FOORD COMPASS LIMITED

Registration Number: 1987/003591/06 • **JSE code:** FCPD • **ISIN:** ZAE000054466
Sponsors: One Capital | **www.foordcompass.co.za**

UNAUDITED INTERIM REPORT

for the 6 months ended
30 JUNE 2011

INTERIM INTEREST DISTRIBUTION UP 43% TO 30 CENTS PER DEBENTURE

ANNUAL INTEREST YIELD OF 11.9% ON OPENING NAAV

NET ATTRIBUTABLE ASSET VALUE 778c PER DEBENTURE

CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	Unaudited 30 June 2011 R'm	Unaudited 30 June 2010 R'm	Audited 31 Dec 2010 R'm
ASSETS				
Current assets				
Investments	3	**1 678.0**	1 340.0	1 474.5
Income receivables and unsettled sales		**1.6**	21.8	24.5
Taxation receivable		**-**	-	0.1
Cash and deposits		**390.8**	462.2	468.6
Total assets		**2 070.4**	1 824.0	1 967.7
EQUITY AND LIABILITIES				
Capital and reserves		**35.9**	24.2	35.7
Ordinary share capital		**0.1**	0.1	0.1
Accumulated profits		**35.8**	24.1	35.6
Non-current liabilities		**1 148.8**	1 029.7	1 093.1
Unsecured debentures	4	**1 139.2**	1 022.9	1 081.6
Deferred taxation		**9.6**	6.8	11.5
Current liabilities		**885.7**	770.1	838.9
Accounts payable		**2.7**	2.2	2.7
Taxation		**2.6**	1.6	-
Short investment positions		**780.4**	711.1	753.9
Unsettled purchases		**54.3**	24.6	2.9
Debenture interest payable		**45.7**	30.6	79.4
Total equity and liabilities		**2 070.4**	1 824.0	1 967.7
Number of debentures in issue		**152 387 884**	145 599 536	147 475 338
Number of ordinary shares in issue		**8 800 070**	8 800 070	8 800 070
		Cents	Cents	Cents
Net attributable asset value per debenture (cum interest)		**777.6**	723.5	787.3
Net attributable asset value per debenture (ex interest)		**747.6**	702.5	733.4
Net attributable asset value per ordinary share		**408.0**	275.0	405.7

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited 6 months to 30 June 2011 R'm	Unaudited 6 months to 30 June 2010 R'm	Audited Year ended 31 Dec 2010 R'm
Investment income		**42.8**	46.7	93.9
Realised trading profits (losses)		**35.3**	(5.3)	43.8
Operating expenditure		**(9.3)**	(7.4)	(15.5)
Net distributable profit		**68.8**	34.0	122.2
Capital profits on sale of investments		**8.4**	10.1	26.5
Revaluation of investments		**(3.5)**	(25.8)	15.5
Net portfolio income before debenture interest		**73.7**	18.3	164.2
Debenture interest		**(45.7)**	(30.6)	(110.0)
(Increase) decrease in carrying value of debentures	4	**(21.6)**	15.3	(30.2)
Profit before taxation		**6.4**	3.0	24.0
Taxation expense	5	**(0.9)**	(1.5)	(11.0)
Profit attributable to ordinary shareholders		**5.5**	1.5	13.0
Weighted average number of debentures in issue		**151 768 769**	145 587 529	146 291 597
		Cents	Cents	Cents
Interest per debenture (weighted)		**30.0**	21.0	75.2
Earnings per debenture (weighted)		**44.3**	10.5	95.8
Earnings per ordinary share		**62.5**	17.0	147.7

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary share capital R'm	Accumulated profits R'm	Total R'm
Balance at 1 January 2010 (audited)	0.1	31.4	31.5
Dividends	-	(8.8)	(8.8)
Profit for the year	-	13.0	13.0
Balance at 31 December 2010 (audited)	**0.1**	**35.6**	**35.7**
Dividends	**-**	**(5.3)**	**(5.3)**
Profit for the period	**-**	**5.5**	**5.5**
Balance at 30 June 2011 (unaudited)	**0.1**	**35.8**	**35.9**
Balance at 1 January 2010 (audited)	0.1	31.4	31.5
Dividends	-	(8.8)	(8.8)
Profit for the period	-	1.5	1.5
Balance at 30 June 2010 (unaudited)	0.1	24.1	24.2

CONDENSED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 30 June 2011 R'm	Unaudited 6 months to 30 June 2010 R'm	Audited Year ended 31 Dec 2010 R'm
Net cash (outflow) inflow from operating activities	**(29.0)**	(28.7)	1.6
Interest, dividends and taxation paid	**(84.8)**	(74.5)	(111.6)
Net cash received from issue of debentures	**36.0**	0.7	13.9
Net change in cash and deposits	**(77.8)**	(102.5)	(96.1)
Cash and deposits at beginning of period	**468.6**	564.7	564.7
Cash and deposits at end of period	**390.8**	462.2	468.6

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and significant accounting policies

The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards, the AC 500 standards as issued by the Accounting Practices Board or its successor and in accordance with International Accounting Standard *(IAS) 34 Interim Financial Reporting.* The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the company's financial statements for the year ended 31 December 2010.

2. Operating segments

The company has one principal operating segment and accordingly additional segmental disclosures have not been made.

3. Investments

Investments comprise both long and short positions in listed and unlisted securities.The investment objective is to achieve a total return of 10% per annum above the annual change in SA CPI on a rolling five-year basis. In managing the investment portfolio, securities may be held for trading within twelve months or may be realised over longer periods as deemed appropriate by the investment manager.

4. Unsecured debentures

	Unaudited 30 June 2011 R'm	Unaudited 30 June 2010 R'm	Audited 31 Dec 2010 R'm
Unsecured debentures comprise			
Debenture capital at issue price	**1 036.5**	987.3	1 000.5
Cumulative revaluation of debentures	**102.7**	35.6	81.1
Fair value of debentures	**1 139.2**	1 022.9	1 081.6
Reconciliation of balance			
Balance at beginning of period	**1 081.6**	1 037.5	1 037.5
Net proceeds on issue of debentures	**36.0**	0.7	13.9
Revaluation - current period	**21.6**	(15.3)	30.2
Balance at end of period	**1 139.2**	1 022.9	1 081.6
Increase (decrease) in carrying value of debentures			
Net portfolio income before debenture interest	**73.7**	18.3	164.2
90% allocation to debenture holders	**66.3**	16.5	147.8
Less: proportionate share of tax credit (expense)	**1.0**	(1.2)	(7.6)
Less: interest distribution for the period	**(45.7)**	(30.6)	(110.0)
Revaluation - current period	**21.6**	(15.3)	30.2

5. Taxation expense

Taxation comprises			
Current taxation charge - current period	**2.8**	1.9	6.7
Deferred taxation (credit) charge - current period	**(1.9)**	(0.4)	4.3
Net expense per statement of comprehensive income	**0.9**	1.5	11.0

Deferred taxation relates to the revaluation of investments. The share of the net taxation credit attributable to the unsecured debentures, which amounts to R1.0 million (2010: charge of R7.6 million), has been added to (2010: deducted from) the carrying value of the debentures as set out in note 4.

These results have not been reviewed or reported on by the company's auditors, Deloitte & Touche.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The results set out in the accompanying financial statements for the six months ended 30 June 2011 reflect a substantial improvement over the results presented for the comparative period in 2010. As a result of the higher level of net distributable profits, the board has decided to increase the interim distribution to 30 cents per debenture from the 21 cents declared for the six months to 30 June 2010. This brings the rolling 12 month distribution to 83.8 cents per debenture, representing an 11.9% yield on the ex-interest net attributable asset value of 702.5 cents per debenture reported at 30 June 2010.

Net portfolio income before interest increased 303% to R73.7 million from R18.3 million in the comparative period. Net distributable profit, which comprises interest, dividends and realised trading profits, net of operating expenses, increased 102% to R68.8 million. The main reason for this increase was the quantum of trading profits realised during the period. The flexibility of the investment mandate allows the fund manager to capitalise on extreme market volatility, buying into securities cheaply and selling them when they are fairly valued. The portfolio manager took advantage of higher prices in foreign credit markets to realise some profits on corporate debt instruments acquired in prior years. Certain foreign short equity positions were also closed out at a substantial profit. Operating expenses increased 26% mainly due to investment management fees as a result of higher average assets under management. Net profit after taxation increased 267% to R5.5 million from R1.5 million.

For the six month period under review, the net attributable asset value per debenture increased from 733.4 cents to 777.6 cents, cum interest. This yielded a return on the debentures of 6.0% for the period on a net asset value basis (six months ended 30 June 2010: 1.5%). The returns on the debentures for the six months ended 30 June 2011 are as follows:

	Unaudited 6 months to 30 June 2011	Unaudited 6 months to 30 June 2010	Audited Year to 31 Dec 2010
Income	**4.1%**	3.0%	10.5%
Capital	**1.9%**	-1.5%	2.9%
Total return *	**6.0%**	1.5%	13.4%

* Calculated with reference to net attributable asset values per debenture

COMMENTARY

Global securities markets have experienced significant volatility in the first six months of the year. The optimism engendered by the QE2 stimulus measures in 2010 and strong growth of China has abated this year. Markets were dominated by the effects of the devastating Japanese earthquake, on-going monetary tightening in China (which finally appears to be slowing the growth in that economy), and the resurgence of sovereign debt default fears in the peripheral Eurozone countries, particularly Greece. Compounding investor concerns, the Federal Reserve has given no indication of a QE3 and there are clear signs that the US economy is slowing. In Europe, despite very accommodative monetary policy by the ECB, only Germany and France have experienced strong growth. Japan remains mired in recession.

Japan's Nikkei excluded, global developed equity market indices were mostly positive in the first half of the year, albeit delivering returns substantially below those of H2 2010. Emerging equity market indices were however mostly negative, reflecting heightened investor risk aversion. Industrial metals generally declined, although gold gained as inflation fears escalated, while oil rose strongly on north-African and middle-Eastern unrest and Libyan supply loss. The rand depreciated by 2% against the dollar over the period on general global risk aversion and lower commodity prices, despite continued foreign inflows into the high-yielding domestic bond market.

While shares continue to be the asset class of choice for the foreseeable future, the portfolio benefitted from a tactical reduction in SA equity exposure during a period when the returns from the SA share market were weak. The position in listed property was beneficial but the total contribution was muted given the relatively small exposure.

The majority of the return achieved for the period under review was delivered by the foreign asset component, assisted by the depreciation in the rand. The decision taken some time ago to diversify the offshore portfolio away from the Foord International Trust has proven successful. It has allowed the fund manager to take advantage of opportunities in volatile markets which are not available to the Foord International Trust, a conservatively managed, long-only fund. During the period, some profits were realised on both short and long positions. This segment of the total portfolio delivered returns in excess of 20% in rands for the six month period, contributing 5.9% of the 6.8% total return achieved.

In aggregate, the portfolio returned 6.8% for the six months ended 30 June 2011, bringing the rolling one-year return to 21.6% compared to the benchmark CPI + 10% return of 14.6%. On an annualised basis over five years, the portfolio is below its benchmark but has handsomely outperformed the benchmark on a since-inception basis. As shown in the table below, the portfolio has also outperformed both the SA and world equity markets over the longer-term.

	Unaudited 6 months to 30 June 2011	Unaudited 6 months to 30 June 2010	Annualised returns to 30 June 2011: 1 year	5 years	From 1 Jan 2002
Gross portfolio total return	**6.8%**	2.3%	21.6%	15.6%	22.9%
Benchmark (CPI + 10% per annum)	***8.4%**	7.1%	* 14.6%	* 17.0%	* 16.6%
FTSE / JSE All Share Index	**0.5%**	-4.1%	24.6%	11.4%	15.8%
MSCI World Equities Index in rands	**7.9%**	-7.7%	15.0%	-0.6%	-2.8%

* Lagged one month

The portfolio's total asset allocation at effective economic exposures at 30 June 2011 is set out below:

	Domestic %		Foreign %		Total %	
	June 2011	Dec 2010	**June 2011**	Dec 2010	**June 2011**	Dec 2010
Equities	**39**	65	**20**	30	**59**	95
Listed property	**6**	6	**2**	6	**8**	12
Government bonds	**-40**	-47	**-8**	0	**-48**	-47
Corporate debt	**8**	9	**14**	13	**22**	22
Commodities	**0**	0	**1**	1	**1**	1
Effective cash exposure	**36**	14	**22**	3	**58**	17
	49	47	**51**	53	**100**	100

Domestic equity exposure has been substantially reduced compared to six months ago. This was achieved by implementing short futures positions on the FTSE/JSE All Share Index, which resulted in a corresponding increase in the effective SA cash exposure. Foreign share exposures were also reduced, especially in the Foord International Trust where the equity allocation declined from 70% six months ago to 62.5% at the end of June 2011.

The short SA government bond position was reduced to 40% of portfolio compared to 47% at 31 December 2010. However, a short position in US Treasuries was established and the overall short government bond exposure was little changed from 31 December 2010.

The net result of the lower effective equity exposure is an increase in effective cash exposure from 17% at the financial year-end to 58% at the reporting date. Actual SA cash holdings were 27% of portfolio with total actual cash holdings being 49% of portfolio at period end.

The overall portfolio is more conservatively positioned and less geared to rising equity markets than was the case at the financial year-end. Share valuations are still attractive and we expect earnings growth to remain strong – at least for the foreseeable future. However, continued investor nervousness sparked by the Eurozone sovereign debt crisis and slowing growth in the world's two largest economies presents a short-term risk to growth assets such as equities, commodities and emerging market bond and currency markets.

A future of low returns with high volatility is one possible scenario in which the investment manager will aim to capitalise on volatility by taking both long and short exposures to specific securities. An asset allocation strategy which is still equity biased but more tactical and diversified in nature will be implemented with a view to protecting the capital and income of debenture holders in a market that may be range bound for some time. Further optionality may be utilised in due course to benefit the fund from improving market direction.

We look forward to reporting to all stakeholders on our full year results in January 2012.

DIRECTORATE

The following changes to the company's board of directors have occurred since the company's financial year-end on 31 December 2010:

MO Hodges (Chairman)	resigned 19 April 2011
JC Greyling (Independent, Non-executive)	appointed as Chairman 19 April 2011
AD Cowell (Independent, Non-executive)	appointed 19 January 2011
DG West (Independent, Non-executive)	appointed 19 April 2011
PE Cluer (Non-executive)	appointed 19 April 2011

INTEREST PAYMENT AND ELECTION

Notice is hereby given that a debenture interest payment (number 48) of 30.0 cents per debenture in respect of the six months ended 30 June 2011 is payable to debenture holders recorded in the debenture register of the company on the record date.

Signed on behalf of the board

JC GREYLING
19 July 2011

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Important: A Notice of Interest Payment and Election detailing salient dates and the rights of debenture holders to elect to receive new fully paid Foord Compass Limited variable rate debentures in lieu of a cash interest payment has been published separately to this announcement.

Directors: JC GREYLING (Chairman), PE CLUER, AD COWELL**, D FOORD*, JC VAN DER HORST, JC VAN NIEKERK, DG WEST *British **Australian Company secretary: L GREVLER

FOORD COMPASS LIMITED

JSE code: FCPD • ISIN: ZAE000054466 • Reg Number: 1987/003591/06
Incorporated in the Republic of South Africa • "Compass" or "the company"

ANNOUNCEMENT

INTEREST PAYMENT AND ELECTION

Notice is hereby given that a debenture interest payment (number 48) of 30.0 cents per debenture in respect of the six months ended 30 June 2011 is payable to debenture holders recorded in the debenture register of the company on the record date. In compliance with the JSE Listings Requirements, the following dates are applicable:

Last date to trade	Thursday, 4 August 2011
Debentures trade ex-interest	Friday, 5 August 2011
Record date	Friday, 12 August 2011
Payment date	Monday, 15 August 2011

No debenture certificates may be dematerialised or rematerialised between Friday, 5 August 2011 and Friday, 12 August 2011, both days inclusive.

IMPORTANT: ELECTION TO RECEIVE DEBENTURES IN LIEU OF A CASH INTEREST PAYMENT

As provided for in section 6.4 of the Debenture Trust Deed, the board has resolved that **debenture holders recorded in the debenture register at the close of business on the record date may elect to receive new fully paid Foord Compass Limited Variable Rate debentures in lieu of a cash interest payment ("the debentures").** The motivation for this decision is to retain cash and build capital for debenture holders. The tax implications of the settlement of the debenture interest payment by the issue of debentures or by the payment of cash should be the same. However, debenture holders are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

Certificated debenture holders who wish to elect to receive debentures in respect of all or a part of their interest entitlement, must complete the Form of Election (mailed under separate cover) in accordance with the instructions therein and return such election form to the company's transfer secretaries to be received by no later than 12:00 on the record date, being Friday, 12 August 2011. Dematerialised debenture holders who wish to elect to receive debentures in respect of all or a part of their interest entitlement must, in terms of the agreement between themselves and their Central Securities Depository Participant ("CSDP") or broker, instruct their CSDP or broker accordingly.

If the election to receive debentures is not made by dematerialised debenture holders by the cut-off time stipulated by their CSDP or broker, or by 12:00 on Friday, 12 August 2011 in the case of certificated debenture holders, debenture holders will be deemed to have elected to receive a cash interest payment. As indicated above, the last day to trade in the company's debentures on the JSE to ensure that a purchaser appears as an owner on the record date will be Thursday, 4 August 2011. The number of debentures to be issued ("the ratio") will be determined with reference to the ex-interest net attributable asset value per debenture as at 30 June 2011 of 747.6 cents. Accordingly, the ratio is 4.013 interest debentures for each 100 debentures held on the record date. Only rounded numbers of interest debentures will be issued based on conventional rounding principles. No fractions will be paid. The right to receive debentures may not be traded on the JSE.

Subject to JSE approval of the debenture election, application will be made to the JSE Limited for a listing of the maximum number of debentures to be issued with effect from the commencement of business on Monday, 8 August 2011. An adjustment to the number of debentures listed will be made on or about Tuesday, 15 August 2011 in accordance with the actual number of debentures issued having regard to the elections made.

Cheques and/or new debenture certificates will be posted by registered post to certificated debenture holders and the accounts updated and/or credited by CSDPs or brokers of dematerialised debenture holders on or about Monday, 15 August 2011.

Signed on behalf of the board

JC GREYLING
19 July 2011

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Directors: JC GREYLING (Chairman), PE CLUER, AD COWELL**, D FOORD*, JC VAN DER HORST, JC VAN NIEKERK, DG WEST *British **Australian
Company Secretary: L GREVLER