FORTRESS
INCOME FUND LIMITED

INTEGRATED REPORT 2013

Monument Centre > Standerton Mpumalanga > Gross lettable area – 7 681m^2 > Major tenants: Clicks, Edgars, Mr Price, Nedbank, PEP, Truworths.

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Evaton Mall > Evaton Gauteng > Gross lettable area – 36 169m² > Major tenants: Edgars, Game, Jet, Mr Price, Pick n Pay, Shoprite.

THIS HAS BEEN ANOTHER EXCEPTIONAL YEAR FOR FORTRESS INCOME FUND LIMITED ("FORTRESS").

THE DISTRIBUTIONS FOR THE YEAR ENDED 30 JUNE 2013 WERE 112,02 CENTS PER FORTRESS A LINKED UNIT ("FFA") AND 28,68 CENTS PER FORTRESS B LINKED UNIT ("FFB"), REPRESENTING GROWTH OF 5,0% AND 48,9% FOR FFA AND FFB RESPECTIVELY.

The growth of Fortress since listing on the JSE Limited ("JSE") in 2009 has been phenomenal. The market capitalisation increased from R1,8 billion at listing to R7,4 billion at 30 June 2013. Total returns to FFA and FFB unitholders over this period were 107% and 818% respectively.

The strategies adopted by the board and management have been highly successful and include:

- focus on retail properties;
- disposal of industrial and office properties;
- continual upgrade, redevelopment and extensions to existing retail centres;
- decrease in the average cost of borrowings through active management of hedging, utilising capital markets for funding and negotiating lower margins on secured funding facilities; and
- substantial investments in New Europe Property Investments plc ("Nepi") and Rockcastle Global Real Estate Company Limited ("Rockcastle") which provide hard currency exposure in Euro and US Dollar respectively.

After six years of discussion and consultation between the National Treasury and the listed property sector, Real Estate Investment Trust ("REIT") legislation has finally been adopted. Fortress has from 1 July 2013 been granted REIT status by the JSE. South Africa will be the eighth largest REIT market in the world. This I believe will have a positive effect and should result in much larger capital inflows into the sector from international investors.

The Siyakha Education Trust's name has been changed to The Resilient Education Trust. Fortress is partnering with Resilient Property Income Fund Limited ("Resilient") in this initiative with the trust's focus being the upliftment of black education in South Africa. In this financial year the trust has assisted 22 schools with either computers, science laboratories, upgrading of school facilities and other educational related projects. I have personally been very involved and it is very heartening to see what a difference it has made to the schools and pupils.

Thank you to my fellow directors for all their dedication and hard work in committee and board meetings. The board places considerable emphasis on corporate governance, sustainability and transparency. All our committees were active and effective and they each have a majority of independent non-executive directors. It is also worth noting that there has been 100% attendance by members at board meetings since listing.

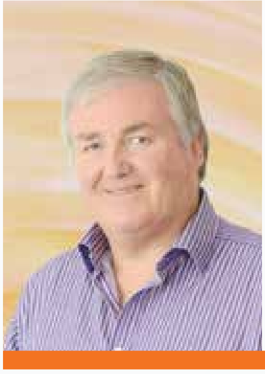
To Mark Stevens and his management team, it has been a pleasure working with you all. Keep up the good work.

Thanks to Keziah Venter from The Resilient Education Trust, all the property managers, corporate advisers, company secretary, auditors and our unitholders.

Fortress is well-positioned and has a solid foundation for another strong performance in the year ahead.

Jeff Zidel
Independent non-executive chairman

BOARD OF DIRECTORS



JEFFREY (JEFF) NATHAN ZIDEL (62)

Independent non-executive chairman

Date of appointment: October 2009

Jeff has been a successful property developer and investor and has been involved in all aspects of the property industry for more than 40 years. He was three-times past president of the Roodepoort Chamber of Commerce. He was the winner of the 2010 Absa Jewish Achiever Award for Listed Companies. He was a co-founder of Resilient, is a director of the South African Council of Shopping Centres and a non-executive director of Nepi.

MARK WALTER STEVENS (45)

Managing director and chief executive officer

Date of appointment: October 2009

Mark has been involved in the commercial and industrial property industry for more than 25 years, working as an independent and corporate broker, private investor and developer. His career has included 10 years with Old Mutual Properties and another three years with the Imperial Group.

KURAUWONE (KURA) NDAKASHAYA FRANCIS CHIHOTA (41)

Independent non-executive director

BCom (Wits), Postgraduate Diploma: Business Administration (De Montfort, UK), Real Estate Management Programme (Harvard)

Date of appointment: October 2009

Kura started his career with Bradford McCormack as a commercial broker and later joined Marriott Property Services and then Kagiso Property Holdings. He is a past chairman of the South African Property Owners' Association ("SAPOA") in Gauteng. Kura is CEO of Ascendant Property Fund, chairman of the Property Association and deputy chairman of the Johannesburg Housing Company.

NONTANDO THELMA KUNENE (57)

Independent non-executive director

BSc Quantity Surveying (Honours), PrQS, MAQS, RICS

Date of appointment: October 2009

Nontando founded Mahlati Associates in 1996 and became a director and co-founder of Mahlati Quantity Surveyors. Her work covers all aspects of quantity surveying, cost engineering and project management. Experience has been gleaned in her area of expertise at Farrow Laing (now Davis Langdon), du Toit Lombard & Malan and the Department of Works and Energy in the Transkei. Nontando ran the quantity surveying section focusing specifically on Soweto while at du Toit Lombard & Malan. She is the founder and a member of Black Women Developers and Professionals Proprietary Limited and former chairperson of Imbumba Aganang. She is an active member of the South African Institute of Black Property Practitioners and SAPOA.

CHRISTOPHER (CHRIS) MARK LISTER-JAMES (53)

Independent non-executive director

BCom, HDip Tax, CA(SA)

Date of appointment: March 2012

Chris is a director and co-founder of Vantage Capital Group, one of the first black-owned, and one of the only remaining independent private equity and investment companies in South Africa. He has been involved in investment banking and private equity for 20 years, having started his career at Real Africa Durolink, prior to co-founding Vantage Capital. Chris was also in commerce for five years where he was the financial director of McCarthy Motor Holdings.

WILLEM JAKOB (WIKO) SERFONTEIN (39)

Financial director

BCompt (Hons), CA(SA)

Date of appointment: May 2011

Wiko completed his articles with PwC and worked in the transaction services division for six years where he focused on due diligence work. He spent two years with Ernst & Young Corporate Finance and joined the Resilient group in April 2009.

DJURK PETER CLAUDIUS VENTER (45)

Independent non-executive director

BCompt (Hons), CA(SA)

Date of appointment: October 2009

Djurk completed his articles at Ernst & Young and then joined the Department of Inland Revenue in the insurance and financial institution assessing division. In 1996 he started an audit practice, Treisman Venter and Associates. In 2004 he joined Glass, Tucker and Venter (Chartered Accountants and Auditors) as partner. Djurk was a non-executive director and chairman of the audit committee of Diversified Property Fund Limited.

ATTENDANCE AT BOARD AND SUB-COMMITTEE MEETINGS

Director	Board	Investment committee	Audit committee	Risk committee	Nomination committee	Remuneration committee	Social and ethics committee
Jeff Zidel (chairman of the board)*	5/5				1/1	3/3	2/2
Kura Chihota*	5/5	7/7	3/4	2/2			
Nontando Kunene*	5/5	7/7		2/2	1/1		
Chris Lister-James*	5/5		4/4	2/2		3/3	
Wiko Serfontein#	5/5						
Mark Stevens#(1)	5/5	7/7			1/1		2/2
Djurk Venter*(2)	5/5		4/4			3/3	2/2

** Independent non-executive director.*

 # Executive director.

(1) Mark Stevens was appointed as a member of the nomination committee on 6 June 2012.

(2) Djurk Venter resigned as a member of the nomination committee on 6 June 2012.

Chairman of the sub-committee.

BENEFICIAL UNITHOLDING OF DIRECTORS AND OFFICERS

Fortress Income Fund Limited – A linked units

At 30 June 2013	Direct holding	Indirect holding	Associate holding	Total units held	Percentage of issued units
Jeff Zidel	337 686	90 900	90 905	519 491	0,2%
Mark Stevens	–	7 042 751	–	7 042 751	2,2%
Stephanie Botha	540 000	–	–	540 000	0,2%
Wiko Serfontein	–	400 000	–	400 000	0,1%
	877 686	7 533 651	90 905	8 502 242	2,7%

Fortress Income Fund Limited – B linked units

At 30 June 2013	Direct holding	Indirect holding	Associate holding	Total units held	Percentage of issued units
Jeff Zidel	2 391 362	181 800	181 810	2 754 972	0,9%
Mark Stevens	–	10 667 751	–	10 667 751	3,4%
Stephanie Botha	870 000	–	–	870 000	0,3%
Wiko Serfontein	–	2 200 000	–	2 200 000	0,7%
	3 261 362	13 049 551	181 810	16 492 723	5,3%

The unitholding of directors and officers has not changed between the end of the financial year and one month prior to the date of the notice of the annual general meeting ("AGM").

Fortress Income Fund Limited – A linked units

At 30 June 2012	Direct holding	Indirect holding	Associate holding	Total units held	Percentage of issued units
Jeff Zidel	337 686	90 900	90 905	519 491	0,2%
Mark Stevens	–	6 542 751	–	6 542 751	2,2%
Stephanie Botha	340 000	–	–	340 000	0,1%
Wiko Serfontein	–	700 000	–	700 000	0,2%
	677 686	7 333 651	90 905	8 102 242	2,7%

Fortress Income Fund Limited – B linked units

At 30 June 2012	Direct holding	Indirect holding	Associate holding	Total units held	Percentage of issued units
Jeff Zidel	2 391 362	181 800	181 810	2 754 972	0,9%
Mark Stevens	–	10 067 751	–	10 067 751	3,4%
Stephanie Botha	670 000	–	–	670 000	0,2%
Wiko Serfontein	–	1 315 000	–	1 315 000	0,4%
	3 061 362	11 564 551	181 810	14 807 723	4,9%

SCOPE OF THE INTEGRATED REPORT

Fortress is pleased to present its second integrated report to stakeholders in accordance with the King Report on Governance for South Africa ("King III"). Fortress' integrated report aims to provide stakeholders with an understanding of the group's strategic objectives, challenges to which Fortress is exposed as well as the group's governance framework.

The information included in the integrated report has been provided in accordance with International Financial Reporting Standards ("IFRS"), the South African Companies Act, 2008 ("Companies Act"), the JSE Listings Requirements, King III and the guidance provided in the Integrated Reporting Committee of South Africa's Framework for Integrated Reporting and the Integrated Report Discussion Paper (Framework) released on 25 January 2011.

This integrated report covers the financial and non-financial performance of operating subsidiaries over whose operating policies and practices Fortress exercises control or significant influence, as denoted in note 8 on page 53. Fortress' operations are in South Africa.

In determining what disclosure should be made in the integrated report, management considered what stakeholders would consider material. The sustainability reporting guidelines issued by the Global Reporting Initiative defines materiality as *"information in a report that should cover topics and indicators that reflect the organisation's significant economic, environmental and social impacts or that would substantively influence the assessments and decisions of stakeholders."* The board has applied this definition in determining the content of this integrated report.

STRATEGY

OUR UNITHOLDERS

We strive to deliver both capital and distribution growth to our unitholders. The capital structure of separately listed A and B linked units offers investors an opportunity to have investments in different risk and reward propositions.

OUR TENANTS

Fortress' management team fosters long-term relationships with major national retailers and other tenants across our diversified portfolio, recognising that there is an important symbiotic relationship between their success and ours.

OUR PROPERTIES

We oversee the effective management of our properties through our experienced and dedicated asset managers and our managing agents, ensuring that the properties are well maintained and that tenant issues are handled quickly and professionally. We are constantly assessing opportunities for upgrades, refurbishments, extensions and redevelopments of our properties.

OUR INVESTMENTS

Our management team is constantly investigating potential investments that will provide sustainable, long-term growth that exceeds industry norms whether in the form of a potential development, purchase of an income generating property or through investment in listed property securities.

HYBRID FUND AND INTERNATIONAL EXPOSURE

Fortress is a hybrid fund that invests in both direct property and indirectly through investments in listed property securities. Fortress has a listed property securities portfolio of R3 175 million.

Fortress has a substantial investment in Nepi of R1 172 million and an investment of R885 million in Rockcastle (see note 4 to the financial statements). These investments provide exposure to different segments of offshore markets in Euro and US Dollar respectively. The intention is to maintain or increase Fortress' exposure to hard currency listed property investments in high-growth markets.

FUNDING OUR BUSINESS

We manage our financing costs and concentration risk by utilising a diversity of funding sources and through hedging our exposure to interest rate risk.

CO-OWNERS

Fortress co-owns a small number of properties with a select group of partners. Aside from formalising the relationships via contracts, we build enduring relationships with our partners.

DISPOSAL OF NON-CORE PROPERTIES

Fortress aims to dispose of its non-core properties, including those in the industrial and office sectors and to focus on the retail segment of the property market.

CONVERSION TO A CORPORATE REIT

Fortress converted to a corporate REIT with effect from 1 July 2013. The main benefits of this conversion are that it maximises tax efficiency and allows Fortress to operate under an internationally recognised property investment structure.

ECONOMIC STAKEHOLDERS

- Tenants
- Suppliers
- Property managers
- Financiers
- Investors

SOCIETAL STAKEHOLDERS

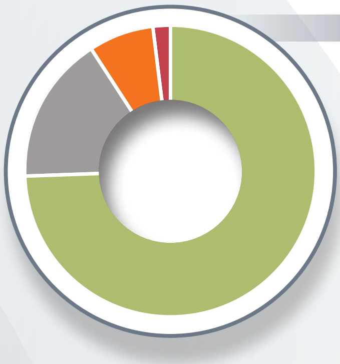
- Communities
- Government
- Local authorities
- Regulatory bodies
- Industry organisations

ORGANISATIONAL STAKEHOLDERS

- Employees
- Co-owners and partners

DIRECTORS' REPORT

FORTRESS IS AN INTERNALLY MANAGED PROPERTY LOAN STOCK COMPANY AND HAS, WITH EFFECT FROM 1 JULY 2013, CONVERTED TO A REIT. REIT LEGISLATION PROVIDES FOR CERTAINTY ON TAXATION AND BRINGS SOUTH AFRICAN REITS IN LINE WITH INTERNATIONAL BEST PRACTICE FOR LISTED PROPERTY COMPANIES.



Monument Centre > Standerton Mpumalanga > Gross lettable area – 7 681m² > Major tenants: Clicks, Edgars, Mr Price, Nedbank, PEP, Truworths.

1 NATURE OF BUSINESS

Fortress invests both in direct property and listed property securities. The direct portfolio consists of 109 investment properties with a strong weighting to commuter focused retail centres.

The sectoral breakdown by valuation of the properties is as follows:

Retail	74,5%
Industrial	16,4%
Office	7,3%
Residential	1,8%

2 CAPITAL STRUCTURE

The capital structure comprises separately listed A and B linked units with different risk and reward propositions. The distribution of the A linked units escalates at 5% per annum until June 2014 and thereafter at the lower of CPI and 5%. The A linked units have preferential entitlements to income distributions and to capital participation on winding up, while the remaining distributable income and capital participation accrues to the B linked units.

3 DISTRIBUTABLE EARNINGS

Total distributions for the year ended 30 June 2013 increased by 11,72% to 140,70 cents. The distribution attributable to the A linked units was 112,02 cents (a 5% increase) with 28,68 cents attributable to the B linked units (a 48,91% increase).

The distributable income attributable to the A linked units for the six months ended 30 June 2013 was 56,01 cents (a 5% increase) with 15,22 cents (a 52,96% increase) attributable to the B linked units.

Whilst the direct portfolio performed to budget, the group's investments in listed property securities have exceeded forecasts. The investments in both Nepi and Rockcastle experienced good growth in their respective currencies and shareholders benefited further from the weaker Rand.

4 STRATEGIC DIRECTION

Fortress aims to increase its direct property investment in retail centres close to transport nodes with high footfalls. The group will continue to dispose of its remaining office and industrial properties to focus on retail investments. In addition to acquiring new retail centres, Fortress will expand and redevelop its existing retail centres to accommodate demand, to maintain their relevance and to enhance their attractiveness to customers and tenants. Fortress will continue to increase its investments in listed property companies, particularly those with hard currency exposure. Euro or US Dollar denominated investments now constitute 23,4% of Fortress' total assets.

5 DISPOSALS

In line with its strategy, Fortress disposed of 22 properties during the 2013 financial year.

Property name	Sector	Book value Jun 2012 (R'000)	Net proceeds (R'000)	Exit yield	Effective date
Bhunu Mall (22,37% interest)	Retail	30 423	26 000	12,0%	Jul 2012
2 Skeen Boulevard	Office	46 500	46 500	9,8%	Aug 2012
Grand Central Industrial Park	Industrial	16 700	18 150	10,0%	Oct 2012
396 Voortrekker Road Parow	Retail	33 300	35 250	9,9%	Oct 2012
Fort Gale Estate commercial (60% interest)*	Office	27 780	32 212	10,3%	Nov 2012
27 – 29 Maitland Street*	Office	21 100	21 674	11,0%	Nov 2012
2 Andrea Street	Industrial	5 100	5 700	11,0%	Dec 2012
Kindon Street Robertsham	Industrial	10 200	11 550	11,2%	Jan 2013
85 North Coast Road	Industrial	7 450	8 000	9,4%	Mar 2013
Middle Road Industrial Park	Industrial	48 000	50 500	10,2%	Apr 2013
Sebokeng Plaza	Retail	78 000	67 200	11,1%	Apr 2013
Zenith Drive Umhlanga	Industrial	17 400	17 400	10,0%	May 2013
Sasol Rosebank~	Office	128 000	130 000	10,1%	Jul 2013
Hertzog Boulevard~	Office	66 800	88 978	8,8%	Jul 2013
308 Kent Avenue~	Office	50 000	59 008	10,3%	Jul 2013
Hanover Square~	Office	20 700	24 957	10,3%	Jul 2013
Wedgefield Office Park~	Office	7 700	9 318	9,3%	Jul 2013
30 Mahogany Road@	Industrial	6 950	8 400	8,7%	Jul 2013
10 Hawthorne Place@	Industrial	7 700	10 614	10,4%	Jul 2013
Brits Office Park@	Office	5 500	5 600	12,0%	Jul 2013
563 Voortrekker Road@	Industrial	12 300	13 500	8,7%	Jul 2013
7 – 9 Hawthorne Place@	Industrial	10 350	14 150	8,8%	Jul 2013
Total		**657 953**	**704 661**		

** Sold to Delta Property Fund Limited for R26,8 million in cash and 3 304 877 units in Delta Property Fund Limited.*
~Sold to Tower Property Fund Limited for R156,1 million in cash and 15 613 053 shares in Tower Property Fund Limited.
@Transferred after year-end.

6 ACQUISITIONS

The following properties were acquired during the financial year:

Property name	Sector	100% GLA (m²)	Purchase price (R'000)	Effective date
Flamwood Value Centre (50% interest)	Retail	8 183	33 515	Jul 2012
Flamwood Walk (50% interest)	Retail	4 830	28 635	Jul 2012
Shell and McDonalds Amanzimtoti	Retail	954	31 267	Jul 2012
York Road Mthatha (remaining 40% interest)	Retail	5 264	26 000	Jan 2013
Tzaneen land	Retail land	n/a	29 640	May 2013
Nelspruit Plaza (leasehold)#	Retail	18 525	312 500	Jul 2013
Rustenburg Plaza#	Retail	12 188	260 000	Jul 2013
Central Park Bloemfontein#	Retail	12 753	163 000	Jul 2013
New Redruth Village#	Retail	12 028	151 000	Jul 2013
Tzaneen Lifestyle Centre#$	Retail	10 696	105 544	Jul 2013
Sterkspruit Plaza#$	Retail	9 380	49 946	Jul 2013
Total		**94 801**	**1 191 047**	

#Fortress is acquiring the properties, together with a development partner loan of R20,6 million, from Resilient Property Income Fund Limited for R1 063 million, payable 50% in cash and 50% in Fortress linked units comprising 25 469 463 A linked units and 25 469 463 B linked units.
$Includes a portion of land held for development.

7 CURRENT EXTENSIONS

Evaton Mall

The enclosure of Evaton Plaza to create a mall and expansion of the centre by 7 884m² is well underway with several tenants having taken beneficial occupation. Game and Edgars will join Pick n Pay and Shoprite as the four anchors in this dominant retail centre. The development is projected to yield 8% based on a cost of R130 million.

Game Makhado (50% interest)

Game will be taking occupation of the 945m² extension at the end of August 2013. A yield of 9% will be achieved on Fortress' cost of R5,5 million and Game has agreed to a new 10-year lease commencing November 2013.

Mthatha Residential (60% interest)

An additional 54 residential flats measuring 2 356m² were completed in May 2013 ahead of schedule and below the budgeted cost. As there was no additional land cost, a yield of 15% was achieved on the cost of R10,3 million for Fortress' interest.

Philippi Shopping Centre

Construction for the expansion of the centre by 1 550m² to a total of 9 881m² commenced in May 2013. The additional area is let to Shoprite Liquor and several fashion retailers. The approved budget of R18,5 million is projected to achieve a yield of 10%.

8 VACANCIES

The board is pleased to report a reduction in vacancies from 5,1% at 30 June 2012 to 4,9% at 30 June 2013.

Of the current vacancies, 3 239m² were the result of planned vacancies at Evaton Mall, Biyela Shopping Centre and Game Makhado, all of which are undergoing or are about to commence extensions and redevelopment.

9 LISTED PROPERTY SECURITIES

	2013		2012	
	Number of units/ shares	**Carrying value (R'000)**	Number of units/ shares	Carrying value (R'000)
Capital (CPL)	**42 500 000**	**452 200**	38 500 000	380 765
Nepi (NEP)	**17 500 000**	**1 172 325**	15 000 000	600 900
Resilient (RES)	**12 400 000**	**666 375**	5 678 053	243 872
Rockcastle (ROC)	**65 769 000**	**884 593**	–	–
Total		**3 175 493**		1 225 537

Fortress agreed to underwrite R150 million of Tower Property Fund Limited ("Tower") shares on listing at a price of R8,70 per share. After the financial year-end, Fortress acquired 13 420 398 Tower shares in terms of the underwrite and subsequently placed all of these shares. The underwrite fee of R7,5 million was earned in the 2014 financial year and was offset against an interest rate cap premium of R8,5 million.

Evaton Mall > Evaton Gauteng > Gross lettable area – 36 169m² > Major tenants: Edgars, Game, Jet, Mr Price, Pick n Pay, Shoprite.

10 FUNDING

Fortress has a R2 billion unsecured domestic medium term note ("DMTN") programme and has a rating of A- (long term) and A1- (short term). A total of R1 170 million has been issued under the programme at 30 June 2013.

Fortress accepted a three-year facility of R300 million from RMB and a further R200 million facility was approved by RMB after year-end. The Standard Bank facility was increased by R153,8 million and the total facility of R1 billion was renewed for three years.

At 30 June 2013, 100,7% of Fortress' interest rate exposure (inclusive of contracted capital commitments) was hedged.

Gearing increased to 24,0% from 19,4% at 30 June 2012, which is below the board's target range of 30% to 35%.

11 PROSPECTS

The board is confident that Fortress will achieve growth in distributions of approximately 10% for the 2014 financial year. The forecast assumes exchange rates of R12,00 and R9,00 to the Euro and US Dollar respectively. The growth is based on the assumptions that a stable macro-economic environment will prevail, no major corporate failures will occur and that tenants will be able to absorb the recovery of rising utility costs. Budgeted rental income was based on contractual escalations and market related renewals. This forecast has not been audited or reviewed by Fortress' auditors.

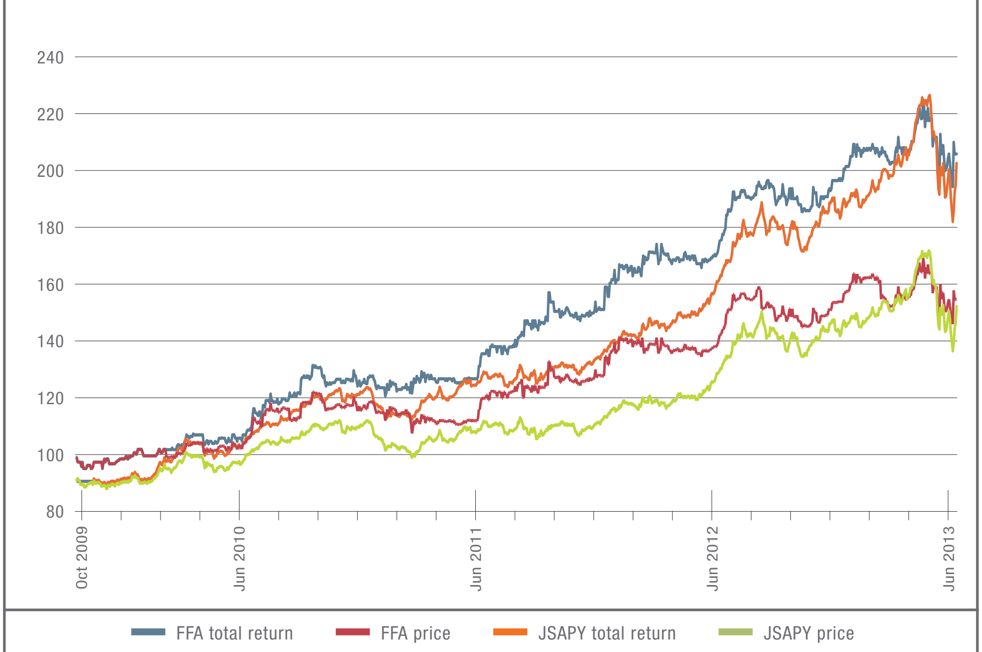
NET RENTAL AND RELATED REVENUE

	2013 (R'000)	2012 (R'000)
Income		
Basic contractual income	**485 984**	429 606
Recovery – water and sewerage	**13 064**	9 853
Recovery – electricity	**88 356**	78 229
Recovery – refuse and rates	**31 322**	28 004
Recovery – other	**9 675**	10 487
Turnover rental	**11 601**	4 451
Straight-lining of rental revenue adjustment	**48 006**	9 241
	688 008	569 871
Expenses		
Water and sewerage	**(13 523)**	(10 134)
Electricity	**(79 915)**	(71 238)
Refuse and rates	**(41 376)**	(36 574)
Other utilities	**(1 241)**	(1 000)
Contractual expenses	**(22 719)**	(21 027)
Insurance	**(2 241)**	(2 857)
Leasehold rental payments	**(2 979)**	(2 284)
Letting commission	**(4 512)**	(3 210)
Property management fee	**(18 631)**	(16 331)
Repairs and maintenance	**(16 265)**	(9 652)
Tenant arrears written off	**(6 138)**	(4 897)
Tenant installation costs	**(4 881)**	(2 473)
Other expenses	**(8 287)**	(8 475)
	(222 708)	(190 152)
	465 300	379 719

The board of directors is committed to creating sustainable stakeholder value by managing the portfolio and by maximising returns on core assets.

The graphs below indicate the performance of the Fortress A and Fortress B linked units compared to the FTSE/JSE South African Listed Property Index ("JSAPY") on both a price return and total return basis. The performance of the Fortress A and Fortress B linked units are indexed using a base of 100 on 22 October 2009.

FFA RELATIVE PERFORMANCE

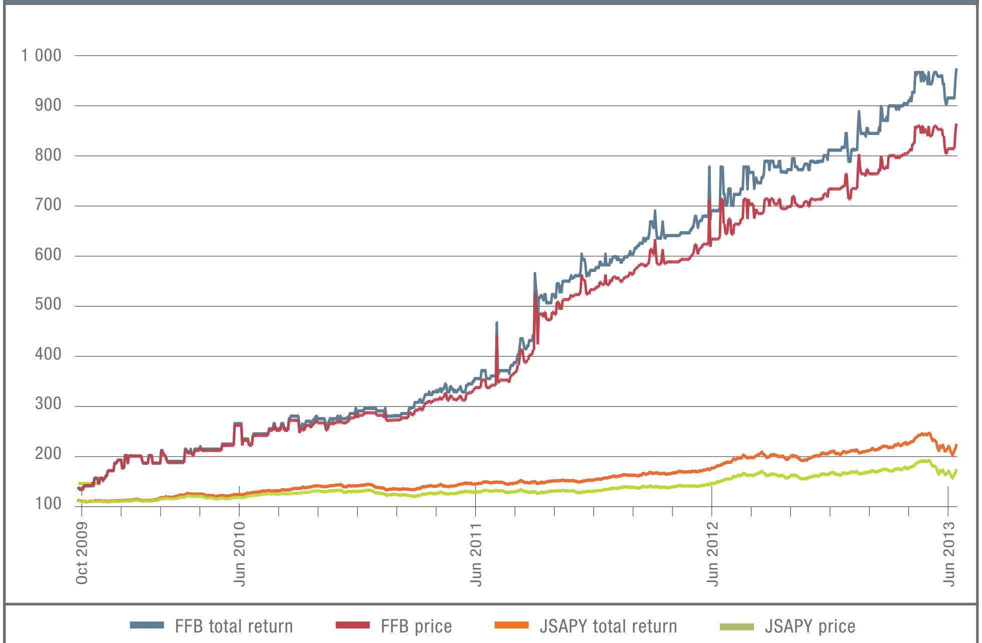


FFA – CLOSING PRICE (cents)	
Jun 2013	**1 470**
Jun 2012	1 343
Jun 2011	1 125
Jun 2010	1 010

FFA – VALUE TRADED (R'million)	
Jun 2013	**1 672,1**
Jun 2012	808,9
Jun 2011	1 120,1
Jun 2010 (9 months)	786,1

FFA – VOLUME TRADED (million)	
Jun 2013	**113,9**
Jun 2012	64,4
Jun 2011	101,3
Jun 2010 (9 months)	80,7

FFB RELATIVE PERFORMANCE



FFB – CLOSING PRICE (cents)	
Jun 2013	**850**
Jun 2012	621
Jun 2011	325
Jun 2010	250

FFB – VALUE TRADED (R'million)	
Jun 2013	**57,9**
Jun 2012	61,2
Jun 2011	87,0
Jun 2010 (9 months)	12,7

FFB – VOLUME TRADED (million)	
Jun 2013	**7,7**
Jun 2012	13,8
Jun 2011	32,5
Jun 2010 (9 months)	9,1

REMUNERATION REPORT

The remuneration committee determines the remuneration policy of Fortress and is mandated by the board to set the remuneration and incentivisation of all employees, including executive directors. In addition, the remuneration committee recommends directors' fees payable to non-executive directors and members of board sub-committees for unitholder approval at the AGM. The remuneration committee members are Chris Lister-James, Djurk Venter (chairman) and Jeff Zidel. Attendance of directors at the various board and sub-committee meetings is disclosed on page 6.

The remuneration policy is aligned with the strategic objectives of the company to create long-term, sustainable value for stakeholders. Remuneration is a combination of salary, short-term incentivisation and long-term incentivisation in order to attract and retain motivated, high-calibre executives whose interests are aligned with the interests of unitholders.

Executive salaries are competitive relative to the market and increases are determined with reference to individual performance, inflation and market-related factors on a total cost-to-company basis. Annual increases are effective 1 January each year. Executive directors do not receive directors' or sub-committee fees. There is no retirement fund for employees or executive directors.

Bonuses based on individual and group performance is an effective means of short-term incentivisation. These are awarded based on the performance of the individual and the group taking into account market conditions.

The aim of long-term incentivisation is to promote sustainable growth in distribution. Long-term incentivisation is achieved through the allocation of units through The Fortress Unit Purchase Trust. The remuneration committee decides on the number of units to be allocated based on individual performance. Fortress Income Fund Limited issues units to The Fortress Unit Purchase Trust. On acceptance of the units by the individual, The Fortress Unit Purchase Trust provides loan financing to acquire the units.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Non-executive directors' remuneration consists of an annual fee plus sub-committee fees. The non-executive directors' remuneration is approved by unitholders at the AGM.

	For services as a director 2013 (R'000)	For services as a director 2012 (R'000)
Jeff Zidel (chairman of the board)[(1)(2)(3)]	**429**	360
Kura Chihota (chairman of the investment committee)[(4)(5)(6)]	**415**	436
Nontando Kunene[(1)(4)(6)]	**375**	414
Chris Lister-James* (chairman of the risk committee)[(2)(5)(6)]	**375**	122
Jannie Moolman**	**–**	306
Djurk Venter (chairman of the audit, remuneration and social and ethics committees)[(2)(3)(5)]	**369**	360
	1 963	1 998

(1) Member of the nomination committee.

(2) Member of the remuneration committee.

(3) Member of the social and ethics committee.

(4) Member of the investment committee.

(5) Member of the audit committee.

(6) Member of the risk committee.

** Chris Lister-James was appointed to the board on 14 March 2012.*

***Jannie Moolman resigned from the board on 14 March 2012.*

REMUNERATION OF EXECUTIVE DIRECTORS

	Remuneration (paid by subsidiaries in the group) 2013 (R'000)	**Bonus (paid by subsidiaries in the group) 2013 (R'000)**	Remuneration (paid by subsidiaries in the group) 2012 (R'000)	Bonus (paid by subsidiaries in the group) 2012 (R'000)
Mark Stevens	**2 373**	**628**	2 743	93
Wiko Serfontein	**796**	**252**	676	31
Nick Hanekom*	**–**	**–**	85	–
	3 169	**880**	3 504	124

**Nick Hanekom resigned from the board on 25 August 2011.*

The group did not pay any fees or benefits to directors other than the remuneration as disclosed in the tables above.

ANALYSIS OF LINKED UNITHOLDERS

UNITHOLDER SPREAD AT 30 JUNE 2013 AS DEFINED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

Fortress Income Fund Limited – A linked units

	Number of unitholders	Number of units held	Percentage of issued units
Public	1 850	257 929 779	81,4%
Non-public	1	37 000 000	11,7%
Directors and employees	57	21 902 242	6,9%
	1 908	**316 832 021**	**100,0%**

Size of holding	Number of unitholders	Number of units held	Percentage of issued units
Up to 2 500 units	485	667 730	0,2%
2 501 to 10 000 units	699	3 909 516	1,2%
10 001 to 100 000 units	447	15 967 239	5,0%
100 001 to 1 000 000 units	214	67 348 484	21,4%
1 000 001 to 3 500 000 units	48	90 342 379	28,5%
More than 3 500 000 units	15	138 596 673	43,7%
	1 908	**316 832 021**	**100,0%**

Registered unitholders owning 5% or more of issued units	Number of units held	Percentage of issued units
Amber Peek Investments Proprietary Limited	37 000 000	11,7%
Capital Property Fund	23 400 000	7,4%
Coronation Fund Managers	17 356 201	5,5%
	77 756 201	**24,6%**

Control of more than 5% of issued units	Number of units controlled	Percentage of issued units
Coronation Fund Managers	89 831 525	28,4%
Amber Peek Investments Proprietary Limited	37 000 000	11,7%
STANLIB	27 596 962	8,7%
Capital Property Fund	23 400 000	7,4%
	177 828 487	**56,2%**

Fortress Income Fund Limited – B linked units

	Number of unitholders	Number of units held	Percentage of issued units
Public	700	57 794 342	18,2%
Non-public	2	159 000 000	50,2%
Directors and employees	101	100 037 679	31,6%
	803	**316 832 021**	**100,0%**

Size of holding	Number of unitholders	Number of units held	Percentage of issued units
Up to 2 500 units	179	175 846	–
2 501 to 10 000 units	254	1 694 551	0,5%
10 001 to 100 000 units	231	8 275 471	2,6%
100 001 to 1 000 000 units	95	30 607 175	9,7%
1 000 001 to 3 500 000 units	30	56 029 306	17,7%
More than 3 500 000 units	14	220 049 672	69,5%
	803	**316 832 021**	**100,0%**

Registered unitholders owning 5% or more of issued units	Number of units held	Percentage of issued units
Capital Property Fund	96 000 000	30,3%
Resilient Property Income Fund Limited	63 000 000	19,9%
	159 000 000	**50,2%**

Control of more than 5% of issued units	Number of units controlled	Percentage of issued units
Capital Property Fund	96 000 000	30,3%
Resilient Property Income Fund Limited	63 000 000	19,9%
The Nano Trust	16 730 272	5,3%
	175 730 272	**55,5%**

KEY RISK FACTORS AND RISK MANAGEMENT

Risk is the volatility of unexpected outcomes. Within the Fortress framework, this would specifically relate to the adverse impact on the value of its assets, equity or earnings. Risk management is the discipline by which these risks are identified, assessed and prioritised. It is essential to understand the multiple dimensions of risk in order to manage these effectively, with the aim of increasing unitholder value and gaining a competitive advantage.

Risk management is essential for improved performance, growth and sustainable value creation. The process for identifying and managing risks has been set by the board. The board of directors has overall responsibility for risk management, but has delegated the responsibility for monitoring risk management processes and activities to Fortress' risk committee. The day-to-day responsibility for risk management, including maintaining an appropriate internal control framework, remains the responsibility of Fortress' executive management.

Risk management is an integral part of the group's strategic management and is the mechanism through which risks associated with the group's activities are addressed. The key objectives of the risk management system include:

- the identification, assessment and mitigation of risks on a timely basis;
- the provision of timely information on risk situations and appropriate risk responses;
- the identification of potential opportunities which would result in increasing firm value; and
- the instillation of a culture of risk management throughout the Fortress group.

Risks are monitored via the risk management framework in terms of which management identifies risks, documents these in the risk matrix and assesses the probability of their occurrence as well as the potential impact of the risk on the group. Each identified risk is then managed and, where possible, mitigated. Due to the dynamic nature of the economic environment in which Fortress operates, risks, and the impact thereof, change constantly. Accordingly, risk management is a dynamic and ongoing discipline which is continuously adapted to its environment.

The risk management framework is presented to the risk committee at each risk committee meeting.

Key risk	Business impact	Mitigation of the risk
South Africa is experiencing significant increases in administered prices including electricity, rates and municipal levies.	Fortress is bearing the increased cost of utilities that cannot be recovered from tenants. This reduces distributable income.	Energy saving technologies are being implemented where possible in order to reduce utility costs.
The ability of tenants to absorb the increasing cost of occupancy is limited.	The increased cost of occupancy may result in more tenant business failures and legal action leading to higher vacancies and increased legal costs and bad debts.	Tenant arrears are closely monitored. Asset managers meet with tenants on a regular basis in order to mitigate legal action and bad debts.
Local authorities' service delivery is deteriorating and many local authorities are not billing correctly. A number of local authorities no longer read electricity or water meters.	Fortress is not being billed the correct utility amounts on a monthly basis.	Fortress has installed its own meters and employed third-party meter readers. Recoveries from tenants are based on this information rather than billings received from local authorities.
The difficult economic climate makes the letting of vacant space challenging.	Vacant space reduces rental income and expenses are incurred regardless of whether the property is tenanted. This results in less distributable income.	Asset managers meet with tenants on a regular basis to ensure that their concerns are addressed. Rentals are offered at market-related rates and incentives are offered to brokers in order to let the vacancies. Buildings are well maintained.
Deterioration in the company's credit profile, a decline in debt market conditions or a general rise in interest rates could impact the cost and availability of borrowings.	The cost of financing increases substantially, reducing distributable income.	The group monitors its key financial ratios and seeks to maintain a strong investment grade credit rating. Interest rate risk is mitigated through the use of interest rate swaps.
The underperformance of property managers may result in inaccurate recovery of revenue and incorrect reporting.	Inaccurate billing of tenants and reporting.	Compliance with service level agreements is monitored regularly. Management reviews monthly reports and meets with the property managers on a regular basis.
Inability to refinance debt at acceptable rates and overexposure to a single financial institution.	Higher finance costs result in lower distributable income.	Concentration exposure to one financial institution is avoided. Fortress has implemented a DMTN programme which assists in reducing concentration.
Business continuity risk.	Business interruption may have a severe impact on the operations of the group and may reduce distributable income.	Fortress has a business continuity plan which includes the daily backup of data which is tested regularly. The majority of property management functions are outsourced to third parties.
Significant volume of leases expiring in a specific period.	Rental income may be eroded due to new leases or renewals at lower rentals than previously achieved. Vacancies may not be let timeously thus reducing distributable income.	Asset and property managers closely monitor lease expiries and begin negotiations with tenants in advance of the expiry. All rentals are done at market-related rates. Fortress actively markets vacant space.
Retention of key staff.	Skilled and experienced staff may not be retained.	Key staff are remunerated through the incentivisation scheme as well as *ad hoc* bonuses.
Destruction of assets.	Buildings destroyed due to force majeure, fire, etc and as a result income cannot be generated from tenants.	Insurance cover is carefully monitored to ensure that it is sufficient. The insurable amount is based on replacement valuations obtained from an independent valuer. Fortress uses reputable underwriters with sufficient financial backing to sustain the cover paid for.
Physical deterioration of properties rendering them untenantable.	Properties that are physically deteriorated will be untenantable, resulting in decreased distributable income.	Asset managers perform regular property inspections as do the property managers.
Non-compliance with REIT requirements.	If Fortress no longer qualifies as a REIT it will incur tax liabilities.	Management monitors compliance with the REIT requirements on an ongoing basis.

Game Polokwane > Polokwane Limpopo > Gross lettable area – 15 225m² > Major tenants: Clicks, FNB, Game, Spar.

The board of directors (“the board”) endorses the code of corporate practices and conduct as set out in the King III report and confirms that the group is compliant with the provisions thereof. The board has been addressed by independent consultants to ensure that all directors are fully conversant with best practice and current thinking with regard to corporate governance.

A list of all King III principles, and the company’s application thereof, is available on the company’s website at www.fortressfund.co.za.

COMPOSITION OF THE BOARD OF DIRECTORS

The board comprises two executive directors and five independent non-executive directors. All directors serve for a maximum period of three years and are subject to retirement by rotation and re-election by members in general meeting. Board appointments are made in terms of the policy on nominations and appointments, such appointments are transparent and a matter for the board as a whole.

There are no fixed-term contracts for executive directors and the notice period for termination or resignation is one calendar month. There is no restraint of trade period for executive directors.

ROLE OF THE DIRECTORS

Ultimate control of the company rests with the board of directors while the executive management is responsible for the proper management of the company. To achieve this, the board is responsible for establishing the objectives of the company and setting a philosophy for investments, performance and ethical standards. Although quarterly board meetings are arranged every year, additional meetings are called should circumstances require it. Five board meetings were called during the 2013 financial year.

In 2013, the chairman with the assistance of the company secretary, led a formal review of the effectiveness of the board and its committees. Each director completed a detailed evaluation questionnaire and an analysis of the findings was presented to the board. There was agreement that the board was operating effectively. The results were positive and action plans were formulated where required.

The evaluation confirmed that adequate time was allocated to discuss agenda items and that the chairman promotes a culture of openness and debate.

FUNCTIONS OF THE BOARD

The board acknowledges that it is responsible for ensuring the following functions as set out in the board charter:

- good corporate governance and implementation of the code of corporate practices and conduct as set out in the King III report;
- that the group performs at an acceptable level and that its affairs are conducted in a responsible and professional manner; and
- the board recognises its responsibilities to all stakeholders.

RESPONSIBILITIES OF THE BOARD

Although certain responsibilities are delegated to committees or management executives, the board acknowledges that it is not discharged from its obligations in regard to these matters.

The board acknowledges its responsibilities as set out in the board charter in the following areas:

- the adoption of strategic plans and ensuring that these plans are carried out by management;
- monitoring of the operational performance of the business against predetermined budgets;
- monitoring the performance of management at both operational and executive level;
- ensuring that the group complies with all laws, regulations and codes of business practice; and
- ensuring a clear division of responsibilities at board level to ensure a balance of power and authority in terms of group policies.

INDEPENDENCE OF THE DIRECTORS

The board of directors’ independence from the executive management team is ensured by the following:

- separation of the roles of chairman and managing director, with the chairman being independent;
- the board being dominated by independent non-executive directors;
- the audit, investment, nomination, remuneration, risk and social and ethics committees having a majority of independent directors;
- non-executive directors not holding service contracts;
- all directors having access to the advice and services of the company secretary; and
- with prior agreement from the chairman, all directors are entitled to seek independent professional advice concerning the affairs of the company at the company’s expense.

The independence of the non-executive directors was assessed and all non-executive directors are deemed to be independent in terms of the requirements of King III. Independence evaluations are done annually for all non-executive directors.

None of the directors have served for a term in excess of nine years.

The following independent non-executive directors chair the various sub-committees of the board:

• Audit	Djurk Venter
• Investment	Kura Chihota
• Nomination	Jeff Zidel
• Remuneration	Djurk Venter
• Risk	Chris Lister-James
• Social and ethics	Djurk Venter

DIRECTORS' INTERESTS

A full list of directors' interests is maintained and directors certify that the list is correct at each board meeting.

Directors recuse themselves from any discussion and decision on matters in which they have a material financial interest.

AUDIT COMMITTEE

The primary role of the audit committee is to ensure the integrity of financial reporting and the audit process. In pursuing these objectives, the audit committee oversees relations with the external auditors. The committee also assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal control processes, overseeing the preparation of accurate financial reports and statements in compliance with all applicable legal requirements and accounting standards, ensuring compliance with good governance practices and nomination of external auditors. The role of the audit committee has been codified in the audit committee charter which has been approved by the board. This charter has been aligned with the requirements of King III and the Companies Act.

The audit committee presently comprises: Djurk Venter (appointed October 2009) (chairman), Kura Chihota (appointed November 2010) and Chris Lister-James (appointed March 2012), all of whom are independent non-executive directors. The managing director, financial director and company secretary attend meetings as invitees. The committee members have unlimited access to all information, documents and explanations required in the discharge of their duties, as do the external auditors.

The board, in consultation with the audit committee chairman, makes appointments to the committee to fill vacancies. Members of the audit committee are subject to re-election by members in general meeting on an annual basis. The board has determined that the committee members have the skills and experience necessary to contribute meaningfully to the committee's deliberations. In addition, the chairman has the requisite experience in accounting and financial management.

The committee met four times during the financial year.

The audit committee has satisfied itself that no breakdown in accounting controls, procedures and systems has occurred during the year under review.

In fulfilling its responsibility of monitoring the integrity of financial reports to unitholders, the audit committee has reviewed accounting principles, policies and practices adopted in the preparation of financial information and has examined documentation relating to the annual integrated report and interim financial report. The clarity of disclosures included in the financial statements was reviewed by the audit committee, as was the basis for significant estimates and judgements. The audit committee is further satisfied that the financial director, Wiko Serfontein, is sufficiently competent and that the finance function has adequate resources and sufficient expertise.

It is the function of the committee to review and make recommendations to the board regarding interim financial results and the annual financial statements prior to approval by the board.

The audit committee has complied with its legal, regulatory and other responsibilities. The audit committee recommended the integrated report to the board for approval.

EXTERNAL AUDIT

A key factor that may impair auditors' independence is a lack of control over non-audit services provided by the external auditors. In essence, the external auditors' independence is deemed to be impaired if the auditors provide a service which:

- results in auditing of own work by the auditors;
- results in the auditors acting as a manager or employee of the group;
- puts the auditors in the role of advocate for the group; or
- creates a mutuality of interest between the auditors and the group.

Fortress addresses this issue through three primary measures, namely:

- disclosure of the extent and nature of non-audit services;
- the prohibition of selected services; and
- prior approval by the audit committee of non-audit services.

Other safeguards encapsulated in the policy include:

- the external auditors are required to assess periodically, in their professional judgement, whether they are independent of the group;
- the audit committee ensures that the scope of the auditors' work is sufficient and that the auditors are fairly remunerated; and
- the audit committee has primary responsibility for making recommendations to the board on the appointment, re-appointment and removal of the external auditors.

The committee reviews audit plans for external audits and the outcome of the work performed in executing these plans. They further ensure that items identified for action are followed up. The external auditors report annually to the audit committee to confirm that they are and have remained independent from the group during the year.

The audit committee considered information pertaining to the balance between fees for audit and non-audit work for the group in 2013 and concluded that the nature and extent of non-audit fees do not present a threat to the external auditors' independence. Furthermore, after reviewing a report from the external auditors on all their relationships with the company that might reasonably have a bearing on the external auditors' independence and the audit engagement partner and staff's objectivity, and the related safeguards and procedures, the committee has concluded that the external auditors' independence was not impaired. The audit committee approved the external auditors' terms of engagement, scope of work, the annual audit and the applicable levels of materiality. Based on written reports submitted, the committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. The committee determined that the 2013 audit was completed without any restriction on its scope.

The audit committee has satisfied itself as to the suitability of the external auditors for re-appointment for the ensuing year.

INTERNAL AUDIT

The company does not have a formalised internal audit department. This is primarily due to the majority of the property management functions having been outsourced to external property managers who are subjected to annual external audits.

During 2013, Fortress engaged Grant Thornton to perform reviews on controls over specific key areas. The areas for testing were discussed with the audit committee who engaged directly with Grant Thornton in this regard. The report to the audit committee indicated that the controls at the selected property managers were generally adequate and effective.

The audit committee continually examines the appropriateness of utilising independent internal auditors to periodically review activities of the group and service providers.

ETHICAL PERFORMANCE

The board of directors forms the core of the values and ethics subscribed to by the group through its various bodies and committees. These values and ethics are sustained by the directors' standing and reputation in the business community and their belief in free and fair dealings in utmost good faith and respect for laws and regulations.

Fortress has a code of ethics communicated to all staff. The code of ethics stipulates, among other things, that all stakeholders are expected to act in good faith, that bribery in any form is not tolerated, all conflicts of interest need to be declared and that compliance with all legislation is of utmost importance. The code of ethics is reviewed by the social and ethics committee on an annual basis.

The board is not aware of any transgressions of the code of ethics during the year.

No issues of non-compliance, fines or prosecutions have been levied against Fortress.

INTERNAL FINANCIAL AND OPERATING CONTROLS

A framework of financial reporting, internal and operating controls has been established by the board to ensure reasonable assurance as to accurate and timeous reporting of business information, safeguarding of group assets, compliance with laws and regulations, financial information and general operation.

The board reviewed and was satisfied with the effectiveness of the internal financial and operating controls, the process of risk management and the monitoring of legal governance compliance within the company.

INVESTMENT COMMITTEE

All acquisitions, disposals and capital expenditure are considered by the investment committee. The investment committee approves acquisitions, disposals and capital expenditure up to preset limits.

The investment committee consists of two independent non-executive directors and one executive director. All members of this committee have extensive experience and technical expertise in the property industry.

The investment committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2013.

NOMINATION COMMITTEE

The nomination committee is mandated by the board to identify suitable candidates to be appointed to the board, identify suitable board candidates in order to fill vacancies, ensure there is a succession plan in place for key management, assess the independence of non-executive directors and assess the composition of the board sub-committees. The nomination committee recommends the individuals to the board for appointment.

The nomination committee presently comprises: Jeff Zidel (chairman), Nontando Kunene and Mark Stevens.

The nomination committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2013.

REMUNERATION COMMITTEE

The remuneration committee is mandated by the board to set the remuneration and incentivisation of all employees, including executive directors. In addition, the remuneration committee recommends directors' fees payable to non-executive directors and members of board sub-committees. Further details are provided in the remuneration report on pages 18 and 19.

The remuneration committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2013.

RISK COMMITTEE

The risk committee is mandated by the board to ensure that a sound risk management system is maintained, to assist the board in discharging its duties relating to the safeguarding of assets, ensuring that the sustainability reporting is comprehensive, timely and relevant, and to ensure that the company has implemented an effective plan for risk management that will enhance the company's ability to achieve its strategic objectives.

The risk committee consists of three independent non-executive directors.

The risk committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2013.

SOCIAL AND ETHICS COMMITTEE

The social and ethics committee is a statutory committee whose focus is to monitor compliance with labour legislation as well as the corporate social responsibilities and corporate citizenship.

The social and ethics committee comprises a majority of independent non-executive directors and met twice during the year.

The social and ethics committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2013.

COMPANY SECRETARY

On 29 August 2013, Stephanie Botha resigned as company secretary and Bernita Schaper was appointed as the new company secretary. Prior to Bernita's appointment, the board considered Bernita's competence, qualifications and experience and deemed her fit to be appointed in the role as company secretary for Fortress. Bernita is not a director of Fortress and has an arm's length relationship with the board. In addition, the board confirms that during Stephanie's tenure as company secretary, Stephanie maintained an arm's length relationship with the board and that the board was satisfied with her competence and experience.

INFORMATION TECHNOLOGY ("IT") GOVERNANCE

The board is ultimately responsible for IT governance. The Fortress IT function is outsourced to a third-party service provider and is governed by a service level agreement. Compliance with the service level agreement is monitored by management and the terms are reviewed on a regular basis. There is a dedicated member of the Fortress management team who oversees the IT function, attends the executive committee meetings and reports to the managing director. The risks and controls over IT assets and data are considered by the risk committee.

DEALING IN SECURITIES BY THE DIRECTORS

Dealing in the company's securities by directors and company officials is regulated and monitored as required by the JSE Listings Requirements. In addition, Fortress maintains a closed period from the end of a financial period to the date of publication of the financial results.

PROMOTION OF ACCESS TO INFORMATION ACT

There were no requests for information lodged with the company in terms of the Promotion of Access to Information Act, No 2 of 2000.

SPECIAL RESOLUTIONS PASSED

Four special resolutions were passed during the 2013 financial year:

1 **Approval of directors' remuneration for their services as directors**

It was resolved that, in accordance with section 66 of the Companies Act, fees paid and to be paid by the company to the non-executive directors for their services as directors for the financial year ending 30 June 2013 be and are hereby approved, as follows:

	Rand
Year ending 30 June 2013	
Chairman	**300 000**
Independent non-executive director	**200 000**
Audit committee member (including chairman)	**85 000**
Investment committee member (including chairman)	**85 000**
Remuneration committee member (including chairman)	**45 000**
Risk committee member (including chairman)	**45 000**
Social and ethics committee member (including chairman)	**45 000**
Nomination committee member (including chairman)	**45 000**

2 **Financial assistance to related or inter-related companies**

It was resolved that, to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in terms of section 45 of the Companies Act by way of loans, guarantees, the provisions of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the company for any purpose or in connection with any matter, such authority to endure until the annual general meeting of the company to be held in 2013.

A similar special resolution was passed at subsidiary level.

Phakama Secondary School > Western Cape

3 **Approval of the repurchase of linked units**

It was resolved that subject to the Companies Act, the Memorandum of Incorporation of the company, the JSE Listings Requirements and the restrictions set out below, the repurchase of linked units of the company, either by the company or by any subsidiary of the company, is hereby authorised, on the basis that:

(1) this authority will only be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;
(2) the number of linked units which may be acquired pursuant to this authority in any financial year may not in the aggregate exceed 20%, or 10% where such acquisitions are effected by a subsidiary, of the company's unit capital as at the date of this notice of annual general meeting;
(3) the repurchase of linked units must be effected through the order book operated by the JSE trading system and done without any prior arrangement between the company and the counterparty;
(4) the repurchase of linked units may not be made at a price greater than 10% above the weighted average of the market value for the linked units for the five business days immediately preceding the date on which the transaction is effected;
(5) at any point in time, the company will only appoint one agent to effect repurchases on its behalf;
(6) the company or its subsidiary may not repurchase linked units during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless there is a repurchase programme in place and the dates and quantities of linked units to be repurchased during the prohibited period are fixed and full details thereof have been disclosed in an announcement over SENS prior to commencement of the prohibited period; and
(7) the company's sponsor will confirm the adequacy of the company's working capital, for the purposes of undertaking unit repurchases, in writing to the JSE prior to the repurchase of any linked units.

4 **Approval of provision of financial assistance for the purchase of linked units**

It was resolved that the company, either as lender or as surety or guarantor for a lender, or otherwise, is hereby authorised, from time to time, to provide financial assistance for the purchase of or subscription for its linked units to any company or trust, the majority of whose shareholders or beneficiaries (directly or indirectly) are "black persons" as defined in the Broad-based Black Economic Empowerment Act, 2003 (or any successor thereto) on the following terms:

(1) the maximum additional capital amount (excluding interest, costs, charges, fees and expenses) of any such amounts lent or for which suretyships or guarantees are given may not exceed R250 million;
(2) the maximum period for the repayment of any loan provided or for which suretyships or guarantees are given in terms hereof may not exceed 10 years; and
(3) the minimum interest rate to be applied to any loan provided may not be less than the prime overdraft rate of interest from time to time publicly quoted as such by The Standard Bank of South Africa Limited.

UNIT ISSUES

There were three unit issues during the year.

1) Effective 3 December 2012, 6 510 000 Fortress A linked units were issued at R14,20 and 6 510 000 Fortress B linked units were issued at R7,00;
2) Effective 22 April 2013, 11 037 528 Fortress A linked units were issued at R14,75 and 11 037 528 Fortress B linked units were issued at R7,90 for cash in terms of the authority granted by unitholders at the AGM held on 24 October 2012; and
3) Effective 20 May 2013, 6 200 000 Fortress A linked units were issued at R15,50 and 6 200 000 Fortress B linked units were issued at R8,25.

COMMUNICATIONS WITH STAKEHOLDERS

Fortress is committed to ensuring timeous, effective and transparent communication with unitholders and other stakeholders through annual integrated and interim financial reports, presentations to analysts, press releases, etc. Fortress' major stakeholders are presented on page 9.

> **Fortress' sponsorship of a new computer centre.**

SUSTAINABILITY REPORTING

At Fortress, our approach to the concept of sustainability relates to the maintenance and enhancement of environmental, social and economic resources, in order to meet the needs of current and future generations. This is founded in a commitment to being a good corporate citizen, operating in a commercially sensible and socially responsible manner.

ENVIRONMENTAL

Energy efficiency is foremost in our sustainability endeavours and to this end the need to practically and efficiently measure the use of utilities within our buildings. We are currently engaged with various service providers on the metering of the buildings to provide us with the correct metrics to make meaningful and informed decisions. The results of these metrics will inform our approach to new developments, refurbishments and extensions in order to maximise the return on implemented solutions.

In respect of all works there is a focus on the fundamental architectural principles one of which is building aspect, which helps to passively address the heat loads and natural lighting options available in the buildings. Since HVAC constitutes the largest percentage of energy consumption, in the region of 60%, in the majority of buildings, new and retrofit systems will incorporate improved standards of insulation, shading, glazing, ventilation and efficient air conditioning plant. The approach to enhance efficiency will also incorporate dealing with education and adjustment of personal habits of people occupying the buildings, these include sensor switching, night flushing and changing set points according to seasonal changes. On new and replacement plant we are utilising variable speed drive compressors and staged units to best balance demand and supply of air conditioned space. Building management systems are steadily improving and are currently being evaluated in specific applications where their cost benefit may justify their implementation.

Where possible we are utilising the newer and more efficient lighting systems and incorporating rational design principles to maximise the lighting levels whilst reducing energy consumption on new works. We will be retrofitting older buildings on a replacement basis with more efficient technologies and these include CFL, LED and T5 replacement lamps. Here too, education of users is paramount in adapting to sensor switching systems and reduced ambient lighting when areas are not occupied.

Flamwood Walk > Klerksdorp North West > Centre is being re-developed.

In the reporting period to 30 June 2013, Fortress has successfully commenced with the implementation of its sustainability strategy through the refurbishments at Monument Centre in Standerton and the Checkers Secunda and Pick n Pay Secunda centres, which included the installation of energy efficient fluorescent and LED lighting technologies in the malls.

Fortress is engaging with Eskom on an ongoing basis in terms of their demand side management programmes, and attends the green building conferences and other forums to remain abreast of international best practice, legal requirements and technical improvements. SANS 204 energy efficiency in buildings regulations will have a significant impact on new building efficiency and hence sustainability into the future.

Water is a precious resource and in order to manage utilisation, Fortress is focusing on the comprehensive measurement thereof. Furthermore, all new gardens and landscaping will be done on an indigenous basis to limit the need for irrigation. As standard practice, new and refurbishment works are being fitted with low flushing mechanisms and metered discharge taps to reduce consumption and limit waste. Timers on existing geysers and solar geysers are all part of the arsenal in reducing consumption and more recently the utilisation of heat pumps to reduce energy consumption.

ECONOMIC

During April 2011, Fortress concluded an empowerment transaction with Amber Peek Investments Proprietary Limited ("Amber Peek") to the value of R428,3 million. At 30 June 2013, Amber Peek holds 37 million A linked units and 10,25 million B linked units. Amber Peek is effectively 100% black-owned; 48% by The Resilient Education Trust; 26% by Aquarella Investments 553 Proprietary Limited (owned by 50 black individuals from Thohoyandou); and 26% by Celtic Rose Investments 10 Proprietary Limited (owned by nine black individuals from Johannesburg). The market value of the Fortress A and B linked units held by Amber Peek were valued at R543,9 million and R87,1 million respectively.

SOCIAL

The Resilient Education Trust was established with the exclusive purpose of promoting black education in South Africa. The trust grants bursaries to students from previously disadvantaged backgrounds and communities. It also provides computer equipment and secure computer facilities to schools in underprivileged communities.

FOUR-YEAR REVIEW

	2013 (R'000)	2012 (R'000)	2011 (R'000)	2010 (R'000)
SUMMARISED STATEMENT OF FINANCIAL POSITION				
ASSETS				
Investment property	**4 767 128**	4 197 041	3 261 149	2 541 882
Investment property under development	**148 797**	48 222	3 999	40 013
Investments	**3 175 493**	1 225 537	472 952	299 608
Fortress Unit Pruchase Trust loans	**374 370**	202 644	135 947	122 013
Loan to BEE vehicle	**193 104**	175 711	183 991	–
Loans to development partners	**71 116**	30 945	20 299	–
Current assets	**72 589**	45 183	42 819	39 331
Total assets	**8 802 597**	5 925 283	4 121 156	3 042 847
EQUITY AND LIABILITIES				
Total equity attributable to equity holders	**3 237 962**	1 658 860	761 897	367 890
Linked debentures	**2 851 488**	2 637 760	2 079 000	1 816 046
Interest-bearing borrowings	**2 111 388**	1 148 228	1 021 964	685 018
Deferred tax	**234 231**	122 477	59 170	16 268
Linked debenture interest payable	**225 679**	185 493	132 663	107 288
Current liabilities	**141 849**	172 465	66 462	50 337
Total equity and liabilities	**8 802 597**	5 925 283	4 121 156	3 042 847
Combined net asset value per linked unit (Rand)	**19,22**	14,66	12,30	10,82
Interest-bearing debt to asset ratio	**24,0%**	19,4%	24,8%	22,5%
Average cost of funding at 30 June	**8,48%**	9,43%	10,20%	10,29%

	2013 (R'000)	2012 (R'000)	2011 (R'000)	2010* (R'000)
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME				
Recoveries and contractual rental revenue	**640 002**	560 630	453 966	272 108
Property operating expenses	**(222 708)**	(190 152)	(147 919)	(80 013)
Distributable income from investments	**119 056**	62 057	23 935	15 831
Fair value gain on investment property and investments	**1 342 361**	708 973	327 285	182 375
Nepi underwriting fee	**–**	2 143	–	–
Administrative expenses	**(25 506)**	(23 669)	(15 783)	(9 821)
Listing costs	**–**	–	–	(3 197)
Profit on sale of subsidiary	**115**	–	–	–
Profit before net finance costs	**1 853 320**	1 119 982	641 484	377 283
Net finance costs	**(456 987)**	(460 068)	(315 387)	(211 761)
Profit before income tax	**1 396 333**	659 914	326 097	165 522
Income tax expense	**(124 570)**	(72 703)	(43 214)	(16 592)
Profit for the year attributable to equity holders	**1 271 763**	587 211	282 883	148 930
Property expenses as a % of recoveries and contractual rental revenue	**34,8%**	33,9%	32,6%	29,4%
Unit statistics – Combined for fund				
Linked units in issue	**316 832 021**	293 084 493	231 000 000	201 782 877
Distribution per linked unit (cents)	**140,70**	125,94	114,27	106,27#
Distribution growth	**11,7%**	10,2%	7,5%	
Market capitalisation (R million)	**7 350,5**	5 756,2	3 349,5	2 542,5
Unit statistics – Fortress A linked units				
Linked units in issue	**316 832 021**	293 084 493	231 000 000	201 782 877
Distribution per linked unit (cents)	**112,02**	106,68	101,60	96,76#
Distribution growth	**5,0%**	5,0%	5,0%	
Closing price (cents)	**1 470**	1 343	1 125	1 010
Total return on A linked unit for the period	**17,8%**	28,9%	21,4%	20,3%$
Unit statistics – Fortress B linked units				
Linked units in issue	**316 832 021**	293 084 493	231 000 000	201 782 877
Distribution per linked unit (cents)	**28,68**	19,26	12,67	9,51#
Distribution growth	**48,9%**	52,0%	33,2%	
Closing price (cents)	**850**	621	325	250
Total return on B linked unit for the period	**41,5%**	97,0%	35,1%	157,2%&
Property statistics				
Total number of properties	**109**	112	114	101
Total GLA	**637 243**	670 852	669 733	539 151

** Nine-month period.*
 # Annualised.
$ Based on listing price of R9,00 on 22 October 2009.
& Based on listing price of R1,00 on 22 October 2009.

PORTFOLIO STATISTICS

TOTAL PORTFOLIO

LEASE EXPIRY BASED ON RENTABLE AREA	
Vacant	4,9%
Jun 2014	27,1%
Jun 2015	15,7%
Jun 2016	18,1%
Jun 2017	8,2%
Jun 2018	9,1%
>Jun 2018	16,9%

LEASE EXPIRY BASED ON GROSS RENTALS	
Jun 2014	23,4%
Jun 2015	16,3%
Jun 2016	17,4%
Jun 2017	10,2%
Jun 2018	11,6%
>Jun 2018	21,1%

RETAIL

LEASE EXPIRY BASED ON RENTABLE AREA	
Vacant	3,7%
Jun 2014	24,2%
Jun 2015	12,8%
Jun 2016	12,8%
Jun 2017	13,0%
Jun 2018	10,6%
>Jun 2018	22,9%

LEASE EXPIRY BASED ON GROSS RENTALS	
Jun 2014	21,1%
Jun 2015	14,3%
Jun 2016	13,6%
Jun 2017	13,2%
Jun 2018	12,4%
>Jun 2018	25,4%

INDUSTRIAL

LEASE EXPIRY BASED ON RENTABLE AREA	
Vacant	5,9%
Jun 2014	32,1%
Jun 2015	21,0%
Jun 2016	21,7%
Jun 2017	2,0%
Jun 2018	6,9%
>Jun 2018	10,4%

LEASE EXPIRY BASED ON GROSS RENTALS	
Jun 2014	31,3%
Jun 2015	24,1%
Jun 2016	19,9%
Jun 2017	2,5%
Jun 2018	8,6%
>Jun 2018	13,6%

OFFICE

LEASE EXPIRY BASED ON RENTABLE AREA	
Vacant	14,1%
Jun 2014	33,5%
Jun 2015	19,0%
Jun 2016	21,8%
Jun 2017	–
Jun 2018	11,6%
>Jun 2018	–

LEASE EXPIRY BASED ON GROSS RENTALS	
Jun 2014	37,5%
Jun 2015	24,7%
Jun 2016	22,7%
Jun 2017	–
Jun 2018	15,1%
>Jun 2018	–

TOTAL PORTFOLIO

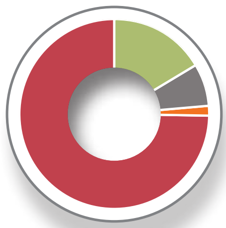
GEOGRAPHICAL PROFILE BASED ON RENTABLE AREA	
Eastern Cape	8,8%
Gauteng	45,6%
KwaZulu-Natal	13,2%
Limpopo	12,8%
Mpumalanga	10,0%
North West	1,3%
Western Cape	8,3%

GEOGRAPHICAL PROFILE BASED ON GROSS RENTALS	
Eastern Cape	9,2%
Gauteng	37,4%
KwaZulu-Natal	13,6%
Limpopo	15,7%
Mpumalanga	13,1%
North West	1,1%
Western Cape	9,9%

SECTORAL PROFILE BASED ON RENTABLE AREA	
Industrial	35,1%
Office	5,2%
Residential	2,0%
Retail	57,7%

SECTORAL PROFILE BASED ON GROSS RENTALS	
Industrial	17,3%
Office	6,4%
Residential	2,4%
Retail	73,9%

FUND VACANCY ATTRIBUTABLE TO SECTOR	
Industrial	42,1%
Office	14,9%
Residential	–
Retail	43,0%



PROPERTY VALUATION BY SECTOR	
Industrial	16,4%
Office	7,3%
Residential	1,8%
Retail	74,5%

WEIGHTED AVERAGE RENTAL ESCALATION BY SECTOR	
Industrial	8,3%
Office	8,1%
Residential	8,0%
Retail	7,6%

TENANT PROFILE BASED ON RENTABLE AREA	
A	58,0%
B	13,2%
C	28,8%

TENANT PROFILE BASED ON GROSS RENTALS	
A	60,7%
B	14,9%
C	24,4%

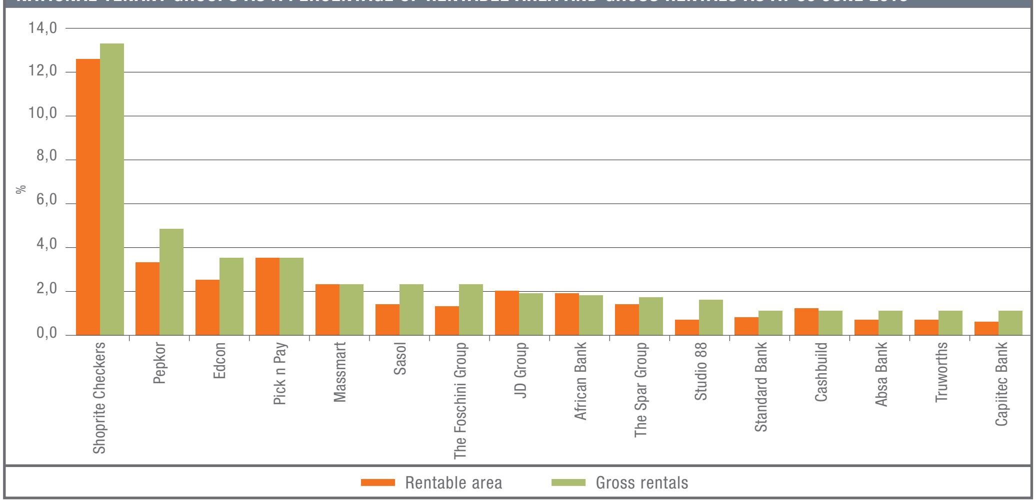
A Large national tenants, large listed tenants, government and major franchisees. These include, *inter alia*, Shoprite Checkers, Pepkor, Edcon, Pick n Pay, Massmart, Sasol, The Foschini Group and JD Group.

B National tenants, listed tenants, franchises and medium to large professional firms. These include, *inter alia*, King Pie, Postnet, Wimpy, Debonairs, KFC, Crazy Store, Cash Crusaders and Tekkie Town.

C Other (this comprises 563 tenants).

The average annualised property yield is 9,1%.

NATIONAL TENANT GROUPS AS A PERCENTAGE OF RENTABLE AREA AND GROSS RENTALS AS AT 30 JUNE 2013



ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

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DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Fortress Income Fund Limited ("the company"), comprising the statements of financial position at 30 June 2013, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as well as the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, 2008.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe that the businesses will not be going concerns in the year ahead.

The auditors are responsible for reporting on whether the group annual financial statements and annual financial statements of the company are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS OF THE COMPANY

The group annual financial statements and annual financial statements of the company were approved by the board of directors on 14 August 2013 and signed on its behalf by:

Mark Stevens
Managing director

Wiko Serfontein
Financial director

DECLARATION BY COMPANY SECRETARY

In terms of section 33(1) of the Companies Act, 2008, as amended, I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

Stephanie Botha
Company secretary

14 August 2013

Deloitte.

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TO THE UNITHOLDERS OF FORTRESS INCOME FUND LIMITED

We have audited the consolidated and separate financial statements of Fortress Income Fund Limited set out on pages 40 to 71, which comprise the statements of financial position as at 30 June 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Fortress Income Fund Limited as at 30 June 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2013, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Patrick Kleb
Partner

14 August 2013

STATEMENTS OF FINANCIAL POSITION

at 30 June 2013

	Note	GROUP 2013 (R'000)	GROUP 2012 (R'000)	COMPANY 2013 (R'000)	COMPANY 2012 (R'000)
ASSETS					
Non-current assets		**8 393 133**	5 755 600	**470 946**	299 220
Investment property	3	**4 351 125**	4 035 002		
Straight-lining of rental revenue adjustment	3	**79 128**	37 539		
Investment property under development	3	**148 797**	48 222		
Investments	4	**3 175 493**	1 225 537		
Fortress Unit Purchase Trust loans	5	**374 370**	202 644	**374 370**	202 644
Loan to BEE vehicle	6	**193 104**	175 711		
Loans to development partners	7	**71 116**	30 945		
Interest in subsidiaries and joint ventures	8			**96 576**	96 576
Current assets		**409 464**	169 683	**4 730 321**	3 411 811
Investment property held for sale	3	**329 553**	123 595		
Straight-lining of rental revenue adjustment	3	**7 322**	905		
Fortress Unit Purchase Trust loans	5	**7 860**	5 499	**7 860**	5 499
Trade and other receivables	9	**61 083**	31 333	**59**	–
Amounts owing by subsidiaries and joint ventures	8			**4 722 402**	3 406 312
Cash and cash equivalents		**3 646**	8 351		
Total assets		**8 802 597**	5 925 283	**5 201 267**	3 711 031
EQUITY AND LIABILITIES					
Total equity attributable to equity holders		**3 237 962**	1 658 860	**943 978**	636 639
Share capital	10	**6 336**	5 862	**6 336**	5 862
Share premium	10	**940 839**	633 974	**940 839**	633 974
Non-distributable reserves	11	**2 290 787**	1 019 024	**(3 197)**	(3 197)
Retained earnings		**–**	–	**–**	–
Total liabilities		**5 564 635**	4 266 423	**4 257 289**	3 074 392
Non-current liabilities		**4 693 004**	3 411 099	**3 526 811**	2 637 760
Linked debentures	12	**2 851 488**	2 637 760	**2 851 488**	2 637 760
Interest-bearing borrowings	13	**1 607 285**	650 862	**675 323**	–
Deferred tax	14	**234 231**	122 477		
Current liabilities		**871 631**	855 324	**730 478**	436 632
Trade and other payables	15	**141 428**	171 377	**696**	488
Linked debenture interest payable		**225 679**	185 493	**225 679**	185 493
Income tax payable		**421**	1 088		
Interest-bearing borrowings	13	**504 103**	497 366	**504 103**	250 651
Total equity and liabilities		**8 802 597**	5 925 283	**5 201 267**	3 711 031

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	Note	GROUP 2013 (R'000)	GROUP 2012 (R'000)	COMPANY 2013 (R'000)	COMPANY 2012 (R'000)
Net rental and related revenue		**465 300**	379 719		
Recoveries and contractual rental revenue		**640 002**	560 630		
Straight-lining of rental revenue adjustment		**48 006**	9 241		
Rental revenue		**688 008**	569 871		
Property operating expenses		**(222 708)**	(190 152)		
Distributable income from investments		**119 056**	62 057		
Fair value gain on investment property and investments		**1 294 355**	699 732		
Fair value gain on investment property		**688 228**	447 370		
Adjustment resulting from straight-lining of rental revenue		**(48 006)**	(9 241)		
Fair value gain on investments		**654 133**	261 603		
Nepi underwriting fee		**–**	2 143		
Administrative expenses		**(25 506)**	(23 669)	**(3 819)**	(3 565)
Profit on sale of subsidiary		**115**	–		
Profit/(loss) before net finance costs/income		**1 853 320**	1 119 982	**(3 819)**	(3 565)
Net finance (costs)/income		**(456 987)**	(460 068)	**3 819**	3 565
Finance income		**112 539**	65 347	**481 507**	368 929
Interest from loans		**46 337**	33 036	**22 696**	16 189
Fair value adjustment on derivatives		**53 857**	2 031		
Interest on linked units issued *cum* distribution		**12 345**	30 280	**12 345**	30 280
Interest received from group companies				**446 466**	322 460
Finance costs		**(569 526)**	(525 415)	**(477 688)**	(365 364)
Interest on borrowings		**(142 738)**	(112 079)	**(43 881)**	(821)
Capitalised interest		**7 019**	2 297		
Fair value adjustment on derivatives		**–**	(51 090)		
Interest to linked debenture holders					
– A linked units		**(345 260)**	(308 774)	**(345 260)**	(308 774)
– B linked units		**(88 547)**	(55 769)	**(88 547)**	(55 769)
Profit before income tax expense	16	**1 396 333**	659 914	**–**	–
Income tax expense	17	**(124 570)**	(72 703)		
Profit for the year attributable to equity holders		**1 271 763**	587 211	**–**	–
Total comprehensive income for the year		**1 271 763**	587 211	**–**	–
Basic earnings per A share (cents)		**206,31**	101,44		
Basic earnings per B share (cents)		**206,31**	101,44		
Basic earnings per A linked unit (cents)		**318,33**	208,12		
Basic earnings per B linked unit (cents)		**235,04**	120,71		

Fortress has no dilutionary instruments in issue.

RECONCILIATION OF PROFIT FOR THE YEAR TO HEADLINE EARNINGS AND DISTRIBUTABLE INCOME

for the year ended 30 June 2013

	GROUP	
	2013 (R'000)	2012 (R'000)
Basic earnings (shares) – profit for the year attributable to equity holders	**1 271 763**	587 211
– interest to A linked debenture holders	**345 260**	308 774
– interest to B linked debenture holders	**88 547**	55 769
Basic earnings (linked units)	**1 705 570**	951 754
Adjusted for:	**(719 365)**	(383 777)
– fair value gain on investment property	**(640 222)**	(438 129)
– income tax effect	**(79 143)**	54 352
Headline earnings (linked units)	**986 205**	567 977
Straight-lining of rental revenue adjustment	**(48 006)**	(9 241)
Fair value gain on investments	**(654 133)**	(261 603)
Fair value adjustment on derivatives	**(53 857)**	49 059
Profit on sale of subsidiary	**(115)**	–
Income tax effect	**203 713**	18 351
Distributable income	**433 807**	364 543
Less: distributions declared	**(433 807)**	(364 543)
Income not distributed	**–**	–
Headline earnings per A share (cents)	**89,61**	35,14
Headline earnings per B share (cents)	**89,61**	35,14
Headline earnings per A linked unit (cents)	**201,63**	141,82
Headline earnings per B linked unit (cents)	**118,34**	54,41

Basic earnings per share, basic earnings per linked unit, headline earnings per share and headline earnings per linked unit are based on the weighted average of 308 213 257 (2012: 289 439 493) shares/linked units in issue during the year for both A and B shares/linked units.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2013

GROUP	Share capital (R'000)	Share premium (R'000)	Non-distributable reserves (R'000)	Retained earnings (R'000)	Total (R'000)
Balance at 30 June 2011	4 620	325 464	431 813	–	761 897
Issue of linked units (equal number of A and B linked units)	1 242	308 510			309 752
Total comprehensive income for the year				587 211	587 211
Transfer to non-distributable reserves			587 211	(587 211)	–
Balance at 30 June 2012	**5 862**	**633 974**	**1 019 024**	**–**	**1 658 860**
Issue of linked units (equal number of A and B linked units)	**474**	**306 865**			**307 339**
– Issue of 6 510 000 linked units effective 3 December 2012	**130**	**75 282**			**75 412**
– Issue of 11 037 528 linked units effective 22 April 2013	**220**	**143 914**			**144 134**
– Issue of 6 200 000 linked units effective 20 May 2013	**124**	**87 669**			**87 793**
Total comprehensive income for the year				**1 271 763**	**1 271 763**
Transfer to non-distributable reserves			**1 271 763**	**(1 271 763)**	**–**
Balance at 30 June 2013	**6 336**	**940 839**	**2 290 787**	**–**	**3 237 962**
COMPANY					
Balance at 30 June 2011	4 620	325 464	(3 197)	–	326 887
Issue of linked units (equal number of A and B linked units)	1 242	308 510			309 752
Total comprehensive income for the year				–	–
Balance at 30 June 2012	**5 862**	**633 974**	**(3 197)**	**–**	**636 639**
Issue of linked units (equal number of A and B linked units)	**474**	**306 865**			**307 339**
– Issue of 6 510 000 linked units effective 3 December 2012	**130**	**75 282**			**75 412**
– Issue of 11 037 528 linked units effective 22 April 2013	**220**	**143 914**			**144 134**
– Issue of 6 200 000 linked units effective 20 May 2013	**124**	**87 669**			**87 793**
Total comprehensive income for the year				**–**	**–**
Balance at 30 June 2013	**6 336**	**940 839**	**(3 197)**	**–**	**943 978**

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2013

	Note	GROUP 2013 (R'000)	GROUP 2012 (R'000)	COMPANY 2013 (R'000)	COMPANY 2012 (R'000)
Operating activities					
Cash generated from operations	18.1	**532 617**	435 271	**442 796**	318 939
Interest received on loans		**46 337**	33 036	**22 696**	16 189
Interest paid on borrowings		**(142 738)**	(112 079)	**(43 881)**	(821)
Interest paid to linked debenture holders	18.2	**(393 621)**	(311 713)	**(393 621)**	(311 713)
Income tax paid	18.3	**(12 520)**	(8 339)		
Cash inflow from operating activities		**30 075**	36 176	**27 990**	22 594
Investing activities					
Development and improvement of investment property		**(212 330)**	(54 925)		
Acquisition of investment property		**(163 029)**	(208 341)		
Proceeds on disposal of investment property		**340 136**	465 044		
Unit purchase trust loans advanced		**(285 262)**	(195 151)	**(285 262)**	(195 151)
Unit purchase trust loans repaid		**111 175**	126 764	**111 175**	126 764
Investment property and related assets and liabilities acquired not included in additions to investment property or financing activities	18.4	**(7 964)**	–		
Investment property and related assets and liabilities disposed of not included in disposals of investment property or financing activities	18.5	**25 962**	–		
Acquisition of investments		**(1 310 413)**	(859 756)		
Proceeds on disposal of investments		**41 690**	368 774		
Increase in loans to development partners		**(53 924)**	(10 646)		
Loans to development partners repaid		**–**	7 169		
Loan advanced to BEE vehicle		**(17 393)**	–		
Loan repaid by BEE vehicle		**–**	8 280		
Increase in loans to subsidiaries				**(1 316 090)**	(399 650)
Cash outflow from investing activities		**(1 531 352)**	(352 788)	**(1 490 177)**	(468 037)
Financing activities					
Increase in interest-bearing borrowings		**963 160**	126 264	**928 775**	250 651
Raising of linked unit capital		**533 412**	194 792	**533 412**	194 792
Cash inflow from financing activities		**1 496 572**	321 056	**1 462 187**	445 443
(Decrease)/increase in cash and cash equivalents		**(4 705)**	4 444	**–**	–
Cash and cash equivalents at the beginning of the year		**8 351**	3 907	**–**	–
Cash and cash equivalents at the end of the year		**3 646**	8 351	**–**	–
Cash and cash equivalents consist of:					
Current accounts		**3 646**	8 351	**–**	–

The group has a total of R1 733 million (2012: R1 628 million) in secured property finance facilities and an unsecured DMTN programme of R2 000 million (2012: R1 000 million).

In total R932 million (2012: R897 million) of the secured property finance facilities and R1 179 million (2012: R251 million) of the DMTN programme have been utilised.

REPORTING ENTITY

Fortress Income Fund Limited (the "company") is a company domiciled in South Africa. The consolidated financial statements of the company for the year ended 30 June 2013 comprise the company, its subsidiaries, joint ventures and The Fortress Unit Purchase Trust (together referred to as the "group"). The financial statements were authorised for issue by the directors on 14 August 2013.

BASIS OF PREPARATION

Basis of measurement

The consolidated and separate financial statements ("financial statements") are prepared on the historical cost basis, except for investment property, derivative financial instruments and financial instruments, designated as financial instruments at fair value through profit or loss, which are measured at fair value.

Statement of compliance

The annual financial statements have been consistently prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the Independent Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, 2008 ("the Companies Act") of South Africa.

The accounting policies are consistent with those applied in the prior year with the exception of the adoption of the amendments to IAS 1: Presentation of Financial Statements.

This report was compiled under the supervision of Wiko Serfontein CA(SA), the financial director. These financial statements have been audited in compliance with all applicable requirements of the Companies Act.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Rand, which is also the functional currency of the group, rounded to its nearest thousand (R'000) unless otherwise indicated.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are set out in note 27.

1 ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

1.1 Basis of consolidation

Subsidiaries

Subsidiaries are those entities over which the group has the ability, either directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

In assessing control, potential voting rights that are presently exercisable are taken into account.

The group financial statements incorporate the assets, liabilities, operating results and cash flows of the company and its subsidiaries. The results of subsidiaries acquired or disposed of during the period are included from the effective dates of acquisition and up to the effective dates of disposal.

The accounting policies of the subsidiaries are consistent with those of the holding company.

In the company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses.

Joint ventures

Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement. The consolidated financial statements include the group's share of the assets and liabilities and total recognised gains and losses of jointly controlled entities on a proportionately consolidated basis.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

1.2 Investment property

Investment property

Investment properties are those held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business or for administration purposes.

The cost of investment property comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that there will be future economic benefits from the use of the asset. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition, investment properties are measured at fair value. Fair values are determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. Valuations are done on the open market value basis and the valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of the methods. Gains or losses arising from changes in the fair values are included in profit or loss for the period in which they arise. Unrealised gains, net of deferred tax, are transferred to a non-distributable reserve in the statement of changes in equity. Unrealised losses, net of deferred tax, are transferred to a non-distributable reserve to the extent that the decrease does not exceed the amount held in the non-distributable reserve.

Immediately prior to disposal of investment property the investment property is revalued to the net sales proceeds and such revaluation is recognised in profit or loss during the period in which it occurs.

When the group redevelops an existing investment property for continued future use as investment property, the property remains classified as investment property. The investment property is not reclassified as investment property under development during the redevelopment.

Investment property under development
Property that is being constructed or developed for future use as investment property is classified as investment property under development until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. To the extent that developments can be accurately fair valued, developments are carried at fair value.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs, are capitalised.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of development cost financed out of general funds, the weighted average cost of borrowings.

Investment property held for sale
Immediately before classification as held for sale, the measurement of the investment property is brought up to date in accordance with applicable IFRS. Then, on initial classification as held for sale, the investment property continues to be recognised at fair value.

Leased property
Leases in terms of which the group assumes substantially all the risks of ownership are classified as finance leases. The property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease.

The property held under finance leases and leased out under operating leases is classified as investment property and stated at fair value.

Leases in terms of which the group does not assume substantially all the risks and rewards of ownership are classified as operating leases.

1.3 Financial instruments
Financial instruments include cash and cash equivalents, investments in listed property securities, trade and other receivables, trade and other payables and interest-bearing borrowings.

Recognition
Financial instruments are initially measured at fair value which, except for financial instruments measured at fair value through profit and loss, include directly attributable transaction costs.

Subsequent to initial recognition, financial instruments are measured as follows:

Cash and cash equivalents	– Carried at amortised cost.
Investments	– Carried at fair value, being the quoted closing price at the statement of financial position date, through profit and loss.
Loans	– Carried at amortised cost using the effective interest method net of impairment losses.
Trade and other receivables	– Carried at amortised cost using the effective interest method net of impairment losses.
Trade and other payables	– Carried at amortised cost using the effective interest method.
Interest-bearing borrowings	– Carried at amortised cost using the effective interest method.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:
– the contractual rights to receive cash flows from the asset have expired;
– the group or company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offset
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group and/or company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.4 Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. Derivatives used as hedges which do not qualify as such in terms of hedge accounting rules, are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for through profit or loss. Directly attributable transaction costs are recognised in profit and loss when incurred.

The fair value of derivatives is the estimated amount that the group would receive or pay to terminate the derivative at the statement of financial position date, taking into account the current relevant market conditions.

1.5 Impairment

Non-financial assets

The carrying amounts of the group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount and is recognised in profit or loss.

Impairment losses recognised are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the unit on a *pro rata* basis.

The recoverable amount of an asset or a cash-generating unit is the greater of their fair value less cost to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the original effective pre-tax discount rate. For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1.7 Share capital and share premium

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

1.8 Linked debentures

Linked debentures are designated as financial liabilities measured at amortised cost and are initially recognised at fair value.

1.9 Provisions

Provisions are recognised when the group has legal or constructive obligations arising from past events, from which outflows of economic benefits are probable, and where reliable estimates can be made of the amounts of the obligations. Where the effect of discounting is material, provisions are discounted. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.10 Revenue

Revenue comprises rental revenue and recovery of expenses, excluding VAT. Rental revenue from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue over the lease period.

1.11 Expenses

Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense on a straight-line basis.

Payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

1.12 Finance income and finance costs
Finance income comprises interest received on funds invested and loans advanced and is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

Finance costs comprise interest payable on borrowings calculated using the effective interest method.

1.13 Dividend/distribution income
Dividend/distribution income is recognised in the statement of comprehensive income on the date the group's or company's right to receive payment is established, which in the case of quoted securities is usually the *ex*-dividend date.

1.14 Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position method, based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.15 Segmental reporting
A segment is a distinguishable component of the group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The group's primary segment is based on business segments. There are no secondary segments. The business segments are determined based on the group's management and internal reporting structure.

On a primary basis, the group operates in the following segments:
– Retail
– Industrial
– Office
– Residential

The group will from time to time invest in/divest from certain primary segments, in which case segmental reporting will be adjusted to reflect only the relevant operating segments.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of group revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

1.16 Employee benefits
The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis. The accrual for employee entitlements to salaries and annual leave represent the amount which the group has a present obligation to pay as a result of employees' services provided up to the statement of financial position date. The group does not provide any retirement or post-retirement benefits.

1.17 Related parties
Related parties in the case of the group include any shareholder who is able to exert a significant influence on the operating policies of the group. Directors, their close family members and any employee who is able to exert significant influence on the operating policies of the group are also considered to be related parties. In the case of the company, related parties would also include subsidiaries and The Fortress Unit Purchase Trust.

1.18 Earnings per share and per linked unit
The group presents basic and diluted earnings per share and per linked unit. It also presents headline and diluted headline earnings per share and per linked unit.

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders by the weighted average number of shares in issue during the year.

Basic earnings per linked unit is calculated by dividing profit for the year attributable to equity holders plus interest paid to linked debenture holders by the weighted average number of units in issue during the year.

Headline earnings per share is calculated by dividing headline earnings minus interest paid to linked debenture holders by the weighted average number of linked units in issue during the year.

Headline earnings per linked unit is calculated by dividing headline earnings by the weighted average number of linked units in issue during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders by the weighted average number of shares in issue, adjusted for the potential dilutive impact of outstanding shareholder options.

Diluted earnings per linked unit is calculated by dividing profit for the year attributable to equity holders plus interest paid to linked debenture holders by the weighted average number of linked units in issue, adjusted for the potential dilutive impact of outstanding shareholder options.

Diluted headline earnings per share is calculated by dividing headline earnings minus interest paid to linked debenture holders by the weighted average number of linked units in issue, adjusted for the potential dilutive impact of outstanding shareholder options.

Diluted headline earnings per linked unit is calculated by dividing headline earnings by the weighted average number of linked units in issue, adjusted for the potential dilutive impact of outstanding shareholder options.

2 FINANCIAL RISK MANAGEMENT

The group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has delegated the responsibility for developing and monitoring the group's risk management policies to the risk committee. The committee reports to the board of directors on its activities. The group risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Credit risk

Credit risk is the risk of financial loss to the group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from tenants, loans, loans to development partners, investment securities and cash and cash equivalents.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The group's widespread customer base reduces credit risk.

The majority of rental revenue is derived from properties situated in Gauteng, KwaZulu-Natal and Limpopo, but there is no concentration of credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the group's standard payment terms and conditions are offered. When available, the group's review includes external ratings.

Trade and other receivables relate mainly to the group's tenants and deposits with municipalities. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, size of business and existence of previous financial difficulties.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Fortress Unit Purchase Trust loans

The group's exposure to credit risk is influenced by the security provided for the loan and also the characteristics of each borrower who is an employee of the group.

The group establishes an allowance for impairment that represents its estimate of specific losses to be incurred in the event of the borrowers' inability to meet their commitments.

Loans to development partners

In reducing credit risk attributable to loans to development partners, the group will register bonds over the properties as security for the development partners' outstanding loans.

Investments

The group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that are listed on a recognised stock exchange.

Cash and cash equivalents

The group's exposure to credit risk is limited through the use of financial institutions of good standing for investment and cash handling purposes.

Sureties

The group's policy is to provide sureties with regard to subsidiaries to the extent required in the normal course of business. Such sureties are provided to enable the subsidiaries to obtain the funding necessary to enable them to acquire investment property or investments.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations comprising linked debentures, interest-bearing borrowings and trade and other payables, as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group receives rental on a monthly basis and uses it to reduce its borrowings. Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group enters into derivatives and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the risk committee.

Currency risk

The group is indirectly exposed to currency risk through its investments in Nepi and Rockcastle. This exposure is partially hedged as the currency position is considered to be long-term in nature.

Interest rate risk

The group is exposed to interest rate risk on its interest-bearing borrowings and cash and cash equivalents.

Interest-bearing borrowings and cash and cash equivalents bear interest at rates linked to prime/Jibar. However, the group adopts a policy of ensuring that at least 80% of its exposure to interest rates on borrowings is hedged. This is achieved by entering into interest rate swaps and caps.

Equity price risk

The group is exposed to equity price risk on its investments. It limits its exposure to equity price risk by only investing in liquid securities that are listed on a recognised stock exchange and where the directors are in agreement with the business strategy implemented by such companies.

Fair values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the group's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the group and the lessee; and the remaining economic life of the property.

Investments

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted closing price at the reporting date.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

The fair value of derivatives is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Capital management

The group considers both the equity attributable to equity holders and linked debentures as the permanent capital of the group.

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors also monitors the level of distributions to unitholders. The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

	GROUP	
	2013 (R'000)	2012 (R'000)

3 INVESTMENT PROPERTY, STRAIGHT-LINING OF RENTAL REVENUE ADJUSTMENT, INVESTMENT PROPERTY UNDER DEVELOPMENT AND INVESTMENT PROPERTY HELD FOR SALE

	2013 (R'000)	2012 (R'000)
Investment in property comprises:		
Investment property	**4 351 125**	4 035 002
Straight-lining of rental revenue adjustment	**79 128**	37 539
	4 430 253	4 072 541
Investment property held for sale	**329 553**	123 595
Straight-lining of rental revenue adjustment	**7 322**	905
	4 767 128	4 197 041
Investment property under development	**148 797**	48 222
Total investment property	**4 915 925**	4 245 263
Details of the investment property are as follows:		
At cost	**3 488 336**	3 510 943
Cumulative revaluation	**1 192 342**	647 654
Straight-lining of rental revenue adjustment	**86 450**	38 444
Investment property at fair value	**4 767 128**	4 197 041
Movement in investment property is as follows:		
Carrying amount at the beginning of the year	**4 072 541**	3 158 749
Additions and costs capitalised	**144 224**	941 951
Additions (refer note 18.4)	**27 134**	–
Disposals	**(215 636)**	(362 644)
Transfer from investment property under development	**50 637**	11 615
Revaluation adjustment	**640 222**	438 129
Straight-lining of rental revenue adjustment	**48 006**	9 241
	4 767 128	4 197 041
Transfer to investment properties held for sale (at fair value)	**(336 875)**	(124 500)
	4 430 253	4 072 541
Details of investment property under development are as follows:		
Carrying amount at the beginning of the year	**48 222**	3 999
Cost capitalised	**85 917**	53 541
Additions	**58 276**	–
Interest capitalised	**7 019**	2 297
Transfer to investment property	**(50 637)**	(11 615)
	148 797	48 222

A register of investment property is available for inspection at the registered office of the company (refer to pages 72 to 83).

There are no restrictions on the ability of the group to realise its investment property.

Investment property with a market value of R3 230 million (2012: R3 058 million) is mortgaged to secure borrowing facilities (refer to note 13).

Commitments in respect of property developments and extensions are set out in note 20.

Investment properties were externally valued by Peter Parfitt of Quadrant Properties Proprietary Limited, a professional associated valuer (Dip Val MIV (SA)). The valuations were done on an open-market basis and with consideration to the future earnings potential and an appropriate capitalisation rate for each property. The fair value of all investment property determined is supported by market evidence.

Investment properties held for sale were valued at the net sale price, which is considered to be the fair value.

The valuation of investment property is classified as a level 3 fair value measurement and there has been no transfer between levels in the current period (refer to note 27 for the estimates used and judgements made).

		Capital Property Fund	New Europe Property Investments plc	Resilient Property Income Fund Limited	Rockcastle Global Real Estate Company Limited	Total
4	**INVESTMENTS**					
	Group 2013					
	Holding	**2,64%**	**10,99%**	**4,28%**	**18,79%**	
	Price at 30 June (cents per unit/share)	**1 064**	**6 699**	**5 374**	**1 345**	
		(R'000)	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
	Historical cost	**305 398**	**553 512**	**545 027**	**699 881**	**2 103 818**
	Revaluation	**132 506**	**594 020**	**110 042**	**170 776**	**1 007 344**
	Accrued distribution	**14 296**	**24 793**	**11 306**	**13 936**	**64 331**
		452 200	**1 172 325**	**666 375**	**884 593**	**3 175 493**
	Group 2012					
	Holding	2,40%	11,96%	2,02%	–	
	Price at 30 June (cents per unit/share)	989	4 006	4 295	–	
		(R'000)	**(R'000)**	**(R'000)**	**(R'000)**	**(R'000)**
	Historical cost	265 911	446 151	180 567	–	892 629
	Revaluation	102 208	144 112	56 919	–	303 239
	Accrued distribution	12 646	10 637	6 386	–	29 669
		380 765	600 900	243 872	–	1 225 537

Investments with a market value of R568 million (2012: R506 million) are pledged to secure borrowing facilities (refer note 13).

		GROUP		COMPANY	
		2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
5	**FORTRESS UNIT PURCHASE TRUST LOANS**				
	Unit purchase trust loans (refer to note 19)	**382 230**	208 143	**382 230**	208 143
	Less portion payable within 12 months	**(7 860)**	(5 499)	**(7 860)**	(5 499)
		374 370	202 644	**374 370**	202 644

The unit purchase trust loans bear interest at the weighted average cost of funding of the group, being 8,48% (2012: 9,43%) at year-end. The loans are secured by 15 800 120 (2012: 10 427 000) A linked units and 36 480 943 (2012: 30 411 200) B linked units with a fair value of R232,3 million and R310,1 million (2012: R140,0 million and R188,9 million) respectively.

The value of security held for each individual loan exceeds the amount of the related loan. The loans are repayable on the tenth anniversary of the loans being granted.

		GROUP		COMPANY	
		2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
6	**LOAN TO BEE VEHICLE**				
	Loan to Amber Peek Investments Proprietary Limited (BEE vehicle)	**193 104**	175 711	**–**	–
		193 104	175 711	**–**	–

The loan to Amber Peek Investments Proprietary Limited (BEE vehicle) bears interest at prime plus 1% (2012: prime plus 1%), is unsecured and is repayable on 30 June 2019.

	GROUP		COMPANY	
	2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
7 LOANS TO DEVELOPMENT PARTNERS				
Loans to development partners	**71 116**	30 945	**–**	–
	71 116	30 945	**–**	–

The amounts owing by the development partners are secured by mortgage bonds over investment property. The loans bear interest at rates of between prime and prime plus 2% (2012: prime and prime plus 2%).

	Effective interest		Investment		Amount owing by	
	2013	2012	**2013 (R'000)**	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
8 INTEREST IN SUBSIDIARIES AND JOINT VENTURES						
Subsidiaries						
Fortress Income 1 (Pty) Ltd	100%	100%	**40 983**	40 983	**72 397**	59 652
Fortress Income 2 (Pty) Ltd	100%	100%	*	*	**3 089 233**	1 917 886
Fortress Income 3 (Pty) Ltd	100%	100%	*	*	**973 346**	899 704
Fortress Income 4 (Pty) Ltd	100%	100%	**55 593**	55 593	**315 745**	280 283
Fortress Income 5 (Pty) Ltd	100%	100%	*	*	**271 681**	248 787
Evaton Plaza Share Block (Pty) Ltd#	100%	100%	*	*	**–**	–
Intaba Investments 6 (Pty) Ltd#	100%		*		**–**	
RMS Manzini Investments (Pty) Ltd#	–	100%	*	*	**–**	–
			96 576	96 576	**4 722 402**	3 406 312
Joint ventures						
Intaba Investments 6 (Pty) Ltd#		60%		*		–
Mantraweb Investments (Pty) Ltd#	60%	60%	*	*	**–**	–
			*	*	**–**	–
			96 576	96 576	**4 722 402**	3 406 312

 # Share capital held through Fortress Income 2 Proprietary Limited, a wholly-owned subsidiary.

**Less than R1 000.*

During 2013, the company, through its wholly-owned subsidiary Fortress Income 2 Proprietary Limited, acquired the remaining 40% interest in Intaba Investments 6 Proprietary Limited (refer to note 18.4).

During 2013, the company, through its wholly-owned subsidiary Fortress Income 2 Proprietary Limited, disposed of its interest in RMS Manzini Investments Proprietary Limited (refer to note 18.5).

The amounts owing by subsidiaries are unsecured, bear interest at rates agreed from time to time and the terms of repayment have not been determined.

The company's share of profits and losses of subsidiaries and joint ventures after tax amounts to R1 271,8 million (2012: R588,2 million) and Rnil (2012: R1,0 million) respectively.

	GROUP		COMPANY	
	2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
9 TRADE AND OTHER RECEIVABLES				
Trade and other receivables include the following:				
Tenant arrears	**10 569**	9 623		
Service deposits and prepayments	**7 332**	5 113	**59**	–
Fair value of derivatives	**26 033**	2 031		
Other receivables	**17 149**	14 566		
	61 083	31 333	**59**	–

	GROUP		COMPANY	
	2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
10 SHARE CAPITAL AND SHARE PREMIUM				
Authorised				
500 000 000 (2012: 500 000 000) A ordinary shares of 1 cent each	**5 000**	5 000	**5 000**	5 000
500 000 000 (2012: 500 000 000) B ordinary shares of 1 cent each	**5 000**	5 000	**5 000**	5 000
Issued				
316 832 021 (2012: 293 084 493) A ordinary shares at 1 cent each	**3 168**	2 931	**3 168**	2 931
316 832 021 (2012: 293 084 493) B ordinary shares at 1 cent each	**3 168**	2 931	**3 168**	2 931
	6 336	5 862	**6 336**	5 862
Share premium	**940 839**	633 974	**940 839**	633 974

Each A ordinary share is linked to an A debenture, which together comprise an A linked unit (see note 12).
Each B ordinary share is linked to a B debenture, which together comprise a B linked unit (see note 12).

	GROUP		COMPANY	
	2013 Shares	2012 Shares	**2013 Shares**	2012 Shares
Reconciliation of movement in issued shares (A and B shares)				
Balance at beginning of year	**293 084 493**	231 000 000	**293 084 493**	231 000 000
Issue for cash	**11 037 528**	–	**11 037 528**	–
Issue as consideration for investment property	**–**	51 014 493	**–**	51 014 493
Issue to The Fortress Unit Purchase Trust	**12 710 000**	11 070 000	**12 710 000**	11 070 000
	316 832 021	293 084 493	**316 832 021**	293 084 493

The capital structure comprises equal numbers of A and B ordinary shares.

11 NON-DISTRIBUTABLE RESERVES

Group

Non-distributable reserves comprise those profits and losses that are not distributable to unitholders and are made up of revaluation adjustments on investment property, investment property held for sale and investments, straight-lining adjustments and other non-distributable balances.

Company

Non-distributable reserves comprise those profits and losses that are not distributable or will reduce future distributable profits to unitholders.

	GROUP		COMPANY	
	2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
12 LINKED DEBENTURES				
Subordinated variable rate A debentures of R8,10 each	**2 566 339**	2 373 984	**2 566 339**	2 373 984
Subordinated variable rate B debentures of R0,90 each	**285 149**	263 776	**285 149**	263 776
	2 851 488	2 637 760	**2 851 488**	2 637 760

	GROUP		COMPANY	
	2013 Debentures	2012 Debentures	**2013 Debentures**	2012 Debentures
Total A debentures in issue	**316 832 021**	293 084 493	**316 832 021**	293 084 493
Total B debentures in issue	**316 832 021**	293 084 493	**316 832 021**	293 084 493

The debentures bear interest at a rate of not less than 99% of the distributable earnings as defined in the Debenture Trust Deed.

Each A debenture is indivisibly linked to one A ordinary share in the share capital of the company and each B debenture is indivisibly linked to one B ordinary share in the share capital of the company.

An A debenture bears interest at a rate of 10,75% on R9,00 in the first year, escalating by 5% per annum until 30 June 2014 and at the lower of 5% or CPI thereafter.

A B debenture is entitled to the balance of the distributable income as defined in the Debenture Trust Deed, after servicing the interest on the A debentures, divided by the number of B debentures in issue.

Interest on A debentures and B debentures ("debentures") is payable on a six monthly basis.

The rights of the A debenture holders and the B debenture holders to repayment are subordinated in favour of the claims of other creditors.

The debentures are redeemable:

– at the option of the company subject to compliance with statutes and the requirements of the JSE, as applicable;
– immediately at the option of the trustee if the company fails to adhere to the terms of the trust deed, commits an act of insolvency or disposes of, or attempts to dispose of the whole or substantially the whole of its undertaking.

13 INTEREST-BEARING BORROWINGS

The group has entered into the following loan agreements, which together with linked unitholder capital, are used to fund its investment activities. The Memorandum of Incorporation of the company allows the group to have borrowings of up to 65% of asset value.

Interest-bearing loans and borrowings are measured at amortised cost. The group's exposure to interest rate and liquidity risk is discussed in note 26.

Group	Nominal interest rate	Date of maturity	2013 Fair value (R'000)	2013 Carrying amount (R'000)	2012 Fair value (R'000)	2012 Carrying amount (R'000)
Standard Bank[(1)]	1-month Jibar plus 1,58%	Jul 2012			51 230	51 230
Standard Bank[(1)]	1-month Jibar plus 2,28%	Jul 2012			123 500	123 500
DMTN programme:						
3 months[(6)]	3-month Jibar plus 0,34%	Sep 2012			250 651	250 651
Standard Bank[(3)]	1-month Jibar plus 2,18%	Nov 2012			52 185	52 185
Standard Bank[(3)]	Prime less 1,00%	Nov 2012			19 800	19 800
Standard Bank[(1)]	1-month Jibar plus 1,70%	Sep 2013			550 020	550 020
Standard Bank[(1)]	Prime less 1,60%	Sep 2013			22 000	22 000
DMTN programme:						
3 months[(6)]	3-month Jibar plus 0,30%	Sep 2013	**250 706**	**250 706**	–	–
DMTN programme:						
1 year[(6)]	3-month Jibar plus 0,85%	Oct 2013	**253 397**	**253 397**	–	–
DMTN programme:						
3 years[(6)]	3-month Jibar plus 1,65%	Aug 2015	**251 763**	**251 763**	–	–
DMTN programme:						
3 years[(6)]	3-month Jibar plus 1,50%	Apr 2016	**253 403**	**253 403**	–	–
DMTN programme:						
3 years[(6)]	3-month Jibar plus 1,60%	Jun 2016	**170 157**	**170 157**	–	–
Rand Merchant Bank[(2)]	Prime less 1,48%	Aug 2016	**–**	**–**	14 594	14 594
Rand Merchant Bank[(2)]	3-month Jibar plus 1,92%	Aug 2016	**291 959**	**291 959**	–	–
Standard Bank[(1)]	1-month Jibar plus 1,70%	Sep 2016	**552 743**	**552 743**	–	–
Standard Bank[(1)]	Prime less 1,60%	Sep 2016	**16 234**	**16 234**	–	–
Standard Bank[(4)]	Prime less 1,50%	Dec 2016	**35 917**	**35 917**	20 479	20 479
Nedbank[(5)]	Prime less 2,00%	Dec 2016	**35 109**	**35 109**	43 769	43 769
			2 111 388	**2 111 388**	1 148 228	1 148 228
Current portion included in current liabilities			**(504 103)**	**(504 103)**	(497 366)	(497 366)
			1 607 285	**1 607 285**	650 862	650 862

	Investment property (R'000)	Investments (R'000)	Total (R'000)
Interest-bearing borrowings are secured by the following:			
Group 2013			
Standard Bank[(1)(3)(4)]	**1 229 580**	**568 335**	**1 797 915**
Rand Merchant Bank[(2)]	**1 630 800**	**–**	**1 630 800**
Nedbank[(5)]	**369 500**	**–**	**369 500**
	3 229 880	**568 335**	**3 798 215**
Group 2012			
Standard Bank[(1)(3)(4)]	1 860 910	505 518	2 366 428
Rand Merchant Bank[(2)]	959 250	–	959 250
Nedbank[(5)]	238 000	–	238 000
	3 058 160	505 518	3 563 678

13 INTEREST-BEARING BORROWINGS (continued)

The financial assets have been pledged under the following terms:

(1) – The total overall consolidated debt may not exceed 45% of total assets.
– Earnings before interest, tax, depreciation and amortisation ("EBITDA") to gross interest payable in respect of all debt on a consolidated basis may not be less than 2,25 times.
– The loan-to-value ("LTV") ratio may not exceed 50%.
– EBITDA from the properties and listed units/shares serving as security for the loan, to gross interest payable in respect of the loan facility, may not be less than 1,5 times.
– The outstanding balance of the loan to the value of properties shall not exceed 66%.

(2) – The interest-bearing debt to asset ratio may not exceed 45%.
– The facility outstanding mortgaged asset value ratio may not exceed 45%.
– The total interest cover ratio may not be less than 1,75 times.
– The facility interest cover ratio may not be less than 1,75 times.
– A net asset value of R1,5 billion must be maintained at all times.

(3) – The LTV ratio may not exceed 65%.
– EBITDA in respect of the properties, to gross interest payable in respect of the loan facility, may not be less than 1,5 times.

(4) – General banking facility.

(5) – LTV and interest cover ratios not applicable.

(6) – The LTV ratio may not exceed 50%.

	GROUP	
	2013 Capital repayment (R'000)	2012 Capital repayment (R'000)
Interest-bearing borrowings are repayable as follows:		
Jun 2013	**–**	497 366
Jun 2014	**504 103**	572 020
Jun 2016	**675 323**	–
Jun 2017	**931 962**	78 842
	2 111 388	1 148 228

			2013		2012	
Company	**Nominal interest rate**	**Date of maturity**	**Fair value (R'000)**	**Carrying amount (R'000)**	Fair value (R'000)	Carrying amount (R'000)
DMTN programme: 3 months(1)	3-month Jibar plus 0,34%	Sep 2012	**–**	**–**	250 651	250 651
DMTN programme: 3 months(1)	3-month Jibar plus 0,30%	Sep 2013	**250 706**	**250 706**	–	–
DMTN programme: 1 year(1)	3-month Jibar plus 0,85%	Oct 2013	**253 397**	**253 397**	–	–
DMTN programme: 3 years(1)	3-month Jibar plus 1,65%	Aug 2015	**251 763**	**251 763**	–	–
DMTN programme: 3 years(1)	3-month Jibar plus 1,50%	Apr 2016	**253 403**	**253 403**	–	–
DMTN programme: 3 years(1)	3-month Jibar plus 1,60%	Jun 2016	**170 157**	**170 157**	–	–
			1 179 426	**1 179 426**	250 651	250 651
Current portion included in current liabilities			**(504 103)**	**(504 103)**	(250 651)	(250 651)
			675 323	**675 323**	–	–

The loans are unsecured.

The financial assets have been pledged under the following terms:

(1) – The LTV ratio may not exceed 50%.

	GROUP 2013 (R'000)	GROUP 2012 (R'000)	COMPANY 2013 (R'000)	COMPANY 2012 (R'000)
14 DEFERRED TAX				
Deferred tax comprises the following:				
– Revaluation of investment property	**6 574**	97 916		
– Revaluation of investments	**231 333**	42 453		
– Revaluation of derivatives	**(3 676)**	(17 892)		
	234 231	122 477	**–**	–
Carrying amount at the beginning of the year	**122 477**	59 170		
Acquisition and disposal of businesses (refer to notes 18.4 and 18.5)	**(1 592)**	–		
Charged to the statement of comprehensive income during the year	**113 346**	63 307		
Carrying amount at the end of the year	**234 231**	122 477	**–**	–

Fortress' application for REIT status was approved by the JSE Limited. The conversion to a REIT will be effective from 1 July 2013. As such, the group will not be liable for capital gains tax on the disposal of investment property and REIT investments effective from 1 July 2013. Deferred tax has however been provided on the recoupment of capital allowances claimed on investment property as well as the fair value adjustments on the group's investments in Capital, Nepi and Rockcastle as the current enacted legislation does not deem it exempt from capital gains tax.

Deferred tax is provided at 28% (2012: 18,6%) on investment property, at 28% (2012: 28%) on interest rate derivatives and at 28% (2012: 18,6%) on non-REIT investments.

There are no unrecognised deferred tax assets and liabilities.

	GROUP 2013 (R'000)	GROUP 2012 (R'000)	COMPANY 2013 (R'000)	COMPANY 2012 (R'000)
15 TRADE AND OTHER PAYABLES				
Trade and other payables include the following:				
Accrued expenses	**70 419**	48 804	**696**	488
Fair value of derivatives	**39 157**	65 934		
Tenant deposits	**22 141**	21 242		
	131 717	135 980	**696**	488
Amounts owing for acquisition of investment property	**–**	29 610		
Prepaid rentals	**7 309**	–		
VAT payable	**2 402**	5 787		
	141 428	171 377	**696**	488

	GROUP 2013 (R'000)	GROUP 2012 (R'000)	COMPANY 2013 (R'000)	COMPANY 2012 (R'000)
16 PROFIT BEFORE INCOME TAX EXPENSE				
Profit before income tax expense is stated after charging:				
Auditors' remuneration				
– audit fee	**(704)**	(841)	**(29)**	(22)
– other services	**(182)**	(90)	**(165)**	(45)
Directors' remuneration				
– services as director (non-executive)	**(1 963)**	(1 998)	**(1 963)**	(1 998)
– other services (executive)	**(4 049)**	(3 628)		
Amortisation of tenant installation	**(2 896)**	(948)		
Amortisation of letting commission	**(1 336)**	(436)		
Property administration fees	**(18 631)**	(16 331)		
Operating lease payments on premises	**(2 979)**	(2 284)		
Employee cost (excluding executive directors)	**(13 386)**	(13 201)		

	GROUP		COMPANY	
	2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
17 INCOME TAX EXPENSE				
South African normal tax				
– current tax	**(11 224)**	(9 396)		
– deferred tax	**(113 346)**	(63 307)		
	(124 570)	(72 703)	**–**	–
Standard tax rate	**28,00%**	28,00%	**28,00%**	28,00%
Capital gains tax rate differential	**(0,59%)**	(16,30%)		
Tax rate differential – REIT conversion	**(17,92%)**	–		
Permanent differences	**(0,57%)**	(0,68%)		
Other	**–**	–	**(28,00%)**	(28,00%)
Effective tax rate	**8,92%**	11,02%	**–**	–

	GROUP		COMPANY	
	2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
18 NOTES TO THE STATEMENTS OF CASH FLOWS				
18.1 Cash generated from operations				
Profit before income tax expense	**1 396 333**	659 914	**–**	–
Adjusted for:				
Fair value gain on investment property	**(688 228)**	(447 370)		
Fair value gain on investments	**(654 133)**	(261 603)		
Profit on sale of subsidiaries	**(115)**	–		
Interest from loans	**(46 337)**	(33 036)	**(22 696)**	(16 189)
Fair value adjustment on derivatives	**(53 857)**	49 059		
Interest on linked units issued *cum* distribution	**(12 345)**	(30 280)	**(12 345)**	(30 280)
Interest on borrowings	**142 738**	112 079	**43 881**	821
Capitalised interest	**(7 019)**	(2 297)		
Interest to linked debenture holders	**433 807**	364 543	**433 807**	364 543
Amortisation of tenant installation	**2 896**	948		
Amortisation of letting commission	**1 336**	436		
	515 076	412 393	**442 647**	318 895
Changes in working capital:				
Increase in trade and other receivables	**(8 802)**	(4 615)	**(59)**	–
Increase in trade and other payables	**26 343**	27 493	**208**	44
	532 617	435 271	**442 796**	318 939
18.2 Interest paid to linked debenture holders				
Linked debenture interest payable at the beginning of the year	**(185 493)**	(132 663)	**(185 493)**	(132 663)
Charged to statement of comprehensive income during the year	**(433 807)**	(364 543)	**(433 807)**	(364 543)
Linked debenture interest payable at the end of the year	**225 679**	185 493	**225 679**	185 493
	(393 621)	(311 713)	**(393 621)**	(311 713)

	GROUP	
	2013 (R'000)	2012 (R'000)
18 NOTES TO THE STATEMENTS OF CASH FLOWS (continued)		
18.3 Income tax paid		
Income tax payable at the beginning of the year	**(1 088)**	(31)
Acquisition of business (refer to note 18.4)	**(629)**	–
Charged to statement of comprehensive income during the year	**(11 224)**	(9 396)
Income tax payable at the end of the year	**421**	1 088
	(12 520)	(8 339)
18.4 Investment property and related assets and liabilities acquired not included in additions to investment property or financing activities		
Investment property	**27 134**	–
Deferred tax	**(1 292)**	–
Trade and other receivables	**740**	–
Trade and other payables	**(1 158)**	–
Fair value of derivatives	**(3 078)**	–
Cash and cash equivalents	**5**	–
Income tax payable	**(629)**	–
Loans to development partners	**(13 753)**	–
	7 969	–
Less cash and cash equivalents acquired	**(5)**	–
Cash flow effect	**7 964**	–

The company, through its wholly-owned Fortress Income 2 Proprietary Limited, acquired 40% of Intaba Investments 6 Proprietary Limited.

18.5 Investment property and related assets and liabilities disposed of not included in disposals of investment property or financing activities		
Investment property	**25 770**	–
Straight-lining of rental revenue adjustment	**230**	–
Trade and other receivables	**3 794**	–
Deferred tax	**(2 884)**	–
Trade and other payables	**(1 063)**	–
Profit on sale of investments	**115**	–
	25 962	–

The company, through its wholly-owned subsidiary Fortress Income 2 Proprietary Limited, disposed of its interest in RMS Manzini Investments Proprietary Limited.

19 THE FORTRESS UNIT PURCHASE TRUST

In terms of the rules of The Fortress Unit Purchase Trust ("the Trust"), the maximum number of linked units which may be granted to the participants shall be limited to 50 000 000 linked units (2012: 50 000 000 linked units).

	2013		2012	
	% of issued linked units	**Number of linked units**	% of issued linked units	Number of linked units
Maximum linked units available to the Trust in terms of the Trust deed	**15,8%**	**50 000 000**	17,1%	50 000 000
Issued to the Trust through loan account	**13,6%**	**(43 121 200)**	10,4%	(30 411 200)
Previously issued to the Trust, repaid and not available for re-issue	**2,2%**	**(6 878 800)**	2,3%	(6 878 800)
Units available but unissued		**–**		12 710 000

The participants in the Trust carry the risk associated with the linked units issued to them.

Details of the linked units granted to directors as at 30 June 2013 are as follows:

	Number of units issued	**Date of issue**	**Issue price (Rand)**	**Employee asset as recorded in the Trust (R'000)**
A linked units				
Mark Stevens	207 672	7 Dec 2010	10,75	2 232
	850 000	6 Sep 2011	11,62	9 877
	1 000 000	29 Mar 2012	13,10	13 100
	500 000	3 Dec 2012	14,20	7 100
Wiko Serfontein	400 000	20 May 2013	15,50	6 200
B linked units				
Mark Stevens	840 000	22 Oct 2009	1,00	840
	220 000	14 May 2010	1,90	418
	600 000	7 Dec 2010	2,47	1 482
	680 000	6 Sep 2011	3,75	2 550
	800 000	29 Mar 2012	5,70	4 560
	500 000	3 Dec 2012	7,00	3 500
Wiko Serfontein	40 000	14 May 2010	1,90	76
	160 000	6 Sep 2011	3,75	600
	500 000	29 Mar 2012	5,70	2 850
	440 000	3 Dec 2012	7,00	3 080
	400 000	20 May 2013	8,25	3 300

	GROUP		**COMPANY**	
	2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
20 CAPITAL COMMITMENTS				
Approved and contracted for	**103 600**	148 791	**–**	–
Approved, but not contracted for	**37 506**	142 500	**–**	–

The expenditure relates to property developments and extensions to properties and will be funded by borrowings.

21 CONTINGENT LIABILITIES

There are no contingent liabilities.

	GROUP	
	2013 (R'000)	2012 (R'000)
22 OPERATING LEASE RENTALS		
Contractual rental revenue from tenants can be analysed as follows:		
Within one year	**445 776**	374 348
Within two to five years	**948 146**	638 586
More than five years	**594 765**	235 721
	1 988 687	1 248 655
23 OPERATING LEASE COMMITMENTS		
Operating lease commitments can be analysed as follows:		
Within one year	**3 785**	3 157
Within two to five years	**15 174**	14 612
More than five years	**206 944**	264 529
	225 903	282 298

	Corporate (R'000)	Retail (R'000)	Industrial (R'000)	Office (R'000)	Residential (R'000)	Total (R'000)
24 SEGMENTAL REPORTING						
Segmental statement of financial position at 30 June 2013						
Investment property and investment property under development		3 660 860	785 440	43 350	89 400	4 579 050
Investments	3 175 493					3 175 493
Fortress Unit Purchase Trust loans	382 230					382 230
Loan to BEE vehicle	193 104					193 104
Loans to development partners	71 116					71 116
Investment property held for sale			19 014	317 861		336 875
Trade and other receivables	33 297	8 661	14 523	4 282	320	61 083
Cash and cash equivalents	3 646					3 646
Total assets	3 858 886	3 669 521	818 977	365 493	89 720	8 802 597

Due to the pooling of funds, disclosure of segmental liabilities will all be included under corporate.

	Corporate (R'000)	Retail (R'000)	Industrial (R'000)	Office (R'000)	Residential (R'000)	Total (R'000)
Segmental statement of comprehensive income for the year ended 30 June 2013						
Recoveries and contractual rental revenue		456 668	122 332	50 683	10 319	640 002
Straight-lining of rental revenue adjustment		40 911	2 492	1 765	2 838	48 006
Segment revenue	–	497 579	124 824	52 448	13 157	688 008
Property operating expenses		(159 374)	(43 078)	(18 076)	(2 180)	(222 708)
Net rental and related revenue	–	338 205	81 746	34 372	10 977	465 300
Distributable income from investments	119 056					119 056
Fair value gain on investment property net of adjustment resulting from straight-lining of rental revenue		514 770	76 799	45 087	3 566	640 222
Fair value gain on investments	654 133					654 133
Administrative expenses	(25 506)					(25 506)
Profit on sale of subsidiary	115					115
Total segment result	747 798	852 975	158 545	79 459	14 543	1 853 320
Segmental capital expenditure	–	304 864	419	–	10 268	315 551

24 SEGMENTAL REPORTING (continued)

	Corporate (R'000)	Retail (R'000)	Industrial (R'000)	Office (R'000)	Residential (R'000)	Total (R'000)
Segmental statement of financial position at 30 June 2012						
Investment property and investment property under development		2 845 273	834 230	368 780	72 480	4 120 763
Investments	1 225 537					1 225 537
Fortress Unit Purchase Trust loans	208 143					208 143
Loan to BEE vehicle	175 711					175 711
Loans to development partners	30 945					30 945
Investment property held for sale		78 000		46 500		124 500
Trade and other receivables	4 262	13 084	11 801	2 173	13	31 333
Cash and cash equivalents	8 351					8 351
Total assets	1 652 949	2 936 357	846 031	417 453	72 493	5 925 283

Due to the pooling of funds, disclosure of segmental liabilities will all be included under corporate.

	Corporate (R'000)	Retail (R'000)	Industrial (R'000)	Office (R'000)	Residential (R'000)	Total (R'000)
Segmental statement of comprehensive income for the year ended 30 June 2012						
Recoveries and contractual rental revenue		347 834	145 735	57 584	9 477	560 630
Straight-lining of rental revenue adjustment		9 608	(162)	(205)		9 241
Segment revenue	–	357 442	145 573	57 379	9 477	569 871
Property operating expenses		(118 987)	(49 361)	(19 755)	(2 049)	(190 152)
Net rental and related revenue	–	238 455	96 212	37 624	7 428	379 719
Distributable income from investments	62 057					62 057
Fair value gain on investment property net of adjustment resulting from straight-lining of rental revenue		333 167	67 988	36 017	957	438 129
Fair value gain on investments	261 603					261 603
Nepi underwriting fee	2 143					2 143
Administrative expenses	(23 669)					(23 669)
Total segment result	302 134	571 622	164 200	73 641	8 385	1 119 982
Segmental capital expenditure	–	991 324	1 050	2 695	423	995 492

25 SUBSEQUENT EVENTS

The directors are not aware of any other events subsequent to 30 June 2013, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report.

	GROUP 2013 (R'000)	GROUP 2012 (R'000)	COMPANY 2013 (R'000)	COMPANY 2012 (R'000)
26 FINANCIAL INSTRUMENTS				
26.1 Credit risk				
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Fortress Unit Purchase Trust loans	**382 230**	208 143	**382 230**	208 143
Loan to BEE vehicle	**193 104**	175 711		
Loans to development partners	**71 116**	30 945		
Trade and other receivables	**61 083**	31 333	**59**	–
Cash and cash equivalents	**3 646**	8 351		
	711 179	454 483	**382 289**	208 143
The maximum exposure to credit risk for loans at the reporting date was:				
Fortress Unit Purchase Trust Loans	**382 230**	208 143	**382 230**	208 143
A linked units pledged as security (refer to note 5)	**(232 262)**	(140 035)	**(232 262)**	(140 035)
B linked units pledged as security (refer to note 5)	**(310 088)**	(188 854)	**(310 088)**	(188 854)
Net exposure	**–**	–	**–**	–
Loan to BEE vehicle	**193 104**	175 711		
Loans to development partners	**71 116**	30 945		
Net exposure total loans	**264 220**	206 656	**–**	–
None of the borrowers to whom loans were granted were in breach of their obligations.				
No impairment allowance is necessary in respect of loans as the fair value of the security provided exceeds the value of the loans.				
The maximum exposure to credit risk for trade and other receivables at the reporting date by segment was:				
Corporate	**33 297**	4 262		
Retail	**8 661**	13 084		
Industrial	**14 523**	11 801		
Office	**4 282**	2 173		
Residential	**320**	13		
Trade receivables	**61 083**	31 333		
Tenant deposits (limited to tenant arrears)	**(10 569)**	(9 623)		
	50 514	21 710		
The ageing of all trade receivables at the reporting date was less than 90 days.				
The group believes that no impairment allowance is necessary in respect of trade receivables as a comprehensive analysis of outstanding amounts are performed on a regular basis and impairment losses are accounted for timeously.				
There are no significant concentrations of credit risk.				
Gross receivables:				
Not past due	**50 514**	21 710		
Past due not impaired	**10 569**	9 623		
	61 083	31 333		

Tenant arrears of R6,1 million (2012: R4,9 million) have been written off as irrecoverable during the year. No impairment adjustment is required against the balance of the receivables.

26 FINANCIAL INSTRUMENTS (continued)

26.2 Liquidity risk

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements:

	Carrying value (R'000)	Contractual outflows (R'000)	1 – 12 months (R'000)	2 – 5 years (R'000)	More than 5 years (R'000)
Group 2013					
Non-derivative financial liabilities:					
Linked debentures	**2 851 488**	**2 851 488**	**–**	**–**	**2 851 488**
Interest-bearing borrowings – capital	**2 111 388**	**2 111 388**	**504 103**	**1 607 285**	**–**
Trade and other payables	**141 428**	**141 428**	**141 428**	**–**	**–**
Group 2012					
Non-derivative financial liabilities:					
Linked debentures	2 637 760	2 637 760	–	–	2 637 760
Interest-bearing borrowings – capital	1 148 228	1 148 228	497 366	650 862	–
Trade and other payables	171 377	171 377	171 377	–	–
Company 2013					
Non-derivative financial liabilities:					
Linked debentures	**2 851 488**	**2 851 488**	**–**	**–**	**2 851 488**
Interest-bearing borrowings – capital	**1 179 426**	**1 179 426**	**504 103**	**675 323**	**–**
Trade and other payables	**696**	**696**	**696**	**–**	**–**
Company 2012					
Non-derivative financial liabilities:					
Linked debentures	2 637 760	2 637 760	–	–	2 637 760
Interest-bearing borrowings – capital	250 651	250 651	250 651	–	–
Trade and other payables	488	488	488	–	–

Cash flows are monitored on a regular basis to ensure that cash resources are adequate to meet funding requirements.

	GROUP	
	2013 (R'000)	2012 (R'000)
Permitted borrowings for the group		
Total assets	**8 802 597**	5 925 283
65% of total assets	**5 721 688**	3 851 434
Total borrowings	**(2 111 388)**	(1 148 228)
Unutilised borrowing capacity	**3 610 300**	2 703 206

26.3 Market risk

26.3.1 Interest rate risk

	GROUP		COMPANY	
	2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
Interest-bearing instruments comprise:				
Variable rate instruments				
Cash and cash equivalents	**(3 646)**	(8 351)	**–**	–
Interest-bearing borrowings	**2 111 388**	1 148 228	**1 179 426**	250 651
	2 107 742	1 139 877	**1 179 426**	250 651

The group adopts a policy of ensuring that at least 80% of its exposure to interest rates on borrowings is hedged.

26 FINANCIAL INSTRUMENTS (continued)

26.3.1 Interest rate risk (continued)

Details of the interest rate swap expiry profile are:

	Swap maturity	Nominal amount (R'000)	Average swap rate	Fair value (R'000)
Group 2013	Jun 2014	**150 000**	**8,04%**	**(1 522)**
	Jun 2015	**300 000**	**7,53%**	**(7 278)**
	Jun 2016	**200 000**	**8,16%**	**(8 898)**
	Jun 2017	**310 000**	**7,40%**	**(7 374)**
	Jun 2018	**400 000**	**7,61%**	**(9 636)**
	Jun 2019	**400 000**	**6,85%**	**8 145**
	Jun 2020	**100 000**	**6,12%**	**7 735**
		1 860 000	**7,41%**	**(18 828)**

	Cap maturity	Nominal amount (R'000)	Average cap rate	Fair value (R'000)
	Jun 2020	100 000	7,49%	(571)

	Swap maturity	Nominal amount (R'000)	Average swap rate	Fair value (R'000)
Group 2012	Jun 2014	150 000	8,04%	(5 690)
	Jun 2015	300 000	7,53%	(12 866)
	Jun 2016	200 000	8,16%	(14 861)
	Jun 2017	166 000	7,35%	(8 491)
	Jun 2018	300 000	7,57%	(18 005)
	Jun 2019	100 000	7,65%	(6 021)
		1 216 000	7,69%	(65 934)

Effective interest rates and repricing

The effective interest rates at the statement of financial position date and the periods in which the borrowings reprice are reflected in note 13.

26 FINANCIAL INSTRUMENTS (continued)

26.3.1 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

Interest

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) distribution by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

	Distribution	
	Increase (R'000)	Decrease (R'000)
Group 2013		
Loan to BEE vehicle	**1 931**	**(1 931)**
Loans to development partners	**711**	**(711)**
Cash and cash equivalents	**36**	**(36)**
Interest-bearing borrowings	**(21 114)**	**21 114**
Interest rate derivatives	**18 600**	**(18 600)**
Cash flow sensitivity (net)	**164**	**(164)**
Company 2013		
Interest-bearing borrowings	**(11 794)**	**11 794**
Group 2012		
Loan to BEE vehicle	1 757	(1 757)
Loans to development partners	309	(309)
Cash and cash equivalents	84	(84)
Interest-bearing borrowings	(11 482)	11 482
Interest rate derivatives	12 160	(12 160)
Cash flow sensitivity (net)	2 828	(2 828)
Company 2012		
Interest-bearing borrowings	(2 507)	2 507

26.3.2 Equity price risk

The carrying amount of financial assets represents the maximum equity price risk exposure. The maximum exposure to equity price risk at the reporting date was:

	GROUP		COMPANY	
	2013 (R'000)	2012 (R'000)	**2013 (R'000)**	2012 (R'000)
Investments	**3 175 493**	1 225 537	**–**	–

A one percent change in the market value of investments would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss and equity	
	1% increase (R'000)	1% decrease (R'000)
Group 2013		
Investments	**31 755**	**(31 755)**
Group 2012		
Investments	12 255	(12 255)

26 FINANCIAL INSTRUMENTS (continued)

26.4 Fair values

The fair values of all financial instruments, with the exception of linked debentures, are substantially the same as the carrying amounts reflected on the statement of financial position.

	Designated at fair value (R'000)	Loans and receivables (R'000)	Amortised cost (R'000)	Total carrying amount (R'000)	Fair value (R'000)
Group 2013					
Investments (level 1)	**3 175 493**			**3 175 493**	**3 175 493**
Fortress Unit Purchase Trust loans		**382 230**		**382 230**	**382 230**
Loan to BEE vehicle		**193 104**		**193 104**	**193 104**
Loans to development partners		**71 116**		**71 116**	**71 116**
Trade and other receivables		**35 050**		**35 050**	**35 050**
Derivative instruments debtor (level 2)	**26 033**			**26 033**	**26 033**
Cash and cash equivalents		**3 646**		**3 646**	**3 646**
Linked debentures			**(2 851 488)**	**(2 851 488)**	**(2 851 488)**
Interest-bearing borrowings			**(2 111 388)**	**(2 111 388)**	**(2 111 388)**
Trade and other payables			**(99 868)**	**(99 868)**	**(99 868)**
Derivative instruments creditor (level 2)	**(39 158)**			**(39 158)**	**(39 158)**
Linked debenture interest payable			**(225 679)**	**(225 679)**	**(225 679)**
	3 162 368	**685 146**	**(5 288 423)**	**(1 440 909)**	**(1 440 909)**
Group 2012					
Investments (level 1)	1 225 537			1 225 537	1 225 537
Fortress Unit Purchase Trust loans		208 143		208 143	208 143
Loan to BEE vehicle		175 711		175 711	175 711
Loans to development partners		30 945		30 945	30 945
Trade and other receivables		29 302		29 302	29 302
Derivative instruments debtor (level 2)	2 031			2 031	2 031
Cash and cash equivalents		8 351		8 351	8 351
Linked debentures			(2 637 760)	(2 637 760)	(2 637 760)
Interest-bearing borrowings			(1 148 228)	(1 148 228)	(1 148 228)
Trade and other payables			(99 656)	(99 656)	(99 656)
Derivative instruments creditor (level 2)	(65 934)			(65 934)	(65 934)
Linked debenture interest payable			(185 493)	(185 493)	(185 493)
	1 161 634	452 452	(4 071 137)	(2 457 051)	(2 457 051)

	Designated at fair value (R'000)	Loans and receivables (R'000)	Amortised cost (R'000)	Total carrying amount (R'000)	Fair value (R'000)
Company 2013					
Fortress Unit Purchase Trust loans		**382 230**		**382 230**	**382 230**
Trade and other receivables		**59**		**59**	**59**
Linked debentures			**(2 851 488)**	**(2 851 488)**	**(2 851 488)**
Interest-bearing borrowings			**(1 179 426)**	**(1 179 426)**	**(1 179 426)**
Trade and other payables			**(696)**	**(696)**	**(696)**
Linked debenture interest payable			**(225 679)**	**(225 679)**	**(225 679)**
	–	**382 289**	**(4 257 289)**	**(3 875 000)**	**(3 875 000)**
Company 2012					
Fortress Unit Purchase Trust loans		208 143		208 143	208 143
Linked debentures			(2 637 760)	(2 637 760)	(2 637 760)
Interest-bearing borrowings			(250 651)	(250 651)	(250 651)
Trade and other payables			(488)	(488)	(488)
Linked debenture interest payable			(185 493)	(185 493)	(185 493)
	–	208 143	(3 074 392)	(2 866 249)	(2 866 249)

Level 1 financial instruments are all investments in listed equities. Derivatives have been classified as level 2 financial instruments and have been valued externally.

27 ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses with the audit committee the development, selection and disclosure of the group's critical accounting policies and estimates and the application of these policies and estimates.

Investment property

The revaluation of investment property requires judgement in the determination of future cash flows from leases and an appropriate capitalisation rate which may vary between 8,0% and 12,0% (2012: 9,0% and 13,0%). Changes in the capitalisation rate attributable to changes in market conditions can have a significant impact on property valuations. A 25 basis points increase in the capitalisation rate will decrease the value of investment property by R127,2 million (2012: R104,6 million). A 25 basis points decrease in the capitalisation rate will increase the value of investment property by R134,4 million (2012: R110,0 million).

Impairment of assets

The group tests whether assets have suffered any impairment in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units and intangible assets have been determined based on future cash flows discounted to their present value using appropriate rates. Estimates are based on interpretation of generally accepted industry based market forecasts.

Trade receivables

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when the collectability is considered to be doubtful. Management believes that the impairment write-off is conservative and there are no significant trade receivables that are doubtful and have not been written off. In determining whether a particular receivable could be doubtful, the following factors are taken into consideration:

– age;
– customer current financial status;
– security held; and
– disputes with customer.

28 RELATED PARTY TRANSACTIONS

Parent entity

The holding company is Fortress Income Fund Limited.

Identity of related parties with whom material transactions have occurred

The subsidiaries and directors are related parties. The subsidiaries of the company are identified in note 8. The directors are set out on pages 4 to 5 of the integrated report.

Material related party transactions

Loans to subsidiaries are set out in note 8.

Interest received from subsidiaries is set out in the statements of comprehensive income.

Remuneration paid to directors is set out on page 19 and in note 16.

Loans by The Fortress Unit Purchase Trust to directors are set out in note 19.

Interest paid by directors to The Fortress Unit Purchase Trust amounts R5 761 143 (2012: R5 483 682).

Jannie Moolman resigned from the board on 14 March 2012. The following transactions were entered into with him during the period when he was a director:

– through Luvon Investment Proprietary Limited, he has a 50% indirect interest in Game Makhado in which Fortress holds a 50% interest.
– through East & West Investments Proprietary Limited, he has a 40% indirect interest in Game Polokwane in which Fortress holds a 40% interest.
– he has an 80% interest in Moolman Group Property Management Proprietary Limited that performs the property management function for Game Polokwane. Property management fees of Rnil (2012: R466 098) (100%) were paid.

Fortress acquired a parcel of properties from Resilient as disclosed in note 6 of the directors' report. Resilient was a related party to Fortress at the time the transaction was concluded.

29 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Statement of compliance with International Financial Reporting Standards ("IFRS")

The group applies all applicable IFRS as issued by the International Accounting Standards Board ("IASB") in preparation of the financial statements. Consequently, all IFRS statements that were effective at the date of issuing this report and are relevant to Fortress' operations have been applied.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments for government loans with a below-market rate of interest when transitioning to IFRSs	Annual periods beginning on or after 1 January 2013
IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments resulting from Annual Improvements 2009 – 2011 Cycle (repeat application, borrowing costs)	Annual periods beginning on or after 1 January 2013
IFRS 7	Financial Instruments: Disclosures – Amendments related to the offsetting of assets and liabilities	Annual periods beginning on or after 1 January 2013 and interim periods within those periods
IFRS 7	Financial Instruments: Disclosures – Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	Annual periods beginning on or after 1 January 2015
IFRS 9	Financial Instruments – Original issue (Classification and measurement of financial assets)	Annual periods beginning on or after 1 January 2013 (Effective date subsequently deferred, see below)
IFRS 9	Financial Instruments – Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	Annual periods beginning on or after 1 January 2013 (Effective date subsequently deferred, see below)
IFRS 9	Financial Instruments – Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	Annual periods beginning on or after 1 January 2015
IFRS 10	Consolidated Financial Statements – Original issue	Annual periods beginning on or after 1 January 2013
IFRS 10	Consolidated Financial Statements – Amendments to transitional guidance	Annual periods beginning on or after 1 January 2013
IFRS 10	Consolidated Financial Statements – Amendments for investment entities	Annual periods beginning on or after 1 January 2014
IFRS 11	Joint Arrangements – Original issue	Annual periods beginning on or after 1 January 2013
IFRS 11	Joint Arrangements – Amendments to transitional guidance	Annual periods beginning on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities – Original issue	Annual periods beginning on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities – Amendments to transitional guidance	Annual periods beginning on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities – Amendments for investment entities	Annual periods beginning on or after 1 January 2014
IFRS 13	Fair Value Measurement – Original issue	Annual periods beginning on or after 1 January 2013
IAS 1	Presentation of Financial Statements – Amendments resulting from Annual Improvements 2009 – 2011 Cycle (comparative information)	Annual periods beginning on or after 1 January 2013
IAS 16	Property, Plant and Equipment – Amendments resulting from Annual Improvements 2009 – 2011 Cycle (servicing equipment)	Annual periods beginning on or after 1 January 2013
IAS 19	Employee Benefits – Amended standard resulting from post-employment benefits and termination benefits projects	Annual periods beginning on or after 1 January 2013
IAS 27	Separate Financial Statements – Original issue	Annual periods beginning on or after 1 January 2013

29 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

IAS 27	Separate Financial Statements – Amendments for investment entities	Annual periods beginning on or after 1 January 2014
IAS 28	Investments in Associates and Joint Ventures – Original issue	Annual periods beginning on or after 1 January 2013
IAS 32	Financial Instruments: Presentation – Amendments relating to the offsetting of assets and liabilities	Annual periods beginning on or after 1 January 2014
IAS 32	Financial Instruments: Presentation – Amendments resulting from Annual Improvements 2009 – 2011 Cycle (tax effect of equity distributions)	Annual periods beginning on or after 1 January 2013
IAS 34	Interim Financial Reporting – Amendments resulting from Annual Improvements 2009 – 2011 Cycle (interim reporting of segment assets)	Annual periods beginning on or after 1 January 2013
IAS 36	Impairment of Assets – Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets	Annual periods beginning on or after 1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for novations of derivatives	Annual periods beginning on or after 1 January 2014
International Financial Reporting Interpretations (“IFRIC”)		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Annual periods beginning on or after 1 January 2013
IFRIC 21	Levies	Annual periods beginning on or after 1 January 2014

Management is assessing the impact that the adoption of these standards and interpretations will have on the financial statements.

SCHEDULE OF PROPERTIES

	Property name	Geographical location	Gross lettable area (m²)	Vacancy (%)	Weighted average rate (R/m²)
RETAIL					
1	Evaton Mall	Gauteng	36 169	4,1%	86,08
2	Checkers Mayville	Gauteng	21 000		@
3	Park Central Shopping Centre	Gauteng	8 555		200,46
4	Mutsindo Mall and Capricorn Plaza	Limpopo	12 330		102,61
5	Morone Shopping Centre	Limpopo	13 558	4,0%	90,27
6	Crossroads	Mpumalanga	11 490	0,4%	97,22
7	Checkers Secunda	Mpumalanga	14 892		79,47
8	Bellstar Bellville	Western Cape	5 416	2,0%	238,83
9	Venda Plaza	Limpopo	10 284		101,45
10	Village Walk Newcastle	KwaZulu-Natal	10 002		88,72
11	Sinoville Shopping Centre	Gauteng	13 431	2,8%	85,21
12	Vryheid Plaza	KwaZulu-Natal	8 416		103,71
13	Middelburg Plaza	Mpumalanga	7 897		106,87
14	Monument Centre	Mpumalanga	7 681		93,90
15	West Street Durban	KwaZulu-Natal	6 329		116,67
16	Market Square Grahamstown	Eastern Cape	8 077		89,29
17	Philippi Shopping Centre	Western Cape	8 331		87,96
18	York Road Mthatha	Eastern Cape	5 296	8,5%	150,12
19	Makhaza Shopping Centre	Western Cape	8 681		76,87
20	Secunda Village	Mpumalanga	6 273	4,8%	109,57
21	Shoprite Kokstad	KwaZulu-Natal	7 680	10,7%	80,99
22	Pick n Pay Secunda	Mpumalanga	10 532	38,5%	96,86
23	Botlokwa Plaza	Limpopo	6 924		75,62
24	Metropolitan Centre Lebowakgomo	Limpopo	5 514	2,4%	96,04

Acquisition date	Purchase price (R'000)	Sector	Valuation (R'000)	Address
1 Oct 09/2 May 12	212 691	Retail	369 500	Cnr Eastern and Charlston Streets Evaton
1 Oct 09	196 000	Retail	302 000	Van Rensburg Street Parktown Estate Pretoria North
1 Dec 11	154 000	Retail	195 000	Cnr Noord Road Twist De Villiers and Klein Streets Johannesburg
1 Dec 11	145 000	Retail	170 000	Tshanduko Street Thohoyandou
1 Dec 11	120 500	Retail	158 000	Kastania Street Burgersfort
1 Dec 11	90 000	Retail	149 700	Crossroads Centre KwaMahlanga
1 Oct 09/30 Jun 10	65 000	Retail	141 200	Lurgi Square Heunis Street Secunda
31 Dec 10	66 400	Retail	134 000	South Street Bellville
1 Dec 11	81 000	Retail	121 000	Cnr Main and Mphephu Streets Thohoyandou
1 Oct 09	78 700	Retail	113 000	Cnr Ayliff and Harding Streets Newcastle
1 Oct 09	56 000	Retail	108 000	Marija Street Sinoville Pretoria
1 Oct 09	52 000	Retail	103 000	Cnr Utrecht and Mason Streets Vryheid
14 Oct 10	62 000	Retail	99 800	Cnr Lang and Coetzee Streets Middelburg
12 Nov 10	26 957	Retail	91 000	Cnr Beyers Naude and Burger Streets Standerton
1 Dec 11	83 500	Retail	89 700	336 – 342 West Street Durban
1 Oct 09	58 200	Retail	83 600	Cnr Beaufort and West Streets Grahamstown
13 Jun 11	60 500	Retail	83 400	Cnr Lansdowne and Cwangco Crescent Philippi
1 Oct 09/1 Jan 13	65 700	Retail	82 500	Cnr York and Sutherland Streets Mthatha
28 Oct 10	51 500	Retail	80 000	Landsborough Road Khayelitsha
1 Oct 09/30 Jun 10	35 000	Retail	69 000	Lurgi Square Heunis Street Secunda
5 Sep 11	38 000	Retail	67 800	43 Hope Street Kokstad
1 Oct 09/30 Jun 10	49 000	Retail	66 200	Tropsch Square Nico Diedericks Street Secunda
1 Oct 09	39 100	Retail	61 000	N1 Soekmekaar Off-ramp Botlokwa
22 Dec 11	28 000	Retail	56 000	Nedlife Complex Zone 3 BA Lebowakgomo

	Property name	Geographical location	Gross lettable area (m²)	Vacancy (%)	Weighted average rate (R/m²)
RETAIL (continued)					
25	Game Polokwane (40% interest)	Limpopo	15 225	2,8%	79,17
26	Queenstown Mall	Eastern Cape	7 588	5,0%	62,81
27	Nongoma Shopping Centre	KwaZulu-Natal	10 087	19,7%	69,39
28	Biyela Shopping Centre	KwaZulu-Natal	7 270	21,4%	89,65
29	Shoprite Port Shepstone	KwaZulu-Natal	8 962		39,17
30	Mussina Shopping Centre	Limpopo	4 381		90,26
31	Game Paarl	Western Cape	4 010		@
32	Flamwood Walk (50% interest)	North West	4 830		66,71
33	Shell and McDonalds Amanzimtoti	KwaZulu-Natal	954		194,01
34	Shoprite Centre Lephalale (51% interest)	Limpopo	6 908		58,16
35	Shoprite Dundee	KwaZulu-Natal	3 950		60,01
36	Flamwood Value Centre (50% interest)	North West	8 183	0,3%	55,46
37	Paradise and Corner House	Limpopo	3 932		57,30
38	Woolworths Newcastle	KwaZulu-Natal	2 824		73,54
39	Fashion Corner Lephalale (51% interest)	Limpopo	5 017		81,96
40	Game Makhado (50% interest)	Limpopo	4 758	8,6%	69,71
41	Boxer Centre Lephalale (51% interest)	Limpopo	4 655		67,52
42	Relebogile Centre Lephalale (51% interest)	Limpopo	3 395		80,41
43	Wetherlys Silverton	Gauteng	4 345		@
44	Broadwalk Motor City	Gauteng	4 615		25,21
45	Riverside Nelspruit	Mpumalanga	1 110		@
46	Standard Bank Building Lephalale (51% interest)	Limpopo	2 594		63,55
	TOTAL RETAIL		**374 351**	**3,7%**[(1)]	**89,35**

@ *Single tenanted property. The average gross rental of single tenanted retail properties is R84,13/m².*

(1) *Based on Fortress' pro rata interests.*

Acquisition date	Purchase price (R'000)	Sector	Valuation (R'000)	Address
1 Oct 09	34 800	Retail	51 600	Cnr Hospital and Mark Streets Polokwane
26 Jan 11	21 481	Retail	44 000	Cnr Cathcart and Brewery Streets Queenstown
1 Oct 09	63 500	Retail	43 700	Main Road Nongoma
31 Dec 10	20 000	Retail	43 000	3 – 7 Biyela Street Empangeni
1 Dec 11	30 000	Retail	42 500	Dick King Road Port Shepstone
1 Oct 09	28 500	Retail	40 000	N1 National Road Mussina
22 Jun 12	29 610	Retail	36 650	21 Fabriek Street Paarl
1 Jul 12	28 635	Retail	34 867	Brother Patrick Lane Klerksdorp
25 Jul 12	31 267	Retail	34 300	Prince Street Amanzimtoti
1 Feb 12	22 000	Retail	33 048	Plein Street Lephalale
1 Oct 09	27 000	Retail	30 000	Cnr Wilson and Beaconsfield Streets Dundee
1 Jul 12	33 515	Retail	28 000	Cnr Joe Slovo (N12) and Central Avenue Klerksdorp
29 Jun 12	22 000	Retail	27 000	Fountains Boulevard Thohoyandou
1 Oct 09	9 600	Retail	24 100	51 Allen Street Newcastle
1 Feb 12	19 000	Retail	23 103	Cnr Hendrik and Fox Odendaal Streets Lephalale
14 Dec 10	13 250	Retail	20 800	95 President Street Makhado
1 Feb 12	13 000	Retail	18 590	Hendrik Street Lephalale
1 Feb 12	12 000	Retail	15 249	Cnr Hendrik and Pika Streets Lephalale
1 Oct 09	12 300	Retail	14 700	Simon Vermooten Road Silverton Pretoria
1 Oct 09	9 550	Retail	12 200	Broadwalk Halfway House Midrand
1 Oct 09	5 900	Retail	9 800	White River Road Nelspruit
1 Feb 12	7 200	Retail	9 180	27 Fox Odendaal Street Lephalale
	2 408 856		**3 630 787**	

SCHEDULE OF PROPERTIES (continued)

	Property name	Geographical location	Gross lettable area (m²)	Vacancy (%)	Weighted average rate (R/m²)
OFFICE					
47	Bryanston Ridge Office Park	Gauteng	1 485		105,54
48	312 Kent Avenue	Gauteng	4 329	70,8%	47,62
49	15 Wessels Road Rivonia (50% interest)	Gauteng	1 920		85,59
50	13 Wessels Road Rivonia (50% interest)	Gauteng	1 932	46,8%	70,58
	TOTAL OFFICE		**9 666**	**14,1%*[(1)]**	**96,79***

* *Includes investment property held for sale in office sector.*
[(1)] *Based on Fortress' pro rata interests.*

	Property name	Geographical location	Gross lettable area (m²)	Vacancy (%)	Weighted average rate (R/m²)
INDUSTRIAL					
51	Cunningham Street Uitenhage	Eastern Cape	20 000		#
52	Springbok Park Industria West	Gauteng	18 459		33,25
53	Diesel Road Isando	Gauteng	11 300		40,54
54	Epp Yard Gunners Circle	Western Cape	11 995		30,56
55	Atlas Road Industrial Park Anderbolt	Gauteng	8 587		35,93
56	14 Commerce Crescent	Gauteng	7 823	7,3%	36,72
57	Broad and Simmonds Streets – Erf 7 to 24	Gauteng	11 090		#
58	286 Sixteenth Road	Gauteng	3 203		57,56
59	32 Mandy Road	Gauteng	6 193		36,65
60	2 and 4 Spanner Road	Gauteng	4 933		33,59
61	8 Ivanseth Road	Gauteng	9 252	62,4%	#
62	Att Yard Gunners Circle	Western Cape	5 478		28,67
63	10 – 14 Watkins Street Denver	Gauteng	3 224		#
64	456 Granite Drive	Gauteng	2 917		#
65	8 Field Street Wilbart	Gauteng	3 473		#
66	11 Reedbuck Crescent Corporate Park	Gauteng	2 810		48,57

Acquisition date	Purchase price (R'000)	Sector	Valuation (R'000)	Address
1 Oct 09	14 661	Office	15 250	Main Road Bryanston
5 Nov 10	7 308	Office	13 800	312 Kent Avenue Ferndale Randburg
1 Oct 09	7 650	Office	9 000	15 Wessels Road Rivonia
1 Oct 09	7 500	Office	5 300	13 Wessels Road Rivonia
	37 119		**43 350**	
1 Oct 09	56 000	Industrial	94 500	Cunningham Street Uitenhage
1 Oct 09	46 600	Industrial	61 000	35 and 37 Springbok Road Industria West
1 Oct 09	38 800	Industrial	51 000	Diesel Road Isando
5 Nov 10	36 664	Industrial	51 000	Gunners Circle Epping Cape Town
1 Oct 09	18 900	Industrial	30 000	12 Atlas Road Anderbolt
1 Oct 09	21 500	Industrial	29 100	14 Commerce Crescent Eastgate
1 Oct 09	19 948	Industrial	23 500	Cnr Broad and Simmonds Streets
1 Oct 09	15 800	Industrial	20 900	286 Sixteenth Road Randjespark
1 Oct 09	16 900	Industrial	20 650	32 Mandy Road Reuven
1 Oct 09	16 100	Industrial	18 000	2 – 4 Spanner Road Spartan
1 Oct 09	14 450	Industrial	17 400	8 Ivanseth Road Reuven
22 Nov 10	10 819	Industrial	16 500	Gunners Circle Epping Cape Town
1 Oct 09	10 700	Industrial	15 800	10 – 14 Watkins Street Denver
1 Oct 09	15 400	Industrial	15 600	456 Granite Drive Kya Sand
1 Oct 09	10 400	Industrial	15 400	8 Field Street Wilbart
1 Oct 09	8 900	Industrial	14 700	11 Reedbuck Crescent Randjespark

	Property name	Geographical location	Gross lettable area (m^2)	Vacancy (%)	Weighted average rate (R/m^2)
INDUSTRIAL (continued)					
67	484 Kyalami Boulevard	Gauteng	2 470		#
68	Unit 5 Northlands Décor Park	Gauteng	2 120		#
69	563 Voortrekker Road	Gauteng	4 162		17,49
70	488 Sixteenth Road	Gauteng	2 209		52,64
71	7 – 9 Hawthorne Place	KwaZulu-Natal	2 500		#
72	Top Road Industrial Park	Gauteng	4 096		34,01
73	66 Kyalami Boulevard	Gauteng	1 296		#
74	19 Indianapolis Street	Gauteng	2 009	27,3%	59,37
75	Hilston Street Kya Sand	Gauteng	3 184		#
76	66 Booysen Street	Gauteng	3 089		41,27
77	Wall and London Streets	Gauteng	4 362	32,2%	30,32
78	Landsborough Street	Gauteng	4 564	32,0%	27,71
79	741 Megawatt Road	Gauteng	1 800		#
80	Ruargh Street	Gauteng	3 755		30,31
81	33 Amsterdam Street	Gauteng	3 313		32,90
82	11 Broad Street	Gauteng	7 643	33,9%	16,71
83	Malibongwe Drive	Gauteng	1 227		67,50
84	3 Mountain Ridge Road	KwaZulu-Natal	1 357		#
85	3 Watkins Street	Gauteng	1 631		#
86	Cato Street	KwaZulu-Natal	2 071		38,17
87	121 Gazelle Avenue Corporate Park	Gauteng	1 578		#
88	3 Arbeid Street	Gauteng	1 501		#
89	18 Suni Avenue Corporate Park	Gauteng	1 160		#
90	1 Imola Place	KwaZulu-Natal	1 491		#

Acquisition date	Purchase price (R'000)	Sector	Valuation (R'000)	Address
1 Oct 09	10 300	Industrial	13 500	64 Kyalami Boulevard Kyalami Business Park Midrand
1 Oct 09	9 200	Industrial	12 800	Unit 5 Newmarket Street Northlands Décor Park Randburg
1 Oct 09	9 800	Industrial	12 600	563 Voortrekker Road Gezina
1 Oct 09	8 000	Industrial	12 400	488 Sixteenth Road Midrand
1 Oct 09	9 000	Industrial	12 200	7 – 9 Hawthorne Place Mahogany Ridge Pinetown
1 Oct 09	8 761	Industrial	12 000	103 Top Road Anderbolt
1 Oct 09	11 700	Industrial	12 000	59 Kyalami Boulevard Kyalami Business Park Midrand
1 Oct 09	8 300	Industrial	11 950	17 Indianapolis Street Kyalami Park Midrand
1 Oct 09	10 300	Industrial	11 500	Hilston Street Kya Sand
1 Oct 09	8 300	Industrial	11 300	66 Booysen Street Reuven
1 Oct 09	10 700	Industrial	11 250	Cnr Wall and London Streets Park Central Johannesburg
1 Oct 09	8 550	Industrial	10 950	8 Landsborough Street Park Central Johannesburg
1 Oct 09	7 700	Industrial	10 500	741 Megawatt Road Aeroport
1 Oct 09	9 800	Industrial	10 260	1 Ruargh Street Park Central Johannesburg
1 Oct 09	8 650	Industrial	9 800	33 Amsterdam Street Park Central Johannesburg
1 Oct 09	10 152	Industrial	9 400	11 Broad Street Park Central Johannesburg
1 Oct 09	9 450	Industrial	9 100	Malibongwe Drive Kya Sand
1 Oct 09	5 150	Industrial	8 200	3 Mountain Ridge Road New Germany
1 Oct 09	5 400	Industrial	8 100	3 Watkins Street Denver
1 Oct 09	6 200	Industrial	7 800	30 and 32 Cato Street Durban
1 Oct 09	6 600	Industrial	7 530	121 Gazelle Avenue Corporate Park Midrand
1 Oct 09	4 600	Industrial	7 000	3 Arbeid Street Strijdom Park
1 Oct 09	5 000	Industrial	6 800	18 Suni Avenue Randjespark Midrand
1 Oct 09	4 600	Industrial	6 550	1 Imola Place Mahogany Ridge Pinetown

SCHEDULE OF PROPERTIES (continued)

	Property name	Geographical location	Gross lettable area (m²)	Vacancy (%)	Weighted average rate (R/m²)
INDUSTRIAL (continued)					
91	Sharland Street Driehoek	Gauteng	1 680		#
92	26 Jersey Drive	Gauteng	910		#
93	London Lane	Gauteng	2 270		32,55
94	13 Cedarfield Close	KwaZulu-Natal	1 344		#
95	Derrick Coetzee Road Jet Park	Gauteng	1 088		48,91
96	6 Ivanseth Road	Gauteng	1 831		#
97	Bart Street Wilbart	Gauteng	1 099		#
98	Amsterdam Street	Gauteng	966		25,88
99	31 Indianapolis Street Kyalami	Gauteng	301		#
	TOTAL INDUSTRIAL		**206 814**	**5,9%^**	**36,15^**

^Includes investment property held for sale in industrial sector.
#Single tenanted property. The average gross rental of single tenanted industrial properties is R38,68/m² which includes industrial properties held for sale and disclosed below.

	Property name	Geographical location	Gross lettable area (m²)	Vacancy (%)	Weighted average rate (R/m²)
RESIDENTIAL					
100	Mthatha Residential (60% interest)	Eastern Cape	19 556		87,04
	TOTAL RESIDENTIAL		**19 556**	**–**	**87,04**
VACANT LAND					
101	Tzaneen land	Limpopo	–	–	–
	TOTAL VACANT LAND		**–**	**–**	**–**
	TOTAL INVESTMENT PROPERTY		**610 387**	**5,0%(1)**	**70,85**

(1)Based on Fortress' pro rata interests.
(2)Purchase price includes capitalised costs to date.

Acquisition date	Purchase price (R'000)	Sector	Valuation (R'000)	Address
1 Oct 09	3 800	Industrial	6 500	Sharland Street Driehoek
1 Oct 09	5 800	Industrial	6 450	26 Jersey Drive Longmeadow
1 Oct 09	5 992	Industrial	5 800	4 London Lane Park Central Johannesburg
1 Oct 09	5 000	Industrial	5 800	13 Cedarfield Close Springfield
1 Oct 09	3 600	Industrial	5 800	2 and 4 Derrick Coetzee Road Jet Park
1 Oct 09	4 550	Industrial	5 300	6 Ivanseth Road Reuven
1 Oct 09	3 125	Industrial	5 200	Bart Street Wilbart
1 Oct 09	2 100	Industrial	2 100	1 Amsterdam Street Park Central Johannesburg
1 Oct 09	2 300	Industrial	1 950	31 Indianapolis Street Kyalami Park Midrand
	590 361		**785 440**	
1 Oct 09/1 Jul 10	64 689	Residential	89 400	Sisson Street Mthatha
	64 689		**89 400**	
21 May 13	30 073[(2)]	Retail	30 073	Ptn 449 (ptn of ptn 211), ptn 211, ptn 414 (ptn of ptn 142) of the farm Pusela 555, Erf 5784 Tzaneen ext 48
	30 073		**30 073**	
	3 131 098		**4 579 050**	

SCHEDULE OF PROPERTIES (continued)

	Property name	Geographical location	Gross lettable area (m²)	Vacancy (%)	Weighted average rate (R/m²)
INVESTMENT PROPERTY HELD FOR SALE					
102	Sasol Rosebank (Office)	Gauteng	6 988		140,61
103	Hertzog Boulevard (Office)	Western Cape	5 470		109,75
104	308 Kent Avenue (Office)	Gauteng	5 503		&
105	Hanover Square (Office)	Gauteng	3 112	2,9%	81,37
106	Wedgefield Office Park (Office)	Gauteng	851		106,65
107	Brits Office Park (Office)	North West	1 459	52,5%	83,83
108	10 Hawthorne Place (Industrial)	KwaZulu-Natal	1 610		#
109	30 Mahogany Road (Industrial)	KwaZulu-Natal	1 863		#
	TOTAL HELD FOR SALE		**26 856**	**3,2%**	**100,78**
	TOTAL PORTFOLIO		**637 243**	**4,9%[(1)]**	**72,11**

[&] Single tenanted property.
[(1)] Based on Fortress' pro rata interests.

Acquisition date	Purchase price (R'000)	Sector	Valuation (R'000)	Address
1 Oct 09	96 000	Office	130 000	6 – 8 Sturdee Avenue Rosebank
5 Nov 10	47 909	Office	88 978	31 Jan Smuts Street Cape Town
1 Oct 09	40 300	Office	59 008	308 Kent Avenue Ferndale Randburg
1 Oct 09	25 300	Office	24 957	Hendrik Potgieter Road Edenvale
1 Oct 09	8 000	Office	9 318	17 Muswell Road Bryanston
1 Oct 09	5 800	Office	5 600	Kerk Street Brits
1 Oct 09	8 200	Industrial	10 614	10 Hawthorne Place Mahogany Ridge Pinetown
1 Oct 09	6 700	Industrial	8 400	30 Mahogany Road Mahogany Ridge Pinetown
	238 209		**336 875**	
	3 369 307		**4 915 925**	

ADMINISTRATIVE INFORMATION

COMPANY DETAILS

Fortress Income Fund Limited
(Registration number: 2009/016487/06)
JSE code: FFA ISIN: ZAE000141313
JSE code: FFB ISIN: ZAE000141321
3rd Floor Rivonia Village
Rivonia Boulevard Rivonia 2191
(PO Box 2555 Rivonia 2128)

COMMERCIAL BANKERS

Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
1st Floor 30 Baker Street
Cnr Oxford Road Rosebank 2196
(PO Box 8786 Johannesburg 2000)

TRANSFER SECRETARIES

Link Market Services South Africa Proprietary Limited
(Registration number 2000/007239/07)
13th Floor Rennie House
19 Ameshoff Street Braamfontein 2001
(PO Box 4844 Johannesburg 2000)

SPONSOR

Java Capital
(Registration number 2006/005780/07)
2 Arnold Road Rosebank 2196
(PO Box 2087 Parklands 2121)

SECRETARY AND REGISTERED OFFICE

Bernita Schaper (appointed 29 August 2013)
3rd Floor Rivonia Village
Rivonia Boulevard Rivonia 2191
(PO Box 2555 Rivonia 2128)

EXTERNAL AUDITORS

Deloitte & Touche
Deloitte Place
Woodlands Office Park
20 Woodlands Drive
Woodmead 2052
(Private Bag X6 Gallo Manor 2052)

TRUSTEES FOR DEBENTURE HOLDERS

Michael Pinnock
Tonkin Clacey Attorneys
24 Baker Street Rosebank
Johannesburg 2196
(PO Box 52242 Saxonwold 2132)

FINAL 2013

Financial year-end		Sunday	30 June 2013
Publication of abridged results	SENS	Wednesday	14 August 2013
	Press	Thursday	15 August 2013
Last day to trade units inclusive of distribution (*cum* distribution)		Friday	30 August 2013
Units trade *ex* distribution from		Monday	2 September 2013
Last day to update unit register for distribution (record date)		Friday	6 September 2013
Distribution payment		Monday	9 September 2013
Financial report and notice of annual general meeting posted on		Monday	30 September 2013
Annual general meeting		Thursday	14 November 2013

INTERIM 2014

Interim period ends	Tuesday	31 December 2013
Announcement of interim results	Wednesday	12 February 2014
Payment of interim distribution	Monday	10 March 2014

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS AND DEBENTURE HOLDERS ("MEMBERS")

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

FORTRESS
INCOME FUND LIMITED

Fortress Income Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2009/016487/06)
Share Codes: FFA ISIN: ZAE000141313
FFB ISIN: ZAE000141321
(Approved as a REIT by the JSE)
("Fortress" or "the company")

If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional advisor immediately.

Notice is given of the fourth annual general meeting of members of Fortress Income Fund Limited at the company's registered office, 3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191, on Thursday, 14 November 2013 at 14h00 for the purpose of presenting the audited company and group financial statements for the year ended 30 June 2013 together with the reports of the directors, the audit committee and the auditors and transacting the following business:

1 Re-electing the following directors, who retire in terms of article 15.1 of the company's Memorandum of Incorporation and who offer themselves for re-election:

1.1 **KURAUWONE (KURA) NDAKASHAYA FRANCIS CHIHOTA (41)**
Independent non-executive director
BCom (Wits), Postgraduate Diploma: Business Administration (De Montfort, UK), Real Estate Management Programme (Harvard)
Kura started his career with Bradford McCormack as a commercial broker and later joined Marriott Property Services and then Kagiso Property Holdings. He is a past chairman of SAPOA in Gauteng. Kura is CEO of Ascendant Property Fund, chairman of the Property Association and deputy chairman of the Johannesburg Housing Company.

1.2 **WILLEM JAKOB (WIKO) SERFONTEIN (39)**
Financial director
BCompt (Hons), CA(SA)
Wiko completed his articles with PwC and worked in the transaction services division for six years where he focused on due diligence work. He spent two years with Ernst & Young Corporate Finance and joined the Resilient group in April 2009.

2 Re-electing all the members of the audit committee, who offer themselves for re-election, in terms of Section 94(2) of the Companies Act, namely:

2.1 Djurk Peter Claudius Venter;
2.2 Christopher Mark Lister-James; and
2.3 Kurauwone Ndakashaya Francis Chihota.

3 Re-appointing Deloitte & Touche as auditors of the group with Mr P Kleb currently being the designated audit partner.

4 Authorising the directors to determine the remuneration of the group's auditors.

As special business to consider and, if deemed fit, pass with or without modification, which modification is capable of being substantive in nature, the following resolutions:

5 Consider as ordinary resolution number 5

"RESOLVED THAT the authorised but unissued linked unit capital be and is hereby placed under the control and authority of the directors of the company which directors are hereby authorised and empowered to allot, issue and otherwise dispose of such linked unit capital to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, provided that:
- such allotment, issue or disposal shall not in aggregate be in excess of 25% (twenty-five percent) of the company's current issued linked unit capital;
- is subject to a maximum discount of 5% (five percent) of the weighted average traded price on the JSE of those linked units over the 10 (ten) business days prior to the date of allotment, issue or disposal as the case may be; and
- subject further to the provisions of the Companies Act, any debenture trust deed entered into by the company, the Memorandum of Incorporation of the company and the JSE Listings Requirements."

6 Consider as ordinary resolution number 6
"RESOLVED THAT the directors of the company be and are hereby authorised by way of a general authority, to issue linked units in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation of the company, the JSE Listings Requirements, when applicable, and the following limitations, namely that:
- the linked units which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

SUPPLEMENT TO THE NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS AND DEBENTURE HOLDERS ("MEMBERS")

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

FORTRESS
INCOME FUND LIMITED

Fortress Income Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2009/016487/06)
Share Codes: FFA ISIN: ZAE000141313
FFB ISIN: ZAE000141321
(Approved as a REIT by the JSE)
("Fortress" or "the company")

If you are in any doubt as to what action you should take arising from the following resolution, please consult your stockbroker, banker, attorney, accountant or other professional advisor immediately.

This supplement to the notice of annual general meeting contained in the integrated report, is given in respect of the fourth annual general meeting of members of Fortress Income Fund Limited at the company's registered office, 3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191, on Thursday, 14 November 2013 at 14h00, for the purpose of transacting the business as set out in ordinary resolution number 1.3 below, together with and in addition to the business to be transacted as set out in the notice of annual general meeting:

1.3 Re-electing the following director, who retires in terms of article 15.1 of the company's Memorandum of Incorporation and who offers herself for re-election:

NONTANDO THELMA KUNENE (57)
Independent non-executive director
BSc Quantity Surveying (Honours), PrQS, MAQS, RICS
Nontando founded Mahlati Associates in 1996 and became a director and co-founder of Mahlati Quantity Surveyors. Her work covers all aspects of quantity surveying, cost engineering and project management. Experience has been gleaned in her area of expertise at Farrow Laing (now Davis Langdon), du Toit Lombard & Malan and the Department of Works and Energy in the Transkei. Nontando ran the quantity surveying section focusing specifically on Soweto while at du Toit Lombard & Malan. She is the founder and a member of Black Women Developers and Professionals Proprietary Limited and former chairperson of Imbumba Aganang. She is an active member of the South African Institute of Black Property Practitioners and SAPOA.

Members are referred to the notice of annual general meeting contained in the integrated report, to which this supplement to the notice of annual general meeting is attached for additional information on the action members should take in respect of voting at the annual general meeting.

B Schaper

Bernita Schaper
Company secretary

26 September 2013

Address of registered office
3rd Floor Rivonia Village
Rivonia Boulevard Rivonia 2191
(PO Box 2555 Rivonia 2128)

Address of transfer secretaries
Link Market Services South Africa Proprietary Limited
13th Floor Rennie House 19 Ameshoff Street Braamfontein 2001
(PO Box 4844 Johannesburg 2000)

INSERT

- any such issue will be made to "public shareholders" and not "related parties", all as defined in the JSE Listings Requirements, unless the JSE otherwise agrees;
- the number of linked units issued for cash shall not in aggregate in any one financial year exceed 5% (five percent) of the company's issued linked unit capital, provided that the 5% shall not be reduced by the 11 111 111 (eleven million one hundred and eleven thousand one hundred and eleven) Fortress A and Fortress B linked units that were issued pursuant to the accelerated book build announced on SENS on 12 September 2013.

The number of linked units which may be issued shall be based on the number of linked units in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any linked units issued, or to be issued in future arising from options/convertible linked units issued during the current financial year; plus any linked units to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced:
- this authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the impact on net asset value per linked unit, net tangible asset value per linked unit, earnings per linked unit, headline earnings per linked unit and, if applicable, diluted earnings and headline earnings per linked unit, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) of the number of linked units in issue prior to the issue; and
- in determining the price at which an issue of linked units may be made in terms of this authority, the maximum discount permitted will be 5% (five percent) of the weighted average traded price on the JSE of those linked units over the 10 (ten) business days prior to the date that the price of the issue is determined or agreed to by the directors of the company."

Ordinary resolution number 6 is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote at the annual general meeting.

7 Consider as ordinary resolution number 7
"RESOLVED THAT the trust deed governing the Fortress Unit Purchase Trust (adopted by unitholders on 2 October 2009) ("the scheme") be amended to:

7.1 increase the maximum aggregate number of units that may be offered to participants or acquired by participants with loans from the scheme by 10 million linked units; and

7.2 increase the maximum aggregate number of units that may be acquired by any one participant from, or with a loan from the scheme by one million linked units,

and authorising any director of the company to execute the necessary addendum to the scheme and all other documents necessary to give effect to this resolution."

Ordinary resolution number 7 is required to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy at the annual general meeting, with votes attaching to units owned or controlled by persons who are existing participants in the Fortress Unit Purchase Trust excluded from voting.

8 Consider as special resolution number 1: approval of directors' remuneration for their services as directors
"RESOLVED THAT, as a special resolution, in accordance with section 66 of the Companies Act, 2008 ("Companies Act") fees to be paid by the company to the non-executive directors for their services as directors be and are hereby approved for a period of two years or until its renewal, whichever is the earliest, as follows:

	(Rand)
Chairman	325 000
Independent non-executive director	225 000
Audit committee member (including chairman)	100 000
Investment committee member (including chairman)	100 000
Remuneration committee member (including chairman)	100 000
Nomination committee member (including chairman)	50 000
Risk committee member (including chairman)	50 000
Social and ethics committee member (including chairman)	50 000

The reason for and effect of special resolution number 1
To obtain member approval by way of a special resolution in accordance with section 66(9) of the Companies Act for the payment by the company of remuneration to each of the non-executive directors of the company for services as a non-executive director for the financial years ending 30 June 2014 and 30 June 2015 in the amounts set out under special resolution number 1.

9 Consider as special resolution number 2: approval of financial assistance to related or inter-related companies
"RESOLVED THAT, to the extent required by the Companies Act, 2008 ("Companies Act") the board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in terms of section 45 of the Companies Act by way of loans, guarantees, the provisions of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the company for any purpose or in connection with any matter, such authority to endure until the next annual general meeting of the company."

The reason for and effect of special resolution number 2

The company provides loans to and/or guarantees loans or other obligations of subsidiaries. The company believes it necessary that it continues to have the ability to provide financial assistance to, *inter alia*, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks) and is accordingly proposing special resolution number 2.

Therefore, the reason for, and effect of, special resolution number 2 is to permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45) to the entities referred to in special resolution number 2 above.

In terms of section 45, if the resolution is adopted, the board of directors will only be entitled to authorise such financial assistance if it is satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and, immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contemplated in the Companies Act.

10 Consider as special resolution number 3: approval of the repurchase of linked units

"RESOLVED THAT subject to the Companies Act, 2008 ("Companies Act") the Memorandum of Incorporation of the company, the JSE Listings Requirements and the restrictions set out below, the repurchase of linked units of the company, either by the company or by any subsidiary of the company, is hereby authorised, on the basis that:

- this authority will only be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;
- the number of linked units which may be acquired pursuant to this authority in any financial year may not in the aggregate exceed 20%, or 10% where such acquisitions are effected by a subsidiary, of the company's unit capital as at the date of this notice of annual general meeting;
- the repurchase of linked units must be effected through the order book operated by the JSE trading system and done without any prior arrangement between the company and the counter-party;
- the repurchase of linked units may not be made at a price greater than 10% above the weighted average of the market value for the linked units for the five business days immediately preceding the date on which the transaction is effected;
- at any point in time, the company will only appoint one agent to effect repurchases on its behalf;
- the company or its subsidiary may not repurchase linked units during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless there is a repurchase programme in place and the dates and quantities of linked units to be repurchased during the prohibited period are fixed and full details thereof have been disclosed in an announcement over SENS prior to commencement of the prohibited period;
- a resolution by the board of directors is passed that the board of directors of the company authorises the repurchase, that the company and the relevant subsidiaries have passed the solvency and liquidity test as set out in section 4 of the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the group; and
- the company's sponsor will confirm the adequacy of the company's working capital, for the purposes of undertaking linked unit repurchases, in writing to the JSE prior to the repurchase of any linked units."

In accordance with the JSE Listings Requirements, the directors record that:

Although there is no immediate intention to effect a repurchase of linked units of the company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the effect of maximum repurchase, are of the opinion that for a period of 12 months after the date of the notice of annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group will be in excess of the liabilities of the company and the group;
- the linked unit capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- the working capital of the company and the group will be adequate for ordinary business purposes.

After the company or its subsidiaries has cumulatively repurchased 3% of the initial number of linked units (the number of linked units in issue at the time that the general authority from unitholders is granted) and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made in terms of the JSE Listings Requirements.

Reason for and effect of special resolution number 3

The reason for special resolution number 3 is to afford the company or a subsidiary of the company, a general authority to effect a repurchase of the company's linked units on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the JSE Listings Requirements and the Companies Act, to effect repurchases of the company's linked units on the JSE, either through the company or through any subsidiary of the company.

The following additional information, which appears elsewhere in the integrated report to which this notice of annual general meeting forms part, is provided in terms of paragraph 11.26/11.30 of the JSE Listings Requirements for purposes of special resolution number 3:

Directors and management – pages 4 to 5

Major linked unitholders – page 20 to 21

Directors' interests in securities/shares/linked units – page 7

Share capital of the company – page 54

Material changes

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the company and its subsidiaries between the date of signature of the audit report for the year ended 30 June 2013 and the date of this notice of annual general meeting.

Litigation statement

The directors, whose names appear on pages 4 to 5 of the integrated report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 months) a material effect on the group's financial position.

Directors' responsibility statement

Directors, whose names appear on pages 4 to 5 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the JSE Listings Requirements.

11 Consider as special resolution number 4: approval of provision of financial assistance for the purchase of linked units

"RESOLVED THAT in terms of the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and amended from time to time, authorise the company, either as lender or as surety or guarantor for a lender, or otherwise, from time to time, to provide financial assistance in terms of section 44 of the Companies Act, such authority to endure until the next annual general meeting of the company, for the purchase of or subscription for its linked units to any company or trust, the majority of whose shareholders or beneficiaries (directly or indirectly) are "black persons" as defined in the Broad-based Black Economic Empowerment Act, 2003 (or any successor thereto) on the following terms:

(1) the maximum additional capital amount (excluding interest, costs, charges, fees and expenses) of any such amounts lent or for which suretyships or guarantees are given may not exceed R250 million;

(2) the maximum period for the repayment of any loan provided or for which suretyships or guarantees are given in terms hereof may not exceed 10 years; and

(3) the minimum interest rate to be applied to any loan provided may not be less than the prime overdraft rate of interest from time to time publicly quoted as such by The Standard Bank of South Africa Limited."

Reason for and effect of special resolution number 4

The reason for special resolution number 4 is to afford the company authority to provide financial assistance for the purchase of its linked units in terms of Section 44 of the Companies Act for the purposes of effecting Black Economic Empowerment. The effect of the resolution will be that the directors will have the authority, subject to the JSE Listings Requirements and the Companies Act, to grant financial assistance on the terms set out in the special resolution.

Percentage of voting rights required for the adoption of special resolution number 4

In order for special resolution number 4 to be adopted, the support of 75% of the total number of votes exercisable by members, present in person or by proxy, is required to pass this resolution.

12 Consider as ordinary resolution 8

"RESOLVED THAT any director of the company or the company secretary be and is hereby authorised to do all such things and sign all such documents as may be required to give effect to special resolutions numbers 1 to 4."

Unless otherwise stated, in order for ordinary resolutions to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required and in order for special resolutions to be adopted, the support of at least 75% of the total number of votes exercisable by members, present in person or by proxy, is required to pass such resolution.

Important dates to note:

Record date for receipt of notice purposes	Friday, 20 September 2013
Last day to trade in order to be eligible to vote	Friday, 1 November 2013
Record date for voting purposes ("voting record date")	Friday, 8 November 2013

Statement in terms of section 62(3)(e) of the Companies Act

Members holding certificated linked units and members holding linked units in dematerialised form in "own name":

– may attend and vote at the annual general meeting; alternatively
– may appoint an individual as a proxy (who need not also be a member of the company) to attend, participate in and speak and vote in your place at the general meeting by completing the attached form of proxy (orange) and returning it to the registered office of Fortress or to the transfer secretaries, by no later than 14h00 on Tuesday, 12 November 2013. Alternatively, the form of proxy may be handed to the chairman of the annual general meeting at the annual general meeting or at any time prior to the commencement of the annual general meeting. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set

out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of Fortress or to the transfer secretaries or handed to the chairman of the annual general meeting, before your proxy may exercise any of your rights as a member of the company at the annual general meeting.

Please note that any member of the company that is a company may authorise any person to act as its representative at the annual general meeting.

Please also note that section 63(1) of the Companies Act requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide satisfactory identification before they may so participate.

Notice to owners of dematerialised linked units

Please note that if you are the owner of dematerialised linked units held through a CSDP or broker (or their nominee) and are not registered as an "own name" dematerialised linked unitholder, then you are not a registered linked unitholder of the company, but your CSDP or broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

– if you wish to attend the annual general meeting you must contact your CSDP or broker, and obtain the relevant letter of representation from it; alternatively;
– if you are unable to attend the annual general meeting but wish to be represented at the annual general meeting, you must contact your CSDP or broker, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, within the time period required by your CSDP or broker;
– CSDP's, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised linked units should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised linked units, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy (blue) in accordance with the instructions thereon and return it to the registered office of the company or to the transfer secretaries, by no later than 14h00 on Tuesday, 12 November 2013. Alternatively, the form of proxy may be handed to the chairman of the annual general meeting at the annual general meeting at any time prior to the commencement of the annual general meeting.

Voting at the annual general meeting

In order to more effectively record the votes and give effect to the intentions of members, voting on all resolutions will be conducted by way of a poll.

Electronic participation

Linked unitholders or their proxies may participate in the meeting by way of telephone conference call. Linked unitholders or their proxies who wish to participate in the annual general meeting via the teleconference facility will be required to advise the company thereof by no later than 14h00 on Tuesday, 12 November 2013, by submitting, by email to Bernita Schaper at schaperb@fortressfund.co.za, or by fax to be faxed to 086 659 7027, for the attention of Bernita Schaper, relevant contact details including email address, cellular number and landline, as well as full details of the linked unitholder's title to the shares issued by the company and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated linked unitholders), and (in the case of dematerialised linked unitholders) written confirmation from the linked unitholder's CSDP confirming the linked unitholder's title to the dematerialised shares. Upon receipt of the required information, the linked unitholder concerned will be provided with a secure code and instructions to access the electronic communication during the annual general meeting.

Linked unitholders who wish to participate in the annual general meeting by way of telephone conference call must **note that they will not be able to vote during the annual general meeting.** Such linked unitholders, should they wish to have their vote counted at the annual general meeting, must, to the extent applicable,(i) complete the form of proxy; or (ii) contact their CSDP or broker, in both instances, as set out above.

Botha

Stephanie Botha
Company secretary

Johannesburg
14 August 2013

Address of registered office
3rd Floor Rivonia Village
Rivonia Boulevard Rivonia 2191
(PO Box 2555 Rivonia 2128)

Address of transfer secretaries
Link Market Services South Africa Proprietary Limited
13th Floor Rennie House 19 Ameshoff Street Braamfontein 2001
(PO Box 4844 Johannesburg 2000)

FORTRESS
INCOME FUND LIMITED

Fortress Income Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2009/016487/06)
Share Codes: FFA ISIN: ZAE000141313
FFB ISIN: ZAE000141321
(Approved as a REIT by the JSE)
("Fortress" or "the company")

For use by the holders of the company's certificated linked units ("certificated linked unitholders") and/or dematerialised linked units held through a Central Securities Depository Participant ("CSDP") or broker who have selected "own name" registration ("own-name dematerialised linked unitholders"), at the fourth annual general meeting of members of the company to be held at the company's registered office, 3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191, on Thursday, 14 November 2013 at 14h00, or at any adjournment thereof if required. Additional forms of proxy are available from the company's registered office.

Not for use by dematerialised linked unitholders who have not selected "own name" registration. Such linked unitholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary Letter of Representation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote in accordance with their instructions at the annual general meeting.

I/We (name/s in block letters) ______________________________

of ______________________________

being the holders of [ ] **A linked units** in the capital of the company do hereby appoint:

being the holders of [ ] **B linked units** in the capital of the company do hereby appoint:

1 ______________________________ failing him/her,

2 ______________________________ or failing him/her,

3 the chairman of the annual general meeting

as my/our proxy to act for me/us on my/our behalf at the annual general meeting or any adjournment thereof, which will be held for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat as detailed in the notice of annual general meeting; and to vote for and/or against such resolutions and/or to abstain from voting for and/or against the resolutions in respect of the linked units registered in my/our name in accordance with the following instructions:

	For		Against		Abstain	
	A	B	A	B	A	B
Ordinary resolution number 1.1 (re-election of Kurauwone Ndakashaya Francis Chihota as director)						
Ordinary resolution number 1.2 (re-election of Willem Jakob Serfontein as director)						
Ordinary resolution number 1.3 (re-election of Nontando Thelma Kunene as director)						
Ordinary resolution number 2.1 (re-election of Djurk Peter Claudius Venter as a member of the audit committee)						
Ordinary resolution number 2.2 (re-election of Christopher Mark Lister-James as a member of the audit committee)						
Ordinary resolution number 2.3 (re-election of Kurauwone Ndakashaya Francis Chihota as a member of the audit committee)						
Ordinary resolution number 3 (re-appointment of auditors)						
Ordinary resolution number 4 (authorising directors to determine auditors' remuneration)						
Ordinary resolution number 5 (unissued shares under the control of the directors)						
Ordinary resolution number 6 (general authority to issue securities for cash)						
Ordinary resolution number 7 (approving amendments to the unit purchase trust scheme)						
Special resolution number 1 (authorising non-executive directors' fees)						
Special resolution number 2 (approval of financial assistance to related or inter-related companies)						
Special resolution number 3 (approval of the repurchase of linked units)						
Special resolution number 4 (approval of provision of financial assistance for the purchase of linked units)						
Ordinary resolution number 8 (authority for directors or company secretary to implement resolutions)						

Signed at ______________________________ on ______________________________ 2013

Signature ______________________________

Assisted by (where applicable) ______________________________

(Indicate instructions to proxy in the spaces provided above). Unless otherwise instructed, my proxy may vote as he thinks fit.

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1 Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

2 Members that are certificated or own–name dematerialised unitholders entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialled by the unitholder(s). Such proxy/ies may participate in, speak and vote at the annual general meeting in the place of that unitholder at the annual general meeting. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.

3 A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.

4 A member or his/her proxy is not obliged to use all the votes exercisable by the member, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the linked units held by the member.

5 A member may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the unitholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.

6 A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death of the person granting it or the transfer of the linked units in respect of which the vote is given, unless an intimation in writing of such death or transfer is received by the transfer secretaries not less than 48 hours before the commencement of the annual general meeting.

7 The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in compliance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the member concerned wishes to vote.

8 The completion and lodging of this form of proxy will not preclude the relevant member from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

9 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company or the transfer secretaries or waived by the chairperson of the annual general meeting.

10 A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the company or the transfer secretaries.

11 Where there are joint holders of linked units, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted and only that holder whose name appears first in the register in respect of such linked units need to sign this form of proxy.

12 The aforegoing notes contain a summary of the relevant provisions of section 58 of the Companies Act.

Forms of proxy must be lodged at, posted or faxed to the transfer secretaries, Link Market Services South Africa Proprietary Limited:

Hand deliveries to
Link Market Services South Africa
Proprietary Limited
13th Floor Rennie House
19 Ameshoff Street
Braamfontein 2001

Postal deliveries to
Link Market Services South Africa
Proprietary Limited
PO Box 4844
Johannesburg 2000

Fax to
086 674 2450

to be received by no later than 14h00 on Tuesday, 12 November 2013.

Company name	Fortress Income Fund Limited (Registration number: 2009/016487/06)
Registered address	3rd Floor Rivonia Village Rivonia Boulevard Rivonia 2191 (PO Box 2555 Rivonia 2128)
Year-end	30 June
Chairman of the board	Jeff Zidel
Board of directors	Jeff Zidel Mark Stevens Kura Chihota Nontando Kunene Chris Lister-James Wiko Serfontein Djurk Venter
Managing director	Mark Stevens
Company secretary	Stephanie Botha CA(SA) (resigned 29 August 2013) Bernita Schaper (appointed 29 August 2013)
Corporate advisors	Java Capital
External auditors	Deloitte & Touche
Date of listing	22 October 2009
Units in issue	A linked units: 316 832 021 (2012: 293 084 493) B linked units: 316 832 021 (2012: 293 084 493)
Interest-bearing debt to asset ratio	24,0%
Investment portfolio	**Direct property** R4 915,9 million (2012: R4 245,3 million) **Listed property securities** R3 175,4 million (2012: R1 225,5 million)

Board composition:

Independent non-executive	5
Executive	2
	7

Unit price (cents per unit)

	A linked unit	B linked unit
High	1 699	850
Low	1 343	620
Closing	1 470	850

Distributions (cents per unit)

	A linked unit	B linked unit
Interim	56,01	13,46
Final	56,01	15,22
	112,02	28,68

Volume traded	113,9 million (FFA) 7,7 million (FFB)
Value traded	R1 672,1 million (FFA) R57,9 million (FFB)
Annual general meeting	14 November 2013 at 14h00

Distribution calendar
(final distribution for the 2013 financial year)

Last day to trade *cum* distribution	30 August 2013
Record date	6 September 2013
Distribution payment	9 September 2013

Property photography by Grant Duncan-Smith: www.subiacophotography.co.za
3667 Visual IGNITION 011 888 5511

FORTRESS
INCOME FUND LIMITED

WWW.FORTRESSFUND.CO.ZA

Fortress Income Fund Limited
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