PROOF 5 / 02-27-2020

FAIRVEST
PROPERTY HOLDINGS

EXPERIENCE
THE DIFFERENCE

CONDENSED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION

FOR THE PERIOD ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION

PROOF 5 / 02-27-2020

HIGHLIGHTS

Distribution for the period increased by **5.1%** to **11.155 cents per share**

Total property portfolio increased by **10.4%** to **R3.49 billion**

Net asset value increased by **2.0% to 233.97** cents per share

Vacancies reduced to **3.2%** of total lettable area

Arrears remained low at **1.7%** of revenue

Conservative balance sheet maintained with LTV of **34.0%**

21.9 million shares repurchased at a weighted average price of R1.86 per share

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2019 R'000	Unaudited 31 December 2018 R'000	Audited 30 June 2019 R'000
Assets			
Non-current assets	**3 825 243**	3 419 692	3 452 025
Investment property	**3 417 671**	3 074 800	3 092 382
Right-of-use asset	**273**	–	–
Loans receivable	**341 967**	284 670	297 933
Investments	**4 782**	4 768	4 816
Office equipment	**202**	386	258
Operating lease asset	**60 348**	55 068	56 636
Current assets	**98 098**	100 090	98 042
Loans receivable	**–**	5 154	10 699
Amounts owing by non-controlling interests	**9 031**	7 374	10 594
Operating lease and other receivables	**71 579**	72 653	61 393
Cash and cash equivalents	**17 488**	14 909	15 356
Total assets	**3 923 341**	3 519 782	3 550 067
Equity and liabilities			
Equity attributable to owners of the company	**2 330 779**	2 343 618	2 335 351
Share capital	**761 751**	778 989	804 177
Retained earnings	**1 569 028**	1 564 629	1 531 174
Non-controlling interest	**131 688**	108 467	127 816
Total equity	**2 462 467**	2 452 085	2 463 167
Non-current liabilities	**1 055 249**	588 544	937 910
Interest-bearing borrowings	**870 206**	448 503	810 829
Amounts owing to non-controlling interests	**146 019**	123 518	106 001
Lease liability	**15 247**	–	–
Derivative financial instrument	**9 932**	2 869	7 963
Deposits received	**12 439**	12 409	11 712
Deferred tax liability	**1 406**	1 245	1 405
Current liabilities	**405 625**	479 153	148 990
Interest-bearing borrowings	**321 595**	408 527	74 549
Lease liability	**1 411**	–	–
Amounts owing to non-controlling interests	**–**	–	8 206
Trade and other payables	**82 619**	70 626	66 235
Total equity and liabilities	**3 923 341**	3 519 782	3 550 067

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited six months to 31 December 2019 R'000	Unaudited six months to 31 December 2018 R'000	Audited 12 months to 30 June 2019 R'000
Property revenue	**267 926**	239 399	489 653
Rental income – contractual and tenant recoveries	**263 215**	232 551	480 521
– straight-line adjustment	**4 711**	6 848	9 132
Sundry income	**3 471**	806	1 946
Property expenses	**(102 736)**	(84 955)	(175 872)
Net property income	**168 661**	155 250	315 727
Corporate administrative expenses	**(14 517)**	(14 226)	(30 174)
Operating profit	**154 144**	141 024	285 553
Fair value adjustment to investment properties	**46 651**	49 440	27 839
Fair value adjustment to derivatives	**(1 969)**	(797)	(5 890)
Fair value adjustment to investments	**(34)**	(4)	44
Finance costs	**(52 916)**	(42 972)	(89 486)
Finance and other investment income	**20 627**	19 144	40 823
Profit before capital expenses	**166 503**	165 835	258 883
Capital expenses	**(1 804)**	(1 002)	(1 205)
Profit before tax	**164 699**	164 833	257 678
Income tax expense	**(2)**	(575)	(735)
Total comprehensive income for the period	**164 697**	164 258	256 943
Profit and total comprehensive income attributable to:			
– Owners of the parent	**149 792**	157 104	230 440
– Non-controlling interest	**14 905**	7 154	26 503
	164 697	164 258	256 943
Headline earnings reconciliation			
Comprehensive income attributable to owners of the parent	**149 792**	157 104	230 440
Fair value adjustment to investment properties	**(46 651)**	(49 440)	(27 839)
Non-controlling interest portion of fair value adjustment to investment properties	**6 460**	8 064	12 284
Headline and diluted headline profit attributable to shareholders	**109 601**	115 728	214 885

	Unaudited six months to 31 December 2019 R'000	Unaudited six months to 31 December 2018 R'000	Audited 12 months to 30 June 2019 R'000
Distributable earnings calculation*			
Net property income	**168 661**	155 250	315 727
Straight-line rental income adjustment	**(4 711)**	(6 848)	(9 132)
Corporate administrative expenses	**(14 517)**	(14 226)	(30 174)
Finance costs	**(52 089)**	(42 364)	(87 543)
Finance and other investment income	**20 627**	19 144	40 823
IFRS 16 adoption	**(75)**	–	–
Depreciation	**137**	–	–
Finance costs	**542**	–	–
Lease payments	**(754)**	–	–
Share issued *cum* distribution	**–**	920	1 709
Non-controlling interest share of distribution	**(6 769)**	(5 088)	(11 033)
Distributable earnings	**111 127**	106 788	220 377
Distribution	**111 127**	106 788	220 377
Dividend			
Interim dividend per share (cents)	**11.155**	10.616	10.616
Final dividend declaration per share (cents)	**–**	–	11.157
Total distribution per share (cents)	**11.155**	10.616	21.773
Earnings per share			
Basic and diluted earnings per share (cents)	**14.87**	15.74	22.94
Headline and diluted headline earnings per share (cents)	**10.88**	11.60	21.39
Net asset value per share (cents)	**233.97**	232.98	229.38
Share statistics			
Shares in issue	**1 018 125 441**	1 005 940 398	1 018 125 441
Treasury shares	**(21 918 276)**	–	–
Effective shares in issue	**996 207 165**	1 005 940 398	1 018 125 441
Weighted average number of shares	**1 007 290 251**	997 831 787	1 004 697 875

* *This is a voluntary and non-IFRS disclosure and has been included to align the disclosure of the company with the REIT sector standards.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months to 31 December 2019 R'000	Unaudited six months to 31 December 2018 R'000	Audited 12 months to 30 June 2019 R'000
Cash generated from operations	**152 499**	133 343	270 903
Finance costs	**(45 681)**	(37 621)	(79 983)
Finance and other investment income	**1 282**	1 143	2 570
Dividends paid	**(111 614)**	(102 203)	(213 838)
Cash outflow from operating activities	**(3 514)**	(5 538)	(20 348)
Acquisitions of and improvements to investment properties	**(208 032)**	(98 047)	(138 772)
Development of investment property	**(50 726)**	(13 360)	(13 360)
Acquisition of office equipment	**–**	(137)	(102)
Cash outflow to investing activities	**(258 758)**	(111 544)	(152 234)
Net interest-bearing borrowings advanced	**304 787**	99 378	131 186
Net amounts owing to non-controlling interests raised/(repaid)	**16 787**	(4 683)	(13 282)
Net (advances)/repayments to loans receivable	**(13 990)**	(4 487)	3 263
Proceeds from issue of share capital	**–**	31 640	56 828
Repayments to lease liability	**(754)**	–	–
Repurchase of treasury shares	**(42 426)**	–	–
Cash inflow from financing activities	**264 404**	121 848	177 995
Net increase in cash and cash equivalents	**2 132**	4 966	5 413
Cash and cash equivalents at the beginning of the period	**15 356**	9 943	9 943
Cash and cash equivalents at the end of the period	**17 488**	14 909	15 356

CONDENSED CONSOLIDATED STATEMENT 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 2018	747 349	1 510 036	2 257 385	106 469	2 363 854
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
Balance at 31 December 2018	778 989	1 564 629	2 343 618	108 467	2 452 085
Shares issued	25 451	–	25 451	–	25 451
Capital issue expenses	(263)	–	(263)	–	(263)
Dividends paid and declared	–	(106 791)	(106 791)	–	(106 791)
Total comprehensive income for the period	–	73 336	73 336	19 349	92 685
Balance at 30 June 2019	**804 177**	**1 531 174**	**2 335 351**	**127 816**	**2 463 167**
Acquisition of treasury shares	**(42 426)**	**–**	**(42 426)**	**–**	**(42 426)**
Dividends paid and declared	**–**	**(111 938)**	**(111 938)**	**(11 033)**	**(122 971)**
Total comprehensive income for the period	**–**	**149 792**	**149 792**	**14 905**	**164 697**
Balance at 31 December 2019	**761 751**	**1 569 028**	**2 330 779**	**131 688**	**2 462 467**

6 OTHER SEGMENTAL INFORMATION

	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
Regional profile based on leasable area			
Gauteng	**23.7%**	24.8%	25.0%
KwaZulu-Natal	**21.7%**	23.5%	23.4%
Western Cape	**20.5%**	17.7%	17.5%
Free State	**11.0%**	11.7%	11.8%
Eastern Cape	**10.2%**	8.3%	8.5%
Northern Cape	**6.7%**	7.2%	7.2%
Limpopo	**4.4%**	4.8%	4.7%
Mpumalanga	**1.8%**	2.0%	1.9%
Vacancy profile based on gross lease area			
Gross lease area ("**GLA**") in metres squared as at end of period	**261 431**	241 214	243 030
Properties held	**44**	42*	42
Vacancy area in metres squared	**8 461**	8 520	9 670
Vacancy area as % of gross lease area	**3.2%**	3.5%	4.0%
Regional vacancy profile (m^2) (regions where vacancies are located)			
Gauteng	**2 742**	2 200	2 581
KwaZulu-Natal	**2 289**	2 154	3 249
Western Cape	**1 655**	1 575	1 820
Northern Cape	**435**	799	510
Limpopo	**419**	227	305
Free State	**384**	1 559	1 081
Eastern Cape	**367**	6	124
Mpumalanga	**170**	–	–

* *Number of properties in the prior year was reduced from 45 to 42 as certain properties have been consolidated for reporting purposes.*

CONDENSED CONSOLIDATED SEGMENT REPORT

	KwaZulu-Natal R'000	Western Cape R'000	Gauteng R'000	Free State R'000	Northern Cape R'000	Limpopo R'000	Eastern Cape R'000	Mpuma-langa R'000	Reconciling items/ (elimi-nations) R'000	Total R'000
For the six months to 31 December 2019										
Revenue – external customers	**58 094**	**54 338**	**61 206**	**30 981**	**22 486**	**12 268**	**18 986**	**6 634**	**(1 778)**	**263 215**
Operating profit	**40 549**	**33 584**	**37 695**	**19 892**	**11 737**	**8 555**	**13 574**	**3 265**	**(14 707)**	**154 144**
Total assets	**776 508**	**791 203**	**803 895**	**409 602**	**236 803**	**154 453**	**289 425**	**73 885**	**387 567**	**3 923 341**
For the six months to 31 December 2018										
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
Total assets	814 351	563 765	769 367	368 678	224 607	143 791	218 369	66 904	349 950	3 519 782
For the year ended 30 June 2019										
Revenue – external customers	113 606	89 990	114 445	55 101	43 048	23 359	30 557	10 268	147	480 521
Operating profit	79 868	52 702	75 419	36 369	25 174	16 025	22 769	6 860	(29 633)	285 553
Total assets	787 171	576 414	789 327	381 378	228 781	145 050	223 999	67 736	350 211	3 550 067

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounting policies applied in the preparation of these unaudited condensed consolidated results for the six months ended 31 December 2019, 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 period ended 30 June 2019, except for the adoption of IFRS 16 (refer to *"Change in accounting policy"* section below). Any new and amendments to IFRS and IFRIC interpretations did not impact the financial position or performance of the company but has resulted in additional disclosures.

These unaudited condensed 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 unaudited condensed consolidated results for the six months ended 31 December 2019 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 rand, which is Fairvest's function and presentation currency and have been prepared on the 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.

CHANGE IN ACCOUNTING POLICY

The group has adopted IFRS 16 from 1 July 2019, using the modified retrospective approach and has therefore not restated comparatives for the 2019 financial year, as permitted under the specific transition provisions in the standard.

In applying IFRS 16 for the first time, the group used certain practical expedients permitted by the standard, namely a single discount rate of leases with reasonably similar characteristics. The liability was measured at the present value of the remaining lease payments, discounted using the average incremental borrowing rate as at 1 July 2019 of 9.1%.

Certain properties of the group are held on long-term land leases and are currently recognised as investment property at fair value. In terms of IFRS 16.34, the right of use asset for land leases are measured at fair value in accordance with IAS 40. The group will continue to value the right-of-use asset for land leases at fair value in accordance with IAS 40. With the adoption of IFRS 16, the group will recognise a lease liability in the statement of financial position as the present value of the unpaid lease payments at that date. Subsequently the lease liability will unwind over the term of the lease giving rise to finance costs recognised in profit or loss.

The group will recognise a right-of-use asset and lease liability for its operating lease of the corporate head office property. The nature of expenses related to this lease will now change from an operating lease charge to a depreciation charge for the right-of-use asset and interest expense for the lease liability.

In the process of implementing IFRS 16 the group identified an immaterial error in the application of IAS 17 to operating leases of properties held on long-term land leases, which are classified as investment property. The group omitted to recognise a finance lease liability, as required by IAS 17, for these leases and instead only recognised the property at fair value in terms of IAS 40. This immaterial error has been corrected in the current year by debiting the fair value adjustment of investment property in an amount of R10.5 million.

Recognition of right-of use-asset and lease liability

	R'000
Right-of-use asset	
Recognised on 1 July 2019	409
Depreciation	(136)
Balance as at 31 December 2019	**273**
Lease liability	
Recognised on 1 July 2019	10 994
Lease liability recognised on conclusion of long-term land lease	5 876
Finance costs	542
Lease payments	(754)
Balance as at 31 December 2019	**16 658**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Fair value hierarchy

	Level 2 R'000	Level 3 R'000	Fair value R'000
31 December 2019 (unaudited)			
Financial assets			
Investment property	–	3 417 671	3 417 671
Investments	4 782	–	4 782
Total	4 782	3 417 671	3 422 453
Financial liabilities			
Interest-bearing borrowings	–	1 191 801	1 191 801
Derivative financial instruments	9 932	–	9 932
Total	9 932	1 191 801	1 201 733
31 December 2018 (unaudited)			
Financial assets			
Investment property	–	3 074 800	3 074 800
Investments	4 768	–	4 768
Total	4 768	3 074 800	3 079 568
Financial liabilities			
Interest-bearing borrowings	–	857 030	857 030
Derivative financial instruments	2 869	–	2 869
Total	2 869	857 030	859 899
30 June 2019 (audited)			
Financial assets			
Investment property	–	3 092 382	3 092 382
Investments	4 816	–	4 816
Total	4 816	3 092 382	3 097 198
Financial liabilities			
Interest-bearing borrowings	–	885 378	885 378
Derivative financial instruments	7 963	–	7 963
Total	7 963	885 378	893 341

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical financial assets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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 9.00% 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 R56.0 million. A 25 basis points increase in the discount rate will decrease the value of investment property by R31.0 million.

COMMENTARY

INTRODUCTION

Fairvest is a Real Estate Investment Trust ("**REIT**"), with a unique focus on retail assets predominantly 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 44 properties, with 261 431 m^2 of lettable area and valued at R3.49 billion.

REVIEW OF RESULTS

Fairvest's board of directors is pleased to announce an interim dividend distribution of 11.155 cents per share for the six months ended 31 December 2019, a 5.1% increase from the previous comparable period, maintaining distribution growth within the issued guidance of 4% to 6%.

	Interim	Final	Total
June 2016	8.171	8.489	16.660
June 2017	8.953	9.380	18.333
June 2018	9.806	10.344	20.150
June 2019	10.616	11.157	21.773
December 2019	**11.155**	–	–

Total property revenue increased by 11.9% to R267.7 million, as a result of income growth in the historic portfolio, as well as an acquisition and completed development during the period. Net profit from property operations increased by 8.7% to R168.8 million, while corporate administration expenses increased by 2.9% to R14.6 million. Distributable earnings increased by 4.1% to R111.1 million. Cost containment and efficient recoveries of municipal charges remain strong focus areas. Gross cost to income ratio increased slightly from 36.3% to 37.1%.

The weighted average contractual escalation for the portfolio decreased from 7.4% to 7.2%. Gross rentals across the portfolio trended upwards, with a 5.2% increase in the weighted average rental to R127.92/m^2 at 31 December 2019 compared to R121.64/m^2 at 30 June 2019. This was as a result of contractual escalations, increases in rental achieved on new leases, and a 0.8% weighted average rental increase achieved on renewals. The weighted average retail rental increased to R126.10/m^2.

The net asset value decreased by 0.2% to R2.33 billion compared to R2.34 billion at 30 June 2019, due to the shares repurchased during the period, offset by an increase in the fair value of investment property. On a per share basis, this equates to a net asset value per share of 233.97 cents per share, or an increase of 2.0%.

NET ASSET VALUE AND MARKET CAPITALISATION

	Market capitalisation R'million	Net asset value R'million	Net asset value per share (cents)
June 2016	1 020.3	1 327.1	201.60
June 2017	1 540.2	1 723.2	218.18
June 2018	2 081.1	2 257.4	227.78
June 2019	2 015.9	2 335.4	229.38
December 2019	**1 995.5**	**2 330.8**	**233.97**

PROPERTY PORTFOLIO

The value of the property portfolio increased by 10.4% from R3.16 billion at 30 June 2019 to R3.49 billion at 31 December 2019. This increase is mainly as a result of the Nonkqubela Mall acquisition to the value of R162.9 million, the Qumbu Plaza development to the value of R54.8 million capital expenditure incurred of R45.3 million and a 3.1% increase in the historic portfolio. Asset quality continues to improve, with the average value per property increasing by 5.5% to R79.3 million, and the average value per square metre increasing by 2.7% to R13 350/m^2. The R162.9 million Nonkqubela Mall acquisition contributed to the higher percentage increase in the average value per property, compared to the increase in value per square meter.

PORTFOLIO VALUATION HISTORY

	Valuation R'million	Number of properties	Average value per property R'million	Value per m^2 R
June 2016	1 925.8	36*	53.5	10 355
June 2017	2 204.4	38*	58.0	11 345
June 2018	2 987.0	41*	72.9	12 552
June 2019	3 160.0	42	75.2	13 002
December 2019	**3 490.0**	**44**	**79.3**	**13 350**

* *Certain properties were consolidated for reporting purposes in the current period, historic properties were therefore reduced by three for comparable analysis.*

As in previous interim reporting periods, the group's investment property portfolio has been valued by its directors. 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 one third of the portfolio by independent external valuers annually at 30 June. All properties are valued by independent external valuers at least once every three years. The weighted average discount rate and capitalisation rate used remained unchanged compared to 30 June 2019 at 14.6% and 10.1%, respectively.

ACQUISITIONS

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

Property	Location	GLA (m²)	Value R'000	Anchor tenant	Date of transfer/ completion
Property transferred during the year					
Nonkqubela Mall*	Western Cape	10 811	162 876	Shoprite and Pick n Pay	23 August 2019
Development completed during the period					
Qumbu Plaza**	Eastern Cape	5 470	53 981	Boxer Superstores	1 November 2019

* *The property was acquired in Fairvest Property Holdings Limited.*

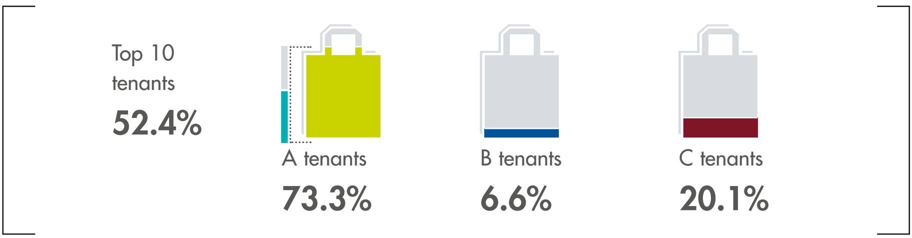
** *The property was developed in a newly incorporated subsidiary Qumbu Plaza Proprietary Limited, of which Fairvest owns 51% of the shares.*

VALUE CREATION

As part of our sustainability initiatives we completed the installation of photovoltaic rooftop solar systems on ten of our properties at a cost during the period of R36.6 million. Solar installations on seven further properties commenced, after 31 December 2019, with R24.7 million committed.

PORTFOLIO COMPOSITION, LETTING AND VACANCIES

Tenant composition as a percentage of GLA



A Anchor and national 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 77.7% of revenue. The high national tenant component of 73.3% of the portfolio provides shareholders with a low-risk investment profile with national food retailers occupying 37.2% of the portfolio in terms of GLA.

Vacancies decreased from 4.0% to 3.2% or 8 461 m^2 during the period, mainly as a result of the letting of vacancies at Richmond Shopping Centre, Middestad Mall and Omni Place, partly offset by new vacancies at Qualbert Centre, Southview Shopping Centre and Westville Junction.

Lease expiry profile

	Based on rentable area %	Based on gross rental %
Vacant	**3.2**	**0.0**
Monthly	**3.2**	**3.1**
June 2020	**11.5**	**11.8**
June 2021	**18.9**	**20.0**
June 2022	**18.3**	**19.4**
June 2023	**16.0**	**18.3**
After June 2024	**28.9**	**27.4**

On renewals, Fairvest continues to balance tenant retention against income growth. During the period under review, 64 new leases were concluded with a total GLA of 10 847 m^2. Fairvest successfully renewed leases on 11 774 m^2, with an escalation of 0.8% being achieved on these renewals. The low escalation on expiry is as a result of three large long-term national renewals, concluded in-line with budget and expectations. By excluding these our escalation percentage on expiry was 5.5%. Tenant retention for the period remained high at 66.2%, a reduction from the 79.8% achieved in the previous financial year. The weighted average lease term increased from 35 to 38 months.

SHARE REPURCHASES

In terms of a general authority granted by shareholders at the annual general meeting ("**AGM**"), Fairvest and its subsidiaries were authorised to repurchase ordinary shares.

During the period under review the company acquired, in the open market, 21 918 276 ordinary shares (18 270 874 under the authority granted at the AGM held on 14 November 2018 and 3 647 402 under the authority granted at the AGM held on 14 November 2019), equivalent to 2.2% of the issued share capital, for the total consideration of R42.43 million. The repurchases were carried out between 5 September 2019 and 5 December 2019. The highest price paid was R1.90 per share and the lowest price paid was R1.81 per share. The average price paid was R1.86 per share. The shares are held in treasury in a wholly-owned subsidiary of Fairvest.

BORROWINGS

The loan to value ("**LTV**") ratio increased to 34.0% (Jun-19: 27.4%) due to an acquisition and the completed development during the period. LTV is calculated as total interest-bearing debt divided by total property assets. Of the debt, 67.1% was fixed through interest rate swaps as at 31 December 2019, with a weighted average expiry for the fixed debt of 42 months.

The weighted average all-in cost of funding decreased to 8.92% (Jun-19: 9.29%) due to the 0.25% interest rate decrease in July 2019. The weighted average maturity of debt decreased from 24 months to 22 months.

PROSPECTS

Given the scarcity of new capital and limited opportunity for further acquisitions, the focus for the current reporting period has been inwards, towards further optimising the current portfolio. Various milestones have been achieved, amongst other things, renegotiation of soft services contracts and improvements to the lease expiry profile and weighted average lease term. Economic conditions remain challenging; however, the company remains confident that the nature of its portfolio, its low-risk tenant base and letting expertise will continue to be defensive in the face of current economic challenges. The company continues to target growth in distributions per share approximating or exceeding current inflation. Management remains confident that growth in distribution per share of between 4% and 6% for the full 2020 financial year remain achievable, in line with the previous guidance issued.

The board has resolved to not reduce the current dividend pay-out ratio policy for the 2020 and 2021 financial years. The policy is reviewed on a biannually basis and any changes will be communicated to shareholders at least 12 months before any changes are implemented.

This forecast assumed no material deterioration in the macroeconomic environment relative to current levels, that no major corporate and tenant 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 sole responsibility of the board of directors of Fairvest and has not been reviewed or reported on by the auditors.

Fairvest remains well positioned for long-term value creation, with a clearly focused strategy of servicing the non-metropolitan and lower-LSM markets and maintaining strong operational metrics including conservative gearing levels, high tenant retention and low arrears.

DIVIDEND DISTRIBUTION DECLARATION

The board has approved and declared an interim gross dividend of 11.155 cents per share from income for the six months ended 31 December 2019, payable to shareholders registered as such at the close of business on Friday, 3 April 2020.

	2020
Last day to trade *cum* dividend	**Tuesday, 31 March**
Shares commence trading *ex* dividend	**Wednesday, 1 April**
Record date	**Friday, 3 April**
Payment date	**Monday, 6 April**

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 April 2020 and Friday, 3 April 2020, both days inclusive.

Tax implications

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**").

Qualifying distributions received by shareholders who are South African 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 Fairvest's transfer secretaries, Computershare Investor Services Proprietary Limited, ("**transfer secretaries**"), in respect of certificated shares:

(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 distribution cease to be exempt from dividend withholding tax,

both in the form prescribed by the Commissioner for the South African Revenue Service ("**SARS**") and 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 distribution, 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 20%, 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 20%, the net amount due to non-resident shareholders will be 8.924 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) 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 SARS. 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 distribution 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: 1 018 125 441

Fairvest income tax reference number: 9205/066/06/1

SUBSEQUENT EVENTS

The directors of Fairvest are not aware of any material matters or circumstances arising between 31 December 2019 and the date of 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

2 March 2020

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)
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)#
N Mkhize#
JD Wiese#
TJ Cohen#
KR Nkuna#
Independent

Company Secretary
Fluidrock Co Sec 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
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
2 March 2020

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www.fairvest.co.za