FAIRVEST PROPERTY HOLDINGS LIMITED
Incorporated in the Republic of South Africa
(Registration number 1998/005011/06)
("Fairvest" or "the company" or "the group")
Linked unit code: FVT   ISIN: ZAE000034658
Granted REIT status with the JSE

HIGHLIGHTS
- Full year distribution of 13.72 cents per linked unit exceeded the 13.70 cents per linked unit forecast
- 18.9% annualised return to shareholders since December 2012 recapitalisation
- Net asset value increased to 159.0 cents per linked unit
- R235 million of new equity raised during the period.
- 13.3% increase in historic property values
- Distribution growth of 9%-10% expected for the 2015 financial year

AUDITED CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2014

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited 2014 R '000	Audited 2013 R '000
ASSETS		
NON-CURRENT ASSETS	1 103 918	774 810
Investment property	1 089 481	770 307
Office equipment	342	354
Operating lease asset	14 095	4 149
CURRENT ASSETS	19 013	10 269
Trade and other receivables	15 347	7 506
Taxation	-	59
Cash and cash equivalents	3 666	2 704
Non-current assets held for sale	4 500	-
TOTAL ASSETS	1 127 431	785 079
EQUITY AND LIABILITIES		
EQUITY AND RESERVES		
Ordinary share capital	5 254	3 598
NON-CURRENT LIABILITIES	1 055 647	743 363
Linked unit debentures	830 024	543 309
Interest bearing borrowings	222 000	200 047
Deferred taxation	3 623	7
CURRENT LIABILITIES	66 530	38 118
Trade and other payables	66 530	38 118
TOTAL EQUITY AND LIABILITIES	1 127 431	785 079

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Audited 2014 R '000	Audited 2013 R '000
GROSS REVENUE	148 961	54 184
Rental income - contractual	138 371	50 376
- straight-line accrual	10 590	3 808
Property expenses	(49 158)	(16 447)
Net profit from property operations	99 803	37 737
Corporate administrative expenses	(10 099)	(6 217)
OPERATING PROFIT	89 704	31 520
Foreign exchange gains	-	42
Fair value adjustment to listed investments	-	284

Fair value adjustment to investment properties	56 423	67 745
Fair value adjustment to debentures	(56 153)	(57 407)
Finance cost	(21 015)	(7 048)
Investment revenue	629	4 998
PROFIT BEFORE DEBENTURE INTEREST	69 588	40 134
Debenture interest	(59 600)	(27 255)
PROFIT AFTER DEBENTURE INTEREST	9 988	12 879
Capital raising expenses	(6 372)	(16 126)
PROFIT/(LOSS) BEFORE TAXATION	3 616	(3 247)
Taxation	(3 616)	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*	-	-
Fair value adjustment to investment properties	(56 423)	(67 745)
Headline and diluted headline loss attributable to shareholders	(56 423)	(67 745)
Fair value adjustment to debentures	56 153	57 407
Debenture interest	59 600	27 255
Headline and diluted headline profit attributable to linked unitholders	59 330	16 917
DISTRIBUTION (DEBENTURE INTEREST)*		
Special distribution per linked unit (cents)	-	3.71
Interim interest distribution per linked unit (cents)	6.75	0.86
Final interest distribution per linked unit (cents)	6.97	6.00
Total interest distribution per linked unit (cents)	13.72	10.57
EARNINGS PER SHARE		
Basic and diluted earnings per share (cents) **	-	-
Headline and diluted headline loss per share (cents) **	(13.1)	(32.2)
Headline and diluted headline earnings per linked unit (cents) **	13.7	8.0
Net asset value per linked unit and net tangible asset value per linked unit (cents)***	159.0	151.9
Linked unit statistics (excluding treasury linked units)		
Linked units in issue	527 636 276	359 762 307
Less: Treasury linked units	(2 211 860)	-
Effective linked units in issue	525 424 416	359 762 307
Weighted average number of linked units	432 337 771	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.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited 2014 R '000	Audited 2013 R '000
Cash inflow / (outflow) from operating activities	15 055	(1 859)
Cash outflow to investing activities	(32 298)	(567 995)
Cash inflow from financing activities	18 205	547 823
Net increase / (decrease) in cash and cash equivalents	962	(22 031)
Cash and cash equivalents at beginning of period	2 704	24 735
Cash and cash equivalents at end of period	3 666	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
Linked units issued	2 740	-	2 740
Disposal of treasury units	1	-	1
Total comprehensive income for the period	-	-	-
Balance at 30 June 2013	3 598	-	3 598
Linked units issued	1 678	-	1 678
Acquisition of treasury linked units	(22)	-	(22)
Total comprehensive income for the period	-	-	-
Balance at 30 June 2014	5 254	-	5 254

STATEMENTS OF CHANGES IN LINKED UNIT DEBENTURES

	Linked unit debenture capital R'000	Linked unit debenture fair value adjustment R'000	Total R'000
Balance at 1 July 2012	857	142 474	143 331
Linked units issued	2 740	339 830	342 570
Disposal of treasury units	1	-	1
Net fair value adjustment	-	57 407	57 407
Balance at 30 June 2013	3 598	539 711	543 309
Linked units issued	1 678	231 666	233 344
Acquisition of treasury linked units	(22)	(2 760)	(2 782)
Net fair value adjustment	-	56 153	56 153
Balance at 30 June 2014	5 254	824 770	830 024

CONDENSED CONSOLIDATED SEGMENT REPORT

	Eastern Cape	Western Cape	Free State	Gauteng	KwaZulu Natal	Northern Cape	Limpopo	Reconc-iling items / (Elimin-ations)	Total
FOR THE YEAR ENDED 30 JUNE 2014									
Revenue - external customers	8 789	41 533	1 398	34 406	39 531	5 578	7 136	-	138 371
Operating profit	7 158	29 371	993	20 870	33 220	2 809	5 382	(10 099)	89 704
Total assets	43 919	276 171	6 970	215 674	406 960	53 140	111 113	13 484	1 127 431
FOR THE YEAR ENDED 30 JUNE 2013									
Revenue - external customers	8 345	14 024	1 283	9 228	17 496	-	-	-	50 376
Intersegmental revenue	-	191	-	-	-	-	-	(191)	-
Operating profit	6 334	10 324	815	5 946	14 262	-	-	(6 161)	31 520
Total assets	38 872	243 820	8 452	195 849	290 114	-	-	7 972	785 079

OTHER SEGMENTAL INFORMATION

	2014	2013
Regional profile based on leasable area		
KwaZulu-Natal	29.5%	32.0%
Western Cape	24.2%	30.9%
Gauteng	23.3%	28.8%
Limpopo	9.3%	-
Northern Cape	7.2%	-
Eastern Cape	5.0%	6.4%
Free State	1.5%	1.9%
Sector profile based on leasable area		
Retail	88.0%	85.1%
Office	12.0%	14.9%
Vacancy profile based on gross lease area		
Gross lease area in metres squared as at end of period*	125 520	100 578
Properties held	32	28
Vacancy area in metres squared	8 772	9 023
Vacancy area as % of gross lease area	7.0%	9.0%
Regional vacancy profile (regions where vacancies are located)		
KwaZulu-Natal	42.4%	46.4%
Gauteng	36.2%	37.2%
Western Cape	9.7%	16.4%
Northern Cape	7.7%	-
Limpopo	4.0%	-

Basis of preparation and accounting policies

The preparation of these condensed consolidated financial statements was supervised by the Chief Financial Officer, BJ Kriel CA (SA).

The accounting policies applied in the preparation of these audited condensed consolidated results for the year ended 30 June 2014, 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 audited 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 and Financial Reporting Pronouncements as issued by the Financial Reporting Council, the Companies Act of South Africa 71 of 2008, and the Listings Requirements of JSE Limited.

These audited condensed consolidated results for the year ended 30 June 2014 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.

Audit report

The audited condensed consolidated results for the year ended 30 June 2014 set out above, have been extracted from the group's annual financial statements which have been audited by BDO South Africa Inc. A copy of their unmodified audit opinion is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

The directors take full responsibility for the preparation of the condensed consolidated audited results presented and that the financial information has been correctly extracted from the underlying financial statements.

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 is a property investment holding company and Real Estate Investment Trust (REIT), with a unique focus on retail assets weighted toward non-metropolitan and rural shopping centres, as well as convenience and community shopping centres servicing the lower LSM market, in high-growth nodes, close to commuter networks. The Fairvest property portfolio consists of 32 properties, with 125 520m2 of lettable area and valued at R1 109.1 million.

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 of a portfolio of 4 retail properties. This transaction was implemented in January 2014 and all properties transferred to the company. 167 873 969 ordinary linked units were issued to Vukile in terms of an acquisition issue at an issue price of R1.40 per linked unit, raising R235.0 million of new equity.

This transaction created a strategic relationship between Fairvest and Vukile and after some further share purchases in the open market Vukile now holds 32.2% of the issued linked units in Fairvest.

Review of results

The Fairvest board of directors is pleased to announce a distribution of 6.97 cents per linked unit for the 6 months ended 30 June 2014, bringing the total distribution for the year to 13.72 cents per linked unit, exceeding the guidance issued to the market of 13.70 cents per linked unit.

Distribution history

	Interim cents per linked unit	Final cents per linked unit	Total cents per linked unit
Jun-11	5.00	5.90	10.90
Jun-12	5.20	6.30	11.50
Jun-13	4.57	6.00	10.57
Jun-14	6.75	6.97	13.72

Revenue for the year ended 30 June 2014 increased by 175% to R149.0 million as a result of income growth in the historic portfolio and the acquisitions. Net profit from property operations increased by 164% to R99.8 million, while administration expenses were contained to a growth of 62% to R10.1 million, resulting in debenture interest increasing by 119% to R59.6 million. Recurring expenses as a ratio of revenue has continued to increase year-on-year from 32.6% in the prior year to 35.5%, with rates and taxes and other government services representing the largest contributor to expense escalations.

Gross rentals across the portfolio trended upwards during the year, with a 6.2% increase in the weighted average rental of R86.4/m2 at 30 June 2014 compared to the previous year. At 30 June 2014 the weighted average contractual escalation for the portfolio was 7.2%. This is mainly as a result of the high national tenant percentage component of 78.6% of the portfolio, which provides unit holders with a relatively low risk investment profile.

Tenant grade as a percentage of GLA

A-grade tenants	78.6%
B-grade tenants	9.2%
C-grade tenants	12.2%

A – Anchor and national tenants
B – Franchise, professional and large tenants
C – other

Vacancies reduced from 9.0% to 7.0% during the period under review. Despite a 24.8% increase in the GLA of the portfolio actual vacant space decreased from 9 023m2 at the end of 2013 to 8 772m2 at 30 June 2014.The improvement is as a result of various leasing initiatives that were implemented during the year. An agreement of sale is being negotiated on the vacant Gingindlovu property and should it be concluded, the vacancy percentage will reduce further to 4.6% which is in line with industry norms. As at 30 June 2014 the weighted average lease length was 41 months.

Lease expiry profile	Based on rentable area	Based on gross rental
Vacant	7.0%	0.0%
Expired	14.4%	15.7%
30-Jun-15	10.8%	13.5%
30-Jun-16	14.9%	16.1%
30-Jun-17	9.2%	10.1%
30-Jun-18	13.9%	11.8%
After 30-Jun-19	29.8%	32.8%

During the period under review 59 new leases were concluded which equated to a GLA of 13 626m2. Renewal activity was also positive with a 7.8% escalation achieved on the 14 313m2 of leases that were renewed during the year. Tenant retention for the year was 81.7%.

Redevelopments and upgrades

Clubview Corner

The upgrade to Clubview Corner was completed in January 2014. The letting of the centre is currently underway with new leases concluded with Spar and Simply Asia. Fairvest also successfully negotiated the sale of the independent liquor store at the centre to the Spar Franchisee as a rebranded Tops Liquor store. Interest is ongoing on the remaining vacancy with the objective being to fill the vacancy by the end of the next financial year.

SASSA House (previously Deals House)

The Deals House property was rebranded during the year as SASSA House. The upgrade of the external façade was completed which involved the replacement of existing windows, new air-conditioning units and repainting of the building, including signage and new architectural elements. Phase 2 of the upgrade involved the creation of a new foyer area and the installation of two new lifts to better serve the office tenant SASSA.
The first lift was completed and operational in April 2014 with the second lift due to be commissioned by August 2014. Phase 3, being the upgrade and re-tenanting of the ground floor retail, is scheduled to be completed by 30 June 2015.

As a result of the upgrades undertaken, SASSA have renewed their lease agreement for a further two years. Discussions are underway with SASSA in terms of a further renewal for five years, the renewal of which will be accompanied by an obligation to provide a tenant installation for the office space being occupied.

Nyanga Junction

A significant upgrade of Nyanga Junction was undertaken during the current financial year. A new 10-year lease was concluded with Shoprite during the year, which allowed us to attend to a number of upgrade items during the period. By the end of the financial year we have repainted a significant portion of the building, upgraded the lighting, improved the signage and installed a new security camera system, all of which has significantly improved the overall aesthetics at the centre.

As a consequence of the upgrade, existing tenants have renewed their lease agreements and there is renewed interest in the centre from national tenants. The additional upgrades to be completed during the 2015 financial year should further contribute to the shopping experience by way of an improvement in the safety and security, as well the creation of a new food court.

Property portfolio

The total property portfolio increased from R774.8 million in June 2013 to R1 109.1 million. The increase is mainly as a result of the acquisition of the Vukile properties, with the historic portfolio increasing by 13.3% relative to the previous year.

Portfolio valuation history

	R'million
Jun-10	88.8

Jun-11	99.5
Jun-12	103.5
Jun-13	774.8
Jun-14	1 109.1

In line with the accounting policy of the group, a third of the portfolio was valued by independent external valuers. Of the 32 properties, 11 was valued by DDP Valuers and the remainder by management. All properties need to be valued by external valuers at least every 3 years. The properties are valued using a 5 year discounted cashflows. Assumptions are made on the discount rates used to determine the present value of the cashflows. Assumptions are also made on the capitalisation rate on an assumed sale after 5 years. The weighted average discount rate used was 15.0% and weighted average capitalisation rate used was 10.4%.

Borrowings

The interest bearing debt to asset ratio remains low at 20.1%. The targeted gearing levels are between 35% and 40%. As at 30 June 2014, 46.2% of the debt was fixed, with the intention of increasing this percentage to 70%. Future acquisitions will be utilised to increase the fixed component of our debt and de-risk the portfolio further by minimising the impact of interest rates movements on our performance.

The weighted average all-in cost of funding is 8.66% with a weighted average maturity of 34 months.

Prospects

The economic environment remains challenging with slower economic growth and rising interest rates. Despite the economic outlook, Fairvest is in a strong and healthy position for delivery of future prospects, further strengthened by the improvement in the portfolio and tenant mix, and the acquisition of quality assets during the year. The distribution growth for the listed property sector is forecast at between 7% and 8%. Management is cognisant of Fairvest's need to outperform the sector given its size, and is confident that distribution growth of between 9% and 10% will be achievable for the 2015 financial year.

This view assumes that interest rates will rise by no more than 100 basis points over the course of our financial year and there being no material deterioration in the macro-economic environment relative to current levels, no major corporate failures will occur and tenants will be able to absorb increases in municipal and utility costs. Forecast rental income is based on contractual lease terms and anticipated market related renewals. 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 a final gross distribution of 6.97 cents per linked unit for the 6 month period ended 30 June 2014, payable to linked unitholders registered as such at the close of business on Friday, 10 October 2014.

Last date to trade linked units cum distribution	Friday, 3 October 2014
Linked units commence trading ex distribution	Monday, 6 October 2014
Record date	Friday, 10 October 2014
Payment date	Monday, 13 October 2014

Linked units may not be dematerialised or rematerialised between Monday, 6 October 2014 and Friday, 10 October 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 5.9245 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 the final distribution: 527 636 276

Income tax reference number 9205/066/06/1.

Directorate

Ndabe Mkhize and Jacob Wiese were appointed to the board of directors as independent non-executive directors on 2 June 2014.

Martin Epstein and Pieter van der Merwe resigned as directors of the board on 14 January 2014 and 2 June 2014 respectively, both having served on the board since January 2010. Martin and Pieter were valued board members and the board wishes them well in their future endeavours.

Subsequent events

Linked unitholders are referred to the company's SENS announcements dated 15 May 2014 and 21 July 2014 regarding the acquisition of the Richmond Shopping Centre for R61.4 million. The transaction is still subject to suspensive conditions that have not been fulfilled by the time of this report.

Linked unitholders are referred to the company's SENS announcements dated 26 June 2014 and 3 September 2014 regarding the acquisition of the Nondwengu Shopping Centre and Ezulwini Royal Shopping Centre for R72.5 million. The transaction is still subject to suspensive conditions that have not been fulfilled by the time of this report.

The directors of Fairvest are not aware of any further material matters or circumstances arising between 30 June 2014 and this report which may materially affect the financial position of the group or the results of its operation.

Appreciation

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

Fairvest. For and on behalf of the board

Fairvest Property Holdings Limited

8 September 2014
Cape Town

Executive
DM Wilder (Chief Executive Officer)
BJ Kriel (Chief Financial Officer)
AJ Marcus (Chief Operating Officer)*
* alternate to DM Wilder

Non-executive
J F du Toit (Chairman)
LW Andrag (Lead Independent non-executive)#
KR Moloko #
N Mkhize #
JD Wiese #
independent

Company secretary
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Transfer secretaries
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Auditor
BDO South Africa Incorporated
Registered Auditors

Sponsor
PSG Capital Proprietary Limited