

HIGHLIGHTS

TOP PERFORMING SA REIT WITH
38.5%
ANNUALISED RETURN ▲

2017 DISTRIBUTION
INCREASED BY 10.04% TO
18.333
cents per share ▲

LIKE FOR LIKE
ANNUALISED
PROPERTY INCOME
INCREASED BY
9.3% ▲

TOTAL PROPERTY
PORTFOLIO VALUE
UP BY 14.5% TO
R2.20 billion ▲

RAISED
R224.50
million
OF NEW EQUITY ▲

NET ASSET VALUE UP BY 8.2% TO
218.18
cents per share ▲

VACANCIES REMAIN LOW
4.7%
OF THE TOTAL LETTABLE AREA

DISTRIBUTION GROWTH OF
9% to 10%
EXPECTED FOR THE YEAR TO 30 JUNE 2018 ▲

AUDITED SUMMARISED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 2017

SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited 30 June 2017 R'000	Audited 30 June 2016 R'000
ASSETS		
NON-CURRENT ASSETS	2 263 812	1 895 958
Investment property	2 157 747	1 849 158
Loans receivable	61 603	11 377
Investments	2 154	2 064
Office equipment	343	504
Operating lease asset	41 965	32 855
CURRENT ASSETS	54 110	31 229
Loans receivables	5 476	1 482
Trade and other receivables	36 000	19 831
Cash and cash equivalents	12 634	9 916
Non-current asset held for sale	–	40 000
TOTAL ASSETS	2 317 922	1 967 187
EQUITY AND LIABILITIES		
SHAREHOLDERS INTEREST	1 723 218	1 327 079
Share capital	327 951	105 332
Retained earnings	1 395 267	1 221 747
Non-controlling interest	4 454	1 081
TOTAL EQUITY	1 727 672	1 328 160
NON-CURRENT LIABILITIES	309 366	593 799
Interest-bearing borrowings	272 339	571 227
Amounts owing to minorities	23 756	13 398
Derivative financial instrument	4 404	1 945
Other non-current liabilities	8 395	6 948
Deferred taxation	472	281
CURRENT LIABILITIES	280 884	45 228
Interest-bearing borrowings	224 652	3 530
Trade and other payables	56 232	41 698
TOTAL EQUITY AND LIABILITIES	2 317 922	1 967 187

SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Audited 12 months to 30 June 2017 R'000	Audited 12 months to 30 June 2016 R'000
GROSS REVENUE	331 142	279 735
Rental income – contractual	320 431	268 140
– straight-line accrual	10 711	11 595
Property expenses	(121 690)	(103 416)
Net profit from property operations	209 452	176 319
Corporate administrative expenses	(19 393)	(16 680)
OPERATING PROFIT	190 059	159 639
Fair value adjustment to investment properties	159 348	107 571
Fair value adjustment to derivatives	(2 459)	(1 534)
Fair value adjustment to investments	90	85
Finance cost	(53 091)	(43 717)
Investment revenue	9 420	2 050
PROFIT BEFORE CAPITAL EXPENSES	303 367	224 094
Capital expenses	(557)	(870)
PROFIT BEFORE TAXATION	302 810	223 224
Taxation	(191)	(6)
COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS	302 619	223 218

SUMMARISED CONSOLIDATED SEGMENT REPORT

	KwaZulu-Natal	Western Cape	Gauteng	Free State	Northern Cape	Limpopo	Eastern Cape	Mpumalanga	Reconciling items/(Eliminations)	Total
FOR THE YEAR ENDED 30 JUNE 2017										
Revenue – external customers	70 689	66 944	44 794	47 737	37 415	20 089	21 191	11 572	–	320 431
Operating profit	56 307	45 265	24 713	27 208	19 845	14 045	16 144	5 925	(19 393)	190 059
Total assets	603 980	477 613	296 230	311 473	200 229	131 543	142 918	63 940	89 996	2 317 922
FOR THE YEAR ENDED 30 JUNE 2016										
Revenue – external customers	64 323	51 469	42 898	39 881	31 205	18 551	10 241	9 572	–	268 140
Operating profit	52 401	33 449	24 239	23 427	16 036	12 747	7 845	6 175	(16 680)	159 639
Total assets	546 571	375 630	269 066	283 825	177 193	118 543	101 917	61 680	32 762	1 967 187

SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	Audited 12 months to 30 June 2017 R'000	Audited 12 months to 30 June 2016 R'000
Profit and total comprehensive income attributable to:		
– Owners of the parent	299 234	222 137
– Non-controlling interest	3 385	1 081
	302 619	223 218
Reconciliation between profit attributable to shareholders, distributable earnings and headline earnings per share		
Comprehensive income attributable to owners of the parent	299 234	222 137
Fair value adjustment to investment properties (attributable to owners of the parent)	(157 283)	(106 584)
Headline and diluted headline profit attributable to shareholders	141 951	115 553
Distributable earnings calculation		
Net profit from property operations	209 452	176 319
Straight-line rental income accrual	(10 711)	(11 595)
Corporate administrative expenses	(19 393)	(16 680)
Finance cost	(52 673)	(43 162)
Investment revenue	9 420	2 050
Share issued <i>cum</i> distribution	8 267	2 749
Non-controlling interest share of distribution	(443)	(12)
Distributable earnings	143 919	109 669
Distribution	143 919	109 669
DISTRIBUTION (Dividend)		
Interim dividend per share (cents)	8.953	8.171
Final dividend declaration per share (cents)	9.380	8.489
Total distribution per share (cents)	18.333	16.660
EARNINGS PER SHARE		
Basic and diluted earnings per share (cents)	40.53	34.65
Headline and diluted headline earnings per share (cents)	19.23	18.03
Net asset value per share (cents)	218.18	201.60
Share statistics		
Shares in issue	789 836 312	658 261 805
Treasury shares	(12 067)	–
Effective shares in issue	789 824 245	658 261 805
Weighted average number of shares	738 319 633	641 064 762

SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited 12 months to 30 June 2017 R'000	Audited 12 months to 30 June 2016 R'000
Cash generated from operations	182 446	159 220
Finance costs	(50 785)	(41 681)
Investment income	1 631	1 352
Dividend paid	(125 136)	(99 194)
Cash inflow from operating activities	8 156	19 697
Acquisitions of and improvements to investment properties	(151 265)	(443 858)
Office equipment acquired	–	(372)
Cash outflow to investing activities	(151 265)	(444 230)
Net interest bearing borrowings (repaid)/advanced	(78 004)	325 551
Net amounts owing to minorities raised	8 291	13 134
Net advances to loans receivable	(7 078)	(7 001)
Proceeds from issue of shares	222 642	99 338
Acquisition of treasury shares	(23)	–
Cash inflow from financing activities	145 828	431 022
Net increase in cash and cash equivalents	2 718	6 489
Cash and cash equivalents at beginning of period	9 916	3 427
Cash and cash equivalents at end of period	12 634	9 916

SUMMARISED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings R'000	Shareholder's interest R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 July 2015	5 994	1 099 427	1 105 421	–	1 105 421
Shares issued	100 000	–	100 000	–	100 000
Capital issue expenses	(662)	–	(662)	–	(662)
Total comprehensive income for the period	–	222 137	222 137	1 081	223 218
Dividends paid and declared	–	(99 817)	(99 817)	–	(99 817)
Balance at 30 June 2016	105 332	1 221 747	1 327 079	1 081	1 328 160
Shares issued	224 494	–	224 494	–	224 494
Capital issue expenses	(1 852)	–	(1 852)	–	(1 852)
Acquisition of treasury shares	(23)	–	(23)	–	(23)
Total comprehensive income for the period	–	299 234	299 234	3 385	302 619
Dividends paid and declared	–	(125 714)	(125 714)	(12)	(125 726)
Balance at 30 June 2017	327 951	1 395 267	1 723 218	4 454	1 727 672

OTHER SEGMENTAL INFORMATION

	Audited 30 June 2017	Audited 30 June 2016
Regional profile based on leasable area		
KwaZulu-Natal	22.4%	23.3%
Western Cape	20.9%	18.9%
Gauteng	15.5%	16.1%
Free State	15.4%	16.1%
Northern Cape	9.2%	9.6%
Eastern Cape	8.3%	7.3%
Limpopo	5.9%	6.2%
Mpumalanga	2.4%	2.5%
Vacancy profile based on gross lease area		
Gross lease area in metres squared as at end of period *	194 311	185 937
Properties held	41	39
Vacancy area in metres squared *	9 094	7 060
Vacancy area as % of gross lease area	4.7%	3.8%
Regional vacancy profile (m²) (regions where vacancies are located)		
Free State	2 425	1 093
Gauteng	2 327	1 160
Western Cape	1 690	3 409
KwaZulu-Natal	1 467	771
Limpopo	652	248
Northern Cape	483	379
Mpumalanga	50	–

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

The accounting policies applied in the preparation of these audited summarised consolidated results for the year ended 30 June 2017, 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 2016. 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 summarised 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, No 71 of 2008, as amended ("Companies Act") and the Listings Requirements of JSE Limited.

These summarised consolidated results for the year ended 30 June 2017 have been prepared in accordance with the historic cost basis, except for the measurement of investment properties 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 summarised consolidated results for the year ended 30 June 2017 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 audited summarised consolidated 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, and certain financial assets and financial liabilities the financial statements do not include any material estimates.

COMMENTARY

INTRODUCTION

Fairvest is a 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 41 properties, with 194 311m² of lettable area and valued at R2.20 billion.

REVIEW OF RESULTS

Fairvest board of directors are pleased to announce a 10.49% increase in the final dividend distribution of 9.380 cents per share for the six months ended 30 June 2017. This brings the total combined dividend for the year to 18.333 cents per share, which is a 10.04% increase from the previous year, again exceeding our guidance issued of between 9% and 10% growth in distribution for the full year.

Distribution history	Interim	Final	Total
Jun-13	4.570	6.000	10.570
Jun-14	6.750	6.970	13.720
Jun-15	7.427	7.679	15.106
Jun-16	8.171	8.489	16.660
Jun-17	8.953	9.380	18.333

Revenue increased by 18.4% to R331.1 million, the result of income growth in the historic portfolio as well as the acquisitions during the period. Net profit from property operations increased by 18.8% to R209.5 million, while corporate administration expenses increased by 16.3% to R19.4 million, resulting in distributable earnings increasing by 31.2% to R143.9 million.

A strong focus on cost containment and more efficient recoveries of municipal charges improved the net property expense ratio (expenses net of utility recoveries) to 15.5% compared to 17.3% for the previous financial year. Certain municipal expenses provided for in the previous financial year, being lower than anticipated, also contributed to the improved ratio. This resulted in the gross cost to income ratio reducing from 38.6% to 37.6%.

Gross rentals across the portfolio trended upwards, with a 4.6% increase in the weighted average rental to R103.99/m² at 30 June 2017 compared to R99.40/m² at 30 June 2016. The weighted average contractual escalation for the portfolio reduced marginally from 7.5% as at 30 June 2016 to 7.4% at 30 June 2017.

The net asset value increased by 29.8% to R1.72 billion (2016: R1.33 billion). On a per share basis, this equates to 218.18 cents per share, or an increase of 8.2%.

Net asset value and market capitalisation	Market capitalisation R'million	Net asset value R'million	Net asset value per share (cents)
Jun-13	503.7	546.5	151.90
Jun-14	733.4	838.9	159.00
Jun-15	1 079.0	1 105.4	184.40
Jun-16	1 020.3	1 327.1	201.60
Jun-17	1 540.2	1 723.2	218.18

PROPERTY PORTFOLIO

The total property portfolio increased by 14.5% from R1.93 billion at 30 June 2016 to R2.20 billion. The growth is attributable to acquisitions to the value of R113.5 million, as well as capital expenditure incurred of R35.7 million, offset by the disposal of the SASSA House asset for R40.0 million. The historic portfolio increased by 10.1% compared to 30 June 2016. Asset quality continues to improve, with the average value per property increasing by 8.9% to R53.8 million, and the average value per square meter increased by 9.6% to R11 345/m².

Portfolio valuation history	Valuation R'million	Average value per property R'million	Value per m ² R
Jun-13	774.8	27.7	7 704
Jun-14	1 109.1	34.7	8 836
Jun-15	1 361.8	40.1	9 780
Jun-16	1 925.1	49.4	10 355
Jun-17	2 204.4	53.8	11 345

In line with the accounting policy of the group, at least a third of the portfolio was valued by independent external valuers. Of the 41 properties in the portfolio, 14 properties equating to 39.5% by value, was valued by independent valuers, DDP Valuers and De Leeuw Valuers, with the remainder valued by the directors. All properties are valued by independent external valuers at least every three years. The properties are valued using the five-year discounted cash flow method. Assumptions are made on the discount rates used to determine the present value of the cash flows and on the capitalisation rate on an assumed sale after five years. The weighted average discount rate used was 15.0% compared to 15.2% in 2016 and the weighted average capitalisation rate used was 10.2% compared to 10.3% in 2016.

ACQUISITIONS

Shareholders are referred to Fairvest's various SENS announcements, regarding certain acquisitions by the company. Four new properties were acquired during the period, of which three transferred during the current period and one transferred after year-end.

Properties transferred during the year

Property	Location	GLA (m ²)	Purchase price R'000	Anchor tenant	Date of transfer
Mqanduli Boxer*	Eastern Cape	4 689	37 600	Boxer	07-Jul-16
Tabankulu Boxer*	Eastern Cape	4 117	32 000	Boxer	15-Jul-16
Macassar Shoprite**	Western Cape	4 528	41 500	Shoprite	12-Sep-16

* The properties were acquired as part of the Mainstream portfolio and were acquired in a newly incorporated subsidiary FPP Property Venture 103 Proprietary Limited, of which Fairvest owns 80%.

** Macassar Shoprite was acquired in a newly incorporated subsidiary, Macassar Retail Centre Proprietary Limited (previously Urban Growth Properties Proprietary Limited), of which Fairvest owns 80%.

Properties transferred after 30 June 2017

Property	Location	GLA (m ²)	Purchase price R'000	Anchor tenant	Date of transfer
Shoprite Empangeni*	KwaZulu-Natal	13 645	172 500	Shoprite	18-Jul-17

* Shoprite Empangeni was acquired in a newly incorporated wholly-owned subsidiary, FPP Property Venture 102 Proprietary Limited.

DISPOSALS

Fairvest disposed of the SASSA House asset with an effective date of transfer of ownership of 1 October 2016. Fairvest provided vendor finance to the purchaser for the transaction.

VALUE EXTRACTION

Various value extraction projects continued during the financial year on the current portfolio. R34.08 million was spent on these capital enhancement projects. The largest projects were at Parow Valley Spar and Macassar Shoprite. Parow Valley Spar redevelopment was completed during the financial year and the expansion of Macassar Shoprite is expected to be completed before the end of the next financial year.

PORTFOLIO COMPOSITION, LETTING AND VACANCIES

Tenant grade as a percentage of GLA

A-grade tenants	75.3%
B-grade tenants	8.3%
C-grade tenants	16.5%

A – Anchor and national tenants

B – Franchise, professional and large tenants

C – Other

The portfolio remains well diversified across South Africa, with no province contributing more than 25% of revenue. The high national tenant component of 75.3% of the portfolio provides shareholders with a low risk investment profile.

Vacancies increased from 3.8% to 4.7% or 9 094m² during the year, mainly as a result of some new vacancies at Middestad Mall in anticipation of a redevelopment, The Palms, Clubview Corner and Masingita Centre, partly offset by positive letting at Nyanga Junction, Parow Valley Centre and Sebokeng. 1 992m² of vacant space has been let after 30 June 2017.

Lease expiry profile	Based on rentable area	Based on gross rental
Vacant	4.7%	0.0%
Monthly	2.9%	3.9%
Jun-18	22.7%	24.7%
Jun-19	13.3%	15.8%
Jun-20	19.2%	20.4%
Jun-21	7.5%	7.7%
After Jun-22	29.7%	27.5%

During the period under review, 71 new leases were concluded with a total GLA of 16 774m². Fairvest successfully renewed 27 336m² of leases with a positive reversion of 7.5% achieved. Tenant retention for the period was 72.8%, a reduction from the 85.2% for the previous financial year. The weighted average lease term increased from 36 to 38 months.

CAPITAL RAISING ACTIVITIES

Shareholders are referred to the company's SENS announcement dated 7 November 2016, regarding the placement of 1 117 647 05 new ordinary shares which were issued through combination of a vendor consideration placement and a general authority to issue shares for cash at an issue price of R1.70 per share, raising R190.0 million of new equity.

Shareholders are referred to the company's SENS announcements dated 17 October 2016 and 18 April 2017, regarding the placement of 9 984 011 and 9 825 791 new ordinary shares which were issued through the dividend reinvestment alternative. The shares were issued at R1.67041 and R1.81322 per share respectively resulting in the retention of R34.5 million of equity.

BORROWINGS

The loan to value ("LTV") ratio at 22.4%, decreased from 29.7% at 30 June 2016 as a result of the new equity raised in during the year (LTV is calculated as total interest-bearing debt divided by total property assets). 87.1% of the debt was fixed either through swaps or fixed rate loans as at 30 June 2017, with a weighted average expiry for the fixed debt of 18 months.

The weighted average all-in cost of funding increased to 9.46% compared to 9.42% in 2016. The weighted average maturity of debt decreased from 27 months to 15 months.

PROSPECTS

The company will continue to provide shareholders exposure to retail assets servicing the lower LSM market and are actively pursuing yield accretive acquisitions. In a low economic growth environment, pressure will remain on tenants. With a low-risk tenant base the portfolio is well positioned to continue to achieve strong property growth. We will remain conservatively geared and sufficiently hedged to minimize the impact of potential interest rate increases. Management is confident that Fairvest should be able to achieve distribution growth of between 9% and 10% for the 2018 financial year.

This view assumes no material deterioration in the macroeconomic environment relative to current levels, that no major corporate failures will occur and that 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.

DIVIDEND WITH ELECTION TO REINVEST

The board has approved and declared a final gross distribution of 9.38 cents per share for the six-month period ended 30 June 2017, payable to shareholders registered as such at the close of business on Friday, 6 October 2017.

Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to reinvest the cash dividend of 9.38 cents per share, in return for new Fairvest ordinary shares ("Reinvestment Alternative"), failing which they will receive the cash dividend.

Further details regarding the dividend and Reinvestment Alternative, including the tax treatment and a detailed timetable, will be included in a separate SENS announcement, to be released today, 5 September 2017.

In accordance with Fairvest's status as a REIT, shareholders are advised that the dividend meets the requirements of a 'qualifying distribution' for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (Income Tax Act). The dividends on the shares will be deemed to be taxable dividends for South African tax purposes in terms of section 25BB of the Income Tax Act.

SUBSEQUENT EVENTS

The acquisition of Shoprite Empangeni as announced on SENS during the year were concluded after year-end with the asset registering in the name of FPP Property Venture 102 Proprietary Limited, a newly incorporated wholly owned subsidiary of the company on 18 July 2017.

The directors of Fairvest are not aware of any further material matters or circumstances arising between 30 June 2017 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 shareholders for their continuing belief in and support of Fairvest.

For and on behalf of the board

Fairvest Property Holdings Limited

5 September 2017

Cape Town

Executive directors

DM Wilder (Chief executive officer)

BJ Kriel (Chief financial officer)

AJ Marcus (Chief operating officer)*

* Alternate to DM Wilder

Non-executive directors

JF du Toit (Chairman)

LW Andrag (Lead independent director)*

KR Moloko*

N Mkhize*

JD Wiese*

TJ Cohen* (Appointed 19 June 2017 with effect 1 July 2017)

* Independent

Company Secretary

SecCorp Secretarial Services Proprietary Limited

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Transfer secretaries

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Auditor

BDO South Africa Incorporated

Registered Auditors

Sponsor

PSG Capital Proprietary Limited