

FOUNTAINHEAD

Property Trust ■■■■■■

- * Interim distribution of 27.71 cents per unit
- * R1 billion rights offer successfully concluded

- * Vacancies down to 6 percent
- * Strong earnings enhancing pipeline

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 2011.

STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Mar 2011 R'000	Audited as at 30 Sep 2010 R'000	Unaudited as at 31 Mar 2010 R'000
ASSETS			
Property assets	8 034 369	7 940 044	7 760 981
Investment properties	7 764 419	7 677 024	7 511 003
Straight-line lease accrual	269 950	263 020	249 978
Current assets	407 309	397 501	394 784
Trade and other receivables	45 638	53 874	43 019
Cash and cash equivalents	361 671	343 627	351 765
Total assets	8 441 678	8 337 545	8 155 765
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' funds	6 731 933	6 719 106	6 708 418
Capital of the fund	1 933 354	1 933 354	1 933 354
Capital reserve	558 812	513 837	501 906
Revaluation reserve	3 969 758	4 008 835	4 023 120
Retained earnings	270 009	263 080	250 038
Non-current liabilities			
Interest-bearing liability	1 310 758	1 225 000	1 060 000
Current liabilities	398 987	393 439	387 347
Trade and other payables	122 984	126 201	115 925
Unitholders for distribution	276 003	267 238	271 422
Total unitholders' funds and liabilities	8 441 678	8 337 545	8 155 765

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 Mar 2011 R'000	Audited 12 months to 30 Sep 2010 R'000	Unaudited 6 months to 31 Mar 2010 R'000
Income	435 765	845 963	411 467
Contractual rental income	428 836	831 482	410 028
Straight-line lease adjustment	6 929	14 481	1 439
Expenses	(116 169)	(219 979)	(106 077)
Administrative expenses	(21 391)	(42 265)	(20 250)
Property operating expenses	(94 778)	(177 714)	(85 827)
Operating profit	319 596	625 984	305 390
Net finance costs	(36 664)	(72 843)	(32 529)
Interest received	11 384	25 259	13 257
Interest paid	(48 048)	(98 102)	(45 786)
Profit on disposal of investment properties	12 827	1 932	-
Fair value adjustments to investment properties	(6 929)	(5 725)	(1 439)
Profit and total comprehensive income for the period	288 830	549 348	271 422
Basic earnings per unit (cents)	29.00	55.15	27.25
Headline earnings and distribution income reconciliation			
Profit for the period	288 830	549 348	271 422
Adjust for:			
Profit on disposal of investment properties	(12 827)	(1 932)	-
Fair value adjustments to investment properties	6 929	5 725	1 439
Headline earnings	282 932	553 141	272 861
Less: straight-line lease adjustment	(6 929)	(14 481)	(1 439)
Distribution income	276 003	538 660	271 422
Headline earnings per unit (cents)	28.41	55.53	27.39
Distribution per unit (cents)	27.71	54.08	27.25
Interim distribution per unit (cents)	27.71	27.25	27.25
Final distribution per unit (cents)	-	26.83	-
Units in issue	996 043 081	996 043 081	996 043 081

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 27.71 cents per unit, 1.7 percent greater than the comparable period last year. The muted growth is largely a result of the short-term dilutionary effects of the Blue Route Mall redevelopment project.

3. MAJOR CAPITAL PROJECT

Blue Route Mall

The redevelopment of the mall is progressing well with approximately 44 percent of the work complete. The letting of the mall is in progress, with signed leases representing 81 percent of the new mall's 56 000 m² having been concluded. The anticipated opening date of the new mall remains 1 April 2012.

4. ACQUISITIONS AND DISPOSALS

The Trust has signed agreements to purchase the following properties:

Sector	Building name	Location	Price	Initial yield
Office	CK3	Constantia Kloof, JHB	R204 000 000	9.10%
Office	300 Middel Street	Brooklyn, Pretoria	R214 000 000	8.65%
Office	Yellowwood & Cedarwood	Bryanston, JHB	R99 400 000	9.00%
Retail	Access Park*	Kenilworth, CT	R419 000 000	8.69%

* Purchase subject to conditions precedent

The Trust has sold the following properties during the past six months:

Sector	Building name	Location	Transfer date	Selling price R	Valuation R	Profit on sale R
Office	Human Rights House	Parktown, JHB	11 October 2010	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

5. SEGMENTAL INFORMATION

	Mar 2011 6 months			Sep 2010 12 months			Mar 2010 6 months		
	Revenue Rm	Net income Rm	% of total	Revenue Rm	Net income Rm	% of total	Revenue Rm	Net income Rm	% of total
Retail	305	234	81	597	465	86	294	231	85
Office blocks	67	67	23	124	99	18	60	47	17
Industrial	42	32	11	81	63	12	41	32	12
Specialised	15	15	5	29	29	6	15	15	6
Corporate	-	(59)	(20)	-	(117)	(22)	-	(54)	(20)
Total	429	289	100	831	539	100	410	271	100

STATEMENT OF CASH FLOWS

	Unaudited 6 months to 31 Mar 2011 R'000	Audited 12 months to 30 Sep 2010 R'000	Unaudited 6 months to 31 Mar 2010 R'000
Cash effects from operating activities			
Profit for the period	288 830	549 348	271 422
Adjustments for:			
Straight-line lease adjustment	(6 929)	(14 481)	(1 439)
Interest received	(11 384)	(25 259)	(13 257)
Interest paid	48 048	98 102	45 786
Profit on disposal of investment properties	(12 827)	(1 932)	-
Fair value adjustments to investment properties	6 929	5 725	1 439
Operating profit before changes in working capital	312 667	611 503	303 951
Trade and other receivables decreased/(increased)	8 236	(7 332)	3 523
Trade and other payables (decreased)/increased	(3 217)	10 074	(202)
Cash generated from the operations	317 686	614 245	307 272
Interest received	11 384	25 259	13 257
Interest paid	(48 048)	(98 102)	(45 786)
Income distributions	(267 238)	(533 381)	(261 959)
Cash flows from operating activities	13 784	8 021	12 784
Cash effects from investing activities			
Additions to investment properties	(139 498)	(326 266)	(139 891)
Proceeds from disposal of investment properties	58 000	18 000	-
	(81 498)	(308 266)	(139 891)
Cash effects from financing activities			
Long-term loan raised	85 758	310 000	145 000
	85 758	310 000	145 000
Net increase in cash and cash equivalents	18 044	9 755	17 893
Cash and cash equivalents at the beginning of the period	343 627	333 872	333 872
Cash and cash equivalents at the end of the period	361 671	343 627	351 765

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

(R'000)	Capital of the fund	Capital reserve	Revaluation 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 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
Balance at 1 October 2010	1 933 354	513 837	4 008 835	263 080	6 719 106
Total comprehensive income for the period					
Profit and total comprehensive income for the period	-	-	-	288 830	288 830
Transactions with unitholders, recorded directly in equity					
Profit and revaluation reserve realised on sale of properties transferred to revaluation reserve		44 975	(32 148)	(12 827)	-
Fair value adjustment on investment properties transferred to revaluation reserve			(6 929)	6 929	-
Income distributions				(276 003)	(276 003)
Total transactions with unitholders	-	44 975	(39 077)	(281 901)	(276 003)
Balance as at 31 March 2011	1 933 354	558 812	3 969 758	270 009	6 731 933

6. VACANCY LEVELS

Vacancy levels in terms of rentable area were as follows:

Sector	%	Mar 2011	Sep 2010	Mar 2010
Retail		4	5	5
Office blocks		14	12	12
Industrial		8	10	9
Specialised		-	-	-
Total		6	7	7

By value, the vacancies equated to 4.5 percent of potential rental income, an improvement on the 5 percent at year-end.

In the retail sector 67 percent of the vacancies were contained in The Brightwater Commons, The Boulders Shopping Centre and at the offices located at Centurion Mall.

The office sector vacancy is primarily situated in Grayston Ridge, AMR Office Park and The Ambridge. This sector remains under pressure.

Letting conditions in the industrial sector have improved during the last quarter.

7. SUBSEQUENT EVENT – RIGHTS OFFER

Fountainhead's R1 billion rights offer has been successfully concluded. In total 166.67 million units were offered and 97 percent of unitholders representing 161.2 million units followed their rights. Excess rights applications for 55.8 million units (34 percent) were received.

The allocation of the 5.45 million excess units available was completed on Thursday, 14 April 2011.

8. PROSPECTS

Based on the board's assessment of the current economic climate, the temporary impact of the Blue Route Mall redevelopment and the low returns on the rights issue cash pending investment into property, it is anticipated that distribution per unit for the year ended 30 September 2011 will increase marginally compared with the year ended 30 September 2010. This forecast has not been reviewed or reported on by Fountainhead Property Trust's auditor.

9. DISTRIBUTION ANNOUNCEMENT

Notice is hereby given of distribution No. 56 of 27.71 cents per unit for the six months ended 31 March 2011.

The last date to trade cum distribution will be Friday, 20 May 2011. The units of Fountainhead Property Trust will commence trading ex-distribution on Monday, 23 May 2011 and the record date will be Friday, 27 May 2011. The distribution will be paid on Monday, 30 May 2011.

Unit certificates may not be dematerialised or rematerialised between Monday, 23 May 2011 and Friday, 27 May 2011, both dates inclusive.

BY ORDER OF THE BOARD

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

5 May 2011

ince.motiv

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