

The directors of Fountainhead Property Trust Management Limited, the manager of Fountainhead Property Trust, submit their report on the audited results of Fountainhead Property Trust for the year ended 30 September 2007. These abridged financial statements have been extracted from the audited financial statements on which KPMG Inc. have issued an unmodified audit opinion and which are available for inspection at the registered office.

INCOME STATEMENT

	2007 R'000	2006 R'000
Income	606 544	539 512
Contractual rental income	599 295	545 248
Straight-line lease adjustment	7 249	(5 736)
Expenses	(158 625)	(154 665)
Administrative expenses	(37 202)	(31 394)
Property operating expenses	(121 423)	(123 271)
Operating profit	447 919	384 847
Net finance costs	(13 168)	(2 126)
Interest received	27 774	21 476
Interest paid	(40 942)	(23 602)
Profit on disposal of investment properties	13 371	15 714
Fair value adjustments to investment properties	1 096 390	1 026 133
Profit for the year	1 544 512	1 424 568
Basic earnings per unit (cents)	155.1	143.0
Headline earnings and distribution income reconciliation		
Profit for the year	1 544 512	1 424 568
Less: profit on disposal of investment properties	(13 371)	(15 714)
Less: fair value adjustments to investment properties	(1 096 390)	(1 026 133)
Headline earnings	434 751	382 721
Less: straight-line lease adjustment	(7 249)	5 736
Distribution income	427 502	388 457
Headline earnings per unit (cents)	43.65	38.42
Distribution per unit (cents)	42.92	39.00
Interim distribution per unit (cents)	21.40	19.30
Final distribution per unit (cents)	21.52	19.70
Units in issue	996 043 081	996 043 081

BALANCE SHEET

	2007 R'000	2006 R'000
ASSETS		
Property assets	6 793 126	5 491 821
Investment properties	6 575 794	5 281 738
Straight-line lease accrual	217 332	210 083
Current assets	304 772	279 015
Trade and other receivables	23 287	24 561
Cash and cash equivalents	281 485	254 454
Total assets	7 097 898	5 770 836
UNITHOLDERS' FUNDS AND LIABILITIES		
Unitholders' funds	6 315 086	5 198 076
Capital of the fund	1 933 354	1 933 354
Capital reserve	498 517	470 243
Revaluation reserve	3 665 823	2 584 336
Retained earnings	217 392	210 143
Non-current liabilities		
Interest-bearing liability	487 000	299 000
Current liabilities	295 812	273 760
Trade and other payables	81 464	77 540
Unitholders for distribution	214 348	196 220
Total unitholders' funds and liabilities	7 097 898	5 770 836

COMMENTARY

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The annual results have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Collective Investment Schemes Control Act. The accounting policies are consistent in all material respects with those applied in prior years.

Fountainhead Property Trust's interest expense policy is to expense interest on capital projects. If interest were to be capitalised the interest expense would have reduced by R12.4 million resulting in an additional distribution of 1.2 cents per unit. This computation has not been reviewed or reported on by Fountainhead Property Trust's auditors.

2 DISTRIBUTION PER UNIT

Fountainhead Property Trust's net distributable income for the financial year amounts to 42.92 cents per unit, 10 percent greater than the comparable period last year.

3 CHANGES TO PORTFOLIO

During the year, the following sales were concluded:

Property	Net selling price (Rm)	2006 valuation (Rm)	Surplus %
377 Rivonia Boulevard	21 500	13 628	58
271 Oak Avenue	14 000	10 484	34
Fourways Haulage	10 000	8 083	24
Cyrus House	4 352	4 286	2
	49 852	36 481	37

4 MAJOR CAPITAL PROJECTS

Significant capital projects and planned projects are:

Kenilworth Centre

Work has commenced on a R56 million project which includes an extension for a food court and a Game store of 5 000 square metres within the centre. The addition of a Game store will strengthen the retail mix in the centre.

Centurion Mall (75% share)

Work is nearing completion on the extension to the Mall, adjoining office blocks and the new parkade. The expected completion date is December 2007 and the project is expected to generate an initial return of 12 percent.

The Brightwater Commons

Heads of agreement have been signed with two anchor tenants, Woolworths and Virgin Active, who will occupy 6 183 square metres in phase 3 of the development. The vacancy will be reduced to 8 067 square metres or 20 percent of the gross lettable area. Management believes this will be the catalyst for the letting of the balance of phase 3. It is anticipated that trading for the new anchor tenants will commence in the third quarter of 2008. A further R90 million is anticipated to complete this project.

Benmore Gardens Shopping Centre

The development is progressing well and completion date is anticipated to be September 2008. The major change to the centre will be a new Pick 'n Pay store, the relocation of Dischem and the introduction of a Woolworths Food store, Toyzone and Baby City. A further R25 million has been committed to create additional parking and retail space. Given the central location of this property and the pace of residential developments in the vicinity, management believes the alterations position the centre for superior earnings growth. Due to better rentals being achieved than originally anticipated, the incremental net yield on the total net capital outlay of R85 million is anticipated to be 11.6 percent.

Douglas Roberts Centre

The construction of the parking garage has been completed and the refurbishment of the office tower is progressing well, with completion due in May 2008. The R155 million project was approved on the back of a 10 year lease with Murray and Roberts which commenced on 1 October 2007. The initial rental is based on an 8.5 percent yield on R215 million, with 7 percent per annum escalations. Until the capital commitment is fully taken up an interim rental based on the spend to date is being paid.

5 SEGMENTAL INFORMATION

	September 2007			September 2006		
	Revenue Rm	Net income Rm	% of total	Revenue Rm	Net income Rm	% of total
Retail	437	354	83	384	297	76
Office blocks	85	63	15	80	61	16
Industrial	55	40	9	61	45	12
Specialised	22	22	5	20	20	5
Corporate	-	(51)	(12)	-	(35)	(9)
Total	599	428	100	545	388	100

CASH FLOW STATEMENT

	2007 R'000	2006 R'000
Cash effects from operating activities		
Profit for the year	1 544 512	1 424 568
Adjustments for:		
Straight-line lease adjustment	(7 249)	5 736
Interest received	(27 774)	(21 476)
Interest paid	40 942	23 602
Profit on disposal of investment properties	(13 371)	(15 714)
Fair value adjustments to investment properties	(1 096 390)	(1 026 133)
	440 670	390 583
Trade and other receivables reduced	1 274	2 411
Trade and other payables raised	3 924	7 596
Cash generated from operations	445 868	400 590
Interest received	27 774	21 476
Interest paid	(40 942)	(23 602)
Income distributions	(409 374)	(367 541)
Cash flows from operating activities	23 326	30 923
Cash effects from investing activities		
Additions to investment properties	(234 147)	(160 502)
Proceeds from disposal of investment properties	49 852	76 523
	(184 295)	(83 979)
Cash effects from financing activities		
Long-term loan raised	202 000	123 000
Long-term loan repaid	(14 000)	(53 000)
	188 000	70 000
Net increase in cash and cash equivalents	27 031	16 944
Cash and cash equivalents at 1 October	254 454	237 510
Cash and cash equivalents at 30 September	281 485	254 454

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

(R'000)	Capital of the fund	Capital reserve	Revaluation reserve	Retained earnings	Total unitholders' funds
Balance as at 1 October 2005	1 933 354	421 754	1 588 147	218 710	4 161 965
Profit/Total income and expenses for the year				1 424 568	1 424 568
Profit and revaluation reserve realised on sale of properties transferred to capital reserve		48 489	(29 944)	(18 545)	-
Fair value adjustment on investment properties transferred to revaluation reserve			1 026 133	(1 026 133)	-
Income distributions				(388 457)	(388 457)
Balance as at 30 September 2006	1 933 354	470 243	2 584 336	210 143	5 198 076
Profit/Total income and expenses for the year				1 544 512	1 544 512
Profit and revaluation reserve realised on sale of properties transferred to capital reserve		28 274	(14 903)	(13 371)	-
Fair value adjustment on investment properties transferred to revaluation reserve			1 096 390	(1 096 390)	-
Income distributions				(427 502)	(427 502)
Balance as at 30 September 2007	1 933 354	498 517	3 665 823	217 392	6 315 086

6 VACANCY LEVELS

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

Sector	2007 %	2006 %
Retail	6	8
Office blocks	2	5
Industrial	9	11
Specialised	-	-
Total	6	8

By value, the vacancies equated to 5 percent of potential rental income, compared with 6 percent at half year.

In the retail sector 75 percent of the vacancies were contained in The Boulders and The Brightwater Commons. Approximately half of this vacant area has been let for future occupation.

There were no significant vacancies in the office sector.

In the industrial sector, the ex-Degussa building in Midrand has been let, with rental having commenced as from October 2007. Negotiations are underway to let the ex-Nashua House building in Midrand as from 1 December 2007.

7 PORTFOLIO VALUATIONS

The composition of Fountainhead Property Trust's portfolio, as valued by the independent valuer, Rode and Associates CC, as at 30 September 2007, is as follows:

Sector	Value (Rm)	Cents/unit	Forward EY (%)	% of portfolio 2007	2006
Retail	5 128	515	7.9	75	76
Office blocks	824	83	9.3	12	12
Industrial	592	59	8.5	9	8
Specialised	249	25	9.4	4	4
Total property	6 793	682	8.1	100	100
Long-term borrowings	(487)	(49)			
Net current assets	9	1			
	6 315	634			

8 PROSPECTS

The Board anticipates that distributions per unit for the year ending 30 September 2008 will increase between 12 percent and 14 percent compared with the year ended 30 September 2007. This forecast has not been reviewed or reported on by Fountainhead Property Trust's auditors.

9 DISTRIBUTION ANNOUNCEMENT

Notice is hereby given of distribution no. 49 of 21.52 cents per unit for the six months ended 30 September 2007.

The last date to trade cum the distribution will be Friday, 16 November 2007. The units of Fountainhead Property Trust will commence trading ex-distribution on Monday, 19 November 2007 and the record date will be Friday, 23 November 2007. The distribution will be paid on Monday, 26 November 2007.

Unit certificates may not be dematerialised or rematerialised between Monday, 19 November 2007 and Friday, 23 November 2007, both dates inclusive.

BY ORDER OF THE BOARD

Fountainhead Property Trust Management Limited
(Reg No 1983/003324/06)

31 October 2007



Directors: WM Kirchmann,
JD Rainier (Managing), VA Christian,
S Shaw-Taylor

Transfer secretaries

Computershare Investor Services 2004 (Pty) Ltd
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Secretary and registered office

Broll Property Group (Pty) Ltd
Broll House, 27 Fricker Road, Illovo
Johannesburg, 2196
(PO Box 1455, Saxonwold, 2132)

Short name:

FPT

Share code: FPT ISIN: ZAE000097416

Sponsor: Standard Bank

E-mail: fountainhead@standardbank.co.za

Website: www.fountainheadproperty.co.za