

# FORTRESS



INCOME FUND LIMITED

(Incorporated in the Republic of South Africa on 25 August 2009)

(Registration number 2009/016487/06)

JSE codes: "FFA" ISIN: ZAE000141313 and "FFB" ISIN: ZAE000141321 respectively  
("Fortress" or "the company")

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## PROSPECTUS

The definitions contained on page 5 of this prospectus have been used in this cover page.

Prepared and issued in terms of the Listings Requirements of the JSE and the Companies Act relating to a private placement of:

- 13 000 000 "A" linked units in the capital of Fortress at an issue price of R9,00 (nine Rand) per "A" linked unit; and
- 13 000 000 "B" linked units in the capital of Fortress at an issue price of R1,00 (one Rand) per "B" linked unit.

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Opening date of private placement (07h00)	Friday, 16 October 2009
Closing date of private placement (17h00)*	Friday, 16 October 2009
Proposed listing date on the JSE (09h00)	Thursday, 22 October 2009

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\* *Applicants wishing to receive linked units in dematerialised form must advise their CSDP or broker of their acceptance of the placement for linked units in the manner and cut-off time stipulated by their CSDP or broker.*

The private placement is by invitation only to selected investors and will be constituted by the issue of up to 13 000 000 "A" linked units at R9,00 (nine Rand) per "A" linked unit and 13 000 000 "B" linked units at R1,00 (one Rand) per "B" linked unit. The "A" linked units to be issued pursuant to the private placement will rank pari passu with all other "A" linked units issued by Fortress and the "B" linked units to be issued pursuant to the private placement will rank pari passu with all other "B" linked units issued by Fortress. The salient terms of the debentures forming part of the "A" linked units and the "B" linked units are attached to this prospectus as **Annexure 15**.

*This prospectus is not an invitation to the public to subscribe for linked units in Fortress. It is issued in compliance with the Listings Requirements of the JSE and the Companies Act for the purpose of giving information to the public regarding Fortress.*

At the date of listing, the authorised linked unit capital of Fortress will comprise of:

- 500 000 000 "A" ordinary shares having a par value of one cent each linked to an unsecured variable rate subordinated "A" debenture with a face value of R8,10 each;
- 500 000 000 "B" ordinary shares having a par value of one cent each linked to an unsecured variable rate subordinated "B" debenture with a face value of 90 cents each, and

on the basis that all of the properties acquired have been transferred into the name of the relevant purchaser (being any of Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 or Fortress Income 5) and the private placement being fully subscribed for, the issued linked unit capital of Fortress will comprise of:

- 176 592 192 "A" linked units; and
- 176 592 192 "B" linked units; or

on the basis that only the transferred properties have been transferred into the name of the relevant purchaser, (being any of Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 or Fortress Income 5) and the private placement being fully subscribed for, the issued linked unit capital of Fortress will comprise of:

- 143 224 942 "A" linked units; and
- 143 224 942 "B" linked units.

The JSE has granted Fortress a listing in respect of 353 184 384 linked units (made up of 176 592 192 "A" linked units and 176 592 192 "B" linked units) in the "Real Estate Holdings and Development" sector under the abbreviated names "FortressA" and "FortressB", JSE code "FFA" and ISIN ZAE000141313, and "FFB" and ISIN ZAE000141321 respectively, with effect from the commencement of business on Thursday, 22 October 2009, subject to Fortress meeting the requirements of the JSE in respect of the requisite spread of linked unitholders and subject further to the transfer of all of the requisite property-owning companies and property letting enterprises into the group and the private placement being fully subscribed for.

The directors, whose names are given in paragraph 7 on page 20 of this prospectus, accept, collectively and individually, full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this prospectus contains all information required by law and the Listings Requirements of the JSE.

The corporate advisor and sponsor, trustee for debenture holders, independent reporting accountants and auditors, attorneys, transfer secretaries and bankers, whose names are included in this prospectus, have given and have not, prior to registration, withdrawn their written consent to the inclusion of their names in the capacities stated and, where applicable, to their reports being included in this prospectus.

A copy of this prospectus in English, accompanied by the documents referred to under “Documents available for inspection” as set out in paragraph 28 of this prospectus, was registered by the Registrar of Companies on 15 October 2009 in terms of section 155(1) of the Companies Act.

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**Corporate advisor and sponsor**

**JAVACAPITAL**

**Trustee for debenture holders**

 **Tonkin Clacey**  
ATTORNEYS CONVEYANCERS NOTARIES

**Attorneys for the prospectus**

 **Fluxmans**  
ATTORNEYS

**Auditors and reporting accountants**

**Deloitte.**

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Date of issue: 16 October 2009

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## CORPORATE INFORMATION

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### Secretary and registered office

Stephanie Botha CA(SA)  
3rd Floor, Rivonia Village  
Rivonia Boulevard  
Rivonia, 2191  
(PO Box 2555, Rivonia, 2128)

### Independent reporting accountants and auditors

Deloitte & Touche  
Deloitte Place, The Woodlands  
20 Woodlands Drive  
Woodmead, Sandton, 2052  
(Private Bag X6, Gallo Manor, 2052)

### Valuer

Peter Parfitt  
Quadrant Properties (Proprietary) Limited  
(Registration number 1995/003097/07)  
16 North Road, Dunkeld West, 2196  
(PO Box 1984, Parklands, 2121)

### Transfer secretaries

Link Market Services South Africa (Proprietary) Limited  
(Registration number 2000/007239/07)  
5th Floor, 11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

### Corporate advisor and sponsor

Java Capital (Proprietary) Limited  
(Registration number 2002/031862/07)  
2 Arnold Road  
Rosebank, 2196  
(PO Box 2087, Parklands, 2121)

### Attorneys for the prospectus

Fluxmans Inc.  
(Registration number 2000/024775/21)  
11 Biermann Avenue  
Rosebank, 2196  
(Private Bag X41, Saxonwold, 2132)

### Trustee for debenture holders

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

### Bankers

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

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Private placement application form – “B” linked units (blue)	Attached

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## IMPORTANT DATES AND TIMES

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**2009**

Opening date of the placement (07h00)	Friday, 16 October
Closing date of the placement (17h00)*	Friday, 16 October
Anticipated listing date of Fortress on the JSE (09h00)	Thursday, 22 October
Accounts at CSDP or broker updated and credited in respect of dematerialised linked unitholders	Thursday, 22 October
Posting of linked unit certificates (certificated linked units only)	Thursday, 22 October
Refund of surplus application monies paid (where applicable)	Tuesday, 27 October

\* *Applicants wishing to receive linked units in dematerialised form must advise their CSDP or broker of their acceptance of the placement for linked units in the manner and cut-off time stipulated by their CSDP or broker.*

*(These dates and times are subject to amendment. Any such amendment will be released on SENS and published in the press.)*

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## DEFINITIONS

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In this prospectus and the annexures hereto, unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column have the meanings stated opposite them in the second column, as follows:

“ <b>A</b> ” shares” or “ <b>A</b> ” ordinary shares”	the “A” ordinary shares in the capital of Fortress having a par value of one cent each;
“ <b>A</b> ” debentures” or “Fortress <b>A</b> ” debentures”	the unsecured variable rate subordinated “A” debentures in Fortress with a face value of R8,10 each, governed by the deed;
“ <b>A</b> ” linked unit”	a linked unit comprising one “A” ordinary share indivisibly linked to one “A” debenture;
“the acquisitions”	collectively, the MWS acquisition, the Resilient acquisition, the Pangbourne acquisition, the Ida acquisition, the Capital properties acquisition and the Capital units acquisition;
“the acquisition agreements”	collectively, the MWS acquisition agreement, the Resilient acquisition agreement, the Pangbourne acquisition agreement, the Ida acquisition agreement, the Capital properties acquisition agreement and the Capital units acquisition agreement;
“the acquisition properties”	collectively, the MWS portfolio, the Resilient portfolio, the Pangbourne portfolio, the Ida portfolio and the Capital portfolio;
“Act” or “Companies Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“Articles of Association”	the Memorandum and Articles of Association of Fortress;
“auditors”	Deloitte & Touche in respect of the historical financial information of Fortress, full details of whom are set out in the inside front cover;
“ <b>B</b> ” shares” or “ <b>B</b> ” ordinary shares”	the “B” ordinary shares in the capital of Fortress having a par value of one cent each;
“ <b>B</b> ” debentures” or “Fortress <b>B</b> ” debentures”	the unsecured variable rate subordinated “B” debentures in Fortress with a face value of 90 cents each, governed by the deed;
“ <b>B</b> ” linked unit”	a linked unit comprising one “B” ordinary share indivisibly linked to one “B” debenture;
“the board” or “the directors”	the board of directors of Fortress, particulars of whom are set out under paragraph 7 of the prospectus;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“Capital”	Capital Property Fund, a collective investment scheme in property registered as such in terms of the Collective Investment Schemes Control Act 2002 (Act 45 of 2002);
“Capital portfolio”	the properties owned by Fortress Income 5 and registered in its name in respect of which Fortress Income 5 carries on property letting enterprises being those properties listed under the header “Capital portfolio” in <b>Annexure 1</b> ;
“Capital properties acquisition”	the acquisition by Fortress of the entire issued share capital of and shareholder claims on loan account against Fortress Income 5 from Capital on the basis that the Capital portfolio will have been acquired by Fortress Income 5 upon the terms detailed in <b>Annexure 1</b> , the terms and conditions of the Capital properties acquisition being contained in the Capital properties acquisition agreement;
“Capital properties acquisition agreement”	the agreement concluded on 6 October 2009 between, <i>inter alia</i> , Absa Bank Limited (Registration number 1986/004794/06) (as trustee for Capital), Property Fund Managers Limited (Registration number 1980/009531/06) (an asset

manager of the Capital Property Trust Scheme, a collective investment scheme in property), as vendors, and Fortress, as purchaser, governing the Capital properties acquisition, the salient terms and conditions of which are set out in paragraph 4 of this prospectus;

“Capital units”	participatory interests in Capital, listed on the JSE;
“Capital units acquisition”	the acquisition by Fortress Income 3 from Pangbourne of 14 814 814 Capital units for R100 000 000, the terms and conditions of which are contained in the Capital units acquisition agreement, and which Capital units are included in the Pangbourne acquisition;
“Capital units acquisition agreement”	the agreement concluded on 25 September 2009 between Pangbourne and Fortress Income 3 governing the Capital units acquisition the salient terms and conditions of which are set out in paragraph 4 of this prospectus;
“certificated linked unitholders”	linked unitholders who hold certificated linked units;
“certificated linked units”	linked units that have not been dematerialised and which are evidenced by certificates or other physical documents of title;
“common monetary area”	collectively, South Africa, the Kingdoms of Swaziland and Lesotho, and the Republic of Namibia;
“Competition Authorities”	the Competition Commission established in terms of the Competition Act;
“Competition Act”	the Competition Act 1998 (Act 89 of 1998), as amended;
“conditions precedent”	collectively, the conditions precedent to the acquisitions as set out in paragraph 4 of this prospectus;
“consideration linked units”	the 151 292 185 “A” linked units and 151 292 185 “B” linked units to be issued to the vendors at the issue price and credited as fully paid, as part settlement of the purchase consideration payable in terms of the acquisition agreements, which linked units shall rank for distributions with effect from the effective date;
“CPI”	the Consumer Price Index published from time to time by Statistics South Africa, or any successor thereto;
“CSDP”	a Central Securities Depository Participant appointed by a linked unitholder for purposes of, and in regard to, dematerialisation and to hold and administer securities or an interest in securities on behalf of a linked unitholder;
“debenture holders” or “Fortress debenture holders”	holders of “A” debentures and/or “B” debentures, as the case may be;
“debentures”	collectively or individually, as the context may require, “A” debentures and “B” debentures;
“debenture trust deed” or “the deed”	the debenture trust deed entered into between Fortress and the trustee for debenture holders recording the terms and conditions of the debentures, the salient features of which are set out in <b>Annexure 15</b> ;
“dematerialisation”	the process whereby certificated linked units are replaced by electronic records of ownership under Strate and recorded in the sub-register of linked unitholders maintained by a CSDP or broker;
“dematerialised linked units”	linked units which have been dematerialised and incorporated into Strate and which are no longer evidenced by physical documents of title;
“dematerialised linked unitholders”	linked unitholders who hold dematerialised linked units;
“dematerialised own-name linked unitholders”	linked unitholders who hold dematerialised linked units and who have instructed their CSDP to hold their linked units in their own name on the sub-register (the list of linked unitholders maintained by the CSDP and forming part of Fortress’ linked unit register);
“documents of title”	linked unit certificates, certified transfer deeds, balance receipts and any other documents of title to linked units acceptable to the board;

“effective date”	1 October 2009, notwithstanding the transfer date;
“emigrant”	an emigrant from South Africa whose address is outside the common monetary area;
“exchange control regulations”	the South African Exchange Control Regulations;
“Fortress” or “the company”	Fortress Income Fund Limited (Registration number 2009/016487/06), a public company incorporated in accordance with the laws of South Africa, the linked unit capital of which is to be listed on the JSE;
“Fortress Income 1”	Fortress Income 1 (Proprietary) Limited (Registration number 2007/007982/07) (previously Madison Park Properties 58 (Proprietary) Limited), a wholly-owned subsidiary of Fortress duly incorporated as a private company in terms of the laws of South Africa, the entire issued share capital of which has been acquired by Fortress in terms of the MWS acquisition agreement;
“Fortress Income 2”	Fortress Income 2 (Proprietary) Limited (Registration number 2009/005857/07) (previously Money Box Investments 186 (Proprietary) Limited), a wholly-owned subsidiary of Fortress duly incorporated as a private company in terms of the laws of South Africa, the entire issued share capital of which has been acquired by Fortress in terms of the Resilient acquisition agreement;
“Fortress Income 3”	Fortress Income 3 (Proprietary) Limited (Registration number 2009/014323/07) (previously Aero Sun Properties (Proprietary) Limited), a wholly-owned subsidiary of Fortress duly incorporated as a private company in terms of the laws of South Africa, the entire issued share capital of which has been acquired in terms of the Pangbourne acquisition agreement;
“Fortress Income 4”	Fortress Income 4 (Proprietary) Limited (Registration number 2008/023040/07) (previously Intshebe Props 98 (Proprietary) Limited), a wholly-owned subsidiary of Fortress duly incorporated as a private company in terms of the laws of South Africa, the entire issued share capital of which has been acquired in terms of the Ida acquisition agreement;
“Fortress Income 5”	Fortress Income 5 (Proprietary) Limited (Registration number 2009/014236/07) (previously Aero Earth Investments (Proprietary) Limited), a wholly-owned subsidiary of Fortress duly incorporated as a private company in terms of the laws of South Africa, the entire issued share capital of which has been acquired in terms of the Capital properties acquisition agreement;
“Fortress linked units” or “linked units”	collectively or individually, as the context may require, “A” linked units and “B” linked units;
“Fortress linked unitholders” or “linked unitholders”	holders of Fortress linked units, being collectively, certificated linked unitholders, dematerialised linked unitholders not having own-name registration and dematerialised own-name linked unitholders;
“Fortress unit purchase trust” or “purchase trust”	the linked unit purchase trust created to incentivise employees of the group, adopted by Fortress on 2 October 2009 and whose first trustees are Djurk Venter and Nontando Kunene, the salient features of which are set out in <b>Annexure 13</b> ;
“GLA”	the gross lettable area, being the total area of a property that can be rented to a tenant;
“group”	collectively, the company, the subsidiaries and the purchase trust;
“government”	the government of South Africa;
“Ida acquisition”	the acquisition by Fortress of the entire issued share capital of and shareholder claims on loan account against Fortress Income 4 from the Ida vendors, on the basis that the Ida portfolio will have been acquired by Fortress Income 4 upon the terms detailed in <b>Annexure 1</b> , the terms and conditions of the Ida acquisition being contained in the Ida acquisition agreement;
“Ida acquisition agreement”	the agreement concluded on 5 October 2009 between, <i>inter alia</i> , the Ida vendors and Fortress, as the purchaser, governing the Ida acquisition, the salient terms and conditions of which are set out in paragraph 4 of this prospectus;

<b>“Ida portfolio”</b>	the properties owned by Fortress Income 4 and registered in its name in respect of which Fortress Income 4 carries on property letting enterprises, being those properties listed under the header “Ida portfolio” in <b>Annexure 1</b> ;
<b>“Ida vendors”</b>	collectively – <ul style="list-style-type: none"> <li>• The Ida Family Trust (Master’s reference number IT 8856/02) in respect of 25% of Fortress Income 4;</li> <li>• Level Rate Investments (Proprietary) Limited (Registration number 2009/016825/07) in respect of 50% of Fortress Income 4;</li> <li>• The Star Trust (Master’s reference number IT 2332/06) in respect of 12% of Fortress Income 4; and</li> <li>• The Wallop Trust (Master’s reference number IT 837/06) in respect of 13% of Fortress Income 4;</li> </ul>
<b>“independent reporting accountants” or “reporting accountants”</b>	Deloitte & Touche in respect of the profit forecast, historical financial information of Fortress and <i>pro forma</i> financial effects on the balance sheets;
<b>“Investec”</b>	Investec Bank Limited (Registration number 1969/004763/06), 100 Grayston Drive, Sandown, Sandton, 2196;
<b>“Investec funding agreements”</b>	collectively – <ul style="list-style-type: none"> <li>• the loan agreement entered into between Fortress Income 1 initially entered into on or about 3 August 2007, as amended by a letter agreement dated 17 September 2009 and further amended by a second letter agreement dated 17 September 2009 and further amended by a third letter agreement dated 2 October 2009;</li> <li>• the loan agreement entered into between Investec and Fortress Income 4 dated entered into on or about 1 October 2009 and amended by a letter agreement dated 2 October 2009 and further amended by a letter agreement dated 2 October 2009; and</li> <li>• the loan agreement entered into between Investec and Fortress Income 4 dated 1 October 2009,</li> </ul> <p>the salient terms of such funding arrangements are set out in <b>Annexure 16</b>;</p>
<b>“issue price”</b>	the price at which the consideration linked units are to be issued by Fortress, being R9,00 (nine Rand) per “A” linked unit and R1,00 (one Rand) per “B” linked unit;
<b>“Java Capital”</b>	Java Capital (Proprietary) Limited (Registration number 2002/031862/07), corporate advisor and sponsor, full details of whom are set out in the inside front cover;
<b>“Jibar”</b>	the mid-market rate for deposits in South African Rand for a period of one month or three months, as the case may be, which appears on the Reuters Screen SAFEY Page alongside the caption “YLD” as of 11h00 Johannesburg time on the relevant date;
<b>“JSE”</b>	JSE Limited (Registration number 2005/022939/06), licensed as an exchange under the Securities Services Act 2004 (Act 36 of 2004), and a company duly incorporated in terms of the laws of South Africa;
<b>“last practicable date”</b>	the last trading date before the practical finalisation of this prospectus, being 15 October 2009;
<b>“the listing”</b>	the proposed listing of the Fortress linked units in the “Real Estate Holdings and Development” sector of the JSE;
<b>“listing date”</b>	Thursday, 22 October 2009, being the date of listing of Fortress’ linked units on the JSE in terms of the approval granted by the JSE Listing Committee;
<b>“MWS vendors”</b>	collectively – <ul style="list-style-type: none"> <li>• The MWS Investment Trust (Master’s reference number IT 4161/01) in respect of 35% of Fortress Income 1; and</li> </ul>

	<ul style="list-style-type: none"> <li>• Sweet Sensations (Proprietary) Limited (Registration number 2005/040992/07) in respect of 65% of Fortress Income 1;</li> </ul>
<b>“MWS acquisition”</b>	the acquisition by Fortress of the entire issued share capital of and shareholder claims on loan account against Fortress Income 1 from the MWS vendors, on the basis that the MWS portfolio will have been acquired by Fortress Income 1 upon the terms detailed in <b>Annexure 1</b> , the terms and conditions of the MWS acquisition being contained in the MWS acquisition agreement;
<b>“MWS acquisition agreement”</b>	the agreement concluded on 5 October 2009 between, <i>inter alia</i> , the MWS vendors and Fortress, as purchaser, governing the MWS acquisition, the salient terms and conditions of which are set out in paragraph 4 of this prospectus;
<b>“MWS portfolio”</b>	properties owned by Fortress Income 1 and registered in its name in respect of which Fortress Income 1 carries on property letting enterprises being those properties listed under the header “MWS portfolio” in <b>Annexure 1</b> ;
<b>“non-residents”</b>	a person whose registered address is outside the common monetary area and who is not an emigrant;
<b>“Pangbourne”</b>	Pangbourne Properties Limited (Registration number 1987/022352/06), a public company duly incorporated in terms of the laws of South Africa, the linked unit capital of which is listed on the JSE;
<b>“Pangbourne acquisition”</b>	the acquisition by Fortress of the entire issued share capital of and shareholder claims on loan account against Fortress Income 3 from Pangbourne on the basis that the Pangbourne portfolio and the Capital units will have been acquired from Fortress Income 3 upon the terms detailed in <b>Annexure 1</b> , the terms and conditions of the Pangbourne acquisition being contained in the Pangbourne acquisition agreement;
<b>“Pangbourne acquisition agreement”</b>	the agreement concluded on 5 October 2009 between, <i>inter alia</i> , Pangbourne, as vendor, and Fortress, as purchaser, governing the Pangbourne acquisition, the salient terms and conditions of which are set out in paragraph 4 of this prospectus;
<b>“Pangbourne portfolio”</b>	the properties owned by Fortress Income 3 and registered in its name and in respect of which Fortress Income 3 carries on property letting enterprises being those properties listed under the heading “Pangbourne portfolio” in <b>Annexure 1</b> ;
<b>“private placement” or “placement”</b>	the private placement by Fortress by way of an offer for subscription of up to 13 000 000 “A” linked units at an issue price of R9,00 (nine Rand) per “A” linked unit and 13 000 000 “B” linked units at an issue price of R1,00 (one Rand) per “B” linked unit to selected investors for cash;
<b>“property letting enterprises”</b>	the rental earning businesses conducted by Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 and Fortress Income 5, as the case may be;
<b>“property portfolio”</b>	collectively, the MWS portfolio, the Resilient portfolio, the Pangbourne portfolio, the Ida portfolio and the Capital portfolio;
<b>“prospectus”</b>	this prospectus dated 16 October 2009 and the annexures thereto;
<b>“press”</b>	collectively the Business Day and Beeld newspapers;
<b>“purchase trust linked units”</b>	collectively – <ul style="list-style-type: none"> <li>• the 12 300 000 “A” linked units to be issued at an issue price of R9,00 (nine Rand) per “A” linked unit to the purchase trust; and</li> <li>• the 12 300 000 “B” linked units to be issued at an issue price of R1,00 (one Rand) per “B” linked unit to the purchase trust;</li> </ul>
<b>“RMB”</b>	Rand Merchant Bank, a division of FirstRand Bank Limited (Registration number 1929/001225/06), 1 Merchant Place, Corner Fredman Drive & Rivonia Road, Sandton, 2196 (PO Box 786273, Sandton, 2146);

<b>“RMB funding agreements”</b>	<p>collectively –</p> <ul style="list-style-type: none"> <li>• the term loan facility agreement entered into between RMB and Fortress Income 2 dated 21 September 2009;</li> <li>• the common terms agreement entered into between RMB, Fortress Income 2 and the company dated 21 September 2009; and</li> <li>• the cession in security entered into between Fortress Income 2 and RMB dated 21 September 2009,</li> </ul> <p>the salient terms of such funding arrangements are set out in <b>Annexure 16</b>;</p>
<b>“Resilient”</b>	Resilient Property Income Fund Limited (Registration number 2002/016851/06), a public company duly incorporated in terms of the laws of South Africa, the linked units of which are listed on the JSE;
<b>“Resilient acquisition”</b>	the acquisition by Fortress of the entire issued share capital of and shareholder claims on loan account against Fortress Income 2 from Resilient on the basis that the Resilient portfolio will have been acquired by Fortress Income 2 upon the terms detailed in <b>Annexure 1</b> , the terms and conditions of the Resilient acquisition being contained in the Resilient acquisition agreement;
<b>“Resilient properties acquisition agreement”</b>	the agreement concluded on 5 October 2009 between, <i>inter alia</i> , Resilient, as vendor, and Fortress, as purchaser, governing the Resilient acquisition, the salient terms and conditions of which are set out in paragraph 4 of this prospectus;
<b>“Resilient portfolio”</b>	the properties owned by Fortress Income 2 and registered in its name in respect of which Fortress Income 2 carries on property letting enterprises being those properties listed under the header “Resilient portfolio” in <b>Annexure 1</b> ;
<b>“SENS”</b>	Securities Exchange News Service of the JSE;
<b>“shareholders” or “Fortress shareholders”</b>	holders of Fortress shares whether holders of “A” shares and/or “B” shares, as the case may be;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Standard Bank”</b>	The Standard Bank of South Africa Limited (Registration number 1962/000738/06), Standard Bank Centre, 3 Simmonds Street, Johannesburg, 2001 (PO Box 61029, Marshalltown, 2107);
<b>“Standard Bank funding agreements”</b>	<p>collectively –</p> <ul style="list-style-type: none"> <li>• the loan agreement entered into between Standard Bank and Fortress Income 3 dated 4 September 2009; and</li> <li>• the loan agreement entered into between Standard Bank and Fortress Income 5 dated 4 September 2009,</li> </ul> <p>the salient terms of such funding arrangements being set out in <b>Annexure 16</b>;</p>
<b>“Strate”</b>	Strate Limited (Registration number 1998/022242/06), a company which is registered in terms of the Securities Services Act 2004 (Act 36 of 2004), as amended, responsible for the electronic settlement system of the JSE;
<b>“subsidiaries”</b>	all the subsidiaries of Fortress being Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 and Fortress Income 5;
<b>“transactions”</b>	collectively, the acquisitions and the issue of the purchase trust linked units;
<b>“transaction costs”</b>	the costs and expenses incurred or to be incurred in respect of the transactions, as set out in <b>Annexure 18</b> ;
<b>“transfer”</b>	the registration of transfer of the relevant immovable property into the name of the relevant purchaser (whether Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 or Fortress Income 5) in the relevant deeds registry office;

<b>“transfer date”</b>	the date of registration of the transfer of the relevant immovable property into the name of Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 or Fortress Income 5, as the case may be, at the relevant deeds registry office;
<b>“transferred properties”</b>	those properties which have been transferred into the name of the relevant purchaser (being any of Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 or Fortress Income 5) as at the last practicable date, which comprise 70% by value of the property portfolio, being the properties listed under the header “Transferred properties” in <b>Annexure 1</b> ;
<b>“transferring properties”</b>	those properties which are in the process of being transferred into the name of the relevant purchaser (being any of Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 or Fortress Income 5) as at the last practicable date, which comprise 30% by value of the property portfolio, being the properties listed under the header “Transferring properties” in <b>Annexure 1</b> ;
<b>“transfer secretaries”</b>	Link Market Services South Africa Limited (Registration number 2000/007239/07), a private company duly incorporated in terms of the laws of South Africa;
<b>“trustee for debenture holders”</b>	Michael Pinnock, full details of whom are set out in the inside front cover;
<b>“valuers”</b>	Quadrant Properties (Proprietary) Limited (Registration number 1995/003097/07), full details of whom are set out in the inside front cover and whose reports on the MWS portfolio, the Resilient portfolio, the Pangbourne portfolio, the Ida portfolio and the Capital portfolio are set out in <b>Annexure 4</b> ;
<b>“VAT”</b>	Value-added Tax levied in terms of the Value-added Tax Act 1991 (Act 81 of 1991), as amended; and
<b>“vendors”</b>	collectively the MWS vendors, Resilient, Pangbourne, the Ida vendors and Capital.

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# PROSPECTUS

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## 1. INTRODUCTION AND PURPOSE

Fortress, an internally managed property loan stock company, has acquired a diversified portfolio of retail, industrial and office properties. Fortress' 103 investment properties are currently valued in excess of R2,2 billion. Investors are offered two forms of participation in Fortress' rental income streams, with the choice of two classes of linked units designed to satisfy investor requirements for two different risk and reward propositions. The "A" linked units offer an attractive yield on a preferred basis, escalating at 5% per annum for five years and at the lower of CPI and 5% thereafter. The "A" linked units have preferential entitlements to income distributions and to capital participation on winding up. On listing, the annualised forward yield to June 2010 of the "A" linked units is forecast at 10,75% and that of the "B" linked units at 9%. Thereafter growth in distributions is restricted for the "A" linked units and weighted towards the "B" linked units, reflecting their different risk and reward propositions.

The main purpose of the listing of the issued linked units of Fortress are:

- to provide a source of capital to fund growth;
- to provide working capital for the group;
- to provide the South African investor, both institutional and private, the opportunity to participate directly in the income streams and future capital growth of Fortress; and
- in the long term, to obtain a wide spread of investors in Fortress hence increasing the liquidity and tradability of the linked units.

The main purpose of this prospectus is to:

- provide investors with the relevant information regarding Fortress, its assets particularly its property portfolio, its liabilities and its directors and management;
- provide potential investors with Fortress' strategy and vision;
- list the Fortress linked units on the JSE;
- enable Fortress to undertake the private placement in order to achieve the requisite spread of linked unitholders in order to list on the JSE;
- raise capital; and
- set out the procedures and salient dates and times of the private placement.

## 2. INCORPORATION, HISTORY AND STRUCTURE OF THE BUSINESS

### 2.1 Incorporation and history

Fortress was incorporated on 25 August 2009 as a public company. No alterations to Fortress' share capital have been undertaken since its incorporation.

Fortress was established as a property holding and investment company with the intention of conducting business through the ownership or lease of immovable property and through the holding of listed and unlisted securities. In addition, it will undertake asset management and the management of investment properties and property letting enterprises.

Prior to the acquisitions, Fortress had no trading history.

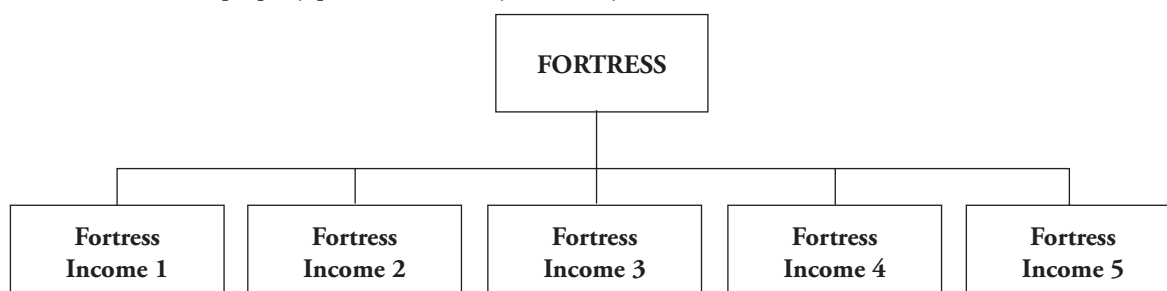
The details relating to the subsidiaries including their names, dates and places of incorporation, registration numbers, issued share capital, shareholdings by Fortress, main businesses and the dates upon which each became a subsidiary, are set out in **Annexure 5**.

Save for Fortress Income 1, each of the subsidiaries is a newly incorporated company established to carry on business as an investment property holding and letting enterprise, holding only the property portfolios acquired with effect from 1 October 2009 pursuant to the acquisition agreements. Accordingly, there is no prior trading history for these subsidiaries. Fortress Income 1's trading history is reflected in its financial statements for the year ended 28 February 2009, which is available for inspection as set out in paragraph 28.

The group does not benefit from any government protection or investment encouragement law.

## 2.2 Statutory group structure

Fortress will own its property portfolio indirectly via wholly-owned subsidiaries as follows:



## 2.3 Business of Fortress

Fortress is a property loan stock company. Its subsidiaries own a diversified property portfolio of retail, industrial and office properties comprising, upon transfer of the transferred properties and the transferring properties, 103 investment properties from which rental income streams will be derived.

## 2.4 Management of Fortress

Fortress has appointed Mark Stevens as managing director of the group. The executive team will be responsible for the day-to-day operations of the group, which includes ensuring that the strategic direction of the board is implemented. Further details of the executive management team are provided in paragraph 7 below.

## 2.5 Asset and property management

The asset management of the group will be undertaken by its executive management. The property management of the group will be outsourced on market related terms with Gensec Property Services Limited (trading as JHI) (“JHI”) and Broll Property Group (Proprietary) Limited (“Broll”).

JHI’s directors are LI Weil, M van der Walt, NT Christodoulou, MV Makhakhe, L Myburgh, IF Pachonick, S Parker and E van Niekerk. The business address of JHI is 2 Norwich Close, Sandton, 2196.

Neither JHI nor its directors have any beneficial interest, direct or indirect, in relation to any property held by Fortress.

The shareholders of JHI are set out below:

Shareholder	%
Phoenix Industriële Park (Proprietary) Limited	0,07
Sanlam Investments Holdings (Proprietary) Limited	0,07
Rheezicht Investments (Proprietary) Limited	0,07
Phatsima Industrial (Proprietary) Limited	5,10
Micawber 534 (Proprietary) Limited	42,00
Sanlam Limited	19,80
Rehna Investments (Proprietary) Limited	16,45
The Hashim Bahm Family Trust	0,36
Nehanda Property (Proprietary) Limited	4,08
JH Isaacs Group Holdings (Proprietary) Limited	12,00
<b>Total</b>	<b>100,00</b>

Property management agreements have been concluded with JHI (on 5 October 2009 between Fortress Income 2 and JHI and on 5 October 2009 between Fortress Income 3 and JHI and on 5 October 2009 between Fortress Income 5 and JHI, each of which is for an indefinite period but subject to either party giving to the other three calendar months’ written notice) in terms of which *inter alia* JHI undertakes to perform the following property management duties in respect of the buildings named therein –

- Adherence to the management strategies and the letting strategies and mandates determined from time to time by the landlord;
- Compilation of detailed annual budgets;
- Dispatch of computer generated tax invoices and collection of collectable income;
- The use of credit control function to monitor arrears in rentals, collection of debt and outstanding arrears as well as management of and adherence to the legal processes;
- Assessment of prospective tenants;
- Responsibility for maintenance, procurement, project management, contracts, sub-contractors;
- Timeous payment of supplier accounts;
- Compilation of management reports, rent rolls, arrears reports, account payment reports, leasing reports, technical reports, utility reports, vacancy reports, gross income variance reports, schedules of deposits and/or bank guarantees and other reports as reasonably required by the landlord;
- Responsibility for control procedures such as lease information being checked and signed off, new lease agreements being audited, invoicing for work completed and other.

Broll's directors are David Alcock, Jonathan Broll, Royden du Plooy, Noluthando Gosa, Malcolm Horne, Maurice Mdlolo, Leonard Michau, Sandra Ngema and Edward Wallace.

Neither Broll nor its directors have any beneficial interest, direct or indirect, in relation to any property held by Fortress.

Broll's business address is Broll House, 27 Fricker Road, Illovo, Sandton, 2196.

The shareholders of Broll are set out below:

Shareholder	%
Catalyst House Fund (Proprietary) Limited	80
Akhona Nalapha Investments (Proprietary) Limited	20
<b>Total</b>	<b>100</b>

On 5 October 2009 a property management agreement was concluded (which endures for an indefinite period) with Broll in terms of which *inter alia* Broll undertakes to perform the following property management duties in respect of the buildings named therein; management of the property; letting of the property; conclusion of lease agreements for letting of the property; preparation of invoices, monthly statements and monthly reports; ensuring collection of amounts due in respect of electricity and water; management of budgeted disbursements; credit control related functions; repairs and maintenance of the property; attending to legal matters effecting the property; preparation of financial reports and budgets; dealing with local authorities; receipting of all income and tenant deposits; maintenance of books of account; ensuring security is sufficient and reasonable; managing cleaning services and hygiene; and all other duties which are normally performed by agents who let, collect the rent and administer buildings of the nature of the properties.

### 3. THE PROPERTY PORTFOLIO OF THE GROUP

#### 3.1 The property portfolio

The group's property portfolio valued in aggregate at R2 209 124 292 will consist of 103 properties with an effective GLA of 524 243 m<sup>2</sup>. Details of the property portfolio split out into transferred properties and transferring properties, appear in **Annexure 1** to this prospectus.

##### 3.1.1 *Transfer of properties*

At the last practicable date, the group had already taken transfer of the transferred properties. Transfer of the transferring properties is in process and expected to be registered by or shortly after the listing date.

As the transferring properties were all acquired with effect from the effective date, the date of transfer of these properties will not impact on the profit forecasts or the forecast yields of the "A" and "B" linked units.

##### 3.1.2 *Analysis of the transferred and transferring property portfolio*

Analyses of the transferred and transferring properties in respect of sectoral, geographic, tenant, vacancy and lease expiry profiles are provided below.

Gross rentals as utilised in the tables below have been extracted from the profit forecast set out in paragraph 8.

### Sectoral profile

	GLA per sector	Gross rentals per sector
Industrial	54%	36%
Commercial	7%	8%
Retail	39%	56%
	<b>100%</b>	<b>100%</b>

### Geographic profile

	GLA per area	Gross rentals per area
Gauteng	58%	48%
Kwa-Zulu Natal	18%	19%
Mpumalanga	5%	8%
Western Cape	3%	4%
Limpopo Province	5%	8%
Eastern Cape	6%	7%
Swaziland	3%	4%
North West Province	1%	1%
Free State	1%	1%
	<b>100%</b>	<b>100%</b>

### Tenant profile

	Based on GLA	Based on gross rentals
A	30%	36%
B	16%	16%
C	54%	48%
	<b>100%</b>	<b>100%</b>

For this table the following key is applicable:

- A. Large national tenants, large listed tenants, government and major franchisees. These include, *inter alia*, Shoprite Checkers, Edcon, Pick 'n Pay, Pepkor and Sasol.
- B. National tenants, listed tenants, franchisees and medium to large professional firms. These include, *inter alia*, African Bank, Capitec Bank, Waltons and Goodyear.
- C. Other (approximately 665 tenants).

### Vacancy profile

The vacancy profiles indicated below split out the vacancy percentage as indicated under the lease expiry profile.

Sector	Vacancy based on GLA
Industrial	49%
Commercial	17%
Retail	34%
	<b>100%</b>

### Lease expiry profile

	Total GLA	Total GR*	Industrial GLA	Industrial GR*	Commercial GLA	Commercial GR*	Retail GLA	Retail GR*
Vacant	4%	–	4%	–	10%	–	4%	–
June 2010	30%	28%	28%	25%	40%	42%	30%	28%
June 2011	21%	20%	28%	28%	15%	21%	12%	16%
June 2012	20%	25%	20%	25%	6%	9%	23%	27%
June 2013	10%	10%	8%	8%	2%	–	13%	13%
June 2014	6%	8%	5%	7%	6%	9%	8%	8%
>June 2014	9%	9%	7%	7%	21%	19%	10%	8%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* GR: Gross rentals

### Rental escalations and rental per square metre

The annualised weighted average rental escalation by GLA in the property portfolio for the nine months ended 30 June 2010 is as follows:

Sector	%
Commercial	7,4
Industrial	8,7
Retail	7,6
<b>Total property portfolio</b>	<b>8,2</b>

The average property yield in the property portfolio for the nine months ended 30 June 2010, on an annualised basis, is 11%.

The weighted average rental per square metre in the property portfolio for the nine months ended 30 June 2010 will be R37,74 per m<sup>2</sup> per month.

#### 3.1.3 Analysis of the transferred property portfolio

Analyses of the transferred properties in respect of sectoral, geographic, tenant, vacancy and lease expiry profiles are provided below.

Gross rentals as utilised in the tables below have been extracted from the profit forecast set out in paragraph 8.

#### Sectoral profile

	GLA per sector	Gross rentals per sector
Industrial	54%	37%
Commercial	4%	3%
Retail	42%	60%
	<b>100%</b>	<b>100%</b>

#### Geographic profile

	GLA per area	Gross rentals per area
Gauteng	61%	50%
Kwa-Zulu Natal	21%	22%
Mpumalanga	7%	12%
Western Cape	1%	1%
Limpopo Province	1%	2%
Eastern Cape	3%	5%
Swaziland	4%	6%
North West Province	1%	1%
Free State	1%	1%
	<b>100%</b>	<b>100%</b>

### Tenant profile

	Based on GLA	Based on gross rentals
A	33%	41%
B	12%	10%
C	55%	49%
	<b>100%</b>	<b>100%</b>

For this table the following key is applicable:

- A. Large national tenants, large listed tenants, government and major franchisees. These include, *inter alia*, Shoprite Checkers, Edcon, Pick n Pay, Pepkor and Sasol.
- B. National tenants, listed tenants, franchisees and medium to large professional firms. These include, *inter alia*, African Bank, Capitec Bank, Waltons and Caxton.
- C. Other (approximately 467 tenants).

### Vacancy profile

The vacancy profiles indicated below split out the vacancy percentage as indicated under the lease expiry profile.

Sector	Vacancy based on GLA
Industrial	48%
Commercial	20%
Retail	32%
	<b>100%</b>

### Lease expiry profile

	Total GLA	Total GR*	Industrial GLA	Industrial GR*	Commercial GLA	Commercial GR*	Retail GLA	Retail GR*
Vacant	3%	–	3%	–	10%	–	3%	–
June 2010	29%	27%	27%	25%	18%	11%	32%	30%
June 2011	22%	19%	32%	29%	21%	45%	9%	11%
June 2012	23%	29%	24%	30%	7%	7%	24%	30%
June 2013	11%	11%	8%	8%	6%	1%	14%	13%
June 2014	8%	10%	6%	8%	16%	15%	10%	9%
>June 2014	4%	4%	–	–	22%	21%	8%	7%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* GR: Gross rentals

### Rental escalations and rental per square metre

The annualised weighted average rental escalation by GLA in the transferred property portfolio for the nine months ended 30 June 2010 is as follows:

Sector	%
Commercial	7,6
Industrial	8,4
Retail	7,6
Total transferred property portfolio	<b>8,1</b>

The average property yield in the transferred property portfolio for the nine months ended 30 June 2010, on an annualised basis, is 11,2%.

The weighted average rental per square metre in the transferred property portfolio for the nine months ended 30 June 2010 will be R37,71 per m<sup>2</sup> per month.

#### 4. THE ACQUISITIONS

The aggregate purchase price payable for the acquisitions, being R2 309 124 292 is to be settled as follows:

- by the allotment and issue by Fortress to the vendors of 151 292 185 “A” linked units at an issue price of R9,00 per “A” linked unit and 151 292 185 “B” linked units at an issue price of R1,00 per “B” linked unit;
- the payment of R796 202 442, in cash (funding being received from Standard Bank and RMB) and/or by the assumption of mortgage obligations.

Notwithstanding the transfer date, the group shall have acquired possession of the acquisition properties and Capital units with effect from 1 October 2009 from which date the group shall be entitled to all benefits and income arising from the acquisition properties and Capital units and from which date the acquisition properties and Capital units shall be held by the group at its risk and expense.

The vendors or their renounees shall be entitled to the benefit of the consideration linked units with effect from 1 October 2009.

Linked unitholders will be informed when the transfer of the transferring properties has been completed by announcement on SENS.

The acquisition agreements contain warranties normal for acquisitions of this nature.

All of the conditions precedent to which the acquisition agreements were subject have been fulfilled.

The required approval of the Competition Authorities in accordance with the provisions of the Competition Act has been obtained.

The terms of the acquisition agreements are as follows:

##### 4.1 The MWS acquisition

In terms of the MWS acquisition agreement, Fortress acquired the entire issued share capital of and shareholder claims on loan account against Fortress Income 1 from the MWS vendors, with effect from the effective date, for an aggregate purchase price of R128 157 192, payable on the implementation date (being the third business day after fulfilment of the conditions precedent) as follows:

- by the allotment and issue or delivery to the MWS vendors of 6 407 860 “A” linked units at R9,00 per “A” linked unit and 6 407 860 “B” linked units at R1,00 per “B” linked unit; and
- the balance of the purchase price for cash in the amount of R64 078 592.

In terms of the MWS acquisition agreement, the MWS vendors have provided warranties usually associated with transactions of this nature.

##### 4.2 The Resilient acquisition

In terms of the Resilient acquisition agreement, Fortress acquired the entire issued share capital of and shareholder claims on loan account against Fortress Income 2 from Resilient, with effect from the effective date, for an aggregate purchase price of R665 402 100, payable on the implementation date (being the third business day after fulfilment of the conditions precedent) as follows:

- by the allotment and issue or delivery to Resilient of 63 213 200 “A” linked units at R9,00 per “A” linked unit and 63 213 200 “B” linked units at R1,00 per “B” linked unit; and
- the balance of the purchase price for cash in the amount of R33 270 100.

In terms of the Resilient acquisition agreement, Resilient has provided warranties usually associated with transactions of this nature.

#### 4.3 The Pangbourne acquisition

In terms of the Pangbourne acquisition agreement, Fortress acquired the entire issued share capital of and shareholder claims on loan account against Fortress Income 3 from Pangbourne, with effect from the effective date, for an aggregate purchase price of R1 098 215 000, payable on the implementation date (being the third business day after fulfilment of the conditions precedent) as follows:

- by the allotment and issue or delivery to Pangbourne of 58 621 875 “A” linked units at R9,00 per “A” linked unit and 58 621 875 “B” linked units at R1,00 per “B” linked unit;
- the balance of the purchase price for cash in the amount of R511 996 250.

In terms of the Pangbourne acquisition agreement, Pangbourne has provided warranties usually associated with transactions of this nature.

#### 4.4 The Capital units acquisition

In terms of the Capital units acquisition agreement, Fortress Income 3 acquired 14 814 814 Capital units from Pangbourne, with effect from the effective date, for an aggregate purchase price of R100 000 000, payable on the listing date as follows:

- by the allotment and issue or delivery to Pangbourne of 7 500 000 “A” linked units at R9,00 per “A” linked unit and 7 500 000 “B” linked units at R1,00 per “B” linked unit; and
- the balance of the purchase price for cash in the amount of R25 000 000.

In terms of the Capital units acquisition agreement, Pangbourne has provided warranties usually associated with transactions of this nature.

#### 4.5 The Ida acquisition

In terms of the Ida acquisition agreement, Fortress acquired the entire issued share capital of and shareholder claims on loan account against Fortress Income 4 from the Ida vendors, with effect from the effective date, for an aggregate purchase price of R96 000 000, payable on the implementation date (being the third business day after fulfilment of the conditions precedent) as follows:

- by the allotment and issue or delivery to the Ida vendors of 5 760 000 “A” linked units at R9,00 per “A” linked unit and 5 760 000 “B” linked units at R1,00 per “B” linked unit;
- the balance of the purchase price for cash in the amount of R38 400 000.

In terms of the Ida acquisition agreement, the Ida vendors have provided warranties usually associated with transactions of this nature.

#### 4.6 The Capital properties acquisition

In terms of the Capital acquisition agreement, Fortress acquired the entire issued share capital of and shareholder claims on loan account against Fortress Income 5 from Capital, with effect from the effective date, for an aggregate purchase price of R321 350 000, payable on the implementation date (being the third business day after fulfilment of the conditions precedent) as follows:

- by the allotment and issue or delivery to Capital of 17 289 250 “A” linked units at R9,00 per “A” linked unit and 17 289 250 “B” linked units at R1,00 per “B” linked unit;
- the balance of the purchase price for cash in the amount of R148 457 500.

In terms of the Capital properties acquisition agreement, Capital has provided warranties usually associated with transactions of this nature.

### 5. OTHER LINKED UNIT ISSUES

Fortress has established a linked unit purchase trust, The Fortress Unit Purchase Trust, in terms of which employees will be incentivised to promote the continued growth of Fortress by giving them the opportunity to acquire linked units. In addition, the benefits of participation in the purchase trust will be used to attract and retain suitably skilled and qualified personnel.

An initial issue of 12 300 000 “A” linked units and 12 300 000 “B” linked units on loan account to the purchase trust, comprising 6,9% of the linked units in issue, will be undertaken at R9,00 per “A” linked unit and R1,00 per “B” linked unit. The allocation to employees of the group of the purchase trust linked units will be effected by the directors of Fortress in terms of the trust deed after the last practicable date.

The salient features of the terms and conditions of the purchase trust are set out in **Annexure 13**.

## 6. PROSPECTS

In the opinion of the directors, as illustrated in the sectoral profile analysis above, the property portfolio includes both exposure to the retail sector with robust anchor tenants and exposure to the industrial sector with freestanding industrial units and mini-factories. The retail properties are expected to provide a steady income flow to underpin the distribution commitments, with the industrial properties expected to perform strongly once the economy recovers. The diversification of the property portfolio mitigates against any sector-specific risks and generally enhances the predictability of rental income streams.

The board will consider increasing its exposure to listed property securities where the listed sector offers attractive value compared to direct property investments. The board will also seek to diversify the income base by including hard currencies through investing in listed property securities offshore.

## 7. DIRECTORS AND EXECUTIVE MANAGEMENT

### *Directors*

The directors of the company and each of its subsidiaries as well as a summary of their curriculum vitae are set out below:

Names and age	<b>Mark Walter Stevens (41)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	–
Position	Managing director
Directorships held in previous 5 years	Intshebe Properties 98 (Pty) Ltd, Intshebe Properties 112 (Pty) Ltd, ITMFGD Developments JV (Pty) Ltd (resigned), Khwela Consortium (Pty) Ltd, Khwela Consulting & Management Services (Pty) Ltd, Klaprops 106 (Pty) Ltd, Klaprops 110 (Pty) Ltd, Klaytrade 835 (Pty) Ltd, Morulat Property Investments 1 (Pty) Ltd, Morulat Property Investments 2 (Pty) Ltd, Morulat Property Investments 3 (Pty) Ltd, Motrade 145 (Pty) Ltd, Motrade 170 (Pty) Ltd, Otago Beleggings (Pty) Ltd (resigned), Proud Heritage Properties 283 (Pty) Ltd, Ptyprops 112 (Pty) Ltd, Sakhisizwe Investment Holdings (Pty) Ltd, Section 44 Royal Pavillion Cosmos CC, Starship Props 1 CC, Starships Props 2 CC, Tambura Property Investments (Pty) Ltd, Traig Investments (Pty) Ltd, Formprops 192 (Pty) Ltd (resigned), Dustygold Investment 4 (Pty) Ltd, Jodada Property Investments (Pty) Ltd, Fortress, Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 and Fortress Income 5.
Names and age	<b>Desmond (Des) de Beer (48)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	BProc MAP
Position	Executive director
Directorships held in previous 5 years	Optimprops 3 (Pty) Ltd, Kyalami Preparatory Holdings (Pty) Ltd, Beaulieu College Properties (Pty) Ltd, Beaulieu College (Pty) Ltd, Kyalami Preparatory School (Pty) Ltd, Beaulieu School Properties (Pty) Ltd, NMGP Holdings (Pty) Ltd, Resilient Property Income Fund Ltd, Resilient Properties (Pty) Ltd, Resilient Properties 2 (Pty) Ltd, Resilient Capital (Pty) Ltd, Hollyrood Investments (Pty) Ltd, New Europe Property Investments plc, Property Fund Managers Ltd, Diversified Property Fund Ltd, Diversified Properties (Pty) Ltd, Diversified Properties 2 (Pty) Ltd, Pangbourne Properties Ltd, Boudoir Properties CC, Diligence Properties (Pty) Ltd, Fortress Asset Managers (Pty) Ltd, Fortress Income 1 (Pty) Ltd, Fortress Income 2 (Pty) Ltd, Fortress Income 3 (Pty) Ltd, Fortress Income 4 (Pty) Ltd, Fortress Income 5 (Pty) Ltd, Indian Gold Investments (Pty) Ltd, Pure Diamond (Pty) Ltd, Southern Palace Investments 19 (Pty) Ltd and Fortress.

Names and age	<b>Jeffrey (Jeff) Nathan Zidel (58)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	–
Position	Independent non-executive chairman
Directorships held in previous 5 years	Maxtrade Seven (Pty) Ltd, Resilient Property Income Fund Ltd, Heavenly Blue Property Investment CC, Mazow Property Investment CC, Property Index Tracker Managers (Pty) Ltd, Erf 2395 Kempton Park (Pty) Ltd, Zicor Property Projects (Pty) Ltd and Fortress.
Names and age	<b>Nontando Thelma Kunene (53)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	B.Sc Quantity Surveying, Post Grad Diploma: Property Management and Development
Position	Independent non-executive
Directorships held in previous 5 years	Jovanne's Boutique CC (resigned), Krozi Investment Company (Pty) Ltd, Mahlali Liebetrau (Pty) Ltd, Mahlali Makote Brink (Pty) Ltd, Sikhona Africa Engineering (Pty) Ltd, Marcelle Props 241 CC and Fortress..
Names and age	<b>Kurawone (Kura) Ndakashya Francis Chihota (37)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	BCom, Post Grad Diploma: Management in Business Administration
Position	Independent non-executive
Directorships held in previous 5 years	Khokhela Property Group (Pty) Ltd, Johannesburg Housing Company (Pty) Ltd, Alkara 186 (Pty) Ltd, Zambezi Safari Lodges (Pvt) Limited, African Articles of Art CC, Tri African Trading CC, Breeze Court Investments 55 (Pty) Ltd and Fortress.
Names and age	<b>Nicolaas (Nick) Willem Hanekom (30)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	BAcc (Hons), CA (SA)
Position	Financial director
Directorships held in previous 5 years	Crimson Glory Investments (Pty) Ltd, Improvon Property Fund Ltd, Island Sight Investments 226 (Pty) Ltd, Nulane Investments 135 (Pty) Ltd, Spotted Gold Investments (Pty) Ltd, Diamond Jubilee Investments (Pty) Ltd (resigned), Featherwood Investments (Pty) Ltd (resigned), Fortress Income 1 (Pty) Ltd, Fortress Income 2 (Pty) Ltd, Fortress Income 3 (Pty) Ltd, Fortress Income 4 (Pty) Ltd, Fortress Income 5 (Pty) Ltd, Global Rose Investments (Pty) Ltd (resigned) and Fortress.
Names and age	<b>Djurk Peter Claudius Venter (41)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	BCompt (Hons), CA(SA)
Position	Independent non-executive
Directorships held in previous 5 years	Vizirama 139 (Pty) Ltd (resigned), Iphala Properties (Pty) Ltd, Direct Deals 18 (Pty) Ltd (resigned), Lodge 203 Raptorsview (Pty) Ltd, Nekeaprop (Pty) Ltd (resigned), Santa Fe 217 (Pty) Ltd, Property Index Tracker Managers (Pty) Ltd and Fortress.

Names and age	<b>Johannes (Jannie) Zacharias Moolman (57)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	BCom (Accounting), Post Graduate Diploma: Property (MDP)
Position	Independent non-executive
Directorships held in previous 5 years	Aeterno Investments 169 (Pty) Ltd, Black Bay Investments (Pty) Ltd, Brodsky Investments (Pty) Ltd, Cannistraro Investments 181 (Pty) Ltd, Changing Tides 132 (Pty) Ltd, Defacto Investments 106 (Edms) Bpk, Dirongo Investments (Pty) Ltd, Docmool Township Development (Pty) Ltd, Dunns Venda Property (Pty) Ltd, East & West Investments (Pty) Ltd, Erven 1771 & 1772 Tzaneen (Pty) Ltd, Friedjan Consolidated Properties (Pty) Ltd, Gamekim Investments (Pty) Ltd, Janaz Investments Limited, Jarrabilla Investments (Pty) Ltd, Jibumba Investments (Pty) Ltd, Just Jasmine Investments 102 (Pty) Ltd, Kirra Investments (Pty) Ltd, Leopont 213 Properties (Pty) Ltd, Louis Trichardt Bousentrum (Edms) Bpk, Lowell Investments (Pty) Ltd, Lurco Investments (Pty) Ltd, Luvon Investments (Pty) Ltd, Mafikeng Recording Studios and Resorts (Pty) Ltd, Mafried Beesboerdery (Edms) Bpk, Manaka Property Investments (Pty) Ltd, Maphumulo Investments (Pty) Ltd, Menel Investments (Pty) Ltd, Micawber 526 (Pty) Ltd, Mille Investments 187 (Pty) Ltd, Mobe Investments (Pty) Ltd, Moolcamp Properties(Pty)Ltd, Moolman Investments Namibia (Pty) Ltd, Moolprop (Pty)Ltd, Morbei Investments (Pty) Ltd, N1 Game Investments(Pty)Ltd , Naples Investments (Pty) Ltd, New Line Investments 10 (Pty) Ltd, Night Fire Investments 8(Pty) Ltd, Racegame Developments (Pty) Ltd, Silverleaf Developers (Pty) Ltd, Stylestar Investments (Pty) Ltd, Sunshine Street Investments 123 (Pty) Ltd, Superstrike Investments 41(Pty) Ltd, Supreen Investments(Pty)Ltd, Upbeatprops 91 (Pty) Ltd, Viking Pony Properties(Pty)Ltd, Zanela Investments (Pty) Ltd, Zelpy 1156 (Pty) Ltd, Zelpy 1775 (Pty) Ltd, Jatla Investments (Pty) Ltd (resigned), Store It 1 Property (Pty) Ltd (resigned), Pure Diamond Investments (Pty) Ltd and Fortress.

All directors are South African nationals.

All directors were appointed with effect from 2 October 2009. No service contracts have been signed and accordingly as regards the executive directors, each of them will be subject to one months' notice period and any applicable labour law from time to time. The appointment of the executive directors and non-executive directors is indefinite but remains subject to all applicable law (including common law) and the provisions of the company's memorandum and articles of association.

*Expertise and experience of the directors*

*Mark Walter Stevens*

Mark has been involved in the commercial and industrial property industry for over 20 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. Since 2004, he has concentrated on building a private portfolio. He joins Fortress as managing director.

*Desmond (Des) de Beer*

Des spent most of his career with the Nedbank group initially in property finance and later in private equity. Des is a director of Pangbourne Properties Limited, Property Fund Managers Limited, the management company of Capital Property Fund and New Europe Property Investments plc.

*Jeffrey (Jeff) Nathan Zidel*

Jeff has been a successful property developer and investor and has been involved in all aspects of the property industry for the last 38 years. He was three times past president of the Roodepoort Chamber of Commerce. Jeff is a non-executive director of Resilient Property Income Fund and chairman of Property Index Tracker Managers, an ETF listed on the JSE.

*Nontando Thelma Kunene*

Director and co-founder of Mahlati Liebetrau, Nontando's work covers all aspects of quantity surveying and cost engineering. Experience has been gleaned in her area of expertise at Farrow Laing, du Toit Lombard & Malan and the Department of Works and Energy in Transkei. Nontando also ran the Quantity Surveying section focusing specifically on Soweto while at du Toit Lombard.

*Kurauwone (Kura) Ndakashya Francis Chihota*

Kura started his career with Bradford McCormack as a broker and later joined Marriott Property Services and then Kagiso Property Holdings. He is a past chairman of SAPOA in Gauteng and remains an active member. Kura is an executive director of Leapfrog & Khokhela Property Group and is currently consulting as Breeze Court Investments.

*Djurk Peter Claudius Venter*

Djurk started his career with the Department of Inland Revenue in the insurance and financial institution assessing division. 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. He is currently a director of Property Index Tracker Managers.

*Johannes (Jannie) Zacharias Moolman*

Jannie has been involved in the property industry for many years and served as member on several boards of society. He is a former President of the Polokwane Chamber of Commerce and Industry and a former Mayor of Polokwane. Jannie joined the Moolman group of companies in 1973 and is currently the managing director.

*Nicolaas (Nick) Willem Hanekom*

Nick completed his articles with PricewaterhouseCoopers ("PWC") in Johannesburg. Thereafter he joined PWC London where he worked on the Rio Tinto audit. On his return to South Africa in August 2005 he was employed by Resilient as company secretary.

Details of directors' remuneration, directors' interests and declarations are set out in **Annexure 3**. Details of directors' borrowing powers are set out in **Annexure 14**.

The executive directors of the company are the founders and promoters of the group.

*Executive management of the group*

Fortress is a new fund coming out of the stable of Resilient, Capital and Pangbourne. These three funds are the main vendors who are selling the bulk of the properties into Fortress and will be its main shareholders on listing. Investors will rely on the track-record of and expertise within these three funds to ensure the success of Fortress. For this reason the three funds will continue to be interested in and contributing to Fortress and its management. Therefore the three funds together with key individuals in the management of these funds and the managing director will maintain a reasonable shareholding in Fortress (of approximately 25% in aggregate) and involvement in the asset management of Fortress. Details of these key individuals, other than the executive directors of the company and each of its subsidiaries named above, are set out below including a short curriculum vitae:

Names and age	<b>Jacobus Johann Kriek (44)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	–
Position	Manager
Directorships held in previous 5 years	Eft 2311 CC, Erg 976 Marloth Park CC, Erf 977 Marloth Park CC, Bondeo Five CC, Unit 91 Elgin CC, Resilient, Resilient Properties (Proprietary) Limited, Resilient Properties 2 (Proprietary) Limited, Erf 130 Crowthorne CC, Quick Leap Investments 281 (Pty) Limited, Dream World Investments 452 (Pty) Limited, Brodsky Investments (Pty) Limited, Pure Diamond Investments (Pty) Limited, Great Force Investements (Pty) Limited, Southern Palace Investments 19 (Pty) Limited, Ilanga Lifestyle Centre (Pty) Limited, Maphumulo Investments (Pty) Limited, Rzt Zelpy 5356 (Pty) Limited, Fairy Wing Trading 61 (Pty) Limited.

Names and age	<b>Andrew Edward Teixeira (42)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	B.Sc (QS)
Position	Manager
Directorships held in previous 5 years	Intshebe Props 98 (Pty) Limited, Bands Properties (Pty) Limited, Lovtex Investments CC, Monyetla Property Holdings (Pty) Limited, Monyetla Realty Holdings (Pty) Limited, Monyetla Property Fund Limited, Property Fund Managers Limited and Diversified Property Fund Limited.
Names and age	<b>Barry Lester Stuhler (52)</b>
Business address	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
Qualification	B.Com, BAcc, CA(SA)
Position	Manager
Directorships held in previous 5 years	Blue Dot Properties (Pty) Ltd, Chataprop Holdings 50 (Pty) Ltd, Aspire Financial Services (Pty) Ltd, Benrose Holdings (Pty) Ltd, Birkenruth Estates (Pty) Ltd, Capensis Investments 410 (Pty) Ltd, Combined Investements Four (Pty) Ltd, Edge Asset Management (Pty) Ltd, Enigma Property Fund (Pty) Ltd, Erf 17 Anchorville (Pty) Ltd, Goy Investments (Pty) Ltd, Ifour Properties Ltd, Ifour Properties SA (Pty) Ltd, Ifour Properties Three (Pty) Ltd, Ifour Properties Two (Pty) Lintied, Mbotyi River Lodge (Pty) Ltd, Nib 52 Share Block (Pty) Ltd, Nib 62 (Pty) Ltd, Nib 63 (Pty) Ltd, Pangbourne Asset Managemen6t (Pty) Ltd Pangbourne Properties Ltd, Pangbourne Services (Pty) Ltd, Panhold (Pty) Ltd, Panhold Two Property Spv (Pty) Ltd, Platinum Mile Investments 110 (Pty) Ltd, Realty Dynamix 73 (Pty) Ltd, Sage Property Trust Ltd, Salamax 1554 (Pty) Ltd, Sipan 1 (Pty) Ltd, Sipan 2 (Pty) Ltd, Siyapan 1 (Pty) Ltd, Siyathenga Investments (Pty) Ltd, Siyathenga Properties One (Pty) Ltd, Siyathenga Properties Three (Pty) Ltd, Siyathenga Properties Two (Pty) Ltd, Siyathenga Property Fund Ltd, Whitworth Road Properties (Pty) Ltd, ASRG of South Africa (Pty) Ltd, Beaulieu College (Pty) Ltd, Gemini Agencies (Pty) Ltd, SA Sugar Sweet and Confectionery Corporation (Pty) Lintied, Dream World Investments 452 (Pty) Ltd.

*Expertise and experience of management*

*Jacobus Johann Kriek*

Johann has been involved in retail property management, development and letting for almost 20 years with a strong emphasis on redeveloping underperforming shopping centres.

*Andrew Edward Teixeira*

Andrew started his career in his own construction company. He then joined JHI Real Estate in 1993 in their property management division. He was appointed as the director responsible for property management nationally in 2002. Andrew has 18 years' experience managing commercial, retail and industrial property.

*Barry Lester Stuhler*

Barry is a Chartered Accountant who completed his articles with Arthur Young. Barry's experience includes management of the Part Bond Scheme and Gilt Fund for Hill Samuel Merchant Bank. He was financial director of Integrated Property Resources ("Intaprop") and managing director of Intaprop Management Services, the property management company for the Intaprop group. In 1994 Barry co-founded Inline Properties, a property management and corporate property advisory company. Barry is a founding director of Resilient. Barry relinquished his duties as executive director of Resilient, to become managing director of Property Fund Managers Limited ("PFM"), the asset manager of Capital, in 2004. He resigned as non-executive director of Resilient in February 2007. Barry resigned as managing director of PFM to join the Pangbourne board as executive director on 17 October 2007 and was appointed managing director with effect from 1 March 2008. Barry is a non-executive director of PFM.

## 8. PROFIT FORECAST AND HISTORICAL FINANCIAL INFORMATION

### 8.1 Profit forecast

The forecasts set out below, including the assumptions on which they are based and the financial information from which it has been prepared, are the responsibility of the directors of Fortress.

The forecasts must be read in conjunction with the independent reporting accountants' report thereon reproduced in **Annexure 6** hereto.

Set out below is the profit forecast of the group including both the transferred properties and the transferring properties for the nine month period ending 30 June 2010 and the year thereafter.

	<b>Forecast for the 9 months ending 30 June 2010 (R'000)</b>	<b>Forecast for the year ending 30 June 2011 (R'000)</b>
Net rental and related income	179 742	245 792
Straight lining of rental income adjustment	14 542	5 988
Income from listed property securities	6 556	9 744
Other income	9 601	13 636
Gross investment income	210 441	275 160
Operating expenses	(9 589)	(13 632)
Adjustment resulting from straight lining of rental income	(14 542)	(5 988)
Net operating profit before interest and taxation	186 310	255 540
Interest on loans	(46 245)	(58 815)
Interest to "A" linked unitholders	(128 140)	(179 396)
Interest to "B" linked unitholders	(11 925)	(17 329)
Net profit before taxation	–	–
Taxation	–	–
Net profit for the period	–	–
Reconciliation of attributable earnings to distribution		
Attributable earnings	–	–
Interest to "A" linked unitholders	128 140	179 396
Interest to "B" linked unitholders	11 925	17 329
Distributable earnings	140 065	196 725
Distributions	(140 065)	(196 725)
Income not distributed	–	–
Weighted average "A" linked units in issue and to be issued	176 592 192	176 592 192
Weighted average "B" linked units in issue and to be issued	176 592 192	176 592 192
Earnings and headline earnings per "A" linked unit (cents)	72,56	101,59
Earnings and headline earnings per "B" linked unit (cents)	6,75	9,81
Distribution per "A" linked unit (cents)	72,56	101,59
Distribution per "B" linked unit (cents)	6,75	9,81
Annualised yield on "A" linked unit based on R9,00 issue price per "A" linked unit	10,75%	11,29%
Annualised yield on "B" linked unit based on R1,00 issue price per "B" linked unit	9,00%	9,81%

Set out below is the profit forecast of the group excluding the transferring properties for the nine month period ending 30 June 2010 and the year thereafter.

	<b>Forecast for the 9 months ending 30 June 2010 (R'000)</b>	<b>Forecast for the year ending 30 June 2011 (R'000)</b>
Net rental and related income	127 093	174 184
Straight lining of rental income adjustment	9 498	2 768
Income from listed property securities	6 556	9 744
Other income	9 312	13 198
Gross investment income	152 459	199 894
Operating expenses	(7 048)	(10 021)
Adjustment resulting from straight lining of rental income	(9 498)	(2 768)
Net operating profit before interest and taxation	135 913	187 105
Interest on loans	(21 278)	(26 104)
Interest to "A" linked unitholders	(103 928)	(145 499)
Interest to "B" linked unitholders	(10 707)	(15 502)
Net profit before taxation	–	–
Taxation	–	–
Net profit for the period	–	–
Reconciliation of attributable earnings to distribution		
Attributable earnings	–	–
Interest to "A" linked unitholders	103 928	145 499
Interest to "B" linked unitholders	10 707	15 502
Distributable earnings	114 635	160 701
Distributions	(114 635)	(160 701)
Income not distributed	–	–
Weighted average "A" linked units in issue and to be issued	143 224 942	143 224 942
Weighted average "B" linked units in issue and to be issued	143 224 942	143 224 942
Earnings and headline earnings per "A" linked unit (cents)	72,56	101,59
Earnings and headline earnings per "B" linked unit (cents)	7,48	10,82
Distribution per "A" linked unit (cents)	72,56	101,59
Distribution per "B" linked unit (cents)	7,48	10,82
Annualised yield on "A" linked unit based on R9,00 issue price per "A" linked unit	10,75%	11,29%
Annualised yield on "B" linked unit based on R1,00 issue price per "B" linked unit	9,97%	10,82%

The forecasts incorporate the following material assumptions in respect of revenue and expenses that can be influenced by the directors:

- Fortress management's forecasts for the nine months ending 30 June 2010 and the year ending 30 June 2011 are based on information derived from the previous property managers, historical information and work performed by the valuer;
- Fortress will not acquire or dispose of any properties during the period of the forecasts other than those being acquired or disposed of in terms of the transactions;
- contracted revenue is based on existing lease agreements, whilst uncontracted revenue amounts to 21% for the period ending 30 June 2010 and 39% for the period ending 30 June 2011;
- all existing lease agreements are valid;
- turnover rental (rental income based on the actual turnover of the tenant) has only been forecast for those tenants who have previously been subject to turnover rental clauses;

- current vacant space has been forecast on a property-by-property basis and has been assumed to remain vacant unless it is deemed probable that such space will be let;
- leases expiring during the periods have been forecast on a lease-by-lease basis, and in circumstances where discussion with the lessee has proven positive are forecast to be let at current market rates;
- Fortress management’s forecast property operating expenditure has been determined based on their review of historical expenditure, where available, and discussion with property managers;
- no fair value adjustments to investment properties, other than the adjustment as a result of amortised lease escalations, have been provided for; and
- this profit forecast has been compiled utilising the accounting policies of Fortress as set out in **Annexure 19**.

The forecasts incorporate the following material assumptions in respect of revenue and expenses that cannot be influenced by the directors:

- the effective date of the acquisitions is 1 October 2009;
- variable rate borrowings of R650 million incur interest at 2,3% above Jibar;
- there will be no unforeseen economic factors that will affect the lessees’ abilities to meet their commitments in terms of existing lease agreements;
- other income is in respect of the interest earned on loans advanced to the participants under the Fortress unit purchase trust; and
- consumption based recoveries are consistent with the valuer’s property income statements.

There are no material properties, being a property constituting 20% or more of the value or revenue of the property portfolio.

The forecast has been prepared in full compliance with Fortress’ IFRS accounting policies and has been prepared on an aggregated basis for the property portfolios.

## 8.2 *Pro forma* balance sheets

The *pro forma* balance sheets of Fortress as at 31 August 2009 and the explanatory notes thereto are set out in **Annexure 11** to this prospectus and should be read in conjunction with the independent reporting accountants’ report thereon reproduced in **Annexure 7** to this prospectus and the independent reporting accountants’ assurance report on the value and existence of the properties (assets and liabilities) to be acquired reproduced in **Annexure 8**.

The *pro forma* balance sheets are the responsibility of Fortress’ directors and have been prepared to reflect the financial position of Fortress following the transactions. These *pro forma* balance sheets have been prepared for illustrative purposes only and because of their nature may not give a fair reflection of Fortress’ financial position.

The net asset value and net tangible asset value per “A” linked unit equates to 898,92 cents.

The net asset value and net tangible asset value per “B” linked unit equates to 99,88 cents.

## 8.3 Historical financial information

**Annexure 9** to this prospectus contains the reporting accountants’ report on the historical financial information of Fortress.

**Annexure 10** contains the historical financial information of Fortress for the financial period ended 31 August 2009. Fortress was incorporated on 25 August 2009 and accordingly has no profit history and has not yet declared any dividends.

Fortress Income 1 made a profit before tax of R280 797 and a profit after tax of R401 270 for the year ended 28 February 2009. Fortress Income 1 has not declared any dividends to date. Fortress Income 2, Fortress Income 3, Fortress Income 4 and Fortress Income 5 have no profit history and have not declared any dividends to date.

## 9. MAJOR LINKED UNITHOLDERS AND CAPITAL STRUCTURE

Details of the linked unitholders holding in excess of 5% of the issued “A” linked unit capital and/or “B” linked unit capital as well as the capital structure on listing are included in **Annexure 12** to this prospectus. Also included in **Annexure 12** are the rights attaching to the “A” linked units and “B” linked units respectively.

There have been no alterations to the linked unit capital of the company since its incorporation on 25 August 2009.

The salient terms of the debentures are included in **Annexure 15**.

## 10. PARTICULARS OF THE PLACEMENT AND LISTING

The placement will not be underwritten and is not subject to a minimum subscription being achieved.

Placement price per "A" linked unit	R9,00
Placement price per "B" linked unit	R1,00
Number of "A" linked units offered for subscription in terms of the private placement	13 000 000
Number of "B" linked units offered for subscription in terms of the private placement	13 000 000
Total capital to be raised before expenses	R130 000 000

### 10.1 Procedures for acceptance and subscription of linked units

- 10.1.1 The private placement is open to selected investors only.
- 10.1.2 Investors to whom the private placement offer is addressed who wish to subscribe for "A" linked units in Fortress in terms of the private placement should complete the application form (yellow) attached to and forming part of this prospectus and return same to Link Market Services South Africa (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), so as to be received by no later than 17h00 on Friday, 16 October 2009.
- 10.1.3 Investors to whom the private placement offer is addressed who wish to subscribe for "B" linked units in Fortress in terms of the private placement should complete the application form (blue) attached to and forming part of this prospectus and return same to Link Market Services South Africa (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), so as to be received by no later than 17h00 on Friday, 16 October 2009.
- 10.1.4 Applications are irrevocable and may not be withdrawn once received.
- 10.1.5 Application forms must be completed in accordance with the provisions of this prospectus and the instructions contained in the relevant application form.
- 10.1.6 Each application will be regarded as a single application.
- 10.1.7 Applications must be for a minimum of 10 "A" linked units or 10 "B" linked units, as the case may be, and in multiples of 10 "A" linked units or 10 "B" linked units, as the case may be, thereafter.
- 10.1.8 Linked units may not be applied for in the name of a minor or a deceased estate. No documentary evidence of capacity need accompany the application form, but Fortress reserves the right to call upon any applicant to submit such evidence for noting, which evidence will be returned at the risk of the applicant.
- 10.1.9 Linked units will only be traded in electronic form and accordingly all linked unitholders who elect to receive certificated linked units will first have to dematerialise their linked unit certificates should they wish to trade therein. Applicants are advised that it takes between twenty four hours and ten days to dematerialise their certificated linked units depending on the volumes being processed by Strate at the time of dematerialisation.
- 10.1.10 *Application for dematerialised linked units where the applicant has a CSDP or broker*
- 10.1.10.1 Applications may only be made on the relevant application form attached to this prospectus.
- 10.1.10.2 The application form must be completed and delivered to their duly appointed CSDP or broker, as the case may be, by the time and date stipulated in the agreement governing their relationship with their CSDP or broker, together with the method of payment as stipulated in such agreement.
- The brokers will collate all their respective applications and forward the instruction to the brokers' nominated CSDP's; and
  - The CSDP's will collate all the applications received from brokers and/or applicants and notify the transfer secretaries.
- 10.1.10.3 Brokers and CSDP's will be notified by the transfer secretaries on the second business day following the closing of the private placement of their allocation in respect thereof.
- 10.1.10.4 Payment will be on a delivery versus payment basis.

10.1.11 *Applications for certificated linked units*

- 10.1.11.1 Applications may only be made on the relevant application form attached to this prospectus.
- 10.1.11.2 Applicants who wish to receive their allocated linked units in certificated form must complete and return the attached placement application (yellow in respect of “A” linked units and blue in respect of “B” linked units) to the transfer secretaries as detailed in paragraph 10.1.11.3 below.
- 10.1.11.3 Payments by applicants for certificated linked units may only be made by cheque or banker’s draft. Postal orders, cash or telegraphic transfers will not be accepted. The cheque or banker’s draft must be attached to and submitted with the relevant application form. Cheques must be crossed “Not Transferable” with the words “or bearer” deleted and made payable in favour of “Fortress Income 3 (Proprietary) Limited”. Cheques or bankers’ drafts can be delivered to:
- Link Market Services South Africa (Proprietary) Limited  
5th Floor, 11 Diagonal Street  
Johannesburg, 2001
- or posted, at the risk of the person concerned, to:
- Link Market Services South Africa (Proprietary) Limited  
PO Box 4844  
Johannesburg, 2000
- as soon as possible so as to be received by not later than 17h00 on Friday, 16 October 2009.
- 10.1.11.4 Each envelope should contain one application form and must be clearly marked “Fortress – Placement”.
- 10.1.11.5 No receipts will be issued for applications and remittances and applications will only be regarded as complete when the relevant cheque/banker’s draft has been paid. All cheques/ banker’s drafts will be deposited by the transfer secretaries immediately upon receipt. Should any cheque/banker’s draft be dishonoured, the directors of Fortress may, in their absolute discretion, regard the relevant application as revoked or take such steps in regard thereto as they may deem fit.
- 10.1.11.6 All monies received in respect of applications will be held by the transfer secretaries in a designated trust account with a registered South African bank.

10.1.12 *Disadvantages of holding linked units in certificated form*

- 10.1.12.1 The current risks associated with holding linked units in certificated form, including the risk of loss or tainted scrip, remain.
- 10.1.12.2 At the point at which the linked unitholder wishes to transact on the JSE, he will be required to appoint a CSDP or broker and to dematerialise the linked units prior to the broker being able to transact in the linked units. The linked unitholder will have no recourse in the event of delays occasioned by the validation process or the acceptance or otherwise of the linked units by a CSDP.

10.1.13 *Application monies*

- 10.1.13.1 The amount due on application is payable in full in the currency of South Africa.
- 10.1.13.2 In the event of an application being accepted for a lesser number of linked units than that applied for, any application monies or surplus application monies paid (as the case may be), will be refunded by the transfer secretaries, by cheque drawn on a bank in South African currency, inclusive of interest (at the rate at which interest is earned thereon by the company) and net of banking charges, and posted by ordinary post at the risk of the applicant concerned, on or about Tuesday, 27 October 2009, in respect of those applicants wishing to receive physical linked unit certificates.
- 10.1.13.3 Dematerialised linked unitholders must refer to the agreement governing their relationship with their CSDP or broker. Payment will be on a delivery versus payment basis.

#### 10.1.14 *Issue of linked units*

- 10.1.14.1 All linked units subscribed for in terms of this prospectus will be issued at the expense of Fortress.
- 10.1.14.1 All “A” linked units or “B” linked units, as the case may be, issued in terms of this prospectus will be allotted subject to the provisions of Fortress’s memorandum and articles of association and will rank *pari passu* in all respects with the existing issued “A” linked units or existing issued “B” linked units, as the case may be, in issue.
- 10.1.14.3 Fortress will use the “certified transfer deeds and other temporary documents of title” procedure approved by the JSE and only “block” certificates will be issued for the linked units allotted in terms of this prospectus.
- 10.1.14.4 In respect of those applicants who opt to receive physical linked unit certificates, the linked unit certificates will be posted by registered post on or about Thursday, 22 October 2009 to the address shown in the application form. No contrary instructions will be accepted. Fortress and the transfer secretaries accept no liability for linked unit certificates that may be lost in the post. No request for the issue of replacement certificates will be considered before and thereafter only in writing and accompanied by an acceptable indemnity. In respect of those applicants who opt for uncertificated linked units, their duly appointed CSDP’s or broker’s account will be credited on.
- 10.1.14.5 Linked units will be allocated in certificated form if the application form is received by the transfer secretaries directly from the applicant.
- 10.1.14.6 Fortress linked units will trade on the JSE using the Strate settlement and clearing system. The principle features of Strate are as follows:
- Trades executed on the JSE must be settled within five business days;
  - There will be penalties for late settlement;
  - Electronic record of ownership replaces linked unit certificates and physical delivery of certificates; and
  - All investors are required to appoint either a broker or CSDP to act on their behalf and to handle all settlement requirements.

#### 10.1.15 *Statement as to listing on the JSE*

The JSE has approved, subject to the achievement of the required spread of linked unitholders and –

- on the basis that all of the properties acquired have been transferred into the name of the relevant purchaser, (being any of Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 or Fortress Income 5) and the private placement being fully subscribed for, the listing of -
  - o 176 592 192 “A” linked units; and
  - o 176 592 192 “B” linked units, or
- on the basis that only the transferred properties have been transferred into the name of the relevant purchaser, (being any of Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 or Fortress Income 5) and the private placement being fully subscribed for, the listing of:
  - o 143 224 942 “A” linked units; and
  - o 143 224 942 “B” linked units,

with effect from the commencement of business on Thursday, 22 October 2009 in the “Real Estate Holdings and Development” sector on the main board of the JSE lists under the abbreviated names “FortressA” and “FortressB”, JSE code “FFA” and ISIN ZAE000141313, and “FFB” and ISIN ZAE000141321 respectively. At the date of this prospectus all the relevant Listings Requirements of the JSE have been complied with. The linked units will not be listed on any other exchange.

#### 10.1.16 *South African Exchange Control Regulations*

The following summary is intended as a guide and is, therefore, not comprehensive. If you are in any doubt hereto, please consult your professional advisor.

- 10.1.16.1 A former resident of the common monetary area who has emigrated from South Africa may use blocked Rand to purchase linked units in terms of this prospectus or purchase linked units in respect of the purchase trust.

- 10.1.16.2 All payments in respect of subscriptions for linked units or purchase linked units in respect of the purchase trust by non-residents using blocked Rand must be made through an authorised dealer in foreign exchange. Participation of non-resident employees in the purchase trust requires the prior approval of the South African Reserve Bank.
- 10.1.16.3 Linked unit certificates issued in respect of linked units purchased with blocked Rand in terms of this prospectus will be endorsed “non-resident”. Linked unit certificates will be placed under the control of the authorised dealer through whom the payment was made. Statements issued to dematerialised linked unitholders will be restrictively endorsed as “NON-RESIDENT”.
- 10.1.16.4 If applicable, refund monies in respect of unsuccessful applications, emanating from blocked Rand accounts, will be returned to the authorised dealer administering such blocked Rand accounts for the credit of such applicant’s blocked Rand account.
- 10.1.16.5 No residents of the common monetary area may, either directly or indirectly, be permitted to receive an allocation as employees of any offshore subsidiaries.
- 10.1.17 *Applicants resident outside the common monetary area*
  - 10.1.17.1 A person who is not resident in the common monetary area should obtain advice as to whether any government and/or legal consent is required and/or whether any other formality must be observed to enable an application to be made in terms of the private placement.
  - 10.1.17.2 This prospectus is accordingly not a placement in any area or jurisdiction in which it is illegal to make such a placement. In such circumstances this prospectus is provided for information purposes only. All linked unit certificates issued to non-residents of South Africa will be endorsed “non-resident” in terms of the Exchange Control Regulations. Statements issued to dematerialised linked unitholders will be restrictively endorsed as “NON-RESIDENT”.

## 11. MATERIAL CHANGES

Save in terms of the acquisitions and the private placement, the directors report that there have been no material changes in the financial or trading position of the group since the previous financial reporting period and the date of this prospectus, other than the acquisitions and the private placement set out in this prospectus.

## 12. DIVIDENDS

No dividends have been declared by Fortress or any of the subsidiaries to date.

The directors do not intend to declare dividends but rather make interest distributions on the “A” linked units and the “B” linked units.

It is the directors’ intention to make bi-annual interest distributions, which are expected to be declared for the periods ended December and June. These interest distributions will be payable by the beginning of March and September respectively.

Any interest distributions remaining unclaimed for a period of three years from the declaration date thereof may be forfeited by resolution of the directors for the benefit of Fortress.

There are no arrangements in terms of which future dividends or interest distributions are waived or agreed to be waived.

## 13. PRELIMINARY EXPENSES AND ISSUE EXPENSES

The preliminary expenses and issue expenses that are expected or have been provided for in connection with the listing are set out in **Annexure 18** to this prospectus.

## 14. CAPITAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

There are no capital commitments, lease payments (other than as stated in paragraph 16 below) and contingent liabilities of the company at the last practicable date. There have been no material changes to the capital commitments, lease payments and contingent liabilities of the company since that date.

## 15. LOANS AND BORROWING POWERS

Save for the loans as disclosed in **Annexure 16** and save as set out in **Annexure 12** in respect of the debentures, the group has not received any material loans or other loan capital. The borrowing powers of the group have not been exceeded during the three years preceding the last practicable date.

As at the last practicable date, Fortress has undertaken no off-balance sheet financing and has no outstanding loans receivable.

## 16. PROPERTY AND SUBSIDIARIES ACQUIRED OR TO BE ACQUIRED

Other than the acquisitions and the acquisition of the property portfolios by the subsidiaries as set out in this prospectus, no property or subsidiaries have been acquired by the group within the past three years.

Details of the subsidiaries are set out in **Annexure 5**.

Details of the principal immovable property owned by the group are set out in **Annexure 1**. The group leases only the following immovable property from Transnet Limited, as lessor (and Fortress Income 2 as lessee):

- Game Polokwane:

Land and improvements situated at Pietersburg in extent approximately 17 852 m<sup>2</sup>, which lease agreement commenced on 1 March 1992 and expires on 28 February 2042 and in respect of which the following rental is payable –

- Rnil in the first year;
- for the remaining period of the lease an income participation rental based on the gross monthly rental income, as defined in the lease agreement, which shall be 2,3% of the gross monthly rental income for the second year, 4,6% of the gross monthly rental income for the third year, 9,2% of the gross monthly rental income for the fourth year, 13,75% of the gross monthly rental income for the fifth to the fiftieth year;

- Mussina Shopping Centre:

Land and improvements situated at a portion of Portion 1 of the farm Messina 4, Registration Division MT, Gauteng n extent approximately 1,1022 hectares which lease agreement commenced on 1 September 1995 and expires on 31 August 2025 and in respect of which the following rental is payable –

- R1 140 (inclusive of VAT) per month for the first year;
- for the remaining period of the lease an income participation rental based on the gross monthly rental income, as defined in the lease agreement, which shall be –
  - the greater of 1,5% of the gross monthly rental income (inclusive of VAT) or R1 710 (inclusive of VAT) per month for the second year;
  - the greater of 3% of the gross monthly rental income (inclusive of VAT) or R3 420 (inclusive of VAT) per month for the third year;
  - the greater of 4,5% of the gross monthly rental income (inclusive of VAT) or R5 700 (inclusive of VAT) per month for the fourth year;
  - the greater of 6% of the gross monthly rental income (inclusive of VAT) or R9 120 (inclusive of VAT) per month for the fifth year;
  - the greater of 7,5% of the gross monthly rental income (inclusive of VAT) or R12 540 (inclusive of VAT) per month for the sixth year; and
  - the greater of 7,5% of the gross monthly rental income (inclusive of VAT) or a minimum rental of R12 540 (inclusive of VAT) per month escalated at a rate of ten percent per annum for the remaining term of the lease.

## 17. LINKED UNITS ISSUED OTHERWISE THAN FOR CASH

Save for the linked units to be issued in terms of the acquisitions and those linked units to be issued under the Fortress unit purchase trust, no linked units were issued or agreed to be issued by the company or any of its subsidiaries during the past 3 years otherwise than for cash.

## 18. PROPERTY AND SUBSIDIARIES DISPOSED OR TO BE DISPOSED OF

No property or subsidiaries have been disposed of by Fortress or the subsidiaries during the past three years and no properties or subsidiaries are intended to be disposed of in the first six months after the listing, other than in the ordinary course of property asset management of the group.

## 19. ADEQUACY OF CAPITAL

The directors of the company are of the opinion that the issued linked unit capital of the group and the working capital resources of the group following the implementation of the acquisitions and the private placement are adequate for at least the next 12 months from the date of issue of this prospectus.

## **20. OPTIONS AND PREFERENTIAL RIGHTS IN RESPECT OF LINKED UNITS**

Save in terms of the Fortress linked unit purchase scheme, there are no contracts or arrangements, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any linked units in the company or its subsidiaries.

## **21. MATERIAL CONTRACTS**

Material contracts, which have been entered into by the company during the two years preceding the date of this document, other than in the ordinary course of business, are:

- The Capital properties acquisition agreement;
- The Capital units acquisition agreement;
- Debenture trust deed;
- The Ida acquisition agreement;
- The MWS acquisition agreement;
- The Pangbourne acquisition agreement;
- Purchase trust deed;
- The Resilient acquisition agreement;
- RMB funding agreements;
- Standard Bank funding agreements;
- Investec funding agreements;
- The property management agreements referred to in paragraph 2.5.

Save for the property management agreements referred to in paragraph 2.5, the company is not subject to any management or royalty agreements. The company has not paid any material technical or secretarial fees during the three years preceding the issue of this prospectus.

The company has not paid any commission or consideration other than in the normal course of business during the three years preceding the date of this prospectus.

The company has not entered into any promoters' agreements during the three years preceding the date of this prospectus.

Save for those contracts listed above, the company has not entered into any other material contract, being a contract entered into otherwise than in the ordinary course of business, within the two years prior to the date of this prospectus or at any time containing an obligation or settlement that is material to the company or its subsidiaries at the date of this prospectus.

## **22. LITIGATION STATEMENT**

There are no legal or arbitration proceedings which may have, or have during the twelve months preceding the date of this prospectus, had a material effect on the financial position of the group. The company is not aware of any proceedings that would have a material effect on the financial position of the company or the companies or businesses which are the subject of the acquisition or which are pending or threatened against the company or such companies or businesses.

## **23. ADVISORS' INTEREST**

None of the advisors, whose names are set out on the inside cover of this prospectus, hold any linked units in or have agreed to acquire any linked units in the company at the date of this prospectus.

## **24. CONSENTS**

Each of the company's corporate advisor and sponsor, independent reporting accountants, trustee for debenture holders, transfer secretaries, attorneys to the prospectus, valuer and auditors have consented in writing to act in the capacities stated and to their names appearing in this prospectus and have not withdrawn their consent prior to the publication of this prospectus.

## 25. GENERAL ISSUE OF LINKED UNITS FOR CASH

The following ordinary resolution was passed by the shareholders of Fortress (75% present or represented and entitled to vote) on 2 October 2009:

### “ORDINARY RESOLUTION

Resolved that subject to the listing of the linked units of the company on the JSE, the directors of the company be and are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued “A” linked units and “B” linked units in the capital of the company for cash, as and when they in their sole discretion deem fit, subject to the Act, any debenture trust deed entered into by the company, the Articles of Association of the company, the Listings Requirements of the JSE, when applicable, and the following limitations, namely that:

- this authority is valid until the company’s first annual general meeting, provided that it shall not extend beyond 15 months from the date this authority is given;
- a paid press announcement giving full details, including the impact on the net asset value, tangible net asset value, earnings, headline earnings, diluted earnings and diluted headline earnings per “A” linked unit and “B” linked unit, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of “A” linked units and “B” linked units in issue prior to the issue;
- the number of “A” linked units issued for cash shall not in aggregate in any one financial year exceed 15% of the company’s issued “A” linked unit capital and the number of “B” linked units issued for cash shall not in aggregate in any one financial year exceed 15% of the company’s issued “B” linked unit capital. The number of linked units which may be issued shall be based on the number of linked units in issue at the date of such application less any linked units issued during the current financial year, provided that any linked units to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were linked units in issue at the date of application;
- in determining the price at which an issue of linked units may be made in terms of this authority post the listing of the company, the maximum discount permitted will be 10% of the weighted average traded price on the JSE of those linked units over the 30 days prior to the date that the price of the issue is determined or agreed by the directors of the company. Issues at a greater than 10% discount may be undertaken subject to specific linked unitholders’ consent; and
- post the listing of the company, any such issue will only be made to “public linked unitholders” as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE unless the JSE otherwise agrees.”

## 26. KING CODE

The company’s corporate governance statement is set out in **Annexure 17**.

## 27. DIRECTORS’ RESPONSIBILITY STATEMENT

The directors, whose names are set out in paragraph 7 on page 20 of this prospectus, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this prospectus contains all information required by law and the JSE Listings Requirements.

## 28. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents, which have been submitted to the Registrar of Companies, will be available for inspection at the company’s registered office at any time during normal business hours from 8h30 to 17h00 for a period of 21 days from the date of this prospectus:

- the memorandum and articles of association of the company and its subsidiaries;
- the signed reports by the independent reporting accountants and auditors, the texts of which are set out in **Annexure 6** to **Annexure 9**;
- the written consents of the company’s advisors and transfer secretaries to act in those capacities, which consents have not been withdrawn prior to publication;
- the unit purchase trust deed;
- the summary valuation report set out in **Annexure 4**;

- the detailed valuation reports undertaken by the valuer;
- the lease agreements referred to in paragraph 16;
- the agreements referred to under “Material contracts” in paragraph 21 of this prospectus; and
- the most recent audited annual financial statements of Fortress, Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 and Fortress Income 5.

## **29. PARAGRAPHS OF SCHEDULE 3 WHICH ARE NOT APPLICABLE**

The numbers of the paragraphs in Schedule 3 of the Act which are not applicable are, 1(b), 6(a)(ii), 6(a)(iii), 6(a)(iv), 6(d), 6(g), 6(h), 8(b), 8(d), 9(b), 13, 14, 20(b), 21, 24, 25(3)(c), 26, 27, 28 and 30.

Signed at Johannesburg by Nicolaas Willem Hanekom on behalf of all the directors of the company on 14 October 2009 in terms of powers of attorney granted by them dated 5 October 2009.

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**Nicolaas Willem Hanekom**

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**For: Mark Walter Stevens, a director, herein represented by Nicolaas Willem Hanekom under and in terms of a power of attorney executed on 5 October 2009**

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**For: Desmond de Beer, a director, herein represented by Nicolaas Willem Hanekom under and in terms of a power of attorney executed on 5 October 2009**

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**For: Jeffrey Nathan Zidel, a director, herein represented by Nicolaas Willem Hanekom under and in terms of a power of attorney executed on 5 October 2009**

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**For: Nontando Thelma Kunene, a director, herein represented by Nicolaas Willem Hanekom under and in terms of a power of attorney executed on 5 October 2009**

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**For: Kurauwone Ndakashya Francis Chihota, a director, herein represented by Nicolaas Willem Hanekom under and in terms of a power of attorney executed on 5 October 2009**

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**For: Djurk Peter Claudius Venter, a director, herein represented by Nicolaas Willem Hanekom under and in terms of a power of attorney executed on 5 October 2009**

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**For: Johannes Zacharias Moolman, a director, herein represented by Nicolaas Willem Hanekom under and in terms of a power of attorney executed on 5 October 2009**

## DETAILS OF THE PROPERTY PORTFOLIOS BEING ACQUIRED

### The MWS portfolio

Property name	Property description	Property address	Region	Sector	Funder	Forecast weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)	Cash consideration (R)	Linked unit consideration (R)	Acquisition cost/valuation (R)
2 Andrea Street	* Erven 1 and 2 Reuven	2 Andrea Street, Reuven	GP	Industrial	IB	39,32	1 123	-	1 878 596	1 878 596	3 757 192
66 Booyesen Street	* Erven 3 and 7 Reuven	66 Booyesen Street, Reuven	GP	Industrial	IB	28,81	3 089	-	4 150 000	4 150 000	8 300 000
32 Mandy Road	* Erf 116 Reuven	32 Mandy Road, Reuven	GP	Industrial	IB	23,65	6 193	20,5	8 450 000	8 450 000	16 900 000
21 Mandy Road	* Erven 26 and 27 Reuven	21 Mandy Road, Reuven	GP	Industrial	IB	29,98	1 253	-	1 650 000	1 650 000	3 300 000
6 Ivanseth Road	* Erf 95 Reuven, Ext 1	6 Ivanseth Road, Reuven	GP	Industrial	IB	26,50	1 831	-	2 275 000	2 275 000	4 550 000
8 Ivanseth Road	* Erven 91 to 94 Reuven, Ext 1	8 Ivanseth Road, Reuven	GP	Industrial	IB	16,00	9 252	-	7 225 000	7 225 000	14 450 000
Broad and Simmonds Streets	* Erven 7 to 24 and Erf 116, Park Central	11 Broad Street and 36 Simmonds Street, Park Central	GP	Industrial	IB	17,00	18 733	-	15 050 000	15 050 000	30 100 000
Wall and London Streets	* Erf 124 Park Central	Corner Wall and London Streets, Park Central	GP	Industrial	IB	24,25	4 362	-	5 350 000	5 350 000	10 700 000
33 Amsterdam Street	* Erven 50 to 56 Park Central	33 Amsterdam Street, Park Central	GP	Industrial	IB	15,44	3 313	43,3	4 325 000	4 325 000	8 650 000
London Lane	* Erven 65 to 73 Park Central	4 London Lane, Park Central	GP	Industrial	IB	27,52	2 706	-	3 500 000	3 500 000	7 000 000
Landsborough Street	* RE of Erf 120 Park Central	8 Landsborough Street, Park Central	GP	Industrial	IB	10,30	4 564	-	4 275 000	4 275 000	8 550 000

Property name	Property description	Property address	Region	Sector	Funder	Forecast weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)	Cash consideration (R)	Linked unit consideration (R)	Acquisition cost/valuation (R)
Amsterdam Street	* Erven 88 and 89 Park Central	1 Amsterdam Street, Park Central	GP	Industrial	IB	25,00	966	-	1 050 000	1 050 000	2 100 000
Ruargh Street	* Erven 90 to 96 Park Central	1 Ruargh Street, Park Central	GP	Industrial	IB	26,42	3 755	-	4 900 000	4 900 000	9 800 000

### The Resilient portfolio

Property name	Property description	Property address	Region	Sector	Funder	Forecast weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)	Cash consideration (R)	Linked unit consideration (R)	Acquisition cost/valuation (R)
Game Polokwane (40% interest)	# Ptn 109 of Ptn 10 and Ptn 293 of the farm of the farm Sterkloop 688 LS	Corner Hospital and Mark Streets, Polokwane	LP	Retail	RMB	76,56	6 114	4,2	1 740 000	33 060 000	34 800 000
Pick 'n Pay Secunda (50% interest)	* Erf 8499 Secunda Ext 1	Tropsch Square, Nico Diedericks Street, Secunda	MP	Retail	RMB	62,99	5 064	-	1 225 000	23 275 000	24 500 000
Checkers Secunda (50% interest)	* Erf 5874 Secunda Ext 1	Lurgi Square, Heunis Street, Secunda	MP	Retail	RMB	56,34	7 006	-	1 625 000	30 875 000	32 500 000
Secunda Village (50% interest)	* Erf 1544 to 1547 and Erf 4790, Secunda Ext 1	Lurgi Square, Heunis Street, Secunda	MP	Retail	RMB	71,79	3 100	-	875 000	16 625 000	17 500 000
Mussina Shopping Centre	# Erven 1636 and 1637 Messina Ext 2	N1 National Road, Mussina	LP	Retail	RMB	57,24	4 380	-	1 425 000	27 075 000	28 500 000
Shoprite Dundee	* Ptn 29 of Erf 642 Dundee	Corner Wilson and Beaconsfield Streets, Dundee	KZN	Retail	RMB	42,61	3 949	-	1 350 000	25 650 000	27 000 000
Trentyre Midrand	* Erf 142 Randiespark Ext 65	488 16th Road, Midrand	GP	Industrial	RMB	15,02	2 204	-	400 000	7 600 000	8 000 000

Property name	Property description	Property address	Region	Sector	Funder	Forecast weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)	Cash consideration (R)	Linked unit consideration (R)	Acquisition cost/valuation (R)
Diesel Road Isando	* Erf 215 Isando	Diesel Road, Isando	GP	Industrial	RMB	26,48	11 300	-	1 940 000	36 860 000	38 800 000
Market Square Grahamstown	* RE of Erf 4493 Grahamstown	Corner 18 Beaufort and West Streets, Grahamstown	EC	Retail	RMB	58,45	8 161	-	2 910 000	55 290 000	58 200 000
York Road Mthatha	* Erf 2790 Umtata	Corner York and Sutherland Streets, Mthatha CBD	EC	Retail	RMB	71,05	5 248	10,7	1 985 000	37 715 000	39 700 000
Fort Gale Estate	# RE of Erf 2782 Umtata	Sissons Street, Mthatha	EC	Commercial	RMB	48,77	4 242	40	1 410 000	26 790 000	28 200 000
Bhunu Mall (22,37% interest)	* Ptns 274, 280 and 356, Manzini, Swaziland	Corner of Ngwane, Nkoseluhaza, Louw and Sandlane Streets, Manzini, Swaziland	SWA	Retail		64,47	3 828	1,5	1 487 605	28 264 495	29 752 100
Evaton Plaza (50% interest)	* Erf 14616 Evaton West	Corner Eastern and Charlston Streets, Evaton West	GP	Retail		57,31	13 110	3,9	4 617 500	87 732 500	92 350 000
Nquthu Plaza (50% interest)	* Erf 4008 Nquthu	Manzolvandle Drive, Nquthu	KZN	Retail		60,10	7 356	2,8	2 507 500	47 642 500	50 150 000
Village Walk Newcastle	* RE of Erf 13751 Newcastle	Corner 22 Ayliff and Harding Streets, Newcastle	KZN	Retail	RMB	67,66	9 852	-	3 935 000	74 765 000	78 700 000
Woolworths Newcastle	* RE of Erf 13434 Newcastle	51 Allen Street, Newcastle Central	KZN	Retail	RMB	33,34	2 721	-	480 000	9 120 000	9 600 000
Vryheid Plaza	* Erf 2536 Vryheid	Corner Utrecht and Masson Streets, Vryheid	KZN	Retail	RMB	60,31	8 417	0,5	2 600 000	49 400 000	52 000 000
13 Wessels Road Rivonia (50% interest)	* Ptn 4 of Erf 28 Edenburg	13 Wessels Road, Rivonia	GP	Commercial	RMB	43,36	700	6,2	375 000	7 125 000	7 500 000
15 Wessels Road Rivonia (50% interest)	* RE of Erf 28 Edenburg	15 Wessels Road, Rivonia	GP	Commercial	RMB	54,69	960	27,1	382 500	7 267 500	7 650 000

## The Pangbourne portfolio

Property name	Property description	Property address	Region	Sector	Funder	Forecast weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)	Cash consideration (R)	Linked unit consideration (R)	Acquisition cost/valuation (R)
Grand Central Industrial Park	* Erf 695 Halfway House Ext 13	87 New Road, Halfway House	GP	Industrial	SB	31,59	5 033	11	3 800 000	11 400 000	15 200 000
Zenith Drive Umhlanga	* Ptn 17 of Erf 2692 Umhlanga Rocks	2 - 4 Zenith Drive, Umhlanga	KZN	Industrial	SB	48,40	1 914	33,4	3 100 000	9 300 000	12 400 000
Malibongwe Drive Kya Sands	* Ptn 1 of Erf 475 Kya Sands Ext 56	Malibongwe Drive, Kya Sands	GP	Industrial	SB	64,41	1 227	-	2 362 500	7 087 500	9 450 000
Atlas Road Industrial Park Anderbolt	* Erf 162, 163 and 164 Anderbolt Ext 44	12 Atlas Road, Anderbolt	GP	Industrial	SB	24,52	8 587	4,5	4 725 000	14 175 000	18 900 000
Top Road Industrial Park Anderbolt	* Erven 103 and 104 Anderbolt Ext 26	103 and 104 Top Road, Anderbolt	GP	Industrial	SB	23,60	7 928	-	4 225 000	12 675 000	16 900 000
Middle Road Industrial Park Anderbolt	# Erven 76 and 77 Anderbolt Ext 14 and Erven 253 and 254 consolidated to Erf 257 Anderbolt Ext 72	77 Craig Road, Anderbolt	GP	Industrial	SB	21,22	17 132	5,1	8 675 000	26 025 000	34 700 000
The Avenues Industrial Park Anderbolt	# Erf 255 Anderbolt	128 14th Avenue, Anderbolt	GP	Industrial	SB	20,90	9 185	-	4 475 000	13 425 000	17 900 000
Broadwalk Motor City Midrand	# Erf 26 Grand Central Ext 11	Broadwalk, Halfway House	GP	Industrial	SB	21,83	4 615	-	2 387 500	7 162 500	9 550 000
Cato Street Durban	* Erven 10385 and 10386, Durban	30 and 32 Cato Street, Durban	KZN	Industrial	SB	33,09	2 071	-	1 550 000	4 650 000	6 200 000
484 Kyalami Boulevard	* Erf 75 Kyalami Park	64 Kyalami Boulevard, Kyalami Business Park	GP	Industrial	SB	31,80	2 470	-	2 575 000	7 725 000	10 300 000
10 - 14 Watkins Street Denver	* Erven 643, 644 and 645 Denver Ext 4	10 - 14 Watkins Street, Denver	GP	Industrial	SB	30,37	3 224	-	2 675 000	8 025 000	10 700 000
66 Kyalami Boulevard	* Erf 66 Kyalami Park	59 Kyalami Boulevard, Kyalami Business Park	GP	Industrial	SB	83,54	1 296	-	2 925 000	8 775 000	11 700 000

Property name	Property description	Property address	Region	Sector	Funder	Forecast			Acquisition cost/valuation (R)		
						weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)			
Bart Street Wilbart	* Erf 1 Wilbart	Bart Street, Wilbart	GP	Industrial	SB	26,91	1 099	–	781 250	2 343 750	3 125 000
14 Commerce Crescent Eastgate	* Erf 262 Eastgate Ext 13	14 Commerce Crescent, Eastgate	GP	Industrial	SB	26,70	8 035	2,6	5 375 000	16 125 000	21 500 000
85 North Coast Road Durban North	* Ptn 15 of Erf 323 Durban North	85 North Coast Road, Durban North	KZN	Industrial	SB	40,84	1 266	–	1 425 000	4 275 000	5 700 000
Shoprite Centre Sophiatown	# Erf 1781 Triomf	34 Edward Road, Triomf	GP	Retail	SB	35,84	6 511	0,8	4 625 000	13 875 000	18 500 000
Springbok Park Industria West	* Erven 49 and 50 Longdale Ext 4	35 and 37 Springbok Road, Industria West	GP	Industrial	SB	25,94	18 459	2,6	11 650 000	34 950 000	46 600 000
Sucosa House Kramerville	* Erf 19 Kramerville	3 Desmond Street, Kramerville	GP	Industrial	SB	35,86	3 128	6,7	2 750 000	8 250 000	11 000 000
3 Watkins Street Denver	* Erf 641 Denver Ext 4	3 Watkins Street, Denver	GP	Industrial	SB	35,09	1 631	–	1 350 000	4 050 000	5 400 000
8 Field Street Wilbart	* Erf 28 Wilbart	8 Field Street, Wilbart	GP	Industrial	SB	22,58	3 473	–	2 600 000	7 800 000	10 400 000
3 Arbeid Street Strijdompark	* Erf 249 Strijdom Park Ext 11	3 Arbeid Street, Strijdompark	GP	Industrial	SB	–	1 501	–	1 150 000	3 450 000	4 600 000
13 Cedarfield Close Springfield	* Ptn 32 of Erf 391 Springfield	13 Cedarfield Close, Springfield Park	KZN	Industrial	SB	37,80	1 344	–	1 250 000	3 750 000	5 000 000
Grader Road Spartan	* Erf 493 Spartan Ext 3	Grader Road, Spartan	GP	Industrial	SB	27,41	3 029	–	2 450 000	7 350 000	9 800 000
1 Imola Place Pinetown	* Erf 7682 Pinetown Ext 72	1 Imola Place, Mahogany Ridges, Pinetown	KZN	Industrial	SB	30,88	1 491	–	1 150 000	3 450 000	4 600 000
10 Hawthorne Place Pinetown	* Erf 13026 Pinetown Ext 144	10 Hawthorne Place, Mahogany Ridges, Pinetown	KZN	Industrial	SB	45,19	1 610	–	2 050 000	6 150 000	8 200 000
Derrick Coetzee Road Jet Park	* Erven 377 and 378 Jet Park Ext 20	2 and 4 Derrick Coetzee Road, Jet Park	GP	Industrial	SB	19,21	1 088	–	900 000	2 700 000	3 600 000
Unit 5 Northlands Décor Park	* Erf 245 Hoogland Ext 22	Unit 5 Newmarket Street, Northlands Décor Park, Northriding	GP	Industrial	SB	38,72	2 120	–	2 300 000	6 900 000	9 200 000

Property name	Property description	Property address	Region	Sector	Funder	Forecast			Linked unit consideration (R)	Acquisition cost/valuation (R)	
						weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)			
18 Suni Avenue Corporate Park	* Ptn 2 of Erf 246 Randjespark Ext 75	18 Suni Avenue, Randjespark	GP	Industrial	SB	38,62	1 160	-	1 250 000	3 750 000	5 000 000
213 Monte Carlo Crescent	* Erf 45 Kyalami Park	38 Monte Carlo Crescent, Kyalami	GP	Industrial	SB	37,23	1 428	-	1 400 000	4 200 000	5 600 000
Sharland Street Driehoek	* Ptn 1 of Erf 1380 Germiston Ext 20	Sharland Street, Driehoek, Germiston	GP	Industrial	SB	15,82	1 680	-	950 000	2 850 000	3 800 000
19 Indianapolis Street Kyalami	* Erf 18 Kyalami Park	17 Indianapolis Street, Kyalami	GP	Industrial	SB	44,92	2 009	-	2 075 000	6 225 000	8 300 000
2 and 4 Spanner Road Spartan	* Erf 254 and 256 Spartan	2 – 4 Spanner Road, Spartan	GP	Industrial	SB	28,52	4 933	-	4 025 000	12 075 000	16 100 000
595 Sydney Road Congella Durban	* Erven 9303 to 9307 and Ptns 3 and 4 of Erf 9314 Durban	607 Sydney Road, Durban	KZN	Industrial	SB	26,74	31 145	-	19 600 000	58 800 000	78 400 000
121 Gazelle Avenue Corporate Park	* Ptn 6 (a portion of Ptn 5) Erf 210 Randjespark Ext 72	121 Gazelle Avenue, Corporate Park, Midrand	GP	Industrial	SB	33,62	1 578	-	1 650 000	4 950 000	6 600 000
Wetherlys Silverton	* Erven 2079 and 2080 Silverton Ext 42	Simon Vermooten Road, Silverton	GP	Industrial	SB	23,71	4 217	-	3 075 000	9 225 000	12 300 000
Meadowdale Centre	* Erven 200 and 201 Meadowdale Ext 6	Herman Street, Meadowdale	GP	Industrial	SB	53,91	8 871	1,8	12 075 000	36 225 000	48 300 000
Sebokeng Plaza	* Ptns 3, 4 and 7 of Erf 65558 Sebokeng Unit 10 Ext 1	Moshweshwe Street, Sebokeng South	GP	Retail	SB	56,08	11 371	9,8	13 375 000	40 125 000	53 500 000
Botlokwa Plaza	* Ptn 3 of Farm 510, De Kaffersdrift	N1 Soekmekaar Off-ramp, Matoks	LP	Retail	SB	52,83	6 924	-	9 775 000	29 325 000	39 100 000
308 Kent Avenue Ferndale	# Erf 956 Ferndale	308 Kent Avenue, Ferndale	GP	Commercial	SB	67,38	5 503	-	40 300 000	-	40 300 000
11 Reedbuck Crescent Corporate Park	# Ptn 16 and Ptn 28 of Erf 210 Randjespark, Ext 72	11 Reedbuck Crescent, Randjespark	GP	Industrial	SB	35,64	2 810	-	8 900 000	-	8 900 000
5 Handel Road Ormonde	# Erf 372 Ormonde Ext 5	5 Handel Road, Ormonde	GP	Commercial	SB	42,47	6 188	-	31 390 000	-	31 390 000

Property name	Property description	Property address	Region	Sector	Funder	Forecast weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)	Cash consideration (R)	Linked unit consideration (R)	Acquisition cost/valuation (R)
3 Mountain Ridge Road New Germany	# Ptn 3 of Erf 1228 New Germany	3 Mountain Ridge Road, New Germany	KZN	Industrial	SB	37,60	1 357	-	5 150 000	-	5 150 000
Bryanston Ridge Office Park	# Ptns 5 to 9 of Erf 803 Bryanston	Main Road, Bryanston	GP	Commercial	SB	83,31	2 046	-	20 200 000	-	20 200 000
286 Sixteenth Road Randjespark	# Erf 315 Randjespark Ext 116	286 Sixteenth Road, Randjespark	GP	Industrial	SB	22,33	3 203	-	15 800 000	-	15 800 000
Wedgfield Office Park	# Ptn 5 of Erf 47 Bryanston	17 Muswell Road South, Bryanston	GP	Commercial	SB	98,17	851	-	8 000 000	-	8 000 000
Hilston Street Kya Sands	# Erven 187, 188 and 189 Kya Sands Ext 6	Hilston Street, Kya Sands	GP	Industrial	SB	23,93	3 184	-	10 300 000	-	10 300 000
456 Granite Drive Kya Sands	# RE of Erf 456 and Erf 457, Kya Sands Ext 52	456 Granite Drive, Kya Sands	GP	Industrial	SB	46,20	2 917	-	15 400 000	-	15 400 000
Riverside Industrial Nelspruit	# Erf 47 Riverside Industrial Park	White River Road, Nelspruit	MP	Industrial	SB	47,35	1 110	-	5 900 000	-	5 900 000
741 Megawatt Road Airport	# Erf 741 Spartan Ext 21	741 Megawatt Road, Airport	GP	Industrial	SB	38,15	1 800	-	7 700 000	-	7 700 000
223 Monte Carlo Crescent Kyalami	# Erf 46 Kyalami Park	223 Monte Carlo Crescent, Kyalami	GP	Industrial	SB	52,14	1 000	-	5 850 000	-	5 850 000
Grand Central Shopping Centre	# RE of Erf 1824 and Erf 2001 Eersterivier	Plein Road, Eersterivier	WC	Retail	SB	62,39	13 409	-	110 000 000	-	110 000 000
7 - 9 Hawthorne Place Pinetown	# Erf 13025 Pinetown Ext 144	7 - 9 Hawthorne Place, Mahogany Ridge, Pinetown	KZN	Industrial	SB	-	2 446	100	9 000 000	-	9 000 000
21 Ashfield Avenue Springfield	# RE of Ptn 24 of Erf 391 Springfield	21 Ashfield Avenue, Springfield Park	KZN	Industrial	SB	28,51	2 783	-	10 200 000	-	10 200 000
26 Jersey Drive Longmeadow	# Erf 26 Longmeadow Business Estate Ext 1	26 Jersey Drive, Longmeadow	GP	Industrial	SB	55,00	910	-	5 800 000	-	5 800 000
30 Mahogany Road Pinetown	# Erf 13079 Pinetown Ext 144	30 Mahogany Road, Mahogany Ridge, Pinetown	KZN	Industrial	SB	-	1 863	100	6 700 000	-	6 700 000
Nongoma Shopping Centre	# Erf 407 and 408 Nongoma	Main Road, Nongoma	KZN	Retail	SB	53,31	10 116	20,7	15 875 000	47 625 000	63 500 000

## The Ida portfolio

Property name	Property description	Property address	Region	Sector	Funder	Forecast weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)	Cash consideration (R)	Linked unit consideration (R)	Acquisition cost/valuation (R)
Sasol Rosebank	* Erven 195 and 196 Rosebank	6 – 8 Sturdee Avenue, Rosebank	GP	Commercial	IB	8,17	6 593	–	38 400 000	57 600 000	96 000 000

## The Capital portfolio

Property name	Property description	Property address	Region	Sector	Funder	Forecast weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)	Cash consideration (R)	Linked unit consideration (R)	Acquisition cost/valuation (R)
Elston Street Benoni	* Erven 813, 815, 816 and 818 Benoni	87 Elston Street, Benoni	GP	Commercial	SB	44,26	3 786	1,7	4 860 000	5 940 000	10 800 000
31 Indianapolis Street Kyalami	* SS Moneyline 755 Office Estate 328/2001, Unit 3	31 Indianapolis Street, Kyalami Park	GP	Commercial	SB	–	295	56,8	1 035 000	1 265 000	2 300 000
Silver Creek Centre Centurion	* Erf 611 Hennospark Exr 25	Corner Hendrik Verwoerd, Galway and Edward Roads, Hennospark	GP	Retail	SB	66,34	2 354	4,7	6 300 000	7 700 000	14 000 000
Hanover Square	# Prns 18 and 19 of Erf77 Edendale	Hendrik Potgieter Road, Edendale	GP	Commercial	SB	55,20	3 111	14,5	11 385 000	13 915 000	25 300 000
Burry Koen Jet Park	# Erven 103, 104, 105 and 491 Jet Park	Burry Koen Street, Jet Park	GP	Industrial	SB	29,04	10 031	3,4	15 480 000	18 920 000	34 400 000
396 Voortrekker Road Parow	* Erf7933, Parow	396 Voortrekker Road, Parow, Cape Town	WC	Retail	SB	37,07	5 660	–	12 150 000	14 850 000	27 000 000
619 Voortrekker Road Gezina	* Erf742 Gezina	619 Voortrekker Road, Gezina, Pretoria	GP	Retail	SB	32,67	12 097	–	17 955 000	21 945 000	39 900 000
27 – 29 Mairland Street Bloemfontein	* RE of Ptn 1 of Erf904 Bloemfontein	27 – 29 Mairland Street, Bloemfontein	FS	Commercial	SB	63,49	2 784	–	7 605 000	9 295 000	16 900 000
Sinoville Shopping Centre	* Erf2351 Sinoville	Marija Street, Sinoville	GP	Retail	SB	42,57	13 384	14,2	25 200 000	30 800 000	56 000 000

Property name	Property description	Property address	Region	Sector	Funder	Forecast weighted average rental per m <sup>2</sup> (R)	Rentable area (m <sup>2</sup> )	Vacancy (%)	Cash consideration (R)	Linked unit consideration (R)	Acquisition cost/valuation (R)
Eden Park Drive Shortts Retreat	* RE of Erf 2206, Shortts Retreat	24A Haworth Road, Shortts Retreat, Pietermaritzburg	KZN	Industrial	SB	22,27	7 873	–	7 267 500	8 882 500	16 150 000
Britts Office Park	* Erf 2832, Brits	Kerk Street, Brits	NW	Commercial	SB	49,81	1 459	9,3	2 610 000	3 190 000	5 800 000
City Centre Carltonville	* Ptn 3 of Erf 1335 Carltonville Ext 2	Ada Street, Carltonville	NW	Retail	SB	42,38	2 523	2,4	7 000 000	–	7 000 000
Cunningham Street Uitenhage	# Erf 29036 Uitenhage	Cunningham Street, Uitenhage	EC	Industrial	SB	29,02	20 000	–	25 200 000	30 800 000	56 000 000
563 Voortrekker Road Gezina	* Erf 705, Gezina	563 Voortrekker Road, Gezina, Pretoria	GP	Industrial	SB	22,02	4 162	20,6	4 410 000	5 390 000	9 800 000

\* Transferred properties

# Transferring properties

The acquisition costs of all properties are equal to their respective valuations.

The rentable area represents Fortress' effective rentable area per property.

#### Notes:

1. "GP" means Gauteng Province;
2. "EC" means Eastern Cape;
3. "WC" means Western Cape;
4. "NW" means North West;
5. "FS" means Free State;
6. "KZN" means Kwa-Zulu Natal;
7. "MP" means Mpumalanga;
8. "SWA" means Swaziland;
9. "SB" means The Standard Bank of South Africa;
10. "IB" means Investec Bank Limited;
11. "RMB" means Rand Merchant Bank Limited.

All of the abovementioned properties are freehold except as indicated under the "Funder" column in the table above.

Other than as indicated under the "Funder" column in the table above, none of the property letting enterprises have been ceded or pledged.

Particulars of the vendors from whom the above properties were acquired are set out in Annexure 2.

There are no agent's commissions payable in respect of the acquisitions. Conveyancer's fees have not been negotiated per individual property letting enterprise but rather as a total amount equating to approximately R5 000 per property letting enterprise.

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**DETAILS OF VENDORS**


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<b>Name of vendor</b>	<b>The MWS Investment Trust</b> Founder – Mark Stevens (Identity number 6806175146087) Trustees – Mark Stevens, Lindsey-Ann Stevens (Identity number 6810080049089) and Peter John Andre van Lingen (Identity number 6707245048081) Beneficiaries – Mark Stevens, Lindsey-Ann Stevens and their children
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<b>Assets sold</b>	Fortress Income 1
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<b>Property portfolio</b>	The MWS portfolio
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<b>Price paid to vendor</b>	R44 855 017
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<b>Acquisition date</b>	1 October 2009
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<b>Address of vendor</b>	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
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<b>Name of vendor</b>	<b>Sweet Sensations (Pty) Ltd</b>
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<b>Assets sold</b>	Fortress Income 1
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<b>Property portfolio</b>	The MWS portfolio
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<b>Price paid to vendor</b>	R83 302 175
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<b>Acquisition date</b>	1 October 2009
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<b>Address of vendor</b>	Suite 103A, Nedbank Gardens, 33 Bath Avenue, Rosebank, 2196
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<b>Name of vendor</b>	<b>Resilient Property Income Fund Ltd</b>
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<b>Assets sold</b>	Fortress Income 2
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<b>Property portfolio</b>	The Resilient portfolio
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<b>Price paid to vendor</b>	R665 402 100
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<b>Acquisition date</b>	1 October 2009
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<b>Address of vendor</b>	4th Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
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<b>Name of vendor</b>	<b>Pangbourne Properties Ltd</b>
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<b>Assets sold</b>	Fortress Income 3
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<b>Property portfolio</b>	The Pangbourne portfolio (including the Capital units)
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<b>Price paid to vendor</b>	R1 098 215 000
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<b>Acquisition date</b>	1 October 2009
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<b>Address of vendor</b>	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191
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<b>Name of vendor</b>	<b>Ida Family Trust</b> Founder – Andrew Edward Teixeira (Identity number 6711165113081) Trustees – Andrew Edward Teixeira, Anthony Teixeira (Identity number 5705305048083) and Catuscia Teixeira (Identity number 6802160025089) Beneficiaries are Andrew Teixeira, Catuscia Teixeira and their children)
<b>Assets sold</b>	Fortress Income 4 (25%)
<b>Property portfolio</b>	The Ida portfolio
<b>Price paid to vendor</b>	R24 000 000
<b>Acquisition date</b>	1 October 2009
<b>Address of vendor</b>	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191

<b>Name of vendor</b>	<b>Level Rate Investments (Pty) Ltd</b> The sole shareholder is the Ida Family Trust and the sole director is Andrew Teixeira (Identity number 6711165113081)
<b>Assets sold</b>	Fortress Income 4 (50%)
<b>Property portfolio</b>	The Ida portfolio
<b>Price paid to vendor</b>	R48 000 000
<b>Acquisition date</b>	1 October 2009
<b>Address of vendor</b>	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191

<b>Name of vendor</b>	<b>The Star Trust</b> Founder – Steven Teixeira (Identity number 5907265021080) Trustees – Steven Teixeira, Andrew Edward Teixeira (Identity number 6711165113081), and Anthony Teixeira (Identity number 5705305048083) Beneficiary is Steven Teixeira
<b>Assets sold</b>	Fortress Income 4 (12%)
<b>Property portfolio</b>	The Ida portfolio
<b>Price paid to vendor</b>	R11 520 000
<b>Acquisition date</b>	1 October 2009
<b>Address of vendor</b>	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191

<b>Name of vendor</b>	<b>The Wallop Trust</b> Founder – Barry Haslam Trustees – Jason Scott Cooper (Identity number 6904275082086) and Jason Michael Poultney (Identity number 7010155077086) Beneficiaries are Heather Cooper and the children of Heather Cooper
<b>Assets sold</b>	Fortress Income 4 (13%)
<b>Property portfolio</b>	The Ida portfolio
<b>Price paid to vendor</b>	R12 480 000
<b>Acquisition date</b>	1 October 2009
<b>Address of vendor</b>	3rd Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191

<b>Name of vendor</b>	<b>Capital Property Fund</b>
<b>Assets sold</b>	Fortress Income 5
<b>Property portfolio</b>	Capital portfolio
<b>Price paid to vendor</b>	R321 350 000
<b>Acquisition date</b>	1 October 2009
<b>Address of vendor</b>	4th Floor, Rivonia Village, Rivonia Boulevard, Rivonia, 2191

The companies which were acquired during the last three years preceding the last practicable date by each of the vendors is as set out below:

<b>Name of vendor</b>	<b>Name of assets</b>	<b>Purchase date of asset by vendor</b>	<b>Price paid</b>
The MWS Trust	Fortress Income 1	12 March 2007	R35
Sweet Sensations (Pty) Ltd	Fortress Income 1	12 March 2007	R65
Resilient Property Income Fund Ltd	Fortress Income 2	24 March 2009	R100
Pangbourne Properties Ltd	Fortress Income 3	24 July 2009	R100
Ida Family Trust	Fortress Income 4	1 October 2008	R25
Level Rate Investments (Pty) Ltd	Fortress Income 4	1 October 2008	R50
The Star Trust	Fortress Income 4	1 October 2008	R12
The Wallop Trust	Fortress Income 4	1 October 2008	R13
Capital Property Fund	Fortress Income 5	23 July 2009	R100

The properties that were acquired during the last three years preceding the last practicable date by each of the vendors are as set out below:

<b>Subsidiary in which property will be held at the listing date</b>	<b>Property name</b>	<b>Acquisition date</b>	<b>Acquisition price (R)</b>	<b>Entity which sold the property to the subsidiary ("property vendor")</b>	<b>Acquisition date</b>	<b>Acquisition price (R)</b>	<b>Entity which sold the property to the property vendor</b>
Fortress Income 1	2 Andrea Street	21 May 2007	3 300 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	66 Booysen Street	21 May 2007	5 500 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	32 Mandy Road	21 May 2007	10 300 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	21 Mandy Road	21 May 2007	2 250 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	6 Ivanseth Road	21 May 2007	3 000 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	8 Ivanseth Road	21 May 2007	7 500 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	Broad and Simmonds Streets	21 May 2007	21 350 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	Wall and London Streets	21 May 2007	6 300 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	33 Amsterdam Street	21 May 2007	4 600 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	London Lane	21 May 2007	4 100 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	Landsborough Street	21 May 2007	6 100 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	Amsterdam Street	21 May 2007	1 400 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 1	Ruargh Street	21 May 2007	4 900 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 2	Pick 'n Pay Secunda (50% interest)	1 Oct 2009	24 500 000	Resilient Properties 2 (Pty) Ltd	7 Sep 2009	24 500 000	Sasol Pension Fund
Fortress Income 2	Checkers Secunda (50% interest)	1 Oct 2009	32 500 000	Resilient Properties 2 (Pty) Ltd	7 Sep 2009	32 500 000	Sasol Pension Fund
Fortress Income 2	Secunda Village (50% interest)	1 Oct 2009	17 500 000	Resilient Properties 2 (Pty) Ltd	7 Sep 2009	17 500 000	Sasol Pension Fund

Subsidiary in which property will be held at the listing date	Property name	Acquisition date	Acquisition price (R)	Entity which sold the property to the subsidiary ("property vendor")	Acquisition date	Acquisition price (R)	Entity which sold the property to the property vendor
Fortress Income 2	Game Polokwane (40% interest)	1 Oct 2009	34 800 000	Resilient Properties 2 (Pty) Ltd	7 Sep 2009	34 800 000	East & West Investments (Pty) Ltd
Fortress Income 2	Mussina Shopping Centre	1 Oct 2009	28 500 000	Diversified Properties 2 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	Shoprite Dundee	1 Oct 2009	27 000 000	Diversified Properties 2 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	Trentyre Midrand	1 Oct 2009	8 000 000	Diversified Properties 2 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	Diesel Road Isando	1 Oct 2009	38 800 000	Diversified Properties 2 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	Market Square Grahamstown	1 Oct 2009	58 200 000	Diversified Properties 2 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	York Road Mthatha	1 Oct 2009	39 700 000	Diversified Properties 2 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	Fort Gale Estate	1 Oct 2009	28 200 000	Diversified Properties 2 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	Bhunu Mall (22,37% interest)	1 Oct 2009	29 752 100	Diversified Property Fund Ltd	N/A	N/A	N/A
Fortress Income 2	Evaton Plaza (50% interest)	1 Oct 2009	92 350 000	Diversified Properties 2 (Pty) Ltd	1 Jul 2007	81 997 538	McCormick Family Trust
Fortress Income 2	Nquthu Plaza (50% interest)	1 Oct 2009	50 150 000	Diversified Properties 2 (Pty) Ltd	1 Jul 2007	45 864 245	McCormick Family Trust
Fortress Income 2	Village Walk Newcastle	1 Oct 2009	78 700 000	Resilient Properties (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	Woolworths Newcastle	1 Oct 2009	9 600 000	Resilient Properties 2 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	Vryheid Plaza	1 Oct 2009	52 000 000	Diversified Properties (Pty) Ltd	N/A	N/A	N/A
Fortress Income 2	13 Wessels Road Rivonia (50% interest)	1 Oct 2009	7 500 000	Diversified Properties 2 (Pty) Ltd	30 Jun 2008	7 683 517	Atlas Properties Ltd
Fortress Income 2	15 Wessels Road Rivonia (50% interest)	1 Oct 2009	7 650 000	Diversified Properties 2 (Pty) Ltd	30 Jun 2008	5 059 483	Atlas Properties Ltd
Fortress Income 3	Grand Central Industrial Park	1 Oct 2009	15 200 000	Pangbourne Properties Ltd	13 Mar 2009	12 550 000	Ifour Properties SA (Pty) Ltd
Fortress Income 3	Zenith Drive Umhlanga	1 Oct 2009	12 400 000	Ifour Properties SA (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	Malibongwe Drive Kya Sands	1 Oct 2009	9 450 000	Pangbourne Properties Ltd	26 Mar 2009	8 000 000	Ifour Properties Two (Pty) Ltd
Fortress Income 3	Atlas Road Industrial Park Anderbolt	1 Oct 2009	18 900 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Top Road Industrial Park Anderbolt	1 Oct 2009	16 900 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Middle Road Industrial Park Anderbolt	1 Oct 2009	34 700 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	The Avenues Industrial Park Anderbolt	1 Oct 2009	17 900 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Broadwalk Motor City Midrand	1 Oct 2009	9 550 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Wetherleys Silverton	1 Oct 2009	12 300 000	Panhold Two Property SPV (Pty) Ltd	5 Jun 2008	10 605 240	Bridgeport 26 (Pty) Ltd
Fortress Income 3	Meadowdale Centre	1 Oct 2009	48 300 000	Sipan 1 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	Sebokeng Plaza	1 Oct 2009	53 500 000	Sipan 1 (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	Botlokwa Plaza	1 Oct 2009	39 100 000	Pangbourne Properties Ltd	6 Mar 2009	36 300 000	Sipan 1 (Pty) Ltd
Fortress Income 3	308 Kent Avenue, Ferndale	1 Oct 2009	40 300 000	Ifour Properties SA (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	11 Reedbuck Crescent Corporate Park	1 Oct 2009	8 900 000	Ifour Properties SA (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	5 Handel Rd Ormonde	1 Oct 2009	31 390 000	Ifour Properties SA (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	3 Mountain Ridge Road New Germany	1 Oct 2009	5 150 000	Ifour Properties SA (Pty) Ltd	N/A	N/A	N/A

Subsidiary in which property will be held at the listing date	Property name	Acquisition date	Acquisition price (R)	Entity which sold the property to the subsidiary ("property vendor")	Acquisition date	Acquisition price (R)	Entity which sold the property to the property vendor
Fortress Income 3	Bryanston Ridge Office Park	1 Oct 2009	20 200 000	Ifour Properties SA (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	286 Sixteenth Road Randjespark	1 Oct 2009	15 800 000	Ifour Properties SA (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	Wedgfield Office Park	1 Oct 2009	8 000 000	Ifour Properties SA (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	Hilston Street, Kya Sands	1 Oct 2009	10 300 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	13 Cedarfield Close Springfield	1 Oct 2009	5 000 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Grader Road, Spartan	1 Oct 2009	9 800 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	1 Imola Place, Pinetown	1 Oct 2009	4 600 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	10 Hawthorne Place Pinetown	1 Oct 2009	8 200 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Derrick Coetzee Road Jet Park	1 Oct 2009	3 600 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Unit 5, Northlands Décor Park	1 Oct 2009	9 200 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	18 Suni Avenue Corporate Park	1 Oct 2009	5 000 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	213 Monte Carlo Crescent	1 Oct 2009	5 600 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Sharland Street, Driehoek	1 Oct 2009	3 800 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	19 Indianapolis Street Kyalami	1 Oct 2009	8 300 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	2 and 4 Spanner Road Spartan	1 Oct 2009	16 100 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	595 Sydney Road Congella, Durban	1 Oct 2009	78 400 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	121 Gazelle Avenue Corporate Park	1 Oct 2009	6 600 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Cato Street, Durban	1 Oct 2009	6 200 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	484 Kyalami Boulevard	1 Oct 2009	10 300 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	10-14 Watkins Street Denver	1 Oct 2009	10 700 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	66 Kyalami Boulevard	1 Oct 2009	11 700 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Bart Street Wilbart	1 Oct 2009	3 125 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	14 Commerce Crescent Eastgate	1 Oct 2009	21 500 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	85 North Coast Road Durban North	1 Oct 2009	5 700 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Shoprite Centre Sophiatown	1 Oct 2009	18 500 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Springbok Park Industria West	1 Oct 2009	46 600 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	Sucosa House, Kramerville	1 Oct 2009	11 000 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	3 Watkins Street, Denver	1 Oct 2009	5 400 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	8 Field Street, Wilbart	1 Oct 2009	10 400 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	3 Arbeid Street, Strijdompark	1 Oct 2009	4 600 000	Pangbourne Properties Ltd	N/A	N/A	N/A
Fortress Income 3	456 Granite Drive , Kya Sands	1 Oct 2009	15 400 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	Riverside Industrial Nelspruit	1 Oct 2009	5 900 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A

Subsidiary in which property will be held at the listing date	Property name	Acquisition date	Acquisition price (R)	Entity which sold the property to the subsidiary ("property vendor")	Acquisition date	Acquisition price (R)	Entity which sold the property to the property vendor
Fortress Income 3	741 Megawatt Road Airport	1 Oct 2009	7 700 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	223 Monte Carlo Crescent Kyalami	1 Oct 2009	5 850 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	Grand Central Shopping Centre	1 Oct 2009	110 000 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	7-9 Hawthorne Place, Pinetown	1 Oct 2009	9 000 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	21 Ashfield Avenue Springfield	1 Oct 2009	10 200 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	26 Jersey Drive Longmeadow	1 Oct 2009	5 800 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	30 Mahogany Road Pinetown	1 Oct 2009	6 700 000	Ifour Properties Three (Pty) Ltd	N/A	N/A	N/A
Fortress Income 3	Nongoma Shopping Centre	1 Oct 2009	63 500 000	Ifour Properties Three (Pty) Ltd	3 Feb 2009	90 529 524	Silver Falcon Trading 304 (Pty) Ltd
Fortress Income 4	Sasol Rosebank	11 Mar 2009	22 800 000	Old Mutual Life Assurance	N/A	N/A	N/A
Fortress Income 5	Elston Street, Benoni	1 Oct 2009	10 800 000	Capital Property Fund	N/A	N/A	N/A
Fortress Income 5	31 Indianapolis Street Kyalami	1 Oct 2009	2 300 000	Capital Property Fund	1 Nov 2006	3 903 000	Fedbond Participation Mortgage Bond Managers (Pty) Ltd
Fortress Income 5	Silver Creek Centre Centurion	1 Oct 2009	14 000 000	Capital Property Fund	1 Nov 2006	14 550 000	Fedbond Participation Mortgage Bond Managers (Pty) Ltd
Fortress Income 5	Hanover Square	1 Oct 2009	25 300 000	Capital Property Fund	1 Nov 2006	20 444 000	Fedbond Participation Mortgage Bond Managers (Pty) Ltd
Fortress Income 5	Burry Koen Jet Park	1 Oct 2009	34 400 000	Capital Property Fund	1 Jun 2007	25 376 000	Diversified Properties 2 (Pty) Ltd
Fortress Income 5	396 Voortrekker Road Parow	1 Oct 2009	27 000 000	Monyetla Property Holdings	N/A	N/A	N/A
Fortress Income 5	619 Voortrekker Road Gezina	1 Oct 2009	39 900 000	Monyetla Property Holdings	N/A	N/A	N/A
Fortress Income 5	7 Maitland Street Bloemfontein	1 Oct 2009	16 900 000	Monyetla Property Holdings	N/A	N/A	N/A
Fortress Income 5	Sinoville Shopping Centre	1 Oct 2009	56 000 000	Monyetla Property Holdings	N/A	N/A	N/A
Fortress Income 5	Eden Park Drive, Short Retreat	1 Oct 2009	16 150 000	Monyetla Property Holdings	N/A	N/A	N/A
Fortress Income 5	Brits Office Park	1 Oct 2009	5 800 000	Monyetla Property Holdings	N/A	N/A	N/A
Fortress Income 5	City Centre Carltonville	1 Oct 2009	7 000 000	Monyetla Property Holdings	N/A	N/A	N/A
Fortress Income 5	Cunningham Street Uitenhage	1 Oct 2009	56 000 000	Monyetla Property Holdings	N/A	N/A	N/A
Fortress Income 5	563 Voortrekker Road Gezina	1 Oct 2009	9 800 000	Monyetla Property Holdings	N/A	N/A	N/A

N/A – Not applicable

## PROMOTER'S AND DIRECTORS' INTERESTS

### 1. DIRECTORS' INTERESTS

The directors will have the following interests in "A" linked units on the listing date:

Director	Beneficially held		Total	%
	Directly	Indirectly		
Kura Chihota	–	–	–	–
Des de Beer	–	3 832 776	3 832 776	2,17
Nick Hanekom	–	261 688	261 688	0,15
Nontando Kunene	–	–	–	–
Jannie Moolman	–	–	–	–
Mark Stevens	–	2 520 872	2 520 872	1,43
Djurk Venter	–	–	–	–
Jeff Zidel	–	1 739 190	1 739 190	0,98
<b>Total</b>	–	<b>8 354 526</b>	<b>8 354 526</b>	<b>4,73</b>

The directors will have the following interests in "B" linked units on the listing date:

Director	Beneficially held		Total	%
	Directly	Indirectly		
Kura Chihota	–	–	–	–
Des de Beer	–	3 832 776	3 832 776	2,17
Nick Hanekom	–	261 688	261 688	0,15
Nontando Kunene	–	–	–	–
Jannie Moolman	–	–	–	–
Mark Stevens	–	2 520 872	2 520 872	1,43
Djurk Venter	–	–	–	–
Jeff Zidel	–	1 739 190	1 739 190	0,98
<b>Total</b>	–	<b>8 354 526</b>	<b>8 354 526</b>	<b>4,73</b>

\* The directors' interests included in the table will result from the following:

- Mark Stevens is a trustee and beneficiary of the MWS Trust, one of the MWS vendors and accordingly his interests have arisen as a result of the MWS acquisition and an indirect beneficial interest of 0,13% in Resilient, an indirect beneficial interest of 0,22% in Pangbourne and an indirect beneficial interest of 0,38% in Capital.
- Des de Beer has a direct beneficial interest of 1,29% and an indirect beneficial interest of 4,36% in Resilient, an indirect beneficial interest of 0,23% in Pangbourne and an indirect beneficial interest of 0,72% in Capital each of which is a vendor under the acquisition agreements.
- Jeff Zidel has a direct beneficial interest of 1,64% and an indirect beneficial interest of 1,07% in Resilient, a direct beneficial interest of 0,04% in Pangbourne and a direct beneficial interest of 0,04% in Capital each of which is a vendor under the acquisition agreements.
- Nick Hanekom has a direct beneficial interest of 0,24% and an indirect beneficial interest of 0,05% in Resilient and a direct beneficial interest of 0,01% and an indirect beneficial interest of 0,13% in Pangbourne each of which is a vendor under the acquisition agreements.

None of the directors have –

- been bankrupt or entered into individual voluntary arrangements;
- entered into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with his creditors generally or any class of his creditors of any company where such person is a director with an executive function at the time of or within 12 months preceding such event;
- entered into compulsory liquidation, administration or partnership voluntary arrangements of any partnerships where such person was partner at the time of or within 12 months preceding such events;
- entered into receiverships of any asset of such person or of a partnership of which the person was a partner at the time of or within the 12 months preceding such event;

- been publicly criticised by statutory or regulatory authorities (including recognised professional bodies) and such person has never been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; or
- been convicted of an offence involving dishonesty.

The company secretary has not been allotted any “A” linked units nor any “B” linked units by the purchase trust.

No director has traded in Fortress linked units.

The directors of the company had no interests in transactions entered into by the company during the current or the preceding financial year and which remain in any respect outstanding or unperformed other than as disclosed in **Annexure 2** and **Annexure 3**.

No loans have been made by Fortress to any of its directors or managers and the company has not furnished any security on behalf of any of its directors or managers.

No amount has been paid to any director of the company in cash or securities or otherwise to induce him to become or to qualify him as a director.

No amount has been paid or is payable to any third party in lieu of directors’ fees.

Other than as disclosed above in this paragraph 1, no director or promoter has had any material beneficial interest, direct or indirect, in Fortress or in any material acquisition of the company and no amount has been paid in the three years preceding the last practicable date, or is proposed to be paid to any promoter.

## 2. DIRECTORS’ EMOLUMENTS

The anticipated emoluments of the directors for the nine months ended 30 June 2010 are set out in the table below:

Director	Basic salaries* R’000	Director’s fees R’000	Other fees <sup>Δ</sup> R’000	Expense allowances R’000	Pension scheme contributions R’000	Other material benefits R’000	Commission, gain or profit-sharing arrangements R’000	Bonuses and other performance payments R’000	Total R’000
Kura Chihota	–	75	22,5	–	–	–	–	–	97,5
Des de Beer	198	–	–	–	–	–	–	–	198
Nick Hanekom	82,5	–	–	–	–	–	–	–	82,5
Nontando Kunene	–	75	45	–	–	–	–	–	120
Jannie Moolman	–	75	22,5	–	–	–	–	–	97,5
Mark Stevens	1 125	–	22,5	–	–	–	–	–	1 147,5
Djurk Venter	–	75	45	–	–	–	–	–	120
Jeff Zidel	–	97,5	22,5	–	–	–	–	–	97,5

Δ “Other fees” comprises management, consulting, technical or other fees paid for such services rendered, directly or indirectly, whether to Fortress, its subsidiaries or associates and includes emoluments received from entities that provide advisory services to the company.

\* Basic salaries for nine months to 30 June 2010 for services rendered to the group.

The anticipated emoluments of the directors for the year ended 30 June 2011 are set out in the table below:

Director	Basic salaries* R’000	Director’s fees R’000	Other fees <sup>Δ</sup> R’000	Expense allowances R’000	Pension scheme contributions R’000	Other material benefits R’000	Commission, gain or profit-sharing arrangements R’000	Bonuses and other performance payments R’000	Total R’000
Kura Chihota	–	107	32,1	–	–	–	–	–	139,1
Des de Beer	282,5	–	–	–	–	–	–	–	282,5
Nick Hanekom	117,7	–	–	–	–	–	–	–	117,7
Nontando Kunene	–	107	64,2	–	–	–	–	–	171,2
Jannie Moolman	–	107	32,1	–	–	–	–	–	139,1
Mark Stevens	1 605	–	32,1	–	–	–	–	–	1 637,1
Djurk Venter	–	107	64,2	–	–	–	–	–	171,2
Jeff Zidel	–	139,1	–	–	–	–	–	–	139,1

Δ “Other fees” comprises management, consulting, technical or other fees paid for such services rendered, directly or indirectly, whether to Fortress, its subsidiaries or associates and includes emoluments received from entities that provide advisory services to the company.

\* Basic salaries for the year to 30 June 2011 for services rendered to the group.

There will be no variation in the remuneration receivable by any of the directors as a consequence of the transactions.  
No fees have been paid or accrued as payable to a third party in *lieu* of directors' fees.

### **3. PROMOTERS' INTERESTS**

The promoters' (being the executive directors of the group) interests are set out in paragraph 1 of this **Annexure 3**. A promoter as defined in the Companies Act means in relation to civil and criminal liability in respect of an untrue statement in a prospectus, a person who was party to the preparation of the prospectus.

### **4. DIRECTORS' OTHER DIRECTORSHIPS**

The other directorships of the directors are listed in paragraph 7 of this prospectus.

### **5. TERM OF OFFICE**

None of the directors have signed service agreements and accordingly are entitled to give notice of resignation in the ordinary course that is one months' notice of termination.

Save for any entitlement which may result from an effective shareholding and the exercise of those rights pursuant to ordinary corporate action, no person has any contractual or other right relating to the appointment of any particular director or number of directors.

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## INDEPENDENT VALUATION OF THE ACQUISITION PROPERTIES

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“6 October 2009

The Directors  
Fortress Income Fund Limited  
Rivonia Village  
Rivonia Boulevard  
Rivonia

Attention: Mr M Stevens

Dear Sir,

**INDEPENDENT VALUERS' REPORT OF 103 PROPERTIES FORMING ALL THE PROPERTIES OF FORTRESS INCOME FUND LIMITED AND ITS SUBSIDIARIES AS DETAILED IN THE SUMMARY SCHEDULE ATTACHED AND FOR WHICH THERE ARE DETAILED INDIVIDUAL VALUATION REPORTS HELD BY FORTRESS INCOME FUND LIMITED.**

In accordance with your instruction of 10 June 2009, I confirm that I have visited and inspected the 103 properties which are listed in the attached schedule (“the properties”) during June and July 2009 (Section 13.23 (a) (iii)) and have received all necessary details required to perform a valuation in order to provide you with my opinion of the properties’ market values as at 1 October 2009 (Section 13.23 (c)).

### 1. INTRODUCTION

The valuation of the properties comprising Fortress Income Fund Limited has been carried out by the valuer who has carefully considered all aspects of all the properties. These properties each have a 14 page detailed valuation report which has been given to the management of Fortress Income Fund Limited. The detailed valuation reports include commentary on the current economy, nature of the properties, locality, tenancy, risk profile, forward rent and earning capability and exposure to future expenses and property risk. All these aspects have been considered in the individual detailed valuation reports of the properties. The detailed valuation reports have further addressed the tenancy income capability and expenditure for each property and tenant. Historic expenditure profile as well as future expenditure increases have been considered. The value thus indicates the fair market value for each property which is detailed in section 11 of the detailed valuation report and which has been summarised on a summary schedule, attached hereto, for each property. There are 103 properties and the important aspects of the detailed valuation report including the property market value for all of the properties have been summarised in the attached schedule.

### 2. BASIS OF VALUATION

The valuation is based on the market value.

Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms’- length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

### 3. VALUE CALCULATION

The calculation of the market value of these properties has mainly been based on income capitalisation.

This is the fundamental basis on which the value of investment properties is calculated. Investment properties produce a perpetual income stream, and the capitalisation of such net revenue flow is an accurate means of determining the value.

Properties traded in the current market reflect a yield rate relationship between revenue and capital value. This rate is an accurate determinant of the capitalisation rate. (Section 13.23 (d)).

The discounted cash flow has also been calculated for each property as a check to ensure that the capitalised value calculated is consistent with market norms and expectations.

The considerations for the capitalised valuations are as follows:

- 3.1 calculating the forward cash flow of all contractual and other income from the properties;
- 3.2 calculating the forward contractual and other expenditure as well as provisions for various expenses;
- 3.3 the current area vacancy as a percentage of the total portfolio is approximately 4,1 %. In order to apply a conservative approach, I have deducted approximately 3.26% of the net income as a provision for rental that may not be collected as a consequence of vacancy, tenant failure or tenant refitting during the course of the coming year. The current vacancy is market related. The void provision used in the valuation is therefore adequate. (Section 13.23 (f) (i));
- 3.4 there is no loss of rental due to renovations or refurbishments currently being carried out on the buildings. There is, however, ongoing external maintenance work and some tenant installation fitting that is currently in progress. There is no loss of rental as a result of these activities. (Section 13.23 (f) (ii));
- 3.5 generally the rentals are market-related. This has been determined by comparing similar buildings in comparable areas to the properties valued, in terms of rental per square metre. The rental rate has also been checked against various published indices including the South African Property Owners Association (SAPOA) index.  
  
There are no properties that are over-rented, or that cannot be re-rented at the same or higher rental rate should such property become vacant.  
  
There is therefore minimal potential for rental flow reversion. There is however, a positive upside potential for real growth in rental, given the low base off which the average rentals flow. This is provided that the economy remains in a slow recovery pattern as currently being experienced as that there are no major economic fluctuations which may upset the economy. (Section 13.23 (f) (iii));
- 3.6 capitalising the net contractual income derived from the properties for a period of 1 year in advance, calculated from 1 October 2009;
- 3.7 the valuation has considered published market statistics regarding rental rates and expenditure for the different types of properties. It is also considered numerous other portfolios of similar properties in order to determine if any properties are over rented or have excessive expenditure;
- 3.8 various provisions for capital contingencies were deducted from the capitalised value;
- 3.9 the buildings have been valued in their existing use. No alternative use for the properties has been considered in determining their value. (Section 13.27).

#### **4. SPARE LAND**

The portfolio comprises numerous properties which are of an industrial nature and which have reasonable size yard areas. Generally these land areas are used for storage, parking, driveways or other and are not additional vacant erven. There is therefore no spare land within the portfolio although some buildings have not covered their maximum allowable coverage in terms of Town Planning Regulations. (Section 13.26)

#### **5. BRIEF DESCRIPTION**

The properties have all been well constructed. They comprise a newer generation of industrial development in the Midrand area to an older nature of development in the Eastern Gauteng area. There are several shopping centres which are of a medium grade nature which trade well and are positioned to take advantage of a future increase in retail trade. The office blocks are well constructed and generally in very good localities which are subject to higher appreciation potential in a future upturn market.

The properties are well managed with a high utility cost recovery and offering the middle market value for money rental space. Escalations are market related but are high enough to ensure a more than positive growth rate but without creating an overrent position. The properties are all well located in highly desired established business nodes.

#### **6. VALUATION QUALIFICATIONS**

Qualifications are usually detailed as a consequence of: leases under negotiation that have not yet been formalised; leases of a large nature where the premises are difficult to re-let; specialised properties; large exposure to a single tenant; potential tenant failure due to over-rent; expenses required for major repairs; maintenance or other exposure to maintain the

lettability of the building; contingent expropriations or servitudes that may be enforced; poor lease records whereby the lease may be disputed or rendered invalid.

I have, to the best of my knowledge, considered all of these aspects in the valuation of all the properties. There are no properties that are prejudiced in value by the influence of the above factors.

The valuer is however not responsible for the competent daily management of these properties that will ensure that this status is maintained, or for the change of any laws, services by local authority or economic circumstances that may adversely impact on the integrity of the buildings or the tenant profile.

## **7. OPTIONS OR BENEFIT/DETRIMENT OF CONTRACTUAL ARRANGEMENTS**

No valuation has been required detailing the benefit or detriment of contractual arrangements in respect of the property or where there may be a benefit in options held. (Section 13.23 (g)).

I am unaware of any options in favour of any parties for any purchases of any of the properties (Section 13.23 (h)).

## **8. RELATED PARTY LEASES (Section 13.23 (a) (xi))**

Having and inspected all the tenant schedules it is noted that there are no related party leases.

## **9. CURRENT STATE OF DEVELOPMENT**

The properties are all developed and capable of accommodating tenants. (Section 13.24 and 13.25).

## **10. OPTIONS**

To the best of my knowledge, there are no options to purchase any property held by any party.

## **11. EXTERNAL PROPERTY**

There is no external property. (Section 13.28).

## **12. OTHER GENERAL MATTERS AND VALUATION SUMMARY (Sections 13.30 and 13.31)**

A full detailed valuation report is available on a property by property basis detailing tenancy, town planning, valuer's commentary, expenditure and other details. This has been given to the Directors of Fortress Income Fund.

## **13. OTHER COMMENTS**

To my knowledge there are no contractual arrangements on the property other than the leases as detailed in the valuation reports, or, contracts relating to management, security, insurance or general building maintenance that have a major benefit or are detrimental to the fundamental value base of the property.

Our valuation excludes any amounts of Value-added Tax, transfer duty, or duty on share in the event of a company transaction.

## **14. CAVEATS**

### **14.1 Source of information and verification (Section 13.23 (a) (xiii))**

Information on the property regarding rental income, recoveries, turnovers and other income detail has been provided to me by the current owners and their managing agents.

I have further compared certain expenditures given to me to market norms of similar properties. This has also been compared to historic expenditure levels of the properties themselves. Historical contractual expenditures and municipal utility services were compared to the past performance of the properties in order to assess potential expenditure going forward.

#### 14.2 Full disclosure

This valuation has been prepared on the basis that full disclosures of all information and factors that may affect the valuation have been made to ourselves.

I have to the best of my ability researched the market as well as taken all reasonable steps to check income against contractual lease agreements and rent rolls and expenditure against historical expense invoices. These were compared to the market to accurately represent this property's income capability.

#### 14.3 Leases (Section 13.23 (a) (ix))

Our valuation has been based upon a high level summary of actual tenant's leases and other details in respect of the existing leases and option terms and rentals supplied to us by the owners and managing agents, which I have examined and mainly used for the valuation.

#### 14.4 Lessee's credibility

In arriving at our valuation, cognizance has been taken of the lessee's security and rating. In some cases this has influenced the capitalisation rate by way of risk consideration.

#### 14.5 Mortgage bonds, loans, etc.

The property has been valued as if wholly-owned with no account being taken of any outstanding monies due in respect of mortgage bonds, loans and other charges. No deductions have been made in our valuation for costs of acquisition.

The valuation is detailed in a completed state and no deductions have been made for retention or any other set-off or deduction for any purposes which may be made at the discretion of the purchaser when purchasing the property.

#### 14.6 Calculation of areas

All areas quoted within the detailed valuation reports have been verified from the plans. Updated plans were not available for all the buildings. The buildings for which there are no updated plans are: No 16 being Sophiatown, No 20 being 8 Field Street Wilbart; No 42 being 21 Mandy Road; No 48 being London Lane and No 90 being 5 Handel Road Ormonde. These buildings have had some internal alterations which are not fully detailed on the existing plans. The reported square meterage is correct.

#### 14.7 Structural condition

The property has been valued in its existing state. I have not carried out any structural surveys, nor inspected those areas that are unexposed or inaccessible, neither have I arranged for the testing of any electrical or other services.

#### 14.8 Town planning (Section 13.23 (a) (vi) and (vii))

Full town planning details and title deeds have been supplied in the detailed valuation reports including conditions and restrictions and the property have been checked against such conditions. This is to ensure that they comply with town planning regulations and title deeds. There do not appear to be any infringements of local authority regulations or deeds by any of the properties.

The valuation has further assumed that the improvements have been erected in accordance with the relevant Building and Town Planning Regulations and on inspection it would appear that the improvements are in accordance with the relevant town planning regulations.

15. A schedule of the current annual rental and the estimated future annual rental for a period being the next three years is attached to the summary schedule and is the same as in the detailed valuation reports.

### 16. MARKET VALUE

I am of the opinion that the market value of the subject properties to be purchased by the fund (as per the valuations and summary schedule) is an amount of R2 209 124 291.66 excluding V.A.T as at 01 October 2009.

The value of properties to be owned 100% by Fortress Fund Limited is an amount of R1 912 422 191.66 excluding V.A.T.

The value of properties of which there is a percentage shareholding is an amount of R296 702 100.00 excluding V.A.T.

I have more than 26 years' experience in the valuation of all nature of property and I am qualified to express an opinion on the fair market value of this portfolio.

I trust that I have carried out all instructions to your satisfaction and thank you for the opportunity of undertaking this valuation on your behalf.

Assuring you of our best services at all times.

Yours faithfully,

**PETER PARFITT**

PROFESSIONAL ASSOCIATED VALUER

Dip. Val. MIV (SA)

(Registration No.: 2712/2)

Registered in terms of the Property Valuer's Professional Act No. 47 of 2000

Dunkeld Court  
16 North Road  
Dunkeld West  
(Section 13.23 (b))

## SCHEDULE OF PROPERTIES

Property name	Physical address	Property description and use	Freehold/Leasehold	Registered legal description	Land area m <sup>2</sup>	Building rentable area (GIA)	Approximate age of building	Building grade	Net rent for the period		Market valuation of shareholding (R)	Shareholding (%)
									30 September 2010 (R)	1 October 2009 to 1 October 2010 (R)		
Grand Central Industrial Park*	87 New Road, Halfway House	Industrial mini units	Freehold	Erf 695 Halfway House, Ext 13	8 815	5 033	7 years	B	1 690 356	15 200 000	100	
Zenith Drive Umhlanga*	2-4 Zenith Drive, Umhlanga	Motor retail service	Freehold	Ptn 17 of Erf 2692 Umhlanga Rocks	1 962	1 914	5 years	B	1 395 965	12 400 000	100	
Malibongwe Drive Kya Sands*	Malibongwe Drive, Kya Sands	Motor retail service	Freehold	Ptn 1 of Erf 475 Kya Sands Ext 56	4 363	1 227	9 years	B	995 779	9 450 000	100	
Atlas Road Industrial Park Anderbolt*	12 Atlas Road, Anderbolt	Industrial mini units	Freehold	Erven 162, 163, 164 Anderbolt, Ext 44	18 332	8 587	29 years	B	2 146 591	18 900 000	100	
Top Road Industrial Park Anderbolt*	103 and 104 Top Road, Anderbolt	Industrial park	Freehold	Erven 103 and 104 Anderbolt, Ext 26	18 190	7 928	27 years	B	1 918 191	16 900 000	100	
Middle Road Industrial Park Anderbolt#	77 Craig Road, Anderbolt	Industrial park	Freehold	Erven 76 and 77 Anderbolt, Ext 14 and erven 253 and 254 Anderbolt consolidated to Erf 257 Anderbolt Ext 72	41 797	17 132	25 years	B	4 022 757	34 700 000	100	
The Avenues Industrial Park Anderbolt#	128 14th Avenue, Anderbolt	Industrial mini units	Freehold	Erf 255 Anderbolt	18 170	9 185	30 years	B	2 080 058	17 900 000	100	
Broadwalk Motor City Midrand#	Broadwalk, Halfway House	Motor retail service	Freehold	Erf 26 Grand Central, Ext 11	6 906	4 615	10 years	B	1 056 232	9 550 000	100	
Cato Street Durban*	30 and 32 Cato Street, Durban	Industrial warehouse	Freehold	Erven 10385 and Erf 10386 Durban	1 372	2 071	23 years	B	791 965	6 200 000	100	
484 Kyalami Boulevard*	64 Kyalami Boulevard, Kyalami Business Park	Hi-tech warehouse with offices in park environment	Freehold	Erf 75 Kyalami Park	3 902	2 470	7 years	B	1 045 542	10 300 000	100	
10-14 Watkins Street Denver*	10-14 Watkins Street, Denver	Industrial	Freehold	Erven 643, 644 and 645 Denver, Ext 4	5 765	3 224	7 years	B	1 188 352	10 700 000	100	
66 Kyalami Boulevard*	59 Kyalami Boulevard, Kyalami Business Park	Hi-tech warehouse with offices in park environment	Freehold	Erf 66 Kyalami Park	3 777	1 296	7 years	B	1 294 075	11 700 000	100	
Bart Street Wilbart*	Bart Street, Wilbart	Small industrial	Freehold	Erf 1 Wilbart	2 488	1 099	7 years	B	339 618	3 125 000	100	
14 Commerce Crescent Eastgate*	14 Commerce Crescent, Eastgate	Office and warehouse	Freehold	Erf 262 Eastgate Ext 13	6 644	8 035	7 years	B	2 384 018	21 500 000	100	
85 North Coast Road* Durban North	85 North Coast Road, Durban North	Small industrial	Freehold	Ptn 15 of Erf 323 Durban North	2 085	1 266	7 years	B	602 562	5 700 000	100	
Shoprite Centre Sophiatown #	34 Edward Road, Triomf	Retail centre	Freehold	Erf 1781 Triomf	19 629	6 511	19 years	B	2 159 839	18 500 000	100	
Springbok Park Industria West*	35 and 37 Springbok Road, Industria West	Industrial mini units	Freehold	Erven 49 and 50 Longdale, Ext 4	39 236	18 459	32 years	B	5 504 722	46 600 000	100	
Sucosa House Kramerville*	3 Desmond Street, Kramerville	Commercial showroom	Freehold	Erf 19 Kramerville	2 288	3 128	7 years	B	1 277 201	11 000 000	100	

Property name	Physical address	Property description and use	Freehold/Leasehold	Registered legal description	Land area m <sup>2</sup>	Building rentable area (GLA)	Approximate age of building	Building grade	Net rent for the period		
									1 October 2009 to 30 September 2010 (R)	Market valuation of shareholding (R)	Shareholding (%)
3 Watkins Street Denver*	3 Watkins Street, Denver	Industrial	Freehold	Erf 641 Denver, Ext 4	2 393	1 631	7 years	B	599 159	5 400 000	100
8 Field Street Wilbart*	8 Field Street, Wilbart	Industrial units	Freehold	Erf 28 Wilbart	3 930	3 473	7 years	B	1 155 224	10 400 000	100
3 Arbeid Street Srijdompark*	3 Arbeid Street, Srijdompark	Industrial units	Freehold	Erf 249 Srijdom Park, Ext 11	2 300	1 501	6 years	B	592 033	4 600 000	100
13 Cedarfield Close Springfield*	13 Cedarfield Close, Springfield	Warehouse	Freehold	Ptn 32 of Erf 391 Springfield	2 599	1 344	7 years	B	509 010	5 000 000	100
Grader Road Spartan*	Grader Road, Spartan	Industrial	Freehold	Erf 493 Spartan, Ext 3	6 348	3 029	7 years	B	987 500	9 800 000	100
1 Imola Place Pinetown*	1 Imola Place, Mahogany Ridge, Pinetown	Industrial mini units	Freehold	Erf 7682 Pinetown, Ext 72	1 955	1 491	7 years	B	464 798	4 600 000	100
10 Hawthorne Place Pinetown*	10 Hawthorne Place, Mahogany Ridge, Pinetown	Industrial and warehousing	Freehold	Erf 13026 Pinetown, Ext 144	6 770	1 610	7 years	B	804 178	8 200 000	100
Derrick Coetzee Road Jet Park*	2 and 4 Derrick Coetzee Road, Jet Park	Industrial mini units	Freehold	Erven 377 and 378 Jet Park, Ext 20	2 003	1 088	6 years	B	403 996	3 600 000	100
Unit 5 Northlands Décor Park*	Unit 5 Newmarket Street, Northlands Décor Park, Northriding	Hi-tech warehouse showroom	Freehold	Erf 245 Hoogland, Ext 22	4 102	2 120	7 years	B	950 497	9 200 000	100
18 Suni Avenue Corporate Park*	18 Suni Avenue, Randjespark	Hi-tech warehouse showroom	Freehold	Ptn 2 of Erf 246 Randjespark, Ext 75	2 509	1 160	6 years	B	505 286	5 000 000	100
213 Monte Carlo Crescent Kyalami	38 Monte Carlo Crescent Kyalami	Hi-tech warehouse showroom	Freehold	Erf 45 Kyalami Park	3 042	1 428	7 years	B	573 104	5 600 000	100
Sharland Street Driehoek*	Sharland Street, Driehoek, Germiston	Industrial	Freehold	Ptn 1 of Erf 1380 Germiston, Ext 20	2 572	1 680	7 years	B	418 489	3 800 000	100
19 Indianapolis Street Kyalami*	17 Indianapolis Street, Kyalami	Hi-tech warehouse showroom	Freehold	Erf 18 Kyalami Park	4 972	2 009	7 years	B	845 716	8 300 000	100
2 and 4 Spanner Road Spartan*	2-4 Spanner Road, Spartan	Industrial units	Freehold	Erf 254 and 256 Spartan	5 251	4 933	7 years	B	1 619 650	16 100 000	100
595 Sydney Road Congella Durban*	607 Sydney Road, Durban	Industrial	Freehold	Erven 9303 to 9307 and Pms 3 and 4 of Erf 9314 Durban	19 434	31 145	7 years	B	9 429 170	78 400 000	100
121 Gazelle Avenue Corporate Park*	121 Gazelle Avenue, Corporate Park, Midrand	Hi-tech warehouse showroom	Freehold	Ptn 6 (a portion of Ptn 5) of Erf 210 Randjespark, Ext 72	3 180	1 578	7 years	B	665 987	6 600 000	100
Wetherlys* Silverton	Simon Vermooren Road, Silverton	Retail warehouse outlet	Freehold	Erven 2079 and 2080 Silverton Ext 42	13 824	4 217	2 years	B	1 307 555	12 300 000	100
Meadowdale Centre*	Herman Street, Meadowdale	Motor retail service	Freehold	Erven 200 and 201 Meadowdale Ext 6	18 549	8 871	12 years	B	5 354 861	48 300 000	100
Sebokeng Plaza*	Moshweshwe Street, Sebokeng South	Retail centre	Freehold	Pms 3, 4 and 7 of Erf 65558 Sebokeng Unit 10, Ext 1	24 085	11 371	7 years	B	7 540 704	53 500 000	100
Botlokwa Plaza*	N/Soekmekear Off-Ramp, Matoks	Retail centre	Freehold	Ptn 3 of Erf 510 De Kaffersdrift	49 990	6 924	3 years	B	4 135 501	39 100 000	100
2 Andrea Street*	2 Andrea Street, Reuven	Units and retail	Freehold	Erven 1 and 2 Reuven	1 099	1 123	24 years	B	467 315	3 757 192	100
66 Booysen Street*	66 Booysen Street, Reuven	Retail	Freehold	Erven 3 and 7 Reuven	2 919	3 089	38 years	B	1 005 090	8 300 000	100

Property name	Physical address	Property description and use	Freehold/Leasehold	Registered legal description	Land area m <sup>2</sup>	Building rentable area (GLA)	Approximate age of building	Building grade	Net rent for the period		Shareholding (%)
									1 October 2009 to 30 September 2010 (R)	Market valuation of shareholding (R)	
32 Mandy Road*	32 Mandy Road, Reuven	Industrial units	Freehold	Erf 116 Reuven	8 260	6 193	24 years	B	2 037 729	16 900 000	100
21 Mandy Road*	21 Mandy Road, Reuven	Industrial	Freehold	Erven 26 and 27 Reuven	1 939	1 253	24 years	B	400 300	3 300 000	100
6 Ivanseth Road*	6 Ivanseth Road, Reuven	Industrial	Freehold	Erf 95 Reuven, Ext 1	1 954	1 831	24 years	B	552 804	4 550 000	100
8 Ivanseth Road*	8 Ivanseth Road, Reuven	Industrial	Freehold	Erven 91 to 94 Reuven, Ext 1	7 444	9 252	24 years	B	1 743 592	14 450 000	100
Broad and Simmonds Streets*	11 Broad Street and 36 Simmonds Street, Park Central	Industrial	Freehold	Erven 7 to 24, and Erf 116, Park Central	18 601	18 733	24 years	B	3 619 248	30 100 000	100
Wall and London Streets*	Corner Wall and London Streets, Park Central	Industrial units	Freehold	Erf 124 Park Central	5 612	4 362	24 years	B	1 289 813	10 700 000	100
33 Amsterdam Street*	33 Amsterdam Street, Park Central	Industrial units	Freehold	Erf 50 to 56 Park Central	5 165	3 313	24 years	B	1 044 798	8 650 000	100
London Lane*	4 London Lane, Park Central	Industrial	Freehold	Erven 65 to 73 Park Central	6 254	2 706	24 years	B	850 972	7 000 000	100
Landsborough Street*	8 Landsborough Street, Park Central	Industrial	Freehold	RE of Erf 120 Park Central	6 924	4 564	24 years	B	1 033 095	8 550 000	100
Amsterdam Street*	1 Amsterdam Street, Park Central	Industrial	Freehold	Erven 88 and 89 Park Central	1 469	966	24 years	B	256 210	2 100 000	100
Ruagh Street*	1 Ruagh Street, Park Central	Industrial	Freehold	Erven 90 to 96 Park Central	6 930	3 755	20 years	B	1 178 504	9 800 000	100
Sasol Rosebank*	6-8 Stuurde Avenue, Rosebank	Offices	Freehold	Erven 195 and 196 Rosebank	7 436	6 593	22 years	B	9 141 961	96 000 000	100
Game Polokwane#	Corner Hospital and Mark Streets, Polokwane	Retail centre	Freehold	Ptn 109 of Ptn 10 and Ptn 293 of the farm Sterkloop 688 LS	37 000	15 286	22 years	A	4 177 025	34 800 000	40
Pick 'n Pay Secunda*	Tropsch Square, Nico Diedricks Street, Secunda	Large retail	Freehold	Erf 8499 Secunda Ext 1	8 263	10 127	24 years	B	2 635 306	24 500 000	50
Checkers Secunda*	Lurgi Square, Heunis Street, Secunda	Large retail	Freehold	Erf 5874 Secunda Ext 1	10 834	14 011	24 years	B	3 285 696	32 500 000	50
Secunda Village*	Lurgi Square, Heunis Street, Secunda Village	Retail	Freehold	Erf 1544 to 1547 and Erf 4790, Secunda Ext 1	5 205	6 199	24 years	B	1 836 631	17 500 000	50
Mussina Shopping Centre#	N1 National Road, Mussina	Retail	Leasehold	Erven 1636 and 1637 Messina Ext 2	11 022	4 380	14 years	B	2 853 886	28 500 000	100
Shoprite Dundee*	Corner Wilson and Beaconsfield Streets, Dundee	Retail	Freehold	Ptn 29 of Erf 642 Dundee	4 677	3 949	21 years	B	2 780 651	27 000 000	100
Trentyre Midrand*	488 16th Road, Midrand	Motor retail	Freehold	Erf 142 Randjespark Ext 65	7 997	2 204	9 years	A	830 712	8 000 000	100
Diesel Road Isando*	Diesel Road, Isando	Industrial	Freehold	Erf 215 Isando	16 759	11 300	28 years	B	3 893 042	38 800 000	100
Market Square Grahamstown*	Corner 18 Beaufort and West Streets, Grahamstown	Retail	Freehold	RE of Erf 4493 Grahamstown	27 225	8 161	22 years	B	5 537 199	58 200 000	100
York Road Mthatha*	Corner York and Sutherland Streets, Mthatha, CBD	Retail and offices	Freehold	Erf 2790 Umtata	5 482	5 248	34 years	C	5 091 716	39 700 000	100
Fort Gale Estate#	Sissons Street, Mthatha	Office	Freehold	RE of Erf 2782 Umtata	35 039	4 242	24 years	C	3 643 086	28 200 000	100
Bhunu Mall*	Corner of Ngwane, Nkoseluhlaza, Louw and Sandlane Streets Manzini, Swaziland	Retail	Freehold	Ptns 274, 280 and 356 Manzini, Swaziland	16 322	17 111	20 years	C	3 055 338	29 752 100	22,37
Evaton Plaza*	Corner Eastern and Charlson Street, Evaton West	Major retail	Freehold	Erf 14616 Evaton West	84 848	26 220	3 years	A	9 015 881	92 350 000	50

Property name	Physical address	Property description and use	Freehold/Leasehold	Registered legal description	Land area m <sup>2</sup>	Building rentable area (GLA)	Approximate age of building	Building grade	Net rent for the period		
									30 September 2010 (R)	1 October 2009 to 1 October 2010 (R)	Market valuation of shareholding (R)
Nquthu Plaza *	Manzowwandle Drive, Nquthu	Large retail	Freehold	Erf 4008 Nquthu	42 839	14 712	20 years	A	5 026 948	50 150 000	50
Village Walk Newcastle*	Corner 22 Ayliff and Harding Streets, Newcastle	Retail	Freehold	RE of Erf 13751 Newcastle	12 978	9 852	13 years	B	7 095 566	78 700 000	100
Woolworths Newcastle*	51 Allen Street, Newcastle Central	Retail	Freehold	RE of Erf 13434 Newcastle	3 614	2 721	23 years	C	893 043	9 600 000	100
Vryheid Plaza*	Corner Utrecht and Massons Streets, Vryheid	Retail	Freehold	Erf 2536 Vryheid	68 361	8 417	28 years	B	5 360 003	52 000 000	100
13 Wessels Road Rivonia*	13 Wessels Road, Rivonia	Office	Freehold	Ptn 4 of Erf 28 Edenburg	3 965	1 399	17 years	B	560 334	7 500 000	50
15 Wessels Road Rivonia*	15 Wessels Road, Rivonia	Office	Freehold	RE of Erf 28, Edenburg	3 965	1 920	24 years	B	679 779	7 650 000	50
Elston Street Benoni*	87 Elston Street, Benoni	Office	Freehold	Erven 813, 815, 816 and 818 Benoni	2 380	3 786	26 years	C	1 327 484	10 800 000	100
31 Indianapolis Street* Kyalami	31 Indianapolis Street, Kyalami	Hi-tech warehouse with office component	Freehold	SS Moneyline 755 Office Estate 328/2001 Unit 3	5774	295	6 years	B	232 300	2 300 000	100
Silver Creek Centre* Centurion	Cnr Hendrik Verwoerd, Galway and Edward Roads, Hennospark	Retail	Freehold	Erf 611 Hennospark, Ext 25	5 773	2 354	24 years	B	1 731 000	14 000 000	100
Hanover Square#	Hendrik Poigietter Road, Edendale	Office	Freehold	Ptns 18 and 19 of Erf 77 Edendale	3 966	3 111	9 years	B	2 680 892	25 300 000	100
Burry Koen Jet Park#	Burry Koen Street, Jet Park	Industrial mini units	Freehold	Erven 103, 104, 105 and 491 Jet Park	22 578	10 031	15 years	C	3 543 062	34 400 000	100
396 Voortrekker Road Parow*	396 Voortrekker Road, Parow, Cape Town	Motor retail service	Freehold	Erf 7933 Parow	6 025	5 660	24 years	B	2 877 051	27 000 000	100
619 Voortrekker Road Gezina*	619 Voortrekker Road, Gezina, Pretoria	Motor retail service	Freehold	Erf 742 Gezina	15 311	12 097	19 years	B	4 813 305	39 900 000	100
27-29 Maitland Street Bloemfontein*	27-29 Maitland Street, Bloemfontein	Round retail, upper offices	Freehold	RE of Ptn 1 of Erf 904 Bloemfontein	640	2 784	53 years	C	1 994 109	16 900 000	100
Sinoville Shopping Centre* Eden Park Drive Shortts Retreat*	Marija Street, Sinoville 24A Haworth Road, Shortts Retreat, Pietermaritzburg	Retail Industrial	Freehold Freehold	Erf 2351 Sinoville Erf 2206 Shortts Retreat	26 429 21 070	13 384 7 873	12 years 8 years	B B	7 435 088 2 078 503	56 000 000 16 150 000	100 100
Brits Office Park* City Centre* Carltonville	Kerk Street, Brits Ada Street, Carltonville	Office Retail	Freehold Freehold	Erf 2832 Brits Ptn 3 of Erf 1335 Carltonville, Ext 2	1 579 5 988	1 459 2 523	5 years 15 years	B B	783 996 1 001 797	5 800 000 7 000 000	100 100
Cunningham Street Uitenhage#	Cunningham Street, Uitenhage	Industrial	Freehold	Erf 29036 Uitenhage	37 150	20 000	15 years	A	7 355 057	56 000 000	100
563 Voortrekker Road Gezina*	563 Voortrekker Road, Gezina, Pretoria	Industrial	Freehold	Erf 705 Gezina	10 208	4 162	24 years	C+	1 239 585	9 800 000	100
308 Kent Avenue Ferndale#	308 Kent Avenue, Ferndale	Office	Freehold	Erf 956 Ferndale	4 015	5 503	7 years	B	4 658 945	40 300 000	100
11 Reedbank Crescent Corporate Park#	11 Reedbank Crescent, Randjespark	Hi-tech warehouse with offices in park environment	Freehold	Ptns 16 and 28 of Erf 210 Randjespark, Ext 72	5 769	2 810	9 years	B	942 334	8 900 000	100

Property name	Physical address	Property description and use	Freehold/Leasehold	Registered legal description	Land area m <sup>2</sup>	Building rentable area (GLA)	Approximate age of building	Building grade	Net rent for the period			Share-holding (%)
									30 September 2010 (R)	1 October 2009 to 30 September 2010 (R)	Market valuation of shareholding (R)	
Handel Road Ormonde#	5 Handel Road, Ormonde	Office	Freehold	Erf 372 Ormonde, Ext 5	20 661	6 188	12 years	B	3 474 160	31 390 000	100	
3 Mountain Ridge Road New Germany#	3 Mountain Ridge Road, New Germany	Industrial	Freehold	Ptn 3 of Erf 1228 New Germany	13 757	1 357	7 years	B	534 076	5 150 000	100	
Bryanston Ridge Office Park#	Main Road, Bryanston	Office	Freehold	Ptns 5 to 9 of Erf 803 Bryanston	13 362	2 046	12 years	B	2 050 854	20 200 000	100	
286 Sixteenth Road Randjespark#	286 Sixteenth Road, Randjespark	Industrial	Freehold	Erf 315 Randjespark, Ext 116	10 001	3 203	7 years	A	1 644 371	15 800 000	100	
Wedgfield Office Park#	17 Muswell Road South, Bryanston	Office	Freehold	Ptn 5 of Erf 47 Bryanston	2 153	851	9 years	B	790 808	8 000 000	100	
Hilston Street Kya Sands#	Hilston Street, Kya Sands	Industrial	Freehold	Erven 187, 188 and 189 Kya Sands, Ext 6	5 198	3 184	7 years	B	928 076	10 300 000	100	
456 Granite Drive Kya Sands#	456 Granite Drive, Kya Sands	Industrial	Freehold	RE of Erven 456 and 457 Kya Sands, Ext 52	5 574	2 917	7 years	B	1 713 268	15 400 000	100	
Riverside Industrial Nelspruit#	White River Road, Nelspruit	Industrial	Freehold	Erf 47 Riverside Industrial Park	3 789	1 110	4 years	B	652 473	5 900 000	100	
741 Megawatt Road Airport#	741 Megawatt Road, Airport	Industrial	Freehold	Erf 741 Spartaan, Ext 21	5 216	1 800	7 years	B	778 998	7 700 000	100	
223 Monte Carlo Crescent Kyalami #	223 Monte Carlo Crescent, Kyalami	Hi-tech warehouse with offices in park environment	Freehold	Erf 46 Kyalami Park	2 499	1 000	9 years	B	590 076	5 850 000	100	
Grand Central Shopping Centre#	Plain Road, Eerstevier	Retail	Freehold	RE of Erf 1824 and Erf 2001 Eerstevier	52 601	13 409	6 years	B	11 020 592	110 000 000	100	
7-9 Hawthorne Place Pinetown#	7-9 Hawthorne Place, Mahogany Ridge, Pinetown	Industrial	Freehold	Erf 13025 Pinetown, Ext 144	8 635	2 446	9 years	B	959 987	9 000 000	100	
21 Ashfield Avenue Springfield#	21 Ashfield Avenue, Springfield Park	Industrial	Freehold	RE of Ptn 24 of Erf 391 Springfield	3 829	2 783	7 years	B	1 039 071	10 200 000	100	
26 Jersey Drive Longmeadow#	26 Jersey Drive, Longmeadow	Hi-tech warehouse with offices in park environment	Freehold	Erf 26 Longmeadow Business Estate, Ext 1	2 274	910	5 years	B	570 697	5 800 000	100	
30 Mahogany Road Pinetown#	30 Mahogany Road, Mahogany Ridge, Pinetown	Industrial	Freehold	Erf 13079 Pinetown, Ext 144	4 229	1 863	6 years	B	639 809	6 700 000	100	
Nongoma Shopping Centre#	Main Road, Nongoma	Retail	Freehold	Erf 407 and 408 Nongoma	12 141	10 116	1 year	A	6 752 715	63 500 000	100	
<b>Total</b>					<b>1 192 319</b>	<b>578 786</b>			<b>242 444 053</b>	<b>2 209 124 292</b>		

\* Refers to transferred properties

# Refers to transferring properties

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**DETAILS OF SUBSIDIARIES OF FORTRESS**


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The following table indicates the subsidiaries of Fortress with effect from the effective date, subject to the conditions precedent to the acquisitions as set out in paragraph 4 of this prospectus being fulfilled:

<b>Subsidiary</b>	Fortress Income 1 (Proprietary) Limited
<b>Registration number</b>	2007/007982/07
<b>Date of incorporation</b>	12 March 2007
<b>Main business</b>	Investment property holding and letting
<b>Issued capital</b>	100 ordinary shares of R1,00 each
<b>Date became a subsidiary</b>	1 October 2009
<b>Effective holding</b>	100%
<b>Loan owing to Fortress</b>	R64 078 596
<b>Subsidiary</b>	Fortress Income 2 (Proprietary) Limited
<b>Registration number</b>	2009/005857/07
<b>Date of incorporation</b>	24 March 2009
<b>Main business</b>	Investment property holding and letting
<b>Issued capital</b>	100 ordinary shares of R1,00 each
<b>Date became a subsidiary</b>	1 October 2009
<b>Effective holding</b>	100%
<b>Loan owing to Fortress</b>	R632 131 995
<b>Subsidiary</b>	Fortress Income 3 (Proprietary) Limited
<b>Registration number</b>	2009/014323/07
<b>Date of incorporation</b>	24 July 2009
<b>Main business</b>	Investment property holding and letting
<b>Issued capital</b>	100 ordinary shares of R1,00 each
<b>Date became a subsidiary</b>	1 October 2009
<b>Effective holding</b>	100%
<b>Loan owing to Fortress</b>	R586 218 750
<b>Subsidiary</b>	Fortress Income 4 (Proprietary) Limited
<b>Registration number</b>	2008/023040/07
<b>Date of incorporation</b>	1 October 2008
<b>Main business</b>	Investment property holding and letting
<b>Issued capital</b>	100 ordinary shares of R1,00 each
<b>Date became a subsidiary</b>	1 October 2009
<b>Effective holding</b>	100%
<b>Loan owing to Fortress</b>	R57 600 000
<b>Subsidiary</b>	Fortress Income 5 (Proprietary) Limited
<b>Registration number</b>	2009/014236/07
<b>Date of incorporation</b>	23 July 2009
<b>Main business</b>	Investment property holding and letting
<b>Issued capital</b>	100 ordinary shares of R1,00 each
<b>Date became a subsidiary</b>	1 October 2009
<b>Effective holding</b>	100%
<b>Loan owing to Fortress</b>	R172 892 500

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## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE FORECAST INFORMATION OF FORTRESS

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"The Directors  
Fortress Income Fund Limited  
3rd Floor, Rivonia Village  
Rivonia Boulevard  
Rivonia  
6 October 2009

Dear Sirs,

### INDEPENDENT REPORTING ACCOUNTANTS AND AUDITORS' ASSURANCE REPORT ON THE FORECAST INCOME STATEMENTS OF FORTRESS INCOME FUND LIMITED ("Fortress")

We have examined the forecast income statements, the forecast vacancy profile by sector and by gross rentable area, and the forecast lease expiry profile based on existing lease agreements, as set out in paragraphs 3 and 8 of the circular (collectively, "forecast information") and the related assumptions of Fortress for the 9 month period ending 30 June 2010 and the year ending 30 June 2011, as set out in the circular to prospective Fortress unitholders to be dated on or around 6 October 2009 ("the circular").

#### DIRECTORS' RESPONSIBILITY

The directors are responsible for the forecast information, including the assumptions and notes on which it is based, and for the financial information from which it has been prepared. This responsibility, arising from compliance with the Listings Requirements of the JSE Limited, includes:

- determining whether the assumptions, barring unforeseen circumstances, provide a reasonable basis for the preparation of the forecast information;
- whether the forecast information has been properly compiled on the basis stated; and
- whether the forecast information is presented on a basis consistent with the accounting policies of the company.

#### REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to provide a limited assurance report on the forecast information prepared for the purpose of complying with the Listings Requirements of the JSE Limited and for inclusion in the circular to Fortress unitholders. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to The Examination of Prospective Financial Information and the SAICA Guideline 9/2005. This standard requires us to obtain sufficient appropriate evidence as to whether or not:

- management's best-estimate assumptions on which the forecast information is based are not unreasonable and are consistent with the purpose of the information;
- the forecast information is properly prepared on the basis of the assumptions;
- the forecast information is properly presented and all material assumptions are adequately disclosed; and
- the forecast information, is prepared and presented on a basis consistent with the accounting policies of the company for the period concerned.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and, therefore, less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

#### INFORMATION AND SOURCES OF INFORMATION

In arriving at our conclusion, we have relied upon forecast financial information prepared by management of Fortress and other information from various public, financial and industry sources.

The principal sources of information used in arriving at our conclusion are as follows:

- Management-prepared forecasts for the 9 month period ending 30 June 2010 and the year ending 30 June 2010.
- Discussions with the management of Fortress regarding the forecasts presented.
- Discussions with management of Fortress regarding the prevailing market and economic conditions.
- Discussions with the property valuers and the property managers with regard to the forecast expenses.
- Lease agreements for a sample of the leases for the Fortress properties.
- Valuation reports in respect of the Fortress prepared by the external property valuer.
- Acquisition agreements.
- Indicative debt terms from bankers.

## **PROCEDURES**

In arriving at our conclusion we have performed the following procedures:

Rental income:

- Selections were made from the forecast contracted rental income streams per the profit forecast for the Fortress properties. The total coverage obtained was 70% and 74% of the forecast contracted rental income for the 9 month period ending 30 June 2010 and the year ending 30 June 2011 respectively in respect of the forecast including both transferred and transferring properties. The total coverage obtained was 73% and 77% of the forecast contracted rental income for the 9 month period ending 30 June 2010 and the year ending 30 June 2011 in respect of the forecast excluding transferring properties.
- The rental income streams from the above sample were recalculated to ensure accuracy of the information contained in the profit forecast.
- Space that is currently empty has been excluded from the forecast except where the property manager has demonstrated that the vacant space is in the process of being let but that the lease agreement in that regard had not been signed on the date of posting the circular.
- The vacancy levels per the forecast model were compared to the historical vacancy levels in the existing Fortress properties for reasonableness. Uncontracted rental income comprises 21% and 39% of the total forecast revenue for the 9 month period ending 30 June 2010 and the year ending 30 June 2011 respectively in respect of the forecast including both transferred and transferring properties. Uncontracted rental income comprises 21% and 37% of the total forecast revenue for the 9 month period ending 30 June 2010 and the year ending 30 June 2011 in respect of the forecast excluding transferring properties.

## **EXPENSES**

For a sample of properties, forecast expenses were compared to the historical expenses. Explanations were obtained for any significant differences. The total expenses tested amounted to 44% and 46% of the total forecast expenses for the period ending 30 June 2010 and 30 June 2011 respectively in respect of the forecast including both transferred and transferring properties. The total expenses tested amount to 50% and 52% of the total expenses for the period ending 30 June 2010 and 30 June 2011 respectively in respect of the forecast excluding transferring properties.

The detailed forecast expenditure was reviewed to ensure that all material expenditure items, as required by paragraph 13.6(a) (v) of the Listings Requirements, were disclosed.

## **PORTFOLIO EXPENSES**

The forecast interest expense, property management fees and other portfolio expenses were assessed for reasonableness and, where applicable, recalculated.

## **APPLICATION OF ACCOUNTING POLICIES**

We ascertained that the existing accounting policies of Fortress have been consistently applied in the preparation of the forecast information.

## **MODEL REVIEW**

In order to ensure that the forecast model for the property income and expenses was accurate and reliable, we performed a high level review to determine the consistency and mathematical accuracy of the model.

## VACANCY PROFILE AND LEASE EXPIRY PROFILE

We reviewed each property worksheet prepared by management to ascertain that the vacancy profile and the lease expiry profile included in the model was derived from the correct sources. We compared the vacancy profile and lease expiry profile included in paragraph 3 of the circular to the vacancy profile and lease expiry profile in the model and found them to be in agreement.

## ACCURACY OF THE INFORMATION

We have relied upon and assumed the accuracy and completeness of the information provided to us in writing, or obtained through discussions from the management of Fortress. While our work has involved an analysis of historical financial information and consideration of other information provided to us, our assurance engagement does not constitute an audit or review of historical financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements.

Accordingly, we do not express an audit or review opinion thereon and assume no responsibility and make no representations in respect of the accuracy or completeness of any information provided to us, in respect of the property forecast and relevant information included in the circular of Fortress.

## CONCLUSION

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- (i) the assumptions, barring unforeseen circumstances, do not provide a reasonable basis for the preparation of the forecast information;
- (ii) the forecast information has not been properly compiled on the basis stated;
- (iii) the forecast information has not been properly presented and all material assumptions are not adequately disclosed;
- (iv) the forecast information is not presented on a basis consistent with the accounting policies of the company.

Actual results are likely to be different from the forecast, since anticipated events frequently do not occur as expected and the variation may be material; accordingly no assurance is expressed regarding the achievability of the forecast.

Our report and the conclusion contained herein is provided solely for the benefit of the board of directors of Fortress and prospective unitholders of the issuer for the purpose of their consideration of the transaction. This letter is not addressed to and may not be relied upon by any other third party for any purpose whatsoever.

## CONSENT

We consent to the inclusion of this report, which will form part of the circular, to be issued on or about 6 October 2009, in the form and context in which it will appear.

Yours faithfully

## Deloitte & Touche

*Per Patrick Kleb*  
*Partner*

Deloitte & Touche  
Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead  
2196

National Executive: G G Gelink Chief Executive, A E Swiegers Chief Operating Officer, G M Pinnock Audit, D L Kennedy Tax & Legal and Risk Advisory, L Geeringh Consulting, L Bam Corporate Finance, C R Beukman Finance, T J Brown Clients & Markets, N T Mtoba Chairman of the Board, A full list of partners and directors is available on request”.

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE PRO FORMA BALANCE SHEETS OF FORTRESS**

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"The Directors  
Fortress Income Fund Limited  
3rd Floor, Rivonia Village  
Rivonia Boulevard  
Rivonia  
14 October 2009

Dear Sirs,

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE PRO FORMA FINANCIAL INFORMATION OF FORTRESS INCOME FUND LIMITED ("Fortress")**

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in Annexure 11 of the circular dated 16 October 2009.

The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the transaction might have affected the reported historical financial information presented, had the transaction been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

**DIRECTORS' RESPONSIBILITY**

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular and for the financial information from which it has been prepared.

Their responsibility includes determining that:

- the *pro forma* financial information has been properly compiled on the basis stated;
- the basis is consistent with the accounting policies of Fortress; and
- the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

**REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to Fortress shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on *Pro Forma* Financial Information issued by SAICA.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**SOURCES OF INFORMATION AND WORK PERFORMED**

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Fortress, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the company in respect of the transaction that is the subject of the circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Fortress and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## **CONCLUSION**

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of the Section 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated,
- such basis is inconsistent with the accounting policies of Fortress, and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed'

## **CONSENT**

We consent to the inclusion of this report, which will form part of the circular, to be issued on 16 October 2009, in the form and context in which it will appear.

Yours faithfully

**Deloitte & Touche**  
**Registered Auditors**  
**Per Patrick Kleb**  
**Partner**

Deloitte & Touche  
Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead  
2196

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax, Legal and Risk Advisory L Geeringh Consulting L Bam Corporate Finance CR Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board ”

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**REVIEW OPINION ON THE ACQUISITION OF THE PROPERTIES BY FORTRESS INCOME FUND LIMITED (“Fortress”)**

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“The Directors  
Fortress Income Fund Limited  
3rd Floor, Rivonia Village  
Rivonia Boulevard  
Rivonia

14 October 2009

Dear Sirs

**REVIEW OPINION ON THE ACQUISITION OF THE PROPERTIES BY FORTRESS INCOME FUND LIMITED (“Fortress”)****INTRODUCTION**

Subject to shareholder approval, Fortress will acquire properties from a variety of companies and will apply for the listing of linked units on the JSE Limited (“the JSE”). At your request, and for the purpose of the circular of Fortress, to be dated on or about 16 October 2009 (“the circular”), we present our review report on the acquisition of these properties as detailed in the adjustment column of the unaudited *pro forma* balance sheet in compliance with the Listings Requirements of the JSE (“the JSE Listings Requirements”).

**DIRECTORS’ RESPONSIBILITY**

The directors are responsible for the compilation, contents and preparation of the adjustment column of the unaudited *pro forma* balance sheet contained in the circular. The responsibility includes determining that the assets and liabilities reflected exist and are recorded at fair value in accordance with the Company’s accounting policies and the recognition and measurement criteria of International Financial Reporting Standards and in accordance with the JSE Listings Requirements.

**REPORTING ACCOUNTANTS’ RESPONSIBILITIES**

Our responsibility is to issue a review opinion regarding the value and existence of the assets and/or liabilities, as reflected in the adjustment column in the unaudited *pro forma* balance sheet included in the circular to Fortress unitholders. We conducted our engagement in accordance with the International Standards on Review Engagements.

These standards require us to plan and perform the review to obtain moderate assurance as to whether the adjustments detailed in the *pro forma* balance sheet relating to the acquisition of the properties, are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not conducted an audit and, accordingly, we do not express an audit opinion.

**SOURCES OF INFORMATION AND WORK PERFORMED**

Our procedures consisted primarily of discussions with and examination of the work performed by the professional valuers whose report is included as Annexure 4 to the circular. In examining the work of the valuers we made enquiries of the directors and the valuers with regard to:

- the valuers’ qualifications and experience
- the valuation principles used by the valuers and whether these were the same principles used by Fortress in the preparation of their annual financial statements for the 9 month period ended 30 June 2010 and the period ending 30 June 2011 and;
- the valuers’ physical inspection of the property being acquired to confirm their existence.

We confirm that we have complied in all respects to the requirements of ISA620 Using the Work of an Expert.

Further, we made inquiry of the directors and inspected underlying documentation.

With respect to the valuation of the liabilities being acquired we have agreed all loan funding to underlying signed loan agreements with financial institutions

With respect to potential unrecorded liabilities the work performed included –

- comparison of forecasted expenses to historical property expenses and obtaining explanations of any large variances;
- discussions with property managers and enquiries of management in this regard;
- results of work performed on the underlying statutory entities from where the properties are being transferred; and
- enquiries of management of the existence of any unrecorded liabilities.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Fortress and other information from various public, financial and industry sources.

We believe the evidence obtained is sufficient and appropriate to provide a basis of our conclusion.

## **CONCLUSION**

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of section 13.16(e) of the JSE Listings Requirements that the *pro forma* balance sheet as reflected in the adjustment column:

- reflects assets and material liabilities that do not exist;
- that the assets and liabilities are not fairly valued in terms of the recognition and measurement criteria of International Financial Reporting Standards; and
- omitted any undisclosed liabilities.

The valuation of the assets does not necessarily reflect the actual value the assets would achieve in a future transaction or the actual cash flows that will arise in future. The actual cash flows that will arise in future may differ from the anticipated cash flows used for valuation purposes since anticipated events may not occur as expected and the variation may be material.

**Deloitte & Touche**  
**Registered Auditors**  
**Per Patrick Klev**  
**Partner**

Deloitte & Touche  
Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead  
2196”

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**REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF FORTRESS**

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"The Directors  
Fortress Income Fund Limited  
Fortress Income Fund Limited  
3rd Floor, Rivonia Village  
Rivonia Boulevard  
Rivonia

6 October 2009

Dear Sirs

**REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF FORTRESS INCOME FUND LIMITED ("FORTRESS")****Introduction**

We have audited the financial statements of Fortress Income Fund Limited, which comprise the statement of financial position as at 31 August 2009, a summary of significant accounting policies and other explanatory notes.

**Directors' Responsibility for the Financial Statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

**Auditor's responsibility**

Our responsibility is to express an opinion on these 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 whether the 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 auditor's 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 principles used and the reasonableness of accounting estimates made by the directors, 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 financial statements fairly present, in all material respects, the financial position of the company at 31 August 2009 in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

## **Deloitte & Touche**

*Per P Kleb*

*Partner*

Deloitte & Touche  
Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead  
2196

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax, Legal and Risk Advisory L Geeringh Consulting L Bam Corporate Finance CR Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board”

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**HISTORICAL FINANCIAL INFORMATION ON FORTRESS**


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These are extracts from the audited financial statements of Fortress and should be read in conjunction with the report provided in Annexure 9. These extracts are the responsibility of the board of Fortress.

**Nature of business**

The company is a property holding and investment company. There has been no change in the nature of the business of the company.

The company has not traded during the period.

**Loans receivable**

The company did not have any material loans receivable during the periods in question nor did they furnish any loan for the benefit of any director or manager or any associate of any director or manager.

**Borrowings**

The company does not have any material borrowings at the balance sheet date.

**Share capital**

7 "A" ordinary shares and 7 "B" ordinary shares were issued at par on incorporation.

**Subsequent events**

Other than as disclosed in this prospectus to which these financial statements are attached, no material fact or circumstance has occurred.

**FORTRESS INCOME FUND LIMITED**  
**BALANCE SHEET**  
**at 31 August 2009**

	Note	2009 R
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents		70
<b>Total assets</b>		<b>70</b>
<b>Equity and liabilities</b>		
<b>Total equity attributable to equity holders</b>		
Share capital	2	–
Share premium	2	7
<b>Non-current liabilities</b>		
Linked debentures	3	63
<b>Total equity and liabilities</b>		<b>70</b>
NAV per share (cents)		1 000

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 AUGUST 2009**

	Share capital R	Share premium R	Total R
<b>Balance at 25 August 2009</b>	–	–	–
Issue of shares	–	7	7
<b>Balance at 31 August 2009</b>	–	7	7

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 AUGUST 2009**

	2009 R
<b>Financing activities</b>	
Proceeds on linked units issued	70
Increase in cash and cash equivalents	70
Cash and cash equivalents at the beginning of the period	–
<b>Cash and cash equivalents at the end of the period</b>	<b>70</b>

Cash and cash equivalents consist of cash on hand.

**1. ACCOUNTING POLICY**

The financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies of the group are set out in **Annexure 19**.

**2. SHARE CAPITAL AND SHARE PREMIUM**

	2009 R
<i>Authorised</i>	
500 000 000 “A” ordinary shares of 1 cent each	5 000 000
500 000 000 “B” ordinary shares of 1 cent each	5 000 000
<i>Issued</i>	
7 “A” ordinary shares of 1 cent each	–
7 “B” ordinary shares of 1 cent each	–
<b>Share premium</b>	<b>7</b>

Each share is linked to a debenture, which together comprise a linked unit (see note 3).

**3. LINKED DEBENTURES**

	2009 R
Variable rate subordinated “A” debenture of R8,10 each	57
Variable rate subordinated “B” debenture of 90 cents each	6
<b>Total</b>	<b>63</b>

Total debentures in issue:

	2009 Debentures
“A” debentures	7
“B” debentures	7



4. Extracted from the audited financial statements of Fortress Income 2 at 31 August 2009;
5. Represents the consolidation of Fortress Income 2 and the purchase consideration in terms of the Resilient acquisition agreement of R665 402 100 settled as to the allotment and issue or delivery to the vendors of 63 213 200 "A" linked units at R9,00 per "A" linked unit and 63 213 200 "B" linked units at R1,00 per "B" linked unit, and the balance of the purchase price for cash in the amount of R33 270 100;
6. Extracted from the audited financial statements of Fortress Income 3 at 31 August 2009;
7. Represents the consolidation of Fortress Income 3 and the purchase consideration of the Pangbourne acquisition agreement and the Capital units acquisition agreement of R1 098 215 000 settled as to the allotment and issue or delivery to the vendors of 58 621 875 "A" linked units at R9,00 per "A" linked unit and 58 621 875 "B" linked units at R1,00 per "B" linked unit, and the balance of the purchase price for cash in the amount of R511 996 250;
8. Extracted from the audited financial statements of Fortress Income 4 at 31 August 2009;
9. Represents the consolidation of Fortress Income 4 and the purchase consideration in terms of the Ida Trust acquisition agreement of R96 000 000 settled as to the allotment and issue or delivery to the vendors of 5 760 000 "A" linked units at R9,00 per "A" linked unit and 5 760 000 "B" linked units at R1,00 per "B" linked unit, and the balance of the purchase price for cash in the amount of R38 400 000;
10. Extracted from the audited financial statements of Fortress Income 5 at 31 August 2009;
11. Represents the consolidation of Fortress Income 5 and the purchase consideration in terms of the Capital Properties acquisition agreement of R321 350 000 settled as to the allotment and issue or delivery to the vendors of 17 289 250 "A" linked units at R9,00 per "A" linked unit and 17 289 250 "B" linked units at R1,00 per "B" linked unit, and the balance of the purchase price for cash in the amount of R148 457 500;
12. Represents the private placement of 13 000 000 "A" linked units at R9,00 and 13 000 000 "B" linked units at R1,00. The cash raised will be used to reduce interest bearing borrowings;
13. Represents the issue of the incentive scheme linked units;
14. Represents the expensing of the costs of the transaction to share capital, premium and reserves; and
15. The *pro forma* balance sheet has been compiled on the assumption that all properties have been transferred by listing date notwithstanding that 30% of the properties will only be transferred as soon as possible thereafter.



9. Represents the consolidation of Fortress Income 4 and the purchase consideration in terms of the Ida Trust acquisition agreement of R96 000 000 settled as to the allotment and issue or delivery to the vendors of 5 760 000 "A" linked units at R9,00 per "A" linked unit and 5 760 000 "B" linked units at R1,00 per "B" linked unit, and the balance of the purchase price for cash in the amount of R38 400 000;
10. Extracted from the audited financial statements of Fortress Income 5 at 31 August 2009;
11. Represents the consolidation of Fortress Income 5 and the purchase consideration in terms of the Capital Properties acquisition agreement of R205 650 000 settled as to the allotment and issue or delivery to the vendors of 10 925 750 "A" linked units at R9,00 per "A" linked unit and 10 925 750 "B" linked units at R1,00 per "B" linked unit, and the balance of the purchase price for cash in the amount of R96 392 500;
12. Represents the private placement of 13 000 000 "A" linked units at R9,00 and 13 000 000 "B" linked units at R1,00. The cash raised will be used to reduce interest bearing borrowings;
13. Represents the issue of the incentive scheme linked units;
14. Represents the expensing of the costs of the transaction to share capital, premium and reserves; and
15. The pro forma balance sheet has been compiled on the assumption that 70% of the properties have been transferred by listing date.

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**CAPITAL STRUCTURE**


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**1. MAJOR UNITHOLDERS OF FORTRESS**

Set out below are the names of unitholders who were known to hold 5% or more of the issued linked units of Fortress directly, indirectly and beneficially after listing.

<b>Beneficial holder</b>	<b>Number of “A” linked units</b>	<b>Number of “B” linked units</b>	<b>% of “A” linked units in issue</b>	<b>% of “B” linked units in issue</b>
Resilient	63 213 200	63 213 200	35,8	35,8
Pangbourne	58 621 875	58 621 875	33,2	33,2
Capital	17 289 250	17 289 250	9,8	9,8
<b>Total</b>	<b>139 124 325</b>	<b>139 124 325</b>	<b>78,8</b>	<b>78,8</b>

There is no single controlling linked unitholder.

**2. AUTHORISED AND ISSUED LINKED UNIT CAPITAL**

The authorised and issued linked unit capital before the listing is as follows:

	<b>R</b>
<i>Authorised</i>	
500 000 000 “A” ordinary shares of 1 cent each	5 000 000
500 000 000 “B” ordinary shares of 1 cent each	5 000 000
<i>Issued before listing</i>	
7 “A” ordinary shares of 1 cent each	–
7 “B” ordinary shares of 1 cent each	–
Share premium	7
7 variable rate subordinated “A” debentures of R8,10 each	57
7 variable rate subordinated “B” debentures of 90 cents each	6
<b>Total</b>	<b>70</b>

The authorised and issued linked unit capital of the company after the listing and transfer of the property portfolio acquired is as follows:

	<b>R</b>
<i>Authorised</i>	
500 000 000 “A” ordinary shares of 1 cent each	5 000 000
500 000 000 “B” ordinary shares of 1 cent each	5 000 000
<i>Issued after listing</i>	
176 592 192 “A” ordinary shares of 1 cent each	1 765 922
176 592 192 “B” ordinary shares of 1 cent each	1 765 922
Share premium*	168 765 348
176 592 192 “A” debentures at R8,10 each	1 430 396 755
176 592 192 “B” debentures at 90 cents each	158 932 973
<b>Total</b>	<b>1 761 626 920</b>

\*After write-off of expenses of R4 295 000 against the share premium account

- The capital structure of Fortress will comprise equal numbers of “A” linked units and “B” linked units.
- All the authorised and issued “A” linked units are of the same class and rank *pari passu* in every respect.
- All the authorised and issued “B” linked units are of the same class and rank *pari passu* in every respect.
- The rights attaching to each of the “A” linked units and the “B” linked units is set out in **Annexure 14** which rights include, *inter alia*, preferential entitlements to distributions in the ordinary course and on winding up for “A” linked unitholders.
- The redemption rights applicable to the “A” ordinary shares and the “A” debentures as part of the “A” linked units are set out in **Annexure 14**.
- In accordance with the company’s articles of association, during any vote at any general meeting every person present in person or by proxy (or, if a body corporate, duly represented by an authorised representative) shall, on a show of hands, have one vote and, on a poll, have that proportion of the total votes in the company which the aggregate amount of the nominal value of the linked units held by that member bears to the aggregate of the nominal value of all the linked units issued to the company.
- Any variation in rights attaching to linked units will require the consent of linked unitholders in a general meeting in accordance with the company’s articles of association.
- The unissued linked units will be under the control of the directors subject to the provisions of sections 221 and 222 of the Act and the Rules and Listings Requirements of the JSE.
- The linked units of the company are not listed on any other stock exchange.
- Except as referred to in this prospectus, no offer has been made for the subscription or sale of linked units during the three year period preceding the date of issue of this prospectus.
- At the date of this prospectus, the company had no loan capital outstanding, other than as disclosed in **Annexure 16** to this prospectus.
- There have been no sub-divisions or consolidations of linked units or issues of linked units during the preceding three years to the date of issue of this prospectus. Fortress Income 1, Fortress Income 2, Fortress Income 3, Fortress Income 4 and Fortress Income 5 have issued shares on incorporation.
- Only such members that are registered in the company’s register on the day when a distribution is declared or on such other day as may be determined by the Fortress board as the last date for registration for the distribution, will be entitled to receive the distribution so declared.
- In accordance with the company’s articles of association and its debenture trust deed, if the company is liquidated, “A” unitholders will be paid out the full market value (based on a 60 day volume weighted average traded price) of their “A” linked units with any balance remaining being paid out to “B” linked unit holders.
- As the company was incorporated on 25 August 2009 with 500 000 000 authorised “A” linked units and 500 000 000 authorised “B” linked units there have been no alterations to the linked units in the three years prior to the issue of this prospectus.
- The special resolutions for the creation of the share capital and debentures of Fortress have been duly passed by the requisite majority of members. The requisite directors’ resolutions have been passed authorising the issue of the shares in Fortress.
- The following issues of linked units have occurred prior to the listing:
  - On incorporation as a public company 7 “A” linked units and 7 “B” linked units were issued at an issue price of R9,00 per “A” linked unit and at an issue price of R1,00 per “B” linked unit to various parties in order to incorporate the company;
  - On listing the following issues of linked units will occur:
    - 151 292 185 “A” linked units will be issued to the vendors at an issue price of R9,00 per “A” linked unit and 151 292 185 “B” linked units will be issued to the vendors at an issue price of R1,00 per “B” linked unit upon implementation of the acquisition;
    - 12 300 000 “A” linked units will be issued to the Fortress unit purchase trust at an issue price of R9,00 per “A” linked unit and 12 300 000 “B” linked units will be issued to the Fortress unit purchase trust at an issue price of R1,00 per “B” linked unit; and
    - 13 000 000 “A” linked units will be issued to selected investors pursuant to the private placement at an issue price of R9,00 per “A” linked unit and 13 000 000 “B” linked units will be issued at to selected investors pursuant to the private placement at an issue price of R1,00 per “B” linked unit.

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## SALIENT FEATURES OF THE FORTRESS UNIT PURCHASE TRUST

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Djurk Venter and Nontando Thelma Kunene have been appointed as the first trustees of the Fortress Unit Purchase Trust. A summary of the principal terms of the Fortress Unit Purchase Trust is set out below. This summary does not purport to be exhaustive of the Fortress Unit Purchase Trust. For a full appreciation of the Fortress Unit Purchase Trust, one should refer to the full text of the Fortress Unit Purchase Trust Deed which is available for inspection at the registered office of the company with effect from the date of the issue of this prospectus up to and including the date on which the offer closes.

### 1. RATIONALE FOR THE SCHEME

The Fortress Unit Purchase Trust is intended as an incentive to employees to promote the continued growth of the company by giving them an opportunity to acquire linked units therein.

### 2. PARTICIPANTS

Employees shall be eligible to participate in the Fortress Unit Purchase Trust if offers are made to and are accepted by them. An “employee” means anyone (including any executive director) engaged, whether directly or indirectly, in the business of the company or any of its subsidiaries who is entitled, in terms of any provision of the Companies Act, to purchase linked units from a trust such as is referred to therein.

### 3. SCHEME ALLOCATION

The directors may offer linked units to the trustees (and simultaneously instruct and authorise the trustees in writing to offer such linked units to employees named in the offer (“offerees”) which when added to the number of linked units then issued under the scheme does not exceed the scheme allocation (being the 100 000 000 linked units in number in the company). Such linked units shall be offered as detailed below.

### 4. OFFERS

The directors of the company may from time to time direct trustees to offer linked units and grant credit to offerees. The maximum number of linked units under the scheme in respect whereof any one offeree shall be entitled to accept an offer shall be 30 000 000 linked units in number in the company.

The limit shall be adjusted in such manner as the auditors certify to be in their opinion fair and reasonable as a result of the subdivision or consolidation of linked units or the issue of additional linked units, whether by way of capitalisation of the company’s profits and/or reserves or a rights issue.

An offer shall be made at the purchase price determined as at the date the offer is made to an offeree (“offer date”) at a price based on the volume weighted average price of a linked unit (as shown by the official price list published by the JSE Limited) on the trading day immediately preceding the offer date less 5%.

The trustees shall on the written direction of the directors extend credit to an offeree in such amount as shall be notified in such written direction to enable the beneficiary to pay the purchase price for the linked units accepted (“the linked unit debt”). The terms and conditions of such credit shall be determined by the directors but shall include *inter alia* that the linked unit debt shall be secured by the pledge of the linked units for which credit was granted. Interest shall accrue on the linked unit debt at a rate per annum equal to the average cost of debt funding of the company and its subsidiaries or as determined by the directors of the company from time to time and distributions made in respect of the relevant linked units shall be allocated towards the interest. If any interest remains payable by the beneficiary, such interest shall be immediately payable by the beneficiary.

As and when repayment of the linked unit debt in whole or in part occurs, the beneficiary shall be entitled to the release of the relevant number of linked units from pledge to which that linked unit debt which has been repaid relates.

The linked unit debt may be repaid at any time by the employee but not later than 10 years from the granting of the linked unit debt.

If a beneficiary ceases to be an employee by reason of death; by reason of serious incapacity, disability or retirement; by reason of the dismissal of such employee on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct; or by reason of resignation then, in respect of those of the beneficiary’s linked units which have been purchased

and which have linked unit debt outstanding in respect thereof on the date of termination (“the termination date”), the linked unit debt outstanding in respect of such linked units shall become payable within 12 months, three months; 30 days and 30 days respectively after the termination date. As soon as the linked unit debt has been paid in full, those linked units shall immediately be released from pledge or other security.

The trustees shall have the right and shall be obliged (with the right to make such reasonable extensions as they in their discretion deem fit) to demand payment of the linked unit debt outstanding in respect of any linked units under the scheme then outstanding, at any time after the expiration of 10 years from the relevant offer date it being recorded that all monies received by the trust on account of the linked unit debt thereon, whether in terms hereof or otherwise, shall be appropriated towards the linked unit debt.

#### **5. RIGHTS ATTACHING TO LINKED UNITS**

All “A” linked units and “B” linked units awarded under the terms and conditions of the Fortress Unit Purchase Trust shall rank *pari passu* with all other issued “A” linked units and “B” linked units, as the case may be, of the company.

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## SALIENT FEATURES OF THE ARTICLES OF ASSOCIATION OF THE COMPANY AND EACH OF ITS SUBSIDIARIES

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### APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

Extracts from the Articles of Association and the Memorandum of Association of the company providing for the appointment, qualification, remuneration and borrowing powers, interests of directors and dividends are set out below:

#### “ISSUE OF SHARES AND VARIATION OF RIGHTS

- 3.1 Subject to any relevant provisions of the Memorandum of the company and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares in the company, any shares whether in the initial or in any increased capital may be issued with such preferred, deferred, or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the company may from time to time determine provided however that there shall be no restriction on the transfer of shares. Preference shares may be issued and existing shares may be converted into preference shares on the basis that they are, or at the option of the company are liable, to be redeemed on such terms and in such manner as shall be prescribed in these Articles or the resolution authorising or effecting such issue or conversion.
- 3.2 With the prior approval of the company in general meeting, which for the avoidance of doubt shall be a combined general meeting of all members, subject to the Statutes and the approval of the Issuer Services Division of the JSE (where necessary) and Articles 3.3, 3.4, 3.5 and 3.6 any securities in the company authorised but unissued from time to time may be issued by the directors to such person or persons on such terms and conditions and with such rights or restrictions attached thereto as the directors may determine provided however that there shall be no restriction on the transfer of securities. Securities in the company which are authorised but unissued shall be offered to the existing members pro rata to their shareholding in the company, unless –
- 3.2.1 otherwise empowered by a general meeting of members; or
- 3.2.2 issued for the acquisition of assets.
- 3.3 An ordinary share in the share capital of the company designated as an “A” ordinary share shall only be issued simultaneously with an “A” debenture issued in terms of the debenture trust deed entered into between the trustee for the holders of debentures in the company for the time being and the company as amended from time to time and such “A” ordinary share shall only be sold or otherwise disposed of together with such “A” debenture as an “A” linked unit.
- 3.4 An ordinary share in the share capital of the company designated as an “A” ordinary share shall on a winding up or liquidation of the company rank, as regards return of capital, in an amount equal to the par value of such “A” ordinary share before any other ordinary share in the company.
- 3.5 The “A” ordinary shares shall be redeemable as part of the “A” linked units, notwithstanding the date on which any of the “A” linked units are issued, by ordinary resolution of “A” and “B” shareholders in a combined general meeting approving the redemption of the “A” ordinary shares (subject to not less than 75% of the votes exercisable by the holders of “A” and “B” debentures present in person or by proxy or representative and entitled to vote at such combined meeting being cast in favour thereof) which resolution may only be passed after the expiry of the fifth anniversary of the first issue of “A” linked units under the provision of these Articles read together with the debenture trust deed. In the event of the requisite resolution of “A” and “B” shareholders being passed by the requisite majority at a combined general meeting, each “A” and “B” shareholder, shall in addition to voting on that resolution in his capacity as an “A” or “B” shareholder, as the case may be, be deemed to have voted as an “A” or “B” debenture holder in respect of the redemption of the “A” debentures as part of the “A” linked units under the terms and conditions of the debenture trust deed, without the requirement for convening a separate combined debenture holder meeting for that purpose. The “A” linked units shall be redeemed by the company at the volume weighted average sales price of an “A” linked unit (as shown by the official price list published by the JSE) over the 60 (sixty) trading days immediately preceding the date on which the notice to unitholders convening the relevant combined general meeting is issued on the basis that the “A” debentures and the “A” shares shall be redeemed at at least their respective nominal values

and any differential between the aggregate amount of the nominal values of the “A” share and the “A” debenture and the volume weighted average sales price of an “A” linked unit shall be apportioned either to the value of the “A” share or to the value of the “A” debenture, as the board of directors may determine at the relevant time in their sole and absolute discretion. The share premium account may be applied by the company in providing for the premium payable on redemption of the “A” shares. The board of directors shall determine whether any redemption so made by the company shall have the effect of cancelling the “A” shares redeemed.

- 3.6 An ordinary share in the share capital of the company designated as a “B” ordinary share shall only be issued simultaneously with a “B” debenture issued in terms of the debenture trust deed entered into between the trustee for the holders of debentures in the company for the time being and the company as amended from time to time and such “B” ordinary share shall only be sold or otherwise disposed of together with such “B” debenture as a “B” linked unit.
- 3.7 An “A” ordinary share linked to an “A” debenture shall only be issued contemporaneously with the issue of a “B” ordinary share linked to a “B” debenture in the ratio of 1:1. However, an “A” ordinary share linked to an “A” debenture and a “B” ordinary share linked to a “B” debenture need not be issued to the same person and once issued the “A” linked units and the “B” linked units may be sold or disposed of separately.
- 3.8 All or any of the rights, privileges or conditions for the time being attached to any class of shares for the time being forming part of the share capital of the company may (unless otherwise provided by the terms of issue of the shares of that class) whether or not the company is being wound up, be varied in any manner with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a resolution passed in the same manner as a special resolution of the company at a separate general meeting of the holders of the shares of that class, provided that, no resolution either converting “A” ordinary shares to “B” ordinary shares or *vice versa* and/or de linking the “A” ordinary shares and “B” ordinary shares from “A” debentures and “B” debentures and allowing same to be sold or disposed of independently shall be of any force or effect, unless with the aforesaid consent or resolution of both the holders of the “A” ordinary shares and the “B” ordinary shares. The provisions of these Articles relating to a general meeting shall *mutatis mutandis* apply to any such separate general meeting except that –
- 3.8.1 the necessary quorum shall be a member or members of the class present in person, or represented by proxy and holding in excess of 50% of the capital paid or credited as paid on the issued shares of that class;
- 3.8.2 if at any adjourned meeting of such holders a quorum as above defined is not present, those holders who are present shall be a quorum; and
- 3.8.3 any holder of shares of the class present in person or represented by proxy may demand a poll and, on a poll, shall have 1 vote for each share of the class of which he is the holder.
- 3.9 No person shall be recognised by the company as holding any share upon any trust, and no notice of any trust expressed or implied or constructive shall be entered in the register or be receivable by the company, and the company shall not, except only as otherwise provided by these Articles or by the Statutes or by any order of a Court of competent jurisdiction, be bound by or compelled in any way to recognise any equitable, contingent, future, partial or representative interest in any share or any right in or in respect of any share other than an absolute right to the entirety thereof in the registered holder and such other rights in case of transmission thereof as are hereinafter mentioned.”

## “DIRECTORS

- 13.1 Until otherwise determined by a meeting of members, the number of directors shall not be less than 4.
- 13.2 The directors shall have power at any time and from time to time to appoint any person as a director, either to fill a casual vacancy or as an addition to the board, but so that the total number of the directors shall not at any time exceed the maximum number fixed. Subject to the provisions of Article 16.2, any person appointed to fill a casual vacancy or as an addition to the board shall retain office only until the next following annual meeting of the company and shall then retire and be eligible for re-election.
- 13.3 The appointment of a director shall take effect upon compliance with the requirements of the Statutes.
- 13.4 The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the company at any meeting of members and unless and until so fixed no qualification shall be required.
- 13.5 The remuneration of the directors shall from time to time be determined by the company in general meeting.

- 13.6 The directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the company, and in attending meetings of the directors or of committees thereof, and if any director shall be required to perform extra services or to go or to reside abroad or otherwise shall be specially occupied about the company's business, he shall be entitled to receive a remuneration to be fixed by a disinterested quorum of the directors which may be either in addition to or in substitution for the remuneration provided for in Article 13.5.
- 13.7 The continuing directors may act, notwithstanding any casual vacancy in their body, so long as there remain in office not less than the prescribed minimum number of directors duly qualified to act; but if the number falls below the prescribed minimum, the remaining directors shall not act except for the purpose of filling such vacancy or calling general meetings of shareholders.
- 13.8 A director shall cease to hold office as such:
- 13.8.1 if he becomes insolvent, or assigns his estate for the benefit of his creditors, or suspends payment or files a petition for the liquidation of his affairs, or compounds generally with his creditors; or
- 13.8.2 if he becomes of unsound mind; or
- 13.8.3 if (unless he is not required to hold a share qualification) he has not duly qualified himself within 2 months of his appointment or if he ceases to hold the required number of shares to qualify him for office; or
- 13.8.4 if he is absent from meetings of the directors for 6 consecutive months without leave of the directors and is not represented at any such meetings during such 6 consecutive months by an alternate director and the directors resolve that the office be vacated, provided that the directors shall have power to grant any director leave of absence for any or an indefinite period; or
- 13.8.5 if he is removed under Article 13.16; or
- 13.8.6 1 month or, with the permission of the directors earlier, after he has given notice in writing of his intention to resign; or
- 13.8.7 if he shall pursuant to the provisions of the Statutes be disqualified or cease to hold office or be prohibited from acting as director.
- 13.9 The company and the directors shall comply with the provisions of the Statutes with regard to the disclosure of the interests of directors in contracts or proposed contracts; subject thereto, no director or intending director shall be disqualified by his office from contracting with the company, either with regard to such office or as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the company, in which any director shall be in any way interested, be or be liable to be avoided, nor shall any directors so contracting or being so interested be liable to account to the company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established.
- 13.10 No director shall, as a director, vote in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote, his vote shall not be counted, nor shall he be counted for the purpose of any resolution regarding the same in the quorum present at the meeting. These prohibitions shall include, but not be limited to –
- 13.10.1 any contract or dealing with a company or partnership or corporation of which all of the directors of the company are directors, members, managers, officials or employees or otherwise interested;
- 13.10.2 any contract by or on behalf of the company to give to all the directors any security by way of indemnity or in respect of advances made by them;
- 13.10.3 any contract to subscribe for or to underwrite or sub-underwrite any shares in or debentures or obligations of the company or any company in which the company may in any way be interested;
- 13.10.4 any resolution to allot shares in or debentures or obligations of the company to any director of the company or to any matter arising out of or consequent upon any such resolution;
- 13.10.5 any contract for the payment of commission in respect of the subscription for such shares, debentures or obligations.

The above prohibitions may at any time or times be suspended or relaxed to any extent by the company in general meeting.

- 13.11 A director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat any other director is appointed to hold any office or place of profit under the company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement notwithstanding that at such meeting his own appointment or an arrangement in connection therewith is a matter before the board of directors.
- 13.12 Any general notice given to the directors of the company by a director to the effect that he is a member of a specified company or firm shall comply with the provisions of the Statutes.
- 13.13 For the purpose of this Article an alternate director shall not be deemed to be interested in any contract or arrangement merely because the director for whom he is an alternate is so interested.
- 13.14 Nothing in this Article contained shall be construed so as to prevent any director as a member from taking part in and voting upon all questions submitted to a general meeting whether or not such director shall be personally interested or concerned in such questions.
- 13.15 A director may be employed by or hold any office of profit under the company or under any subsidiary company in conjunction with the office of director, other than that of auditor of the company or of any subsidiary company, and upon such terms as to appointment, remuneration and otherwise as the directors may determine, and any remuneration so paid may be in addition to the remuneration payable in terms of Article 13.5 or 13.6 : Provided that the appointment of a director in any other capacity in the company and his remuneration must be determined by a disinterested quorum of directors.
- 13.16 Subject to the provisions of the Statutes, a majority of directors may remove a director at a directors meeting before the expiration of his period of office and by an ordinary resolution elect another person in his stead. The person so elected shall hold office until the next following annual meeting of the company and shall then retire and be eligible for re-election.”

#### **“ALTERNATE DIRECTORS**

- 19.1 Any director shall have the power to nominate another person approved by the board to act as alternate director in his place during his absence or inability to act as such director, and on such appointment being made, the alternate director shall, in all respects, be subject to the terms and conditions existing with reference to the other directors of the company. A person may be appointed as alternate to more than one director. Where a person is alternate to more than one director or where an alternate director is a director, he shall have a separate vote, on behalf of each director he is representing in addition to his own vote, if any.
- 19.2 The alternate directors, whilst acting in the place of the directors who appointed them, shall exercise and discharge all the duties and functions of the directors they represent. The appointment of an alternate director shall cease on the happening of any event which, if he were a director, would cause him to cease to hold office in terms of these Articles or if the director who appointed him ceases to be a director, or gives notice to the secretary of the company that the alternate director representing him shall have ceased to do so. An alternate director shall look to the director who appointed him for his remuneration.
- 19.3 The alternate directors, whilst acting in the place of the directors who appointed them, shall exercise and discharge all the duties and functions of the directors they represent. The appointment of an alternate director shall cease on the happening of any event which, if he were a director, would cause him to cease to hold office in terms of these Articles or if the director who appointed him ceases to be a director, or gives notice to the secretary of the company that the alternate director representing him shall have ceased to do so. An alternate director shall look to the director who appointed him for his remuneration.”

#### **“BORROWING POWERS**

- 12.1 Subject to Articles 12.2 and 12.3, the directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured) and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the company or of any third party.
- 12.2 For the purpose of the provisions of Article 12.1 and subject to Article 12.3, the aggregate capital amount borrowed by the company shall be limited to an amount equal to 65% of the director’s bona fide valuation of the income producing assets of the company from time to time provided that:

- 12.2.1 for purposes of determining such valuation, income producing assets owned by the company subsidiary shall be deemed to be owned by the company;
  - 12.2.2 the company shall be deemed to have incurred any liabilities of the subsidiaries relating thereto;
  - 12.2.3 any debentures issued by the company and linked to the ordinary shares of the ordinary company shall be excluded from the amount of the debt of the company and its subsidiaries for the purposes thereof;
  - 12.2.4 if the aggregate total of borrowings exceed 65% of the market value of the company and its subsidiaries assets due to a decrease in the value of the assets of a company and its subsidiaries, *inter alia*, as a result of a general or specific decrease in the market value of the company's income producing assets, the company shall not incur any further borrowings until such time as the aggregate of the borrowings by the company and its subsidiaries with less than 65% if the market value of the company and its subsidiaries and assets valued in accordance with this Article 12.2. The company need not however take proactive steps such as disposing of the company's assets to repay debt and reduce borrowings to below 65% unless the members resolve accordingly in general meeting.
- 12.3 Notwithstanding the limitations in Article 12.2, the company may borrow:
- 12.3.1 an amount equal to 3% of the income producing assets as working capital, for operating expenses, acquisitions or part acquisition of the movable property or other assets or invasions, extensions or any other purpose approved of by the directors; and
  - 12.3.2 in excess of the limitations provided in Article 12.2 during the period prior to listing of the linked units of the company on the JSE until the end of the first financial year after the date of such listing.”

#### **“MANAGING DIRECTORS**

- 16.1 The directors may from time to time appoint one or more of their number to be managing director or joint managing directors of the company or to be the holder of any other executive office in the company, including for the purposes of these Articles the office of chairman (subject to the JSE Listings Requirements) and may, subject to any contract between him or them and the company, from time to time terminate his or their appointment and appoint another or others in his or their place or places.
- 16.2 A managing director or executive director:
- 16.2.1 may be appointed by contract for such period as may be determined by the board;
  - 16.2.2 shall be subject to retirement by rotation and shall not be taken into account in determining the rotation of retirement of directors;
  - 16.2.3 shall be eligible for reappointment at the expiry of any period of appointment;
  - 16.2.4 subject to the terms of his contract, he shall be subject to the same provisions as to removal as the other directors and if he ceases to hold the office of director from any cause he shall ipso facto cease to be an executive director.
- 16.3. A director appointed in terms of the provisions of Article 16.1 to the office of managing director of the company, or to any other executive office in the company, may be paid in addition to the remuneration payable in terms of Article 13.5 or 13.6, such remuneration – not exceeding a reasonable maximum in each year – in respect of such office as may be determined by a disinterested quorum of the directors.
- 16.4 The directors may from time to time entrust and confer upon a managing director or other executive officer for the time being such of the powers and authorities vested in them as they think fit, and may confer such powers and authorities for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient and they may confer such powers and authorities either collaterally with, or to the exclusion of, and in substitution for, all or any of the powers and authorities of the directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers and authorities. A managing director appointed pursuant to the provisions hereof shall not be regarded as an agent or delegate of the directors and, after powers have been conferred upon him by the directors in terms hereof, he shall be deemed to derive such powers directly from this Article.”

## **“POWERS OF DIRECTORS**

- 20.1 The management of the company shall be vested in the directors who, in addition to the powers and authorities by these Articles expressly conferred upon them, may exercise all such powers, and do all such acts and things, as may be exercised or done by the company and are not hereby or by the Statutes expressly directed or required to be exercised or done by the company in general meeting (including without derogating from the generality of the foregoing or from the rights of the members, the power to resolve that the company be wound up), but subject nevertheless to such management and control not being inconsistent with these Articles or with any resolution passed at any general meeting of the members in accordance therewith; but no resolution passed by the company in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the directors by any other Article.
- 20.2 It is hereby declared pursuant to the provisions of the Statutes that although the directors shall have power to enter into a provisional contract for the sale or alienation of the undertaking of the company, or the whole or the greater part of the assets of the company, such provisional contract shall become binding on the company only in the event of the specific transaction proposed by the directors being approved by a resolution passed by the company in general meeting.
- 20.3 The directors shall have power to delegate to any person or persons any of their powers and discretions and to give to any such person or persons power of sub-delegation.
- 20.4 Without in any way limiting or restricting the general powers of the directors to grant pensions, allowances, gratuities and bonuses to officers or ex-officers, employees or ex-employees of the company or the dependants of such persons, it is hereby expressly declared that the directors may from time to time without any further sanction or consent of the company in general meeting, but subject to the Statutes, grant pensions, gratuities or other allowances to any person or to the widow or dependants of any deceased person in respect of services rendered by him to the company as managing director, executive director, general manager or manager, or in any other office or employment under the company, notwithstanding that he may continue to be or be elected a director or may have been a director of the company, of such amounts, for such period, whether for life or for a definite period or for a period terminable on the happening of any contingency or event, and generally upon such terms and conditions as the directors in their discretion may from time to time think fit. For the purpose of this Article, the expression “executive director” shall mean a director appointed to an executive office in the company and receiving in addition to his fees as a director salary or remuneration for additional services whether under a service agreement or otherwise. The directors may authorise the payment of such donations by the company to such religious, charitable, public or other bodies, clubs, funds or associations or persons as may seem to them advisable or desirable in the interests of the company.”

## **“DIVIDENDS AND OTHER PAYMENTS TO MEMBERS**

- 33.1 Subject to the provisions of the Statutes, the company may make payments to its members from time to time.
- 33.2 The company in general meeting (subject to obtaining the declaration of the directors referred to in Article 33.3) or the directors, may from time to time determine a dividend (provided that the company in general meeting may not declare a larger dividend than that declared by the directors) or other payment to be made to the members, registered as such as at a date subsequent to the date of declaration or date of confirmation of the dividend whichever is the later, in such manner as the company in general meeting or the directors, as the case may be, may determine and direct at the time of declaration, including, without limiting the foregoing, that a payment shall be made by distribution of specific assets or in a specific currency (and if the latter the date of conversion of the currency in which the dividend or other payment is approved, into such other currencies). If any difficulty arises in regard to any payment, the directors may settle same as they consider appropriate.
- 33.3 The declaration of the directors as to whether –
- 33.3.1 the company is, or would be after the payment able to pay its debts as they become due in the ordinary course of business;
- 33.3.2 the consolidated assets of the company, fairly valued would, after the dividend or other payment, not be less than the consolidated liabilities of the company,
- shall be conclusive as regards the company in general meeting declaring a dividend or making any other payment to members.

- 33.4 No notice of change of address or instructions as to payment given after the last day to trade for a dividend or other payment by the company in general meeting or the directors, shall become effective until after the dividend or other payment has been made, unless the company in general meeting or the directors so determine at the time the dividend or other payment is approved.
- 33.5 All unclaimed dividends or other payments to members as contemplated in this Article may be invested or otherwise be made use of by the directors for the benefit of the company until claimed, provided that any dividend remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable may be forfeited by resolution of the directors for the benefit of the company.
- 33.6 The company shall be entitled at any time to delegate its obligations to any member in respect of unclaimed dividends or other unclaimed payments to any one of the company's bankers from time to time.
- 33.7 Unless the Statutes or these Articles require a resolution to be passed by the company in general meeting to authorise the reduction by the company of its share capital, stated capital and any capital redemption reserve fund or any share premium account, the directors shall have the power, to the extent necessary, to resolve that the company reduce its share capital, stated capital and any capital redemption reserve fund or any share premium account, whether accompanied by a payment to members as contemplated in this Article 33, or without any payment to members."

#### **“WINDING UP**

If the company shall be wound up, whether voluntarily or otherwise, the liquidator shall, after the settlement of claims to creditors, make payment to the holders of “A” ordinary shares and “B” ordinary shares as follows:

Firstly:

- 28.1 Each of the holders of “A” ordinary shares shall be entitled to receive an amount equal to the volume weighted average sales price of an “A” linked unit (as shown by the official price list published by the JSE) over the 60 (sixty) trading days immediately preceding the date of publication of any announcement detailing the event/s relating to such winding up on the basis that that price shall be apportioned as to –
- 28.1.1 The nominal value of the “A” debentures held by him as set out in the debenture trust deed; plus
- 28.1.2 Interest on the “A” debentures held by him calculated on a daily basis from the day following the last due date for interest which has been paid to the date of repayment (both dates inclusive) as set out in the debenture trust deed; plus
- 28.1.3 The nominal value of the “A” ordinary shares held by him; plus
- 28.1.4 The remaining value to any of the “A” debenture, “A” ordinary share or otherwise as the directors may determine in their sole and absolute discretion;

Thereafter:

- 28.2 Each of the “B” debenture holders shall be entitled to receive any surplus of such monies available for distribution on the basis that those monies shall be apportioned as to –
- 28.2.1 The nominal value of the “B” debentures held by him as set out in the debenture trust deed; plus
- 28.2.2 Interest on the “B” debentures held by him calculated on a daily basis from the day following the last due date for interest which has been paid to the date of repayment (both dates inclusive) as set out in the debenture trust deed; plus
- 28.2.3 The nominal value of the “B” ordinary shares held by him; plus
- 28.2.4 The remaining value to any of the “B” debenture, “B” ordinary share or otherwise as the directors may determine in their sole and absolute discretion.”

## “CONDITIONS

Any special conditions which apply to the company and the requirements, if any, additional to those prescribed in the act for their alteration are:

There are no special conditions which apply to the company.”

The provisions of the articles of association of each of the company’s subsidiaries with regard to the qualification of directors, remuneration of directors and any power enabling the directors to vote remuneration to themselves or any members of the board is set out below.

“12.4 The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the company at any meeting of members and unless and until so fixed no qualification shall be required.”

“12.5 The remuneration of directors shall from time to time be determined by the company in general meeting.”

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## SALIENT FEATURES OF THE DEBENTURE TRUST DEED

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Alden Michael John Pinnock has been appointed as the first trustee of the debenture trust deed. Extracts from the debenture trust deed of the company providing for the appointment, qualification, remuneration, borrowing powers, interests of trustees and interest payments are set below.

### “CESSATION OF OFFICE OF TRUSTEE AND APPOINTMENT OF NEW TRUSTEE

- 17.1 The trustee shall remain in office until he/it ceases to hold office in terms of clause 17.2.
- 17.2 The trustee shall cease to hold office if:
- 17.2.1 he/it resigns, having given at least 60 business days’ written notice to the company in the manner prescribed in clause 20. Such resignation shall be effective without any leave of any Court or any other person. At the expiration of such period of notice the trustee shall be discharged from the trusts hereof and shall not be responsible for any loss or costs occasioned by its resignation; or
- 17.2.2 he/it is wound up or placed under judicial management, whether provisionally or finally; or
- 17.2.3 he/it becomes disqualified in law to hold the office of trustee; or
- 17.2.4 he/it is removed from office by a debenture ordinary resolution; or
- 17.2.5 being a natural person, his estate is provisionally or finally sequestrated or surrendered as insolvent or his person or property is placed under curatorship.
- 17.3 Upon the termination of office of a trustee, the company shall immediately notify the debenture holders and nominate a new trustee, which nomination shall be approved by debenture holders at a meeting convened as an ordinary meeting, by a debenture ordinary resolution, within three months of termination of such office or such additional period as may be reasonable in the circumstances. In the event of the company failing, within a reasonable time, to nominate a person approved by debenture holders, the debenture holders may themselves, by debenture ordinary resolution, make such appointment.
- 17.4 Upon the appointment of a trustee in place of a former trustee, the new trustee shall, by notice in writing to the company, signify its acceptance of the appointment and shall thereafter be vested with all the rights, powers, authorities and privileges and be subject to all the trusts and obligations set out in this deed, as if it had originally been appointed trustee, other than any liability for breach of trust by any former trustee.”

### “TRUSTEE’S FEES

- 16.1 In consideration for the services to be rendered by the trustee to the company in terms of this deed, the trustee shall be entitled to such fee as is agreed between the company and the trustee from time to time.
- 16.2 In addition to the aforementioned fees, the company shall pay the trustee:
- 16.2.1 a reasonable fee for arranging and attending meetings of debenture holders (unless requisitioned by or otherwise called at the instance of the debenture holders);
- 16.2.2 for undertaking exceptional work not normally undertaken by trustees; and
- 16.2.3 all travelling and other expenses and disbursements of any nature which the trustee may reasonably incur in carrying out his duties in terms hereof (notwithstanding the appointment of a liquidator or any judgment which the trustee or one or more of the debenture holders may obtain).”

### “DISTRIBUTABLE EARNINGS

- 6.1 Subject to clause 6.1.2, each debenture in issue on a record date shall confer on the holder thereof the right to receive interest in respect of the income period concerned on the basis set out in clause 7.3 in the case of “A” debentures and on the basis set out in clause 7.4 in the case of “B” debentures (unless otherwise agreed between the company and the relevant debenture holder/s). Interest shall:

- 6.1.1 be paid by no later than 3 (three) months after the designated date in question or if the debentures are listed on the JSE or on any other exchange, such shorter period prescribed in terms of the JSE Listings Requirements or the regulations applicable to any other exchange on which the debentures are listed; and
- 6.1.2 be an aggregate amount equivalent to not less than 99,9% of the distributable earnings for the income period concerned. For the purposes of the above, the distributable earnings (“DE”) for the income period concerned shall be determined in accordance with the following formula:

$$\mathbf{DE = PBT - T - S}$$

Where:

DE = the distributable earnings for the income period concerned;

PBT = the profits of the company before taxation and before distributions to linked unitholders determined in accordance with the applicable accounting standards and then adjusted to eliminate capital profits and capital losses and to reverse all non-cash items (other than accruals for short-term receivables and payables) brought to account in the determination of PBT, which non-cash items may include, for example:

- the straight-lining of leases;
- the revaluation of any property or other investments;
- air value adjustments to issued linked units, investments and derivatives;
- the write-off, amortisation or impairment of any intangible asset including goodwill;

T = any normal taxation (including deferred taxation) relating to the income period concerned, but excluding any normal taxation in respect of capital profits or losses, non-cash items eliminated from PBT for purposes of the above formula, and any PBT not distributed as DE;

S = secondary tax on companies (“STC”) or the like.

In the event of the directors being in any doubt as regards the determination of the distributable earnings for the income period in question, the directors shall refer the matter to an appropriate independent advisor appointed by the board, acting as expert and not as arbitrator, whose decision shall be final and binding, in the absence of manifest error, on the board. In the event of a dispute as to the appropriateness of the advisor, the chairman of the board shall determine the advisor.

- 6.2 The directors of the company shall for the purposes of calculation, be entitled in their discretion (subject to the statutes and, if the linked units, debentures and/or ordinary shares are listed on the JSE or any other exchange, the JSE Listings Requirements or the regulations applicable to the relevant exchange) to ignore or round off downward fractions of a cent in effecting payment of any interest on the debentures.
- 6.3 If the company changes the date upon which its financial year ends, the company shall be and it is hereby authorised to change the dates by reference to which the record dates are determined and the dates from which interest is calculated, falls due, accrues and/or becomes payable, provided that:
- 6.3.1 the rights of the debenture holders to interest on their debentures shall not be diminished or adversely affected by such changes;
- 6.3.2 the changes are approved by the trustee, which approval shall not unreasonably be withheld or delayed; and
- 6.3.3 the company shall forthwith notify debenture holders of the changes made by notice in terms of clause 20 or, if the linked units, debentures and/or ordinary shares are listed on an exchange, on SENS (if listed on the JSE) or on any other news service of the relevant exchange, and in such other manner prescribed by the relevant exchange.
- 6.4 Only debenture holders registered as such on a relevant record date shall be entitled to the payment of interest. In that regard, to the extent that the linked units, debentures and/or ordinary shares are listed on an exchange:
- 6.4.1 the company shall, not less than fifteen business days before any record date (or such shorter period as may be permitted or prescribed by the JSE and/or the relevant exchange), publish a notice of such record date on SENS and/or on any other news service of the relevant exchange and in at least one English Johannesburg daily newspaper and such other publications as may be required by the JSE or the relevant exchange on which the debentures are listed, provided that if the JSE or such other exchange dispenses with any such notice requirement, the company shall also, with the consent of the trustee, be entitled to dispense therewith; and

6.4.2 provided that the prior written approval of the JSE (or the relevant exchange on which the debentures are listed) has been obtained, the directors of the company may, in their sole discretion, close the register for a period not exceeding ten business days subsequent to each record date.

6.5 Any interest not paid on the due date therefor, shall bear interest from such date up to the date of payment (excluding date of payment), calculated and compounded on a daily basis at the prime rate plus 2%.”

#### “ISSUE OF DEBENTURES

3.1 The directors of the company may by resolution and subject to clauses 3.1 to 3.6 (both inclusive), resolve to create and issue debentures to be governed by this deed and to be issued subject to the terms of this deed.

3.2 Subject to compliance with the JSE Listings Requirements, the company may from time to time resolve to secure or subordinate such debentures, convert a class or classes of debentures or linked units to a different class of debentures or linked units or to divide a class of debentures or linked units into different classes of debentures or linked units as provided in this deed which different classes of debentures or linked units will be governed by this deed.

3.3 Debentures may only be issued, subject to compliance with the Listings Requirements of the JSE, to the extent that the debentures are listed on the JSE or the regulations applicable to any other exchange on which the debentures are listed:

3.3.1 by way of a rights issue to the debenture holders at the relevant time;

3.3.2 as the consideration for any permitted acquisition;

3.3.3 in order to raise cash to be used solely:

3.3.3.1 as the consideration for permitted acquisitions; and/or

3.3.3.2 for the development of any immovable property already held or to be acquired by the company or any of its subsidiaries; and/or

3.3.3.3 to reinstate the cash holdings of the company or any of its subsidiaries; and/or

3.3.3.4 to replace and/or repay funding made available to the company and/or its subsidiaries by third parties other than debenture holders; and/or

3.3.4 in terms of an incentive scheme duly approved and adopted by the company.

3.4 All issues of “A” debentures in terms of this deed, unless otherwise authorised by a debenture special resolution of each class of debentures then in issue and a special resolution of each class of shareholders of the company, may only be issued indivisibly linked to an “A” ordinary share, as an “A” linked unit.

3.5 All issues of “B” debentures in terms of this deed, unless otherwise authorised by a debenture special resolution of each class of debentures then in issue and a special resolution of each class of shareholders of the company, may only be issued indivisibly linked to a “B” ordinary share, as a “B” linked unit.

3.6 For so long as there are both “A” and “B” linked units in issue by the company, all issues of “A” debentures and “B” debentures in terms of this deed, unless otherwise authorised by a debenture special resolution passed by the debenture holders of each class of debentures then in issue, may only be issued in the ratio of 1 (one) “A” linked unit and 1 (one) “B” linked unit provided that the “A” linked unit and the “B” linked unit need not be issued to the same debenture holder and “A” linked units and “B” linked units may be disposed of or traded separately.”

#### “SUBORDINATION

5.1 The rights of debenture holders to repayment shall be subordinated to the claims of the unsubordinated creditors as provided for in this clause 5 below.

5.2 If the debentures become repayable in accordance with clause 9.1.1, that repayment shall be made after the unsubordinated creditors, who shall be entitled to receive payment in full of their claims of whatever nature before the debenture holders receive any repayment. In order to ensure the fulfilment of the provisions of this clause 5.2:

5.2.1 the trustee shall be the only person entitled to make and prove claims on behalf of debenture holders and such claims shall be made and proved in the name of the trustee;

- 5.2.2 any debenture holder claim made or proved by the trustee shall be subject to the condition that no amount shall be paid in respect thereof if and to the extent that such payment would result in the reduction of any amount due to the unsubordinated creditors; and
- 5.2.3 if the liquidator is unable to or not prepared to accept claims proved subject to the provisions set out in clause 5.2.2 then:
- 5.2.3.1 the trustee shall make or prove claims for the full amount due to the debenture holders; and
- 5.2.3.2 any amounts paid in respect of the debentures to the trustee pursuant to clause 5.2.3.1 together with the amounts payable to the unsubordinated creditors shall be held by the trustee in trust:
- 5.2.3.2.1 for distribution, subject to clause 11.1.1, amongst the unsubordinated creditors in the winding up as if the claims in respect of the debentures had been subordinated as aforesaid (and the trustee may perform such fiduciary function by repaying to the liquidator the amount due to the unsubordinated creditors for distribution by the liquidator accordingly or in any other equitable manner, and the trustee shall not be bound to supervise such distribution); and
- 5.2.3.2.2 only the balance (if any) after the claims of the unsubordinated creditors shall have been satisfied, paid or provided for in full, shall be distributed by the trustee amongst the debenture holders.
- 5.3 If the debentures become repayable in terms of clause 9.1.2, then:
- 5.3.1 the company shall, within ten business days after the date on which the trustee gives notice to the company in terms of clause 10.3 (the “notice date”) compile from its records a list of unsubordinated creditors as at the notice date (the “list”) showing the nature and amount of their claims;
- 5.3.2 within twenty business days after the notice date, the company shall notify all persons on the list in writing by ordinary mail that the debentures are to be repaid and that any objections thereto are to be received by the trustee within a further period of twenty business days from the date on which such notification is posted (the “further period”). The company shall be deemed to have notified all unsubordinated creditors even though it fails to notify, inadvertently or otherwise, any particular unsubordinated creditor or creditors. The trustee shall not be obliged to take account of any objections received after the expiry of the further period;
- 5.3.3 if an objection referred to in clause 5.3.2 is received, the company shall in its discretion, either:
- 5.3.3.1 settle the claim of the unsubordinated creditor concerned; or
- 5.3.3.2 secure the payment of the unsubordinated creditor’s claim in any manner reasonably required by the unsubordinated creditor concerned;
- 5.3.4 the auditors of the company shall report to the trustee in respect of compliance by the company with the provisions of clauses 5.3.1 to 5.3.3. No payment in respect of the debentures shall be made in terms hereof unless the auditors report indicates proper compliance with such provisions,
- whereafter repayment shall be made to debenture holders.
- 5.4 Nothing contained in clause 5.3 shall preclude the trustee from making application to wind up the company, in which event the provisions of clause 5.2 shall apply.
- 5.5 Each debenture holder hereby authorises and directs the trustee on his behalf to take such action as may be necessary or appropriate to effect the subordination provided for in this clause 5 and appoints the trustee as his agent for such purpose.
- 5.6 If this deed is amended in any manner that affects the vested rights of unsubordinated creditors (and for this purpose any amendment to this clause 5 and clauses 9.1 to 9.4 and 10 shall be deemed to affect those vested rights):
- 5.6.1 the terms of this deed prior to such amendment having been effected shall nevertheless continue in force in respect of any amounts owing to unsubordinated creditors on the date on which the amendment becomes effective; and
- 5.6.2 this deed, as amended, shall apply to unsubordinated creditors in respect of the amounts owing to them which arose after the date upon which the amendment became effective.

- 5.7 This clause 5 shall constitute a contract for the benefit of the unsubordinated creditors and shall be capable of acceptance by any or all of them.”

#### **“RIGHTS ATTACHING TO THE “A” LINKED UNITS AND THE “B” LINKED UNITS**

- 7.1 The “B” debenture holder’s right to be repaid the nominal value of the “B” debentures pursuant to clause 9.1 of this deed shall be subordinated to the rights of repayment, in those circumstances, if applicable, of the holders of the “A” debenture holders pursuant to clause 9.1 of this deed and the “A” ordinary shares pursuant to the terms of the Articles of Association.

- 7.2 Upon the “A” debentures and/or the “B” debentures becoming repayable in terms of clause 9.1.1 of this deed –

Firstly:

- 7.2.1 Each of the “A” debenture holders shall be entitled to receive an amount equal to the volume weighted average sales price of an “A” linked unit (as shown by the official price list published by the JSE) over the 60 (sixty) trading days immediately preceding the date of publication of any announcement detailing the event/s rendering clause 9.1.1 applicable on the basis that that price shall be apportioned as to –

7.2.1.1 the nominal value of the “A” debentures held by him; plus

7.2.1.2 interest on the “A” debentures held by him calculated on a daily basis from the day following the last due date for interest which has been paid to the date of repayment (both dates inclusive); plus

7.2.1.3 the par value of the “A” ordinary shares held by him; plus

7.2.1.4 the remaining value to any of the “A” debenture, “A” ordinary share or otherwise as the directors may determine in their sole and absolute discretion;

Thereafter –

- 7.2.2 Each of the “B” debenture holders shall be entitled to receive any surplus of such monies available for distribution on the basis that those monies shall be apportioned as to –

7.2.2.1 the nominal value of the “B” debentures held by him; plus

7.2.2.2 interest on the “B” debentures held by him calculated on a daily basis from the day following the last due date for interest which has been paid to the date of repayment (both dates inclusive); plus

7.2.2.3 the par value of the “B” ordinary shares held by him; plus

7.2.2.4 the remaining value to any of the “B” debenture, “B” ordinary share or otherwise as the directors may determine in their sole and absolute discretion;

- 7.3 Interest distributions for the “A” debentures

- 7.3.1 Subject to clause 7.3.2, 7.3.3 and 7.3.4, each “A” debenture shall confer on the holder thereof the right to receive interest, as follows –

7.3.1.1 Financial year ending 30 June 2010

7.3.1.1.1 For the 3 month period ending 31 December 2009, a distribution of 24,19 cents per “A” debenture.

7.3.1.1.2 For the second income period ending 30 June 2010, a distribution of 48,38 cents per “A” debenture (“the 2010 fixed second income period distribution”).

7.3.1.1.3 For the first income period ending 31 December 2010, a distribution of 50,80 cents per “A” debenture (“the 2010 fixed first income period distribution”).

7.3.1.2 Financial years ending 30 June 2011 to the financial year ending 30 June 2014

For the first income periods (save for the first income period ending 31 December 2010 which is dealt with in clause 7.3.1.1.3 above) for the financial years ending 30 June 2011 up to the end of the financial year ending 30 June 2014, a distribution per “A” debenture equivalent to –

- 7.3.1.2.1 for the financial year ending 30 June 2011, the 2010 fixed first income period distribution escalated by 5% (“the 2011 fixed first income period distribution”);
- 7.3.1.2.2 for the financial year ending 30 June 2012, the 2011 fixed first income period distribution escalated by 5% (“the 2012 fixed first income period distribution”);
- 7.3.1.2.3 for the financial year ending 30 June 2013, the 2012 fixed first income period distribution escalated by 5% (“the 2013 fixed first income period distribution”);
- 7.3.1.2.4 for the financial year ending 30 June 2014, the 2013 fixed first income period distribution escalated by 5%.

For the second income periods for the financial years ending 30 June 2011 up to the end of the financial year ending 30 June 2014, a distribution per “A” debenture equivalent to –

- 7.3.1.2.5 for the financial year ending 30 June 2011, the 2010 fixed second income period distribution escalated by 5% (“the 2011 fixed second income period distribution”);
- 7.3.1.2.6 for the financial year ending 30 June 2012, the 2011 fixed second income period distribution escalated by 5% (“the 2012 fixed second income period distribution”);
- 7.3.1.2.7 for the financial year ending 30 June 2013, the 2012 fixed second income period distribution escalated by 5% (“the 2013 fixed second income period distribution”);
- 7.3.1.2.8 for the financial year ending 30 June 2014, the 2013 fixed second income period distribution escalated by 5%.

#### 7.3.1.3 Financial years ending 30 June 2015 until repayment of the “A” debentures

- 7.3.1.3.1 For the first income periods for the financial years ending 30 June 2015 and for the financial years thereafter until repayment of the “A” debentures, a distribution per “A” debenture equivalent to the distribution for the first income period in the prior year per “A” debenture, escalated by an amount equal to the lesser of 5% or the most recently available CPI figure.
- 7.3.1.3.2 For the second income periods for the financial years ending 30 June 2015 and for the financial years thereafter until repayment of the “A” debentures, a distribution per “A” debenture equivalent to the distribution for the first income period in the prior year per “A” debenture, escalated by an amount equal to the lesser of 5% or the most recently available CPI figure.

7.3.2 All “A” debentures in issue on a record date for the period concerned shall qualify for the interest entitlement.

7.3.3 The payment of interest referred to in clause 7.3.1 is not guaranteed by the company in the event that the distributable earnings available for the payment of interest for any particular income period is less than the amount required to make the payment of interest as determined in clause 7.3.1, and in such event the interest payment in respect to the “A” debenture for such income period shall be the amount of distributable earnings available for distribution, apportioned pro rata to each “A” debenture in issue on the last day of the period concerned. In the event that the interest payment for any income period is less than the amount provided in clause 7.3.1, the difference in the amount paid and that which would have been payable in terms of the applicable sub-clause in clause 7.3.1 had the requisite amount of distributable earnings been available, shall not accrue or accumulate to the holders of the “A” debentures and there shall be no right to claim any shortfall.

7.3.4 In determining the interest distributions with reference to any prior period’s distribution, the prior period’s distribution shall be the determined or calculated distribution for the equivalent period in the prior year, whether or not such amount was paid having regard to the availability of funds.

7.3.5 The directors shall, for the purposes of calculation, be entitled in their discretion to ignore or round off downwards fractions of a cent of any distribution to be paid.

#### 7.4 Interest distributions for the “B” debentures

7.4.1 Subject to clause 7.4.2 and 7.4.3, each “B” debenture shall confer on the holder thereof the right to receive interest for the 3 month period ended 31 December 2009, the second income period ended 30 June 2010 and the financial years ended 30 June 2011 and thereafter, as follows; for the 3 month period ended 31 December 2009 and each of the income periods thereafter, an amount equal to the balance of the distribution referred

to in clause 6.1.2, if any, after deducting the amount payable in respect of the “A” debentures, divided by the number of “B” debentures in issue on the last day of the period concerned.

7.4.2 All “B” debentures in issue on a record date for the period concerned shall qualify for the interest entitlement.

7.4.3 The payment of interest referred to in clause 7.4.1 is dependent upon there being sufficient distributable earnings available for the payment of interest for any particular income period in excess of the amount required to make payment of interest to the “A” debentures as determined in clause 7.3.1. If there is insufficient distributable earnings available for payment of interest for any particular income period to the “A” debentures as determined in clause 7.3.1 then in such event, all the distributable earnings shall be paid to the holders of the “A” debentures. Should there be no interest payment for any income period in respect of the “B” debentures, no amount shall accrue or accumulate to the holders of the “B” debentures and there shall be no right to claim any such amount.

7.4.4 The directors shall, for the purposes of calculation, be entitled in their discretion to ignore or round off downwards fractions of a cent of any distribution to be paid.

7.5 Save as provided in this clause 7 of this deed, all issued debentures shall rank *pari passu* in all respects.”

#### **“REPAYMENT, REDEMPTION AND PURCHASE OF DEBENTURES**

9.1 The debentures shall become repayable:

9.1.1 forthwith, subject to clauses 5 and 10.2.1, if a final order of a competent court is made or an effective resolution is passed for the winding up of the company; or

9.1.2 if the provisions of clause 10 come into effect.

9.2 Upon the debentures becoming repayable in terms of clause 9.1.1 the provisions recorded in clause 7.2 above shall apply.

9.3 Upon the debentures becoming repayable in terms of clause 9.1.2 above, each debenture holder shall be entitled to receive:

9.3.1 the nominal value of the debentures held by the holder; plus

9.3.2 any interest determined in accordance with clause 6 accrued and unpaid on the debentures held by such holder, whether due and payable or not, calculated for the period commencing on the day immediately following the last day of the last income period and ending on the day immediately preceding the date of repayment of the debentures (both days inclusive) together with, if applicable, any interest payable in terms of clause 6.5.

9.4 Subject to clause 10.4 below, the debentures shall be redeemable as follows:

9.4.1 all of the debentures shall be redeemable at the instance of the debenture holders, notwithstanding the date on which any of the debentures are issued, by debenture special resolution passed on or within 90 days after:

9.4.1.1 election date; or

9.4.1.2 the 10th anniversary of the election date; or

9.4.1.3 every 10th anniversary of the election date thereafter,

which approval shall (provided that the linked units, debentures and/or ordinary shares are listed on any exchange) be granted in accordance with the relevant provisions of the regulations applicable to the relevant exchange applicable to a specific repurchase of debentures;

9.4.2 upon the passing of the debenture special resolution referred to in clause 9.4.1, the debentures shall be redeemed by the company at their nominal value on the last Friday (or if that day is not a business day, the immediately preceding business day) in June of the 5th year after the year in which the debenture special resolution is passed. Any redemption so made by the company shall have the effect of cancelling the debentures redeemed, which shall be deemed to have been repaid in full by the company. Such debentures may not be re allotted or re issued; and

9.4.3 the procedure to be followed by the company in regard to the redemption shall be determined by the company at the appropriate time and be approved by both the trustee, whose approval shall not unreasonably be withheld or delayed, and the any exchange on which the debentures are listed;

- 9.4 not less than 6 weeks' notice of redemption shall be given to all debenture holders prior to any redemption being effected.
- 9.5 Notwithstanding anything to the contrary contained herein, an "A" debenture shall be redeemable at any time by ordinary resolution of the holders of "A" debentures and "B" debentures in a combined general meeting approving the redemption of the "A" debentures (subject to not less than 75% of the votes exercisable by the holders of "A" and "B" debentures present in person or by proxy or representative and entitled to vote at such combined meeting being cast in favour thereof) which resolution may only be passed after the expiry of the fifth anniversary of the first issue of an "A" linked unit under the provision of the Articles of Association of the company read together with this debenture trust deed. In the event of the requisite resolution of the holders of "A" ordinary shares and "B" ordinary shares being passed by the requisite majority at a combined general meeting in accordance with the Articles of Association of the company, each holder of "A" ordinary shares and "B" ordinary shares shall in addition to voting in his capacity as a holder of "A" ordinary shares or "B" ordinary shares, as the case may be, on that resolution be deemed to have voted as a holder of "A" debentures or "B" debentures under the terms and conditions of this debenture trust deed, without the requirement for convening a separate combined debenture holder meeting for that purpose. The "A" ordinary shares and the "A" debentures as "A" linked units shall be redeemed by the company at the volume weighted average sales price of an "A" linked unit (as shown by the official price list published by the JSE) over the 60 (sixty) trading days immediately preceding the date on which the notice to unitholders convening the relevant combined general meeting is issued on the basis that each "A" debenture and "A" ordinary share shall be redeemed at at least their respective nominal values and any differential between the aggregate amount of the nominal values of the "A" ordinary share and the "A" debenture and the volume weighted average sales price of an "A" linked unit shall be apportioned either to the value of the "A" ordinary share or to the value of the "A" debenture, as the board of directors may determine at the relevant time in their sole and absolute discretion. The board of directors of the company shall determine whether any redemption so made by the company shall have the effect of cancelling the "A" debentures redeemed, which in such event shall be deemed to have been repaid in full by the company. Such "A" debentures may not be re allotted or re issued. The provisions of clauses 9.4.3 and 9.4.4 shall apply mutatis mutandis as if specifically incorporated herein.
- 9.6 For as long as the debentures are listed on any exchange, any redemptions of debentures shall be effected in accordance with the timetable determined in terms of the regulations applicable to the relevant exchange.
- 9.7 The company or its nominee shall have the right at any time (subject to compliance with the Listings Requirements of the JSE and the Companies Act) to purchase debentures. Purchases shall not be made by the company or its nominee at a price that is higher than the market price. Any purchase so made by the company shall have the effect of cancelling the debentures purchased, which shall be deemed to have been repaid in full by the company. Such debentures may not be re allotted or re issued. The company shall advise the trustee."

"Summary repayment of debentures

- 10.1 Subject to clause 10.3, the debentures, together with interest thereon and any other monies repayable in terms of this deed, shall become repayable immediately on the happening of any of the following events:
- 10.1.1 the company fails to pay any monies due by it in terms of this deed on the due date thereof and thereafter persists in such failure for a further twenty one business days after receipt by it of a written notice from the trustee, given in the manner prescribed in clause 20, demanding that such payment be made;
- 10.1.2 the company commits:
- 10.1.2.1 a material breach of any material obligation under this deed, which cannot be remedied; or
- 10.1.2.2 a breach of any obligation under this deed, which cannot be remedied, and fails, within twenty one business days after receipt by it of a written notice from the trustee, given in the manner prescribed in clause 20.6, requiring it to do so, to initiate and thereafter to pursue reasonable steps designed to prevent its recurrence; or
- 10.1.2.3 any breach of any obligation under this deed, which can be remedied, and fails within twenty one business days or such longer period as may reasonably be required in the circumstances, after receipt by it of a written notice from the trustee, given in the manner prescribed in clause 20, requiring the breach to be remedied, to remedy the breach;

10.1.3 the company:

10.1.3.1 disposes of or attempts to dispose of the whole or substantially the whole of its undertaking or the whole or the greater part of its assets; or

10.1.3.2 offers or agrees to enter into any general composition or compromise or arrangement with all its creditors; or

10.1.3.3 defaults or threatens to default in the payment of its liabilities generally;

10.1.3.4 makes any alteration to the provisions of its memorandum or articles of association,

provided that the above clauses shall not apply if the event in question:

10.1.3.5 in the reasonable opinion of the trustee, does not adversely affect the interests of the debenture holders; or

10.1.3.6 is sanctioned by a debenture special resolution;

10.1.4 an order is made placing the company under final judicial management; or

10.1.5 any material assets of the company are attached under a writ of execution issued out of any court of competent jurisdiction in the Republic of South Africa as a result of a final judgment against the company and the writ is not satisfied or set aside within twenty one business days after the attachment has come to the notice of the board of directors of the company; or

10.1.6 the company ceases to carry on its business; or

10.1.7 the company defaults in the discharge of any liability which is material in relation to the business of the company and concerning which no bona fide dispute between the company and the creditor in question exists.

10.2 For the purposes of clauses 9.1 and 10.1:

10.2.1 an order of court shall not be deemed to be final unless, being appealable, the period for noting such appeal has lapsed without an appeal being noted or having been noted, the appeal is dismissed, abandoned or not proceeded with within the period prescribed by the Rules of Court as extended, if at all, by the Court; and

10.2.2 any attachment referred to in clause 10.1.5 shall be deemed to have come to the notice of the board of directors of the company, within twenty one business days of being made, unless the contrary shall be shown. The period of twenty one business days referred to in clause 10.1.5 shall be extended, pending any proceedings begun to set aside that writ or remove the attachment, until twenty one business days after a final and unappealable judgment refusing that setting aside or removal. The term "writ of execution" in clause 10.1.5 does not include a writ of attachment "ad fundandam jurisdictionem" or "ad confirmandam jurisdictionem".

10.3 Upon the happening of any of the events referred to in clause 10.1, the trustee may, in its discretion, require the debentures together with interest accrued thereon, to be repaid in accordance with the provisions of clause 9.1 immediately upon the fulfilment of the conditions contained in clause 5.3, and may, in addition, enforce the powers contained in this deed by giving written notice to the company, in the manner prescribed in clause 20, to that effect and the trustee shall be bound to give such notice if required to do so by a debenture special resolution. The trustee shall further be entitled to take legal action to enforce the provisions hereof.

10.4 The trustee shall be entitled, before carrying out the directions of debenture holders, to require that the debenture holders furnish it with sufficient monies to enable it to meet the expense of giving effect to such directions.

10.5 Notwithstanding any provisions of this deed to the contrary and without limiting the provisions of clause 9.3, the trustee shall have a discretion not to act in terms of clause 10.3 if, on receipt by the company of the notice referred to in clause 10.3, the default or breach complained of is remedied in such manner that, in the trustee's sole and absolute opinion, the debenture holders will not be prejudiced by non enforcement of the trustee's rights in terms of clause 10.3.

10.6 The trustee shall not be required to take any steps to ascertain whether any event, upon the happening of which the debenture is liable to become repayable, shall have occurred and unless and until the trustee shall have knowledge or shall have been served with express written notice of such happening in the manner prescribed in clause 20, the trustee shall be entitled to assume that no such event has taken place.

- 10.7 Subject to the provisions of section 123 of the Companies Act, the trustee shall not be responsible for any loss to any other person resulting from the exercise or non exercise of the powers, authorities or discretions vested in the trustee in terms of this deed.
- 10.8 A debenture holder shall not be entitled to enforce his rights under this deed, but all rights of enforcement shall vest in the trustee in accordance with the provisions of this deed.”

#### **“OBLIGATIONS OF AND RESTRICTIONS ON THE COMPANY**

The company hereby undertakes in favour of the trustee that it shall:

- 15.1 properly keep the books of account of its business transactions and operations;
- 15.2 forward to the trustee copies of the annual financial statements of the company (including group financial statements, if any) and the interim reports of the company;
- 15.3 execute and attend to all deeds, documents and things which the trustee may reasonably require to enable the trustee to carry out the trusts, powers and provisions contained in this deed;
- 15.4 provide the trustee with such information or extracts, certified by the company’s auditors if so required by the trustee, from the books, records and documents of the company as may reasonably be required by the trustee to carry out its duties, and any such certificate or extract shall be conclusive evidence of the information contained therein;
- 15.5 provided written notice to furnish same is received from the trustee by the company within five business days after the payment of any interest, furnish the trustee within twenty one business days thereafter with a certificate signed by the secretary or a director of the company stating whether or not all interest payments due on the debentures have been duly made. The trustee shall be entitled to accept the contents of such certificate as being correct without being obliged to verify same;
- 15.6 conduct its affairs in a proper and businesslike manner and shall not, without the prior sanction of a debenture special resolution:
- 15.6.1 modify, alter or vary any of the rights or restrictions attaching to the linked units and the authorised share capital of the company, if any;
- 15.6.2 reduce, repay or distribute any part of the share capital, share premium or the reserves of the company;
- 15.6.3 amend its articles of association if such amendment would result in an increase in the borrowing powers of the company;
- 15.6.4 alienate the business of the company or the whole or the greater part of the assets of the company; or
- 15.6.5 delink the ordinary shares and debentures; and
- 15.7 notify the trustee immediately, in writing, if any breach of any provision of this deed takes place.”

#### **“FURTHER RIGHTS OF DEBENTURE HOLDERS**

- 23.1 If at any time after the date of signature of this deed, the company:
- 23.1.1 consolidates or sub divides its ordinary shares into ordinary shares having a nominal value of more or less than one cent; or
- 23.1.2 converts its ordinary shares into shares of no par value; or
- 23.1.3 undertakes a capitalisation issue of ordinary shares to its ordinary shareholders,
- the rights of debenture holders to interest on their debentures in terms of clause 6 and to the amount repayable on the debentures in accordance with clause 9 shall, if applicable, be adjusted. Such adjustment shall be calculated by the auditors of the company and shall be subject to the approval by the trustee, which approval shall not unreasonable be withheld or delayed, provided that:

- 23.1.4 the company shall not undertake a capitalisation issue to its ordinary shareholders and any other equity shareholders who may be entitled thereto, of securities other than ordinary shares, or a capitalisation issue which is paid up other than out of the share premium account of the company, without the prior written consent of the trustee, which consent shall not unreasonably be withheld and shall not be withheld if the proposed capitalisation issue does not adversely affect the interests of debenture holders; and
- 23.1.5 the company shall forthwith notify the debenture holders by circular of the extent, nature and effect of the adjustments made and approved.
- 23.2 If at any time after the date of signature of this deed the company proceeds with a rights offer of further debentures (the “new debentures”) in terms of clause 3.3.1, such rights offer shall be made to the debenture holders.”

#### **“MEETINGS AND POWERS OF DEBENTURE HOLDERS**

21.1.1 for the purpose of this clause 21, unless stated to the contrary or the context clearly indicates otherwise, a reference to “a meeting” or “the meeting” shall be a reference to a meeting of all the debentures then in issue;

##### 21.1.2 Separate meetings of debenture holders

Where a proposed resolution (whether it be an ordinary resolution or a special resolution) adversely affects any class of debenture holder, then such resolution must be passed by the requisite majority of debenture holders at a properly constituted meeting of debenture holders and must be passed by the requisite majority of that affected class of debenture holder either:

21.1.2.1 at the same properly constituted meeting of all debenture holders; or

21.1.2.2 at a properly constituted separate meeting of that class of debenture holder,

and the company shall elect which of clauses 21.1.2.1 or 21.1.2.2 shall apply in each case.

##### 21.1.3 Convening of meetings

21.1.3.1 The trustee or the company may at any time convene a meeting of the debenture holders (“a meeting” or “the meeting”).

21.1.3.2 The trustee shall convene a meeting upon the requisition in writing of the holders of at least one tenth of the debentures for the time being in issue and upon being indemnified, to its satisfaction, against all costs and expenses thereby occasioned and being given notice, in the manner prescribed in clause 20.6 of the deed, of the nature of the business for which the meeting is to be held.

21.1.3.3 Whenever the company desires to convene a meeting, it shall forthwith give notice in writing to the debenture holders and the trustee, in the manner prescribed in clause 20 of this deed, of the place, day and hour thereof, of the nature of the business to be transacted thereat and the wording of each resolution to be proposed.

21.1.3.4 Whenever the trustee desires to convene a meeting it shall forthwith give notice in writing to the debenture holders and the company, in the manner prescribed in clause 20 of this deed, of the place, day and hour thereof, of the nature of the business to be transacted thereat and the wording of each resolution to be proposed.

21.1.3.5 All meetings of debenture holders shall be held at such time and place (which is located in the same city as the company’s registered office) as may be determined by the directors.

##### 21.1.7 Quorum

21.1.7.1 A quorum at a meeting shall:

21.1.7.1.1 for the purposes of considering a debenture ordinary resolution, subject to clause 1.1, consist of debenture holders present in person or represented by proxy and holding in the aggregate not less than 1/10th (one tenth) of the debentures then in issue; and/or

21.1.7.1.2 for the purposes of considering a debenture special resolution, subject to clause 1.1, consist of debenture holders present in person or represented by proxy and holding in the aggregate not less than 25% of the debentures then in issue.

21.1.7.2 If the debentures are listed on the JSE or any other exchange the requirements of which exchange impose quorum requirements in respect of meetings of debenture holders, a quorum shall consist of debenture holders present in person or represented by proxy and holding in the aggregate not less than that number of the debentures then in issue as may be required by the JSE or such other exchange on which the debentures are listed, but subject to a maximum of a majority of the debentures then in issue and a minimum of:

21.1.7.2.1 1/10th (one tenth) of the debentures then in issue for the purposes of considering a debenture ordinary resolution; and

21.1.7.2.2 25% (twenty five per cent) of the debentures then in issue for the purposes of considering a debenture special resolution.

21.1.7.3 No business shall be transacted at a meeting of debenture holders unless a quorum is present at the time when the meeting proceeds to business and is present throughout the meeting.

21.1.7.4 If, within thirty minutes from the time appointed for the meeting, a quorum is not present, the meeting shall, if it was convened on the requisition of debenture holders, be dissolved. In every other case the meeting shall stand adjourned to a day which is not less than 10 (ten) business days thereafter, at the same time and place, or if that day is not a business day, the next succeeding business day. If at such adjourned meeting a quorum is not present the debenture holders present in person or represented by proxy shall constitute a quorum for the purpose of considering any resolution, including a debenture special resolution.

21.1.10 How questions decided

21.1.10.1 At a meeting, a resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the result of the show of hands, a poll is demanded by the chairman or by any one or more of the debenture holders present in person or represented by proxy (or, being a company or other body corporate, by its duly authorised representative) and entitled in the aggregate to not less than 10% (ten per cent) of the total votes of all debenture holders entitled to be present and vote at the meeting.

21.1.10.2 Unless a poll is demanded, a declaration by the chairman that on a show of hands a resolution has been carried, or carried by a particular majority, or lost, shall be conclusive evidence of that fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

21.1.10.3 A poll demanded on the election of a chairman or on the question of the adjournment of a meeting shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs and the result of such poll shall be deemed to be the resolution of the meeting.

21.1.11 Votes

Any person present and entitled to vote, on a show of hands, as a debenture holder or as a proxy, shall on a show of hands have only one vote, irrespective of the number of debentures he holds or represents. On a poll, any debenture holder or his proxy, shall have one vote for each debenture of which he is the registered holder or representative. The joint holders of debentures shall have only one vote on a show of hands irrespective of the number of debentures held by them and on a poll one vote for each debenture of which they are the registered holder and the vote may be exercised only by that holder present whose name appears first on the register in the event that more than one of such joint holders is present in person or represented by proxy at the meeting.

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**LOANS**


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The group has entered into the following secured loan facilities:

<b>Financial institution</b>	<b>Facility (R)</b>	<b>Drawdown as at the last practicable date (R)</b>	<b>Interest rate</b>
RMB	225 000 000	–	Floating 1 month Jibar base rate plus margin
Standard Bank	482 153 000	–	Three month Jibar plus the bank's liquidity and reserving costs plus a risk margin of 1,09% per annum
Standard Bank	167 847 000	–	Three month Jibar plus the bank's liquidity and reserving costs plus a risk margin of 1,09% per annum
Investec	65 000 000	64 300 000	9,25%
Investec	37 300 000	36 000 000	10,25%
Investec	5 057 000	–	10,5%
	<b>982 357 000</b>	<b>100 300 000</b>	

Details of the facilities are as follows:

**RMB facility to Fortress Income 2**

*Purpose*

The loan facility is granted to finance the acquisition of the properties.

*Loan amount*

R225 000 000

*Term of facility*

Three years

*Secured properties*

The secured properties as listed in **Annexure 1**.

*Security*

**Provided by Fortress**

Guarantee from Fortress.

**Provided by Fortress Income 2**

First mortgage bonds over the secured properties.

Cession in security of current and future lease agreements and rentals pertaining to the secured properties.

Cession in security of all insurance policies for the secured properties.

### *Repayment*

Interest serviced monthly

100% of the loan amount will be repayable on the third anniversary of the date on which the loan amount is advanced.

### *Interest rate*

Floating one month Jibar base rate plus the margin.

The interest rate will be adjusted on a semi-annual basis (post drawdown) by any increase in excess of 0,15% in the difference between the one year NCD rate and one year swap rate as measured on date of drawdown.

### *Margin*

2,25% (NACM)

### *Raising fee*

0,2% of the loan amount (exclusive of VAT).

### *Financial covenants*

The following ratios will apply to Fortress, Fortress Income 2 and the secured properties:

- an interest coverage ratio of at least 1,75 times, interest coverage ratio is defined as net income before interest paid divided by net interest paid (excluding interest on subordinated debentures).
- a maximum gearing ratio of 45%, gearing ratio is defined as the ratio of long term interest bearing debt (including all secured and unsecured borrowings excluding subordinated debentures) to total assets.
- a minimum net asset value of R1 billion at a consolidated Fortress level.

A breach of any of these covenants will be considered an event of default.

### *Other Events of default*

Will be those customary for financings of this nature and others appropriate in the judgement of RMB upon the occurrence of which RMB will be entitled to claim payment and shall include, *inter alia*

- any material representation or statement made by an obligor (being the borrower and Fortress) in any finance document to which it is a party or in any notice or other document, certificate or statement proves to have been incorrect or misleading when made and the relevant obligor fails to remedy same within 10 business days;
- an obligor fails to duly perform or comply with any other obligation expressed to be assumed by it in any finance document to which it is a party and such failure is not remedied within 10 business days;
- an obligor sells, transfers or otherwise disposes of in any one transaction or in a series of transactions (whether or not related), a material portion of its business or changes in its asset structure and as a result of the disposal, it would in the reasonable opinion of the bank be unable to perform or observe its obligations under any finance document to which it is a party.

### *Consequences of an event of default*

Upon the occurrence of an event of default RMB may –

- claim and recover from the borrower all of the outstanding amounts under the facility;
- demand and be entitled to receive specific performance of the relevant obligation of the finance document breach by the borrower or the obligor;
- take all steps which it regards as desirable in order to enforce, or perfect the security interest created or evidenced by any one or more of the security documents;
- cancel the whole or part of the facilities;
- refuse to make payment of any undrawn funds;
- claim payment from the borrower of any and all breakage costs, damages, costs and other amounts incurred directly as a result of such event of default; and/or
- declare the facility outstandings or any amount thereof due and payable on demand of RMB.

### *Equity interests in Parent and Borrower*

Fortress shall procure that the original shareholders and the management team collectively maintain legal and beneficial ownership of not less than 25% of the voting share capital of Fortress.

Fortress shall procure that it maintains legal and beneficial ownership of 100% of the issued share capital of Fortress Income 2.

To the extent that these provisions are breached such an event may constitute an event of default entitling RMB to the remedies stipulated above.

### **Standard Bank loan to Fortress Income 3**

#### *Purpose*

The loan facility is granted to finance the acquisition of the properties.

#### *Loan amount*

R482 153 000

#### *Term of facility*

Two years

#### *Secured properties*

The secured properties as listed in **Annexure 1**.

#### *Security*

First mortgage bonds over the secured properties;

Pledge of borrower's Capital Property Fund units to the value of R100 000 000;

Limited suretyship from Fortress Income 5 in the amount of R740 000 000;

Limited suretyship from Pangbourne in the amount of R482 153 000;

A cession of all income derived from the properties and the listed units;

Cession of the proceeds of all insurance policies applicable to the development of the properties.

#### *Repayment*

Interest serviced monthly

100% of the loan amount will be repayable by 30 September 2011.

#### *Interest rate*

Three month Jibar base rate plus 2,30%.

#### *Additional repayments*

The borrower may repay the loan facility in full or reduce the capital owing by prepayments.

The borrower shall be obliged to pay breakage costs and entitled to breakage gains if any amount of the loan is paid or becomes payable prior to the due date for payment.

#### *Administration fee*

0,15% of the loan amount (exclusive of VAT).

#### *Further undertakings*

Fortress Income 3 undertakes to Standard Bank, *inter alia*:

- that the market value of the listed units shall not exceed 15% of the total market value of the properties plus the market value of the listed units throughout the loan term;
- that the ultimate beneficial control of the borrower will not change during the loan term except with the prior written approval of the bank. "Control" means the possession directly or indirectly of the power to direct or cause the direction of the management or policies of the borrower whether through the ownership of voting securities (or other ownership interest) by contract or otherwise;
- that the asset management team of the borrower shall not change throughout the loan term except with the prior written consent of the bank. "Asset management team" shall include the following persons – Des de Beer, Barry Stuhler, Johann Kriek and Andrew Teixeira;

- that Resilient Property Income Fund Limited, Capital Property Fund, management and Pangbourne Properties Limited shall at all times during the loan term collectively or individually hold at least 25% of the issued debentures of Fortress and Fortress shall procure that the directorate of the aforementioned entities shall not differ materially from the directorate as at the date of the facility letter without the prior written consent of the bank.

Any breach of the above undertakings would constitute an event of default and would be subject to the consequences detailed below.

#### *Event of default*

An event of default shall occur if at any time, *inter alia*, –

- the borrower defaults in any the due and punctual performance of any other obligation under the facility or under any other agreement between the borrower and the bank or between the borrower and any other financier and remains in default for 7 days;
- the borrower breaches any undertaking given to the bank in terms of the facility;
- any representation or warranty made in or in terms of the facility or in any documents delivered under or in connection with the facility is incorrect or becomes incorrect at any time in any respect;
- the overall borrowings of Fortress exceeds 50% of its total assets throughout the loan term;

#### *Consequences of default*

The bank may at any time after the happening of an event of default –

- review the risk margin;
- decline any draw down on the loan facility;
- require on demand the payment of breakage costs; and/or
- require on demand payment of all the borrower's indebtedness under the facility.

#### *Negative pledge*

The borrower, *inter alia*, undertakes that for as long as the borrower is indebted to the bank or any of the bank's other divisions under the loan facility and without the bank's prior written consent the borrower shall not –

- mortgage, pledge, hypothecate or otherwise encumber or further encumber any of its movable or immovable assets or dispose of any such assets other than in the normal course of business;
- dispose of or attempt to dispose of any assets for the express purpose of raising money from the said disposal other than in the normal course of trading activities;
- sign suretyships/guarantees in favour of any third party other than in the normal course of business.

### **Standard Bank loan to Fortress Income 5**

#### *Purpose*

The loan facility is granted to finance the acquisition of the properties.

#### *Loan amount*

R167 847 000

#### *Term of facility*

Two years

#### *Secured properties*

The secured properties as listed in **Annexure 1**.

#### *Security*

First mortgage bonds over the secured properties totalling R262 262 000.

Pledge of Fortress Income 3's Capital Property Fund units to the value of R100 000 000.

Limited suretyship from Fortress Income 3 in the amount of R740 000 000.

Limited suretyship from Capital Property Fund in the amount of R191 400 000.

A cession of all income derived from the properties and the listed units.

Cession of the proceeds of all insurance policies applicable to the development of the properties.

### *Repayment*

Interest serviced monthly.

100% of the loan amount will be repayable by 30 September 2011.

### *Interest rate*

Three month Jibar base rate plus 2,30%.

### *Additional repayments*

The borrower may repay the loan facility in full or reduce the capital owing by prepayments.

The borrower shall be obliged to pay breakage costs and entitled to breakage gains if any amount of the loan is paid or becomes payable prior to the due date for payment.

### *Administration fee*

0,15% of the loan amount (exclusive of VAT).

### *Further undertakings*

Fortress Income 5 undertakes to Standard Bank, *inter alia*:

- that the market value of the listed units shall not exceed 15% of the total market value of the properties plus the market value of the listed units throughout the loan term;
- that the ultimate beneficial control of the borrower will not change during the loan term except with the prior written approval of the bank. "Control" means the possession directly or indirectly of the power to direct or cause the direction of the management or policies of the borrower whether through the ownership of voting securities (or other ownership interest) by contract or otherwise;
- that the asset management team of the borrower shall not change throughout the loan term except with the prior written consent of the bank. "Asset management team" shall include the following persons – Des de Beer, Barry Stuhler, Johann Kriek and Andrew Teixeira;
- that Resilient Property Income Fund Limited, Capital Property Fund, management and Pangbourne Properties Limited shall at all times during the loan term collectively or individually hold at least 25% of the issued debentures of Fortress and Fortress shall procure that the directorate of the aforementioned entities shall not differ materially from the directorate as at the date of the facility letter without the prior written consent of the bank.

Any breach of the above undertakings would constitute an event of default and would be subject to the consequences detailed below.

### *Event of default*

An event of default shall occur if at any time, *inter alia*, –

- the borrower defaults in any the due and punctual performance of any other obligation under the facility or under any other agreement between the borrower and the bank or between the borrower and any other financier and remains in default for 7 days;
- the borrower breaches any undertaking given to the bank in terms of the facility;
- any representation or warranty made in or in terms of the facility or in any documents delivered under or in connection with the facility is incorrect or becomes incorrect at any time in any respect;
- the overall borrowings of Fortress exceeds 50% of its total assets throughout the loan term;

### *Consequences of default*

The bank may at any time after the happening of an event of default –

- review the risk margin;
- decline any draw down on the loan facility;
- require on demand the payment of breakage costs; and/or
- require on demand payment of all the borrower's indebtedness under the facility.

### *Negative pledge*

The borrower, *inter alia*, undertakes that for as long as the borrower is indebted to the bank or any of the bank's other divisions under the loan facility and without the bank's prior written consent the borrower shall not –

- mortgage, pledge, hypothecate or otherwise encumber or further encumber any of its movable or immovable assets or dispose of any such assets other than in the normal course of business;
- dispose of or attempt to dispose of any assets for the express purpose of raising money from the said disposal other than in the normal course of trading activities;
- sign suretyships/guarantees in favour of any third party other than in the normal course of business.

### **Investec loan to Fortress Income 1**

#### *Parties*

Fortress Income 1 (previously named Madison Park Properties 58) and Investec

#### *Date of signature*

Initial agreement was entered into on or about 3 August 2007

Amended by letter dated 17 September 2009

Amended by letter dated 17 September 2009

Amended by letter dated 2 October 2009

#### *Principal debt*

Initially R67 514 000 (which was subsequently reduced to R65 000 000 on or about 10 September 2009).

#### *Purpose*

R66 260 000 for the purchase of the property (as defined below) and R1 254 000 for fees owing to Investec in terms of the loan agreement.

#### *Term of facility*

Initially 2 years from the commencement date which was 13 September 2007 thus expiring on 13 September 2009 and then further extended by amendment for a period of 5 months calculated from 13 September 2009.

#### *Secured properties*

The secured properties as listed in **Annexure 1**.

#### *Security*

First mortgage bonds over the properties.

Execution of a joint and several continuing suretyship by Mark Walter Stevens, limited to R30 000 000 plus interest and costs in favour of Investec.

Execution of a joint and several continuing suretyship by Andrew Teixeira, limited to R30 000 000 plus interest and costs in favour of Investec.

Execution of a joint and several continuing suretyship by Fortress, limited to R65 000 000 plus interest and costs in favour of Investec.

The suretyships by Mark Walter Stevens and Andrew Teixeira will be cancelled upon the happening of the following events –

- execution of a joint and several continuing suretyship by Fortress, limited to an amount of R65 000 000 plus interest and costs in favour of Investec;
- listing of Fortress on the JSE;
- the minimum net asset value of Fortress being R1,25 billion with a maximum gearing ratio of 40%.

Cession of building insurance policy and SASRIA extension for the replacement value of the secured properties.

Cession and pledge by Fortress Income 1 of all present and future right, title, benefit and interest in to and under any agreement in respect of the secured properties concluded between Fortress Income 1 and any third party including without limitation all right in, to and under any rentals received or receivable by Fortress Income 1.

### *Repayment*

Interest serviced monthly – 5 instalments of R528 217.63.

100% of the loan amount will be repayable by no later than the expiry of the loan term (that is on 13 February 2010).

### *Interest rate*

1,25% below Investec's Prime rate

### *Raising fee*

R1 100 000 (exclusive of VAT).

### **Standard terms and conditions**

See paragraph below dealing with standard terms and conditions applicable to all of the Investec Loans

### **Investec loan to Fortress Income 4**

#### *Parties*

Fortress Income 4 (previously named Intshebe Props 98) and Investec

#### *Date of signature*

Initial agreement was entered into on or about 1 October 2009

Amended by letters dated 2 October 2009

#### *Principal debt*

Initially R36 140 000 (which was subsequently increased on or about 2 October 2009 to R37 300 000).

#### *Purpose*

R35 000 000 for the construction, development and/or installation of the development.

R1 140 000 for fees, costs and disbursements owing to Investec.

#### *Term of facility*

36 months

#### *Secured properties*

The secured properties as listed in **Annexure 1**.

#### *Security*

First covering mortgage bond over the properties in favour of Investec or any cessionary for the amount of R60 000 000.

Execution of a joint and several continuing suretyship by Mark Walter Stevens, Andrew Edward Teixeira, Jason Scott Cooper, Tambura Property Investments (Pty) Limited, Morulat Property Investments 3 (Pty) Limited and Starship Props Two CC, limited to R30 000 000 plus interest and costs in favour of Investec.

Execution of a joint and several continuing suretyship by Fortress, limited to R65 000 000 plus interest and costs in favour of Investec.

The suretyships by Mark Walter Stevens, Andrew Edward Teixeira, Jason Scott Cooper, Tambura Property Investments (Pty) Limited, Morulat Property Investments 3 (Pty) Limited and Starship Props Two CC will be cancelled upon the happening of the following events –

- execution of a joint and several continuing suretyship by Fortress, limited to an amount of R37 300 000 plus interest and costs in favour of Investec;
- listing of Fortress on the JSE;
- the minimum net asset value of Fortress being R1,25 billion with a maximum gearing ratio of 40%.

Cession of building insurance policy and SASRIA extension for the replacement value of the secured properties.

Cession and pledge by Fortress Income 4 of all present and gurture right, title, benefit and interest in to and under any agreement in respect of the secured properties concluded between Fortress Income 4 and any third party including without limitation all right in, to and under any rentals received or receivable by Fortress Income 4.

#### *Repayment*

The borrower shall pay the total amount to Investec as follows –

- 36 instalments of R358 750; and
- The balance upon the expiry of the loan term.

#### *Interest rate*

0,25% below Investec's Prime rate

#### *Raising fee*

R1 000 000 (exclusive of VAT).

#### **Standard terms and conditions**

See paragraph below dealing with standard terms and conditions applicable to all of the Investec Loans

#### **Investec loan to Fortress Income 4**

##### *Parties*

Fortress Income 4 (previously named Intshebe Props 98) and Investec

##### *Date of signature*

Initial agreement was entered into on or about 1 October 2009

##### *Principal debt*

R5 057 000

##### *Purpose*

R5 000 000 by way of a further advance in respect of loan pertaining to Erven 195 and 196 Rosebank and R57 000 for fees owing to Investec in terms of the loan agreement.

##### *Term of facility*

Three years

##### *Secured properties*

The secured properties as listed in **Annexure 1**.

##### *Security*

Retention of first covering mortgage bond over the properties in favour of Investec or any cessionary for the amount of R60 000 000.

Execution of a joint and several continuing suretyship by Mark Walter Stevens, Andrew Edward Teixeira, Jason Scott Cooper, Tambura Property Investments (Pty) Limited, Morulat Property Investments 3 (Pty) Limited and Starship Props Two CC, limited to R30 000 000 plus interest and costs in favour of Investec.

Execution of a joint and several continuing suretyship by Fortress, limited to R5 000 000 plus interest and costs in favour of Investec.

The sureties as provided by Mark Walter Stevens, Andrew Edward Teixeira, Jason Scott Cooper, Tambura Property Investments (Pty) Limited, Morulat Property Investments 3 (Pty) Limited and Starship Props Two CC will be cancelled upon the happening of the following events –

- execution of a joint and several continuing suretyship by Fortress, limited to an amount of R5 000 000 plus interest and costs in favour of Investec;
- listing of Fortress on the JSE;
- the minimum net asset value of Fortress being R1,25 billion with a maximum gearing ratio of 40%.

Cession of building insurance policy and SASRIA extension for the replacement value of the secured properties.

Cession and pledge by Fortress Income 4 of all present and gurture right, title, benefit and interest in to and under any agreement in respect of the secured properties concluded between Fortress Income 4 and any third party including without limitation all right in, to and under any rentals received or receivable by Fortress Income 4.

### *Repayment*

Interest serviced monthly (36 instalments of R46 101.39).

100% of the loan amount will be repayable by no later than the expiry of the loan term (R5 057 000).

### *Interest rate*

Investec's Prime rate

### *Raising fee*

R57 000 (inclusive of VAT).

### **Standard terms and conditions applicable to all of the abovementioned Investec loans**

Events of default include, *inter alia* –

- The borrower or any third party breaches any term or condition of any finance document or any other agreement between Investec and the borrower and/or that third party (all of which are deemed to be material);
- The borrower sustains a change of shareholders (whether as a result of the transfer of shares, the allotment of shares or otherwise) so that control of the borrower vests in persons other than the borrower's controlling shareholders as at the signature date; provided that this shall not apply where the borrower is a company listed on any recognised stock exchange;
- The borrower's directors or members propose or its members pass or attempt to pass or the directors or members of any of its subsidiaries propose or the members of any of its subsidiaries pass or attempt to pass a special resolution in terms of which the borrower or its subsidiary may acquire any shares issued by the borrower;
- The borrower or any of its subsidiaries otherwise acquire any shares issued by it;
- The borrower sells or attempts to sell the whole or a major part of its assets
- The borrower generally does anything which prejudices or could prejudice Investec's rights or interest in terms of any finance document;

For the purpose of the default clause reference to the borrower is deemed also to be a reference to any surety (including Fortress) or guarantor for and/or co-principal debtor with the borrower in respect of its obligations under the loan agreement. Accordingly if any of the events of default contemplated occurs in respect of any surety, guarantor and/or co-principal debtor it shall be an event of default for the purposes of the loan agreement.

Upon the occurrence of an event of default then without prejudice to any other rights which may thereupon be available to it –

- Investec has the right at its option to terminate the agreement with immediate effect or to enforce compliance with the agreement and claim such reasonable damages as it may have suffered as the result of an event of default;
- All the borrower's indebtedness to Investec (actual or contingent) whether in terms of any finance document or any other agreement or obligation will become immediately due and payable irrespective of any terms and conditions what may be applicable to such indebtedness. The borrower's indebtedness includes all fees that the borrower is or would have been liable to pay to Investec;
- Investec has the right to pay any amounts on behalf of the borrower and to do all such things as Investec may deem necessary to protect its rights;
- Investec has the right to demand that the borrower immediately pay to Investec all amounts for which Investec may be contingently liable in respect of any guarantee, suretyship, bill of exchange or other instrument issued by Investec;
- Investec may appropriate or set off any amounts standing to the credit of any of the borrower's accounts in Investec's books in reduction of the amounts owing to Investec;
- Investec has the right to withhold any further advances of the capital amount;
- Investec has the right to invoke or withdraw any guarantee it has issued in favour of any third party to secure the borrower's obligations;
- Investec has the right to realise any security;
- Investec has the right to direct the borrower to renegotiate the terms of the agreement and to extend the term of the agreement and if negotiations are not concluded to the sole satisfaction of Investec at the end of that extended term that will be an event of default.

**Note:** None of the aforementioned loans are convertible to Fortress linked units.

The borrowings arose in respect of the acquisitions. In addition, mortgage loan obligations amounting to in aggregate R1 098 597 846 were assumed pursuant to the acquisitions.

### Other relevant provisions

Pursuant to the company's articles of association, the directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured) and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the company or of any third party.

The aggregate capital amount borrowed by the company shall be limited to an amount equal to 65% of the director's *bona fide* valuation of the income producing assets of the company from time to time provided that:

- for purposes of determining such valuation, income producing assets owned by the company's subsidiaries shall be deemed to be owned by the company;
- if the company shall be deemed to have incurred any liabilities of the subsidiaries relating thereto;
- if any debentures issued by the company and linked to the ordinary shares of the company shall be excluded from the amount of the debt of the company and its subsidiaries for the purposes thereof;
- if the aggregate of borrowings exceeds 65% of the market value of the company and its subsidiaries-assets due to a decrease in the value of the assets of a company and its subsidiaries, *inter alia*, as a result of a general or specific decrease in the market value of the company's income producing assets, the company shall not incur any further borrowings until such time as the aggregate of the borrowings by the company and its subsidiaries with less than 65% of the market value of the company and its subsidiaries and assets valued in accordance with this provision of the Articles of Association of the company. The company need not however take proactive steps such as disposing of the company's assets to repay debt and reduce borrowings to below 65% unless the members resolve accordingly in general meeting.

Pursuant to each of the subsidiary's articles of association, the directors may exercise all the powers of the subsidiary to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured) and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the subsidiary or of any third party. However the total amount owing by any subsidiary in respect of monies raised, borrowed or secured shall not exceed the amount authorised by Fortress.

The borrowing powers of Fortress, as it is a newly incorporated company, have not been exceeded during the past three years.

The Fortress debenture trust deed has been adopted and pursuant to that deed together with the articles of association:

- the authorised linked unit capital of Fortress comprises:

500 000 000 "A" ordinary shares of a par value of one cent each linked to a variable rate unsecured subordinated "A" debenture with a face value of R8,10; and

500 000 000 "B" ordinary shares of a par value of one cent each linked to a variable rate unsecured subordinated "B" debenture with a face value of 90 cents each.

Fortress has an issued linked unit capital of:

176 592 192 "A" linked units; and

176 592 192 "B" linked units.

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## CORPORATE GOVERNANCE STATEMENT

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Fortress is fully committed to and compliant with, where practical for an organisation of this size and nature, the principles of the Code of Corporate Practices and Conduct set out in the new King Report on Corporate Governance (“King II”).

In so doing, the directors recognise the need to conduct the enterprise with integrity and in accordance with generally acceptable corporate practices. This includes timely, relevant and meaningful reporting to its linked unitholders and other stakeholders providing a proper and objective perspective of the company and its activities.

The directors have, accordingly, established mechanisms and policies appropriate to the company’s business in keeping with its commitment to best practices in Corporate Governance in order to ensure compliance with King II. The board will review these from time to time.

The formal steps taken by the directors are summarised below.

### 1. BOARD OF DIRECTORS

The board of directors consists of 3 executive directors and 5 non-executive directors of whom 5 are considered independent. The board will ensure that there is an appropriate balance of power and authority on the board, such that no one individual or block of individuals can dominate the board’s decision taking. The non-executive directors are individuals of calibre credibility and have the necessary skills and experience to bring judgment to bear independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance.

The information needs of the board will be reviewed annually and directors will have unrestricted access to all company information, records, documents and property to enable them to discharge their responsibilities sufficiently. Efficient and timely methods of informing and briefing board members prior to board meetings will be developed and in this regard steps have been taken to identify and monitor key risk areas, key performance areas and non-financial aspects relevant to Fortress. In this context, the directors will be afforded information in respect of key performance indicators, variance reports and industry trends.

The board will establish a formal orientation programme to familiarise incoming directors with the company’s operations, senior management and its business environment, and to induct them in their fiduciary duties and responsibilities. Directors will receive further briefings from time to time on relevant new laws and regulations as well as on changing economic risks. New directors with no or limited board experience will receive development and education to inform them of their duties, responsibilities, powers and potential liabilities.

The chairperson is an independent non-executive director, whose role is separate from the managing director.

The board will appraise the chairperson’s performance on an annual or such other basis as the board may determine. The chairperson, or a sub-committee appointed by the board, will appraise the performance of the managing director, at least annually.

No executive directors hold service contracts. All directors will be subject to retirement by rotation and re-election by Fortress linked unitholders at least once every three years in accordance with the articles.

The board will develop a charter setting out its responsibilities for the adoption of strategic plans, monitoring of operational performance and management, determination of policy and processes to ensure the integrity of the company’s risk management and internal controls, communication policy and director selection, orientation and evaluation.

Board meetings will be held at least quarterly, with additional meetings convened when circumstances necessitate. The board will set the strategic objectives of the company and determine investment and performance criteria as well as being responsible for the proper management, control, compliance and ethical behaviour of the businesses under its direction. The board will establish a number of committees to give detailed attention to certain of its responsibilities and which will operate within defined, written terms of reference.

The board will make a self-evaluation of itself from time to time.

The board will determine a policy for detailing the procedures for appointments to the board. Such appointments to be formal and transparent and a matter for the board as a whole assisted where appropriate by a nomination committee. The nomination committee once constituted will consist of only non-executive directors, a majority of whom will be independent.

## 2. AUDIT COMMITTEE

The board has established an audit committee comprising Djurk Venter and Nontando Kunene both independent non-executive directors, of whom one shall be the chairperson. The majority of the members will be financially literate. The committee's primary objective will be to provide the board with additional assurance regarding the efficacy and reliability of the financial information used by the directors, to assist them in the discharge of their duties. The committee will be required to provide satisfaction to the board that adequate and appropriate financial and operating controls are in place; that significant business, financial and other risks have been identified and are being suitably managed; and that satisfactory standards of governance, reporting and compliance are in operation.

Within this context, the board is responsible for the group's systems of internal, financial and operational control. The executive directors will be charged with the responsibility of determining the adequacy, extent and operation of these systems. Comprehensive reviews and testing of the effectiveness of the internal control systems in operation will be performed by external practitioners, who report to the audit committee.

The audit committee will meet at least three times a year. Executives and managers responsible for finance and the external auditors will be in attendance.

The audit committee may authorise engaging for non-audit services with the appointed external auditors or any other practising firm of auditors, after consideration of the following:

- the essence of the work to be performed may not be of a nature that any reasonable and informed observer would construe as being detrimental to good corporate governance or in conflict with that normally undertaken by the accountancy profession.
- the nature of the work being performed will not affect the independence of the appointed external auditors in undertaking the normal audit assignments.
- the work being done may not conflict with any requirement of generally accepted accounting practice or principles of good corporate governance.
- consideration to the operational structure, internal standards and processes that were adopted by the audit firm in order to ensure that audit independence is maintained in the event that such audit firm is engaged to perform accounting or other non-audit services to its client base. Specifically:
  - the company may not appoint a firm of auditors to improve systems or processes where such firm of auditors will later be required to express a view as to the functionality or effectiveness of such systems or processes.
  - the company may not appoint a firm of auditors to provide services where such firm of auditors will later be required to express a view on the fair representation of information the result of these services to the company.
- the total fee earned by an audit firm for non-audit services in any financial year of the company, expressed as a percentage of the total fee for audit services, may not exceed 35% without the approval of the board.
- a firm of auditors will not be engaged to perform any management functions (e.g. acting as curator) without the express prior approval of the board. A firm of auditors may be engaged to perform operational functions, including that of bookkeeping, when such firm of auditors are not the appointed external auditors of the company and work is being performed under management supervision.

The audit committee may delegate the approval of the appointment of a firm of auditors for non-audit services to management when the cumulative total budgeted cost for an assignment or assignments does not exceed R50 000 from the date of the last report-back of the use of the appointed external auditors or any other practising firm of auditors, to the audit committee. Management shall report back on the use of the appointed external auditors or any other practising firm of auditors at meetings of the audit committee.

Information relating to the use of non-audit services from the appointed external auditors of the company shall be disclosed in the notes to the annual financial statements. Separate disclosure of the amounts paid to the appointed external auditors for non-audit services as opposed to audit services, shall be made in the annual financial statements.

The audit committee must consider on an annual basis and satisfy itself of the appropriateness of the expertise and experience of the financial director and the company must confirm this by reporting to unitholders in its annual report that the audit committee has executed this responsibility. The audit committee has satisfied itself of the appropriateness of the expertise and experience of the financial director, Nicolaas Willem Hanekom.

## 3. 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. These fees are approved by unitholders at the annual general meeting.

#### **4. INVESTMENT COMMITTEE**

The board will appoint an investment committee. The committee will be made up of at least two non-executive directors, one of which will act as chairperson of this committee.

The investment committee will meet when necessary to consider acquisitions, development and sales of investment properties. The board of directors will determine the committee's authority level.

#### **5. DIRECTORS' DEALINGS AND PROFESSIONAL ADVICE**

The company will operate a policy of prohibiting dealings by directors and certain other managers in periods immediately preceding the announcement of its interim and year-end financial results, any period while the company is trading under cautionary announcement and at any other time deemed necessary by the board.

The board will establish a procedure for directors, in furtherance of their duties, to take independent professional advice, if necessary, at the company's expense. All directors will have access to the advice and services of the company secretary.

#### **6. THE COMPANY SECRETARY**

The company secretary will provide the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the company. The company secretary will provide a central source of guidance and advice to the board, and within the company, on matters of ethics and good corporate governance. The company secretary will be subjected to an annual evaluation by the board.

#### **7. RISK MANAGEMENT AND INTERNAL CONTROLS**

The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed. This is a board responsibility.

The most significant risks faced by Fortress are tenant vacancies and termination or non-renewal of management contracts for property portfolios under management. Further risks are total or partial destruction of the investment properties and other insurable risks in this regard such as public liability. Furthermore, the level of borrowings and the exposure to interest rate movement will need to be carefully monitored and covered.

With assistance from expert risk consultants, risks will be assessed and appropriate insurance cover purchased for all material risks above pre-determined self-insured limits. Levels of cover will be re-assessed annually in light of claims experiences and events affecting the group, internally and externally.

To enable the directors to meet these responsibilities, the board will set standards and management will implement systems of internal control, comprising policies, procedures, systems and information to assist in:

- safeguarding assets and reducing the risk of loss, error, fraud and other irregularities;
- ensuring the accuracy and completeness of accounting records and reporting; and
- the timely preparation of reliable financial statements and information in compliance with relevant legislation and generally accepted accounting policies and practices.

#### **8. COMMUNICATION**

It will be the policy of Fortress to meet regularly with institutional unitholders and investment analysts, as well as to provide presentations on the company and its performance.

#### **9. EMPLOYMENT EQUITY**

Fortress will place particular emphasis on the development and training of its people, and will endeavour to ensure that employees are offered equal opportunity and appropriate participation.

#### **10. ETHICS**

Fortress is committed to promoting the highest standards of ethical behaviour amongst all its employees and, to this extent, a Code of Ethics for the company and its employees is to be adopted.

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**EXPENSES RELATING TO THE TRANSACTION**


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Corporate advisor and sponsor fees payable to Java Capital	1 300 000
Valuation fees payable to Quardrant	300 000
Reporting accountants fee payable to Deloitte & Touche	400 000
Competition Commission – filing fees	175 000
Legal fees payable to Fluxmans	65 000
JSE – Documentation fee	64 405
– Listing fees	331 750
Announcements	200 000
Printing	280 000
Share creation duty	50 000
RMB facility fee	450 000
Standard Bank facility fee	975 000
<b>Total</b>	<b>4 441 155</b>

There have been no commissions paid or payable in respect of underwriting within the preceding three years.

There have been no commissions, discounts, brokerages or other special terms granted during the preceding three years in connection with the issue or sale of any securities, stock or debentures in the capital of Fortress.

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## GROUP ACCOUNTING POLICIES

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### ACCOUNTING POLICIES

The principal accounting policies of the group and the company, which are consistent with those adopted in the previous financial period, conform to International Financial Reporting Standards in the manner required by the Companies Act in South Africa.

#### 1. Basis of preparation

The 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.

#### 2. Basis of consolidation

Subsidiaries are those entities over whose financial and operating policies the group has the ability to exercise control, so as to obtain benefits from their activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective dates of acquisition and to the effective dates of disposal.

The consolidated financial statements incorporate the assets, liabilities and the results of the operations and cash flows of the company and its subsidiaries. Intra-group transactions and balances have been eliminated. The accounting policies of the subsidiaries are consistent with those of the holding company.

#### 3. Investment properties

Investment properties are those held either to earn rental income or for capital appreciation or both. Investment properties are initially recorded at cost and include transaction costs directly attributable to acquisition. Subsequent expenditure relating to investment properties is capitalised when it is believed that the value or income generating ability of properties is being enhanced. Properties are valued annually by independent external experts on property valuation, with resulting revaluation gains or losses included in net profit or loss for the period.

Gains and losses from the revaluation or disposal of investment properties are transferred, net of provisions for income tax on capital gains or losses, to a non-distributable reserve.

#### 4. Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date, with impairment losses recognised where carrying amounts exceed amounts reasonably recoverable.

#### 5. Financial instruments

Financial instruments are initially measured at fair value, which, except for financial instruments measured at fair value through profit or loss and derivatives, include transaction costs. Financial instruments include cash and cash equivalents, investments in listed property securities and trade receivables and payables. Subsequent to initial recognition, financial instruments are measured as follows:

Trade receivables	:	Stated at amortised cost using the effective interest rate method net of impairment losses
Investments	:	Designated as available for sale and carried at fair value, being the quoted bid price at the balance sheet date, through profit or loss
Cash and cash equivalents	:	Carried at fair value
Financial liabilities	:	Non-derivative financial liabilities, not at fair value through profit or loss, are measured at amortised cost using the effective interest rate method
Trade payables	:	Carried at amortised cost using the effective interest rate method

## **6. Cash and cash equivalents**

Cash and cash equivalents comprise cash resources available to the group and company on demand and include funds available on access facilities.

## **7. Tax**

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the tax rates enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are 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 at balance sheet date of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. The effect on deferred tax of any changes in tax rates is recognised in the income statement.

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.

## **8. Revenue**

Revenue comprises rental income and recovery of expenses, excluding Value-added Tax.

Rental income under operating leases 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 rental income over the lease period.

## **9. Provisions**

Provisions are recognised when the group has present 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 amount 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.

## **10. Goodwill and negative goodwill**

Goodwill is any excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities acquired.

Goodwill is carried at cost, less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its estimated useful life.



# FORTRESS



INCOME FUND LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 2009/016487/06)  
("Fortress" or "the company")  
JSE code: FFA ISIN: ZAE 000141313

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## PRIVATE PLACEMENT APPLICATION FORM – "A" LINKED UNITS

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**Private placement by way of a placement of 13 000 000 "A" linked units of R9,00 each ("linked units") in the linked unit capital of Fortress registered in terms of the prospectus dated 16 October 2009.**

Please refer to the instructions overleaf before completing this application form.

### **Dematerialised linked units**

Applicants who commit to accept the private placement in uncertificated form and do have a CSDP or broker should complete this application form in respect of the private placement and deliver it to their duly appointed CSDP or broker, as the case may be, for completion by the time and date stipulated in the agreement governing their relationship with their CSDP or broker.

### **Certificated linked units**

Applicants who commit to accept the private placement in a physical share certificate form must complete this application form and send it to Link Market Services South Africa (Proprietary) Limited ("Link Market Services South Africa") in an envelope marked "Link Market Services South Africa – Fortress Placement" together with a cheque (crossed "not transferable") or banker's draft in South African currency and drawn in favour of "Link Market Services South Africa–Fortress Placement" either by post (at their own risk) (PO Box 4844, Johannesburg, 2000) or by hand (5th Floor, 11 Diagonal Street, Johannesburg, 2001), to be received by no later than 17h00 on Friday, 16 October 2009.

Each application submitted must be in one name only and show only one address. The directors of Fortress reserve the right to accept or reject any application, whether it is for certificated or uncertificated linked units, in whole or in part, particularly if the instructions overleaf and as set out in this prospectus are not properly complied with.

To the directors

Fortress Income Fund Limited

1. I/we, the undersigned, confirm that I/we have full legal capacity to contract and, having read the prospectus, hereby irrevocably apply for and request you to accept my/our application for the under-mentioned number of "A" linked units in Fortress at R9,00 per "A" linked unit or any lesser number that may, in your absolute discretion, be allotted to me/us, subject to the articles of association and the debenture trust deed of Fortress.
2. Those applicants who wish to receive their allocated linked units in uncertificated form and who do have a CSDP or broker must hand this application form to their appointed CSDP or broker. Payment in respect of these applications will be, in terms of the custody agreement entered into between the applicant and their respective CSDP or broker, on a delivery versus payment basis.
3. Those applicants who wish to receive their allocated linked units in certificated form commit to accept the physical linked unit certificate and hereby enclose a crossed cheque/banker's draft in favour of "Link Market Services South Africa – Fortress Placement" for the appropriate amount due in terms of this application.
4. I/we understand that the subscription for linked units in terms of the prospectus is conditional on the granting of a listing, by Thursday, 22 October 2009 or such later date as the directors may determine, in the "Real Estate Holdings and Development" sector of the JSE lists of the linked units of Fortress.

Dated

2009

Telephone number ( )

Signature

Assisted by (where applicable)

<b>Surname of individual</b>	Mr Mrs Miss Other title
<b>First names (in full)</b>	
<b>To be completed by all applicants</b> <b>Postal address</b> (Preferably PO Box address) <b>Telephone number</b> Refund cheques and linked unit certificates, if applicable, will be sent to this address	
Total number of "A" linked units applied for <b>Note:</b> Minimum number of 10 "A" linked units and thereafter in multiples of 10 "A" linked units	Enter figures only – not words)
<b>Total amount of cheque or banker's draft</b> to cover linked units applied for herein at R9,00 per "A" linked unit	R (Enter figures only – not words)

This application will constitute a legal contract between the company and the applicant. Application forms for certificated or uncertificated linked units where this portion has not been completed will not be accepted.

**Instructions:**

1. Applications may be made on this application form only. Copies or reproductions of the application form may be accepted in the discretion of the company.
2. Applications are irrevocable and may not be withdrawn once submitted to the transfer secretaries, CSDP's or brokers.
3. All CSDP's and brokers will be required to retain this application form for presentation to the directors if required.
4. Please refer to the terms and conditions of the private placement set out in paragraph 10 of the prospectus. Applicants should consult their brokers, bankers, or other professional advisers in case of doubt as to the correct completion of this application form.
5. Applications must be for a minimum of 10 "A" linked units and thereafter in whole multiples of 10.
6. Applicants who wish to receive their linked units in uncertificated form and who do have a CSDP or broker, must do so in terms of the custody agreement entered into between them and their CSDP or broker. Accordingly, payment will be made in terms of their agreement entered into between them and their CSDP or broker on a delivery versus payment basis.
7. Applicants who wish to receive their linked units in certificated form must submit only one application form and one cheque or banker's draft in respect of each application. To the extent that more than one application is submitted, the first application form received will be the one in respect of which Fortress linked units will be allocated in terms of the prospectus and further application form(s) will be ignored. The application monies applicable thereto will be held by the transfer secretaries and returned without interest to the applicants concerned with all other returned cheques in terms of the prospectus at the applicant's risk. Postal orders, cash or telegraphic transfers will not be accepted.
8. No receipts will be issued for application forms, application monies or any supporting documentation unless specifically requested and applications will only be regarded as complete when the relevant cheque/banker's draft has been paid. All monies will be deposited immediately for payment. If a receipt is required, linked unitholders or lodging agents are required to prepare special transaction receipts for application forms lodged.
9. If any cheques or banker's draft is dishonoured, the company may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
10. All alterations on the application form must be authenticated by full signature.
11. Fortress will use the "certified transfer deeds and other temporary "documents of title" procedure approved by the JSE and therefore will issue only a "block" certificate for the linked units allotted in terms of this application.
12. Blocked Rand may be used by emigrants and non-residents of the common monetary area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment and reference should be made to paragraph 10.1.16 of the prospectus that deals with Exchange Control Regulations.
13. Should the private placement not be successful, all monies will be appropriately refunded within seven days of the closing of the placement.

# FORTRESS

INCOME FUND LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 2009/016487/06)  
("Fortress" or "the company")  
JSE code: FFB ISIN: ZAE 000141321

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## PRIVATE PLACEMENT APPLICATION FORM – "B" LINKED UNITS

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**Private placement by way of a placement of 13 000 000 "B" linked units of R1,00 each ("linked units") in the linked unit capital of Fortress registered in terms of the prospectus dated 16 October 2009.**

Please refer to the instructions overleaf before completing this application form.

### Dematerialised linked units

Applicants who commit to accept the private placement in uncertificated form and do have a CSDP or broker should complete this application form in respect of the private placement and deliver it to their duly appointed CSDP or broker, as the case may be, for completion by the time and date stipulated in the agreement governing their relationship with their CSDP or broker.

### Certificated linked units

Applicants who commit to accept the private placement in a physical share certificate form must complete this application form and send it to Link Market Services South Africa (Proprietary) Limited ("Link Market Services South Africa") in an envelope marked "Link Market Services South Africa – Fortress Placement" together with a cheque (crossed "not transferable") or banker's draft in South African currency and drawn in favour of "Link Market Services South Africa – Fortress Placement" either by post (at their own risk) (PO Box 4844, Johannesburg, 2000) or by hand (5th Floor, 11 Diagonal Street, Johannesburg, 2001), to be received by no later than 17h00 on Friday, 16 October 2009.

Each application submitted must be in one name only and show only one address. The directors of Fortress reserve the right to accept or reject any application, whether it is for certificated or uncertificated linked units, in whole or in part, particularly if the instructions overleaf and as set out in this prospectus are not properly complied with.

To the directors

Fortress Income Fund Limited

1. I/we, the undersigned, confirm that I/we have full legal capacity to contract and, having read the prospectus, hereby irrevocably apply for and request you to accept my/our application for the under-mentioned number of "A" linked units in Fortress at R1,00 per "B" linked unit or any lesser number that may, in your absolute discretion, be allotted to me/us, subject to the articles of association and the debenture trust deed of Fortress.
2. Those applicants who wish to receive their allocated linked units in uncertificated form and who do have a CSDP or broker must hand this application form to their appointed CSDP or broker. Payment in respect of these applications will be, in terms of the custody agreement entered into between the applicant and their respective CSDP or broker, on a delivery versus payment basis.
3. Those applicants who wish to receive their allocated linked units in certificated form commit to accept the physical linked unit certificate and hereby enclose a crossed cheque/banker's draft in favour of "Link Market Services South Africa – Fortress Placement" for the appropriate amount due in terms of this application.
4. I/we understand that the subscription for linked units in terms of the prospectus is conditional on the granting of a listing, by Thursday, 22 October 2009 or such later date as the directors may determine, in the "Real Estate Holdings and Development" sector of the JSE lists of the linked units of Fortress.

Dated

2009

Telephone number ( )

Signature

Assisted by (where applicable)

<b>Surname of individual</b>	Mr Mrs Miss Other title
<b>First names (in full)</b>	
<b>To be completed by all applicants</b> <b>Postal address</b> (Preferably PO Box address) <b>Telephone number</b> Refund cheques and linked unit certificates, if applicable, will be sent to this address	
Total number of "B" linked units applied for <b>Note:</b> Minimum number of 10 "B" linked units and thereafter in multiples of 10 "B" linked units	Enter figures only – not words)
<b>Total amount of cheque or banker's draft</b> to cover linked units applied for herein at R1,00 per "B" linked unit	R (Enter figures only – not words)

This application will constitute a legal contract between the company and the applicant. Application forms for certificated or uncertificated linked units where this portion has not been completed will not be accepted.

**Instructions:**

1. Applications may be made on this application form only. Copies or reproductions of the application form may be accepted in the discretion of the company.
2. Applications are irrevocable and may not be withdrawn once submitted to the transfer secretaries, CSDP's or brokers.
3. All CSDP's and brokers will be required to retain this application form for presentation to the directors if required.
4. Please refer to the terms and conditions of the private placement set out in paragraph 10 of the prospectus. Applicants should consult their brokers, bankers, or other professional advisers in case of doubt as to the correct completion of this application form.
5. Applications must be for a minimum of 10 "B" linked units and thereafter in whole multiples of 10.
6. Applicants who wish to receive their linked units in uncertificated form and who do have a CSDP or broker, must do so in terms of the custody agreement entered into between them and their CSDP or broker. Accordingly, payment will be made in terms of their agreement entered into between them and their CSDP or broker on a delivery versus payment basis.
7. Applicants who wish to receive their linked units in certificated form must submit only one application form and one cheque or banker's draft in respect of each application. To the extent that more than one application is submitted, the first application form received will be the one in respect of which Fortress linked units will be allocated in terms of the prospectus and further application form(s) will be ignored. The application monies applicable thereto will be held by the transfer secretaries and returned without interest to the applicants concerned with all other returned cheques in terms of the prospectus at the applicant's risk. Postal orders, cash or telegraphic transfers will not be accepted.
8. No receipts will be issued for application forms, application monies or any supporting documentation unless specifically requested and applications will only be regarded as complete when the relevant cheque/banker's draft has been paid. All monies will be deposited immediately for payment. If a receipt is required, linked unitholders or lodging agents are required to prepare special transaction receipts for application forms lodged.
9. If any cheques or banker's draft is dishonoured, the company may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
10. All alterations on the application form must be authenticated by full signature.
11. Fortress will use the "certified transfer deeds and other temporary "documents of title" procedure approved by the JSE and therefore will issue only a "block" certificate for the linked units allotted in terms of this application.
12. Blocked Rand may be used by emigrants and non-residents of the common monetary area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment and reference should be made to paragraph 10.1.16 of the prospectus that deals with Exchange Control Regulations.
13. Should the private placement not be successful, all monies will be appropriately refunded within seven days of the closing of the placement.