

FOUNTAINHEAD

Property Trust ■■■■■■■■

- * Final distribution of 26.3 cents per unit
- * Distribution growth of 8.1% for the year

- * Net asset value of R6.74 per unit
- * Gearing of 12%

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 2009. 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.

BALANCE SHEET

	2009 R'000	2008 R'000
ASSETS		
Property assets	7 621 090	7 335 119
Investment properties	7 372 551	7 103 135
Straight-line lease accrual	248 539	231 984
Other current assets	380 414	355 697
Trade and other receivables	46 542	38 513
Cash and cash equivalents	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	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	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

	2009 R'000	2008 R'000
Income	785 120	704 091
Contractual rental income	768 565	689 439
Straight-line lease adjustment	16 555	14 652
Expenses	(195 004)	(173 598)
Administrative expenses	(35 921)	(35 871)
Property operating expenses	(159 083)	(137 727)
Operating profit	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	-	(1 194)
Fair value adjustments to investment properties	82 528	280 791
Profit for the year	617 025	773 346
Basic earnings per unit (cents)	61.9	77.6
Headline earnings and distribution income reconciliation		
Profit for the year	617 025	773 346
Deficit on disposal of investment properties	-	1 194
Less: fair value adjustments to investment properties	(82 528)	(280 791)
Headline earnings	534 497	493 749
Less: straight-line lease adjustment	(16 555)	(14 652)
Distribution income	517 942	479 097
Headline earnings per unit (cents)	53.66	49.57
Distribution per unit (cents)	52.00	48.10
Interim distribution per unit (cents)	25.70	23.60
Final distribution per unit (cents)	26.30	24.50
Units in issue	996 043 081	996 043 081

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 income for the six months ended September 2009 amounts to 26.3 cents per unit, 7.3 percent greater than the comparable period last year. The net distribution for the financial year ended September 2009 is 52 cents per unit, which is 8.1 percent greater than the comparable period last year.

3. BORROWINGS

The interest-bearing liability comprises:

Term Loan A – A R465 000 000 interest only facility at a rate of prime less 2.3% 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% 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% until 22 July 2012. This facility is payable by 22 July 2012.

4. MAJOR 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 opened 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 should commence 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.

5. SEGMENTAL INFORMATION

	Sep 2009			Sep 2008		
	Revenue Rm	Net income Rm	% of total	Revenue Rm	Net income Rm	% of total
Retail	549	436	84	497	400	83
Office blocks	114	88	17	101	77	16
Industrial	79	62	12	66	51	11
Specialised	26	26	5	25	25	5
Corporate	-	(94)	(18)	-	(74)	(15)
Total	768	518	100	689	479	100

CASH FLOW STATEMENT

	2009 R'000	2008 R'000
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	(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	333 872	317 184

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 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

6. VACANCY LEVELS

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

Sector	2009 %	2008 %
Retail	6	6
Office blocks	7	8
Industrial	8	6
Specialised	-	-
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.

7. LEASE EXPIRY PROFILE

The lease expiry profile by rentable area as at 30 September 2009 is as follows (%):

Building	Vacant	2010	2011	2012	2013	2014	>2014
Retail	6	23	13	14	11	16	17
Offices	7	22	23	25	2	3	18
Industrial	8	34	22	22	12	2	0
Specialised	0	0	52	0	0	0	48
Total	6	25	18	17	10	10	14

8. PORTFOLIO VALUATIONS

The composition of Fountainhead Property Trust's portfolio, as valued by the independent valuer, Rode and Associates CC, as at 30 September 2009, is as follows:

Sector	Value (Rm)	Cents/ unit	Forward EY (%)	% of portfolio 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 of R6.74 per unit is 1 percent higher than a year ago.

9. PROSPECTS

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

10. INCOME DISTRIBUTION ANNOUNCEMENT

Notice is hereby given of distribution No. 53 of 26.3 cents per unit for the six months ended 30 September 2009.

The last date to trade cum distribution will be Friday, 13 November 2009. The units of Fountainhead Property Trust will commence trading ex-distribution on Monday, 16 November 2009 and the record date will be Friday, 20 November 2009. The distribution will be paid on Monday, 23 November 2009.

Unit certificates may not be dematerialised or rematerialised between Monday, 16 November 2009 and Friday, 20 November 2009, both dates inclusive.

BY ORDER OF THE BOARD

Fountainhead Property Trust Management Limited

(Reg No 1983/003324/06)

28 October 2009



Directors: WM Kirchmann (Chairman), AE Raubenheimer (Managing), VA Christian, HY Laher, DS Ogbu, JD Rainier, SJ Segar, S Shaw-Taylor

Transfer secretaries: Computershare Investor Services (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