

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 2008. These abridged financial statements have been extracted from the audited financial statements on which KPMG Inc. have issued an unmodified opinion and which are available for inspection at the registered office.

INCOME STATEMENT

	2008 R'000	2007 R'000
Income	704 091	606 544
Contractual rental income	689 439	599 295
Straight-line lease adjustment	14 652	7 249
Expenses	(173 598)	(158 625)
Administrative expenses	(35 871)	(37 202)
Property operating expenses	(137 727)	(121 423)
Operating profit	530 493	447 919
Net finance costs	(36 744)	(13 168)
Interest received	37 969	27 774
Interest paid	(74 713)	(40 942)
(Deficit)/surplus on disposal of investment properties	(1 194)	13 371
Fair value adjustments to investment properties	280 791	1 096 390
Profit for the year	773 346	1 544 512
Basic earnings per unit (cents)	77.6	155.1
Headline earnings and distribution income reconciliation		
Profit for the year	773 346	1 544 512
Deficit/(surplus) on disposal of investment properties	1 194	(13 371)
Less: fair value adjustments to investment properties	(280 791)	(1 096 390)
Headline earnings	493 749	434 751
Less: straight-line lease adjustment	(14 652)	(7 249)
Distribution income	479 097	427 502
Headline earnings per unit (cents)	49.57	43.65
Distribution per unit (cents)	48.10	42.92
Interim distribution per unit (cents)	23.60	21.40
Final distribution per unit (cents)	24.50	21.52
Units in issue	996 043 081	996 043 081

BALANCE SHEET

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

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.

2. DISTRIBUTION PER UNIT

Fountainhead Property Trust's net distribution for the six months ended September 2008 amounts to 24.5 cents per unit, 13.8 percent greater than the comparable period last year. The net distribution for the financial year ended September 2008 is 12.1 percent greater than the comparable period last year.

3. CHANGES TO PORTFOLIO

During the year, the following sale was concluded:

Property	Net selling price R'000	2007 valuation R'000	Deficit %
Cenmag House	5 084	6 278	(19)

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

4. MAJOR CAPITAL PROJECTS

Significant capital projects and planned projects are:

Kenilworth Centre

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

The Brightwater Commons

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

Benmore Gardens Shopping Centre

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

Douglas Roberts Centre

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

5. SEGMENTAL INFORMATION

	September 2008			September 2007		
	Revenue Rm	Net income Rm	% of total	Revenue Rm	Net income Rm	% of total
Retail	497	400	83	437	354	83
Office blocks	101	77	16	85	63	15
Industrial	66	51	11	55	40	9
Specialised	25	25	5	22	22	5
Corporate	-	(74)	(15)	-	(51)	(12)
Total	689	479	100	599	428	100

6. VACANCY LEVELS

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

Sector	2008 %	2007 %
Retail	6	6
Office blocks	8	2
Industrial	6	9
Specialised	-	-
Total	6	6

CASH FLOW STATEMENT

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

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

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

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

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

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

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 2008, is as follows:

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

8. PROSPECTS

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

9. DISTRIBUTION ANNOUNCEMENT

Notice is hereby given of distribution No. 51 of 24.5 cents per unit for the six months ended 30 September 2008.

The last date to trade cum distribution will be Friday, 14 November 2008. The units of Fountainhead Property Trust will commence trading ex-distribution on Monday, 17 November 2008 and the record date will be Friday, 21 November 2008. The distribution will be paid on Monday, 24 November 2008.

Unit certificates may not be dematerialised or rematerialised between Monday, 17 November 2008 and Friday, 21 November 2008, both dates inclusive.

BY ORDER OF THE BOARD

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

29 October 2008



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