust	148	126
8. Management and administration fees		
The following management and administration fees were paid during the year:		
Standard Bank of South Africa Limited	–	13 277
Evening Star Trading 768 (Proprietary) Limited	24 092	11 221
Broll Property Group (Proprietary) Limited	1 116	1 014
	25 208	25 512
9. Notes to the cash flow statement		
9.1 Taxation paid		
Amounts unpaid at 1 October	382	520
Amounts charged to income statement	1 983	2 242
Amount recognised directly in equity	22	(46)
Amounts prepaid/(unpaid) at 30 September	101	(382)
	2 488	2 334
9.2 Dividends paid		
Amounts unpaid at 1 October	–	–
Amounts declared	4 000	4 100
Amounts unpaid at 30 September	–	–
	4 000	4 100

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 R989 226. At 30 September 2009 the capital balance was R3 689 000.

The cost of the investment in Fountainhead Property Trust at 30 September 2009 was R499 808 (2008: R499 808).

(R000)	2009	2008
11. Financial risk management		
The company's financial instruments consist mainly of its investment in Fountainhead Property Trust, deposits with banks, trade and other receivables and trade and other payables.		
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 company uses reputable financial institutions for investing and cash-handling purposes.		
Trade and other receivables is mainly due from the Fountainhead Property Trust.		
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	3 511	3 106
Cash and cash equivalents	1 323	2 234
	4 834	5 340
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	2 803	2 504
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 minimal capital requirement is R989 226 (2008: R949 866).		

Notes to the Annual Financial Statements

for the year ended 30 September 2009

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. New standards and interpretations not yet adopted

IAS 1 – Presentation of Financial Statements

IAS 1 will be adopted by the company for the first time for its financial reporting period ending 30 September 2010. 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.

IFRS 7 – Improving disclosures about financial instruments (amendment)

The amendments to IFRS 7 *Financial Instruments – Disclosures*, will be adopted by the company for the first time for its financial reporting period ending 30 September 2010. In terms of the amendments, additional disclosure will be provided on the fair value measurement disclosures for financial instruments and the liquidity risk disclosures for financial liabilities.

Improvements to Standards and Interpretations not yet effective

Improvements have been made to Standards and Interpretations in issue not yet effective per the Improvements to IFRS 2008 Standards and Improvements to IFRS 2009 Standards with an effective date for the company of 1 October 2009 or 1 October 2010. Management have considered all the improvements and have concluded that they will have either no or minimal impact.

Directors' Report

for the year ended 30 September 2009

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 R4.0 million (2008: R4.1 million) was declared during the year.
DIRECTORS:	<p>The directors of the company are as follows:</p> <p>A E Raubenheimer (Managing Director) (appointed 27 November 2008)</p> <p>W M Kirchmann (Chairman)</p> <p>V A Christian</p> <p>H Y Laher (appointed 4 December 2008)</p> <p>D S Ogbu (appointed 11 September 2009)</p> <p>J D Rainier</p> <p>S J Segar</p> <p>S Shaw-Taylor</p>
MANAGERS AND SECRETARIES:	Broll Property Group (Proprietary) Limited
Business address:	<p>2nd Floor, Broll House</p> <p>27 Fricker Road</p> <p>Illovo 2196</p> <p>Johannesburg</p>
Postal address:	<p>PO Box 1455</p> <p>Saxonwold 2132</p>
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 2009

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, the South African Companies Act and the 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 2009 set out on pages 20 to 45 were approved by the Board of directors of Fountainhead Property Trust Management Limited on 28 October 2009 and are signed on its behalf by:



W M Kirchmann
Chairman

28 October 2009



A E Raubenheimer
Managing Director

Certificate by Company Secretary for the year ended 30 September 2009

We hereby certify that for the year ended 30 September 2009, 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

28 October 2009

Independent Auditor's Report

for the year ended 30 September 2009

To the unitholders of Fountainhead Property Trust

Report on the financial statements

We have audited the annual financial statements of Fountainhead Property Trust, which comprise the balance sheet at 30 September 2009, and the income statement, the statement of changes in unitholders' fund 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, and the trustees' report as set out on pages 20 to 36.

Trustees' responsibility for the financial statements

The trustees 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 Trust Deed and Collective Investment Schemes Control Act of South Africa. 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 at 30 September 2009, 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 Trust Deed and Collective Investment Schemes Control Act of South Africa.

KPMG Inc.

Registered Auditor



Per M Fouché

Chartered Accountant (SA)

Registered Auditor

Director

85 Empire Road

Parktown

2193

28 October 2009

Independent Auditor's Report

for the year ended 30 September 2009

To the members of Fountainhead Property Trust Management Limited

Report on the financial statements

We have audited the annual financial statements of Fountainhead Property Trust Management Limited, which comprise the balance sheet at 30 September 2009, 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, and the directors' report as set out on pages 37 to 45.

Directors' responsibility for the financial statements

The company's 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. 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 Management Limited at 30 September 2009, 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 Companies Act of South Africa.

KPMG Inc.
Registered Auditor



Per M Fouché
Chartered Accountant (SA)
Registered Auditor
Director

85 Empire Road
Parktown
2193

28 October 2009

Report of the Trustee

for the year ended 30 September 2009

in terms of section 70(1)(f) of the Collective Investments Schemes Control Act

To the unitholders of Fountainhead Property Trust

During the period as set out above, during which the Collective Investments 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
28 October 2009

Unitholders' Diary

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



FOUNTAINHEAD
Property Trust■■■■■■■■■

Website: www.fountainheadproperty.co.za E-mail: fountainhead@standardbank.co.za