GROWTHPOINT
PROPERTIES

SUMMARY OF AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2019

Group salient features

Financial highlights

5.3%	218.1 cents per share	36.4% LTV	2 539 NAV cents per share
Growth in distributable income from FY18	Dividend per share growth of 4.6% from FY18	Gearing levels remain conservative, increased from 35.2% at FY18	A 0.7% decrease from FY18

Baa3 global scale

and **AAA.za** national scale rating from Moody's

Included in major sustainability indices: FTSE/JSE Responsible Investment Index, Dow Jones Sustainability Index (DJSI), FTSE4Good Emerging Index

Investment proposition

- Sustainable quality of earnings
- 16-year track record of uninterrupted dividend growth
- Underpinned by high-quality physical property assets
- Diversified across international geographies and sectors
- Dynamic and proven management track record
- Best practice corporate governance
- Transparent reporting
- Level 3 B-BBEE contributor

Participant of:

Commentary

Growthpoint is an international property company that provides space to thrive with innovative and sustainable property solutions.

Introduction

Growthpoint is the largest South African primary JSE-listed REIT with a quality portfolio of 450 directly owned properties in South Africa (RSA) valued at R78.3bn.

We have a 66.0% interest in ASX-listed Growthpoint Properties Australia (GOZ), which owns 57 properties in Australia valued at R38.7bn.

Growthpoint has three equity-accounted investments, valued at R15.5bn. Our 50% share of the V&A Waterfront (V&A) (R7.6bn) and 29.8% stake in London Stock Exchange (AIM)-listed Globalworth Real Estate Investments (GWI) (R7.7bn) are the largest of these investments. In April 2019, the Group swapped its 21.6% shareholding in Globalworth Poland Real Estate (GPRE) for shares in GWI. In addition, the Group acquired a further stake in GWI for EUR15m. After the restructure, the Group has a single-entry point into Eastern Europe through its stake in GWI who in turn hold 99% of GPRE. GPRE is in the process of delisting from the Warsaw Stock Exchange, post the acquisition of the remaining minorities.

Growthpoint has a listed investment which is an 18.2% investment in ASX-listed APN Industria REIT, through its investment in GOZ, valued at R846.0m.

In line with Growthpoint's vision "to be a leading international property company providing space to thrive", the company's strategy incorporates the optimisation and streamlining of our South African portfolio, the introduction of new revenue streams via the Funds Management business, trading and development for third parties and further international diversification.

The company's objective is to grow and nurture a diversified portfolio of quality investment properties, providing accommodation to a wide spectrum of clients and delivering sustainable income distributions and capital appreciation, optimised by effective financial structures. Effectively, net property income received by the property portfolios of South Africa (RSA) and GOZ, interest received, the distributable income received from the equity-accounted and listed investments, development fees, distributions and management fees, less administration, operating overheads, interest on debt and normal taxation, is distributed to Growthpoint shareholders bi-annually.

Growthpoint is included in the FTSE/JSE Top40 Index (J200) with a market capitalisation of R72.1bn at 30 June 2019 (FY19). On average, 202.2m shares (FY18: 222.4m) with a value of R4.9m (FY18: R5.9bn) were traded per month during the year. This makes Growthpoint the most liquid and tradable way to own commercial property in South Africa.

The value of Growthpoint's property portfolio is split between South African (inclusive of the V&A) (69.7%) and international (30.3%) assets. It is well diversified in the three major sectors of commercial property, being retail, office and industrial. Most of the RSA portfolio is in economic nodes within major metropolitan areas.

For the year under review the net asset value (NAV) of the Group decreased by 0.7% to 2 539 (FY18: 2 556) cents per share.

Growth in distributions

Growthpoint delivered growth in distributions per share for FY19 of 4.6% and has declared a final dividend of 112.3 cents per share for the six months ended 30 June 2019. This growth marginally exceeds the guidance given to the market for FY19.

Distributable income increased by R322m or 5.3% to R6.4bn for the year.

Basis of preparation

The summarised consolidated financial statements are prepared in accordance with International Financial Reporting Standards, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. The accounting policies applied in preparing these financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements, except for the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*.

These summarised consolidated financial statements are extracted from the audited information but are not themselves audited. The annual financial statements were audited by KPMG Inc., who expressed an unmodified opinion thereon. The auditor's report does not report on all the information contained in these summarised consolidated financial statements.

Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying audited consolidated financial statements, both of which are available for inspection at the company's registered office. The directors of Growthpoint Properties Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying consolidated financial statements.

Mr G Völkel (CA(SA)), Growthpoint's Group Financial Director, was responsible for supervising the preparation of these summarised consolidated financial statements.

Growthpoint Properties Australia (GOZ)

The investment in GOZ was accounted for in terms of IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The statement of financial position includes 100% of the assets and liabilities of GOZ, converted at the closing exchange rate at FY19 of R9.89:AUD1 (FY18: R10.16:AUD1).

On 29 November 2018, Growthpoint Properties Limited followed its full entitlement to a rights issue in GOZ. The additional investment in GOZ totalled R907.6m (AUD89.1m). Growthpoint followed a GOZ DRIP in August 2018 and acquired an additional investment in GOZ for R438.2m (AUD41.5m).

A deferred tax liability of R2.7bn (FY18: R2.8bn) is included in the statement of financial position. This relates to capital gains tax payable in Australia if Growthpoint were to sell its investment in GOZ.

The statement of profit or loss and other comprehensive income also includes 100% of the revenue and expenses of GOZ, which were translated at an average exchange rate of R10.15:AUD1 for FY19 (FY18: R9.97:AUD1). The resulting foreign currency translation difference is recognised in other comprehensive income. A non-controlling interest was raised for the 34.0% (FY18: 34.5%) not owned by Growthpoint.

Included in the FY19 distributable income is R1 071.2m from GOZ, compared to R866.9m for FY18. Included in normal tax in the statement of profit or loss and other comprehensive income is R117.8m (FY18: R160.4m) that relates to withholding tax paid on the distributions received from GOZ. The decreased withholding tax together with the additional investment made, had a positive impact on the distribution received from GOZ.

V&A Waterfront, GWI and other equity-accounted investments

The investments in the V&A (Joint Venture), GWI and the other associates were accounted for in terms of IFRS 11 *Joint Arrangements* and IAS 28 *Investments in Associates*. The equity-accounting method was used where the Group's share of the profit or loss and other comprehensive income of these investments were accounted for.

Included in the FY19 distributable income is R677.5m from the V&A (FY18: R591.7m), R453.3m from GWI (FY18: R291.0m), and R59.0m from GPRE (FY18: R94.6m).

Net property income

Gross revenue increased by 3.8% for FY19 compared to FY18. RSA increased revenues by 2.2%, and GOZ increased revenues by 9.0% compared to FY18.

The ratio of property expenses to revenue for the Group increased to 23.1% at FY19 from 21.6% at FY18. For RSA the ratio increased to 25.6% from 23.8% at FY18 and GOZ, increased to 15.4% from 14.2% at FY18.

Fair value adjustments

The revaluation of properties in RSA and GOZ resulted in an overall increase of R1.8bn (1.5%) to R116.6bn for investment property (including investment properties classified as held for sale). Property assets held for trading and development are held at the lower of cost or net realisable value. The valuation was driven mainly by positive property fundamentals in Australia with a decrease in RSA due to low growth reflecting economic weakness.

Interest-bearing borrowings and derivatives were fair valued using the South African or foreign exchange denominated swap curves at FY19, increasing the overall liability by R932.0m.

These fair value adjustments and other non-distributable items, such as capital items, non-cash charges, deferred taxation and the net effect of the non-controlling interests' portion of the non-distributable items, were transferred to the non-distributable reserve.

Finance costs

Finance costs, including finance income received on interest rates swaps, increased by 1.1% to R2 603m (FY18: R2 574m). The weighted average interest rate for RSA borrowings was 9.2% (FY18: 9.1%) (7.1% including Euro loans and cross currency interest rate swaps (CCIRS) (FY18: 6.9%)). The weighted average maturity of debt increased to 4.0 years (FY18: 3.7 years). Finance costs for GOZ increased by 4.2% from R547.0m in FY18 to R570.0m in FY19. The interest cover ratio, where income from the equity-accounted investments and listed investments is included in the operating profit, increased to 3.8 times at FY19 (FY18: 3.7 times).

Finance income

Finance income decreased by 17.9% to R119.1m (FY18: R145.0m). This decrease is due to a decrease in interest received from long-term loans granted which were partially repaid.

Acquisitions and commitments

Growthpoint acquired one industrial property for R36.1m during the year for its RSA portfolio. The development and capital outlay for RSA of R2.7bn (FY18: R2.1bn) was for various developments and capital expenditure in the year, including R406.1m for 144 Oxford, Rosebank and R321.7m for Lakeside 1 & 2, Centurion.

Growthpoint has commitments outstanding for RSA developments totalling R1.5bn at FY19 (FY18: R1.6bn) of which 144 Oxford, Rosebank (R457.9m), the Pretoria Head and Neck Hospital, Pretoria (R262.8m) and Bakers Transport Cato Ridge Durban (R238.1m) are the largest.

Growthpoint also has a remaining commitment of R577.7m (USD R40.9m) to subscribe for shares in Growthpoint Investec African Properties Limited.

GOZ acquired two office properties for R3.7bn (AUD341.3m, excluding acquisition costs) and it incurred development costs of R858.0m (AUD85.1m).

GOZ has commitments outstanding totalling R959.9m (AUD97.1m) (FY18: R2.1bn (AUD204.2m)). These commitments relate mainly to the expansion of 599 Main North Road, Gepps Cross and a new office development of Building 3 at the Botanica Corporate Park, Richmond, Victoria.

Our 50% development and capital expenditure at the V&A amounted to R191.0m (FY18: R295.0m) for the year. Growthpoint's share of the V&A's commitments outstanding at FY19 amounted to R117.4m (FY18: R110.2m). The largest of these commitments includes Site B The Ridge where we are building a new corporate head office for Deloitte, at R76.1m and Woolworths extension at R28.2m.

Funds Management

Part of Growthpoint's strategy is to grow a R15bn Fund Management business over the next three to five years. To this end we have already established two separately identifiable funds:

(1) Growthpoint Investec Africa Properties Fund (GIAP), and
(2) Growthpoint Healthcare Property Holdings (GHPH).

GIAP, a joint venture with Investec Asset Management, has raised USD212.1m from third-party investors (including a USD50.0m commitment from Growthpoint) of which USD32.5m was drawn during the year for the purchase of a property in Ghana.

GHPH owns five healthcare assets valued at R2.6bn consisting of four hospitals and one medical chamber building. The Fund has attracted approximately R700m in investments from third-party investors so far. Growthpoint has undertaken the development of the new Head and Neck Hospital in Pretoria due for completion in April 2020. There is a significant pipeline of both acquisitions and greenfield developments.

Trading and development

Adhering to the limits previously communicated, the value of projects pre-identified as opportunities for trading and development for third parties will not exceed 5.0% of the value of the South African portfolio and assets developed for our own balance sheet will not exceed 10.0%. Trading profits of R61.5m have been realised on the sale of the units at Pine Industrial Park, 50% of Runway Park and Bakers Transport in Samrand. Third party development fees of R13.0m were earned from Storage and Bakers Transport Cato Ridge.

Commentary continued

We continue to build a sustainable pipeline of trading and development opportunities that we believe should contribute a maximum of 2.0% of distributable income going forward.

Disposals and held-for-sale assets

Growthpoint disposed of 14 properties in the year (FY18: 20) for R2.9bn (FY18: R1.5bn), the largest being the Investec building in Sandton at R2.2bn. GOZ disposed of two properties for R452.0m (AUD45.2m).

At FY19, seven RSA properties (FY18: 10) valued at R325.4m (FY18: R2.5bn) were classified as held for sale. No Australian properties were classified as held for sale as at FY19 (FY18: R653m).

Arrears

Total RSA arrears at FY19 were R77.7m (FY18: R68.5m) with a loss allowance of R36.8m (FY18: R27.4m). Total RSA bad debt expenses were R18.9m (FY18: R17.3m).

Vacancies increased across all the RSA sectors. Tenant retention remains a priority and we are driving it through various initiatives including the UNdeposit, Smartmove and Growthpoint's resource efficient, sustainable Thrive Portfolio.

Borrowings and net working capital

The consolidated loan-to-value ratio (LTV), measured by dividing the nominal value of interest-bearing borrowings (net of cash) by the fair value of property assets including investment property held for sale, property held for trading and development, the equity-accounted investments and the listed investments, was 36.4% for FY19 (FY18: 35.2%).

The RSA LTV increased to 36.9% (FY18: 35.4%) and the GOZ LTV decreased to 35.4% (FY18: 36.2%). The GOZ LTV, however, improved to 30.1% post year end due to an AUD174m Institutional Placement and Security Purchase Plan that settled in July 2019, after year end.

Growthpoint has consistently applied its policy for measuring the fair value of long-term interest-bearing loans and derivatives. There were no changes in valuation techniques, nor were there any transfers between level 1, level 2 and level 3 during the year.

The Group has an unsecured interest-bearing borrowings balance of R20.1bn (FY18: R19.1bn). All other interest-bearing borrowings across the Group are secured.

Growthpoint had unused committed bank facilities of R5.5bn in RSA and R2.5bn (AUD244.0m) in Australia at FY19, which assures its ability to meet its short-term commitments.

Change in directorate

Messrs Frank Berkeley and John van Wyk were appointed as independent non-executive directors on 10 September 2019.

Vacancy levels

At FY19, Growthpoint's vacancy levels as a percentage of its total portfolio GLA were:

	GLA		Vacancy		
	m² FY19	m² FY18	% FY19		% FY18
Retail	**1 381 997**	1 390 878	**3.9**	↑	3.6
Office	**1 675 560**	1 686 781	**10.4**	↑	8.6
Industrial	**2 262 328**	2 254 812	**6.2**	↑	4.0
GHPH	**72 121**	72 121	**–**	–	–
Trading and development	**32 727**	32 724	**–**	–	–
RSA total	**5 424 733**	5 437 316	**6.8**	↑	5.4
GOZ	**1 026 466**	1 003 444	**1.4**	↑	1.1
V&A Waterfront (50%)	**225 490**	231 171	**1.2**	↓	1.8
Total/average %	**6 676 689**	6 671 931	**5.8**	↑	4.7

Messrs Peter Fechter and Eric Visser will be stepping down from the Board at the 2019 annual general meeting (AGM), after 16 and 18 years of service respectively. Their contributions to the Board have been invaluable as well as their respective roles as Chairmen of the Property and Investment Committee and the Human Resources and Remuneration Committee.

Change in auditors

In June 2017, the Independent Regulatory Board of Auditors published a rule prescribing that auditors of public interest entities in South Africa must comply with mandatory audit firm rotation whereby audit firms shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive years, with effect from 1 April 2023. Given the aforementioned and with the imminent five-year partner rotation by KPMG, Growthpoint elected to rotate auditors. KPMG has been Growthpoint's external auditors for 18 years. Growthpoint wishes to thank KPMG for their excellent services and commitment to the Group over the past 18 years.

EY has been nominated as the new external auditor effective 1 July 2019, for the audit of the forthcoming financial year ending 30 June 2020. This appointment is subject to shareholders' approval at the annual general meeting (AGM) scheduled for 12 November 2019. Consequently, KPMG will not be re-appointed as the Company's external auditor.

Events after the reporting period

In line with IAS 10 *Events after the Reporting Period*, the declaration of the dividend (R3.3bn) occurred after the end of the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

Post 30 June 2019, Growthpoint re-financed a further R800m with an expiry date of March 2020 to July 2025.

GOZ announced the acquisition of 3 Maker Place, Truganina, Victoria for AUD40.0m on 4 September 2019. The property, with an initial income yield of 5.83%, is a newly completed logistics office/warehouse of 31 092m^2 GLA, fully leased for 3.1 years.

Prospects

Most of the Group's assets are in South Africa, both by EBIT (76.7%) and by market value of property assets (69.7%), where the macro-economic environment is weighing heavily on the Group's ability to grow dividends for FY20. Domestic tenants continue to downsize their space, which is placing pressure on all property fundamentals. The oversupply of space across all three sectors is also limiting the Group's ability to grow rentals. Tenants are spoilt for choice and negotiations on renewal and new lets are tough.

The V&A Waterfront, which benefits from local and international tourism, is positioned to deliver growth but is not immune to the erosion in the domestic economy. There is, however, still demand from corporates for offices at the V&A and this is positive for our investment returns. The V&A Waterfront continues to look for opportunities to enhance earnings, increase bulk, densify the precinct and grow its footprint.

Our international investments should contribute positively to FY20's distribution growth. Property fundamentals in Australia remain strong and GOZ's balance sheet is in excellent shape with substantial debt headroom for accretive acquisitions. The market, however, remains extremely competitive, with global investors vying for assets. GOZ is also well positioned with exposure to the two favoured commercial property sectors, being office and industrial. GOZ has announced that it expects to grow its DPS by 3.5% to 23.8c for FY20.

Against a backdrop of strong macro-economic fundamentals in both Poland and Romania, coupled with a robust property market, GWI, our Eastern European investment, is also expected to perform well and contribute positively to the Group's DPS growth.

Given Growthpoint's significant exposure to the overall RSA economy where GDP growth is lacking and property fundamentals remain weak, the Growthpoint Board expects growth in dividends per share for the financial year ending 30 June 2020, if any, to be nominal. This forecast has not been subject to audit or review by the company's independent external auditor.

Final dividend with the election to reinvest the cash dividend in return for Growthpoint shares

Notice is hereby given of the declaration of the final dividend number 67 of 112.3 cents per share for the period ended 30 June 2019. Shareholders will be entitled to elect to reinvest the net cash dividend, in return for Growthpoint shares (share alternative), failing which they will receive the net cash dividend in respect of all or part of their shareholdings. The entitlement of shareholders to elect to participate in the share re-investment alternative is subject to the Board, either itself or through a Board sub-committee appointed to set the pricing and terms of the share re-investment alternative, having the discretion to withdraw the entitlement to elect the share re-investment alternative should market conditions warrant such action. A withdrawal of the entitlement to elect the share re-investment alternative would be communicated to shareholders before the publication of the finalisation announcement on Friday, 20 September 2019.

Other information:

- Issued shares at 30 June 2019: 2 970 981 288 ordinary shares of no par value.
- Income Tax Reference Number of Growthpoint: 9375/077/71/7.

Shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (Income Tax Act). The dividends on the shares will be deemed to be taxable dividends for South African tax purposes in terms of section 25BB of the Income Tax Act.

Tax implications for South African resident shareholders

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from the income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act, because they are dividends distributed by a REIT. These dividends are however exempt from dividend withholding tax (Dividend Tax) in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the Central Securities Depository Participant (CSDP) or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares, a DTD(EX) (Dividend Tax: Declaration and undertaking to be made by the beneficial owner of a share) form to prove their status as South African residents.

If resident shareholders have not submitted the abovementioned documentation to confirm their status as South African residents, they are advised to contact their CSDP or broker, as the case may be, to arrange for the documents to be submitted prior to the payment of the dividend.

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption section 10(1)(k) of the Income Tax Act. Any dividend received by a non-resident from a REIT is subject to Dividend Tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net amount due to non-resident shareholders is 89.84 cents per share. A reduced dividend withholding tax rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- a written undertaking to inform the CSDP broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner of the South African Revenue Service.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the company to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

Salient dates and times	2019
Circular and form of election posted to shareholders	Monday, 16 September
Last date for Growthpoint to withdraw the entitlement for shareholders to elect to participate in the share re-investment alternative before the publication of the announcement of the share alternative issue price and finalisation information on SENS	Friday, 20 September
Announcement of share re-investment alternative issue price and finalisation information published on SENS	Monday, 23 September
Last day to trade (LDT) cum dividend	Tuesday, 1 October
Shares to trade ex dividend	Wednesday, 2 October
Listing of maximum possible number of share alternative shares commences on the JSE	Friday, 4 October
Last day to elect to receive the share alternative (no late forms of election will be accepted) at 12:00 (South African time)	Friday, 4 October
Record date	Friday, 4 October
Announcement of results of cash dividend and share re-investment alternative published on SENS	Monday, 7 October
Cheques posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the cash alternative on	Monday, 7 October
Share certificates posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the share re-investment alternative on	Wednesday, 9 October
Adjustment to the maximum number of shares listed on or about	Thursday, 10 October

Notes:
1. Shareholders electing the share re-investment alternative are alerted to the fact that the new shares will be listed on LDT + 3 and that these new shares can only be traded on LDT + 3, due to the fact that settlement of the shares will be three days after record date, which differs from the conventional one day after record date settlement process.
2. Shares may not be dematerialised or rematerialised between commencement of trade on Wednesday, 2 October 2019 and the close of trade on Friday, 4 October 2019.
3. The above dates and times are subject to change. Any changes will be released on SENS.

Appointment of Company Secretary

In compliance with paragraph 3.59 of the JSE Limited Listings Requirements, shareholders are advised that Johan de Koker has been appointed as Company Secretary to Growthpoint with immediate effect.

The Board is confident that Johan has the knowledge and ability to fulfil the role of assisting the Board in fulfilling its mandate and ensuring the company maintains good corporate governance.

By order of the Board

Growthpoint Properties Limited

10 September 2019

Directors

JF Marais (Chairman), FM Berkeley#, NO Chauke* (Human Resources Director), EK de Klerk* (Chief Executive Officer South Africa), MG Diliza, PH Fechter^, LA Finlay, JC Hayward (Lead Independent Director), SP Mngconkola, R Moonsamy, NBP Nkabinde, LN Sasse* (Group Chief Executive Officer), N Siyotula, JA van Wyk#°, FJ Visser^, G Völkel* (Group Financial Director)

* *Executive*

Appointed 10 September 2019

^ *Retiring*

° *British*

Growthpoint Properties Limited

(Incorporated in the Republic of South Africa)
(Registration number 1987/004988/06)
A Real Estate Investment Trust, listed on the JSE
Share code: GRT ISIN: ZAE000179420

Registered office

The Place, 1 Sandton Drive, Sandton, 2196
PO Box 78949, Sandton, 2146

Company Secretary

Johan de Koker

Transfer Secretary

Computershare Investor Services (Pty) Ltd
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
PO Box 61051, Marshalltown, 2107

Sponsor

Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive, Sandown, Sandton, 2196
PO Box 785700, Sandton, 2146

REIT ratios

For the year ended 30 June 2019

	2019 Rm	2018 Rm
Distributable earnings reconciliation		
Revenue, excluding straight-line lease income adjustment	11 388	10 976
Property-related expenses	(2 626)	(2 366)
Impairment loss on trade receivables	(9)	–
Other administrative and operating overheads	(435)	(437)
Net interest and investment income	(1 347)	(1 670)
Finance income	119	145
Dividends/interest received from equity-accounted investments	1 137	759
Interest paid	(3 123)	(2 574)
Derivatives (realised interest)	520	–
GWI dividend declared for FY18	(157)	–
GPRE dividend declared for FY18	(64)	–
Antecedent dividends	5	33
GWI dividend declared after year end, based on the reporting period earnings	282	157
GPRE dividend declared after year end, based on the reporting period earnings	–	64
Non-controlling portion of distribution (excluding fair value adjustments) – GOZ	(563)	(513)
Non-controlling portion of distribution (excluding fair value adjustments) – GHPH	(51)	–
Amortisation of incentives add back (GOZ FFO)	191	166
Distributable income from GOZ retained (including NCI's portion)	(100)	(188)
Profit on disposal of Roeland Street Investment 2 (Pty) Ltd	7	–
Realised foreign exchange profit	27	46
Current normal taxation	(118)	(160)
Distributable earnings	**6 430**	6 108
Distributions		
Total dividend (Rm)		
Distributable earnings	6 430	6 108
Actual number of shares in issue	2 950 587 688	2 945 510 719
Distribution per share	218.1	208.6
Interim taxable dividend (cents)	105.8	101.2
Final taxable dividend (cents)	112.3	107.4

	Number of shares	
	2019	2018
Shares issued during the year		
Issued ordinary shares at the beginning of year	2 970 981 288	2 888 462 582
Effect of shares issued	–	82 518 706
Shares in issue at end of year	2 970 981 288	2 970 981 288
Effect of treasury shares held	(20 393 600)	(25 470 569)
Net shares in issue at end of year	2 950 587 688	2 945 510 719

Net asset value

Net asset value is the value of the Group's assets minus the value of the Group's liabilities and reflects the Group's net worth.

Tangible net asset value is the value of the Group's assets minus the value of the Group's liabilities and reflects the Group's net worth, but excludes intangible assets and liabilities, such as the Group's intangible assets and deferred tax liability.

	2019 Cents	2018 Cents
Net asset value per share	2 539	2 556
Tangible net asset value per share	2 569	2 575

Net asset value per share is reconciled to tangible net asset value per share as follows:

	2019 Rm	2018 Rm
Net asset value attributable to shareholders	**74 908**	75 273
Less: Net effect of business acquisitions and other intangibles	**896**	565
Intangible assets	**(1 983)**	(2 279)
Deferred tax liability	**2 879**	2 844
Tangible net asset value	**75 804**	75 838

Key reporting ratios

Best practice recommendations were issued by the SA REIT Association (issued in January 2016, first edition) outlining the need to provide consistent presentation and disclosure of relevant ratios in the SA REIT sector. This will ensure information and definitions are clearly presented, enhancing comparability and consistency across the sector.

	2019 % Group	2018 % Group
Property cost-to-income ratio		
Gross	**32.56**	31.11
Net	**17.58**	16.64
Based on IFRS reported figures	**23.06**	21.56
Property cost-to-income ratio is based on the total property-related expenses divided by the revenue, excluding straight-line lease income adjustments.		
Operating cost-to-income ratio		
Gross	**3.82**	4.17
Net	**3.82**	3.98
Based on IFRS reported figures	**3.82**	3.98
Operating cost-to-income ratio is based on the total operating expenses divided by the revenue, excluding straight-line lease income adjustments.		
Total cost-to-income ratio		
Gross	**36.02**	34.72
Net	**21.67**	20.87
Based on IFRS reported figures	**26.88**	25.54
Total cost-to-income ratio is based on the total expenses divided by the revenue, excluding straight-line lease income adjustments.		
Interest cover ratio	**3.81**	3.65
Interest cover ratio (excluding GOZ)	**3.78**	3.62
Interest cover ratio for Growthpoint is based on the operating profit excluding straight-line lease income adjustment plus the investment income from equity-accounted investments divided by the finance costs (including finance costs paid on derivatives), after deducting finance income from banks and long-term loans.		
Loan to value ratio	**36.43**	35.17
Loan to value ratio (excluding GOZ)	**36.94**	35.37
Loan to value ratio for Growthpoint is based on the nominal value of debt (net of cash), divided by the fair value of property assets. Including investment property held for sale, equity-accounted investments and listed investments.		

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Revenue, excluding straight-line lease income adjustment		**11 388**	10 976
Straight-line lease income adjustment		**166**	(50)
Total revenue		**11 554**	10 926
Property-related expenses		**(2 626)**	(2 366)
Impairment loss on trade receivables		**(9)**	–
Net property income		**8 919**	8 560
Other administrative and operating overheads		**(435)**	(437)
Operating profit		**8 484**	8 123
Equity-accounted investment profit – net of tax		**1 170**	1 470
Non-distributable income		**33**	711
Dividends/interest received from equity-accounted investments		**1 137**	759
Fair value adjustments, capital items and other charges		**870**	1 407
Finance income	1	**119**	145
Finance expense		**(3 123)**	(2 574)
Profit before taxation		**7 520**	8 571
Taxation		**(153)**	(666)
Profit for the year		**7 367**	7 905
Other comprehensive income (net of tax)			
Items that may subsequently be reclassified to profit or loss			
Translation of foreign operations		**(625)**	241
Total comprehensive income for the year		**6 742**	8 146
Profit attributable to:		**7 367**	7 905
Owners of the company		**6 321**	6 663
Non-controlling interests		**1 046**	1 242
Total comprehensive income attributable to:		**6 742**	8 146
Owners of the company		**5 958**	6 803
Non-controlling interests		**784**	1 343

	Notes	Cents	Cents
Basic earnings per share		**214.46**	229.14
Diluted earnings per share		**213.68**	228.00
Headline basic earnings per share	2	**158.10**	159.84
Headline diluted earnings per share	2	**157.53**	159.05

Statement of financial position

As at 30 June 2019

	2019 Rm	2018 Rm
ASSETS		
Cash and cash equivalents	**882**	2 320
Trade and other receivables	**4 345**	3 645
Investment property classified as held for sale	**325**	3 180
Property held for trading and development	**455**	131
Derivative assets	**1 016**	476
Listed investments	**846**	801
Fair value of property assets	**116 229**	109 046
Fair value of investment property for accounting purposes	**113 565**	106 543
Straight-line lease income adjustment	**2 664**	2 503
Long-term loans granted	**76**	370
Equity-accounted investments	**15 515**	15 096
Unlisted investments	**96**	–
Equipment	**10**	12
Intangible assets	**1 983**	2 279
Total assets	**141 778**	137 356
LIABILITIES AND EQUITY		
Liabilities		
Trade and other payables	**2 213**	2 305
Derivative liabilities	**1 132**	741
Taxation payable	**18**	72
Interest-bearing borrowings	**51 624**	48 234
Deferred tax liability	**2 879**	2 844
Total liabilities	**57 866**	54 196
Shareholders' interests	**74 908**	75 273
Share capital	**47 217**	47 092
Retained income	**3 336**	3 191
Other reserves	**24 355**	24 990
Non-controlling interest	**9 004**	7 887
Total liabilities and equity	**141 778**	137 356

Statement of changes in equity

For the year ended 30 June 2019

	Attributable to owners of the company					
		Non-distributable reserve (NDR)				
	Share capital net of treasury shares Rm	Foreign currency translation reserve (FTCR) Rm	Amortisation of intangible assets Rm	Bargain purchase Rm	Fair value adjust-ment on investment property Rm	Other fair value adjust-ments and non-distributable items Rm
Balance at 30 June 2017	44 876	1 572	792	314	24 029	(2 429)
Total comprehensive income						
– Profit after taxation	–	–	–	–	–	–
– Other comprehensive income	–	140	–	–	–	–
Transactions with owners recognised directly in equity:						
Contributions by and distributions to owners:						
Shares issued	2 155	–	–	–	–	–
Transfer non-distributable items to NDR	–	–	(71)	–	1 007	(429)
Share-based payment transactions	61	–	–	–	–	–
Dividends declared	–	–	–	–	–	–
Changes in ownership interest:						
Change of ownership GHPH	–	–	–	–	–	–
Rights issue and acquisitions – GOZ	–	3	–	–	–	–
Balance at 30 June 2018	47 092	1 715	721	314	25 036	(2 858)
Total comprehensive income						
– Profit after taxation	–	–	–	–	–	–
– Other comprehensive income	–	**(363)**	–	–	–	–
Transactions with owners recognised directly in equity:						
Contributions by and distributions to owners:						
Transfer non-distributable items to NDR	**–**	**–**	**(81)**	**–**	**1 035**	**(1 257)**
Share-based payment transactions	**125**	**–**	**–**	**–**	**–**	**–**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**–**
Changes in ownership interest:						
Change of ownership GHPH	**–**	**–**	**–**	**–**	**–**	**–**
Rights issue and acquisitions – GOZ	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2019	**47 217**	**1 352**	**640**	**314**	**26 071**	**(4 115)**

Dividend per share	

Attributable to owners of the company							
Non-distributable reserve (NDR)							
Share-based payments reserve Rm	Reserves with NCI Rm	Fair value adjustment on listed investments Rm	Total other reserves Rm	Retained earnings (RE) Rm	Shareholders' interest Rm	Non-controlling interest (NCI) Rm	Total equity Rm
171	(12)	(154)	24 283	2 886	72 045	6 709	78 754
–	–	–	–	6 663	6 663	1 242	7 905
–	–	–	140	–	140	101	241
–	–	–	–	–	2 155	–	2 155
(40)	–	63	530	(530)	–	–	–
34	–	–	34	–	95	–	95
–	–	–	–	(5 828)	(5 828)	(513)	(6 341)
							–
–	–	–	–	–	–	285	285
–	–	–	3	–	3	63	66
165	(12)	(91)	24 990	3 191	75 273	7 887	83 160
–	**–**	**–**	**–**	**6 321**	**6 321**	**1 046**	**7 367**
–	**–**	**–**	**(363)**	**–**	**(363)**	**(262)**	**(625)**
72	**–**	**49**	**(182)**	**182**	**–**	**–**	**–**
(90)	**–**	**–**	**(90)**	**–**	**35**	**–**	**35**
–	**–**	**–**	**–**	**(6 358)**	**(6 358)**	**(563)**	**(6 921)**
–	**–**	**–**	**–**	**–**	**–**	**395**	**395**
–	**–**	**–**	**–**	**–**	**–**	**501**	**501**
147	**(12)**	**(42)**	**24 355**	**3 336**	**74 908**	**9 004**	**83 912**

2019 Cents	2018 Cents
218.1	208.6

Statement of cash flows

For the year ended 30 June 2019

	2019 Rm	2018 Rm
Cash flows from operating activities		
Cash received from tenants	10 855	11 098
Cash paid to suppliers and employees	(2 479)	(3 038)
Cash generated from operating activities	8 376	8 060
Interest paid	(2 289)	(2 574)
Finance and other investment income	578	312
Taxation paid	(172)	(126)
Investment in property held for trading and development	(336)	–
Disposal of property held for trading and development	301	–
Distribution to shareholders	(6 921)	(6 341)
Net cash from operating activities	(463)	(669)
Cash flows from investing activities		
Investments in:	(7 636)	(9 164)
Investment property	(6 991)	(4 109)
Intangible assets	(21)	(16)
Equity-accounted investments	(371)	(4 147)
Listed investment	–	(697)
Unlisted investments	(110)	–
Long-term loans	(99)	(148)
Capital costs incurred on business acquisitions	(44)	(47)
Proceeds from:	3 411	3 923
Disposal of investment property	501	1 958
Disposal of investment property held for sale	2 549	1 241
Equipment	–	3
Repayment of long-term loans granted	361	499
Disposal of listed investment	–	222
Net cash from investing activities	(4 225)	(5 241)
Cash flows from financing activities		
Proceeds from:	15 025	20 572
Borrowings raised	14 129	18 008
Distribution re-investment	–	2 216
Rights issues to non-controlling interest of GOZ	501	348
Change of ownership in GHPH	395	–
Repayments of borrowings	(11 781)	(13 186)
Net cash from financing activities	3 244	7 386
Effect of exchange rate changes on cash and cash equivalents	6	231
Movement in cash and cash equivalents	(1 438)	1 707
Cash and cash equivalents at beginning of period	2 320	613
Cash and cash equivalents at end of reporting period	882	2 320

Segmental analysis

As at 30 June 2019

SEGMENT ANALYSIS

The Group determines and presents operating segments based on the information that is provided internally to the Executive Management Committee (Exco), the Group's operating decision-making forum. The Group comprises eight segments, namely Retail, Office, Industrial, Growthpoint Australia, V&A Waterfront, Central and Eastern Europe, Healthcare and Trading and Development. Healthcare and Trading and Development were added as new segments during the year, as the businesses are reported on separately. An operating segment's operating results are reviewed regularly by Exco to make decisions about resources to be allocated to the segment and assess its performance, and for which separate financial information is available.

Segment	*Brief description of segment*
Retail	The Growthpoint retail portfolio consists of 49 properties, comprising shopping centres with the balance being vacant land or standalone single-tenanted properties. It includes regional, community, neighbourhood, speciality and small regional shopping centres as well as retail warehouses.
Office	The Growthpoint office portfolio consists of 172 properties which includes high rise and low rise offices, office parks, office warehouses, as well as mixed-use properties comprising both office and retail.
Industrial	The Growthpoint industrial portfolio consists of 219 properties which includes warehousing, industrial parks, retail warehousing, motor-related outlets, low and high grade industrial, high-tech industrial as well as mini, midi and maxi units.
Healthcare	The Growthpoint Healthcare portfolio consists of four hospitals and one medical chamber building.
Trading and Development	The Growthpoint Trading and Development portfolio consists of five properties developed for third parties and will not exceed 5.0% of the value of the South African portfolio.
Growthpoint Australia	The GOZ portfolio consists of 57 properties which includes both industrial and office properties, all situated in Australia.
V&A Waterfront	The V&A Waterfront is a 122 hectare mixed-use property development situated in and around the historic Victoria and Alfred Basin, which formed Cape Town's original harbour. Its properties includes retail, office, fishing and industrial, hotel and residential as well as undeveloped bulk.
Central and Eastern Europe	The Central and Eastern Europe portfolio consists of 60 properties, mostly modern A-grade office properties, industrial properties as well as a residential property complex.

GEOGRAPHIC SEGMENTS

In addition to the main reportable segments, the Group also includes a geographical analysis of net property income, excluding straight-line lease income adjustment and investment property. The following geographic segments have been identified:

- South Africa
- Australia
- V&A Waterfront
- Central and Eastern Europe

Segmental analysis continued

For the year ended 30 June 2019

Profit or loss and assets and liabilities disclosure

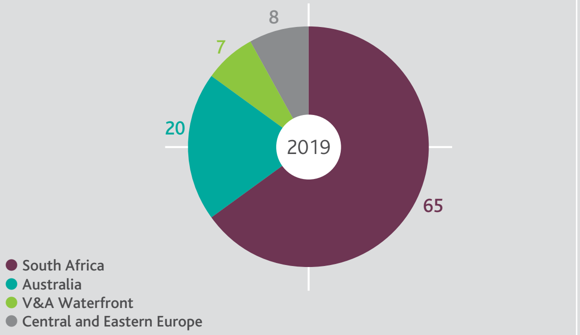
	2019											
	Retail Rm	Office Rm	Industrial Rm	Health-care Rm	Trading and develop-ment Rm	Total South Africa Rm	Australia Rm	Total as reported Rm	V&A Waterfront Rm	Central and Eastern Europe Rm	Total Rm
Material profit or loss disclosures											
Revenue excluding straight-line lease adjustment	3 341	3 510	1 461	240	75	8 627	2 761	11 388	920	1 044	13 352
Property-related expenses	(905)	(949)	(327)	(30)	–	(2 211)	(424)	(2 635)	(263)	(329)	(3 227)
Net property income	2 436	2 561	1 134	210	75	6 416	2 337	8 753	657	715	10 125
Other administrative and operating overheads						(294)	(141)	(435)	(29)	(117)	(581)
Equity-accounted investment profit, net of tax						1 170	–	1 170	–	–	1 170
Fair value adjustment on investment property	(426)	(166)	159	227	–	(206)	2 172	1 966	227	260	2 453
Fair value adjustments (other than investment property)						3	(580)	(577)	–	–	(577)
Capital items and other charges						(341)	(12)	(353)	–	–	(353)
Finance and investment income						114	5	119	36	17	172
Finance expense						(2 553)	(570)	(3 123)	(21)	(210)	(3 354)
Consolidated profit before taxation						4 309	3 211	7 520	870	665	9 055
Assets											
Cash and cash equivalents						584	298	882	293	1 894	3 069
Trade and other receivables						3 547	798	4 345	65	243	4 653
Investment property classified as held for sale	164	105	56	–	–	325	–	325	–	–	325
Property held for trading and development					455	455	–	455	–	–	455
Derivative assets						1 006	10	1 016	–	28	1 044
Listed investments						–	846	846	–	–	846
Fair value of property assets	29 681	31 591	13 626	2 626	–	77 524	38 705	116 229	9 567	12 788	138 584
Long-term loans granted						76	–	76	–	–	76
Equity-accounted investments						15 515	–	15 515	–	276	15 791
Unlisted investments						96	–	96	–	–	96
Equipment						4	6	10	–	–	10
Intangible assets						1 983	–	1 983	–	59	2 042
Total assets						101 115	40 663	141 778	9 925	15 288	166 991
Liabilities											
Trade and other payables						1 743	470	2 213	145	62	2 420
Derivative liabilities						1 022	110	1 132	–	726	1 858
Taxation payable						–	18	18	–	–	18
Interest-bearing borrowings						36 055	15 569	51 624	165	6 225	58 014
Deferred tax liability						2 879	–	2 879	–	556	3 435
Total liabilities						41 699	16 167	57 866	310	7 569	65 745

2018								
Retail Rm	Office Rm	Industrial Rm	Total South Africa Rm	Australia Rm	Total as reported Rm	V&A Waterfront Rm	Central and Eastern Europe Rm	Total Rm
3 244	3 779	1 420	8 443	2 533	10 976	813	207	11 996
(834)	(848)	(325)	(2 007)	(359)	(2 366)	(242)	(76)	(2 684)
2 410	2 931	1 095	6 436	2 174	8 610	571	131	9 312
			(309)	(128)	(437)	(30)	(28)	(495)
			711	–	711	–	–	711
(439)	53	250	(136)	1 671	1 535	375	100	2 010
			(120)	(113)	(233)	–	–	(233)
			(190)	245	55	87	(4)	138
			901	3	904	62	5	971
			(2 027)	(547)	(2 574)	(24)	(16)	(2 614)
			5 266	3 305	8 571	1 041	188	9 800
			2 000	320	2 320	248	2 708	5 276
			2 966	679	3 645	75	484	4 204
–	2 187	340	2 527	653	3 180	–		3 180
–	131	–	131	–	131	–		131
			476	–	476	–		476
			801	–	801	–		801
29 878	33 134	13 094	76 106	32 940	109 046	9 141	11 564	129 751
			370	–	370	–	–	370
			15 096	–	15 096	–	40	15 136
			3	9	12	–	–	12
			2 279	–	2 279	–	57	2 336
			102 755	34 601	137 356	9 464	14 853	161 673
			1 665	640	2 305	188	249	2 742
			671	70	741	–	–	741
			–	72	72	–	–	72
			35 699	12 535	48 234	170	6 594	54 998
			2 838	6	2 844	–	538	3 382
			40 873	13 323	54 196	358	7 381	61 935

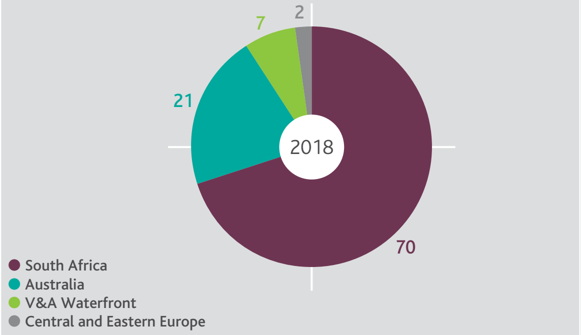
Segmental analysis continued

For the year ended 30 June 2019

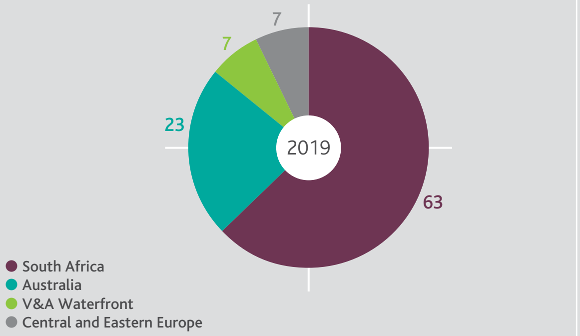
Geographical split by revenue (%)



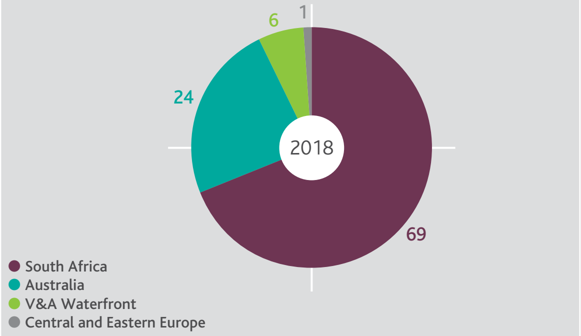
Geographical split by revenue (%)



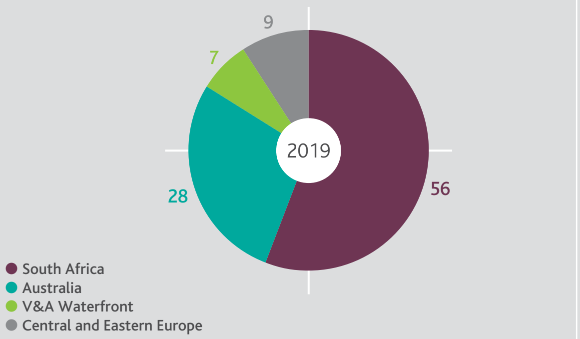
Geographical split by net property income (%)



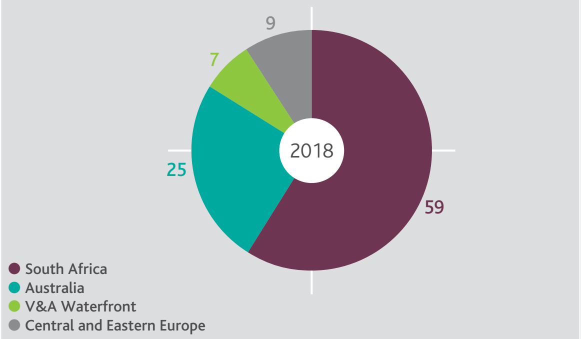
Geographical split by net property income (%)



Geographical split by fair value of property assets (%)



Geographical split by fair value of property assets (%)



Notes

As at 30 June 2019

		2019 Rm	2018 Rm
1.	**FINANCE INCOME**		
	Effective interest method		
	Banks	100	45
	Designated at fair value through profit or loss (FVTPL) on initial recognition		
	Long-term loans	19	46
	Other	–	54
	Total finance income	119	145

2. **RECONCILIATION BETWEEN BASIC EARNINGS, DILUTED EARNINGS AND HEADLINE EARNINGS**

	Gross		Total	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Profit for the year			6 321	6 663
Impairment of goodwill	870*	1 407*	218	–
Bargain purchase	870*	1 407*	(5)	(9)
Fair value adjustments on investment property	870*	1 407*	(1 874)	(2 006)
Fair value adjustment: Net of straight-lining lease adjustment			(1 426)	(1 290)
NCI portion of fair value adjustments			(448)	(716)
Headline basic and diluted earnings			4 660	4 648

** Both the bargain purchase and fair value adjustment on investment property are included in the "fair value adjustment, capital items and other charges" line item on the face of the statement of profit or loss and other comprehensive income.*

For the year ended 30 June 2019

3. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

3.1 Assets

	FVTPL Rm	Financial assets at amortised cost Rm	Outside scope of IFRS 9 Rm	Total Rm
2019				
Cash and cash equivalents	–	882	–	882
Trade and other receivables	–	3 069	1 276	4 345
Derivative assets	1 016	–	–	1 016
Listed investments	846	–	–	846
Unlisted investments	96	–	–	96
Long-term loans granted	76	–	–	76
2018				
Cash and cash equivalents	–	2 320	–	2 320
Trade and other receivables	–	2 836	809	3 645
Derivative assets	476	–	–	476
Listed investments	801	–	–	801
Unlisted investments	–	–	–	–
Long-term loans granted	370	–	–	370

3.2 Liabilities

	FVTPL Rm	Financial liabilities at amortised cost Rm	Outside scope of IFRS 9 Rm	Total Rm
2019				
Trade payables	–	2 035	178	2 213
Derivative liabilities	1 132	–	–	1 132
Tax payable	–	–	18	18
Interest-bearing borrowings	51 624	–	–	51 624
2018				
Trade payables	–	2 074	231	2 305
Derivative liabilities	741	–	–	741
Tax payable	–	–	72	72
Interest-bearing borrowings	48 234	–	–	48 234

4. FAIR VALUE ESTIMATION

4.1 Fair value measurement of assets and liabilities

The table below includes only those assets and liabilities that are measured at fair value including non-recurring items measured at fair value:

	2019				2018			
	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
ASSETS								
Recurring fair value measurement								
Fair value of property assets	116 229	–	–	116 229	109 046	–	–	109 046
Listed investments	846	846	–	–	801	797	–	4
Unlisted investments	96	–	–	96	–	–	–	–
Long-term loans granted	76	–	–	76	370	–	–	370
Derivative assets	1 016	–	409	607	476	–	252	224
Non-recurring fair value measurement								
Non-current assets held for sale	325	–	–	325	3 180	–	–	3 180
Total assets measured at fair value	118 588	846	409	117 333	113 873	797	252	112 824
LIABILITIES								
Recurring fair value measurement								
Interest-bearing borrowings	51 624	6 311	45 313	–	48 234	5 772	42 462	–
Derivative liabilities	1 132	–	851	281	741	–	511	230
Total liabilities measured at fair value	52 756	6 311	46 164	281	48 975	5 772	42 973	230

The carrying amount of assets and liabilities that are not measured at fair value reasonably approximate their fair value due to their short-term nature. These include trade and other receivables, cash and cash equivalents and trade and other payables.

4.2 Movement in level 3 instruments

	2019						2018				
	Property assets Rm	Listed invest-ments Rm	Long-term loans granted Rm	Deriva-tive assets Rm	Deriva-tive liabilities Rm	Un-listed invest-ments Rm	Property assets Rm	Listed invest-ments Rm	Long-term loans granted Rm	Deriva-tive assets Rm	Deriva-tive liabilities Rm
Opening balance	112 226	4	370	224	(230)	–	109 442	226	709	107	(31)
Gain/(loss) from fair value adjustments and translation of foreign operations	676	–	(30)	383	(51)	(14)	2 005	–	12	117	(199)
Accrued interest	–	–	25	–	–	–	–	–	71	–	–
Acquisitions	6 965	–	–	–	–	110	3 978	–	–	–	–
Disposals	(3 060)	(4)	–	–	–	–	(3 199)	(222)	–	–	–
Transferred to property held for trading and development	(253)	–	–	–	–	–	–	–	–	–	–
Advance	–	–	72	–	–	–	–	–	77	–	–
Settlements	–	–	(361)	–	–	–	–	–	(499)	–	–
Closing balance	116 554	–	76	607	(281)	96	112 226	4	370	224	(230)

For the year ended 30 June 2019

4. FAIR VALUE ESTIMATION (continued)

4.3 Valuation process

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the Financial Director.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

4.4 Valuation techniques and significant unobservable inputs

Level 2 instruments

Interest-bearing borrowings

Description	Valuation technique	Significant unobservable inputs
Interest-bearing borrowings	Valued by discounting future cash flows using the South African swap curve plus an appropriate credit margin of between 0.45% and 3.6% at the dates when the cash flows will take place (FY18: 0.46% and 3.6%).	Not applicable

The estimated fair value would increase/(decrease) if the credit margin were lower/(higher).

Derivative instruments

Description	Valuation technique	Significant unobservable inputs
Forward exchange contracts	Valued by discounting the forward rates applied at year end to the open hedged positions.	Not applicable
Interest rate swaps	Valued by discounting the future cash flows using the South African swap curve at the dates when the cash flows will take place.	Not applicable
Cross-currency interest rate swaps	Valued by discounting the future cash flows using the basis swap curve of the respective currencies at the dates when the cash flows will take place.	Not applicable

4. FAIR VALUE ESTIMATION (continued)

4.4 Valuation techniques and significant unobservable inputs (continued)

Level 3 instruments

In terms of the Group's policy, at least 75% of the fair value of investment properties should be determined by an external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The balance of the South African portfolio was valued by Growthpoint's qualified internal valuers.

The South African properties were valued at FY19 using the discounted cash flow of future income streams method by the following valuers who are all registered valuers in terms of section 19 of the Property Valuers Professional Act, No 47 of 2000:

Mills Fitchet PWV	PG Mitchell	NDip (Prop Val), MIV (SA), CIEA, professional valuer
Mills Fitchet KZN	T Bate	MSc, BSc Land Econ (UK), MRICS, MIV (SA), professional valuer
Eris Property Group (Pty) Ltd	C Everatt	BSc (Hons) Estate Management, MRICS, MIV (SA), professional valuer
Jones Lang LaSalle	J Karg	BSc , MRICS, MIV (SA), professional valuer
Knight Frank	A Arbee	NDip (Reas Estate in Prop Val), professional associate valuer
Rode & Associates	K Scott	BCom (Hons), professional valuer
Spectrum	PL O'Connell	NDip (Prop Val), MRICS, professional valuer
Sterling	AS Greybe-Smith	BSc (Hons), MIV (SA), professional associate valuer

The Australian properties were valued at FY19 using the discounted cash flow of future income streams method by Jones Lang LaSalle, Savills, Urbis, CBRE, Knight Frank, Colliers and m3property that are all members of the Australian Property Institute and certified practising valuers.

At the reporting date, the key assumptions and unobservable inputs used by the Group in determining fair value were in the following ranges for the Group's portfolio of properties:

Investment property

		Significant unobservable inputs and range of estimates used		
Description	Valuation technique	Discount rate (%)	Exit capitalisation rate (%)	Capitalisation rate (%)
Retail sector	Discounted cash flow model	12.0 - 18.0	6.8 – 12.0	6.8 – 12.0
Office sector		8.8 – 15.8	7.5 – 10.5	7.5 – 10.2
Industrial sector		13.5 – 17.0	8.0 – 13.0	8.0 – 13.0
Healthcare sector		13.3 – 14.3	8.3 – 9.3	8.3 – 9.3
GOZ office		6.5 – 8.0	5.5 – 7.5	5.0 – 7.5
GOZ industrial		6.5 – 8.3	5.5 – 9.8	5.3 – 8.4

Further assumptions are used in the valuation of investment property. The estimated fair value would increase/(decrease) if the expected market rental growth was higher/(lower), expected expense growth was lower/(higher), the vacant periods were shorter/(longer), the occupancy rate was higher/(lower), the rent-free periods were shorter/(longer), the discount rate was lower/(higher) and/or the reversionary capitalisation rate was lower/(higher).

Long-term loans granted

Description	Valuation technique	Significant unobservable inputs
Acucap Unit Purchase Scheme	Valued by discounting the future cash flows using the South African swap curve at the dates when the cash flow will take place.	Counterparty credit risk
Workshop 17	Valued by discounting the future cash flows using the South African swap curve at the dates when the cash flow will take place.	Counterparty credit risk

Derivative assets and liabilities

Description	Valuation technique	Significant unobservable inputs
Cross-currency interest rate swap	Valued by discounting the future cash flows using the basis swap curve of the respective currencies at the dates when the cash flow will take place.	Credit curve

Unlisted investments

Description	Valuation technique	Significant unobservable inputs
Edcon	This investment (R110m) was made just before year end. Management's best estimate of the fair value of Edcon is R96m taking into account comparative transactions in the market. We will continue on this basis until more information is available, which would allow us to make a more detailed assessment of the fair value of this investment.	Edcon's forecast, budget and EBIT

The Place, 1 Sandton Drive, Sandton,
Gauteng, 2196, South Africa
Tel: +27 (0) 11 944 6000, Fax: +27 (0) 11 944 6005
PO Box 78949, Sandton, 2146, South Africa
Docex: 48 Sandton Square
info@growthpoint.co.za

www.growthpoint.co.za