

FOUNTAINHEAD

Property Trust ■■■■■■■■

* 6% distribution growth of 27.25 cents per unit
* Gearing of 13.6%

* Net asset value of R6.74 per unit
* Market capitalisation of R6.8 billion up 9%

The directors of Fountainhead Property Trust Management Limited, the manager of Fountainhead Property Trust, submit their report on the unaudited results of Fountainhead Property Trust for the six months ended 31 March 2010.

STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Mar 2010 R'000	Audited as at 30 Sep 2009 R'000	Unaudited as at 31 Mar 2009 R'000
ASSETS			
Property assets	7 760 981	7 621 090	7 431 695
Investment properties	7 511 003	7 372 551	7 187 259
Straight-line lease accrual	249 978	248 539	244 436
Current assets	394 784	380 414	365 807
Trade and other receivables	43 019	46 542	31 997
Cash and cash equivalents	351 765	333 872	333 810
Total assets	8 155 765	8 001 504	7 797 502
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' funds	6 708 418	6 708 418	6 609 335
Capital of the fund	1 933 354	1 933 354	1 933 354
Capital reserve	501 906	501 906	501 906
Revaluation reserve	4 023 120	4 024 559	3 929 579
Retained earnings	250 038	248 599	244 496
Non-current liabilities			
Interest-bearing liability	1 060 000	915 000	831 000
Current liabilities	387 347	378 086	357 167
Trade and other payables	115 925	116 127	101 184
Unitholders for distribution	271 422	261 959	255 983
Total unitholders' funds and liabilities	8 155 765	8 001 504	7 797 502

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 Mar 2010 R'000	Audited 12 months to 30 Sep 2009 R'000	Unaudited 6 months to 31 Mar 2009 R'000
Income	411 467	785 120	387 841
Contractual rental income	410 028	768 565	375 389
Straight-line lease adjustment	1 439	16 555	12 452
Expenses	(106 077)	(195 004)	(92 103)
Administrative expenses	(20 250)	(35 921)	(16 844)
Property operating expenses	(85 827)	(159 083)	(75 259)
Operating profit	305 390	590 116	295 738
Net finance costs	(32 529)	(55 619)	(27 303)
Interest received	13 257	34 658	19 962
Interest paid	(45 786)	(90 277)	(47 265)
Fair value adjustments to investment properties	(1 439)	82 528	(12 452)
Profit for the period	271 422	617 025	255 983
Total comprehensive income for the period	271 422	617 025	255 983
Basic earnings per unit (cents)	27.25	61.95	25.70
Headline earnings and distribution income reconciliation			
Profit for the period	271 422	617 025	255 983
Adjust for:			
Fair value adjustments to investment properties	1 439	(82 528)	12 452
Headline earnings	272 861	534 497	268 435
Less: straight-line lease adjustment	(1 439)	(16 555)	(12 452)
Distribution income	271 422	517 942	255 983
Headline earnings per unit (cents)	27.39	53.66	26.95
Distribution per unit (cents)	27.25	52.00	25.70
Interim distribution per unit (cents)	27.25	25.70	25.70
Final distribution per unit (cents)	-	26.30	-
Units in issue	996 043 081	996 043 081	996 043 081

STATEMENT OF CASH FLOWS

	Unaudited 6 months to 31 Mar 2010 R'000	Audited 12 months to 30 Sep 2009 R'000	Unaudited 6 months to 31 Mar 2009 R'000
Cash effects from operating activities			
Profit for the period	271 422	617 025	255 983
Adjustments for:			
Straight-line lease adjustment	(1 439)	(16 555)	(12 452)
Interest received	(13 257)	(34 658)	(19 962)
Interest paid	45 786	90 277	47 265
Fair value adjustments to investment properties	1 439	(82 528)	12 452
Operating profit before changes in working capital	303 951	573 561	283 286
Trade and other receivables decreased/(increased)	3 523	(8 029)	6 516
Trade and other payables (decreased)/increased	(202)	9 677	(5 266)
Cash generated from the operations	307 272	575 209	284 536
Interest received	13 257	34 658	19 962
Interest paid	(45 786)	(90 277)	(47 265)
Income distributions	(261 959)	(500 014)	(244 031)
Cash flows from operating activities	12 784	19 576	13 202
Cash effects from investing activities			
Additions to investment properties	(139 891)	(186 888)	(96 576)
	(139 891)	(186 888)	(96 576)
Cash effects from financing activities			
Long-term loan raised	145 000	184 000	100 000
	145 000	184 000	100 000
Net increase in cash and cash equivalents	17 893	16 688	16 626
Cash and cash equivalents at beginning of period	333 872	317 184	317 184
Cash and cash equivalents at end of the period	351 765	333 872	333 810

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

	Capital of the fund (R'000)	Capital reserve	Revaluation reserve	Retained earnings	Total unitholders' funds
Balance at 1 October 2008	1 933 354	501 906	3 942 031	232 044	6 609 335
Total comprehensive income for the period	-	-	-	255 983	255 983
Profit and total comprehensive income for the period	-	-	-	255 983	255 983
Transactions with unitholders, recorded directly in equity					
Fair value adjustment on investment properties transferred to revaluation reserve			(12 452)	12 452	-
Income distributions				(255 983)	(255 983)
Total transactions with unitholders	-	-	(12 452)	(243 531)	(255 983)
Balance as at 31 March 2009	1 933 354	501 906	3 929 579	244 496	6 609 335
Balance at 1 October 2009	1 933 354	501 906	4 024 559	248 599	6 708 418
Total comprehensive income for the period	-	-	-	271 422	271 422
Profit and total comprehensive income for the period	-	-	-	271 422	271 422
Transactions with unitholders, recorded directly in equity					
Fair value adjustment on investment properties transferred to revaluation reserve			(1 439)	1 439	-
Income distributions				(271 422)	(271 422)
Total transactions with unitholders	-	-	(1 439)	(269 983)	(271 422)
Balance as at 31 March 2010	1 933 354	501 906	4 023 120	250 038	6 708 418

COMMENTARY

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim results have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 – Interim Financial Reporting and the requirements of the Collective Investment Schemes Control Act. The accounting policies are consistent in all respects with those applied in the prior year.

2. DISTRIBUTION PER UNIT

Fountainhead Property Trust's net distributable income for the first six months of the financial year amounts to 27.25 cents per unit, 6 percent greater than the comparable period last year.

3. MAJOR CAPITAL PROJECTS

Significant capital and planned projects are:

Blue Route Mall

The Board has approved the redevelopment of Blue Route Mall at a total cost of approximately R780 million. Construction is expected to commence in June 2010 and will take approximately two years to complete. In line with IAS 23 (revised) – Borrowing Costs, qualifying borrowing costs of this project will be capitalised during the construction period. It is the intention of management to continue with the policy of expensing interest on other short-term construction projects.

Benmore Gardens Shopping Centre

The construction of the parking decks is complete and in operation. The construction of the tunnel linking the two parking areas has commenced and will be completed when Eskom completes the cable relocation, anticipated in September 2010.

4. ACQUISITIONS

The Trust has purchased an office building called 18 The Boulevard located in Westway, Durban. The purchase consideration was R75 000 000 with an initial yield of 9 percent. Transfer was effective 1 March 2010.

The Trust is currently concluding purchase agreements on other prospective office buildings with long leases in place.

5. SEGMENTAL INFORMATION

	Mar 2010 6 months			Sep 2009 12 months		
	Revenue Rm	Net income Rm	% of total	Revenue Rm	Net income Rm	% of total
Retail	294	231	85	549	436	84
Office blocks	60	47	17	114	88	17
Industrial	41	32	12	79	62	12
Specialised	15	15	6	26	26	5
Corporate	–	(54)	(20)	–	(94)	(18)
Total	410	271	100	768	518	100

	Mar 2009 6 months		
	Revenue Rm	Net income Rm	% of total
Retail	268	215	84
Office blocks	56	44	17
Industrial	38	29	12
Specialised	13	13	5
Corporate	–	(45)	(18)
Total	375	256	100

6. VACANCY LEVELS

Vacancy levels in terms of rentable area were as follows:

Sector %	Mar 2010	Sep 2009	Mar 2009
Retail	5	6	4
Office blocks	12	7	5
Industrial	9	8	7
Specialised	–	–	–
Total	7	6	5

By value, the vacancies equated to 5 percent of potential rental income, slightly up on the 4 percent at year-end.

In the retail sector 61 percent of the vacancies were contained in The Brightwater Commons, Northmead Mall and at Centurion Mall. Vacancies have stabilised in the retail portfolio.

The office sector had a vacancy of 12.4 percent which is primarily situated in Grayston Ridge, AMR Office Park and The Ambridge. The increased vacancy is reflective of the depressed letting market in the office sector.

The industrial sector had a vacancy of 9.4 percent. Approximately 29 percent of the total vacant industrial area has been let for future occupation.

7. PROSPECTS

It is anticipated that the distribution per unit for the year ending 30 September 2010 will increase by approximately 4 percent compared with the financial year ended 30 September 2009. This is based on the Board's assessment of the current economic climate and the short-term dilution of the Blue Route Mall redevelopment. This forecast has not been reviewed or reported on by Fountainhead Property Trust's auditor.

8. DISTRIBUTION ANNOUNCEMENT

Notice is hereby given of distribution No. 54 of 27.25 cents per unit for the six months ended 31 March 2010.

The last date to trade cum distribution will be Friday, 14 May 2010. The units of Fountainhead Property Trust will commence trading ex-distribution on Monday, 17 May 2010 and the record date will be Friday, 21 May 2010. The distribution will be paid on Monday, 24 May 2010.

Unit certificates may not be dematerialised or rematerialised between Monday, 17 May 2010 and Friday, 21 May 2010, both dates inclusive.

BY ORDER OF THE BOARD

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

29 April 2010

Directors:

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

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