FAIRVEST
property holdings limited

# FAIRVEST PROPERTY HOLDINGS LIMITED

**ANNUAL REPORT 2010**

# COMPANY PROFILE

**Fairvest Property Holdings Limited**
is a property investment holding company, which is listed in the "Real Estate Holdings and Development" sector of the JSE Limited.

**The market capitalisation of Fairvest at 30 June 2010 was R98.7 million (2009: R85.7 million), an increase of 15% since 31 March 2009.** Fairvest is a widely held public company with 1 036 linked unitholders (2009: 1 670) and management holds 68.88% (2009: 31.85%) of the issued share capital of the Company.

**Its investment property portfolio, comprising 11 commercial properties, is valued at R92.2 million (2009: R89.6 million).** Fairvest has a regional split based on income receivable of 43% KwaZulu-Natal (2009: 34%), 6% Gauteng (2009: 18%), 5% Free State (2009: 5%) and 46% Eastern Cape (2009: 43%).

**The Group's investment strategy is to create a property portfolio of significant critical mass through acquisition of quality, high yielding properties.** Accordingly, investment opportunities are being evaluated for acquisition on an ongoing basis.

**CONTENTS** 

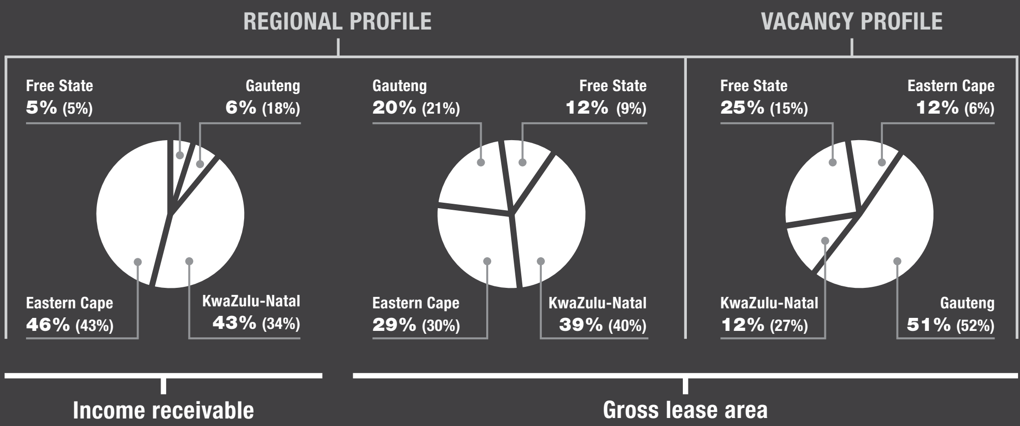
# SALIENT FEATURES

for the 15 months ended 30 June 2010

| | | 30 June 2010 | 31 March 2009 |
|---|---|---|---|
| Properties held at beginning of period | | **11** | 13 |
| Properties disposed of during the period | | **–** | (2) |
| Properties held at end of period | | **11** | 11 |
| Valuation of property portfolio | (R million) | **92.2** | 89.6 |
| Net asset value per linked unit | (cents) | **146.6** | 146.4 |
| Net tangible asset value per linked unit | (cents) | **146.6** | 146.4 |
| Distribution per linked unit | (cents) | **13.8** | 10.0 |
| Linked unit market price at period end | (cents) | **115** | 100 |
| Market capitalisation at period end | (R million) | **98.7** | 85.7 |

# PORTFOLIO ANALYSIS

for the year ended 30 June 2010




***Notes*** *Gross lease area is based on metre squared as at the end of the year. Comparative figures are shown in brackets.*

The vacancy in the portfolio at 30 June 2010 amounted to 7 507 m$^2$ (2009: 8 275 m$^2$) equating to 28% (32%) of gross lease area.

100% (100%) of vacancy is commercial.

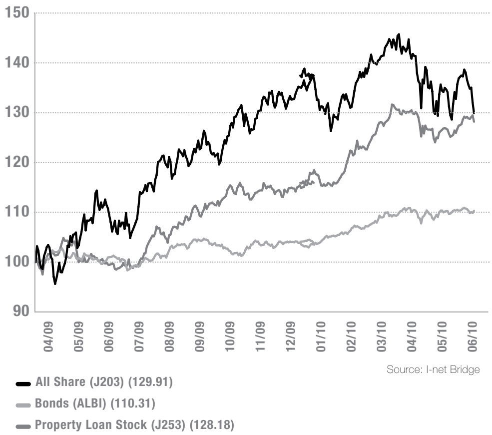
FAIRVEST
property holdings limited

# 2010 was a year of change and new beginnings for Fairvest.

After two general shareholder meetings and an offer to minorities by Rossouw and van der Westhuizen (Proprietary) Limited a new board of directors were appointed in January 2010. The management of the property portfolio, previously performed in-house, was outsourced to Blend Property Management (Proprietary) Limited and the management of the Company and its subsidiaries were moved from Durban to Cape Town. All these changes were necessary for Fairvest to realise its full potential and extract value out of an aging, directionless property portfolio.

The Group also changed their yearend from March to June, resulting in the current reporting period being 15 months and therefore not directly comparable to the previous year's 12 months. Annualised comparable revenue increased by 8% from the previous year and the total distribution for the period was 13.8 cents per linked unit, an annualised increase of 22.7% from the previous year.

**PROPERTY LS VS ALL SHARE VS BONDS**




## Market and property sector

The current year has been a year of recoveries in the global economy with world equity markets coming off its low point in March 2009. Listed property stocks performed particularly well, seen as somewhat of a safe haven during time of significant volatility. In addition South Africa was spared a major collapse or corporate failure. This together with relative low loan to value ratios helped the sector come out of the financial crisis relatively unscathed. Over the 15 months of our reporting period the JSE All share returned 29.9% and Property stocks returned 28.1%, both outperforming the bond market handsomely.

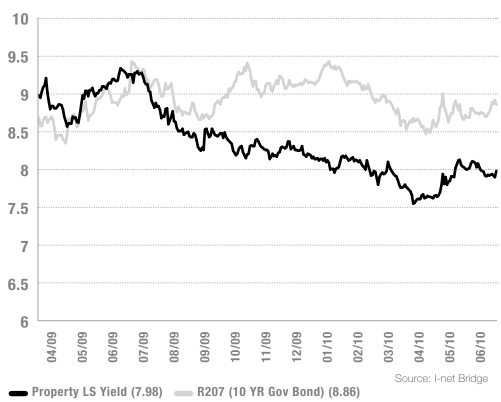
Emerging Markets benefitted from the flood of money looking for yield, given that Developed Markets' money market rates were close to zero and in all likelihood will remain low. This has led to an influx of foreign money into South Africa and can be seen in the strength of the Rand. This influx, together with local cash seeking a higher return than falling money market rates, drove equity prices higher, and bond and property yields lower. Driven by the performance of retail shares, listed property shares outperformed most asset classes in the year to date. Current property yields are much lower than bond yields, begging the question whether property

Over the 15 months of our reporting period the JSE All share returned 29.9% and Property stocks returned 28.1%, both outperforming the bond market handsomely.

offers any value in the short term. Probably not, as the graph below shows that there has been a significant disconnect between bond yields and property yields, with the short term outlook probably favouring the bond market. However, the market normally discounts expectations twelve months in advance. Property shares are already discounting an economic recovery in 2011, factoring in high single digit earnings and distribution growth. We have also seen that bond yields have come down since 30 June 2010 and will probably come down even further as Emerging Market spreads narrow. We hope the economy recovers as anticipated, but what worries us is that many companies in their prospect statements paint a picture of slow recovery, job losses, and very little expansion and excess capacity in their results.

On the physical property front we have seen much the same happened, with investors forming syndicates, pooling funds together to buy properties on relatively low yields.

**PROPERTY YIELDS RELATIVE TO LONG BOND YIELD**




## Overview of operations

During the past six months we have engaged on various property transactions, however sellers and potential buyers are not agreeing on yields, and we believe that we acted prudently by not chasing deals. I was thus not surprised to find that the same issues are being experienced by our peers. This is evident in the value of property transactions completed since the beginning of the year in the listed sector. The very big industry players are not selling of as much properties, because of the question, what to replace it with? On our very own portfolio we have signed new leases since year end, but at lower rates than the last couple of years, with especially office rentals under pressure. Rent negotiations are tougher than what it has been the previous four years. Notwithstanding all, the market is starting to unfreeze and we look forward to a year of opportunity.

Fairvest has gone through significant change in a very short space of time. I must immediately thank Jacques Kriel for resolving the issues at hand. He and his team have introduced a new financial system, replacing the very onerous spreadsheet based accounting system. He has also set out to engage with tenants and agents. In many cases we have found that properties have not been visited in many years by management. Tenant complaints and basic maintenance have largely been ignored.

In our interim financial results for the 12 months up to 31 March 2010 we reported that a considerable amount of available funds needs to be spent on the upkeep of the portfolio. This is needed to get to a position where we can extract value out of the current portfolio. One shareholder queried us on what we mean with ‘a considerable amount’. The short answer is more than the zero spent on some buildings the last couple of years, but in reality the

# CHAIRMAN’S REPORT (continued)

answer is probably somewhere in the region of 10% to 15% of available cash, which will have a negative impact on our income distributions going forward.

In the last couple of months we found better value by investing in other listed property shares, with forward yields of between 8.5% and 10%. A portion of these investments were in Australian listed property companies, the likes of Growthpoint Australia and Cromwell, which we believe offers excellent forward yields in a hard currency like the Australian Dollar. We believe that Australia handled the economic crisis very well and in some cases actually leading the rest of the world when it comes to economic policy. They have started to tighten monetary policy by raising interest rates.

The nature of the business has remained unchanged. We will continue to unlock value out of the existing portfolio and invest selectively in properties that provide sustainable profitability. With our excess cash resources and debt free balance sheet we are well positioned to take advantage of opportunities the current market will offer.

**Appreciation**
In concluding I would like to take the opportunity to thank my fellow board members for their collective efforts to implement the significant change during the past six months and for applying their minds in taking the Group forward. I would like to thank Martin Epstein for forwarding us the opportunity to work with Blend Property Group and thank him for his expertise. Further I would like to thank Darren Epstein and his colleagues at Blend Property Management for the smooth transition in taking on the day to day responsibilities of the property portfolio.

**JF du Toit**
*Chairman*
16 September 2010

# DIRECTORATE

| | |
|---|---|
| Mr Jacques Du Toit | ***Non-executive Chairman*** |
| Mr Jacques Kriel | ***Chief executive Officer & Financial Director*** |
| Mr Martin Epstein | ***Non-executive Director*** |
| Mr Pieter Van der Merwe | ***Independent Non-executive Director*** |

# CORPORATE GOVERNANCE REPORT

Fairvest is committed to the promotion of good corporate governance and to following the principles of fairness, accountability, responsibility and transparency as advocated in the King Report on Corporate Governance for South Africa (King II Report). The King III report has now been issued, effective for year ends commencing on or after 1 March 2010 which will apply to the year ended 30 June 2011. The board will over the course of the next year, give careful consideration to this report and how it is to be applied to Fairvest.

In supporting the Code of Corporate Practices and Conduct (the Code) as set out in the King II Report, the Board recognises the need to conduct the business of the Group with integrity and in accordance with generally accepted corporate practices. The Board endorses, has addressed, and, where possible and relevant to the Group, has applied the Code. However, given the size of the Group and its operation there are certain instances where it has not been possible to achieve "best practice" and these areas are highlighted and explained below.

**The Board of Directors**

TA Bell, TP Botsis, DA Johnston and KJ Peter resigned as directors of Fairvest Property Holdings Limited during the period under review. JF du Toit remained on the board and was appointed as Chairman. BJ Kriel was appointed as Chief Executive Officer and Financial Director, M Epstein as non-executive director and PJ van der Merwe as independent non-executive director.

Fairvest has a small board and as it is a property holding company, with the management of the property portfolio outsourced to Blend Property Management (Proprietary) Limited, only has one fulltime executive director. Three of its directors are non-executive and are not directly involved in the management of the Company and its properties. There is only one independent non-executive director and the Board is aware of the need to appoint additional non-executive directors who can act independently, in line with recent changes to the existing Companies Act and the new Companies Act 2008.

The appointment of directors is formal and transparent and is considered to be a matter for the board as a whole. A clear balance of power exist within the board and all significant decisions are authorised at board level to ensure no one director has unfettered powers of decision making.

The independent non-executive director is fully independent of management and is free to make his own decisions. He enjoys no benefits from the Company other than his fees.

All the directors have access to the advice and services of the Company Secretary and, in appropriate circumstances, may seek independent professional advice about the affairs of the Group, at the Group's expense.

The Board has not, at this stage, adopted a Board Charter.

The Board met four times during the period under review and the attendance of directors at these board meetings is indicated at the end of this report.

**Board committees**

*Audit and Risk Committee*

The Audit and Risk Committee was re-constituted during the period under review and consisted of the following members, both of whom are non-executive directors:

- PJ van der Merwe (Chairman);
- JF du Toit;

with BJ Kriel, the external auditors of the Group and the Company Secretary in attendance.

The Committee met once during the period under review to review and approve the annual financial statements and to receive reports on findings of audits carried out by the external auditors. The Audit and Risk Committee assisted the Board by providing an objective and independent view on the organisation's finance, accounting and control mechanisms and reviews and ensures that consideration is given to the following:

- The accounting policies of the Group and any proposed revisions thereto;
- The effectiveness of the Group's information systems and internal controls;
- The appointment and monitoring of the effectiveness of the external auditors;
- The appropriateness, expertise and experience of the Financial Director;
- Setting the principles for recommending the use of external auditors for non-audit services and recommending that these be kept to a minimum;
- The annual report and specifically the annual financial statements included therein;
- The reports of the external auditors;
- The Group's going concern status;

- Compliance with applicable legislation and requirements of regulatory authorities.

The Committee satisfied itself that the Financial Director has the requisite qualifications and experience to carry out his duties as required by the Companies Act and the JSE Listings Requirements.

**Remuneration Committee**
The Remuneration Committee was constituted during the period under review and consisted of the following members, both of whom are non-executive directors:
- PJ van der Merwe (Chairman);
- JF du Toit;

with BJ Kriel, and the Company Secretary in attendance.

The Committee assists the board to ensure that the Company remunerate directors fairly and responsibly.

Fees paid to directors in respect of the period under review are fully disclosed in the Directors' Report on page 13.

**Internal control**
The Board, assisted by the Audit Committee, is responsible for the systems of internal control. The purpose of the systems of internal control is to detect and minimise the risk of fraud, potential liability, loss and misstatement. In addition, the systems of internal control assist the Board in behaving responsibly to all stakeholders and ensuring business sustainability under general as well as adverse conditions.

The Board recognises that there are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls, and highlights that these systems provide reasonable, but not absolute, assurance regarding compliance with statutory laws and regulations and the maintenance of proper accounting records. The systems are therefore designed to manage rather than mitigate the risks to which the Group is exposed.

Nothing has come to the attention of the Board to indicate that there has been a material breakdown in the systems of internal control during the period under review.

**Company Secretary**
The Board is of the opinion that the Company Secretary is suitably qualified and experienced to carry out their duties as stipulated under S268G of the Companies Act. The Company Secretary provides board members with guidance in respect of their statutory duties and ensures that they are up to date on all relevant statutory requirements. All directors have access to the advice and services of the Company Secretary and in appropriate circumstances, may seek independent professional advice about the affairs of the Group at the Company's expense.

**Relationship and reporting**

*Code of conduct*
Fairvest is committed to the highest standards of honesty, integrity, behaviour and ethics in dealing with all stakeholders.

*Communication with stakeholders*
Communication to the public and members embodies the principles of balanced reporting, understandability, openness and substance over form. Positive and negative aspects of both financial and non-financial information are provided. Detailed interim and annual results are issued in the form of written reports, profit announcements in national newspapers and updates on the JSE Limited news service (SENS).

**Going concern**
The going concern statement appears in the Directors' Report on page 11.

**Directors' attendance at board and committee meetings during the period under review**

*Board meetings (4 meetings)*

| | |
|---|---|
| JF du Toit | 4 |
| BJ Kriel | 1 (of 2 during tenure) |
| M Epstein | 2 (of 2 during tenure) |
| PJ van der Merwe | 2 (of 2 during tenure) |
| TA Bell | 2 (of 2 during tenure) |
| TP Botsis | 2 (of 2 during tenure) |
| DA Johnston | 2 (of 2 during tenure) |
| KJ Peter | 2 (of 2 during tenure) |
| AB Platt | 2 (of 2 during tenure) |

*Audit Committee Meeting (1 meeting)*

| | |
|---|---|
| PJ van der Merwe | 1 |
| JF du Toit | 1 |
| BJ Kriel | 1 |

**CONTENTS ANNUAL FINANCIAL STATEMENTS**

# DIRECTORS' RESPONSIBILITY AND APPROVAL
## of the annual financial statements for the 15 months ended 30 June 2010

The directors of Fairvest are responsible for preparing the Group and Company annual financial statements and other information presented in the report in a manner that fairly presents the state of affairs and results of the operations of the Group. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting on their findings thereof.

The financial statements of the Group and Company for the 15 months ended 30 June 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act No. 61 of 1973. They are based on appropriate policies and are supported by reasonable and prudent judgements and estimates. No event, other than as disclosed in the Chairman's and Directors' reports, material to the understanding of this report, has occurred between the financial period end and the date of this report.

In the context of their audit, carried out for the purposes of expressing an opinion on the fair presentation of the annual financial statements, the auditors have concurred with the disclosures of the directors on going concern.

These annual financial statements, set out on pages 10 to 69, have been approved and authorised for issue by the Board of Directors and are signed on its behalf by:

JF du Toit
**Chairman**

BJ Kriel
**CEO and Financial Director**

16 September 2010

# REPORT OF THE COMPANY SECRETARY
## for the 15 months ended 30 June 2010

I declare that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act No. 61 of 1973, and that all such returns are true, correct and up to date.

**SecCorp Secretarial Services (Proprietary) Limited**
Company Secretary

16 September 2010

# REPORT OF THE INDEPENDENT AUDITORS
for the 15 months ended 30 June 2010

**To the shareholders of Fairvest Property Holdings Limited**
We have audited the accompanying Group and Company annual financial statements of Fairvest Property Holdings Limited which comprise the directors report, the statements of financial position as at 30 June 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the 15 months then ended, and a summary of significant accounting policies and other explanatory notes, as set out on page 10 to 69.

**Directors' responsibility for the annual financial statements**
The Company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**
Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

**Opinion**
In our opinion, the Group and Company's annual financial statements present fairly, in all material respects, the financial position of the Group and Company at 30 June 2010 and the results of its operations and cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

BDO South Africa Inc.

**BDO South Africa Inc.**
Registered Auditors

Per Sally Juckes
Chartered Accountant (SA)
Registered Auditor
Director

16 September 2010

1 Richefond Circle, Ridgeside Office Park
Umhlanga

# DIRECTORS' REPORT
for the 15 months ended 30 June 2010

The directors have pleasure in submitting their report which forms part of the audited financial statements of the Group and Company for the 15 months ended 30 June 2010.

**Nature of business**
Fairvest Property Holdings Limited is listed in the "Real Estate Holdings and Development" sector of the JSE Limited.

Fairvest is a property investment holding company with investments in mainly commercial properties in South Africa. Its investment strategy is to create a property portfolio of significant critical mass through acquisition of quality, high-yielding properties. Accordingly, investment properties are being evaluated for acquisition purposes on an ongoing basis.

There have been no changes to the nature of business.

**Change of financial year end**
During the period under review Fairvest Property Holdings Limited and its subsidiaries changed their financial year end from 31 March to 30 June. Consequently the current reporting period represents 15 months whilst the comparative period represents 12 months, thus the amounts are not entirely comparable between 2010 and 2009.

**Financial results**
The results for period under review are set out on pages 16 to 69 of this report. The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations of those Standards, as adopted by the International Accounting Standards Board, the Companies Act of South Africa, and the Listings Requirements of JSE Limited.

The net asset value per linked unit increased from 146.4 cents to 146.6 cents. The increased valuations of the property portfolio were offset by additional tax payable during the current period.

During the period, the property portfolio under management increased from R86.4 million to R88.8 million largely as a result of improved occupancy in certain of the properties.

Revenue increased by 22.4% to R19.8 million for the 15 months compared to 12 months previously. Annualised revenue declined by 2.1%, however if revenue previously derived from Kempton City and Broadway Nordic properties which were sold at the start of the comparative period is excluded, revenue increased by 8.0%.

Operating profit increased by 94.3% to R9.0 million during the period under review. Annualised operating profit increased by 55.5%. The increase is due to increased occupancies in properties and a decrease in management and operating fees paid. Further reduction will be seen in the next financial year as the current period includes staff redundancies and severance fees paid to the previous managing agents.

Taxation increased by 121.8% to R2.8 million. The increase is largely as a result of additional assessments in respect of previous years for the Company.

In June 2010 an interim distribution of 10.0 cents per linked unit for the twelve months ended 31 March 2010 was made; with a final declaration of 3.8 cents per linked unit, bringing the total distribution to 13.8 cents (2009: 9.0 cents) per linked unit for the period, an increase of 53.3% from the prior year. Annualised distribution increased by 22.7% from the prior year.

The Group reported no profit attributable to ordinary shareholders and a headline loss of R2.1 million (2009: R1.0 million) for the reasons to be explained below. Headline earnings per linked unit (calculated as headline loss per share plus debenture interest) increased from R6.7 million to R9.7 million.

The linked unit capital structure of the Group results in every shareholder being a debenture holder. The Debenture Trust Deed states that 99.9% of profits are attributable to debenture holders. As a result the benefit of improved trading performance is expensed in the statement of comprehensive income as a fair value adjustment to debentures and debenture interest. This results in no profit being attributable to ordinary shareholders.

Headline earnings have been presented in accordance with IAS 33. Headline earnings are calculated after adding back the improved trading performance, which is reflected as a fair value adjustment to debentures, and deducting any appreciation in the property valuations.

**Directors' responsibility**
The directors' statement of responsibility is addressed on the approval page of these financial statements.

**Borrowings**
The Group has not exceeded its borrowing powers in terms of the Articles of Association of the Company.

**Dividends and distributions**
Interest on linked units has been calculated in terms of the Debenture Trust Deed. A final interest payment of 3.8 cents per linked unit has been declared for the 15 months ended 30 June 2010 bring the total distribution to linked units holders to 13.8 cents for the 15 months ended 30 June 2010. The distribution is payable to linked unitholders registered in the books of the Company at the close of business on Friday, 15 October 2010.

| | |
|---|---|
| Last date to trade linked units cum interest payments | Friday, 8 October 2010 |
| Linked units commence trading ex-interest payments | Monday, 11 October 2010 |
| Record date | Friday, 15 October 2010 |
| Payment date | Monday, 18 October 2010 |

No dividend has been declared for the period in respect of the linked units.

**State of affairs – property transactions**
*Acquisitions*
There were no property acquisitions during the period under review as the properties evaluated did not yield the requisite financial returns.

*Disposals*
There were no property disposals during the period under review.

*Listed investments*
During the period under review Fairvest invested R2.672 million in the listed property sector. R1.669 million was invested locally and R1.003 million (AU$0.154 million) in the Australian listed property sector. Also refer to the subsequent events section in the directors' report for further investments subsequent to the period end.

**Going concern and future of the Company**
The annual financial statements have been prepared on the going concern basis. In concluding that this basis is appropriate, the directors have considered the Group's positive cash flows and the present net asset value of the Group. The directors, after due deliberation, have every reason to believe that the Group has adequate resources to continue in operation in the foreseeable future.

The directors are currently exploring ways of increasing the profitability and critical mass of the property portfolio with a view to repositioning the Group for growth and renewed accumulation of assets under management.

**Board of Directors**
The following directors were directors of the Company during the period and up to the date of this report:

**JF (Jacques) du Toit (age 39) (Chairman)**
Jacques has been on the Fairvest board since October 2007 as a non-executive director. Jacques is a Chartered Financial Analyst and has been involved in the financial services industry since joining HSBC Simpson McKie as a stockbroker in 1998. He joined the portfolio management side at HSBC in 2003 and headed up the investment process until 2005 when he joined Investec Securities Limited as senior portfolio manager. In August 2008 he jointly set up a financial services company, Cohesive Capital. He serves as a director on the boards of a number of private companies.

**BJ (Jacques) Kriel (age 31)**
*Appointed 19 January 2010*
Jacques is a qualified Chartered Accountant. After completing his training he relocated to the United Kingdom where he joined Ernst & Young London's audit division. Jacques joined the Bank of England in 2008 and was, until he joined Fairvest, responsible for the financial reporting of the United Kingdom's Foreign Currency Reserves.

**M (Martin) Epstein (age 40)**
*Appointed 19 January 2010*
Martin has been in the property industry for over 15 years and has gained experience in both the development and investment sectors, with total projects exceeding R1 billion. Martin has grown a number of property businesses organically, having the skills and expertise to manage and maintain sizeable developments and property portfolios. Martin is the CEO of Blend Property Group (Proprietary) Limited, an asset and property management business.

**PJ (Pieter) van der Merwe (age 62)**
*Appointed 19 January 2010*
Pieter has over 30 years experience in senior management. Pieter is currently an executive director/owner of various companies in the local and international retail, packaging manufacturing, property development, chemical manufacturing, and residential and industrial property ownership and letting industries.

The following directors resigned during the period under review:

| | |
|---|---|
| TA Bell | Resigned 15 January 2010 |
| TP Botsis | Resigned 15 January 2010 |
| DA Johnston | Resigned 15 January 2010 |
| KJ Peter | Resigned 15 January 2010 |
| A Platt | Resigned 15 January 2010 |

**Directors' remuneration**
**Policy on directors' remuneration**
The directors are appointed to the Board to manage and give direction to the Group. Directors are required to possess the appropriate skills and experience to manage a property holding Group. They are, accordingly, remunerated at market related rates that reflect such responsibilities, taking into account industry norms.

In terms of the Company's Articles of Association directors are appointed by the members at a general meeting. Interim Board appointments may be made between general shareholder meetings but such appointees are required to retire at the next annual general meeting where they make themselves available for election by members.

**Executive directors’ remuneration**

Executive directors’ remuneration is compared to other South African companies to ensure sustainable performance and market competitiveness. The individual fees paid to directors are reviewed annually and approved by members at the annual general meeting.

**Non-executive directors’ remuneration**

Non-executive directors generally receive fixed fees for services. Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive schemes. The fees paid to non-executive directors are approved by members at the annual general meeting. As mentioned in the Corporate Governance report, none of the directors deemed to be non-executive directors are involved full time in the affairs of the Company.

**Directors’ emoluments**

| **Group and Company** <br> **2010** | **Management fees R’000** | **Directors’ fees R’000** | **Total R’000** |
|---|---|---|---|
| JF du Toit | – | 91 | 91 |
| BJ Kriel* | 260 | – | 260 |
| M Epstein* | – | 60 | 60 |
| PJ van der Merwe* | – | 60 | 60 |
| T Bell** | – | 102 | 102 |
| T Botsis** | – | 102 | 102 |
| D Johnston** | – | 31 | 31 |
| KJ Peter** | – | 100 | 100 |
| A Platt** | 434 | – | 434 |
| | 694 | 546 | 1 240 |
| 2009 | | | |
| T Bell** | – | 122 | 122 |
| T Botsis** | – | 122 | 122 |
| JF du Toit | – | 41 | 41 |
| D Johnston** | – | 66 | 66 |
| KJ Peter** | – | 20 | 20 |
| A Platt** | 508 | – | 508 |
| | 508 | 371 | 879 |

** Appointed as a director on 19 January 2010.*

*** Resigned as directors on 15 January 2010.*

**Directors’ service contracts**

There are no fixed-term service contracts for executive or non-executive directors.

**Linked units held by directors**
The following table reflects the number of linked units held by directors at the date of approval of the annual financial statements:

**2010**

| | **Beneficial holdings** | | **Non-beneficial holdings** | | |
|---|---|---|---|---|---|
| **Name** | **Direct** | **Indirect** | **Direct** | **Indirect** | **%** |
| BJ Kriel | – | 16 498 875 | – | – | 19.23 |
| JF du Toit | – | 42 595 048 | – | – | 49.65 |
| Total | – | 58 093 923 | – | – | 68.88 |

2009

| | Beneficial holdings | | Non-beneficial holdings | | |
|---|---|---|---|---|---|
| Name | Direct | Indirect | Direct | Indirect | % |
| TP Botsis | 2 106 139 | 2 995 210 | – | 43 067 | 5.99 |
| TA Bell | – | 2 592 791 | – | – | 3.02 |
| JF du Toit | – | 20 630 203 | – | 4 798 875 | 29.64 |
| KJ Peter [1] | – | – | 2 592 791 | – | – |
| Total | 2 106 139 | 26 218 204 | 2 592 791 | 4 841 942 | 38.65 |

[1] The shares in which Mr TA Bell has a beneficial interest are registered in the name of Mrs KJ Peter.

There have been no changes to the directors' interest in linked units subsequent to period end.

**Interest of directors in contracts**
The directors have certified that they were not materially interested in any transaction of material significance and which significantly affected the business of the Group, with the Company or any of its subsidiaries. Accordingly, no conflict of interest with regard to directors' interests in contracts exists. There have been no material changes in the aforegoing between 30 June 2010 and the date of this report.

**Directors trading in the Company's securities**
All directors are required to obtain clearance prior to trading in the Company's securities. Such clearance must be obtained from the Chairman or, in his absence, by a designated director. Directors are required to inform their portfolio/investment managers not to trade in the securities of the Company unless they have specific written instructions from that director to do so. Directors also may not trade in their shares during closed periods. Directors are further prohibited from dealing in their shares at any time when they are in possession of unpublished price-sensitive information in relation to those securities, or otherwise where clearance to deal is not given.

**Linked unitholders' capital and special resolutions**
The authorised ordinary share capital of the Company remains unchanged at 300 000 000 ordinary shares with a par value of 1 cent each and 30 000 000 cumulative redeemable convertible preference shares of 1 cent each.

The issued ordinary share capital remains unchanged at 85 795 988 ordinary shares and 85 795 988 linked unit debentures of 1 cent each.

No special resolutions were passed by the Company or its subsidiary companies during the financial period under review or subsequently.

**Subsequent events**
Subsequent to period end Fairvest invested a further R3.984 million (AU$0.599 million) in the listed property sector in Australia, which consist of 200 000 shares in Cromwell Group and 219 890 shares in Growthpoint Properties Australia.

The directors are not aware of any other material matter or circumstance arising since the end of the financial period, not otherwise dealt with in this report or the financial statements, which materially affect the financial position of the Group or the results of its operations to the date of this report.

**Linked unitholders in excess of 5%**
Details of linked unitholders in excess of 5% of the issued linked units, together with the spread of linked units between “public” and “non-public” holders, are set out in the analysis of linked unitholders on page 71 of this report.

**Company Secretary**
The Secretary of the Company is SecCorp Secretarial Services (Proprietary) Limited, 8 Briffant Street, Chantecler, Durbanville, 7550, Postnet Suite #113, Private Bag X7, Tyger Valley, 7536.

**Subsidiary companies**
Details of the Company’s investment in subsidiary companies are set out in note 29 to the financial statements.

**Auditors**
The auditors of the Company are BDO South Africa Inc, 1 Richefond Circle, Ridgeside Office Park, Umhlanga, Durban, 4001. The auditors have indicated their willingness to continue in office as auditors of the Company.

# STATEMENTS OF FINANCIAL POSITION
as at 30 June 2010

| | Notes | Group 30 June 2010 R'000 | Group 31 March 2009 R'000 | Company 30 June 2010 R'000 | Company 31 March 2009 R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | **91 622** | 89 685 | **106 842** | 123 355 |
| Investment property | 2 | **88 766** | 86 426 | **–** | – |
| Equipment | 3 | **20** | 4 | **–** | – |
| Investment in subsidiaries | 4 | **–** | – | **1** | 1 |
| Loans to subsidiaries | 5 | **–** | – | **106 841** | 123 354 |
| Operating lease asset | 6 | **2 836** | 3 255 | **–** | – |
| **Current assets** | | **53 147** | 47 156 | **17 051** | – |
| Listed investments | 7 | **2 684** | – | **2 684** | – |
| Trade and other receivables | 8 | **2 127** | 965 | **–** | – |
| Cash and cash equivalents | 9 | **48 336** | 46 191 | **14 367** | – |
| **Total assets** | | **144 769** | 136 841 | **123 893** | 123 355 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity and reserves** | | | | | |
| Ordinary share capital | 10 | **857** | 857 | **857** | 857 |
| **Non-current liabilities** | | **126 555** | 125 594 | **107 247** | 110 432 |
| Linked unit debentures and premium | 11 | **124 877** | 124 658 | **106 330** | 110 024 |
| Deferred taxation | 12 | **1 678** | 936 | **917** | 408 |
| **Current liabilities** | | **17 357** | 10 390 | **15 789** | 12 066 |
| Taxation | | **2 017** | 868 | **2 413** | 203 |
| Trade and other payables | 13 | **15 340** | 9 522 | **13 376** | 7 957 |
| Loans from subsidiaries | 14 | **–** | – | **–** | 3 906 |
| **Total equity and liabilities** | | **144 769** | 136 841 | **123 893** | 123 355 |

# STATEMENTS OF COMPREHENSIVE INCOME
for the 15 months ended 30 June 2010

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **15 months to 30 June 2010 R'000** | 12 months to 31 March 2009 R'000 | **15 months to 30 June 2010 R'000** | 12 months to 31 March 2009 R'000 |
| **Revenue** | 15 | **19 801** | 16 180 | **970** | 360 |
| **Other costs** | | **(10 839)** | (11 568) | **(2 541)** | (2 067) |
| Operating profit/(loss) | 16 | **8 962** | 4 612 | **(1 571)** | (1 707) |
| Fair value adjustments | 17 | **2 133** | 1 011 | **3 706** | (301) |
| Finance costs | 20 | **(810)** | (360) | **(1 257)** | – |
| Investment revenue | 21 | **4 389** | 3 739 | **13 862** | 9 322 |
| Provision for impairment of interest in subsidiary | | **–** | – | **(592)** | 366 |
| **Profit before debenture interest** | | **14 674** | 9 002 | **14 148** | 7 680 |
| Debenture interest | | **(11 832)** | (7 715) | **(11 832)** | (7 715) |
| **Profit/(loss) before taxation** | | **2 842** | 1 287 | **2 316** | (35) |
| Taxation | 22 | **(2 842)** | (1 287) | **(2 316)** | 35 |
| **Net profit for the period** | | **–** | – | **–** | – |
| Other comprehensive income | | **–** | – | **–** | – |
| **Total comprehensive income** | | **–** | – | **–** | – |
| **Net Profit attributable to:** | | | | | |
| – Owners of the parent | | **–** | – | **–** | – |
| – Non controlling interest | | **–** | – | **–** | – |
| | | **–** | – | **–** | – |
| **Total comprehensive income attributable to:** | | | | | |
| – Owners of the parent | | **–** | – | **–** | – |
| – Non controlling interest | | **–** | – | **–** | – |
| | | **–** | – | **–** | – |
| Basic earnings per linked unit | 23 | **–** | – | **–** | – |
| Basic diluted earnings per linked unit | 23 | **–** | – | **–** | – |

# STATEMENTS OF CHANGES IN EQUITY
for the 15 months ended 30 June 2010

| | Notes | Share capital | Distributable reserve R'000 | Total R'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| Balance at 1 April 2008 | | 857 | – | 857 |
| Profit for the year | | – | – | – |
| Balance at 31 March 2009 | 10 | 857 | – | 857 |
| Profit for the period | | – | – | – |
| Other comprehensive income | | – | – | – |
| **Balance at 30 June 2010** | 10 | **857** | **–** | **857** |
| | | | | |
| **COMPANY** | | | | |
| Balance at 1 April 2008 | | 857 | – | 857 |
| Profit for the year | | – | – | – |
| Balance at 31 March 2009 | 10 | 857 | – | 857 |
| Profit for the period | | – | – | – |
| Other comprehensive income | | – | – | – |
| **Balance at 30 June 2010** | 10 | **857** | **–** | **857** |

# STATEMENTS OF CHANGES IN DEBENTURES
for the 15 months ended 30 June 2010

| | Notes | Linked unit debenture capital R'000 | Linked unit debenture premium R'000 | Total R'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| Balance at 1 April 2008 | 11 | 857 | 116 952 | 117 809 |
| Fair value adjustment | 11 | – | 6 849 | 6 849 |
| Balance at 31 March 2009 | 11 | 857 | 123 801 | 124 658 |
| Fair value adjustment | 11 | – | 219 | 219 |
| **Balance at 30 June 2010** | 11 | **857** | **124 020** | **124 877** |
| | | | | |
| **COMPANY** | | | | |
| Balance at 1 April 2008 | 11 | 857 | 108 866 | 109 723 |
| Fair value adjustment | 11 | – | 301 | 301 |
| Balance at 31 March 2009 | 11 | 857 | 109 167 | 110 024 |
| Fair value adjustment | 11 | – | (3 694) | (3 694) |
| **Balance at 30 June 2010** | 11 | 857 | 105 473 | 106 330 |

# STATEMENTS OF CASH FLOWS
for the 15 months ended 30 June 2010

| | Notes | Group 15 months to 30 June 2010 R'000 | Group 12 months to 31 March 2009 R'000 | Company 15 months to 30 June 2010 R'000 | Company 12 months to 31 March 2009 R'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | **4 838** | 5 527 | **5 024** | 7 534 |
| Cash generated from/(used in) operations | 25 | **9 565** | 3 458 | **(629)** | (1 708) |
| Finance costs | 20 | **(2)** | (360) | **(449)** | – |
| Investment revenue | 21 | **4 389** | 3 739 | **13 862** | 9 322 |
| Taxation paid | 26 | **(1 759)** | (1 310) | **(405)** | (80) |
| Distribution paid | 27 | **(7 355)** | – | **(7 355)** | – |
| **Cash (outflow)/inflow from investing activities** | | **(2 693)** | 47 526 | **9 343** | (7 534) |
| Acquisition of listed investments | 7 | **(2 672)** | – | **(2 672)** | – |
| Acquisition of fixed assets | 3 | **(21)** | – | **–** | – |
| Disposal of properties | 28 | **–** | 48 650 | **–** | – |
| Improvements to investment properties | | **–** | (1 124) | **–** | – |
| Amounts advanced to subsidiaries | | **–** | – | **15 921** | (9 681) |
| Amounts received from subsidiaries | | **–** | – | **(3 906)** | 2 147 |
| **Cash outflow from financing activities** | | **–** | (17 407) | **–** | – |
| Decrease in long-term liabilities | | **–** | (17 407) | **–** | – |
| **Net increase in cash and cash equivalents** | | **2 145** | 35 646 | **14 367** | – |
| Cash and cash equivalents at beginning of period | 9 | **46 191** | 10 545 | **–** | – |
| **Cash and cash equivalents at end of period** | 9 | **48 336** | 46 191 | **14 367** | – |

# NOTES TO THE FINANCIAL STATEMENTS
for the 15 months ended 30 June 2010

## 1. ACCOUNTING POLICIES

Fairvest Property Holdings Limited (the Company) is a company domiciled in South Africa. The consolidated annual financial statements of the Company for the 15 months ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the 'Group').

### 1.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC'S) issued by the International Accounting Standards Board (IASB) and in terms of the Companies Act of South Africa.

### 1.2 Basis of preparation

The financial statements are presented in rands rounded to the nearest thousand. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties, linked units and certain financial assets and liabilities which are stated at fair value and incorporate the principal accounting policies set out below. Fair value adjustments, where applicable, do not affect the calculation of distributable earnings but do affect the calculation of the net asset value per linked unit to the extent that adjustments are made to the carrying value of assets and liabilities. The annual financial statements have been prepared on a going concern basis.

The accounting policies applied conform with IFRS and are consistent with those followed in the preparation of the annual financial statements for the year end 31 March 2009 and are consistently applied by all Group companies, except for the adoption of the following IFRS's, IFRIC's, Circulars and amendments to IFRS's and IFRIC's in the table as set out in accounting policy 1.27 that are relative and that became effective during the current period and of which had no significant impact on the reported results other than giving rise to additional disclosures and a revision to the relevant accounting policies. Included in the table as set out in accounting policy 1.27 are also those IFRS's, IFRIC's and amendments to IFRS's and IFRIC's that are not yet effective of which at present are not expected to have a significant impact on the reported results at the time of initial adoption. No IFRS's, IFRIC's and amendments thereto have been early adopted.

The accounting policies set out below have been applied consistently by all Group entities. The annual financial statements have been prepared on a going concern basis. The entity's owners do not have the power to amend the financial statements after issue.

### 1.3 Basis of consolidation

The consolidated annual financial statements include those of the Company and all its subsidiaries. The results of any subsidiaries acquired or disposed of during the period are included from the effective dates of acquisition to the effective dates of disposal.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the case of the Company, investments in subsidiaries are carried at cost less impairment losses. Intragroup transactions and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

The investment in related share block company, which is not a subsidiary, is measured initially and subsequently at fair value.

### 1.4.1 Critical accounting estimates and assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### 1.4.1.1 Impairment

The carrying value of the Group's assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income in the period in which they are incurred.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted. In the case of receivables carried at cost and other assets, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

The impairment for trade and other receivables and loans receivable is assessed for impairment on an individual debtor basis, based on historical data and future factors. This may or may not be adjusted by national or industry-specific economic conditions and other indicators present at the reporting date.

#### 1.4.1.2 Deferred taxation

Deferred tax is provided for on a basis that is reflective of management's intention at period end relating to the expected manner of recovery of the carrying amount of the asset, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

#### 1.4.1.3 Income taxes

Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### 1.4.2 Critical judgements in applying an entity's accounting policy

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

**1.4.2.1 Investment properties**

Blue Heights property is owned by Polpoint Share Block Limited. This property comprises both commercial and residential areas. Fairvest has the right of use of the commercial area but no rights to the residential flats and so does not control the share block company. If this property had no residential flats, Fairvest would control the share block and therefore would account for it as an investment property. Furthermore, the valuation method is the same as if it were investment property. Based on the above, management has accounted for Blue Heights property as investment property.

**1.5 Operating segments**

Segment information is determined on the same basis as the information used by the chief operating decision maker for the purposes of allocating resources to segments and assessing segments' performance. The chief operating decision maker has been identified as the board that makes strategic decisions. All intersegment transactions are eliminated and occur at arms length.

**1.6 Investment properties**

Investment properties are properties held for the purpose of earning rental income and/or capital appreciation or both. Properties are stated initially at cost on acquisition, which comprises the purchase price and directly attributable expenditure.

Subsequent expenditure is capitalised to the extent that it is probable that future economic benefits will flow to the Group as a result of the expenditure and the cost can be measured reliably. Costs include costs incurred initially and costs incurred subsequently to add to, or replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition investment properties are measured at fair value. Fair value is determined annually based on the open market value basis as determined at the end of the financial period by an independent registered valuer. Any surpluses or deficits arising from the change in the fair value of the investment properties are included in profit or loss in the period in which it arises. These surpluses and deficits affect the value of the debentures as the fair value of the debentures is equivalent to the fair value of the Group's investment properties.

Realised profit and losses on disposal of investment properties are included in profit or loss in the period in which they arise and are calculated as the difference between the sale price and the carrying amount of the investment property.

**1.7 Equipment**

The cost of an item of equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all equipment to write down the cost to its estimated carrying value. Equipment is depreciated over its useful life of five years. The useful lives and residual values are assessed annually at reporting date, along with depreciation methods.

**1.8 Non-current assets held for sale and disposal groups**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through its continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a complete sale within one year from the date of classification. Management must also be actively looking for a buyer and the price must be reasonable in relation to the market price.

Non-current assets held for sale and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

**1.9 Financial instruments**

Financial instruments are initially measured at fair value, which includes transaction costs, except for those instruments that are classified as at fair value through profit or loss, which are recognised initially at fair value. Financial instruments include cash and cash equivalents, trade and other receivables, financial assets, loans to subsidiaries, loans from subsidiaries, trade, debentures and other payables and other liabilities.

A gain or loss arising from change in a financial asset or liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through profit

  or loss is recognised in profit or loss;
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss; and
- A gain or loss on financial assets and financial liabilities, carried at amortised cost, is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

The Group has designated the linked unit debentures at fair value through profit and loss as in doing so results in more relevant information because it significantly reduces measurement inconsistencies (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The value of the linked unit debentures is significantly dependent on the fair value of the investment properties. By designating the linked unit debentures at fair value through profit and loss, the fair value movements on the linked unit debentures would correlate with the fair value adjustments on the investment properties so as to reduce the mismatch effect in the statement of comprehensive income. The concept is further illustrated in note 11.

Subsequent to initial recognition, financial instruments are measured on the basis set out below:

**1.9.1 Listed investments**

Listed investments comprise investment in listed equity securities. Listed investments are classified as at fair value through profit and loss (held for trading) financial assets. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

**1.9.2 Cash and cash equivalents**

Cash and cash equivalents comprises cash balances, call deposits and other short-term financial assets readily realisable in cash, which have been classified as loans and receivables. These non-derivative financial instruments are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

**1.9.3 Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of trade receivables is reduced directly when the facts about the trade debtor indicate that liquidation has occurred or has been applied for thereby indicating uncollectability, and the debt has not been previously impaired. In all other cases impairment is recognised through an allowance account. Amounts charged to the allowance account are written off against trade receivables balance when the Company becomes aware that a debt previously impaired, is no longer recoverable and would remain uncollectible. The following objective evidence is considered in determining when an impairment loss has been incurred:

1) Significant financial difficulty of the debtor,

2) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted to the borrower a concession that the Group would not otherwise consider;

3) A breach of contract, such as a default or delinquency in interest or principal repayments, and

4) It is becoming probable that the debtor will enter bankruptcy or other financial re-organisation.

**1.9.4 Trade and other payables**

Trade and other payables are stated at amortised cost, using the effective interest rate method.

**1.9.5 Other financial liabilities**

Interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest rate basis.

**1.9.6 Loans to/(from) Group companies**

These loans include loans to/(from) holding companies, fellow subsidiaries and subsidiaries.

Loans to Group companies are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is clear objective evidence that it is impaired. The impairment is measured as the difference between the investment carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans from Group companies are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

### 1.10 Offset

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts, and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.11 Impairment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

### 1.12 Investments in subsidiaries

In the Company annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- The fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- Any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

**1.13 Share capital and share premium**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group, comprising ordinary shares, are recorded at the proceeds received, net of direct issue costs. Where the Group or its subsidiaries purchase the Company's equity share capital (treasury shares), the amount paid, including any directly attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares. When treasury shares are subsequently reissued or sold, the amount received, net of any directly attributable incremental transaction costs and the related income tax effects is recognised as an increase in equity.

**1.14 Linked unit debentures and debenture premium**

Debentures are financial instruments and designated on initial recognition as at fair value through profit or loss. Debentures are initially and subsequently measured at fair value. The debentures bear interest as determined by the Trust Deed. The debt element of the costs of new linked units issued is capitalised against the face value of the debenture and revalued to fair value annually from the date of issue until the date of repayment. Fair value is determined as the carrying value of the debentures adjusted by the net profit or loss made by the Group for the period. Net gains or losses include interest.

**1.15 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

When some or all of the expenditure required to settle the provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

**1.16 Revenue recognition**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The stage of completion of the transaction at the balance sheet date can be measured reliably; and

- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

**1.16.1 Rental income**

Revenue from the letting of investment property comprises rentals (excluding VAT) and is recognised on a straight-line basis in accordance with the relevant lease agreements and is brought into account on the first day of the monthly calendar period to which the rental relates.

**1.16.2 Rendering of administration services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the transaction will flow to the entity;

(c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and

(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The stage of completion for the rendering of administration services is determined by reference to the actual services rendered on a monthly basis as a percentage of the total administration services required to be rendered on a monthly basis.

**1.17 Finance income**

Interest earned is recognised on an accrual basis using the effective interest rate method.

**1.18 Income from sale of investment property**

Income from the sale of investment property is recognised when all the suspensive conditions of sale have been fulfilled.

**1.19 Leases**

Leases are classified as finance leases, whenever the terms of the lease transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

**1.19.1 Leases as lessor**

Operating lease income is recognised as income on a straight-line basis over the lease term. Income from leases is disclosed under revenue in the statement of comprehensive income.

**1.19.2 Leases as lessee**

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value on the minimum lease payments.

**1.20 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**1.21 Taxation**

Income taxation on the profit or loss for the period comprises current and deferred taxation.

**1.21.1 Current taxation**

Current tax for the current and prior periods is, to the extent unpaid, recognised as a liability.

If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

**1.21.2 Deferred taxation**

Deferred taxation is provided using the balance sheet liability method, providing for all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, no deferred taxation is recognised on temporary differences when they arise, other than as part of a business combination, on the initial recognition of assets and liabilities, and the initial recognition affects neither accounting profit nor taxable profit (tax loss). Neither is deferred tax recognised on the initial recognition of goodwill and on differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred taxation assets are recognised in profit and loss for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the asset can be utilised.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Investment properties are held as long-term income-generating assets. Deferred tax is recognised on fair value adjustments at the normal company taxation rate until such time as a decision to sell the investment property has been taken. Deferred tax is provided on fair value adjustments at the applicable capital gains tax rate on properties identified for disposal.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

**1.21.3 Secondary tax on companies (STC)**

STC is recognised as part of the current tax charge in the income statement when the related dividend is declared. STC is provided in respect of dividends declared net of dividends received or receivable. Unused STC credits are unaccounted for in deferred taxation to the extent that it is probable that the entity will declare dividends against which the STC credits can be utilised.

**1.21.4 Value-added taxation (VAT)**

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 1.22 Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave, and bonuses) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render service that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

## 1.23 Dividend distribution

Dividend distributions to the linked unit holders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## 1.24 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the party in making financial and operational decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning.

## 1.25 Earnings per linked unit

The Group presents basic earnings per linked unit for its linked units. Basic earnings per linked unit is calculated by dividing the profit or loss attributable to linked unit holders of the Group by the weighted average number of linked units outstanding during the period.

## 1.26 Headline earnings per linked unit

Headline earnings per linked unit are calculated using the weighted average number of linked units in issue during the period and are based on the earnings attributable to linked unit holders, after excluding those items as required by Circular 3/2009 issued by the South African Institute of Chartered Accountants ("SAICA").

## 1.27 Statements and interpretations and amendments thereto that have been adopted or remains not yet effective

The following standards, interpretations, circulars, amendments to standards and amendments to interpretations have been adopted in accordance with the respective transitional provisions or remain as not yet effective:

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
|---|---|---|---|---|
| IFRS 8 – Operating segments | This standard requires an entity to report financial and descriptive information about its reportable segments or aggregation of operating segments that meet specified criteria. | 1 January 2009 | √ | |
| IFRS 9 – Financial instruments | This standards forms part of the first phase of the three phase project to replace IAS 39 Financial Instruments: Recognition and measurement. | 1 January 2013 | | √ |
| IFRIC 15 – Agreements for the construction of real estate | The Interpretation addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements within the scope of IFRIC 15 are described as 'agreements for the construction of real estate', and may include the delivery of other goods or services. IFRIC 15 addresses two (related) issues being determining whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised. | 1 January 2009 | √ | |
| IFRIC 17 – Distribution of Non-Cash Assets to owners | The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. | 1 July 2009 | √ | |
| IFRIC 18 – Transfers of assets from customers | The interpretation provides guidance on when an item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient. It addresses measurement on the date of transfer and the corresponding credit entry. | 1 July 2009 | √ | |
| IFRIC 19 – Extinguishing financial liabilities with equity instruments | The Interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as "debt for equity swaps"). | 1 July 2010 | | √ |

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
|---|---|---|---|---|
| IFRS 1 – First-time adoption of IFRS | This amendment deals with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time. | 1 July 2009 | √ | |
| | A further amendment was made relating to oil and gas assets and determining whether an arrangement contains a lease. | 1 January 2010 | | √ |
| | A further amendment has been made that relieves the first time adopters of IFRS's from providing the additional disclosures introduced through the amendment of IFRS 7 in March 2009. | 1 July 2010 | | √ |
| | More recently, amendments were made to further clarify that changes in accounting policies in the year of adoption fall outside the scope of IAS 8, the use of revaluation carried out after the date of transition as a basis for deemed cost is now permitted and the use of carrying amount under previous GAAP as deemed cost for operations subject to rate regulation is also now permitted. | 1 January 2011 | | √ |
| IFRS 2 – Share based payment | This amendment deals with vesting conditions and cancellations. | 1 January 2009 | √ | |
| | A further amendment confirms that in addition to business combinations as defined in IFRS3 (2008) Business Combinations, contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2 Share Based Payments. | 1 July 2009 | √ | |
| | A further amendment was made relating to the accounting for group cash-settled share based payment transactions and provides more guidance on the definition of the term 'Group'. | 1 January 2010 | | √ |

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
|---|---|---|---|---|
| IFRS 3 – Business combination | This amendment deals with the accounting for business combinations. | 1 July 2009 | √ | |
| | Further amendments have been made that deal with the transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3, provide clarity on the measurement of non-controlling interest and provides additional guidance on un-replaced and voluntary replaced share based payment awards. | 1 January 2011 | | √ |
| IFRS 5 – Non-current assets held for sale and Discontinued Operations | This amendment deals with plans to sell the controlling interest in a subsidiary. | 1 July 2009 | √ | |
| | A further amendment has been made to clarify that IFRS 5 Non-current Assets Held for Sale and Discontinued Operations specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. | 1 January 2010 | | √ |
| | A further amendment was made resulting from IFRIC 17 for assets held for distribution to owners. | 1 July 2009 | √ | |
| IFRS 7 – Financial instruments: Disclosures | This amendment deals with presentation of finance costs. A further amendment has been made that deals with enhanced disclosures about fair value measurements and liquidity risk as well as dealing with improving disclosures about financial instruments. | 1 January 2009 | √ | |
| | Further amendments were made that clarify the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed disclosure items which were seen to be superfluous or misleading. | 1 January 2011 | | √ |

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
| --- | --- | --- | --- | --- |
| IFRS 8 – Operating segments | A textual amendment has been made to the standard to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. | 1 January 2010 | | √ |
| IAS 1 – Presentation of Financial Statements | This amendment deals with amendments to structure of Financial Statements and current/non-current classification of derivatives. | 1 January 2009 | √ | |
| | A further amendment has been made to clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. | 1 January 2010 | | √ |
| | A more recent amendment provides clarification on the statement of changes in equity. | 1 January 2011 | | √ |
| IAS 7 – Statements of Cash Flows | The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. | 1 January 2010 | | √ |
| | A further amendment deals with cash flows from assets held for rental classified as operating activities. | 1 January 2009 | √ | |
| IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors | This amendment deals with the status of implementation guidance. | 1 January 2009 | √ | |
| IAS 10 – Events after the Reporting Period | This amendment deals with dividends declared after the end of the reporting period. | 1 January 2009 | √ | |
| | In conjunction with IFRIC 17 a further amendment has been made to IAS 10 that clarifies the recognition of a liability for a dividend payable. | 1 July 2009 | √ | |

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
|---|---|---|---|---|
| IAS 16 – Property, plant and equipment | This amendment deals with recoverable amount and sale of assets held for rental. | 1 January 2009 | √ | |
| IAS 17 – Leases | The amendment resulted in the deletion of specific guidance regarding the classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification. As a consequence, the classification of land as finance or operating lease should be established by the application of the general principles of IAS 17. | 1 January 2010 | | √ |
| IAS 18 – Revenue | This amendment deals with costs of originating a loan. | 1 January 2009 | √ | |
| IAS 19 – Employee Benefits | This amendment deals with curtailments and negative past service cost, plan administration costs, replacement of term 'fall due' and guidance on contingent liabilities. | 1 January 2009 | √ | |
| IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance | This amendment deals with government loans with a below-market rate of interest and consistency of terminology with other IFRSs. | 1 January 2009 | √ | |
| IAS 21 – The Effects of Changes in Foreign Exchange Rates | This is a consequential amendment that arose from changes to Business Combinations. | 1 July 2009 | √ | |
| | A further amendment arose as a consequence from amendments to IAS 27 which provides clarity on the transitional rules in respect of the disposal or partial disposal of an interest in a foreign operation. | 1 July 2010 | | √ |

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
|---|---|---|---|---|
| IAS 23 – Borrowing Costs | This amendment only allows the capitalisation model and components of borrowing costs. | 1 January 2009 | √ | |
| IAS 24 – Related Party Disclosure | This amendment deals with the simplification of the disclosure requirements for government related entities and the clarification of the definition of a related party. | 1 January 2011 | | √ |
| IAS 27– Consolidated and Separate Financial Statements | This amendment deals with the measurement of the cost of investments when adopting IFRS for the first time. | 1 January 2009 | √ | |
| | Consequential amendments from changes to Business Combinations and measurement of a subsidiary held for sale in the separate financial statements. | 1 July 2009 | √ | |
| | A more recent amendment has been made that deals with the transition requirements for previous amendments arising from changes to IAS 27. | 1 July 2010 | | √ |
| IAS 28 – Investments in Associates | This amendment deals with consequential amendments from changes to Business Combinations, | 1 July 2009 | √ | |
| | Required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associate. | 1 January 2009 | √ | |
| | A further amendment arose as a consequence from amendments to IAS 27 which provides clarity on the transitional rules in respect of the disposal or partial disposal of an interest in a foreign operation. | 1 July 2010 | | √ |

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
|---|---|---|---|---|
| IAS 29 – Financial Reporting in Hyperinflationary Economies | This amendment deals with description of measurement basis in financial statements and consistency of terminology with other IFRSs. | 1 January 2009 | √ | |
| IAS 31 – Interests in Joint Ventures | This amendment deals with consequential amendments from changes to Business Combinations. | 1 July 2009 | √ | |
| | And required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss. | 1 January 2009 | √ | |
| | A further amendment arose as a consequence from amendments to IAS 27 which provides clarity on the transitional rules in respect of the disposal or partial disposal of an interest in a foreign operation. | 1 July 2010 | | √ |
| IAS 32 – Financial Instruments: Presentation | This amendment deals with certain financial instruments that will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. | 1 January 2009 | √ | |
| | A further amendment deals with accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. | 1 February 2010 | | √ |
| IAS 34 – Interim Financial Reporting | This amendment deals with earnings per share disclosures in interim financial reports. | 1 January 2009 | √ | |
| | A more recent amendment has been made that deals with the clarification of disclosure requirements around significant events and transactions including financial instruments. | 1 January 2011 | | √ |

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
|---|---|---|---|---|
| IAS 36 – Impairment of Assets | This amendment deals with disclosure of estimates used to determine the recoverable amount. | 1 January 2009 | √ | |
| | A further amendment was made to clarify that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments (i.e. before the aggregation of segments with similar economic characteristics permitted by IFRS 8.12). | 1 January 2010 | | √ |
| IAS 38 – Intangible Assets | This amendment deals with advertising activities, promotional activities and unit of production method of amortisation. | 1 January 2009 | √ | |
| | Two further amendments were made. One includes clarifying the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination. The second amendment clarifies the description of the valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. | 1 July 2009 | √ | |

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
|---|---|---|---|---|
| IAS 39 – Financial Instruments: Recognition and Measurement | This amendment deals with reclassification of derivatives into or out of the classification of at fair value through profit or loss, designating and documenting hedges at the segment level and applicable effective interest rate on cessation of fair value hedge accounting. | 1 January 2009 | √ | |
| | Further amendments have been processed and deal with treating loan prepayment penalties as closely related embedded derivatives, scope exemption for business combination contracts, cash flow hedge accounting and hedging using internal contracts. | 1 January 2010 | | √ |
| | Clarification of two hedge accounting issues surrounding inflation in a financial hedged item and a one sided risk in a hedged item. | 1 July 2009 | √ | |
| | Embedded derivatives when reclassifying financial instruments. | Periods ending on or after 30 June 2009 | √ | |
| IAS 40 – Investment Property | This amendment deals with property under construction or development for future use as investment property, consistency of terminology with IAS 8 and investment property held under lease. | 1 January 2009 | √ | |
| IAS 41 – Agriculture | This amendment deals with discount rate for fair value calculations, additional biological transformation, examples of agricultural produce and products and point-of-sale costs. | 1 January 2009 | √ | |

| Standard | Comment | Effective date | Adopted in CY | Not yet effective |
|---|---|---|---|---|
| IFRIC 9 – Reassessment of embedded derivatives | The amendment confirms that in addition to business combinations as defined by IFRS 3 (2008), derivatives acquired in the formation of a joint venture and in common control transactions are outside the scope of IFRIC 9. | 1 July 2009 | √ | |
| IFRIC 13 – Customer Loyalty Programmes | A recent amendment was made that provides clarification on the intended meaning of the term “fair value” in respect of award credits. | 1 January 2011 | | √ |
| IFRIC 16 – Hedges of a Net Investment in a Foreign Operation | A further amendment was made to clarify that hedging instruments may be held by any entity or entities within the group, this includes a foreign operation that itself is being hedged. | 1 July 2009 | √ | |
| Circular 3/2009 | This revised circular on Headline Earnings that supersedes Circular 8/2007 with new amendments that have arisen from the revisions to International Financial Reporting Standards. | Annual periods on or after 31 August 2009 | √ | |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2010 R'000** | 2009 R'000 | **2010 R'000** | 2009 R'000 |
| **2.** | **INVESTMENT PROPERTY** | | | | |
| | Valuation | **88 766** | 86 426 | **–** | – |
| | **Reconciliation of investment property** | | | | |
| | Carrying value at beginning of the period | **86 426** | 126 092 | **–** | – |
| | Cost capitalised | **–** | 1 124 | **–** | – |
| | Disposals | **–** | (48 650) | **–** | – |
| | Fair value adjustment – valuation of investment properties | **2 340** | 7 860 | **–** | – |
| | Carrying value at end of the period | **88 766** | 86 426 | **–** | – |
| | Straight line lease accrual – non-current | **2 836** | 3 255 | **–** | – |
| | Straight line lease accrual – current | **598** | (81) | **–** | – |
| | Market value of investment property portfolio | **92 200** | 89 600 | **–** | – |
| | Investment in related share block company | **19 600** | 19 600 | **–** | – |
| | Remaining investment property portfolio | **72 600** | 70 000 | **–** | – |
| | Market value of investment property portfolio | **92 200** | 89 600 | **–** | – |

**2.1 Details of assets**

Details of the investment properties are reflected on page 70 in the summary of the valuation report. A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act of South Africa is available for inspection at the registered office of the Company.

## 2. INVESTMENT PROPERTY *(continued)*

### 2.2 Property valuations

Investment properties were valued by an independent valuer, Alliance Group (Proprietary) Limited, a registered professional valuer under the Property Valuation Professionals Bill. The valuer is not connected to the Group and has recent experience in location and category of the investment property being valued. The effective date of the valuations was 30 June 2010. The valuation was based on open market values for existing use for each individual investment property. The “Income Capitalisation Method” was used to determine the market value for each property. This capitalisation method requires the direct comparison of the property, based on market rentals as well as market-related expenditure, in order to determine a net annual income for the year forward. The net market-related income is then capitalised into perpetuity at a rate of return determined from similar property transactions within the homogeneous area. Cognisance is to be taken of specific investment demands, the overall condition of structures, the accommodation such structures supply as well as the location of the property. If the contractual rentals are higher or lower than market norm then such income is discounted for the remainder of the lease term and the positive or negative influence thereof is deducted or added to the capitalised value. Amounts are recognised in profit or loss for the period.

A summary of the valuation report is reflected on page 70 in Details of Investment Property Portfolio.

### 2.3 Investment in related share block company

This relates to property owned by a related share block company, Polpoint Share Block Limited. Fairvest Properties (Proprietary) Limited a wholly owned subsidiary of Fairvest Property Holdings Limited owns 51% of the share block company which equates to the commercial area of the property. The property is recorded at the fair value of future lease rentals.

### 2.4 Contractual obligations

At present there are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| **3.** | **EQUIPMENT** | | | | |
| | Cost | **21** | 5 | **–** | – |
| | Accumulated depreciation | **(1)** | (1) | **–** | – |
| | Carrying amount | **20** | 4 | **–** | – |
| | **Reconciliation of equipment** | | | | |
| | Carrying value at beginning of the period | **4** | 5 | **–** | – |
| | Written off | **(4)** | – | **–** | – |
| | Additions | **21** | – | **–** | – |
| | Depreciation | **(1)** | (1) | **–** | – |
| | Carrying value at end of the period | **20** | 4 | **–** | – |
| **4.** | **INVESTMENT IN SUBSIDIARIES** | | | | |
| | At cost | **–** | – | **1** | 1 |

Details of investment in subsidiary companies are set out in note 29.

| | | | | | |
|---|---|---|---|---|---|
| **5.** | **LOANS TO SUBSIDIARIES** | | | | |
| | Loan amount | **–** | – | **107 433** | 123 354 |
| | Less: Provision for impairment | **–** | – | **(592)** | – |
| | At amortised cost | **–** | – | **106 841** | 123 354 |

The loans to subsidiary companies are unsecured, at varying rates of interest linked to the prime rate of interest (2009: varying rates of interest linked to prime rate of interest) and with no fixed terms of repayment. These loans will not be called on within the next 12 months.

Details of loans to subsidiary companies are set out in note 29.

| | | | | | |
|---|---|---|---|---|---|
| **6.** | **OPERATING LEASE ASSET** | | | | |
| | Non-current | **2 836** | 3 255 | **–** | – |
| | Current – classified under trade receivables in note 8 | **598** | (81) | **–** | – |
| | Carrying value at end of the period | **3 434** | 3 174 | **–** | – |

The operating lease asset arises as a result of the straight-line effect on lease rentals.
It relates to the difference between the contractual and accrued rental income.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| **7.** | **LISTED INVESTMENTS** | | | | |
| | Listed equity securities at fair value | **2 684** | – | **2 684** | – |
| | **Reconciliation of movements** | | | | |
| | Carrying amount at the beginning of the period | **–** | – | **–** | – |
| | Additions at cost | **2 672** | – | **2 672** | – |
| | Unrealised fair value gains | **12** | – | **12** | – |
| | Fair value at end of period | **2 684** | – | **2 684** | – |

**Listed investments consist of the following:**

*Local*

200 000 shares in Redefine Properties

20 000 shares in Vukile Property Fund

*Foreign*

84 997 shares in Growthpoint Properties (Australia)

| | | | | | |
|---|---|---|---|---|---|
| **8.** | **TRADE AND OTHER RECEIVABLES** | | | | |
| | Trade receivables | **1 444** | 991 | **–** | – |
| | Operating lease asset – current portion | **598** | (81) | **–** | – |
| | Other receivables | **85** | 55 | **–** | – |
| | | **2 127** | 965 | **–** | – |
| **9.** | **CASH AND CASH EQUIVALENTS** | | | | |
| | Comprises bank balances | | | | |
| | Current account | **17 048** | (136) | **14 367** | – |
| | Call account | **615** | 9 972 | **–** | – |
| | 90 day Fixed Deposit account | **–** | 36 355 | **–** | – |
| | Money Market account | **30 673** | – | **–** | – |
| | | **48 336** | 46 191 | **14 367** | – |

A guarantee, which expires on 31 December 2025 has been issued to the South African Post Office for R5 000 (2009: R5 000).

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| **10.** | **ORDINARY SHARE CAPITAL** | | | | |
| | **Authorised** | | | | |
| | 300 000 000 ordinary shares of 1 cent each | **3 000** | 3 000 | **3 000** | 3 000 |
| | 30 000 000 cumulative redeemable convertible preference shares of 1 cent each | **300** | 300 | **300** | 300 |
| | **Issued** | | | | |
| | 85 795 988 ordinary shares of 1 cent each | **858** | 858 | **858** | 858 |
| | Less: 74 002 treasury shares of 1 cent each | **(1)** | (1) | **(1)** | (1) |
| | | **857** | 857 | **857** | 857 |

In terms of the memorandum of association and the Debenture Trust Deed, the shares are linked to unsecured, unsubordinated variable rate debentures in the ratio of one ordinary share to one debenture. The linkage means that each share may only be issued and traded as part of a linked unit together with the debenture with which it was linked until such time as it is delinked in accordance with the memorandum of association and the Debenture Trust Deed.

**Change in authorised and issued share capital**

There was no change in the authorised or issued share capital during the period. The unissued shares are not under the control of the directors. Shares in issue are fully paid up.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| **11.** | **LINKED UNIT DEBENTURES** | | | | |
| | **Issued** | | | | |
| | 85 795 988 ordinary shares of 1 cent each | **858** | 858 | **858** | 858 |
| | Less: 74 002 treasury shares of 1 cent each | **(1)** | (1) | **(1)** | (1) |
| | | **857** | 857 | **857** | 857 |
| | Face value | **112 937** | 112 937 | **112 937** | 112 937 |
| | Fair value adjustment | **11 083** | 10 864 | **(7 464)** | (3 770) |
| | Debenture premium | **124 020** | 123 801 | **105 473** | 109 167 |
| | Linked unit debentures and premium | **124 877** | 124 658 | **106 330** | 110 024 |
| | **Reconciliation of debentures issued** | | | | |
| | Opening balance | **124 658** | 117 809 | **110 024** | 109 723 |
| | Fair value adjustment | **219** | 6 849 | **(3 694)** | 301 |
| | Closing balance | **124 877** | 124 658 | **106 330** | 110 024 |

Each debenture is linked to a share, which together form a linked unit. The debentures bear interest calculated on the capital at a variable rate of up to 99.9% of the net profit of the Company after certain adjustments described in the Debenture Trust Deed. No accrual for interest has been made in the current period. The fair value of debentures is equivalent to the fair value of the property portfolio thus all profits or losses which would be ordinarily attributable to shareholders are reflected as a fair value adjustment to debentures.

The debentures will be redeemed subject to clause 8 of the Fairvest Principal Trust Deed as administered by Tugendhaft Wapnick Banchetti and Partners. The debentures are redeemable at their nominal value at the instance of the debenture holders any time after 25 years after the date of allotment. The right of redemption may be exercised only by special resolution of the debenture holders. Upon passing of the special resolution the debentures will be redeemed by the Company at their nominal value. The Debenture Trust Deed is available for inspection by linked unitholders or their duly authorised agents at the registered office of the Company.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| **12.** | **DEFERRED TAXATION** | | | | |
| | The net deferred taxation liability arises from the following temporary differences: | | | | |
| | Fair value adjustments | | | | |
| | – Investment properties | **3 045** | 2 348 | **–** | – |
| | – Debentures | **–** | – | **917** | 408 |
| | – Straight-line rental income accrual | **962** | 889 | **–** | – |
| | – Income received in advance | **(161)** | – | **–** | – |
| | Deferred taxation asset raised on assessed losses | **(2 168)** | (2 301) | **–** | – |
| | | **1 678** | 936 | **917** | 408 |
| | **Movement summary** | | | | |
| | Opening balance | **936** | 1 253 | **408** | 445 |
| | Current period charge to statement of comprehensive income | **742** | (317) | **509** | (37) |
| | Closing balance | **1 678** | 936 | **917** | 408 |
| **13.** | **TRADE AND OTHER PAYABLES** | | | | |
| | Trade payables | **716** | 614 | **–** | – |
| | Distribution payable | **12 192** | 7 715 | **12 192** | 7 715 |
| | Accruals | **185** | 590 | **180** | 242 |
| | Deposits received | **667** | 603 | **–** | – |
| | Income received in advance | **576** | – | **–** | – |
| | Other payables | **1 004** | – | **1 004** | – |
| | | **15 340** | 9 522 | **13 376** | 7 957 |
| **14.** | **LOANS FROM SUBSIDIARY COMPANIES** | | | | |
| | Loan amount at amortised cost | **–** | – | **–** | 3 906 |

The loans from subsidiary companies were unsecured, bear interest at 0% and had no fixed terms of repayment. Details of loans from subsidiary companies are set out in note 29.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| **15.** | **REVENUE** | | | | |
| | Rental income – contractual | **19 541** | 15 707 | **–** | – |
| | – straight-line accrual | **260** | 473 | **–** | – |
| | Administration fees | **–** | – | **970** | 360 |
| | | **19 801** | 16 180 | **970** | 360 |
| **16.** | **OPERATING PROFIT/(LOSS)** | | | | |
| | Operating profit/(loss) is arrived at after the following items: | | | | |
| | – Depreciation of equipment | **1** | 1 | **–** | – |
| | – Direct operating expenses – generating rental income | **4 913** | 5 317 | **–** | – |
| | – Direct operating expenses – not generating rental income | **1 280** | 1 568 | **–** | – |
| | – Impairment of trade receivable | **81** | 332 | **–** | – |
| | – Staff costs | **1 692** | 1 138 | **–** | – |
| **17.** | **FAIR VALUE ADJUSTMENTS** | | | | |
| | Investment property | **2 340** | 7 860 | **–** | – |
| | Debentures | **(219)** | (6 849) | **3 694** | (301) |
| | Financial assets | **12** | – | **12** | – |
| | | **2 133** | 1 011 | **3 706** | (301) |
| **18.** | **AUDITORS REMUNERATION** | | | | |
| | Audit fees | **391** | 392 | **147** | 181 |
| | Other services | **120** | – | **120** | – |
| | | **511** | 392 | **267** | 181 |
| **19.** | **DIRECTORS' EMOLUMENTS** | | | | |
| | Executive directors (past and present) | | | | |
| | Emoluments paid by the Company | | | | |
| | – For services as directors of subsidiaries | **304** | 264 | **304** | 264 |
| | – Fees for other services | **694** | 508 | **694** | 508 |
| | | **998** | 772 | **998** | 772 |
| | Non-executive directors (past and present) | | | | |
| | Emoluments paid by the Company | | | | |
| | – For services as directors | **242** | 107 | **242** | 107 |

A detailed breakdown of the directors' emoluments appears on page 13 in the Directors' Report.

| | | Group 2010 R'000 | Group 2009 R'000 | Company 2010 R'000 | Company 2009 R'000 |
|---|---|---|---|---|---|
| **20.** | **FINANCE COSTS** | | | | |
| | Interest paid – Other financial liabilities | | | | |
| | – Long term liabilities | **2** | 360 | **–** | – |
| | – South African Receiver of Revenue | **808** | – | **808** | – |
| | – Interest paid to subsidiaries | **–** | – | **449** | – |
| | | **810** | 360 | **1 257** | – |
| **21.** | **INVESTMENT REVENUE** | | | | |
| | Interest received – Loans and receivables | | | | |
| | – Interest received from subsidiaries | **–** | – | **13 826** | 9 322 |
| | – Bank and others | **4 389** | 3 739 | **36** | – |
| | | **4 389** | 3 739 | **13 862** | 9 322 |
| **22.** | **TAXATION** | | | | |
| | Major components of taxation: | | | | |
| | Normal taxation | **(2 100)** | (1 604) | **(1 807)** | (2) |
| | – Current | **(217)** | (518) | **–** | – |
| | – Prior period under estimates | **(1 883)** | (1 086) | **(1 807)** | (2) |
| | Deferred taxation | **(742)** | 317 | **(509)** | 37 |
| | – Current | **(742)** | 317 | **(509)** | 37 |
| | | **(2 842)** | (1 287) | **(2 316)** | 35 |
| | **Numerical reconciliation between accounting profit and current taxation:** | | | | |
| | Accounting profit/(loss) | **2 842** | 1 287 | **2 316** | (35) |
| | Income taxation at applicable rate of 28% | **(796)** | (360) | **(648)** | 10 |
| | Tax effect of adjustments on taxable income | | | | |
| | – Fair value adjustments | **658** | 283 | **1 037** | (84) |
| | – Non-deductible expenditure | **(206)** | 120 | **(392)** | 101 |
| | – Prior period under estimates | **(1 883)** | (1 086) | **(1 807)** | (2) |
| | – Assessed losses utilised/ (raised) | **127** | 254 | **3** | (27) |
| | – Capital gains taxation at 14% | **–** | (815) | **–** | – |
| | Normal taxation | **(2 100)** | (1 604) | **(1 807)** | (2) |

The Company is regarded as a tax resident in South Africa by the South African Revenue Service (SARS) and as such is subject to tax on its worldwide income in South Africa.

| | Group 2010 R'000 | Group 2009 R'000 | Company 2010 R'000 | Company 2009 R'000 |
|---|---|---|---|---|
| **23. BASIC, DILUTED AND HEADLINE EARNINGS PER LINKED UNIT** | | | | |
| Ordinary shares are traded as part of linked units. | | | | |
| Basic earnings comprise profit attributable to shareholders | **–** | – | **–** | – |
| Headline earnings adjustments comprise: | | | | |
| – Fair value adjustments to debentures | **219** | 6 849 | | |
| – Fair value adjustment to investment properties | **(2 340)** | (7 860) | | |
| **Headline loss – shares** | **(2 121)** | (1 011) | | |
| Interest paid to debenture holders | **11 832** | 7 715 | | |
| **Headline earnings – debentures** | **9 711** | 6 704 | | |
| The above adjustments have no income tax effect. | | | | |
| Basic earnings per linked unit (cents) | **–** | – | | |
| Basic diluted earnings per linked unit (cents) | **–** | – | | |
| Headline and diluted headline loss per share (cents) | **(2.5)** | (1.2) | | |
| Headline and diluted headline earnings per linked unit (cents) | **11.3** | 7.8 | | |
| Linked units in issue | **85 795 988** | 85 795 988 | | |
| Less: Treasury units | **(74 002)** | (74 002) | | |
| Effective number of linked units in issue | **85 721 986** | 85 721 986 | | |
| Weighted average number of linked units | **85 721 986** | 85 721 986 | | |
| Interim distribution per linked unit (cents) | **10.0** | – | | |
| Final distribution per linked unit (cents) | **3.8** | 9.0 | | |
| Total distribution per linked unit (cents) | **13.8** | 9.0 | | |

The earnings per linked unit and weighted average number of linked units used in the calculations of all diluted earnings per linked unit measures are the same as those for the equivalent basic earnings per linked unit measure as outlined above.

| | Group 2010 R'000 | Group 2009 R'000 | Company 2010 R'000 | Company 2009 R'000 |
|---|---|---|---|---|
| **24. DIVIDEND PER LINKED UNIT** | | | | |
| No dividends were paid in either the current or prior periods. | | | | |
| **25. CASH GENERATED FROM/(USED IN) OPERATIONS** | | | | |
| **Reconciliation of profit/(loss) before taxation to cash generated from/(used in) operations** | | | | |
| Profit/(loss) before taxation | **2 842** | 1 287 | **2 316** | (35) |
| Finance costs | **810** | 360 | **1 257** | – |
| Debenture interest | **11 832** | 7 715 | **11 832** | 7 715 |
| Investment revenue | **(4 389)** | (3 739) | **(13 862)** | (9 322) |
| Adjustments for: | | | | |
| – Depreciation | **1** | 1 | **–** | – |
| – Fair value adjustment to debentures | **219** | 6 849 | **(3 694)** | 301 |
| – Fair value adjustment to investment properties | **(2 340)** | (7 860) | **–** | – |
| – Fair value adjustment to financial assets | **(12)** | – | **(12)** | – |
| – Provision for impairment | **–** | – | **592** | (366) |
| – Straight–lining of rental income | **(260)** | (473) | **–** | – |
| – Increase in accruals | **–** | 31 | **–** | – |
| – Other non-cash items | **4** | 1 | **–** | (1) |
| Operating cash flow | **8 707** | 4 172 | **(1 571)** | (1 708) |
| Changes in working capital | **858** | (714) | **942** | – |
| – Decrease in trade and other receivables | **(483)** | (153) | **–** | – |
| – Increase/(decrease) in trade and other payables | **1 341** | (561) | **942** | – |
| Cash generated from/(used in) operations | **9 565** | 3 458 | **(629)** | (1 708) |
| **26. TAXATION PAID** | | | | |
| Balance at beginning of the period | **868** | 574 | **203** | 281 |
| Charge for current period | **2 100** | 1 604 | **1 807** | 2 |
| Interest paid | **808** | – | **808** | – |
| Balance at end of the period | **(2 017)** | (868) | **(2 413)** | (203) |
| Taxation paid | **1 759** | 1 310 | **405** | 80 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 |
| **27. DISTRIBUTION PAID (DEBENTURE INTEREST)** | | | | |
| Payable at beginning of the period | **7 715** | – | **7 715** | – |
| Charged to statement of comprehensive income | **11 832** | 7 715 | **11 832** | 7 715 |
| Payable at the end of the period | **(12 192)** | (7 715) | **(12 192)** | (7 715) |
| Distribution paid | **7 355** | – | **7 355** | – |
| | | | | |
| Interim (cents) | **10.0** | – | **10.0** | – |
| Final (cents) | **3.8** | 9.0 | **3.8** | 9.0 |
| Total distribution (cents) | **13.8** | 9.0 | **13.8** | 9.0 |
| | | | | |
| **28. PROCEEDS ON DISPOSAL OF PROPERTIES** | | | | |
| Carrying amount of properties disposed | **–** | 48 650 | **–** | – |
| Loss on sale of properties | **–** | – | **–** | – |
| Proceeds on disposal of properties | **–** | 48 650 | **–** | – |

For further information refer to the details of property portfolio on page 70.

## 29. SUBSIDIARY COMPANIES

| | Issued ordinary share capital | | Net profit/(loss) after tax | | Indebtedness | |
|---|---|---|---|---|---|---|
| | **2010 R'000** | 2009 R'000 | **2010 R'000** | 2009 R'000 | **2010 R'000** | 2009 R'000 |
| **Directly held** | | | | | | |
| Fairvest Properties (Proprietary) Limited | **1 000** | 1 000 | **(2 178)** | 3 318 | **26 126** | 90 915 |
| **Indirectly held** | | | | | | |
| Broadnor Share Block (Proprietary) Limited | **1 000** | 1 000 | **–** | – | **–** | – |
| Climal Properties (Proprietary) Limited | **100** | 100 | **2 794** | 4 929 | **9 702** | – |
| Fairvest Property Management (Proprietary) Limited | **100** | 100 | **(5)** | 1 956 | **31 637** | (3 906) |
| Fairvest Properties Two (Proprietary) Limited | **1 000** | 1 000 | **3 784** | 3 195 | **31 051** | 32 439 |
| Fullgo Properties (Proprietary) Limited | **100** | 100 | **(1 362)** | 718 | **5 553** | – |
| Kempton City Props One Share Block (Proprietary) Limited | **1 250** | 1 250 | **–** | – | **–** | – |
| Pro P & P (Proprietary) Limited | **100** | 100 | **–** | – | **–** | – |
| Runacan Park (Proprietary) Limited | **600** | 600 | **(3)** | 744 | **3 364** | – |
| | **5 250** | 5 250 | **3 030** | 14 860 | **107 433** | 119 448 |
| **Provision for diminution in value** | | | | | | |
| Fairvest Properties Two (Proprietary) Limited | | | | | **(136)** | – |
| Fullgo Properties (Proprietary) Limited | | | | | **(84)** | – |
| Runacan Park (Proprietary) Limited | | | | | **(372)** | – |
| | **5 250** | 5 250 | **3 030** | 14 860 | **106 841** | 119 448 |

The subsidiaries' principal activities are the investment in properties and the management thereof. All subsidiaries are wholly owned.

The loans to Fairvest (Properties) Two (Proprietary) Limited, Fullgo Properties (Proprietary) Limited and Runacan Park (Proprietary) Limited have been subordinated in favour of the remaining creditors to the extent of R136 000, R84 000 and R372 000 respectively, until such time as the assets of the company fairly valued exceed its liabilities.

## 30. POWER TO AMEND ANNUAL FINANCIAL STATEMENTS

The entity's owners and others do not have the power to amend annual financial statements after issue.

## 31. CAPITAL COMMITMENTS

No capital commitments have been authorised by the Fairvest Board of Directors to date of this report.

## 32. RETIREMENT BENEFITS

The Group does not operate any scheme for the provision of retirement benefits.

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

Risk management is fundamental to the Group's business and plays a crucial role in enabling management to operate more effectively in a changing environment. Over time it has evolved into one of the Group's core capabilities and is integral to the evaluation of strategic alternatives and the setting of objectives, all within a risk management framework that ensures alignment with the Group's risk appetite and overall strategy.

The approach followed by the Group to manage risk is to ensure that all significant risks are identified and managed. The Group remains committed to the objective of increasing shareholder value by developing and growing business that is consistent with the chosen risk appetite, and through building more effective risk management capabilities.

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks include credit risk, liquidity risk and market risk, of which comprises interest rate and price risk. These risks arise predominately from the principal financial instruments documented below.

This note describes the Group's overall risk management programme, focusing on the unpredictability of the financial markets and seeking to minimise the potential adverse effects on the financial performance of the Group. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods, unless otherwise stated in this note. Information has been disaggregated relative to the characteristics of the various financial instruments used by the Group. Trade receivables and trade payables have not been further disaggregated as these financial instruments in their own right share the same economic characteristic and market conditions.

**Principle financial instruments**

The principle financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Listed investments (equity securities)
- Trade and other receivables
- Cash and cash equivalents
- Debentures
- Trade and other payables

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

The directors have an overall responsibility for the determination of the Group's risk management objectives and policies, and whilst retaining ultimate responsibility for them, they ensure that excess cash as generated from their operations is invested with recognised financial institutions. Finance is provided by counterparties that are well recognised financial institutions. The directors on a monthly basis monitor their collections from customers and movements in the prime lending rates. Risks are not hedged through the direct use of financial instruments. Furthermore, financial instruments are not used for speculative purposes.

The overall objective of the Board of directors is to set policies that seek to reduce risk that they are directly exposed to as far as possible without unduly affecting the Group's general business operations.

**Company risk exposure and risk management**

The Company's financial instruments are as follows:

- Listed investments (equity securities)
- Loans to subsidiaries
- Cash and cash equivalents
- Debentures
- Loans from subsidiaries
- Trade and other payables

The Company's risk exposure and risk management of these investments, loans and debentures are included in the Group's assessment detailed in this note and their assessment does not differ from the Group's assessment.

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

| | Risk exposure | Fair value through profit and loss (Held for trading) R'000 | Available for sale R'000 | Loans and receivables R'000 | Total R'000 | Fair value R'000 |
|---|---|---|---|---|---|---|
| **CATEGORIES OF FINANCIAL INSTRUMENTS** | | | | | | |
| **GROUP** | | | | | | |
| **2010 – Financial assets** | | | | | | |
| Listed investments – local | Market | 1 688 | – | – | 1 688 | 1 688 |
| Listed investments – foreign | Market | 996 | | – | 996 | 996 |
| Trade receivables | Credit | – | – | 1 444 | 1 444 | 1 444 |
| Cash and cash equivalents | Credit and interest rate | – | – | 48 336 | 48 336 | 48 336 |
| **Total** | | **2 684** | **–** | **49 780** | **52 464** | **52 464** |
| **2009 – Financial assets** | | | | | | |
| Listed investments | Market | – | – | – | – | – |
| Trade receivables | Credit | – | – | 991 | 991 | 991 |
| Cash and cash equivalents | Credit and interest rate | – | – | 46 191 | 46 191 | 46 191 |
| **Total** | | **–** | **–** | **47 182** | **47 182** | **47 182** |

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

| | Risk exposure | Fair value through profit and loss (designated) R'000 | Available for sale R'000 | Other financial liabilities | Total R'000 | Fair value R'000 |
|---|---|---|---|---|---|---|
| **CATEGORIES OF FINANCIAL INSTRUMENTS** | | | | | | |
| **GROUP** | | | | | | |
| **2010 – Financial liabilities** | | | | | | |
| Debentures | Liquidity and market | 124 877 | – | – | 124 877 | 124 877 |
| Trade and other payables | Liquidity | – | – | 14 673 | 14 673 | 14 673 |
| Deposits | Liquidity | – | – | 667 | 667 | 667 |
| **Total** | | **124 877** | **–** | **15 340** | **140 217** | **140 217** |
| **2009 – Financial liabilities** | | | | | | |
| Debentures | Liquidity and market | 124 658 | – | – | 124 658 | 124 658 |
| Trade and other payables | Liquidity | – | – | 8 919 | 8 919 | 8 919 |
| Deposits | Liquidity | – | – | 603 | 603 | 603 |
| **Total** | | **124 658** | **–** | **9 522** | **134 180** | **134 180** |

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

| | Risk exposure | Fair value through profit and loss R'000 | Available for sale R'000 | Loans and receivables R'000 | Total R'000 | Fair value R'000 |
|---|---|---|---|---|---|---|
| **CATEGORIES OF FINANCIAL INSTRUMENTS** | | | | | | |
| **COMPANY** | | | | | | |
| **2010 – Financial assets** | | | | | | |
| Listed investments – local | Market | 1 688 | – | – | 1 688 | 1 688 |
| Listed investments – foreign | Market | 996 | – | – | 996 | 996 |
| Loans to subsidiaries | Credit and interest rate | – | – | 106 841 | 106 841 | 106 841 |
| Cash and cash equivalents | Credit and interest rate | | | 14 367 | 14 367 | 14 367 |
| **Total** | | **2 684** | **–** | **121 208** | **123 892** | **123 892** |
| | | | | | | |
| **2009 – Financial assets** | | | | | | |
| Listed investments | Market | – | – | – | – | – |
| Loans to subsidiaries | Credit and interest rate | – | – | 123 354 | 123 354 | 123 354 |
| Cash and cash equivalents | Credit and interest rate | – | – | – | – | – |
| **Total** | | **–** | **–** | **123 354** | **123 354** | **123 354** |

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

| | Risk exposure | Fair value through profit and loss (designated) R'000 | Available for sale R'000 | Other financial liabilities R'000 | Total R'000 | Fair value R'000 |
|---|---|---|---|---|---|---|
| **CATEGORIES OF FINANCIAL INSTRUMENTS** | | | | | | |
| **COMPANY** | | | | | | |
| **2010 – Financial liabilities** | | | | | | |
| Debentures | Liquidity and market | 106 330 | – | – | 106 330 | 106 330 |
| Trade and other payables | Liquidity | – | – | 13 376 | 13 376 | 13 376 |
| Loans from subsidiaries | Liquidity and interest rate | – | – | – | – | – |
| **Total** | | **106 330** | **–** | **13 376** | **119 706** | **119 706** |
| **2009 – Financial liabilities** | | | | | | |
| Debentures | Liquidity and market | 110 024 | – | – | 110 024 | 110 024 |
| Trade and other payables | Liquidity | – | – | 7 957 | 7 957 | 7 957 |
| Loans from subsidiaries | Liquidity and interest rate | – | – | 3 906 | 3 906 | 3 906 |
| **Total** | | **110 024** | **–** | **11 863** | **121 887** | **121 887** |

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

| **Financial assets** | **Methods of determining fair value** |
|---|---|
| Listed investments | The fair value of listed equity securities is based on a Level 1 fair value measurement hierarchy. Level 1 uses quoted prices (unadjusted) in active markets for identical financial assets. |
| Current assets, comprising trade receivables and cash and cash equivalents | Approximates carrying value due to the short term nature of these financial instruments. |

| **Financial liabilities** | **Methods of determining fair value** |
|---|---|
| Debentures | The fair value of debentures is based on a level 3 fair value measurement hierarchy. Level 3 uses inputs for the asset or liability that are not based on observable market data (that is unobservable inputs). The calculation is further detailed in note 11. |
| Current liabilities, comprising trade payables and deposits | Approximates carrying value due to the short term nature of these financial instruments. |

**Credit risk**

The Group's credit risk is mainly confined to the risk of customers defaulting on rental invoices raised. Any credit risk arising from cash and cash equivalents is deemed to be insignificant on the basis that all relevant counterparties are recognised financial institutions. The Group's financial instruments that are exposed to concentrations of credit risk consist primarily of trade and other receivables, however this exposure is not considered significant due to its diverse tenant base and property locations. The Group has policies in place to ensure that all properties are leased to tenants with an appropriate credit history. Trade receivables that are neither past due nor impaired are considered to be of a high credit quality, established internally, with a historic default rate of 0.4% (2009: 2.1%) The Group does not request collateral or other guarantees from existing or potential trade debtors, except where appropriate. To date, the Group does not hold any collateral with regards to trade and loans receivable, except for deposits from tenants.

At each reporting date, the Group determines on a case-by-case basis whether there is objective evidence of an impairment loss. An analysis of objective evidence that is taken into consideration to determine the existence of impairment is detailed in accounting policy 1.9.3.

The Group does not provide for impairment losses on a general basis. Debts that are past due are impaired based on evidence of the factors cited above. Impairment losses on trade receivables amounted to R81 000 (2009: R332 000).

The maximum exposure of financial assets to credit risk equates to the carrying amounts as presented on the statement of financial position and notes thereto.

The increase in the fair value of the debentures that are designated at fair value through profit or loss is attributable to the increase in the value of the investment property. As a result, no element of the increase in the fair value of the debenture is attributable to credit risk.

Loans to subsidiaries have been individually impaired by R592 000 (2009: Rnil) where the loan amount exceeds the net asset value of the subsidiary to which the loan was granted. Refer to note 5 and 14. There are no other financial assets that have been individually impaired.

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

Reconciliation of the doubtful debts allowance account:

| | Individually assessed | | Collectively assessed | | Total | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 | **R'000** | R'000 |
| Allowances as of 1 April | **449** | 418 | **–** | – | **449** | 418 |
| (Decrease)/increase in provisions | **(446)** | 435 | **–** | – | **(446)** | 435 |
| Recovered amounts reversed | **–** | (72) | **–** | – | **–** | (72) |
| Written off as uncollectible | **(3)** | (332) | **–** | – | **(3)** | (332) |
| Allowances as of 30 June (2009: 31 March) | **–** | 449 | **–** | – | **–** | 449 |

The selected time bands used for aging in the table below were considered by management to be most reflective of the Group's operations.

| | | | Aging of trade receivables | | | |
|---|---|---|---|---|---|---|
| **Trade receivables** | **Carrying amount before impairment R'000** | **Current R'000** | **Greater than 30 days R'000** | **Greater than 60 days R'000** | **Greater than 90 days R'000** | **Greater than 120 days R'000** |
| **2010** | **1 444** | **988** | **107** | **75** | **100** | **174** |
| 2009 | 1 440 | 744 | 82 | 76 | 89 | 449 |

Financial assets which were individually impaired

| | Trade receivables | | Loans to subsidiaries | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **R'000** | R'000 | **R'000** | R'000 |
| Carrying amount | **1 444** | 713 | **107 433** | 123 354 |
| Actual impairment | **–** | (449) | **(592)** | – |
| | **1 444** | 264 | **106 841** | 123 354 |
| Fair value of collateral (deposits received) | **667** | 8 | **–** | – |

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

**Liquidity risk**

Liquidity risk arises from the Group's management of working capital, the finance charges and the principal repayments on the debt instruments. It is the risk that the Group will experience financial difficulty in meeting its obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed facilities. The Group remains confident that the available cash resources and borrowing facilities will be sufficient to meet its funding requirements. There have been no defaults or breaches on the loan from subsidiaries and trade payables during the course of the financial period. Furthermore, no security has been provided on the trade payables and the loan from subsidiaries. Long-term liabilities have been secured with the related investment property.

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities. The selected time bands were considered by management to be most reflective of the Group's operations. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities.

**Contractual maturity analysis for Group:**

| | Gross undiscounted cash flow | | | | |
|---|---|---|---|---|---|
| **Financial liabilities** | **Due on demand/ less than 1 year R'000** | **Due between year 2 to year 5 R'000** | **Due after 5 years R'000** | **Total R'000** | **Unearned finance charges R'000** |
| **2010** | | | | | |
| Debentures | – | – | 124 877 | 124 877 | – |
| Trade and other payables | 14 673 | – | – | 14 673 | – |
| Deposits | – | 667 | – | 667 | – |
| **Total** | **14 673** | **667** | **124 877** | **140 217** | **–** |
| **2009** | | | | | |
| Debentures | – | – | 124 658 | 124 658 | – |
| Trade and other payables | 8 919 | – | – | 8 919 | – |
| Deposits | – | 603 | – | 603 | – |
| **Total** | **8 919** | **603** | **124 658** | **134 180** | **–** |

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

**Liquidity risk** *(continued)*

**Contractual maturity analysis for Company:**

| | Gross undiscounted cash flow | | | | |
|---|---|---|---|---|---|
| **Financial liabilities** | **Due on demand/ less than 1 year R'000** | **Due between year 2 to year 5 R'000** | **Due after 5 years R'000** | **Total R'000** | **Unearned finance charges R'000** |
| **2010** | | | | | |
| Debentures | – | – | 106 330 | 106 330 | – |
| Trade and other payables | 13 376 | – | – | 13 376 | – |
| Loan from subsidiaries | – | – | – | – | – |
| **Total** | **13 376** | **–** | **106 330** | **119 706** | **–** |
| **2009** | | | | | |
| Debentures | – | – | 110 024 | 110 024 | – |
| Trade and other payables | 7 957 | – | – | 7 957 | – |
| Loan from subsidiaries | 3 906 | – | – | 3 906 | – |
| **Total** | **11 863** | **–** | **110 024** | **121 887** | **–** |

**Market risk**

Market risk arises as a result of the Group's use of variable interest rate long-term liabilities carried at amortised cost, cash and cash equivalents, debentures and listed investments. It is the risk that the future cash flow and fair value of a financial instrument will fluctuate because of changes in interest rates. Future changes to the prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligation. The risk remains unhedged at the reporting date. This represents no change from the prior period in the method and assumptions used.

Cash flow interest rate risk arises from the use of variable rate long-term liabilities and cash and cash equivalents. Fair value interest rate risk arises from the use of debentures. Price risk arises from the investment in listed shares.

**(i) Cash flow interest rate risk**

Exposure to cash flow interest rate risk on financial assets and liabilities is monitored on a continuous basis. The benefits of fixing or capping interest rates on the Group's various financing activities is considered on a case-by-case basis and project-by-project basis, taking the specific and overall risk profile into consideration. Excess funds are deposited with reputable financial institutions on a rate quotation basis. This ensures that the Group earns the most advantageous rates of interest available.

The Group is sensitive to the movements in the ZAR interest rates which are the primary interest rates to which the Group is exposed. The Group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates on financial liabilities from the applicable rate as at 30 June (2009: 31 March), for each class of financial instrument with all other variables remaining constant. The calculations were determined with reference to the outstanding financial liability balances for the period. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in interest rates.

## 33. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT *(continued)*

**Market risk** *(continued)*

**Contractual maturity analysis for Company:**

| | 2010 After tax effect on profit & loss | | 2009 After tax effect on profit & loss | |
|---|---|---|---|---|
| | 1% Increase R'000 | 1% Decrease R'000 | 1% Increase R'000 | 1% Decrease R'000 |
| **Group** | | | | |
| Cash and cash equivalents | 483 | (483) | 461 | (461) |
| **Company** | | | | |
| Loans to subsidiaries | 1 068 | (1 068) | 1 234 | (1 234) |
| Cash and cash equivalents | 144 | (144) | – | – |

**(ii) Fair value interest rate risk**

*Debentures*

Market risk results in the fair value adjustment calculation as disclosed in note 11. An increase or decrease of 10% in the net profit will have a directly proportionate equal and opposite effect on the fair value of the debenture for both the Group and the Company.

**(iii) Price risk**

The Group is exposed to equity price risk because of investments held by the Company and classified on the statement of financial position as at fair value through profit and loss. The Group manages price risk by monitoring equity securities' prices on a regular basis. At 30 June 2010, if the closing market prices of the equity investments that the Group holds had been 5% higher or lower, with all other variables held constant, the net profit after tax for the 15 months ended would have been R134 000 (2009: Rnil) higher or lower for both the Group and the Company.

**Capital risk management**

The capital structure of the Group consists of interest-bearing borrowings, cash and cash equivalents, equity attributable to equity holders of the Group which comprises issued share capital. The Group's capital management objective is to achieve an effective weighted average cost of capital while continuing to safeguard the Group's ability to meet its liquidity requirements, repay borrowings as they fall due and continue as a going concern, whilst concurrently ensuring that at all times its creditworthiness is considered to be at least investment grade. This policy is consistent with that of the comparative period. The Group is not subjected to any external capital requirements. In light of the stated objectives, management took the decision to repay all external interest-bearing borrowings.

## 34. RELATED PARTY TRANSACTIONS

**Identity of related parties**

The Group has related party relationships with its subsidiaries, related investment companies and key management personnel. The details of the directors are provided in the Directors' Report on page 12. Key management personnel have been identified as the executive and non-executive directors of the Company. The definition of key management includes the close members of family of key management personnel and any other entity over which key management exercise control, significant influence or joint control. Close family members are those family members who may be expected to influence or be influenced by that individual in their dealings with the Group.

**Subsidiary companies**

Related party transactions occur between Group entities. All purchasing and selling transactions are concluded at arm's length. Where borrowing transactions are entered into with related parties these transactions are done on an arm's length basis taking due cognisance of market-related circumstances. However, there are no fixed repayment terms on certain borrowings.

**Transactions with key management personnel**

*Directors' remuneration*

Disclosure of directors' emoluments is included in the Directors' Report on page 13 and in note 19.

*Loans to/from directors*

There are no loans to or from directors.

*Interest in contracts*

No directors have a material interest in any transaction with the Company or its subsidiaries.

*Other transactions with key management personnel*

Transactions with key management personnel are conducted on terms no more favourable than those entered into with third parties on an arm's length basis. No abnormal or non-commercial credit terms are allowed and no impairments were recognised in relation to any transactions with key personnel during the period, nor have they resulted in any non-performing debts at period end. Similar policies are applied to key management personnel at subsidiary level who are not defined as key management personnel at Group level. Other than directors emoluments and entities related by virtue of management personnel, there were no other transactions with key management personnel.

**Shareholders**

An analysis of linked unitholders is provided on page 71.

Details of the loan balances with related parties have been disclosed in note 29 of the financial statements.

## 34. RELATED PARTY TRANSACTIONS *(continued)*

| | Group 2010 R'000 | Group 2009 R'000 | Company 2010 R'000 | Company 2009 R'000 |
|---|---|---|---|---|
| **Interest received from related parties** | | | | |
| Fairvest Properties (Proprietary) Limited | | | **5 372** | 5 738 |
| Fairvest Properties Two (Proprietary) Limited | | | **5 225** | 3 584 |
| Fairvest Property Management (Proprietary) Limited | | | **2 477** | – |
| Climal Properties (Proprietary) Limited | | | **86** | – |
| Runacan Park (Proprietary) Limited | | | **169** | – |
| Fullgo Properties (Proprietary) Limited | | | **497** | – |
| | | | **13 826** | 9 322 |
| **Interest paid to related parties** | | | | |
| Fairvest Property Management (Proprietary) Limited | | | **449** | – |
| **Administration, accounting and management fees received from related parties** | | | | |
| **By virtue of subsidiary** | | | | |
| Fairvest Properties (Proprietary) Limited | | | **40** | 180 |
| Fairvest Properties Two (Proprietary) Limited | | | **930** | 180 |
| | | | **970** | 360 |
| **Related by virtue of management personnel** | | | | |
| Blend Property Management (Proprietary) Limited** | **(335)** | – | | |
| Infocus Property Administration CC* | **(612)** | (576) | | |
| Peter Investments CC trading as Spence & Peter | **(326)** | (325) | | |
| **Rental paid to related parties** | | | | |
| **Related by virtue of management personnel** | | | | |
| Blend Property Management (Proprietary) Limited** | **(61)** | – | | |
| Calicom 54 (Proprietary) Limited* | **(218)** | (150) | | |

** Mr TA Bell has a non-controlling interest in the company*

*** Mr M Epstein has a non-controlling interest in the company*

## 35. DIRECTORS' INTERESTS IN LINKED UNITS

Directors' interests in linked units are disclosed on page 14 in the Directors' Report.

## 36. CONTINGENCIES

As at 30 June 2010, there was a claim against a wholly owned subsidiary of the Company, Fairvest Properties (Proprietary) Limited, for alleged underpayment of expenses relating the Mangrove Beach Centre, which was sold in 2007. A portion of the proceeds relating to the disposal are held by the attorneys while the dispute is being resolved. As at 30 June 2010 the outcome and amount payable or receivable is uncertain, however the company's attorneys and management consider the likelihood a material claim against Fairvest Properties (Proprietary) Limited as unlikely, and the case should be resolved within the next two years.

## 37. OPERATING SEGMENTS

| 2010 | Eastern Cape R'000 | Free State R'000 | Gauteng R'000 | KwaZulu-Natal R'000 | Reconciling Items R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| Revenue (rental income) external | 9 145 | 982 | 1 090 | 8 324 | – | 19 541 |
| Straight-line accrual | (13) | (11) | (4) | 288 | – | 260 |
| Total revenue | 9 132 | 971 | 1 086 | 8 612 | – | 19 801 |
| Expenditure | (2 213) | (470) | (1 244) | (4 479) | (2 433)* | (10 839) |
| *Operating profit* | *6 919* | *501* | *(158)* | *4 133* | *(2 433)* | *8 962* |
| Fair value adjustment | 4 513 | (1 939) | (3 545) | 3 311 | (207) | 2 133 |
| Finance cost | – | – | – | – | (810)* | (810) |
| Investment revenue | – | – | – | – | 4 389* | 4 389 |
| Profit before debenture interest | 11 432 | (1 438) | (3 703) | 7 444 | 939 | 14 674 |
| Debenture interest | | | | | (11 832)* | (11 832) |
| **Profit before taxation** | **11 432** | **(1 438)** | **(3 703)** | **7 444** | **(10 893)** | **2 842** |
| **Assets** | | | | | | |
| Investment property | 33 062 | 4 523 | 16 275 | 34 906 | – | 88 766 |
| Equipment | – | – | – | – | 20 | 20 |
| Operating lease assets | 840 | 59 | 21 | 1 916 | – | 2 836 |
| | 33 902 | 4 582 | 16 296 | 36 822 | 20 | 91 622 |
| Listed investments | – | – | – | – | 2 684 | 2 684 |
| Trade and other receivables | 1 459 | 104 | 143 | 421 | – | 2 127 |
| Cash and cash equivalents | – | – | – | – | 48 336 | 48 336 |
| *Total assets* | *35 361* | *4 686* | *16 439* | *37 243* | *51 040* | *144 769* |
| **Liabilities** | | | | | | |
| Deferred taxation | 2 756 | (563) | (1 405) | 890 | – | 1 678 |
| Current liabilities | 622 | 55 | 194 | 745 | 15 741 | 17 357 |
| *Total liabilities (excluding debentures)* | *3 378* | *(508)* | *(1 211)* | *1 635* | *15 741* | *19 035* |
| **Net assets (excluding debentures and debenture premium)** | **31 983** | **5 194** | **17 650** | **35 608** | **35 299** | **125 734** |

* *Listing expenses, finance costs, investment income and debenture interest have not been disclosed by segment as these items are managed on a Group basis and are not provided to the chief operating decision maker at the operating segment level.*

** *Operating segments have been based on geographical location as it represents the basis for which the chief operating decision maker (Board of Directors) allocate resources and measures performance of the segment.*

## 37. OPERATING SEGMENTS *(continued)*

| 2009 | Eastern Cape R'000 | Free State R'000 | Gauteng R'000 | KwaZulu-Natal R'000 | Reconciling items R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| Revenue (rental income) external | 6 753 | 746 | 2 666 | 5 542 | – | 15 707 |
| Straight-line accrual | 165 | (7) | (13) | 328 | – | 473 |
| Total revenue | 6 918 | 739 | 2 653 | 5 870 | – | 16 180 |
| Expenditure | (1 483) | (348) | (2 491) | (3 384) | (3 862)* | (11 568) |
| *Operating profit* | 5 435 | 391 | 162 | 2 486 | (3 862) | 4 612 |
| Fair value adjustment | 2 935 | 257 | 462 | 4 206 | (6 849) | 1 011 |
| Finance cost | (1) | (27) | (224) | (108) | – | (360) |
| Investment revenue | – | – | – | – | 3 739* | 3 739 |
| Profit before debenture interest | 8 369 | 621 | 400 | 6 584 | (6 972) | 9 002 |
| Debenture interest | – | – | – | – | (7 715)* | (7 715) |
| **Profit before taxation** | **8 369** | **621** | **400** | **6 584** | **(14 687)** | **1 287** |
| **Assets** | | | | | | |
| Investment property | 28 549 | 6 462 | 19 820 | 31 595 | – | 86 426 |
| Equipment | – | – | – | – | 4 | 4 |
| Operating lease assets | 1 486 | 56 | 18 | 1 695 | – | 3 255 |
| Listed investments | – | – | – | – | – | – |
| | 30 035 | 6 518 | 19 838 | 33 290 | 4 | 89 685 |
| Trade and other receivables | 794 | 79 | 60 | 32 | – | 965 |
| Cash and cash equivalents | – | 54 | – | (74) | 46 211 | 46 191 |
| *Total assets* | *30 829* | *6 651* | *19 898* | *33 248* | *46 215* | *136 841* |
| **Liabilities** | | | | | | |
| Deferred taxation | 406 | (71) | 1 039 | (438) | – | 936 |
| Current liabilities | 113 | 68 | 284 | 843 | 9 082 | 10 390 |
| *Total liabilities (excluding debentures)* | *519* | *(3)* | *1 323* | *405* | *9 082* | *11 326* |
| **Net assets (excluding debentures and debenture premium)** | **30 310** | **6 654** | **18 575** | **32 843** | **37 133** | **125 515** |

** Listing expenses, finance costs, investment income and debenture interest have not been disclosed by segment as these items are managed on a Group basis and are not provided to the chief operating decision maker at the operating segment level.*

**Entity wide disclosure**

The Group principally trades in South Africa with no directly held foreign investment property and consequently does not generate foreign rental income.

Revenue from one customer in excess of 10% amounted to R5.6m (2009: R4.0m) arising from rental income received in the Eastern Cape operating segment.

## 38. FUTURE OPERATING LEASE COMMITMENTS

Future minimum lease payments received from lessees under non-cancellable operating leases are as follows:

| | No later than 1 year R'000 | Later than 1 year and no later than 5 years R'000 | Later than 5 years R'000 |
|---|---|---|---|
| **2010** | **13 688** | **19 784** | **1 229** |
| 2009 | 11 284 | 23 312 | 1 138 |

All the above payments are in respect of investment property leases. Refer to page 70 for details of investment properties. The terms and conditions vary over the tenant base. The lease period normally is within five years and includes an escalation linked to inflation.

Future minimum lease payments paid to lessors under non-cancellable operating leases amounting to Rnil (2009: R165 000) is due in one year.

## 39. RECLASSIFICATION ERROR (NON-ADJUSTING)

During the prior year it had been identified that incorrect terminology regarding the classification of the investment in related companies had been used even though the intended measurement principles were correctly and consistently applied. This investment is similar to an investment in investment property and was correctly measured in line with the principles as stipulated in IAS 40 – Investment Property. No reclassification was required in the income statement as the fair value movement on the investment property has been correctly presented. There is a nil effect on both retained earnings and profit or loss on beginning of the earliest period presented and the prior period that arises from the reclassification. Due to the measurement principles being consistently and correctly applied, there was no effect on taxation, basic earnings per linked unit, diluted earnings per linked unit or headline earnings per linked unit. Due to there being no error in the measurement principles, this error is limited to an impact on presentation.

The effects for the Group are as follows:

| | Group | |
|---|---|---|
| | **2010 R'000** | 2009 R'000 |
| Investment in related property company (fair value) | **–** | 18 255 |
| **Reclassified as follows:** | | |
| Investment property | **–** | 18 255 |

# DETAILS OF PROPERTY PORTFOLIO

Value of portfolio at period end as per independent valuer's valuation report
30 June 2010

**Properties owned and managed**

| Name of property | Details | Address | Rentable area ($m^2$) | Valuation at 30 June 2010 (R'000) |
|---|---|---|---|---|
| Queensburgh | Erven 974, 975 and 976 Queensburgh | 143–147 Main Road Malvern, KwaZulu-Natal | 2 108* | **14 100** |
| Bradlows Building | Remaining Extent Erf 814 Bloemfontein | 37 Maitland Street Bloemfontein Free State | 3 193* | **4 600** |
| Coronation Walk | Erf 971 Queensburgh | 6 Purity Lane, Malvern Queensburgh, KwaZulu-Natal | 667 | **3 100** |
| Jozen Place | Erf 5191 Bryanston Ext 68 | 17 Georgian Crescent Bryanston Ext 68, Gauteng | 760* | **3 800** |
| Capab House | Erven 3763 and 3766 and RE of Erf 3713 Port Elizabeth Central | 4 Military Road Central Port Elizabeth Eastern Cape | 1 317 | **4 500** |
| Deals House | Erf 15511 East London | 5 Terminus Street East London, Eastern Cape | 6 409* | **30 000** |
| Fattis Mansions | Sections 3, 4, 5, 7, 8, 9 10, 13, 14, 15 and 16 SS "Fattis Mansions" (Scheme no. 72/1989) | Corner Jeppe and Harrison Streets Johannesburg Gauteng | 1 913* | **2 000** |
| Sante Fe 215 | Erf 215 Halfway House Ext 12 | Nupen Crescent, Halfway House Ext 12 Midrand, Gauteng | 798* | **3 500** |
| Sante Fe 216 | Erf 216 Halfway House Ext 12 | Nupen Crescent, Halfway House Ext 12 Midrand, Gauteng | 998* | **3 500** |
| Sante Fe 217 | Erf 217 Halfway House Ext 12 | Nupen Crescent, Halfway House Ext 12 Midrand, Gauteng | 944* | **3 500** |
| | | | | **72 600** |

**Property owned by related property share block company**

| Name of property | Details | Address | Rentable area ($m^2$) | Valuation at 30 June 2010 (R'000) |
|---|---|---|---|---|
| Blue Heights | Portion 1 Erf 1686, Westville and rem Erf 1686, Westville | 67 Westville Road Westville, KwaZulu-Natal | 7 913* | **19 600** |
| | | | | |
| **Market value of investment property portfolio** | | | | **92 200** |

* *These properties were professionally measured during the period under review and updated with the correct rentable area, accordingly these amounts are different to the rental area disclosed in the 2009 financial statements.*

# ANALYSIS OF LINKED UNITHOLDERS
as at 30 June 2010

| | Number of linked unitholders | Percentage of linked unitholders | Number of linked units | Percentage of linked units |
|---|---|---|---|---|
| **Linked unitholder spread** | | | | |
| 1 – 1 000 linked units | 889 | 85.81 | 70 399 | 0.08 |
| 1 001 – 10 000 linked units | 51 | 4.92 | 203 927 | 0.24 |
| 10 001 – 100 000 linked units | 53 | 5.12 | 1 969 265 | 2.29 |
| 100 001 – 1 000 000 linked units | 35 | 3.38 | 9 358 653 | 10.91 |
| 1 000 001 linked units and over | 8 | 0.77 | 74 193 744 | 86.48 |
| **Total** | **1 036** | **100.00** | **85 795 988** | **100.00** |
| | | | | |
| **Distribution of linked unit holders** | | | | |
| Banks | 2 | 0.19 | 115 | 0.00 |
| Close Corporations | 23 | 2.22 | 213 947 | 0.25 |
| Individuals | 884 | 85.33 | 5 278 011 | 6.15 |
| Insurance companies | 3 | 0.29 | 351 551 | 0.41 |
| Nominees and trusts | 50 | 4.82 | 9 466 833 | 11.03 |
| Other corporations | 25 | 2.41 | 20 079 | 0.03 |
| Own holdings | 1 | 0.10 | 74 002 | 0.09 |
| Private companies | 47 | 4.54 | 70 371 638 | 82.02 |
| Retirement funds | 1 | 0.10 | 19 812 | 0.02 |
| **Total** | **1 036** | **100.00** | **85 795 988** | **100.00** |
| | | | | |
| **Public/non-public linked unitholders** | | | | |
| *Non-public members* | 9 | 0.87 | 73 174 080 | 85.29 |
| Directors and associates of the Company holdings | 7 | 0.67 | 59 093 923 | 68.88 |
| Strategic Holdings | 1 | 0.10 | 14 006 155 | 16.32 |
| Own holdings | 1 | 0.10 | 74 002 | 0.09 |
| Public linked unitholders | 1 027 | 99.13 | 12 621 908 | 14.71 |
| **Public linked unitholders** | **1 036** | **100.00** | **85 795 988** | **100.00** |

| Beneficial linked unitholders holding 5% or more | No. of shares | % |
|---|---|---|
| J F du Toit | 42 595 048 | 49.65 |
| BJ Kriel | 16 498 875 | 19.23 |
| Wynbury Limited | 14 006 155 | 16.32 |
| **Totals** | **73 100 078** | **85.20** |

# STOCK EXCHANGE PERFORMANCE
as at 30 June 2010

| Month | High | Low | Volume | Value | Number of deals | Percentage of issued share capital traded |
|---|---|---|---|---|---|---|
| April 2009 | 105 | 100 | 158 590 | 165 908 | 7 | 0.18 |
| May 2009 | 105 | 100 | 125 807 | 130 804 | 10 | 0.15 |
| June 2009 | 105 | 100 | 82 068 | 82 150 | 10 | 0.10 |
| July 2009 | 115 | 100 | 235 135 | 241 927 | 9 | 0.27 |
| August 2009 | 101 | 90 | 432 131 | 435 849 | 9 | 0.50 |
| September 2009 | 100 | 90 | 7 023 340 | 6 838 822 | 17 | 8.19 |
| October 2009 | 119 | 96 | 5 589 407 | 5 985 849 | 10 | 6.51 |
| November 2009 | 114 | 90 | 33 359 | 34 615 | 11 | 0.04 |
| December 2009 | 114 | 92 | 1 353 | 1 487 | 7 | 0.00 |
| January 2010 | 115 | 100 | 257 716 | 276 120 | 13 | 0.30 |
| February 2010 | 112 | 111 | 350 156 | 388 711 | 8 | 0.41 |
| March 2010 | 111 | 111 | 69 619 | 77 276 | 3 | 0.08 |
| April 2010 | 113 | 113 | 75 357 | 85 152 | 3 | 0.09 |
| May 2010 | 113 | 113 | 12 000 | 13 560 | 1 | 0.01 |
| June 2010 | 130 | 115 | 27 596 | 35 797 | 6 | 0.03 |

**JSE STATISTICS**

| | 15 months to 30 June 2010 |
|---|---|
| Traded price (cents per linked unit) | |
| Close | 115 |
| High | 130 |
| Low | 90 |
| Market capitalisation | 98 665 386 |
| Value of linked units traded | 15 265 248 |
| Value of linked units traded as % of market capitalisation | 15.47% |
| Volume of linked units traded | 14 944 855 |
| Volume traded as % of number in issue | 15.15% |
| Net asset value per linked unit | 146.6 |
| Distribution per inked unit | 13.8 |
| Linked units in issue net of treasury shares | 85 795 988 |
| Average number of linked units in issue | 85 795 988 |
| Number of linked unit holders | 1 036 |

**LINKED UNIT HOLDERS' CALENDAR**

| Activity | Date |
|---|---|
| Financial year end | 30 June |
| Release of abridged results on SENS | 21 September 2010 |
| Dispatch of 2010 annual report | 30 September 2010 |
| 2010 Annual General meeting | Wednesday 27 October 2010 |
| Release of interim results for the 6 months ending 31 December 2010 | Late February 2011 |

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members of Fairvest Property Holdings Limited ("Fairvest" or "the Company") in respect of the 15 months ended 30 June 2010 will be held in the boardroom, 1st Floor East Wing, The Palms, 145 Sir Lowry Road, Cape Town on Wednesday, 27 October 2010, at 11:00 for the following purposes:

1. To receive, consider and adopt the annual financial statements of the Company and the Group for the 15 months ended 30 June 2010, including the Directors' Report and the report of the auditors thereon.

2. To re-elect as directors, BJ Kriel, M Epstein and PJ van der Merwe, who were appointed during the year, and retire in terms of Article 66 of the Company's Articles of Association and, being eligible, offer themselves for re-election:

Summarised curricula vitae of directors appear on page 12 of this report.

3. To approve the remuneration of the directors for the year ended 30 June 2010 as set out in note 19 of the audited annual financial statements.

4. To approve the remuneration payable to the non-executive directors for the year ending 30 June 2011 at the rate of R120 000 per year.

5. To confirm the reappointment of BDO South Africa Inc. as auditors of the Company for the ensuing year on the recommendation of the audit committee.

6. To confirm the auditors, remuneration for the year ended 30 June 2010 as determined by the audit committee.

To consider and, if deemed fit, pass, with or without modification, the following ordinary and special resolutions:

7. **Ordinary Resolution Number 1 – Placing unissued linked units under the control of the directors**
   "Resolved that all the authorised but unissued linked units of the Company, be and are hereby placed under the control of the directors until the next Annual General Meeting and that they be and are hereby authorised to issue any such linked units as they may deem fit, subject to sections 221 and 222 of the Companies Act, No 61 of 1973, as amended ("the Companies Act"), the Articles of Association of the Company and the provisions of the Listings Requirements of the JSE Limited ("JSE")."

8. **Ordinary resolution number 2 – General authority to issue linked units for cash**
   "Resolved that the directors of the Company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to allot and issue linked units for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act No. 61 of 1973, as amended ("the Companies Act"), the Articles of Association of the Company and its subsidiaries and the Listings Requirements of the JSE Limited ("JSE") from time to time, which currently provide, inter alia, the following limitations:

   - The linked units which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such linked units or rights that are convertible into a class already in issue;

   - Any such issue may only be made to public unitholders as defined by the JSE Listings Requirements and not to related parties;

- The number of linked units issued for cash shall not in any one financial year, in the aggregate, exceed 15% (fifteen percent) of the number of issued linked units. The number of linked units which may be issued shall be based, *inter alia*, on the number of linked units in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any linked units issued or to be issued during the current financial year; plus any linked units to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;

- This general authority will be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;

- A paid press announcement giving full details, including the number of linked units issued, the average discount to the weighted average traded price of the linked units over the 30 days prior to the date that the price of the issue was determined or agreed by the directors of the Company, and the impact on net asset value per linked unit, net tangible asset value per linked unit, earnings per linked unit and headline earnings per linked unit, will be published when the Company has issued linked units representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of linked units in issue prior to the issue;

- In determining the price at which an issue of linked units may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on JSE of the linked units over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed to by the directors of the Company;

- Whenever the Company wishes to use linked units, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of linked units; and

- Approval of the general issue for cash resolution by achieving a 75% majority of the votes cast in favour of such resolution by all linked unitholders present or represented by proxy at the Annual General Meeting convened to approve such resolution. The resolution must be worded in such a way as to include the issue of any options/convertible linked units that are convertible into an existing class of linked units, where applicable."

9. To consider and, if deemed fit, pass, with or without modification, the following resolution as a special resolution:

   **Special resolution number 1 – Acquisition of own linked units**
   "Resolved that the mandate be given to the Company (or any of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the Company's own linked units, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the Company's Articles of Association, the provisions of the Companies Act No. 61 of 1973, as amended, ("the Companies Act") and the Listings Requirements of the JSE Limited ("JSE"), provided that:

   - Any repurchase of linked units must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter-party;

   - At any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;

- This general authority be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution (whichever period is shorter);

- An announcement be published as soon as the Company has cumulatively repurchased 3% (three per cent) of the initial number (the number of that class of linked units in issue at the time that the general authority is granted) of the relevant class of linked units and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;

- Repurchases by the Company, and/or its subsidiaries, in aggregate in any one financial year may not exceed 20% (twenty per cent) of the Company's issued share capital as at the date of passing this special resolution or 10% (ten per cent) of the Company's issued share capital in the case of an acquisition of linked units in the Company by a subsidiary of the Company;

- Repurchases may not be made at a price greater than 10% (ten per cent) above the weighted average of the market value of the linked units for the 5 (five) business days immediately preceding the date on which the transaction was effected; and

- Repurchases may not be undertaken by the Company or one of its wholly owned subsidiaries during a prohibited period and may also not be undertaken if they will impact negatively on unitholder spread as required by the JSE;

**Reason for and effect of the special resolution**
The reason for the passing of the above special resolution is to grant the Company a general authority in terms of the Companies Act for the acquisition by the Company or any of its subsidiaries of linked units issued by the Company, which authority shall be valid until the earlier of the next Annual General Meeting, or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company; provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this general meeting. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire linked units issued by the Company.

The following information, which is required by the JSE Listings Requirements with regard to the resolution granting a general authority to the Company to repurchase linked units, appears on the pages of the financial statements to which this notice of general meeting is annexed, as indicated below:


- Directors of the Company page 12
- Major unitholders page 71
- Directors' interests in securities page 14
- Share capital of the Company page 44
- Responsibility statement page 8
- Material changes page 14

**Litigation statement**
There are no legal or arbitration proceedings, either pending or threatened against the Company or its subsidiaries, of which the Company is aware, which may have, or have had in the last 12 (twelve) months, a material effect on the financial position of the Company or its subsidiaries.

Statement by the board of directors of the Company pursuant to and in terms of the JSE Listings Requirements:

The directors of the Company hereby state that:

a) The intention of the directors of the Company is to utilise the authority if, at some future date, the cash resources of the Company are in excess of its requirements. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and will ensure that any such utilisation is in the interests of the unitholders; and

b) The method by which the Company intends to re-purchase its linked units and the date on which such re-purchase will take place, have not yet been determined.

At the time that the contemplated re-purchase is to take place, the directors of the Company will ensure that:

- The Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date of the Annual General Meeting;
- The consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries for a period of 12 (twelve) months after the date of the Annual General Meeting;
- The issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the business of the Company and its subsidiaries for a period of 12 (twelve) months after the date of the Annual General Meeting;
- The working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements for a period of 12 (twelve) months after the date of the Annual General Meeting; and
- The Company will provide its sponsor and the JSE with all documentation as required in Schedule 25 of the JSE Listings Requirements, and will not commence any repurchase programme until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

**10. Ordinary resolution number 3 – Authority to execute requisite documentation**
"Resolved that any director of the Company or the Company Secretary where appropriate, be and hereby is authorised to do all such things and to sign all such documents issued by the Company and required to give effect to the special resolution number 1 and ordinary resolution numbers 1 and 2."

**11. To transact such other business that may be transacted at an Annual General Meeting.**

**Voting and proxies**
A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead, subject to the general instructions attached to this notice. Any proxy so appointed need not be a member of the Company.

For the convenience of registered members of the Company, a form of proxy is enclosed herewith. The attached form of proxy is only to be completed by those members who:

- Hold linked units in certificated form; or
- Are recorded on the sub-register in "own name" dematerialised form.

Linked unitholders who have dematerialised their linked units through a Central Securities Depository Participant ("CSDP") or broker without "own name" registration and wish to attend the Annual General Meeting, must instruct their CSDP or broker to provide them with the relevant letter of representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms must be received at the registered office of the Company, or at the office of the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the Annual General Meeting.

By order of the Board

**J van der Merwe** (on behalf of SecCorp Secretarial Services (Proprietary) Limited)
*Company Secretary*

16 September 2010

**Registered office address**
1st Floor East Wing, The Palms
145 Sir Lowry Road
Durbanville
8001

**Postal address**
PO Box 4083
Cape Town
7551

# GENERAL INSTRUCTIONS

All members are encouraged to attend the Annual General Meeting of the Company.

1. All registered holders of linked units in the Company are entitled to attend, speak and vote at the Annual General Meeting.

2. Please note that the Company has moved to JSE Limited's electronic settlement systems Share Transfers Totally Electronic (STRATE). If you are a dematerialised unitholder (i.e. you have replaced your paper unit certificates with electronic records of ownership under STRATE) and are not an own name dematerialised linked unitholder then:

   2.1 If you wish to attend the Annual General Meeting you should contact your Central Security Depository Participant ("CSDP") or broker, as the case may be, and obtain the relevant letter of representation from them. The letter of representation must be obtained within the time period required by your CSDP or broker, as the case may be, and allow them sufficient time to provide such letter to the Company Secretary prior to the Annual General Meeting;

   or, alternatively,

   If you are unable to attend the Annual General Meeting, you must contact the CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the Annual General Meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain voting instructions from you in respect of the Annual General Meeting, it will be obliged to act in terms of your mandate. The instructions must be provided within the time period required by your CSDP or broker, as the case may be.

   2.2 If you hold certificated linked units (i.e. you have not dematerialised your linked units in the Company) or are an own name dematerialised linked unitholder, then: You may attend and vote at the Annual General Meeting;

   or, alternatively

   You may appoint a proxy to represent you at the Annual General Meeting by completing the attached form of proxy and returning it to the registered office of the Company by no later than 48 hours prior to the commencement of the meeting, excluding Saturdays, Sundays and public holidays.

FAIRVEST
property holdings limited

# FORM OF PROXY

FAIRVEST PROPERTY HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/005011/06)
JSE Share code: FVT ISIN: ZAE 000034658
("Fairvest" or "the Company")

For the sole use by the following holders of linked units in the Company at the Annual General Meeting of the Company to be held in the boardroom, 1st Floor East Wing, The Palms, 145 Sir Lowry Road, Cape Town on Wednesday, 27 October 2010 at 11:00 and at any adjournment thereof:

- Certificated linked unitholders; and
- CSDP nominee companies, brokers' nominee companies and dematerialised linked unitholders who have elected "own name" registration.

Forms of proxy must be completed and delivered to the Company's registered office, 1st Floor East Wing, 145 Sir Lowry Road, Cape Town, 8001 (PO Box 4083, Durbanville, 7551) or to the Transfer Secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61061, Marshalltown, 2107) to be received by no later than 11:00 on Monday, 25 October 2010.

I/We ____________________________________________ BLOCK LETTERS please

of ____________________________________________ Address

Telephone work ____________________________________________ Telephone home

being the holder/custodian of ______________________ linked units in the Company, hereby appoint

1. ____________________________________________ or, failing him/her

2. ____________________________________________ or, failing him/her

3. the chairman of the meeting

as my/our proxy to attend and speak out and, on a poll, vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 1st Floor East Wing, The Palms, 145 Sir Lowry Road, Cape Town for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against and/or abstain from voting in respect of the linked units in the issued capital of the Company registered in my/our name in accordance with the following instructions:

| **Resolution** | **In favour of** | **Against** | **Abstain** |
|---|---|---|---|
| To receive consider and adopt the annual financial statements | | | |
| To re-elect BJ Kriel, M Epstein and PJ van der Merwe as a directors | | | |
| To approve the remuneration of the directors for the year ended 30 June 2010 | | | |
| To approve the remuneration payable to non-executive directors | | | |
| To approve the reappointment of auditors | | | |
| To confirm the remuneration payable to the auditors | | | |
| Ordinary Resolution number 1 – Placing of unissued linked units under the control of the directors | | | |
| Ordinary resolution number 2 – General authority to issue linked units for cash | | | |
| Special resolution number 1 – Acquisition of own linked units | | | |
| Ordinary resolution number 3 – Authority to execute requisite documentation | | | |

(Indicate instruction to proxy by way of a cross in the space provided above)
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of ____________________________________________ 2010

Signature ______________________________

Please read the notes on the reverse side hereof.

# NOTES TO THE FORM OF PROXY

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the spaces provided, with or without deleting "the chairman of the meeting" but, any such deletion must be initialled by the member. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of linked units than the total number of linked units that you own in the Company, insert the number of linked units held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or his/her proxy is not obliged to use all the votes exercisable by the member or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by his/her proxy.

3. Holders of dematerialised linked units must inform their CSDP or broker of whether or not they intend to attend the Annual General Meeting and obtain the necessary authorisation from their CSDP or broker to attend the Annual General Meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the Annual General Meeting in person.

4. Forms of proxy must be received at the registered office of the Company, 1st Floor East Wing, 145 Sir Lowry Road, Cape Town, 8001 (PO Box 4083, Durbanville, 7551) or to the Transfer Secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61061, Marshalltown, 2107) by no later than 11:00 on Monday, 25 October 2010.

5. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the Annual General Meeting.

7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

9. The chairman of the Annual General Meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairman is satisfied as to the manner in which the member wishes to vote.

# CORPORATE INFORMATION

| | |
|---|---|
| **Country of incorporation** | Republic of South Africa |
| **Registration number** | 1998/005011/06 |
| **Share code** | FVT |
| **ISIN** | ZAE000034658 |
| **Nature of business** | Property investment holding company |
| **Directors** | JF du Toit (Chairman)*<br>BJ Kriel<br>M Epstein*<br>PJ van der Merwe**<br>*Non-executive<br>** Independent non-executive |
| **Registered office and Business address** | 1st Floor East Wing, The Palms, 145 Sir Lowry Road, Cape Town, 8000<br>PO Box 4083, Durbanville, 7551<br>Telephone: 021 464 8814 |
| **Company Secretary** | SecCorp Secretarial Services (Proprietary) Limited<br>8 Briffant Street, Chantecler, Durbanville, 7550<br>Postnet Suite #113, Private Bag X7, Tyger Valley, 7536 |
| **Transfer secretaries** | Computershare Investor Services (Proprietary) Limited<br>Ground Floor, 70 Marshall Street, Johannesburg, 2001<br>PO Box 61051, Marshalltown, 2107 |
| **Property managers** | Blend Property Management (Proprietary) Limited<br>1st Floor East Wing, The Palms, 145 Sir Lowry Road, Cape Town, 8001<br>PO Box 3290, Cape Town, 8000 |
| **Auditors** | BDO South Africa Incorporated<br>BDO House, 1 Richefond Circle, Ridgeside Office Park, Umhlanga, 4319<br>PO Box 47, La Lucia, 4153 |
| **Sponsor** | PSG Capital (Proprietary) Limited<br>1ST Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600<br>PO Box 7403, Stellenbosch, 7599 |
| **Property valuer** | Alliance Group (Proprietary) Limited<br>2nd Floor, Soho on Strand, 128 Strand Street, Cape Town, 8001 |
| **Trustee for debenture holders** | O Tugendhaft<br>Tugendhaft Wapnick Banchetti and Partners<br>PO Box 786728, Sandton, 2146<br>Telephone: 011 291 5000 |
| **Commercial bankers** | FirstRand Limited<br>PO Box 923, Durban, 4000 |

GREYMATTER & FINCH # 5290