

FOUNTAINHEAD

Property Trust

* Final distribution of 27.56 cents per unit

* Gearing of 12 percent

* Market capitalisation of R7.8 billion

* NAV of R6.69 per unit

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 2011. These financial statements have been summarised 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.

STATEMENT OF FINANCIAL POSITION

	2011 R'000	2010 R'000
ASSETS		
Property assets	8 815 317	7 940 044
Investment properties	8 529 779	7 677 024
Straight-line lease accrual	285 538	263 020
Current assets	454 562	397 501
Trade and other receivables	70 453	53 874
Cash and cash equivalents	384 109	343 627
Total assets	9 269 879	8 337 545
UNITHOLDERS' FUNDS AND LIABILITIES		
Unitholders' funds	7 776 713	6 719 106
Capital of the fund	2 874 030	1 933 354
Capital reserve	574 903	513 837
Fair value reserve	4 042 182	4 008 835
Retained earnings	285 598	263 080
Non-current liabilities		
Interest-bearing liability	355 940	1 225 000
Current liabilities	1 137 226	393 439
Trade and other payables	123 783	126 201
Interest-bearing liability	693 000	–
Unitholders for distribution	320 443	267 238
Total unitholders' funds and liabilities	9 269 879	8 337 545

STATEMENT OF COMPREHENSIVE INCOME

	2011 R'000	2010 R'000
Income	902 263	845 963
Contractual rental income	879 745	831 482
Straight-line lease adjustment	22 518	14 481
Expenses	(228 904)	(219 979)
Administrative expenses	(44 982)	(42 265)
Property operating expenses	(183 922)	(177 714)
Operating profit	673 359	625 984
Net finance costs	(54 395)	(72 843)
Interest received	27 703	25 259
Interest paid	(82 098)	(98 102)
Profit on disposal of investment properties	13 869	1 932
Fair value adjustments to investment properties	80 544	(5 725)
Profit for the year	713 377	549 348
Total comprehensive income for the year	713 377	549 348
Basic/diluted earnings per unit (cents)	66.36	55.15
Headline earnings and distribution income reconciliation		
Profit for the year	713 377	549 348
Adjust for:		
Profit on disposal of investment properties	(13 869)	(1 932)
Fair value adjustments to investment properties	(80 544)	5 725
Headline earnings	618 964	553 141
Less: straight-line lease adjustment	(22 518)	(14 481)
Distribution income	596 446	538 660
Headline earnings per unit (cents)	57.58	55.53
Distribution per unit (cents)	55.27	54.08
Interim distribution per unit (cents)	27.71	27.25
Final distribution per unit (cents)	27.56	26.83
Weighted average units in issue	1 075 038 515	996 043 081
Units in issue at year-end	1 162 709 748	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), the AC 500 series issued by the Accounting Practices Board, the requirements of the Collective Investment Schemes Control Act and the JSE Limited (JSE) Listings Requirements. The accounting policies are consistent in all material respects with those applied in prior years. The annual results have been prepared under the supervision of Mr Anton Raubenheimer CA (SA).

2. INCOME DISTRIBUTION PER UNIT

Fountainhead Property Trust's net distribution income for the six months ended September 2011 amounts to 27.56 cents per unit, 2.7 percent greater than the comparable period last year. The net distribution for the financial year ended September 2011 is 55.27 cent per unit, which is 2.2 percent greater than the comparable period last year.

3. BORROWINGS

Interest-bearing liabilities comprise:

Term Loan A – a R750 000 000 interest only facility at a rate of prime less 2.3% payable by 24 June 2012. A total of R243 000 000 of this facility has been utilised.

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.

Term Loan D – the Blue Route Mall Development Loan Facility – a R935 000 000 interest only facility floating at a rate of 1 month JIBAR +2.42% until 31 May 2015. This facility is payable by 31 May 2015. To date R355 940 494 has been drawn from the facility. R350 000 000 of the facility has been fixed at 8.42% until 31 May 2015. Interest payments will be capitalised on this facility until the development is completed.

Term Loan E – a R600 000 000 interest only facility floating at a rate of 1 month JIBAR +2.25% until 28 February 2016. This facility has not been accessed as yet.

Based on preliminary discussions with the bank, the risk of new facilities not being granted is minimal due to the low gearing of the Trust.

4. RIGHTS OFFER

During the year the Trust raised R1 billion by way of a rights issue. The rights issue was oversubscribed by 34 percent.

5. MAJOR CAPITAL PROJECT

Blue Route Mall

The redevelopment of the mall is progressing well with approximately 68 percent of the work complete. The letting of the mall is in progress, with signed leases representing 96 percent of the new mall's 56 000 m² having been concluded. The anticipated opening date of the new mall is April 2012.

6. ACQUISITIONS AND DISPOSALS

The Trust has purchased the following properties during the year:

Sector	Building name	Location	Price	Initial yield	Transfer date
Office	300 Middel Street	Nieuw Muckleneuk, PTA	219 621 000	8.65%	7 June 2011
Office	CK3	Constantia Kloof, JHB	204 373 000	9.40%	30 June 2011
Office	Yellowwood	Bryanston, JHB	32 168 000	8.50%	27 June 2011

The Trust has successfully negotiated the purchase of the remaining 25 percent undivided share in Centurion Mall with an effective date of 1 September 2011. The purchase price is approximately R762 million at an expected initial yield of 7.1 percent. Transfer is expected to take place by December 2011.

In addition the Trust has a signed purchase agreement to acquire Access Park for a price of approximately R400 million at a yield of 9 percent. The acquisition is subject to various conditions precedent.

The Trust has sold the following properties during the year:

Sector	Building name	Location	Transfer date	Net selling price	Valuation	Profit on sale
Retail	Northmead Mall	Northmead, Benoni	23 June 2011	50 688 000	50 264 000	424 000
Office	Human Rights House	Parktown, JHB	11 October 2011	38 500 000	28 661 000	9 839 000
Office	22 Wellington Road	Parktown, JHB	2 February 2011	19 500 000	16 512 000	2 988 000
Industrial	Zero Park	Strijdom Park, JHB	14 April 2011	3 700 000	3 082 000	618 000

Subsequent to year-end, Medsave House has been sold for a net price of R2.4 million. Transfer was registered on 3 October 2011.

7. SEGMENTAL INFORMATION

	Sep 2011			Sep 2010		
	Revenue Rm	Net income Rm	% of total	Revenue Rm	Net income Rm	% of total
Retail	621	482	81	597	465	86
Office blocks	143	116	20	124	99	18
Industrial	85	68	11	81	63	12
Specialised	31	31	5	29	29	6
Corporate	–	(101)	(17)	–	(117)	(22)
Total	880	596	100	831	539	100

STATEMENT OF CASH FLOWS

	2011 R'000	2010 R'000
Cash effects from operating activities		
Profit for the year	713 377	549 348
Adjustments for:		
Straight-line lease adjustment	(22 518)	(14 481)
Interest received	(27 703)	(25 259)
Interest paid	82 098	98 102
Profit on disposal of investment property	(13 869)	(1 932)
Fair value adjustments to investment properties	(80 544)	5 725
Operating profit before changes in working capital	650 841	611 503
Trade and other receivables increased	(16 579)	(7 332)
Trade and other payables (decreased)/ increased	(2 418)	10 074
Cash generated from operations	631 844	614 245
Interest received	27 703	25 259
Interest paid	(82 098)	(98 102)
Income distributions	(589 424)	(533 381)
Cash (outflows)/inflows from operating activities	(11 975)	8 021
Cash effects from investing activities		
Additions to investment properties	(870 730)	(326 266)
Proceeds from disposal of investment properties	112 388	18 000
Cash outflows from investing activities	(758 342)	(308 266)
Cash effects from financing activities		
Long-term loan raised	355 940	310 000
Long-term loan repaid	(532 000)	–
Issue of units	1 000 000	–
Rights offer expenses	(13 141)	–
Cash inflows from financing activities	810 799	310 000
Net increase in cash and cash equivalents	40 482	9 755
Cash and cash equivalents at the beginning of the year	343 627	333 872
Cash and cash equivalents at the end of the year	384 109	343 627

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

(R'000)	Capital of the fund	Capital reserve	Fair value reserve	Retained earnings	Total unitholders' funds
Balance at 1 October 2009	1 933 354	501 906	4 024 559	248 599	6 708 418
Total comprehensive income for the year					
Profit and total comprehensive income for the year	–	–	–	549 348	549 348
Transactions with unitholders, recorded directly in equity					
Profit and fair value reserve realised on sale of property transferred to capital reserve		11 931	(9 999)	(1 932)	–
Fair value adjustment on investment properties transferred to fair value reserve			(5 725)	5 725	–
Income distributions				(538 660)	(538 660)
Total transactions with unitholders	–	–	(15 724)	(534 867)	(538 660)
Balance as at 30 September 2010	1 933 354	513 837	4 008 835	263 080	6 719 106
Total comprehensive income for the year					
Profit and total comprehensive income for the year	–	–	–	713 377	713 377
Transactions with unitholders, recorded directly in equity					
Profit and fair value reserve realised on sale of properties transferred to capital reserve	–	61 066	(47 197)	(13 869)	–
Fair value adjustment on investment properties transferred to fair value reserve			80 544	(80 544)	–
Issue of units	953 817	–	–	46 183	1 000 000
Rights offer expenses	(13 141)	–	–	–	(13 141)
Income distributions				(642 629)	(642 629)
Total transactions with unitholders	940 676	61 066	33 347	(690 859)	344 230
Balance as at 30 September 2011	2 874 030	574 903	4 042 182	285 598	7 776 713

8. VACANCY LEVELS

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

Sector %	Sep 2011	Sep 2010
Retail	7	5
Office blocks	10	12
Industrial	7	10
Specialised	–	–
Total	7	7

By value, the vacancies equated to 5 percent of potential rental income, slightly higher than the 4.5 percent at half-year. Approximately 12 percent of the current vacant space has been let for future occupation.

In the retail sector 85 percent of the vacancies were contained in The Brightwater Commons, The Boulders Shopping Centre and at the offices located at Centurion Mall. The vacancy in this sector has increased since half-year mainly due to PBMR vacating office space at Centurion Mall.

The office sector vacancy is primarily situated in Grayston Ridge, AMR Office Park and Wierda Mews. Letting conditions in this sector remain challenging.

The Industrial sector vacancy is primarily located at Supreme Industrial Park and the Jet Park mini-units.

9. LEASE EXPIRY PROFILE

The lease expiry profile by rentable area as at 30 September 2011 is as follows (%):

Building	Vacant	2012	2013	2014	2015	2016	>2016
Retail	7	19	14	17	18	11	14
Offices	10	13	7	8	9	5	48
Industrial	7	44	29	15	3	2	0
Specialised	0	0	0	0	0	0	100
Total	7	24	16	14	12	7	20

10. PORTFOLIO VALUATIONS

The composition of Fountainhead Property Trust's portfolio, as valued by the independent valuer, Rode and Associates CC, as at 30 September 2011, is as follows:

Sector	Value (Rm)	Cents/unit	Forward EY (%)	% of portfolio 2011	2010
Retail	6 348	546	8.3	72	74
Office blocks	1 589	137	9.3	18	15
Industrial	571	49	11.3	7	7
Specialised	307	26	10.8	3	4
Total property	8 815	758	8.8	100	100
Interest-bearing liabilities	(1 049)	(90)			
Net current assets	10	1			
	7 776	669			

11. DIRECTORS

During the year Sean Segar resigned effective 1 August 2011. David Savage joined the board effective 2 August 2011.

12. PROSPECTS

Notwithstanding the difficult trading conditions and the impact of the Blue Route Mall redevelopment, it is anticipated that there will be a small increase in distribution during the next financial year. This forecast has not been reviewed or reported on by Fountainhead Property Trust's auditor.

13. INCOME DISTRIBUTION ANNOUNCEMENT

Notice is hereby given of distribution No. 57 of 27.56 cents per unit for the six months ended 30 September 2011.

The last date to trade cum distribution will be Friday, 18 November 2011. The units of Fountainhead Property Trust will commence trading ex-distribution on Monday, 21 November 2011 and the record date will be Friday, 25 November 2011. The distribution will be paid on Monday, 28 November 2011.

Unit certificates may not be dematerialised or rematerialised between Monday, 21 November 2011 and Friday, 25 November 2011, both dates inclusive.

BY ORDER OF THE BOARD

Fountainhead Property Trust Management Limited

Johannesburg

2 November 2011

Directors:

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

Transfer secretaries:

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