UNLOCKING VALUE
THROUGH SCALE

FAIRVEST
PROPERTY HOLDINGS

SUMMARISED AUDITED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION

FOR THE YEAR ENDED 30 JUNE 2021

HIGHLIGHTS

Distribution for the year increased by 4.9% to 22.063 cents per share

Like-for-like property portfolio increased by 3.9% and valued at R3.44 billion

Loan to value ratio decreased to 31.4%

Vacancies reduced to 3.7% of total lettable area

Arrears reduced to 2.8% of revenue

Interest cover ratio at 3.3 times

Summarised consolidated statement of financial position

	Audited 30 June 2021 R'000	Audited 30 June 2020 R'000
Assets		
Non-current assets	**3 612 219**	3 621 615
Investment property	**3 319 421**	3 233 390
Right-of-use asset	**3 794**	137
Loans receivable	**215 833**	315 023
Investments	**4 533**	4 766
Office equipment	**161**	155
Operating lease and other receivables	**2 137**	5 739
Operating lease asset	**66 340**	62 405
Current assets	**174 430**	90 458
Loans receivables	**69 245**	–
Amounts owing by non-controlling interests	**20 326**	12 370
Operating lease and other receivables	**69 597**	64 331
Cash and cash equivalents	**15 262**	13 757
Non-current asset held-for-sale	**36 200**	179 300
Total assets	**3 822 849**	3 891 373
Equity and liabilities		
Equity attributable to owners of the Company	**2 274 932**	2 168 158
Stated capital	**750 474**	734 046
Retained earnings	**1 524 458**	1 434 112
Non-controlling interest	**166 592**	135 916
Total equity	**2 441 524**	2 304 074
Non-current liabilities	**689 557**	1 432 407
Interest-bearing borrowings	**491 650**	1 190 494
Amounts owing to non-controlling interests	**121 384**	146 052
Lease liability	**19 480**	15 522
Derivative financial instrument	**39 715**	67 578
Deposits received	**15 870**	11 043
Deferred tax liability	**1 458**	1 718
Current liabilities	**691 768**	154 892
Interest-bearing borrowings	**592 172**	80 154
Amounts owing to non-controlling interests	**8 429**	–
Lease liability	**1 340**	1 002
Trade and other payables	**89 827**	73 736
Total equity and liabilities	**3 822 849**	3 891 373

Summarised consolidated statement of profit or loss and other comprehensive income

	Audited 12 months to 30 June 2021 R'000	Audited 12 months to 30 June 2020 R'000
Property revenue	**550 113**	532 106
Rental income – contractual and tenant recoveries	**541 348**	518 061
– straight-line adjustment	**8 765**	14 045
Sundry income	**3 541**	5 696
Property expenses	**(198 759)**	(207 675)
Net property income	**354 895**	330 127
Corporate administrative expenses	**(31 079)**	(29 974)
Operating profit	**323 816**	300 153
Fair value adjustment to investment property	**72 882**	17 068
Fair value adjustment to derivative financial instruments	**27 863**	(59 615)
Fair value adjustment to investments	**(285)**	(25)
Finance costs	**(99 485)**	(108 559)
Finance and other investment income	**25 912**	40 810
Impairment of loan receivable	**(15 765)**	(44 004)
Profit before capital expense	**334 938**	145 828
Capital expenses	**(2 385)**	(2 158)
Profit before tax	**332 553**	143 670
Income tax expense	**107**	(313)
Total comprehensive income for the period	**332 660**	143 357
Profit and total comprehensive income attributable to:		
– Owners of the parent	**289 342**	124 224
– Non-controlling interest	**43 318**	19 133
	332 660	143 357
Reconciliation between profit attributable to shareholders and headline earnings		
Profit attributable to owners of the parent	**289 342**	124 224
Fair value adjustment to investment property	**(72 882)**	(17 068)
Non-controlling interest portion of the fair value adjustment to investment property (gross and net of tax)	**14 674**	1 931
Headline and diluted headline profit attributable to shareholders	**231 134**	109 087

	Audited 12 months to 30 June 2021 R'000	Audited 12 months to 30 June 2020 R'000
Distributable earnings calculation*		
Net property income	**354 895**	330 127
Straight-line rental income adjustment	**(8 765)**	(14 045)
Corporate administrative expenses	**(31 079)**	(29 974)
Finance costs	**(98 801)**	(107 994)
Finance and other investment income	**25 912**	40 810
IFRS 16 adjustments	**440**	(73)
Depreciation	**559**	272
Finance costs	**1 648**	1 310
Lease payments	**(1 767)**	(1 655)
Share issued cum distribution	**563**	–
Non-controlling interest share of distribution	**(25 896)**	(10 841)
Distributable earnings	**217 269**	208 010

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

Distribution for the year	**217 269**	208 010
Interim distribution	**103 784**	111 127
Final distribution	**113 485**	96 883
Dividend		
Interim dividend per share (cents)	**10.590**	11.155
Final dividend declaration per share (cents)	**11.473**	9.883
Total distribution per share (cents)	**22.063**	21.038
Earnings per share		
Basic and diluted earnings per share (cents)	**29.46**	12.46
Headline and diluted headline earnings per share (cents)	**23.53**	10.94
Net asset value per share (cents)	**229.97**	221.18
Share statistics		
Shares in issue	**1 027 332 675**	1 018 125 441
Treasury shares	**(38 086 599)**	(37 864 324)
Effective shares in issue	**989 246 076**	980 261 117
Weighted average number of shares	**982 143 422**	996 871 197

Summarised consolidated statement of cash flows

	Audited 12 months to 30 June 2021 R'000	Restated Audited 12 months to 30 June 2020 R'000
Cash flows from operating activities		
Cash generated from operations	**337 887**	290 270
Finance costs	**(91 726)**	(97 581)
Finance income	**1 167**	2 201
Taxation paid	**(153)**	–
Dividends paid	**(200 059)**	(231 672)
Cash inflow/(outflow) from operating activities	**47 116**	(36 782)
Cash flows from investing activities		
Acquisitions of and improvements to investment property	**(51 501)**	(233 327)
Disposal of investment property held-for-sale	**103 045**	–
Development of investment property	**–**	(50 897)
Acquisition of office equipment	**(111)**	–
(Acquisition)/disposal of investment	**(52)**	25
Amounts owing by non-controlling interests raised	**280**	7 567
Repayment of amounts owing by non-controlling interests	**(13 002)**	(9 344)
Advances paid to loans receivable	**(7 377)**	(47 886)
Proceeds from repayments of loans receivable	**38 052**	35 791
Cash inflow/(outflow) from investing activities	**69 334**	(298 071)
Cash flows from financing activities		
Proceeds from interest-bearing borrowings	**504 100**	922 657
Repayment of interest-bearing borrowings	**(614 296)**	(538 762)
Amounts owing to non-controlling interests raised	**4 071**	41 196
Repayment of amounts owing to non-controlling interests	**(25 329)**	(20 050)
Repayment of lease liability	**81**	(1 656)
Proceeds from issue of share capital	**16 785**	–
Repurchase of treasury shares	**(357)**	(70 131)
Cash (outflow)/inflow from financing activities	**(114 945)**	333 254
Net increase/(decrease) in cash and cash equivalents	**1 505**	(1 599)
Cash and cash equivalents at 1 July	**13 757**	15 356
Cash and cash equivalents at 30 June	**15 262**	13 757

Summarised consolidated statement of changes in equity

	Stated 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 2019	804 177	1 531 174	2 335 351	127 816	2 463 167
Acquisition of treasury shares	(70 131)	–	(70 131)	–	(70 131)
Dividends paid and declared	–	(221 286)	(221 286)	(11 033)	(232 319)
Total comprehensive income for the period	–	124 224	124 224	19 133	143 357
Balance at 30 June 2020	734 046	1 434 112	2 168 158	135 916	2 304 074
Shares issued	**17 041**	**–**	**17 041**	**–**	**17 041**
Capital issue expenses	**(256)**	**–**	**(256)**	**–**	**(256)**
Acquisition of treasury shares	**(357)**	**–**	**(357)**	**–**	**(357)**
Dividends paid and declared	**–**	**(200 665)**	**(200 665)**	**(10 841)**	**(211 506)**
Total comprehensive income for the period	**–**	**289 342**	**289 342**	**43 318**	**332 660**
Acquisition of non-controlling interest	**–**	**1 669**	**1 669**	**(1 801)**	**(132)**
Balance at 30 June 2021	**750 474**	**1 524 458**	**2 274 932**	**166 592**	**2 441 524**

Other segmental information

	Audited 30 June 2021	Audited 30 June 2020
Regional profile based on leasable area		
Gauteng	**24.8%**	23.6%
KwaZulu-Natal	**20.8%**	21.7%
Western Cape	**18.3%**	20.4%
Free State	**12.0%**	11.4%
Eastern Cape	**10.6%**	10.1%
Northern Cape	**7.1%**	6.6%
Limpopo	**4.5%**	4.4%
Mpumalanga	**1.9%**	1.8%
Vacancy profile based on gross lease area		
Gross lease area in metres squared as at the end of the period	**250 896**	262 702
Properties held	**43**	44
Vacancy area in metres squared	**9 228**	11 836
Vacancy area as % of gross lease area	**3.7%**	4.5%
Regional vacancy profile (m^2) (regions where vacancies are located)		
Gauteng	**3 244**	3 538
Western Cape	**1 303**	2 111
Free State	**1 213**	1 105
Eastern Cape	**1 175**	680
KwaZulu-Natal	**1 070**	2 981
Northern Cape	**694**	617
Limpopo	**460**	754
Mpumalanga	**69**	50

Condensed consolidated segment report

	KwaZulu-Natal R'000	Western Cape R'000	Gauteng R'000	Eastern Cape R'000	Free State R'000	Northern Cape R'000	Limpopo R'000	Mpumalanga R'000	Reconciling items R'000	Total R'000
2021										
Revenue	**118 552**	**101 389**	**125 143**	**46 191**	**63 538**	**46 915**	**25 670**	**13 227**	**723**	**541 348**
Operating profit	**84 174**	**69 292**	**79 080**	**33 732**	**41 846**	**23 715**	**16 574**	**5 759**	**(30 356)**	**323 816**
Total assets	**796 793**	**625 929**	**832 375**	**309 451**	**416 374**	**251 921**	**174 805**	**81 852**	**333 349**	**3 822 849**
Total liabilities	**21 247**	**14 975**	**44 313**	**12 642**	**11 291**	**6 428**	**4 166**	**3 009**	**1 263 254**	**1 381 325**
2020										
Revenue	112 425	106 779	118 745	39 429	59 265	44 376	24 390	12 652	–	518 061
Operating profit	76 964	67 544	74 792	28 145	36 073	22 511	17 252	6 846	(29 974)	300 153
Total assets	780 178	780 379	802 810	299 306	404 121	236 744	159 496	74 100	354 239	3 891 373
Total liabilities	14 186	19 005	32 922	10 957	8 312	6 794	3 469	762	1 490 892	1 587 299

Notes to summarised consolidated financial statements

Basis of preparation and accounting policies

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

The accounting policies applied in the preparation of these summarised audited consolidated financial statements for the year ended 30 June 2021, 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 2020. 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 summarised audited consolidated financial statements, 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* 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 audited consolidated financial statements for the year ended 30 June 2021 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 summarised audited consolidated financial statements are presented in rand, which is Fairvest's functional and presentation currency and have been prepared on the going concern basis.

Estimates and critical judgements

As in previous periods, a conservative approach was maintained on estimates as estimates are subject to an increased degree of economic uncertainty due to the COVID-19 pandemic.

In terms of IFRS 9 and IFRS 7, the Group's interest rate derivatives and investment in endowment policies 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.

Fair value measurement of investment property

The fair value measurement for the investment property (including investment property held-for-sale) of R3.44 billion (2020: R3.49 billion) has been categorised as a level 3 fair value hierarchy using inputs that are not based on observable market data (unobservable inputs).

35.8% (2020: 39.6%) of the value of the investment property portfolio was valued by independent valuers DDP Valuers, De Leeuw Valuers and Broll Valuation and Advisory Services (registered professional valuers) as at 30 June 2021, and all have experience in the valuation of similar investment properties. The remainder of the income-producing investment properties were valued by management. The valuations were based on open market values for existing use for each individual investment property. At 30 June 2021, the valuation of the properties was performed using the discounted cash flow method, unchanged from the previous year.

In determining the fair value of an investment property, the fair value is estimated on the basis of highest and best use, using an income approach which capitalises the estimated rental income, net of projected operating costs, using a discount rate derived from market yields. The estimated rental income takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the buildings.

The most significant inputs, all of which are unobservable, are the:

- discount rate; and
- reversionary capitalisation rate.

Other unobservable inputs used were:

- estimated rental income; and
- assumptions regarding vacancy levels.

The estimated fair value increases if the estimated rental increases, vacancy levels decline or if the discount rate (market yields) and reversionary capitalisation rate decline. The overall valuations are sensitive to all four assumptions. As a result, the valuations are subject to a degree of uncertainty, particularly given the current economic uncertainty due to the COVID-19 pandemic. A conservative approach was maintained as in previous years. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous year.

Changes in discount and capitalisation rates attributable to changes in market conditions can have a significant impact on property valuations. A 25 basis points increase in the discount rate will decrease the value of the investment property by R29.9 million or 0.9% (2020: R29.9 million or 0.9%). A 25 basis points decrease in the capitalisation rate will increase the value of investment property by R50.5 million or 1.5% (2020: R49.4 million or 1.5%).

Notes to summarised consolidated financial statements CONTINUED

The valuation inputs vary according to geographic location and sector. The most significant inputs used in the valuations were:

	Retail %	Office %	Portfolio %
June 2021			
Range of exit capitalisation rates	**9.8 – 11.0**	**10.0 – 11.0**	**9.8 – 11.0**
– Gauteng	**9.8 – 11.0**		
– KwaZulu-Natal	**9.8 – 10.5**		
– Western Cape	**10.0 – 11.5**		
– Free State	**10.0 – 10.5**		
– Other*	**9.8 – 11.0**		
Weighted average capitalisation rate			**10.3**
Range of discount rates	**14.0 – 16.0**	**14.5 – 15.5**	**14.0 – 16.0**
– Gauteng	**14.0 – 16.0**		
– KwaZulu-Natal	**14.0 – 16.0**		
– Western Cape	**14.5 – 16.0**		
– Free State	**14.0 – 16.0**		
– Other*	**14.0 – 16.0**		
Weighted average discount rate			**14.7**
Weighted vacancy factor			**2.5**
Market rental growth			**4.7**
June 2020			
Range of exit capitalisation rates	9.5 – 11.0	10.0 – 10.8	9.5 – 11.0
– Gauteng	9.5 – 10.5		
– KwaZulu-Natal	10.0 – 11.0		
– Western Cape	10.0 – 10.5		
– Free State	10.0 – 10.5		
– Other*	10.0 – 10.5		
Weighted average capitalisation rate			10.3
Range of discount rates	13.8 – 16.0	14.5 – 15.5	13.8 – 16.0
– Gauteng	13.8 – 16.0		
– KwaZulu-Natal	14.5 – 16.0		
– Western Cape	14.5 – 16.0		
– Free State	14.0 – 16.0		
– Other*	14.5 – 16.0		
Weighted average discount rate			14.8
Weighted vacancy factor			2.5
Market rental growth			5.0

* *Consists of properties located in the Eastern Cape, Limpopo, Northern Cape and Mpumalanga.*

Restatement of comparatives

The group has reclassified the cash flows on loans receivable, loans receivable from subsidiaries and amounts owing from non-controlling interests between financing and investing activities in the cash flow statement as these were previously incorrectly classified as financing activities This reclassification impacted the comparatives in the statements of cash flows only.

	2020 Originally presented	Reclassi-fication	**2020 Restated**
Prior period reclassification impact on statements of cash flows			
Cash flow from investing activities	(284 199)	(13 872)	**(298 071)**
Cash flow from financing activities	319 382	13 872	**333 254**

COVID-19 impact assessment

Considering the impact that the COVID-19 pandemic has had on the economy, Fairvest's ability to collect rental and generate income remained solid and encouraging. The worst affected months (April to June 2020) fell within the prior financial year and therefore we are confident that Fairvest's low-risk portfolio remains less susceptible to the impact of restrictions on trade due to its investment in non-metropolitan and lower-LSM markets which consists of mainly grocery anchored shopping centres.

The level 3 lockdown restrictions announced in December 2020 and level 4 lockdown restrictions announced in June 2021 did result in certain tenants again being unable to trade, with restaurants, bars and liquor stores affected. These tenants, however, represent a very small portion of monthly billings and fortunately the restrictions were lifted again in February 2021 and July 2021, respectively allowing the affected tenants to trade freely.

Tenant retention was 73.4% as at 30 June 2021, which has improved slightly when compared to previous reporting periods and vacancies decreased from 4.5% as at June 2020 to 3.7% as at June 2021.

Our net arrears decreased by 34.4% from R22.8 million at 30 June 2020 to R15.0 million at 30 June 2021. This equates to 2.8% of revenue for 2021 compared to the prior year of 4.4% of revenue. The value of deferment arrangements decreased from R9.2 million at 30 June 2020 to R4.7 million at 30 June 2021 where deferments previously granted were reversed due to either rental credits being granted to or deferments being settled.

Rental credits to the value of R4.7 million were granted to tenants during the current financial year, of which R3.6 million related to the 2021 financial year and R1.1 million related to the 2020 financial year. Post the reporting period, additional credits were granted to tenants amounting to R257 000 who were affected by the July 2021 restrictions.

Operating lease receivables and deferrals

	30 June 2021 R'000	30 June 2020 R'000
Operating lease receivables	**17 919**	17 933
Less: Loss allowance	**(7 624)**	(4 349)
Net arrears	**10 295**	13 584
Operating lease deferrals	**8 158**	16 183
Less: Loss allowance	**(3 482)**	(6 955)
Net deferrals	**4 676**	9 228
Total net arrears including deferrals	**14 971**	22 812
Arrears as a percentage of revenue	**2.8%**	4.4%

Fairvest's board of directors ("**Board**") continues to monitor the long-term impact of the pandemic on the economy and consumer spending, with the focus areas for the new financial year being a reduction in arrears and reducing vacancies further.

Audit report

The summarised audited consolidated results for the year ended 30 June 2021 set out herein, have been extracted from the Group's consolidated annual financial statements which have been audited by BDO South Africa Inc, but are not themselves audited. A copy of their unmodified audit opinion is available for inspection at the Company's registered office, and the full annual financial statements including the audit opinion may be viewed on the Company's website. Any reference to future financial performance included in these summarised audited consolidated results has not been reviewed or reported on by the Company's auditors.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

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

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 43 properties, with 250 896m^2 of lettable area and is valued at R3.44 billion.

Review of results

The Board is pleased to announce a final dividend distribution, from income, of 11.473 cents per share for the six months ended 30 June 2021, which brings the total combined dividend for the year to 22.063 cents per share, a 4.9% increase from the previous year.

	Interim	Final	Total	Movement yearly
June 2017	8.953	9.380	18.333	10.0%
June 2018	9.806	10.344	20.150	9.9%
June 2019	10.616	11.157	21.773	8.1%
June 2020	11.155	9.883	21.038	(3.4%)
June 2021	**10.590**	**11.473**	**22.063**	**4.9%**

Total property revenue increased by 3.4% to R550.1 million, as a result of income growth in the historic portfolio, partially offset by the disposal of Tokai Junction. Net profit from property operations increased by 7.5% to R354.9 million, while corporate administration expenses increased by 3.7% to R31.1 million. Distributable earnings increased by 4.5% to R217.3 million. Cost containment and efficient recovery of municipal charges remain strong focus areas. The gross cost to income ratio decreased from 38.9% to 36.4%, excluding the effect of rental concessions provided to tenants, as well as the increase in the provision for expected credit losses on rental billed during the COVID-19 lockdown period. The decrease is primarily due to solar implementations at properties, which remains a key ESG and cost efficiency focus, as well as reduced municipal costs and losses.

The weighted average contractual escalation for the portfolio decreased from 7.1% to 7.0%. Gross rentals across the portfolio trended upwards, with a 4.5% increase in the weighted average rental to R134.35/m^2 at 30 June 2021, compared to R128.61/m^2 at 30 June 2020. This was as a result of contractual escalations, increases in rental achieved on new leases and a 2.6% weighted average rental increase achieved on renewals. The weighted average retail rental increased to R132.50/m^2.

The net asset value increased by 4.9% to R2.275 billion and on a per share basis, increased to 229.97 cents per share from 30 June 2020, with the 3.9% like-for-like increase in the property portfolio being the largest contributor.

Net asset value and market capitalisation

	Net asset value R'million	Market capitalisation R'million	Net asset value per share (cents)
June 2017	1 723.2	1 540.2	218.18
June 2018	2 257.4	2 081.1	227.78
June 2019	2 335.0	2 015.9	229.38
June 2020	2 168.2	1 527.2	221.18
June 2021	**2 274.9**	**1 941.7**	**229.97**

Property portfolio

On a like-for-like basis the historic portfolio value increased by 3.9% compared to the previous year, largely as a result of increases in contractual rental compared to the prior year valuation assumptions, and an increase in the valuation of the completed solar installations. During the year Fairvest disposed of Tokai Junction for R180.0 million. Capital expenditure of R23.3 million was incurred and R20.5 million was spent on solar installations. The net impact of this was a 1.5% decrease in the value of the property portfolio from R3.49 billion at 30 June 2020 to R3.44 billion at 30 June 2021. Asset quality continues to improve, with the average value per property having increased by 0.9% to R80.0 million, and the average value per square metre having increased by 3.2% to R13 711/m^2.

Portfolio valuation history

	Valuation R'million	Number of properties	Average value per property R'million	Value per m^2 R
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
June 2020	3 490.8	44	79.3	13 288
June 2021	**3 440.0**	**43**	**80.0**	**13 711**

Solar initiatives

As part of its ESG and sustainability initiatives, Fairvest continued with the installation of photovoltaic rooftop solar systems on our properties. 22 sites have been completed with another two in progress, all of which are generating within expectation, with R20.5 million spent during the period. The value of the solar installation, which is included in Investment Property, as at 30 June 2021, was R122.4 million, and savings to the value of R10.3 million were realised during the financial year.

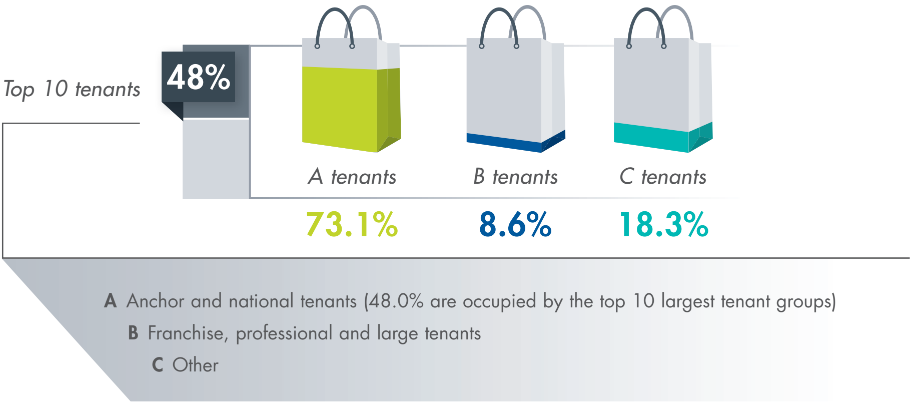
Disposals and transfers

Shareholders are referred to Fairvest's SENS announcement, regarding the disposal of Tokai Junction during the period. The property was disposed of for R180.0 million. The disposal price represents a 10.5% premium to the 30 June 2019 valuation of the property, underscoring Fairvest's conservative valuation of its portfolio. Registration of the transfer of the property to the purchaser's name occurred on 1 October 2020.

During the year Fairvest exercised its option to acquire the remaining 49% shareholding in Parow Valley Spar Proprietary Limited, which became a wholly-owned subsidiary with effect from 3 November 2020.

Portfolio composition, letting and vacancies

Tenant composition as a percentage of GLA



The portfolio remains well diversified across South Africa, with the four largest provinces, KwaZulu-Natal, Western Cape, Free State and Gauteng contributing 75.4% of revenue. The high national tenant component of 73.1% of the portfolio provides shareholders with a low-risk investment profile with national food retailers occupying 35.3% of the portfolio in terms of GLA.

Vacancies decreased from 4.5% or 11 836m² to 3.7% or 9 228m² during the period. Positive letting of vacancies after year-end resulted in the vacancy percentage further decreasing to 3.0%.

Lease expiry profile

	Based on % of GLA	Based on gross rental %
Vacant	3.7%	–
Current	7.0%	5.4%
June 2022	18.9%	19.1%
June 2023	23.2%	27.4%
June 2024	13.1%	15.3%
June 2025	12.0%	12.8%
After June 2026	22.1%	20.0%

During the year under review, 169 new leases were concluded with a total GLA of 25 497m². Fairvest successfully renewed 31 505m² of leases, with a positive reversion of 2.6% being achieved on these renewals. Tenant retention for the period remained high at 73.4%. The weighted average lease term decreased from 39 to 37 months.

Borrowings

The loan to value ("**LTV**") ratio decreased to 31.4% (June 2020: 36.3%), mainly due to the disposal of Tokai Junction during the period, offset by further investments in solar projects. Of the debt, 73.8% was fixed through interest rate swaps as at 30 June 2021, with a weighted average expiry for the fixed debt of 28 months.

The weighted average all-in cost of funding increased to 7.94% (2020: 7.57%). The increase is due to the reduction of floating rate debt with the proceeds of the Tokai Junction disposal. The weighted average maturity of debt decreased from 23 months to 15 months.

Fairvest has R658 million in debt facilities expiring during the 2022 financial year. An agreement in principle has been reached with funders on the facilities expiring by the end of the 2021 calendar year and the remaining facilities expiring by the end of the 2022 financial year are expected to be refinanced. Further feedback will be provided with Fairvest's interim results.

Prospects

The global macro-outlook remains uncertain. This, together with the uncertainty around the lasting impact of the COVID-19 pandemic on the South African economy and coupled with record local unemployment, will likely result in muted economic growth in the short-to-medium term. The vaccine rollout in South Africa has gained traction over the past few months, however further waves of infections could continue, with trading restrictions for certain tenants being a possibility. Fairvest however remains well positioned, with a clearly focused strategy of mainly investing in grocery anchored assets, servicing non-metropolitan and lower-LSM markets. These assets proved more resilient during the COVID-19 pandemic with the recovery being quicker than anticipated, without significant increases in vacancies.

Given the approval of all resolutions relating to the share swap transaction and the internalisation of Fairvest's asset manager at the general meeting held on 7 September 2021, together with the various SENS announcements relating to ongoing engagements with Arrowhead regarding a single step merger, forecasting distribution per share for the 2022 financial year would be difficult. The Board therefore provides guidance on Fairvest in its current form with further guidance and transaction documentation to follow at a later stage.

Therefore excluding the Arrowhead transaction, however including the asset manager internalisation, growth in distribution of 4%-5% is expected for the 2022 financial year.

This forecast assumes no material deterioration in the macroeconomic environment relative to current levels, that no major corporate and tenant failures will occur, that tenants will be able to absorb increases in municipal as well as utility costs and that no further significant trading restrictions related to the COVID-19 pandemic are implemented by government. Forecast rental income is based on contractual lease terms and anticipated market-related renewals. This forecast is the responsibility of the Board and has not been reviewed or reported on by the auditors.

The Board has again resolved to maintain the current dividend pay-out ratio of 100% of distributable earnings as a dividend. The policy is reviewed on a bi-annual basis and any changes will be communicated to shareholders at least 12 months before any changes are implemented.

Dividend distribution declaration

The Board has approved and declared a final gross dividend of 11.473 cents per share for the year ended 30 June 2021, payable to shareholders registered as such at the close of business on Friday, 8 October 2021, from income.

	2021
Declaration date	**Monday, 13 September**
Last day to trade *cum* dividend	**Tuesday, 5 October**
Shares commence trading *ex* dividend	**Wednesday, 6 October**
Record date	**Friday, 8 October**
Payment date	**Monday, 11 October**

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 October 2021 and Friday, 8 October 2021, 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 or 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 or 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 9.17840 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 or 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 or 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: 1 027 332 675

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

Subsequent events

Sale of investment property

An agreement for the disposal of Parow Valley Centre to the value of R36.2 million was concluded on 1 July 2021. The transfer of the property is expected to register in the name of the purchaser on or about 1 October 2021.

Acquisition of non-controlling interest

Fairvest exercised its right to acquire the remaining 20% non-controlling interest in Macassar Retail Centre Proprietary Limited effective 1 July 2021 from which date it became wholly owned by Fairvest Property Holdings Limited.

Settlement of loan receivable

A settlement agreement was entered into on 27 July 2021 with East London Property One Proprietary Limited for the full and final settlement of their loan amounting to R46.0 million. The loan has been impaired during the reporting period by R15.76 million (2020: R44.00 million). The full amount was received on 26 August 2021.

Investment in Arrowhead and internalisation of asset manager

On 10 August 2021, Fairvest issued a circular to shareholders relating to the acquisition of Arrowhead B shares in exchange for Fairvest shares and the internalisation of the asset manager.

The circular advised that Fairvest had reached agreement with significant Arrowhead shareholders to acquire 507 778 681 Arrowhead B shares in exchange for 939 390 559 Fairvest shares.

Fairvest's asset management function is currently outsourced to New Star Asset Management Proprietary Limited ("**asset manager**") in terms of an asset management agreement approved by Fairvest shareholders in 2011. The independent board resolved, subject to shareholder approval, that Fairvest acquire the issued shares of the asset manager for R133 million.

A general meeting was held on 7 September 2021 to approve the transactions and all resolutions were approved by shareholders.

Impact of civil unrest

Twelve properties across KwaZulu-Natal and Gauteng were affected during the period of civil unrest in July 2021. The extent of the damage to these properties was limited to shop fronts, roller shutter doors, fixtures and fittings. Richmond Shopping Centre and Bara Precinct had partial fire damage affecting a small percentage of their gross lettable area.

Total loss of rental claims to date amounted to R6.8 million and this amount is expected to increase marginally as we complete the claims process. Total capital expenditure incurred to date amounted to R9.4 million, which have all been claimed from SASRIA. Further estimated claims to value of R16.0 million are to be submitted for the reinstatement of the fire damaged Bara Precinct and Richmond Centre. No funds have been received from the insurers to date.

The majority of tenants have commenced trading, with only a small portion electing to cancel their leases. Of the 73 331m^2 of tenants affected by the riots and looting, 94% are trading or are able trade. Seven tenants have elected to cancel their lease agreements and reletting is already underway.

The directors of Fairvest are not aware of any other material matters or circumstances arising between 30 June 2021 and the date of this report which may materially affect the financial position of the Group or the results of its operation.

The annual general meeting ("**AGM**") of Fairvest shareholders is expected to take place on Tuesday, 23 November 2021 at 10:00 in Cape Town. The notice for the AGM will be published on SENS and dispatched to shareholders in due course, accompanied by a summary of the company's consolidated financial statements for the year ended 30 June 2021.

Appreciation

We extend our appreciation to our directors, management and staff for their valued efforts, as well as to 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
13 September 2021

Annexure: SA REIT best practice recommended disclosures (non-IFRS measures)

		30 June 2021 R'000	30 June 2020 R'000
1.	**SA REIT Funds from operations ("SA REIT FFO") per share**		
	Profit and total comprehensive income attributable to owners of the parent	**289 342**	124 224
	Adjusted for:		
	Accounting/specific adjustments:	**(65 857)**	13 229
	Fair value adjustment to investment property	**(72 882)**	(17 068)
	Fair value adjustment to investments	**285**	25
	Impairment of loan receivable	**15 765**	44 004
	Deferred tax movement recognised in profit or loss	**(260)**	313
	Straight-line rental income adjustment	**(8 765)**	(14 045)
	Foreign exchange and hedging items:	**(27 863)**	59 615
	Fair value adjustment to derivative financial instruments	**(27 863)**	59 615
	Other adjustments:	**19 113**	6 513
	Tax impact of the above adjustments	**153**	–
	Non-controlling interest share of distribution	**17 422**	8 292
	Antecedent earnings adjustment	**1 538**	(1 779)
	SA REIT FFO:	**214 735**	203 581
	SA REIT FFO per share (cents)	**21.707**	20.768
2.	**SA REIT net asset value ("SA REIT NAV")**		
	Reported NAV attributable to the parent	**2 274 932**	2 168 158
	Adjustments:		
	Dividend to be declared	**(113 485)**	(96 883)
	Fair value adjustment to derivative financial instruments	**39 715**	67 578
	Deferred tax liability	**1 458**	1 718
	SA REIT NAV	**2 202 620**	2 140 571
	Shares outstanding		
	Shares in issue	**1 027 332 675**	1 018 125 441
	Treasury shares	**(38 086 599)**	(37 864 324)
	Effective shares in issue	**989 246 076**	980 261 117
	SA REIT NAV per share (cents)	**222.66**	218.37

	30 June 2021 R'000	30 June 2020 R'000
3. SA REIT cost-to-income ratio		
Expenses		
Property expenses	**198 759**	207 675
Corporate administrative expenses	**31 079**	29 974
Exclude:		
Depreciation	**(663)**	(375)
Operating costs	**229 175**	237 274
Rental income		
Rental income – contractual	**389 993**	376 440
Rental income – tenant recoveries	**151 355**	141 621
Gross rental income	**541 348**	518 061
SA REIT cost-to-income ratio	**42.3%**	45.8%
4. SA REIT administrative cost-to-income ratio		
Administrative costs		
Corporate administrative expenses	**31 079**	29 974
Rental income		
Rental income – contractual	**389 993**	376 440
Rental income – tenant recoveries	**151 355**	141 621
Gross rental income	**541 348**	518 061
SA REIT administrative cost-to-income ratio	**5.7%**	5.8%
5. SA REIT GLA vacancy rate		
Gross lettable area of vacant space	**9 228**	11 836
Gross lettable area of total property portfolio	**250 896**	262 702
SA REIT GLA vacancy rate	**3.7%**	4.5%
6. Cost of debt		
Variable interest-rate borrowings		
Floating reference rate plus weighted average margin	**5.54%**	6.01%
Adjustments:		
Impact of interest rate derivatives	**2.40%**	1.55%
Debt raising fees	**0.06%**	0.04%
All-in weighted average cost of debt	**8.00%**	7.60%

Annexure: SA REIT best practice recommended disclosures (non-IFRS measures) CONTINUED

		30 June 2021 R'000	30 June 2020 R'000
7.	**SA REIT loan-to-value ("SA REIT LTV")**		
	Gross debt	**1 083 822**	1 270 648
	Less: Cash and cash equivalents	**(15 262)**	(13 757)
	Add: Derivative financial instruments	**39 715**	67 578
	Net debt	**1 108 275**	1 324 469
	Total assets	**3 822 849**	3 891 373
	Less: Cash and cash equivalents	**(15 262)**	(13 757)
	Less: Trade and other receivables	**(71 734)**	(70 070)
	Carrying amount of property-related assets	**3 735 853**	3 807 546
	SA REIT LTV	**29.7%**	34.8%

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

Private Bag X9000
Saxonwold
2132

Auditor
BDO South Africa Incorporated

Sponsor
PSG Capital Proprietary Limited
1st Floor
Ou Kollege Building
35 Kerk Street
Stellenbosch
7600

Announcement date
13 September 2021

www.fairvest.co.za