FAIRVEST PROPERTY HOLDINGS

6.9% reduction in vacancies, bringing the total vacancies to **8.4%** of the total lettable GLA

Achieved distribution of **6.75 cents** per linked unit

Conversion of Fairvest to a REIT approved by JSE with effect from 1 July 2013

R235 million new equity raised in January 2014 through the Vukile acquisition

CONDENSED CONSOLIDATED RESULTS for the six months ended 31 December 2013

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 31 December 2013 R'000	Unaudited 31 December 2012 R'000	Audited 30 June 2013 R'000
ASSETS			
Non-current assets	**799 716**	403 289	774 810
Investment property	**790 400**	356 737	770 307
Investment property under construction	**–**	41 040	–
Equipment	**537**	24	354
Operating lease asset	**8 779**	5 488	4 149
Current assets	**17 931**	38 237	10 269
Trade and other receivables	**13 300**	8 462	7 506
Taxation	**–**	–	59
Cash and cash equivalents	**4 631**	29 775	2 704
Total assets	**817 647**	441 526	785 079
EQUITY AND LIABILITIES			
Equity and reserves			
Ordinary share capital	**3 598**	2 890	3 598
Non-current liabilities	**768 336**	423 498	743 363
Linked unit debentures and premium	**546 814**	386 862	543 309
Interest-bearing borrowings	**221 515**	28 461	200 047
Deferred taxation	**7**	8 175	7
Current liabilities	**45 713**	15 138	38 118
Taxation	**7**	406	–
Trade and other payables	**45 706**	14 732	38 118
Total equity and liabilities	**817 647**	441 526	785 079

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited 6 months to 31 December 2013 R'000	Unaudited 6 months to 31 December 2012 R'000	Audited 12 months to 30 June 2013 R'000
Cash inflow/(outflow) from operating activities	**552**	(23 207)	(1 859)
Cash outflow to investing activities	**(20 093)**	(250 214)	(567 995)
Cash inflow from financing activities	**21 468**	278 461	547 823
Net increase/(decrease) in cash and cash equivalents	**1 927**	5 040	(22 031)
Cash and cash equivalents at beginning of period	**2 704**	24 735	24 735
Cash and cash equivalents at end of period	**4 631**	29 775	2 704

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Retained income R'000	Total R'000
Balance at 1 July 2012	857	–	**857**
Total comprehensive income for the period	–	–	**–**
Linked units issued	2 033	–	**2 033**
Balance at 31 December 2012	2 890	–	**2 890**
Total comprehensive income for the period	–	–	**–**
Disposal of treasury units	1	–	**1**
Linked units issued	707	–	**707**
Balance at 30 June 2013	3 598	–	**3 598**
Total comprehensive income for the period	–	–	**–**
Balance at 31 December 2013	3 598	–	**3 598**

STATEMENTS OF CHANGES IN LINKED UNIT DEBENTURES

	Linked unit debenture capital R'000	Linked unit debenture premium R'000	Total R'000
Balance at 1 July 2012	857	142 474	**143 331**
Net fair value adjustment	–	(4 436)	**(4 436)**
Linked units issued	2 033	245 934	**247 967**
Balance at 31 December 2012	2 890	383 972	**386 862**
Net fair value adjustment	–	61 843	**61 843**
Disposal of treasury units	1	–	**1**
Linked units issued	707	93 896	**94 603**
Balance at 30 June 2013	3 598	539 711	**543 309**
Net fair value adjustment	–	3 505	**3 505**
Balance at 31 December 2013	**3 598**	**543 216**	**546 814**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 December 2013 R'000	Unaudited 6 months to 31 December 2012 R'000	Audited 12 months to 30 June 2013 R'000
Gross revenue	**62 724**	10 384	54 184
Rental income – contractual	**57 871**	10 313	50 376
– straight-line accrual	**4 853**	71	3 808
Operating profit	**38 492**	4 836	31 520
Fair value adjustment to listed investments	**–**	284	284
Fair value adjustment to investment properties	**–**	12 991	67 745
Fair value adjustment to debentures	**(3 505)**	4 436	(57 407)
Finance cost	**(9 535)**	(118)	(7 048)
Foreign exchange gains	**–**	42	42
Investment revenue	**354**	979	4 998
Profit before debenture interest	**25 806**	23 450	40 134
Debenture interest	**(24 284)**	(5 551)	(27 255)
Profit after debenture interest	**1 522**	17 899	12 879
Capital raising expenses	**(1 522)**	(12 900)	(16 126)
Profit/(loss) before taxation	**–**	4 999	(3 247)
Taxation	**–**	(4 999)	3 247
Comprehensive income attributable to shareholders	**–**	–	–
Profit and total comprehensive income attributable to:			
– Owners of the parent	**–**	–	–
– Non-controlling interest	**–**	–	–
Reconciliation between profit attributable to shareholders and headline earnings per linked unit			
Shares are traded as part of linked units			
Profit attributable to linked shareholders*	**–**	–	–
Capital raising expenses	**1 522**	12 900	16 126
Fair value adjustment to investment properties (net of taxation)	**–**	(10 568)	(67 745)
Headline and diluted headline earnings/(loss) attributable to shareholders	**1 522**	2 332	(51 619)
Fair value adjustment to debentures	**3 505**	(4 436)	57 407
Debenture interest	**24 284**	5 551	27 255
Headline and diluted headline profit attributable to linked unitholders	**29 311**	3 447	33 043
Distribution (debenture interest)*			
Special interest distribution per linked unit (cents)	**–**	3.71	3.71
Interim interest distribution per linked unit (cents)	**6.75**	0.86	0.86
Final interest distribution per linked unit (cents)	**–**	–	6.00
Total interest distribution per linked unit (cents)	**6.75**	4.57	10.57
Earnings per share			
Basic and diluted earnings per share (cents)**	**–**	–	–
Headline and diluted headline earnings/(loss) per share (cents)**	**0.4**	2.0	(24.5)
Headline and diluted headline earnings per linked unit (cents)**	**8.1**	3.0	15.7
Net asset value per linked unit and net tangible asset value per linked unit (cents)***	**153.0**	134.8	151.9
Linked unit statistics (excluding treasury shares)			
Linked units in issue	**359 762 307**	289 048 021	359 762 307
Effective linked units in issue	**359 762 307**	288 974 019	359 762 307
Weighted average number of linked units	**359 762 307**	116 651 643	210 840 698

* Debenture interest is calculated on the capital at a variable rate equal to 99.9% of the net profit of the company before taxation, but after adjusting for extraordinary income and expenditure, capital gains and losses, and capital expenditure.

** Headline earnings have been presented in accordance with IAS 33. The linked unit structure of the group whereby every shareholder is a debenture holder, coupled with the terms of the Debenture Trust Deed which states that 99.9% of profits are attributable to debenture holders, results in the benefits of improved trading which would be ordinarily attributable to shareholders being expensed in the income statement as a fair value adjustment to debentures and debenture interest. This results in no profit being attributable to ordinary shareholders.

*** Linked unit debentures are included in the net asset value and net tangible asset value calculation.

OTHER SEGMENTAL INFORMATION

	Unaudited 31 December 2013	Unaudited 31 December 2012	Audited 30 June 2013
Regional profile based on leasable area			
Eastern Cape	**6.3%**	14.5%	6.4%
Free State	**1.9%**	4.4%	1.9%
Gauteng	**32.1%**	5.9%	28.8%
KwaZulu-Natal	**29.1%**	30.3%	32.0%
Western Cape	**30.6%**	44.9%	30.9%
Vacancy profile based on gross lease area			
Gross lease area in metres squared as at end of period*	**100 287**	44 169	100 578
Properties held	**28**	18	28
Vacancy area in metres squared*	**8 402**	3 743	9 023
Vacancy area as % of gross lease area	**8.4%**	8.5%	9.0%
Regional vacancy profile			
Eastern Cape	**–**	–	–
Free State	**–**	–	–
Gauteng	**42.8%**	40.6%	37.2%
KwaZulu-Natal	**41.8%**	–	46.4%
Western Cape	**15.4%**	59.4%	16.4%

* Gross lease area and vacancy in the prior and current periods has been updated after the remeasurement of various properties and excludes unlettable space.

Basis of preparation and accounting policies
The accounting policies applied in the preparation of these condensed consolidated results for the six months ended 31 December 2013, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the annual financial statements for the year ended 30 June 2013. Any other new and amendments to IFRS and IFRIC interpretations did not impact on the financial position or performance of the company but has resulted in additional disclosures. These condensed consolidated results as set out in this report have been prepared in accordance and containing the information required by IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act, 71 of 2008, and the Listings Requirements of the JSE Limited.

These condensed consolidated results for the six months ended 31 December 2013 have been prepared in accordance with the historic cost basis, except for the measurement of investment properties, debentures and certain financial assets and financial liabilities which are stated at fair value.

The financial results are presented in rands, which is Fairvest's functional and presentation currency and have been prepared on a going concern basis.

These condensed consolidated results are unaudited and have not been reviewed or reported on by the company's auditors, BDO South Africa Inc.

Estimates and critical judgements
Except for the measurement of investment properties, debentures and certain financial assets and financial liabilities the financial statements do not include any material estimates.

COMMENTARY

Introduction
Fairvest's objective is to build a retail focused property fund weighted toward non-metropolitan shopping centres and including convenience, community and regional shopping centres, servicing the lower LSM market in high-growth nodes close to commuter networks.

Fairvest's application to the JSE Limited for Real Estate Investment Trust ("REIT") status was approved on 3 July 2013. The conversion to a REIT is effective from 1 July 2013.

Acquisitions and associated capital raising activities
Linked unitholders are referred to the company's SENS announcement dated 31 January 2014, regarding the acquisition by the company from Vukile Property Fund Limited and its subsidiary MICC Properties Proprietary Limited of a portfolio of four retail properties. This transaction was implemented during January 2014 and all properties transferred to the company. 167 873 969 ordinary linked units were issued to Vukile and MICC in terms of an acquisition issue at an issue price of R1.40 per ordinary linked unit.

Review of results
Fairvest's board of directors is pleased to announce a distribution of 6.75 cents per linked unit for the six months ended 31 December 2013 which is in line with expectations.

Vacancies reduced from 9.0% to 8.4% during the period under review. Included in the vacancy percentage is 2.4% which relates to St Georges Square and Clubview Corner which are currently being redeveloped and 3.0% to a vacant warehouse (Gingindlovu) currently under contract to be disposed of, bringing the effective vacancy percentage to 3.0%. We expect positive letting from the assets currently being redeveloped as the redevelopments complete.

Rentals across the portfolio have trended upwards over the six-month period by 9.1% annualised. A strong focus on renewals has seen tenant retention levels of 99.6% maintained across the portfolio, with an average escalation on renewals of 10.2%. The weighted average lease term for the portfolio is 3.6 years.

During the next 12 months, 20.0% of leases will expire. We do not foresee a material change in our tenant retention figures and anticipate renewal escalations to be between 8% and 10%. This gives us the opportunity to extract further value and improve our overall tenant quality.

The total property portfolio increased from R770.3 million in June 2013 to R790.4 million. The increase is mainly as a result of the acquisition of the Westville Junction and CHEP land, converting leasehold assets to freehold. All other assets are held at the 30 June 2013 valuation plus capital expenditure incurred.

Lease expiry profile	Based on rentable area	Based on contractual revenue
Vacant	8.4%	–
30 June 2014	15.4%	18.4%
30 June 2015	13.6%	17.0%
30 June 2016	14.0%	14.6%
30 June 2017	11.7%	13.2%
> 30 June 2018	36.9%	36.8%

New Developments and upgrades

Clubview Corner
The upgrade of the Spar was successfully completed within the period with turnover figures growing steadily. The balance of the centre received a cosmetic upgrade to maximise the lettability of the vacancy and we remain confident that the majority of the space will be let within the next 12 months.

Nyanga Junction
Phase 1 of the upgrade was successfully completed with Shoprite commencing trade in October 2013 after the successful negotiation with Pick n Pay to terminate their lease. Phase 2 of the upgrade is currently underway and due for completion by June 2014. Rentals on renewal have trended upwards at approximately 12%, with a continued focus being increasing the national tenant component within the building.

Deals House
The property has been rebranded SASSA House and Phase 1 of the upgrade completed, being the installation of new windows and the painting of the facades. Phase 2 is currently underway which involves the replacement of the lifts and a new foyer to the property. This is due for completion by May 2014.

Borrowings
The interest bearing debt to asset ratio remains low at 27.4% and will reduce further to 22.2% after the Vukile acquisition which was funded through the issue of new equity. As at 31 December 2013 46.2% of the debt was fixed at a weighted average rate of 8.7%. The weighted average all-in cost of funding is 8.3%, with a weighted average maturity of 37 months.

Following the announcement on 29 January 2014 of a 50 basis point increase in interest rates, the total weighted average cost of borrowings has increased to 8.5%.

Prospects
The forecasted debenture interest distribution of 14.06 cents per linked unit for the 12 months to 30 June 2014, as reported to linked unit holders in the company's results for the year to 30 June 2013, has been updated to include the forecasted distribution on the Vukile acquisition as per the circular sent to linked unit holders on 22 November 2013. The updated distribution for the full year to 30 June 2014 is 13.70 cents per linked unit and management is confident that this will be achievable. This forecast assumes that the current economic and interest rate environment will remain stable, no major corporate failures will occur and tenants will be able to absorb increases in municipal and utility costs. This forecast is the responsibility of the board of Fairvest and has not been reviewed or reported on by the auditors

Distribution
The board has approved and declared an interim gross distribution of 6.75 cents per linked unit for the 6 month period ended 31 December 2013, payable to linked unitholders registered as such at the close of business on Friday, 28 March 2014.

Last date to trade linked units cum distribution	Thursday, 20 March 2014
Linked units commence trading ex distribution	Monday, 24 March 2014
Record date	Friday, 28 March 2014
Payment date	Monday, 31 March 2014

Linked units may not be dematerialised or rematerialised between Monday, 24 March 2014 and Friday, 28 March 2014, both days inclusive.

In accordance with Fairvest's status as a REIT, linked unitholders are advised that the distribution meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, 58 of 1962 ("Income Tax Act"). Accordingly, qualifying distributions received by local tax residents must be included in the gross income of such linked unitholders (as a non-exempt dividend in terms of section 10(1)(k)(aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the linked unitholder. These qualifying distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident linked unitholders, provided that the South African resident linked unitholders have provided the following forms to their Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated linked units, or the transfer secretaries, in respect of certificated linked units:

a) a declaration that the distribution is exempt from dividends tax; and

b) a written undertaking to inform the CSDP, broker or the Transfer Secretaries, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Linked unitholders are advised to contact their CSDP, broker or the transfer secretaries, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Qualifying distributions received by non-resident linked unitholders will not be taxable as income and instead will be treated as ordinary dividends but which are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. It should be noted that until 31 December 2013 qualifying distributions received by non-residents from a REIT were not subject to dividend withholding tax. From 1 January 2014, any qualifying distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the linked unitholder. Assuming dividend withholding tax will be withheld at a rate of 15%, the net amount due to non-resident linked unitholders will be 5.7375 cents per linked unit. A reduced dividend withholding tax rate in terms of the applicable DTA, may only be relied on if the non-resident linked unitholder has provided the following forms to their CSDP or broker, as the case may be, in respect of the uncertificated linked units, or the transfer secretaries, in respect of certificated linked units:

a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and

b) a written undertaking to inform their CSDP, broker or the Transfer Secretaries, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident linked unitholders are advised to contact their CSDP, broker or the Transfer Secretaries, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Local tax resident linked unitholders as well as non-resident linked unitholders are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

Linked units in issue at the date of declaration of interim distribution: 527 636 277

Income tax reference number 9205/066/06/1

Directorate
Martin Epstein resigned as a director with effect from 15 January 2014, having served on the board since January 2010. Martin was a valued board member and the Board wishes him well in his future endeavours.

Subsequent events
Other than the Vukile acquisition which was implemented in January 2014 the directors of Fairvest are not aware of any other material matter or circumstance arising between 31 December 2013 and this report which may materially affect the financial position of the group or the results of its operations.

Appreciation
We extend our appreciation to our directors, management and staff for their valued efforts as well as our advisors and linked unitholders for their continuing belief in and support of Fairvest.

For and on behalf of the board

Fairvest Property Holdings Limited
6 March 2014
Cape Town

GREYMATTER & FINCH # 7679

CONDENSED CONSOLIDATED SEGMENT REPORT

	Eastern Cape R'000	Free State R'000	Gauteng R'000	KwaZulu-Natal R'000	Western Cape R'000	Reconciling items/ (Eliminations) R'000	Total R'000
FOR THE 6 MONTHS ENDED 31 DECEMBER 2013							
Revenue – external customers	4 502	1 539	14 955	17 292	19 583	–	**57 871**
Intersegmental revenue	–	–	–	–	–	–	**–**
Operating profit	3 651	1 308	8 814	15 535	14 058	(4 874)	**38 492**
Total assets	39 989	18 822	187 575	308 085	250 241	12 935	**817 647**
FOR THE 6 MONTHS ENDED 31 DECEMBER 2012							
Revenue – external customers	4 103	606	611	3 899	1 094	–	**10 313**
Intersegmental revenue	–	–	–	–	81	(81)	**–**
Operating profit	3 319	414	201	2 431	736	(2 265)	**4 836**
Total assets	35 813	7 771	11 393	181 327	167 106	38 116	**441 526**
FOR THE 12 MONTHS ENDED 30 JUNE 2013							
Revenue – external customers	8 345	1 283	9 228	17 496	14 024	–	**50 376**
Intersegmental revenue	–	–	–	–	191	(191)	**–**
Operating profit	6 334	815	5 946	14 262	10 324	(6 161)	**31 520**
Total assets	38 872	8 452	195 849	290 114	243 820	7 972	**785 079**

FAIRVEST PROPERTY HOLDINGS LIMITED
Incorporated in the Republic of South Africa (Registration number: 1998/005011/06) Linked unit code: FVT ISIN: ZAE000034658 ("Fairvest" or "the company" or "the group")
Income tax reference number 9205/066/06/1 Approved as a REIT by the JSE
Registered office: Office 18003, 18th Floor, Triangle House, 22 Riebeek Street, Cape Town, 8001, Postnet Suite 30, Private Bag X3, Roggebaai, 8012
Transfer secretaries: Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107
Auditor: BDO South Africa Incorporated Registered Auditors
Sponsor: PSG Capital Proprietary Limited
Preparer of financial statements: BJ Kriel
Directors: Executive: DM Wilder (Chief Executive Officer), BJ Kriel (Chief Financial Officer), AJ Marcus (Chief Operating Officer)
Non-executive: JF du Toit (Chairman), PJ van der Merwe (Lead Independent Non-executive)#, LW Andrag#, KR Moloko# # *independent*
Company secretary: SecCorp Secretarial Services Proprietary Limited

www.fairvest.co.za