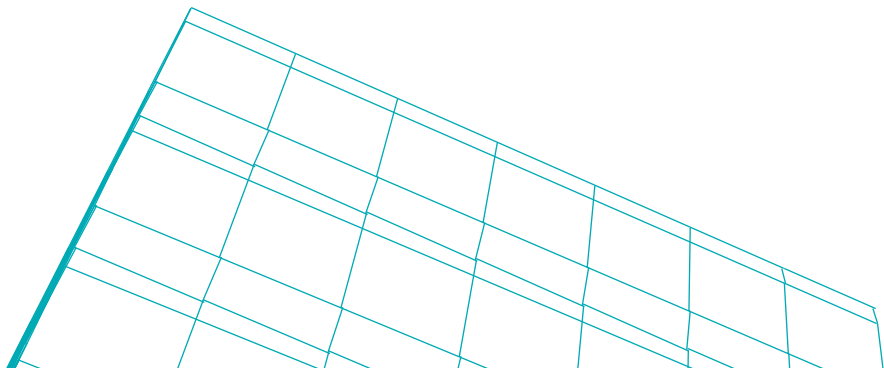
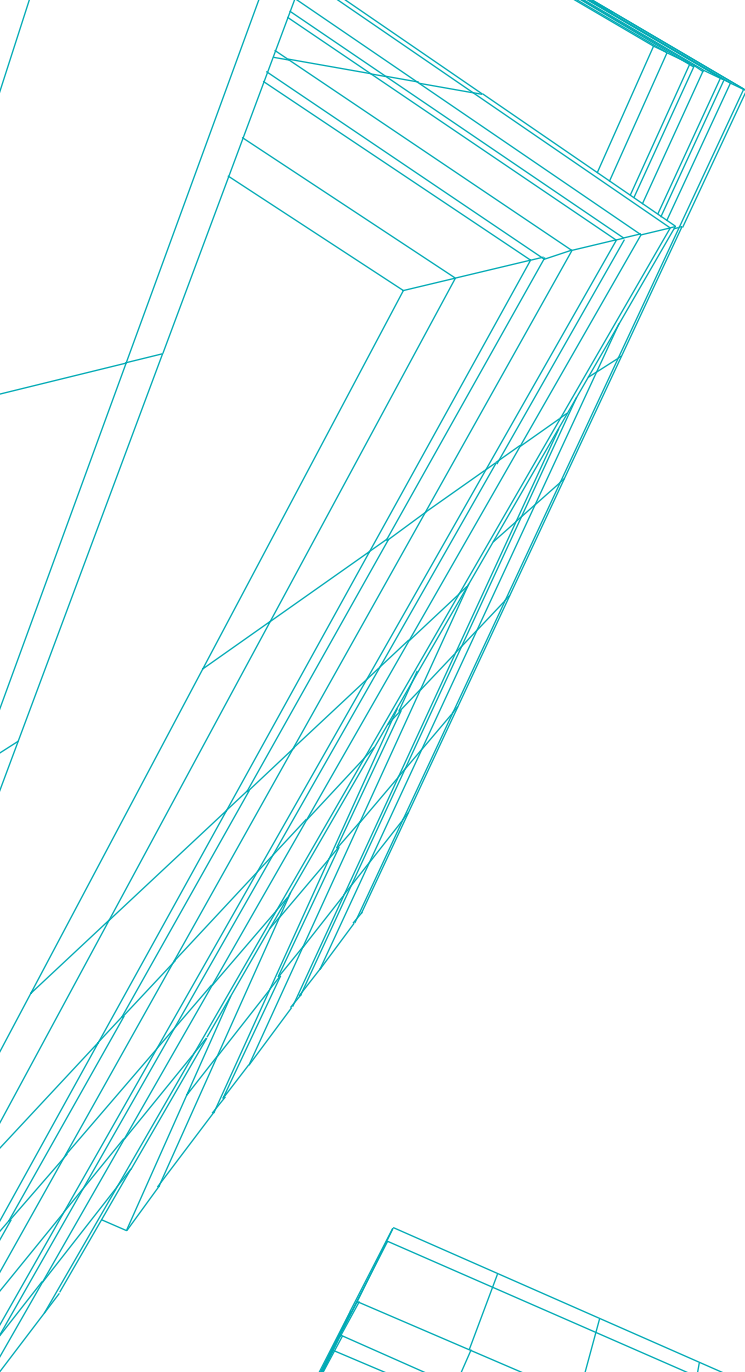


# 2018

UNAUDITED SUMMARISED CONSOLIDATED  
RESULTS AND CASH DIVIDEND  
DECLARATION FOR THE SIX MONTHS  
ENDED 31 DECEMBER 2018

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**FAIRVEST**  
PROPERTY HOLDINGS



# HIGHLIGHTS

Top performing SA REIT with

**25.7%**

annual total return to shareholders  
for the 12 months to December 2018

Distribution for the period increased by

**8.3%**

to 10.616 cents per share

Arrears decreased to

**1.8%**

of revenue

Net asset value increased by

**2.3%**

to 232.98 cents per share

Vacancies contained at **3.5%** of total lettable area

Like-for-like annualised net property income increased by

**6.4%**

Tenant retention remains high at

**79.8%**

Distribution growth of

**8% to 10%**

expected for the full year to 30 June 2019

# SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 31 Dec 2018 R'000	Unaudited 31 Dec 2017 R'000	Audited 30 Jun 2018 R'000
<b>Assets</b>			
<b>Non-current assets</b>	3 419 692	2 996 190	3 242 160
Investment property	3 074 800	2 750 636	2 928 514
Investment property under development	–	31 242	–
Loans receivable	284 670	167 237	258 008
Investments	4 768	2 196	4 772
Office equipment	386	345	311
Operating lease asset	55 068	44 534	50 555
<b>Current assets</b>	100 090	66 430	82 812
Loans receivables	5 154	5 362	4 900
Amounts owing by non-controlling interests	7 374	–	5 980
Trade and other receivables	72 653	46 860	61 989
Cash and cash equivalents	14 909	14 208	9 943
<b>Total assets</b>	<b>3 519 782</b>	<b>3 062 620</b>	<b>3 324 972</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the company</b>	2 343 618	1 930 436	2 257 385
Share capital	778 989	465 353	747 349
Retained earnings	1 564 629	1 465 083	1 510 036
Non-controlling interest	108 467	90 414	106 469
<b>Total equity</b>	<b>2 452 085</b>	<b>2 020 850</b>	<b>2 363 854</b>
<b>Non-current liabilities</b>	588 544	590 063	469 212
Interest-bearing borrowings	448 503	531 866	342 845
Amounts owing to non-controlling interests	123 518	44 010	112 788
Derivative financial instrument	2 869	4 279	2 073
Deposits received	12 409	9 405	10 836
Deferred tax liability	1 245	503	670
<b>Current liabilities</b>	479 153	451 707	491 906
Interest-bearing borrowings	408 527	398 098	411 931
Trade and other payables	70 626	53 609	79 975
<b>Total equity and liabilities</b>	<b>3 519 782</b>	<b>3 062 620</b>	<b>3 324 972</b>

# SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited six months to 31 Dec 2018 R'000	Unaudited six months to 31 Dec 2017 R'000	Audited 12 months to 30 Jun 2018 R'000
Gross revenue	239 399	186 878	404 257
Rental income – contractual	232 551	183 071	392 424
– straight-line adjustment	6 848	3 807	11 833
Other income	806	–	3 780
Property expenses	(84 955)	(66 562)	(143 293)
<b>Net property income</b>	<b>155 250</b>	<b>120 316</b>	<b>264 744</b>
Corporate administrative expenses	(14 226)	(11 323)	(25 046)
<b>Operating profit</b>	<b>141 024</b>	<b>108 993</b>	<b>239 698</b>
Fair value adjustment to investment properties	49 440	69 132	108 241
Fair value adjustment to derivatives	(797)	125	2 331
Fair value adjustment to investments	(4)	42	(7)
Finance costs	(42 972)	(32 589)	(77 876)
Finance and other investment income	19 144	6 730	27 175
<b>Profit before capital expenses</b>	<b>165 835</b>	<b>152 433</b>	<b>299 562</b>
Capital expenses	(1 002)	(4 260)	(5 605)
<b>Profit before taxation</b>	<b>164 833</b>	<b>148 173</b>	<b>293 957</b>
Income tax expense	(575)	(22)	(198)
<b>Total comprehensive income for the period</b>	<b>164 258</b>	<b>148 151</b>	<b>293 759</b>
<b>Profit and total comprehensive income attributable to:</b>			
– Owners of the parent	157 104	143 901	273 289
– Non-controlling interest	7 154	4 250	20 470
	<b>164 258</b>	<b>148 151</b>	<b>293 759</b>

# SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (cont)

	Unaudited six months to 31 Dec 2018 R'000	Unaudited six months to 31 Dec 2017 R'000	Audited 12 months to 30 Jun 2018 R'000
<b>Reconciliation between profit attributable to shareholders, distributable earnings and headline earnings per share</b>			
Comprehensive income attributable to owners of the parent	157 104	143 901	273 289
Fair value adjustment to investment properties (attributable to owners of the parent)	(41 376)	(66 086)	(93 474)
<b>Headline and diluted headline profit attributable to shareholders</b>	<b>115 728</b>	<b>77 815</b>	<b>179 815</b>
<b>Distributable earnings calculation</b>			
Net profit from property operations	155 250	120 316	264 744
Straight-line rental income accrual	(6 848)	(3 807)	(11 833)
Corporate administrative expenses	(14 226)	(11 323)	(25 046)
Finance cost	(42 364)	(31 072)	(76 081)
Finance and other investment income	19 144	6 730	27 175
Share issued <i>cum</i> distribution	920	4 249	13 146
Non-controlling interest share of distribution	(5 088)	(654)	(5 159)
<b>Distributable earnings</b>	<b>106 788</b>	<b>84 439</b>	<b>186 946</b>
Distribution	106 788	84 439	186 946
<b>Distribution (Dividend)</b>			
Interim dividend per share (cents)	10.616	9.806	9.806
Final dividend declaration per share (cents)	–	–	10.344
<b>Total dividend per share (cents)</b>	<b>10.616</b>	<b>9.806</b>	<b>20.150</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)	15.74	17.66	31.69
Headline and diluted headline earnings per share (cents)	11.60	9.55	20.85
Net asset value per share (cents)	232.98	224.19	227.78
<b>Share statistics</b>			
Shares in issue	1 005 940 398	861 100 145	991 020 553
Treasury shares	–	(12 067)	–
Effective shares in issue	1 005 940 398	861 088 078	991 020 553
Weighted average number of shares	997 831 787	814 665 426	862 248 577

# SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOW

	Unaudited six months to 31 Dec 2018 R'000	Unaudited six months to 31 Dec 2017 R'000	Audited 12 months to 30 Jun 2018 R'000
Cash generated from operations	133 343	91 981	213 511
Finance costs	(37 621)	(26 283)	(69 873)
Finance and other investment income	1 143	971	2 500
Dividend paid	(102 203)	(74 370)	(158 517)
<b>Cash outflow from operating activities</b>	<b>(5 538)</b>	<b>(7 701)</b>	<b>(12 379)</b>
Acquisitions of and improvements to investment properties	(98 047)	(202 426)	(249 662)
Development of investment property	(13 360)	(31 703)	(78 037)
Acquisition of subsidiary	–	(81 554)	(81 586)
Acquisition of investment	–	–	(2 625)
Acquisition of office equipment	(137)	(65)	(69)
<b>Cash outflow to investing activities</b>	<b>(111 544)</b>	<b>(315 748)</b>	<b>(411 979)</b>
Net interest-bearing borrowings advanced	99 378	268 441	97 769
Net loans (repaid)/raised from non-controlling interests	(4 683)	18 941	75 914
Net loans advanced	(4 487)	(99 761)	(171 419)
Proceeds from issue of share capital	31 640	137 402	419 375
Repurchase of treasury shares	–	–	(2)
Disposal of treasury shares	–	–	30
<b>Cash inflow from financing activities</b>	<b>121 848</b>	<b>325 023</b>	<b>421 667</b>
Net increase in cash and cash equivalents	4 966	1 574	(2 691)
Cash and cash equivalents at beginning of period	9 943	12 634	12 634
<b>Cash and cash equivalents at end of period</b>	<b>14 909</b>	<b>14 208</b>	<b>9 943</b>

# SUMMARISED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings R'000	Equity attributable to owners of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 July 2017	327 951	1 395 267	1 723 218	4 454	1 727 672
Shares issued	138 423	–	138 423	–	138 423
Capital issue expenses	(1 021)	–	(1 021)	–	(1 021)
Acquisition of subsidiary with non-controlling interest	–	–	–	82 154	82 154
Dividends paid and declared	–	(74 085)	(74 085)	(444)	(74 529)
Total comprehensive income for the period	–	143 901	143 901	4 250	148 151
<b>Balance at 31 December 2017</b>	<b>465 353</b>	<b>1 465 083</b>	<b>1 930 436</b>	<b>90 414</b>	<b>2 020 850</b>
Shares issued	283 956	–	283 956	–	283 956
Capital issue expenses	(1 983)	–	(1 983)	–	(1 983)
Acquisition of treasury shares	(2)	–	(2)	–	(2)
Disposal of treasury shares	25	5	30	–	30
Acquisition of subsidiary with non-controlling interest	–	–	–	(165)	(165)
Dividends paid and declared	–	(84 440)	(84 440)	–	(84 440)
Total comprehensive income for the period	–	129 388	129 388	16 220	145 608
<b>Balance at 30 June 2018</b>	<b>747 349</b>	<b>1 510 036</b>	<b>2 257 385</b>	<b>106 469</b>	<b>2 363 854</b>
Shares issued	31 882	–	31 882	–	31 882
Capital issue expenses	(242)	–	(242)	–	(242)
Dividends paid and declared	–	(102 511)	(102 511)	(5 156)	(107 667)
Total comprehensive income for the period	–	157 104	157 104	7 154	164 258
<b>Balance at 31 December 2018</b>	<b>778 989</b>	<b>1 564 629</b>	<b>2 343 618</b>	<b>108 467</b>	<b>2 452 085</b>



# CONDENSED CONSOLIDATED SEGMENT REPORT

	KwaZulu- Natal	Western Cape	Gauteng	Free State	Northern Cape	Limpopo	Eastern Cape	Mpumala	Reconciling items/ (Eliminations)	Total
<b>FOR THE SIX MONTHS TO 31 DECEMBER 2018</b>										
Revenue – external customers	55 578	41 893	57 160	28 478	20 301	11 231	13 385	4 525	–	232 551
Operating profit	41 048	25 354	36 510	17 367	11 538	7 550	10 453	3 287	(12 083)	141 024
<b>Total assets</b>	<b>814 351</b>	<b>563 765</b>	<b>769 367</b>	<b>368 678</b>	<b>224 607</b>	<b>143 791</b>	<b>218 369</b>	<b>66 904</b>	<b>349 950</b>	<b>3 519 782</b>
<b>FOR THE SIX MONTHS TO 31 DECEMBER 2017</b>										
Revenue – external customers	49 290	36 798	24 736	27 432	19 586	10 143	10 495	4 591	–	183 071
Operating profit	34 913	22 526	18 012	17 039	10 516	6 443	7 907	2 960	(11 323)	108 993
<b>Total assets</b>	<b>803 880</b>	<b>512 910</b>	<b>669 654</b>	<b>316 970</b>	<b>207 825</b>	<b>135 992</b>	<b>148 284</b>	<b>64 904</b>	<b>202 201</b>	<b>3 062 620</b>
<b>FOR THE SIX MONTHS TO 30 JUNE 2018</b>										
Revenue – external customers	103 138	77 289	69 372	50 816	39 121	20 913	21 256	10 519	–	392 424
Operating profit	74 055	50 146	49 240	32 762	21 583	14 124	16 110	6 724	(25 046)	239 698
<b>Total assets</b>	<b>801 520</b>	<b>547 216</b>	<b>746 040</b>	<b>332 620</b>	<b>220 280</b>	<b>137 067</b>	<b>157 280</b>	<b>67 174</b>	<b>315 774</b>	<b>3 324 971</b>

# OTHER SEGMENTAL INFORMATION

	Unaudited 31 Dec 2018	Unaudited 31 Dec 2017	Audited 30 June 2018
<b>Regional profile based on gross lettable area ("GLA")</b>			
Gauteng	24.8%	22.4%	25.0%
KwaZulu-Natal	23.5%	24.9%	23.8%
Western Cape	17.7%	17.9%	17.8%
Free State	11.7%	13.1%	12.5%
Eastern Cape	8.3%	7.1%	6.8%
Northern Cape	7.2%	7.6%	7.3%
Limpopo	4.8%	5.0%	4.8%
Mpumalanga	2.0%	2.0%	2.0%
<b>Vacancy profile based on GLA</b>			
Total GLA	241 214m <sup>2</sup>	229 175m <sup>2</sup>	237 965m <sup>2</sup>
Number of properties	45	43	44
Vacant area	8 520m <sup>2</sup>	7 245m <sup>2</sup>	8 255m <sup>2</sup>
Vacant area as a percentage of total GLA	3.5%	3.2%	3.5%
<b>Regional vacancy profile (regions where vacancies are located)</b>			
Gauteng	2 200m <sup>2</sup>	3 096m <sup>2</sup>	3 743m <sup>2</sup>
KwaZulu-Natal	2 154m <sup>2</sup>	1 108m <sup>2</sup>	1 002m <sup>2</sup>
Western Cape	1 575m <sup>2</sup>	601m <sup>2</sup>	2 122m <sup>2</sup>
Free State	1 559m <sup>2</sup>	1 682m <sup>2</sup>	721m <sup>2</sup>
Northern Cape	799m <sup>2</sup>	542m <sup>2</sup>	611m <sup>2</sup>
Limpopo	227m <sup>2</sup>	50m <sup>2</sup>	50m <sup>2</sup>
Eastern Cape	6m <sup>2</sup>	6m <sup>2</sup>	6m <sup>2</sup>
Mpumalanga	–	160m <sup>2</sup>	–

# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

## BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounting policies applied in the preparation of these unaudited summarised consolidated results for the six months ended 31 December 2018, 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 2018, except for the adoption of IFRS 9 and IFRS 15. The implementation of these standards does not have a material impact on the group's interim results. 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 unaudited summarised consolidated results, as set out in this report, have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS 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 six months ended 31 December 2018 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.

In terms of IFRS 9 and IFRS 7, the group's interest rate derivatives are measured at fair value through profit or loss and are categorised as level 2 investments. Interest rate derivatives are valued using discounted cash flow techniques and observable market interest rates off the interest rate yield curve. There were no transfers between levels 1, 2 and 3 during the period. The revaluation of investment property requires judgement in the determination of future cash flows from leases. An appropriate capitalisation rate which varies between 9.25% and 11.00%, with a discount rate of between 14.00% and 16.00% was used.

Changes in the capitalisation and discount rates are attributable to changes in market conditions and can have a significant impact on the property valuations. A 25 basis points decrease in the capitalisation rate will increase the value of investment property by R49.8 million. A 25 basis points increase in the discount rate will decrease the value of investment property by R27.2 million.

This announcement does not include the information required pursuant to paragraph 16A(j) of IAS 34. The full preliminary report is available at the company's registered office upon request.

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

## **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 45 properties, with 241 214m<sup>2</sup> of lettable area and valued at R3.14 billion.

## REVIEW OF RESULTS

Fairvest's board of directors is pleased to announce an 8.26% increase in the interim dividend distribution, inline with previous guidance, for the six months ended 31 December 2018, to 10.616 cents per share.

	Interim	Final	Total
Jun 15	7.427	7.679	15.106
Jun 16	8.171	8.489	16.660
Jun 17	8.953	9.380	18.333
Jun 18	9.806	10.344	20.150
Dec 18	10.616		

Revenue increased by 28.1% to R239.4 million, as a result of income growth in the historic portfolio, as well as acquisitions during the period. Net profit from property operations increased by 29.0% to R155.3 million, while corporate administration expenses increased by 25.6% to R14.2 million. Distributable earnings increased by 26.5% to R106.8 million. Cost containment and efficient recovery of municipal charges remains a strategic focus, which has led to steadily improving ratios over recent years. The net property expense ratio (expenses net of utility recoveries) again improved to 12.8% from 13.0% in the previous financial year. The gross cost to income ratio reduced from 36.4% to 36.3%. The weighted average contractual escalation for the portfolio was stable at 7.4%. Gross rentals across the portfolio trended upwards, with a 6.3% increase in the weighted average rental to R119.62/m<sup>2</sup> at 31 December 2018 compared to R112.50/m<sup>2</sup> at 30 June 2018. The weighted average retail rental increased to R118.03/m<sup>2</sup>. This was due to a significant increase in rental achieved on new leases, offset by a 0.5% negative reversion on renewals. Three large national leases were renewed during the period resulting in the negative reversion on renewals. These renewals were inline with our expectations and budgets. Our positive reversion percentage excluding these three renewals was 5.7%.

The net asset value increased by 3.8% to R2.34 billion compared to R2.26 billion at 30 June 2018. This equates to 232.98 cents per share, or an increase of 2.3% on a per share basis.

## NET ASSET VALUE AND MARKET CAPITALISATION

	Market capitalisation R'million	Net asset value R'million	Net asset value per share (cents)
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
Jun 18	2 081.1	2 257.4	227.78
Dec 18	2 193.0	2 343.6	232.98

The discount to net asset value has been reducing consistently, from 23.1% in 2016, to 6.4% in the current period.

## PROPERTY PORTFOLIO

The value of the property portfolio increased by 5.1% from R2.99 billion at 30 June 2018 to R3.14 billion. The growth is attributable to the acquisition of Libode Shopping Centre to the value of R49.0 million, together with capital expenditure incurred of R47.7 million. The historic portfolio increased by 3.2% compared to 30 June 2018. Asset quality continues to improve, with the average value per property increasing by 2.8% to R69.8 million, and the average value per square meter increasing by 3.7% to R13 017/m<sup>2</sup>.

## PORTFOLIO VALUATION HISTORY

	Valuation R'million	Average value per property R'million	Value per m <sup>2</sup> R
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
Jun 18	2 987.0	67.9	12 552
Dec 18	3 140.0	69.8	13 017

As in previous interim reporting periods, the directors valued the group's investment property portfolio. The properties are valued using the five-year discounted cash flow method or the income capitalisation method, consistent with previous periods. 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 accounting policy of the group is to value at least a third of the portfolio by independent external valuers annually at 30 June. All properties are valued by independent external valuers at least every three years. The weighted average discount rate and capitalisation rate used remained unchanged compared to 30 June 2018 at 14.7% and 10.2% respectively.

# COMMENTARY (cont)

## ACQUISITIONS

Shareholders are referred to Fairvest's various SENS announcements, regarding certain acquisitions by the company. One new property was obtained during the period.

Property	Location	GLA (m <sup>2</sup> )	Cost of acquisition R'000	Anchor tenant	Date of transfer
Libode Shopping Centre	Eastern Cape	4 980	49 000	Boxer	3 Oct 18

The property was acquired in a newly incorporated subsidiary FPP Property Ventures 1 16 Proprietary Limited (renamed Libode Shopping Centre Proprietary Limited) of which Fairvest owns 55% of the shares in issue.

## VALUE CREATION

The Middestad Mall first floor retail redevelopment was completed during the period with capital expenditure to the value of R31.3 million being incurred. The new retail space opened on Black Friday with key first floor tenants, Total Sport and Sports Scene's turnover exceeding expectations.

## PORTFOLIO COMPOSITION, LETTING AND VACANCIES

### TENANT COMPOSITION AS A PERCENTAGE OF GLA

A-grade tenants	74.8%
B-grade tenants	7.0%
C-grade tenants	18.2%

A – Anchor and national tenants (49.0% are occupied by the top 10 largest tenants)

B – Franchise, professional and large tenants

C – Other

The portfolio remains well diversified across South Africa, with the four largest provinces, Gauteng, KwaZulu-Natal, Western Cape and Free State contributing 77.6% of revenue. The high national tenant component of 74.8% of the portfolio provides shareholders with a low risk investment profile, with national food retailers occupying 34.1% of the portfolio. Vacancies were contained at 3.5% or 8 520m<sup>2</sup> during the period, mainly as a result of the letting of vacancies at The Palms, Paddagat and Mega Park, partly offset by new vacancies at Middestad Mall and Richmond Shopping Centre.

## LEASE EXPIRY PROFILE

	Based on rentable area	Based on gross rental
Vacant	3.5%	-
Monthly	4.8%	4.9%
Jun 19	6.1%	6.8%
Jun 20	20.7%	23.3%
Jun 21	19.8%	19.8%
Jun 22	13.8%	13.6%
After Jun 23	31.3%	31.6%

During the period under review, 99 new leases were concluded with a total GLA of 11 064m<sup>2</sup>. Fairvest successfully renewed 19 929m<sup>2</sup> of leases, with a modest negative reversion of 0.5% being achieved on these renewals, in return for tenant retention of 79.8% and a lengthening of the lease expiry profile. The weighted average lease term increased from 32 to 38 months.

## VACANCY SUMMARY

	GLA (m <sup>2</sup> )	%
Vacancies as at 30 June 2018	8 255	3.4
Leases expired	38 225	15.8
Leases terminated early	3 341	1.4
Redevelopment vacancy	827	0.3
Renewal of expired leases	(19 929)	(8.3)
Early renewals	(449)	(0.2)
Contracts to be renewed	(10 576)	(4.4)
GLA remeasurements	(111)	(0.0)
<b>Vacancies as at 31 December 2018</b>	<b>8 520</b>	<b>3.5</b>

## ARREARS AS A PERCENTAGE OF REVENUE

Jun 15	1.9%
Jun 16	1.9%
Jun 17	2.4%
Jun 18	2.0%
<b>Dec 18</b>	<b>1.8%</b>

A strong focus on arrears management reduced arrears to 1.8% of revenue, the lowest level in the past 6 years.

# COMMENTARY (cont)

## CAPITAL RAISING ACTIVITIES

Shareholders are referred to the company's SENS announcements dated 8 October 2018, regarding the issuing of 14 919 845 new ordinary shares which were issued through the dividend reinvestment alternative. The shares were issued at R2.13686 per share resulting in the retention of R31.9 million of equity.

## BORROWINGS

The loan to value ("LTV") ratio increased to 27.1% (2018: 25.1%) due to the acquisitions and capital expenditure during the period, partially offset by the capital retained through the dividend reinvestment alternative. LTV is calculated as total interest-bearing debt divided by total property assets. Of the debt 46.6% was fixed through swaps as at 31 December 2018, with a weighted average expiry for the fixed debt of 25 months. During February 2019 an additional interest rate swap was entered into, improving the fixed debt percentage further to 58.3%. The various floating rate loans advanced to development partners at 31 December 2018, improves the effective hedged position to 80.6%. The weighted average all-in cost of funding increased to 9.38% (2018: 9.16%), due to the rate increase in November 2018. The weighted average maturity of debt remained unchanged at 17 months. A large debt facility is expiring in May 2019. Discussions on the renewal are in progress and we expect the maturity profile of debt to improve and available facilities to increase by the end of the financial year.

## PROSPECTS

The retail trading environment in South Africa remains under pressure. In spite of the challenging trading environment, retail assets servicing and trading in the lower LSM sector, continues to show more resilience than the balance of the retail sector. Our exposure to Edcon is low, with our only exposure to Jet Stores, comprising 0.8% of the total gross lettable area. Our high national tenant component and conservative gearing levels positions us well for further sustainable growth in distributions and the ability to take advantage of opportunities, should they arise.

Management remains confident that growth in distribution per share of between 8% and 10% for the full 2019 financial year, when compared to the 2018 financial year, remains achievable. 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 an interim gross dividend of 10.616 cents per share for the six-month period ended 31 December 2018, payable to shareholders registered as such at the close of business on Friday, 5 April 2019.

Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to reinvest the cash dividend of 10.616 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, 27 February 2019.

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.

## PROVISION OF FINANCIAL ASSISTANCE

Shareholders are referred to Special Resolution Number 3, relating to the provision of direct or indirect financial assistance in terms of section 45 of the Companies Act to related or inter-related companies, which was approved at the annual general meeting of Fairvest on 14 November 2018.

Fairvest shareholders are notified in terms of section 45(5)(a) of the Companies Act, that on 26 February 2019 the board of directors of the Company ("**Board**") approved the provision of financial assistance ("**Board Resolutions**"), pursuant to the above shareholder approval, to FPP Property Venture 103 Proprietary Limited ("**FPP 103**") a subsidiary of Fairvest. This new financial assistance replaces the previous financial assistance to FPP 103 referred to in the SENS announcement on 30 March 2016. This new Board approval authorises financial assistance by way of a loan to FPP 103 of up to R130.0 million and grants further financial assistance by providing a guarantee of R75.0 million. This has been provided to refinance the bank loans raised by FPP 103.

The financial assistance provided, as detailed above, is greater than one-tenth of 1% of Fairvest's net worth as at the date of the Board Resolutions. Prior to authorising the aforementioned financial assistance, the Board considered and satisfied itself, in terms of section 45 of the Companies Act, that (1) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act, (2) there has been due compliance with the Company's memorandum of incorporation and (3) the terms of the financial assistance are fair and reasonable to the Company.

## SUBSEQUENT EVENTS

The directors of Fairvest are not aware of any material matters or circumstances arising between 31 December 2018 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**  
27 February 2019  
Cape Town

## **FAIRVEST PROPERTY HOLDINGS LIMITED**

(Incorporated in South Africa)

(Registration number 1998/005011/06)

("Fairvest" or "the company" or "the group")

Share code: FVT

ISIN: ZAE000203808

Granted REIT status by the JSE

## **EXECUTIVE DIRECTORS**

DM Wilder (*Chief executive officer*)

B] Kriel (*Chief financial officer*)

A] Marcus (*Chief operating officer*)\*

*\*Alternate to DM Wilder*

## **NON-EXECUTIVE DIRECTORS**

JF du Toit (*Chairman*)

LW Andrag (*Lead independent director*)#

N Mkhize#

JD Wiese#

TJ Cohen#

*# Independent*

## **COMPANY SECRETARY**

Fluidrock Co Sec Proprietary Limited (Appointed 15 August 2018)

## **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

Rosebank Towers, 15 Biermann Avenue, Rosebank

Johannesburg, 2196

PO Box 61051, Marshalltown, 2107

## **AUDITOR**

BDO South Africa Incorporated

Registered Auditors

## **SPONSOR**

PSG Capital Proprietary Limited

## **ANNOUNCEMENT DATE**

27 February 2019



