

8.171 cents

Distribution for the period increased by 10.02% to 8.171 cents per share

1.6%

Vacancies reduced to 1.6% of the total lettable area – lowest vacancy levels to date

185.6 cents

Net asset value increased to 185.6 cents per share

13.1%

13.1% increase achieved on renewals

12.2%

Like for like annualised property income increased by 12.2%

84.3%

Increased tenant retention to 84.3%

77.4%

Anchor and non-anchor tenant component of 77.4%

9.25%–10.25%

Distribution growth of 9.25% to 10.25% for the year to 30 June 2016 expected

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 31 Dec 2015 R'000	Unaudited 31 Dec 2014 R'000	Audited 30 June 2015 R'000
ASSETS			
NON-CURRENT ASSETS	1 726 708	1 123 365	1 365 593
Investment property	1 687 880	1 100 834	1 337 428
Loans receivable	3 674	3 817	3 761
Investments	2 024	–	1 979
Derivative asset	869	–	–
Office equipment	556	305	269
Operating lease asset	31 705	18 409	22 156
CURRENT ASSETS	47 633	22 824	20 856
Current portion of interest-bearing loans	2 963	1 396	1 399
Trade and other receivables	35 425	16 055	16 030
Cash and cash equivalents	9 245	5 373	3 427
TOTAL ASSETS	1 774 341	1 146 189	1 386 449
EQUITY AND LIABILITIES			
EQUITY AND RESERVES	1 221 458	5 274	1 105 421
Ordinary share capital	105 332	5 274	5 994
Retained earnings	1 116 126	–	1 099 427
NON-CURRENT LIABILITIES	413 209	1 071 122	209 239
Linked unit debentures and premium	–	841 393	–
Interest-bearing borrowings	405 427	229 729	203 063
Derivative liabilities	–	–	411
Other non-current liabilities	7 518	–	5 490
Deferred taxation	264	–	275
CURRENT LIABILITIES	139 674	69 793	71 789
Interest-bearing borrowings	93 300	–	44 371
Trade and other payables	46 374	69 793	27 418
TOTAL EQUITY AND LIABILITIES	1 774 341	1 146 189	1 386 449

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 Dec 2015 R'000	Unaudited 6 months to 31 Dec 2014 R'000	Audited 12 months to 30 June 2015 R'000
GROSS REVENUE	134 445	89 377	187 926
Rental income – contractual	123 907	84 622	178 698
– straight-line accrual	10 538	4 755	9 228
Property expenses	(46 138)	(30 342)	(65 773)
Net profit from property operations	88 307	59 035	122 153
Corporate administrative expenses	(8 070)	(5 806)	(12 142)
OPERATING PROFIT	80 237	53 229	110 011
Fair value adjustment to investment properties	–	295	82 386
Fair value adjustment to derivatives	1 279	–	(411)
Fair value adjustment to debentures	–	(8 241)	(8 242)
Fair value adjustment to investments	45	–	(21)
Finance cost	(19 583)	(10 207)	(23 702)
Investment revenue	741	335	1 025
PROFIT BEFORE DEBENTURE INTEREST	62 719	35 411	161 046
Debenture interest	–	(39 033)	(38 992)
PROFIT AFTER DEBENTURE INTEREST	62 719	(3 622)	122 054
Capital raising expenses	–	–	(4 198)
PROFIT BEFORE TAXATION	62 719	(3 622)	117 856
Taxation	11	3 622	3 348
COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS	62 730	–	121 204
Profit and total comprehensive income attributable to:			
– Owners of the parent	62 730	–	121 204
– Non-controlling interest	–	–	–
	62 730	–	121 204

CONDENSED CONSOLIDATED SEGMENT REPORT

	Eastern Cape	Free State	Gauteng	KwaZulu- Natal	Western Cape	Northern Cape	Limpopo	Mpumalanga	Reconciling items/ (Eliminations)	Total
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015										
Revenue – external customers	4 394	15 624	20 825	31 702	24 165	13 160	9 194	4 843	–	123 907
Operating profit	3 333	9 691	14 286	24 778	14 912	7 022	11 155	3 130	(8 070)	80 237
Total assets	39 993	278 003	251 460	495 392	325 954	164 476	125 713	58 374	34 976	1 774 341
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014										
Revenue – external customers	4 388	1 651	17 564	23 590	22 602	7 333	7 494	–	–	84 622
Operating profit	3 581	1 235	8 407	21 430	16 464	3 380	4 719	–	(5 987)	53 229
Total assets	45 302	22 733	203 072	406 782	284 618	53 627	111 461	–	18 594	1 146 189
FOR THE YEAR ENDED 30 JUNE 2015										
Revenue – external customers	8 657	3 357	36 978	49 962	46 182	14 752	16 570	2 240	–	178 698
Operating profit	6 716	2 714	18 937	42 519	30 632	7 121	11 665	1 849	(12 142)	110 011
Total assets	40 087	26 046	246 707	491 142	320 117	64 607	120 040	60 304	17 399	1 386 449

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	Unaudited 6 months to 31 Dec 2015 R'000	Unaudited 6 months to 31 Dec 2014 R'000	Audited 12 months to 30 June 2015 R'000
Reconciliation between profit attributable to shareholders, distributable earnings and headline earnings per share			
Profit attributable to shareholders	62 730	–	121 204
Fair value adjustment to investment properties (net of taxation)	–	(295)	(82 386)
Headline and diluted headline earnings/(loss) attributable to shareholders	62 730	(295)	38 818
Fair value adjustment to debentures	–	8 241	8 242
Debenture interest	–	39 033	38 992
Headline and diluted headline profit attributable to shareholders/linked unitholders	62 730	46 979	86 052
Straight-line rental income accrual	(10 538)	(4 755)	(9 228)
Fair value adjustments to derivatives	(1 279)	–	411
Fair value adjustments to investments	(45)	–	21
Debt raising fees	181	585	3 549
Capital raising expenses	–	–	4 198
Taxation	(11)	(3 622)	(3 348)
Share issued cum distribution	2 749	–	3 519
Distributable earnings	53 787	39 187	85 174
Distribution	53 787	39 187	85 174
DISTRIBUTION (Dividend and debenture interest)*			
Interim distribution per share/linked unit (cents)	8.171	7.427	7.427
Final dividend declaration per share (cents)	–	–	7.679
Total distribution per share/linked unit (cents)	8.171	7.427	15.106
EARNINGS PER SHARE			
Basic and diluted earnings per share (cents) **	10.05	–	22.44
Headline and diluted headline loss per share (cents) **	10.05	(0.06)	7.19
Headline and diluted headline earnings per share (cents) **	10.05	8.94	15.93
Net asset value per share and net tangible asset value per share (cents)***	185.56	160.54	184.41
Share statistics (excluding treasury shares)			
Shares in issue	658 261 805	527 636 276	599 438 276
Less: Treasury shares	–	(248 001)	–
Effective shares in issue	658 261 805	527 388 275	599 438 276
Weighted average number of shares	624 054 644	525 762 609	540 053 358

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited 6 months to 31 Dec 2015 R'000	Unaudited 6 months to 31 Dec 2014 R'000	Audited 12 months to 30 June 2015 R'000
Cash inflow from operating activities	7 451	5 331	4 239
Cash outflow to investing activities	(350 787)	(11 353)	(168 953)
Cash inflow from financing activities	349 154	7 729	164 475
Net increase/(decrease) in cash and cash equivalents	5 818	1 707	(239)
Cash and cash equivalents at beginning of period	3 427	3 666	3 666
Cash and cash equivalents at end of period	9 245	5 373	3 427

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings R'000	Total R'000
Balance at 1 July 2014	5 254	–	5 254
Disposal of treasury linked units	20	–	20
Total comprehensive income for the period	–	–	–
Balance at 31 December 2014	5 274	–	5 274
Disposal of treasury linked units	2	–	2
Linked units issued	718	–	718
Conversion of debentures	–	978 223	978 223
Total comprehensive income for the period	–	121 204	121 204
Balance at 30 June 2015	5 994	1 099 427	1 105 421
Shares issued	100 000	–	100 000
Capital issue expenses	(662)	–	(662)
Total comprehensive income for the period	–	62 730	62 730
Dividends paid and declared	–	(46 031)	(46 031)
Balance at 31 December 2015	105 332	1 116 126	1 221 458

OTHER SEGMENTAL INFORMATION

	Unaudited 31 Dec 2015	Unaudited 31 Dec 2014	Audited 30 June 2015
Regional profile based on leasable area			
KwaZulu-Natal	24.8%	24.4%	31.0%
Western Cape	17.9%	24.5%	22.0%
Gauteng	17.2%	27.7%	21.6%
Free State	17.2%	1.6%	3.0%
Northern Cape	10.0%	7.2%	6.3%
Limpopo	6.6%	9.5%	8.2%
Eastern Cape	3.6%	5.1%	4.5%
Mpumalanga	2.7%	–	3.4%
Vacancy profile based on gross lease area			
Gross lease area in metres squared as at end of period *	173 999	123 087	139 247
Properties held	37	31	34
Vacancy area in metres squared *	2 751	4 804	6 058
Vacancy area as % of gross lease area	1.6%	3.9%	4.4%
Regional vacancy profile (m²) (regions where vacancies are located)			
Western Cape	1 103	1 171	1 708
Free State	689	–	–
KwaZulu-Natal	622	680	2 653
Gauteng	201	2 177	894
Northern Cape	85	207	207
Limpopo	51	569	101
Eastern Cape	–	–	495

* 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 condensed consolidated financial statements was supervised by the Chief Financial Officer, BJ Kriel CA(SA).

The accounting policies applied in the preparation of these condensed consolidated results for the six months ended 31 December 2015, 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 2015. 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, No 71 of 2008, as amended ("Companies Act") and the Listings Requirements of JSE Limited.

These condensed consolidated results for the six months ended 31 December 2015 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 have not been reviewed or audited 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 is a property investment holding company and 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 37 properties, with 173 999m² of lettable area and valued at R1 722.8 million.

REVIEW OF RESULTS

Fairvest board of directors are pleased to announce an interim dividend distribution of 8.171 cents per share for the six months ended 31 December 2015, which is a 10.02% increase from the previous period and again exceeding our guidance previously issued of between 9% and 10% growth in distribution.

Distribution history (cents per share/linked unit)	Interim	Final	Total
June 2011	5.000	5.900	10.900
June 2012	5.200	6.300	11.500
June 2013	4.570	6.000	10.570
June 2014	6.750	6.970	13.720
June 2015	7.427	7.679	15.106
June 2016	8.171		

Revenue for the six months ended 31 December 2015 increased by 50.4% to R134.4 million as a result of income growth in the historic portfolio as well as the acquisitions during the past year. Net profit from property operations increased by 49.6% to R88.3 million, while administration expenses increased by 39.0% to R8.1 million, resulting in distributable earnings increasing by 37.3% to R53.8 million. Gross property expenses as a ratio of revenue increased slightly from 36.8% for the year to 30 June 2015 to 37.2%, mainly as a result of the increases in rates and taxes and electricity. Cost containment and more efficient recoveries of municipal charges within the portfolio assisted to offset the increases in utilities as indicated in the net property expense ratio (expenses net of utility recoveries) which decreased from 17.3% in the previous financial year to 17.0%.

Gross rentals across the portfolio trended upwards, with a 5.9% increase in the weighted average rental to R97.25/m² at 31 December 2015 compared to R91.85/m² at 30 June 2015. At 31 December 2015 the weighted average contractual escalation for the portfolio increased to 7.5%, from 7.4% as at 30 June 2015. The relatively low contractual escalation percentage is mainly as a result of the high national tenant component of 77.4% of the portfolio, which provides shareholders with a relatively low risk investment profile.

CAPITAL RAISING ACTIVITIES

Shareholders are referred to the company's SENS announcement dated 15 October 2015, regarding the placement of 58 823 529 new ordinary shares which were issued through a vendor consideration placement at an issue price of R1.70 per share, raising R100 million of new equity.

PROPERTY PORTFOLIO

The total value of the property portfolio increased by 26.5% from R1 361.8 million in June 2015 to R1 722.8 million. The increase is as a result of the acquisitions during the period as well as capital expenditure incurred.

Portfolio valuation history	R'million
June 2011	99.5
June 2012	103.5
June 2013	774.8
June 2014	1 109.1
June 2015	1 361.8
June 2016	1 722.8

The board of directors took the decision not to revalue the portfolio at 31 December 2015, given the volatility and uncertainty in the markets. The portfolio therefore remains at the 30 June 2015 valuations, with the only increases being the acquisitions during the period and capital expenditure incurred. In line with the accounting policy of the group, a third of the portfolio will be valued by independent external valuers annually and the remainder of the portfolio will be valued by management.

Acquisitions

Shareholders are referred to the company's various SENS announcements, regarding certain acquisitions by the company. Seven new properties were acquired during the period, of which three transferred during the current period and four are expected to transfer before the end of the financial year.

Properties transferred during the year

Property	Location	GLA (m ²)	Purchase price R'000	Anchor tenants	Date of transfer
Sibilo	Northern Cape	8 563	96 323	Shoprite	24-Aug-15
Middestad Centre	Free State	19 803		Shoprite	26-Aug-15
Mega Park	Free State	5 960		Fielli	26-Aug-15
Redefine portfolio		25 763	242 927		

Properties transferred after 31 December 2015

Property	Location	GLA (m ²)	Purchase price R'000	Anchor tenants	Expected date of transfer
Parow Valley Spar*	Western Cape	8 543	27 850	Spar	1-May-16
Mqanduli Boxer	Eastern Cape	6 945		Boxer	1-May-16
Tabankulu Boxer	Eastern Cape	4 117		Boxer	1-May-16
Elliotdale Boxer	Eastern Cape	6 945		Boxer	1-May-16
Mainstream portfolio**		18 007	129 000		

* – The Parow Valley Spar will be acquired in a newly incorporated subsidiary, of which Fairvest owns 50%.

** – The Mainstream portfolio will be acquired in a newly incorporated subsidiary, of which Fairvest owns 80%.

Portfolio enhancements

St George Square

When the property was acquired in 2012, approximately 1 867m² was unlettable space, which was not included in the purchase consideration. Fairvest has been able to unlock this value by upgrading the space and creating 1 872m² of additional retail and storage area to service existing tenants in the centre. The project is expected to be completed during the second half of the financial year with the majority of the newly created space already let. In addition to the creation of additional GLA, the centre is being repainted and new signage pylons provided to improve the overall shopping experience by way of enhanced aesthetics.

Qualbert Centre

A redevelopment was undertaken at Qualbert Centre during the period by introducing a food anchor to the centre after concluding a 10-year lease with Pick n Pay. This has significantly reduced the vacancies at the centre and has improved the tenant quality. The project also included a façade upgrade to the centre and improved lighting, this is expected to be completed by year-end.

Tokai Junction

The centre is currently being modernised by way of improved signage and a façade upgrade. The upgrade has already contributed positively to the rental renewals at the centre.

PORTFOLIO COMPOSITION, LETTING AND VACANCIES

Tenant grade as a percentage of GLA

A-grade tenants	77.4%
B-grade tenants	7.5%
C-grade tenants	15.1%

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

Vacancies reduced from 4.4% to 1.6% or 2 751m² during the period under review, mainly as a result of some positive letting at Qualbert Centre, Richmond Shopping Centre and Nyanga Junction, bringing our vacancy levels to the lowest to date.

During the period under review 33 new leases were concluded which equated to a GLA of 6 268m². Renewal activity was also positive with a 13.1% escalation achieved on the 7 040m² of leases that were renewed during the period. Tenant retention for the period was 84.3%, a slight increase from the 81.0% of June 2015 year. Of the 17 583m² expiring by June 2016, 24.8% is represented by a Department of Public Works lease at SASSA House which is due to expire in April 2016. We are currently in negotiations regarding this lease.

Lease expiry profile	Based on rentable area	Based on gross rental
Vacant	1.6%	–
Monthly/expired	5.2%	4.4%
30 June 2016	10.1%	10.1%
30 June 2017	19.4%	22.2%
30 June 2018	19.6%	21.4%
30 June 2019	10.5%	10.7%
After 30 June 2020	33.6%	31.2%

BORROWINGS

The loan to value ("LTV") ratio was 28.7% (LTV is calculated as total interest-bearing debt divided by total property assets). Expected gearing levels after the conclusion of the Parow Spar and Mainstream acquisitions will be 33.3%. As at 31 December 2015, 36.2% of the debt was fixed either through swaps or fixed rate loans, with a weighted average expiry for the fixed debt of 29 months.

The weighted average all-in cost of funding decreased from 9.02% at June 2015 to 8.79% at 31 December 2015. The weighted average maturity of debt decreased slightly from 31 months to 27 months.

As communicated in our June 2015 results, our strategy remains to keep our gearing levels low, therefore reducing the relative exposure to floating interest rates. Given the high cost of hedging in a volatile environment, the board has decided to mitigate the risk to interest rates, should the current volatility in the market prevail, by disposing of non-core assets in order to reduce our LTV to below 25%.

PROSPECTS

With an increased level of uncertainty and volatility in the financial markets and the lacklustre economic growth, we anticipate that tough trading conditions will continue for the remainder of the financial year. Despite the economic outlook, the benefit of improved occupancies, together with the most recent property acquisitions should allow for continued strong growth in distributions. Given the performance of the 6 months to 31 December 2015, management reassessed the outlook for the remainder of the financial year and is confident that we should be able to achieve distribution growth of between 9.25% and 10.25% for the 2016 financial year.

This view assumes that there be 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

The board has approved and declared a final gross dividend of 8.171 cents per share for the six month period ended 31 December 2015 from fixed income reserves, payable to shareholders registered as such at the close of business on Friday, 1 April 2016.

Last date to trade shares cum dividend	Wednesday, 23 March 2016
Shares commence trading ex dividend	Thursday, 24 March 2016
Record date	Friday, 1 April 2016
Payment date	Monday, 4 April 2016

Shares may not be dematerialised or rematerialised between Thursday, 24 March 2016 and Friday, 1 April 2016, both days inclusive.

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, 58 of 1962 ("Income Tax Act"). The distribution on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act. Accordingly, qualifying distributions received by local tax residents must be included in the gross income of such shareholders (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 shareholder. These qualifying distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders have provided the following forms to their Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

- a declaration that the dividend is exempt from dividends tax; and
- a written undertaking to inform the CSDP, broker or the Transfer Secretaries, as the case may be,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders 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 dividend, if such documents have not already been submitted.

Qualifying distributions received by non-resident shareholders 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. 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 shareholder. Assuming dividend withholding tax will be withheld at a rate of 15%, the net amount due to non-resident shareholders will be 6.94535 cents per share. A reduced dividend withholding tax rate in terms of the applicable DTA, may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of the uncertificated shares, or the transfer secretaries, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- 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 shareholders 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 dividend if such documents have not already been submitted, if applicable.

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

Shares in issue at the date of declaration of the final distribution: 658 261 805

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

SUBSEQUENT EVENTS

Shareholders are referred to the company's SENS announcements dated 19 January 2016 and 22 February 2016 regarding the acquisition of Shoprite Heidelberg. Fairvest will not be proceeding with the transaction.

The directors of Fairvest are not aware of any further material matters or circumstances arising between 31 December 2015 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

Cape Town
3 March 2016

Executive

DM Wilder (*Chief executive officer*)
BJ Kriel (*Chief financial officer*)
AJ Marcus (*Chief operating officer*)*
*alternate to DM Wilder

Non-executive

JF du Toit (*Chairman*)
LW Andrag (*Lead independent non-executive*)
KR Moloko #
N Mkhize #
JD Wiese #
independent

Company Secretary

SecCorp Secretarial Services Proprietary Limited

Registered office

8th Floor, The Terraces, 34 Bree 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

