GROWTHPOINT PROPERTIES

2020

SUMMARY OF AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2020

GROUP SALIENT FEATURES

Investment proposition

- Growing international footprint
- Diversified across international geographies and sectors
- Quality of earnings, underpinned by high-quality physical property assets
- Dynamic and proven management track record
- Best practice corporate governance
- Transparent reporting
- Level 2 B-BBEE contributor
- Attractive ESG investment

EBIT FROM OFFSHORE

28.2%
Increase from 23.3% at FY19

2 307 SA REIT NAV CENTS PER SHARE

(7.6%)
decrease from FY19

OFFSHORE ASSETS

40.8%
Increase from 30.3% at FY19

TOTAL PROPERTY ASSETS

R166.7bn
18.7% increase from R140.4bn at FY19

SA REIT LTV LEVELS

43.9% LTV
Increased from 36.7% at FY19

INCLUDED IN MAJOR SUSTAINABILITY INDICES:

FTSE/JSE Responsible Investment Index, Dow Jones Sustainability Index (DJSI), FTSE4Good Emerging Index

GLOBAL SCALE MOODY'S RATING

Ba1

NATIONAL SCALE RATING FROM MOODY'S

Aa1.za

PARTICIPANT OF:

FTSE4Good · GRESB Real Estate Member · CDP · Dow Jones Sustainability Indices In Collaboration with RobecoSAM · SA REIT Association · SAPOA · JSE · A2X Markets

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 440 directly owned properties in South Africa (RSA) valued at R73.4bn, including four hospitals and one medical chambers valued at R2.6bn owned by Growthpoint Healthcare Property Holdings (RF) Limited (GHPH). Growthpoint has a 61.8% shareholding in GHPH.

We have a 62.2% interest in ASX-listed Growthpoint Properties Australia Limited (GOZ), which owns 58 properties in Australia valued at R51.8bn and a 52.1% interest in LSE-listed Capital & Regional Plc (C&R), which owns seven properties in the United Kingdom valued at R14.8bn.

Growthpoint has three equity-accounted investments, valued at R17.5bn. Our 50.0% share of the V&A Waterfront (V&A) (R7.2bn), 29.4% stake in London Stock Exchange AIM-listed Globalworth Real Estate Investments (GWI) (R10.3bn) are the largest of these investments.

Growthpoint has five unlisted investments, valued at R922.0m of which our 16.6% stake in Growthpoint Investec African Properties Limited (GIAP) (R837.7m) is the largest.

GOZ owns a 15.0% stake in ASX-listed Industrial REIT (ADI), valued at R837.0m.

Growthpoint is included in the FTSE/JSE Top 40 Index (J200) with a market capitalisation of R40.4bn at 30 June 2020 (FY20). On average, 218.5m shares (FY19: 202.2m) with a value of R3.9bn (FY19: R4.9bn) 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) (59.2%) and international (40.8%) assets. It is well diversified in the three major sectors of commercial property, being retail, office and industrial. Most of the RSA portfolio are in economic nodes within major metropolitan areas.

For the year under review the SA REIT net asset value (SA REIT NAV) of the Group decreased by 7.6% to 2 307 (FY19: 2 498) cents per share.

Impact of Covid-19 on the business

As we started the financial year we were concerned about the low economic growth in the South African business. We were expecting a tough year where performance was anticipated to be in line with FY19, with nominal growth overall. Negative growth in the South African business was projected to be offset by gains from the V&A Waterfront and the offshore businesses. We were substantially on track to achieve this result, as evidenced by our half year results, until mid-March when government announced a state of disaster in response to the Covid-19 pandemic.

Events in the last quarter of our financial year have impacted all of our businesses, some worse than others.

In South Africa our retail business was the most severely impacted due to the forced closure of all our retail tenants during the hard lockdown, except for those that provided essential services. Office tenants all moved to a work from home environment and in our industrial portfolio, only those that were linked to essential services continued to operate. We moved quickly to communicate with our tenants and assist where practically possible. The Property Industry group was established to assist the retail sector on an industry-wide basis. For the financial year we provided rental relief of R436.3m to our tenants with R158.8m in deferred rent (R17.4m recovered in the period) and R277.5m of rental discounts. We incurred R6.8m of Covid-19-related expenses.

Historically the V&A has been a standout performer for Growthpoint. However, given its strong reliance on international and local tourism and heavy weighting to the retail and restaurant trade, it has suffered disproportionately to the rest of the South African portfolio.

Our international investments in GOZ and GWI were also affected by Covid-19, but to a much lesser extent as a result of their focus on office and industrial properties, as well as their strong customer bases weighted toward listed corporates and government in Australia, and large multinational tenants in Poland and Romania.

C&R with its 100% retail focus has faced extreme challenges with the impact of the pandemic coming on top of an already weak environment due to both Brexit and the structural shifts in the sector.

Despite all of the above, our geographic and sectoral diversity has placed us in a position of strength to weather the Covid-19 storm.

Strategy

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 RSA portfolio; the introduction of new revenue streams via the Funds Management business and 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 distribution and capital appreciation, optimised by effective financial structures. Effectively, net property income received by the property portfolios of RSA, GOZ and C&R, interest received, the distributable income received from the equity-accounted investments, and development fees, distributions and management fees, less administration, operating overheads, interest on debt and normal taxation, is distributed to Growthpoint shareholders bi-annually. As a result of Covid-19, the Board is deliberating all options, including reducing the dividend pay-out ratio, as we remain focused on liquidity and balance sheet management.

We at all times seek to strike a balance between a conservative managed and sustainable business and the interest of our investors in optimising distributions.

While our strategic pillars remain intact in the short to medium term, our priority will be the protection of our balance sheet and liquidity position. Once our financial position is sufficiently bolstered, we shall resume driving forward the three pillars of our long-term strategy.

Growth in distributable income per share (DIPS)

Growthpoint delivered negative growth in SA REIT FFO for FY20 of 17.2%. The total SA REIT FFO decreased by R1 074m from R6 259m to R5 185m and on a per share basis SA REIT FFO per share decreased by 19.4% from 211.7c in FY19 to 170.7c in FY20. After company specific adjustments to the SA REIT FFO, the DIPS decreased by 16.0% from 218.1c to 183.1c. Total distributable income decreased by R952m from R6 430m to R5 478m or 14.8%.

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 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*.

These summarised consolidated financial statements are extracted from the audited information but are not themselves audited. The annual financial statements were audited by Ernst & Young 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 or on the company's website. The directors of Growthpoint Properties Limited take full responsibility for the preparation of this report and confirms 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.

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 FY20 of R11.98:AUD1 (FY19: R9.89:AUD1).

A deferred tax liability of R3.8bn (FY19: R2.7bn) 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 R10.49:AUD1 for FY20 (FY19: R10.15:AUD1). The resulting foreign currency translation difference is recognised in other comprehensive income. A non-controlling interest was raised for the 37.8% (FY19: 34.0%) not owned by Growthpoint.

Included in the FY20 distributable income is R1 010.1m dividend received from GOZ, compared to R1 071.2m for FY19. This accounts for AUD21.8c compared to AUD23.0c in FY19. Included in normal tax in the statement of profit or loss and other comprehensive income is R125.3m (FY19: R117.8m) that relates to withholding tax paid on the distributions received from GOZ. The increased withholding tax together with the Covid-19 implications had a negative impact on the distribution received from GOZ.

C&R

The investment in C&R 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 C&R, converted at the closing exchange rate at FY20 of R21.52:GBP1.

The statement of profit or loss and other comprehensive income also includes 100% of the revenue and expenses of C&R, which were translated at an average exchange rate of R20.75:GBP1 for FY20. The resulting foreign currency translation difference is recognised in other comprehensive income. A non-controlling interest was raised for the 47.9% not owned by Growthpoint.

Included in the FY20 distributable income is R107.0m dividend received from C&R. This accounts for 11.0p. Included in normal tax in the statement of profit or loss and other comprehensive income is R19.6m that relates to withholding tax paid on the distributions received from C&R.

V&A, GWI and other equity-accounted investments

The investments in the V&A (Joint Venture), GWI and the other equity-accounted investments 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 FY20 distributable income is R606.5m from the V&A (FY19: R677.5m) and R569.7m from GWI (FY19: R453.3m from GWI and R59.0m from GPRE).

Revenue and cost-to-income

Revenue increased by 5.4% for FY20 compared to FY19. RSA decreased revenue by 4.1%, and GOZ increased revenue by 9.5% compared to FY19. The SA REIT cost-to-income ratio for the Group increased to 40.1% at FY20 from 36.0% at FY19. For RSA the ratio increased to 44.5% from 40.0% at FY19 and GOZ increased to 22.1% from 21.4% at FY19. The ratio for C&R was 54.8% for FY20.

Fair value adjustments

The revaluation of properties in RSA, GOZ and C&R resulted in an overall decrease of R8.4bn (5.7%) to R139.1bn for investment property (including investment properties classified as held for sale). The revaluation of properties resulted in a decrease of R7.1bn (8.8%) in RSA, an increase of R1.1bn (2.2%) in GOZ and a decrease of R2.4bn (14.1%) in C&R. Property assets held for trading and development are held at the lower of cost or net realisable value. The RSA valuation decrease was driven mainly by lower market rental growth assumptions on the back of a weak macro-economic environment and the impact of Covid-19.

Interest-bearing borrowings and derivatives were fair valued using the RSA or foreign exchange denominated swap curves at FY20, increasing the overall liability by R1.7bn. 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 rate swaps, increased by 19.3% to R3.1bn (FY19: R2.6bn). The weighted average interest rate for RSA borrowings was 8.2% (FY19: 9.2%) (5.9% including foreign denominated loans and cross currency interest rate swaps (CCIRS) (FY19: 7.1%)). The weighted average maturity of debt for RSA borrowings decreased to 3.6 years (FY19: 4.0 years).

Finance costs for GOZ decreased by 4.0% from R570.0m in FY19 to R547.6m in FY20. Finance costs for C&R were R221.0m in FY20. The interest cover ratio, where income from the equity-accounted investments and listed investments is included in the operating profit, decreased to 3.1 times at FY20 (FY19: 3.8 times).

Finance income

Finance income decreased by 13.4% to R103.4m (FY19: R119.1m). This is mainly due to a decrease in interest received from banks.

Acquisitions and commitments

Growthpoint acquired one industrial property for R140.3m, two office properties for R134.3m and two telecommunications assets for R2.6m (included in office) during the year for its RSA portfolio. The development and capital outlay for RSA of R2.0bn (FY19: R2.7bn) was for various developments and capital expenditure in the year, including 144 Oxford Road, Rosebank for R285.6m, Pretoria Head and Neck Hospital for R242.6m and Bakers Transport, Cato Ridge, Durban for R132.5m. Growthpoint has commitments outstanding for RSA developments totalling R634m at FY20 (FY19: R1.5bn) of which Woodlands Office Park, Altron (R209.3m) and Longkloof Canopy, Cape Town (R147.3m) are the largest.

GOZ acquired one industrial property for R429.2m (AUD42.3m, including acquisition costs) and it incurred development costs of R843.1m (AUD71.9m). The largest two developments are at 599 Main North Road, Gepps Cross for R448.4m (AUD38.2m) and Building 3, 570 Swan Street, Richmond of R367.3m (AUD31.3m).

COMMENTARY continued

GOZ has commitments outstanding totalling R608.5m (AUD50.8m) (FY19: R2.1bn (AUD204.2m)). These commitments relate to a tenant incentive for a 25-year lease at 1 Charles Street, Parramatta, NSW.

C&R incurred development costs of R130.0m (GBP6.7m) and has commitments outstanding totalling R86.1m (GBP4.0m) which relate mainly to development projects at Maidstone of R32.3m (GBP1.5m) and Luton of R23.7m (GBP1.1m).

Funds Management

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

- Growthpoint Investec African Properties Limited (GIAP).

GIAP, a joint venture with Ninety One Limited, previously Investec Asset Management, has raised USD301.0m from third-party investors (including a USD50.0m investment by Growthpoint).

- Growthpoint Healthcare Property Holdings (RF) Limited (GHPH).

GHPH has attracted approximately R1.0bn in investments from third-party investors so far. Growthpoint has undertaken the development of the new Head and Neck Hospital in Pretoria due to open in January 2021. 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 in South Africa 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%. In the present environment we have, however, scaled back all non-essential capital and development and will only proceed with opportunities which are client-driven or substantially pre-let.

Disposals and held-for-sale assets

Growthpoint disposed of 13 properties in the year (FY19: 14) for R581.8m (FY19: R2.9bn), the largest being the Sunward retail park at R147.0m. GOZ and C&R had no disposals for FY20, (FY19 R452.0m (AUD45.2m)). At FY20, two RSA properties (FY19: seven) valued at R84.4m (FY19: R325.4m) were classified as held for sale. No Australian or United Kingdom properties were classified as held for sale.

Arrears

Total RSA arrears at FY20 were R511.0m (FY19: R77.7m) with a loss allowance of R254.0m (FY19: R36.8m). This includes rental deferments granted to tenants as a result of Covid-19 of R141.4m. Total RSA bad debt write-offs and provisions were R236.5m (FY19: R18.9m).

Total GOZ arrears at FY20 were R9.7m (FY19: R3.0m) with a loss allowance of R2.8m (FY19: Rnil). Total C&R arrears at FY20 were R300.0m with a loss allowance of R13.2m.

Vacancy levels

At FY20, Growthpoint's GLA and vacancy levels as a percentage of its total portfolio GLA were:

	GLA		Vacancy	
	FY20 m²	FY19 m²	**FY20 %**	FY19 %
Retail	**1 365 391**	1 381 997	**5.1 ↑**	3.9
Office	**1 672 010**	1 675 560	**15.4 ↑**	10.4
Industrial	**2 308 913**	2 262 328	**7.1 ↑**	6.2
Healthcare	**77 219**	72 121	**–**	–
Trading and development	**70 200**	32 727	**46.8 ↑**	–
RSA total	**5 493 733**	5 424 733	**9.5 ↑**	6.8
V&A Waterfront	**227 415**	225 490	**1.5 ↑**	1.2
GOZ	**1 042 929**	1 026 466	**5.5 ↑**	1.4
C&R	**328 512**	–	**5.5 ↑**	–
Total/average %	**7 092 589**	6 676 689	**7.6 ↑**	5.8

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 SA REIT loan-to-value ratio (SA REIT LTV) was 43.9% for FY20 (FY19: 36.7%) and includes the increase in net derivative liabilities from R116.0m in FY19 to R3 155.0 million. The LTV would have been 2% lower if derivative liabilities were not included. The RSA LTV increased to 39.8% (FY19: 31.8%), the GOZ SA REIT LTV decreased to 31.2% (FY19: 35.2%) and the C&R SA REIT LTV was 51.4% for FY20.

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 unsecured interest-bearing borrowings of R24.5bn (FY19: R20.1bn). All other interest-bearing borrowings across the Group are secured. Growthpoint had unused committed bank facilities of R3.1bn in RSA and separately R4.3bn (AUD360.0m) in Australia at FY20, which assures their ability to meet their short-term commitments.

Change in directorate

Frank Berkeley and John van Wyk were appointed as Independent Non-executive Directors on 10 September 2019. Frank is Chairman of the Property and Investment Committee and he also serves on the Human Resources and Remuneration Committee, Audit Committee and Governance and Nomination Committee. John is a member of the Audit, Risk Management and Property and Investment Committees.

Rhidwaan Gasant was appointed as an Independent Non-executive Director on 1 June 2020. Rhidwaan is Chairman of the Audit Committee and he also serves as a member of the Governance and Nomination Committee and the Risk Management Committee.

Nonzukiso Siyotula resigned as Independent Non-executive Director with effect from 12 November 2019. Lynette Finlay resigned as Independent Non-executive Director with effect from 7 July 2020.

Peter Fechter retired as Non-executive Director on 12 November 2019.

We thank these directors for their contribution to Growthpoint.

Moody's credit rating

On 6 April 2020, Moody's downgraded Growthpoint's global scale rating to Ba1 from Baa3 and the national scale rating to Aa1.za from Aaa.za, following the downgrade of the Government of South Africa. The ratings have a negative outlook.

Going concern

The directors have assessed the Group's ability to continue as a going concern. As at 30 June 2020, the Group had a substantial positive net asset value and a robust liquidity position with access to R7.4bn (R3.1bn RSA and separately R4.3bn GOZ) in committed undrawn credit facilities. Furthermore, as a precautionary measure to provide the Group with additional financial flexibility and bolster its liquidity in unprecedented market conditions as a result of the Covid-19 pandemic, the Board of Directors resolved to defer its decision on a final dividend payment for the year ended 30 June 2020 until December 2020 or an earlier date to be determined by the Board. The following uncertainties were considered as part of the going concern assessment:

Access to liquidity

Stressed market conditions may impact debt funders' risk appetite and limit access to liquidity.

Breach of covenants

Loan-to-value and interest cover ratio covenants may come under pressure due to decreasing property valuations and rental income because of the expected economic downturn related to the pandemic. The maximum loan-to-value covenants the Group is exposed to is 55%, which is well above the current Group SA REIT LTV of 43.9%.

Provision for credit losses

The provision for credit losses and write-off of unrecoverable amounts may increase as tenants' businesses are impacted by the pandemic globally.

The directors' response to the pandemic included:

- Establishment of a dedicated task team to implement a coordinated response across the business to ensure the health, safety and wellbeing of all stakeholders
- Implementation of business continuity plans to minimise disruption by initiatives implemented to curb the spread of the virus
- Curtailment of discretionary expenditure to make allowance for the anticipated costs associated with the various initiatives to combat the spread of the virus
- Dividend declaration decision deferred until December 2020 or earlier
- Frequent monitoring of the Group's liquidity position
- Addressing temporary regulatory compliance challenges posed by the pandemic with regards to REIT tax legislation and JSE Listings Requirements with the appropriate authorities and engaging with debt funding providers regarding financial covenants and liquidity considerations
- Establishing and participating in the Property Industry group.

After due consideration, the directors have concluded that the Group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor

Ernst & Young Inc. was appointed as the new external auditor effective 1 July 2019, for the audit of the financial year ending 30 June 2020. This appointment was approved by shareholders at the 2019 annual general meeting (AGM).

Events after the reporting period

The Group disposed of the Exxaro Corporate Centre on 28 July 2020 for R243.0m, resulting in a profit of R106.0m.

Growthpoint signed a R750m Revolving Credit Facility with Standard Chartered Bank on 10 July 2020.

Prospects

The macro-economic environment in RSA is deeply concerning, most of the Group's assets are in South Africa, both by EBIT (71.8%) and by market value of property assets (59.2%). The effects of the pandemic have been devastating, impacting all three of our domestic businesses where property fundamentals were already weak. The recovery of the V&A is dependent on the resumption of international tourism. GOZ and GWI will recover faster given the low impact of the pandemic on their businesses, their strong balance sheets, and liquidity positions as well as the strength of their tenancies. C&R has been severely impacted by the pandemic which has accelerated the structural trends that were already underway in the UK retail industry with the downturn being faster and more profound and the recovery anticipated to take much longer than expected.

Our prospects are inextricably linked to our operating environment. As the world and the RSA economies recover gradually, we have a tough couple of years ahead of us. We are a strong and diversified business and our conservative approach to management will stand us in good stead at this time.

It remains too early to quantify the ongoing effects of the pandemic on Growthpoint's operations – as such no guidance for FY21 is provided by the Board at this time.

Declaration of a dividend

The Board is still considering the final dividend, being mindful of:

- the ongoing SA REIT Association discussions with the JSE and National Treasury relating to the current minimum pay-out ratio threshold of 75% and proposed tax concessions;
- the desire for Growthpoint to retain its REIT status;
- the implications of reducing the historical pay-out ratio of 100%;
- shareholders' feedback in relation to the payment of dividends;
- the potential outcomes of offering shareholders the opportunity of participating in a Distribution Reinvestment Plan; and
- Growthpoint's short and medium-term liquidity requirements and LTV ratios.

The Growthpoint Board, following a detailed strategic review process focusing on short and long term strategies, is currently evaluating all options available to it to ensure liquidity and balance sheet strength in the short term, in the wake of the weak property fundamentals in South Africa and the current cycle of falling asset values and rising LTV levels.

While no final dividend has been declared, and the exact timing of the declaration of the final dividend does not form part of this announcement, subject to there being no material regulatory changes or market disruptions which may have a materially negative impact on our overall financial position between the date of publication of these results, and the date of declaration of the final dividend for FY20, the Growthpoint Board is considering declaring a final dividend based on a pay-out ratio of not less than 75% of distributable income for FY20 which will ensure compliance with current REIT legislation.

By order of the Board

Growthpoint Properties Limited
8 September 2020

Directors

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

** Executive # 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

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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
Private Bag X9000, Saxonwold, 2132

Sponsor

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

REIT RATIOS

For the year ended 30 June 2020

The second edition of the SA REIT Association's best practice recommendations was issued in November 2019, 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. It would have only been effective for Growthpoint for the year ended 30 June 2021, but Growthpoint has chosen to adopt the recommendations early. The comparative figures have been computed and disclosed on the same basis.

	2020 Rm	2019 Rm
SA REIT funds from operations (SA REIT FFO)		
(Loss)/profit attributable to the owners of the company	**(6 865)**	6 321
Adjusted for:		
Accounting/specific adjustments:	**8 638**	(479)
Fair value adjustments to:		
Investment property	**8 723**	(1 634)
Debt and equity instruments held at fair value through profit or loss	**(1 723)**	844
Depreciation and amortisation of intangible assets	**99**	99
Impairment of goodwill or the recognition of a bargain purchase gain	**624**	213
Gains or losses on the modification of financial instruments	**152**	25
Deferred tax movement recognised in profit or loss	**1 000**	35
Straight-lining operating lease adjustment	**(353)**	(166)
Transaction costs expensed in accounting for a business combination	**184**	44
Adjustments to dividends from equity interests held	**(68)**	61
Adjustments arising from investing activities:	**(13)**	(76)
Gains or losses on disposal of equipment	**(2)**	(1)
Development fees and profit earned	**(11)**	(75)
Foreign exchange and hedging items:	**3 533**	714
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**3 619**	62
Foreign exchange gains or losses relating to capital items – realised and unrealised	**(86)**	27
Other adjustments:	**(108)**	(221)
Adjustments made for equity-accounted entities	**811**	(33)
Non-controlling interests in respect of the above adjustments	**(919)**	(614)
Non-controlling interests in respect of the above adjustments – plus not distributable	**(30)**	1 046
Antecedent earnings adjustment	**30**	5
SA REIT FFO	**5 185**	6 259
Number of shares outstanding at end of period (net of treasury shares)	**2 989 240 606**	2 950 587 688
SA REIT FFO per share (cents)	**170.7**	211.7
Interim SA REIT FFO per share	**103.7**	**105.2**
Final SA REIT FFO per share	**67.0**	**106.5**
Company-specific adjustments to SA REIT FFO (Rm)	**293**	171
Decrease in staff incentive scheme cost	**(8)**	(2)
GWI additional investment – cum dividend	**25**	–
Profit on the disposal of Roeland Street Investments 2 (Pty) Ltd	**–**	7
Development fees and profit earned	**11**	75
Amortisation of tenant incentive add back (GOZ FFO)	**218**	191
Distributable income from GOZ retained (including NCI's portion)	**(66)**	(100)
Distributable income from C&R (including NCI's portion)	**113**	–
Distributable income	**5 478**	6 430
Distributable income per share (DIPS) (cents)	**183.1**	218.1
First half year	**106.0**	105.8
Second half year	**77.1**	112.3

REIT RATIOS continued

For the year ended 30 June 2020

	2020 Rm	2019 Rm
SA REIT net asset value (SA REIT NAV)		
Reported NAV attributable to the parent	**67 877**	74 908
Adjustments:	**1 348**	(936)
Dividend declared	**–**	(3 336)
Dividend under consideration*	**(2 295)**	–
Fair value of certain derivative financial instruments	**464**	1 504
Goodwill and intangible assets	**(700)**	(1 983)
Deferred tax	**3 879**	2 879
SA REIT NAV	**69 225**	73 972
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	**2 989 240 606**	2 950 587 688
Effect of dilutive instruments	**10 811 495**	10 761 610
Dilutive number of shares in issue	**3 000 052 101**	2 961 349 298
SA REIT NAV per share (R)	**23.07**	24.98
SA REIT cost-to-income ratio		
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**4 896**	4 240
Administrative expenses per IFRS income statement	**580**	435
Excluding: Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets		
Operating costs	**5 476**	4 675
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**12 008**	11 388
Utility and operating recoveries per IFRS income statement	**1 662**	1 605
Gross rental income	**13 670**	12 993
SA REIT cost-to-income ratio	**40.1%**	36.0%
SA REIT administrative cost-to-income ratio		
Expenses		
Administrative expenses as per IFRS income statement	**580**	435
Administrative costs	**580**	435
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**12 008**	11 388
Utility and operating recoveries per IFRS income statement	**1 662**	1 605
Gross rental income	**13 670**	12 993
SA REIT administrative cost-to-income ratio	**4.2%**	3.3%
SA REIT GLA vacancy rate		
Gross lettable area of vacant space	**539 037**	387 248
Gross lettable area of total property portfolio	**7 092 589**	6 676 689
SA REIT GLA vacancy rate	**7.6%**	5.8%

** The Board is still considering the final dividend to be paid. R2 295m represents a 100% payout.*

SA REIT cost of debt	ZAR %	AUD %	EUR %	USD %	GBP %
2020					
Variable interest-rate borrowings					
Floating reference rate plus weighted average margin	**6.1**	**0.0**	**1.6**	**0.0**	**2.0**
Fixed interest-rate borrowings	**10.0**	**0.0**	**0.0**	**5.9**	**0.0**
Weighted average fixed rate					
Pre-adjusted weighted average cost of debt	**6.2**	**0.0**	**1.6**	**5.9**	**2.0**
Adjustments:					
Impact of interest rate derivatives	**1.8**	**0.0**	**4.9**	**0.0**	**0.3**
Impact of cross-currency interest rate swaps	**0.2**	**4.1**	**(3.4)**	**(0.9)**	**0.0**
Amortised transaction costs imputed in the effective interest rate	**0.0**	**0.0**	**0.0**	**0.2**	**0.4**
All-in weighted average cost of debt	**8.2**	**4.1**	**3.1**	**5.2**	**2.7**

SA REIT cost of debt	ZAR %	AUD %	EUR %	USD %
2019				
Variable interest-rate borrowings				
Floating reference rate plus weighted average margin	8.7	0.0	1.6	0.0
Fixed interest-rate borrowings				
Weighted average fixed rate	10.0	0.0	0.0	5.9
Pre-adjusted weighted average cost of debt	8.8	0.0	1.6	5.9
Adjustments:				
Impact of interest rate derivatives	0.4	0.0	4.8	0.0
Impact of cross-currency interest rate swaps	0.2	4.3	(3.3)	(0.1)
Amortised transaction costs imputed in the effective interest rate	0.0	0.0	0.0	0.2
All-in weighted average cost of debt	9.4	4.3	3.1	6.0

SA REIT loan-to-value (Group)	2020 Rm	2019 Rm
Gross debt	**70 302**	50 120
Less:		
Cash and cash equivalents	**(2 420)**	(882)
Add:		
Derivative financial instruments	**3 155**	116
Net debt	**71 037**	49 354
Total assets per statement of financial position	**168 499**	141 778
Less:		
Cash and cash equivalents	**(2 420)**	(882)
Derivative financial assets	**(1 607)**	(1 016)
Goodwill and intangible assets	**(700)**	(1 983)
Trade and other receivables	**(2 062)**	(3 262)
Carrying amount of property-related assets	**161 710**	134 635
SA REIT loan-to-value (SA REIT LTV)	**43.9%**	36.7%

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 Rm	2019 Rm
Revenue, excluding straight-line lease income adjustment		**12 008**	11 388
Straight-line lease income adjustment		**353**	166
Total revenue		**12 361**	11 554
Property-related expenses		**(3 008)**	(2 626)
Impairment loss on trade receivables		**(226)**	(9)
Net property income		**9 127**	8 919
Other administrative and operating overheads		**(580)**	(435)
Operating profit		**8 547**	8 484
Equity-accounted investment profit – net of tax		**297**	1 170
Non-distributable income		**(923)**	33
Dividends/interest received from equity-accounted investments		**1 220**	1 137
Fair value adjustments, capital items and other charges		**(11 093)**	870
Finance and other investment income		**103**	119
Finance expense		**(3 569)**	(3 123)
(Loss)/profit before taxation		**(5 715)**	7 520
Taxation		**(1 180)**	(153)
(Loss)/profit for the year		**(6 895)**	7 367
Other comprehensive income – net of tax			
Items that may subsequently be reclassified to profit or loss			
Translation of foreign operations		**7 089**	(625)
Total comprehensive income for the year		**194**	6 742
(Loss)/profit attributable to:		**(6 895)**	7 367
Owners of the company		**(6 865)**	6 321
Non-controlling interests		**(30)**	1 046
Total comprehensive income attributable to:		**194**	6 742
Owners of the company		**(1 578)**	5 958
Non-controlling interests		**1 772**	784

	Notes	Cents	Cents
Basic (loss)/earnings per share	1.1	**(229.94)**	214.46
Diluted (loss)/earnings per share	1.1	**(229.11)**	213.68

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 Rm	2019 Re-presented Rm
Assets			
Cash and cash equivalents		**2 420**	882
Trade and other receivables		**2 062**	3 262
Investment property classified as held for sale		**84**	325
Property held for trading and development		**900**	455
Derivative assets		**1 607**	1 016
Listed investments		**837**	846
Fair value of investment property assets		**139 029**	117 312
Fair value of investment property for accounting purposes		**133 275**	113 565
Straight-line lease income adjustment		**3 053**	2 664
Tenant incentives		**1 129**	1 083
Right-of-use assets		**1 572**	–
Long-term loans granted		**2 338**	76
Equity-accounted investments		**17 537**	15 515
Unlisted investments		**922**	96
Equipment		**63**	10
Intangible assets	2	**700**	1 983
Total assets		**168 499**	141 778
Liabilities and Equity			
Liabilities			
Trade and other payables		**2 999**	2 213
Derivative liabilities		**4 762**	1 132
Taxation payable		**101**	18
Interest-bearing borrowings		**70 766**	51 624
Lease liability		**2 947**	–
Deferred tax liability		**3 879**	2 879
Total liabilities		**85 454**	57 866
Shareholders' interests		**67 877**	74 908
Share capital		**48 218**	47 217
Retained income		**2 295**	3 336
Other reserves		**17 364**	24 355
Non-controlling interest		**15 168**	9 004
Total liabilities and equity		**168 499**	141 778

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Attributable to owners of the company					
		Non-distributable reserve (NDR)				
	Share capital net of treasury shares Rm	Foreign currency translation reserve (FCTR) Rm	Amortisation of intangible assets Rm	Bargain purchase Rm	Fair value adjustment on investment property Rm	Other fair value adjustments and non-distributable items Rm
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 in Healthcare	–	–	–	–	–	–
Rights issue and acquisitions – GOZ	–	–	–	–	–	–
Balance at 30 June 2019	47 217	1 352	640	314	26 071	(4 115)
Total comprehensive income						
(Loss)/profit after taxation	**–**	**–**	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**5 287**	**–**	**–**	**–**	**–**
Transactions with owners recognised directly in equity:						
Contributions by and distributions to owners:						
Shares issued	**1 120**	**–**	**–**	**–**	**–**	**–**
Transfer non-distributable items to NDR	**–**	**–**	**(88)**	**578**	**(8 793)**	**(4 139)**
Share-based payment transactions	**(119)**	**–**	**–**	**–**	**–**	**–**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**–**
Changes in ownership interest:						
Non-controlling interest – C&R	**–**	**–**	**–**	**–**	**–**	**–**
Change of ownership in Healthcare	**–**	**–**	**–**	**–**	**–**	**–**
Rights issue and acquisitions – GOZ	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2020	**48 218**	**6 639**	**552**	**892**	**17 278**	**(8 254)**

	2020 cents	2019 cents
Dividend per share*	**105.8**	218.1

** The Board is still considering the final dividend to be paid.*

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
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
–	**–**	**–**	**–**	**(6 865)**	**(6 865)**	**(30)**	**(6 895)**
–	**–**	**–**	**5 287**	**–**	**5 287**	**1 802**	**7 089**
–	**–**	**–**	**–**	**–**	**1 120**	**–**	**1 120**
(44)	**–**	**178**	**(12 308)**	**12 308**	**–**	**–**	**–**
30	**–**	**–**	**30**	**–**	**(89)**	**–**	**(89)**
–	**–**	**–**	**–**	**(6 484)**	**(6 484)**	**(919)**	**(7 403)**
–	**–**	**–**	**–**	**–**	**–**	**3 331**	**3 331**
–	**–**	**–**	**–**	**–**	**–**	**288**	**288**
–	**–**	**–**	**–**	**–**	**–**	**1 692**	**1 692**
133	**(12)**	**136**	**17 364**	**2 295**	**67 877**	**15 168**	**83 045**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	2020 Rm	2019 Rm
Cash flows from operating activities		
Cash received from tenants	11 419	10 855
Cash paid to suppliers and employees	(2 928)	(2 479)
Cash generated from operating activities	8 491	8 376
Interest paid	(3 100)	(2 289)
Finance and other investment income	717	578
Taxation paid	(106)	(172)
Investment in property held for trading and development	(445)	(336)
Disposal of property held for trading and development	–	301
Distribution to shareholders	(7 403)	(6 921)
Net cash used by operating activities	**(1 846)**	**(463)**
Cash flows from investing activities		
Investments in:	(6 954)	(7 636)
Investment property	(3 439)	(6 991)
Subsidiary – C&R	(1 385)	–
Intangible assets	(18)	(21)
Equity-accounted investments	(1 112)	(371)
Equipment	(7)	–
Unlisted investment	(792)	(110)
Long-term loans	(17)	(99)
Capital costs incurred on business acquisitions	(184)	(44)
Proceeds from:	596	3 411
Disposal of investment property	257	501
Disposal of investment property held for sale	326	2 549
Repayment of long-term loans granted	13	361
Net cash used by investing activities	**(6 358)**	**(4 225)**
Cash flows from financing activities		
Proceeds from:	14 264	15 025
Borrowings raised	11 164	14 129
Distribution reinvestment	1 120	–
Rights issues to non-controlling interest of GOZ	1 692	501
Change of ownership in Healthcare	288	395
Repayments of borrowings	(4 459)	(11 781)
Repayment of lease liability	(62)	–
Net cash from financing activities	**9 743**	**3 244**
Effect of exchange rate changes on cash and cash equivalents	(1)	6
Movement in cash and cash equivalents	1 538	(1 438)
Cash and cash equivalents at beginning of period	882	2 320
Cash and cash equivalents at end of reporting period	**2 420**	**882**

SEGMENTAL ANALYSIS

For the year ended 30 June 2020

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 is comprised of nine segments, namely Retail, Office, Industrial, Healthcare, Trading and Development, Growthpoint Australia, V&A Waterfront, Central and Eastern Europe and the United Kingdom. Growthpoint acquired a 51.1% shareholding in C&R during the period which comprises the United Kingdom segment. 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 discrete financial information is available.

Segment	Brief description of segment
Retail	The Growthpoint retail portfolio consists of 47 properties, comprising shopping centres with the balance being vacant land or standalone single-tenanted properties. It includes regional, community, neighbourhood, retail warehouses and speciality centres.
Office	The Growthpoint office portfolio consists of 170 properties which includes high rise and low rise offices, office parks, office warehouses, telecommunication assets, as well as mixed-use properties comprising both office and retail.
Industrial	The Growthpoint industrial portfolio consists of 213 properties which includes warehousing, industrial parks, motor-related outlets, low and high grade industrial, high-tech industrial, land zoned for developments 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 58 properties which includes both industrial and office properties, all situated in Australia.
V&A Waterfront	The V&A Waterfront is a 123 hectare mixed-use property development situated in and around the historic Victoria and Alfred Basin, which formed Cape Town's original harbour. Its properties include 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 62 standing properties in Poland and Romania, mostly modern A-grade office properties, industrial properties as well as a residential property complex.
United Kingdom	The United Kingdom portfolio consists of seven properties that are community-based shopping centres.

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
- United Kingdom

SEGMENTAL ANALYSIS continued

For the year ended 30 June 2020

	2020											
	Retail Rm	Office Rm	Industrial Rm	Healthcare Rm	Trading and Development Rm	Total South Africa Rm	Australia 100% Rm	United Kingdom 100% Rm	Total as reported Rm	V&A Waterfront 50% Rm	Central and Eastern Europe 29.4% Rm	Total Rm
Profit or loss disclosures												
Revenue excluding straight-line lease adjustment	3 108	3 342	1 515	263	41	8 269	3 024	715	12 008	920	1 185	14 113
Property-related expenses (including impairment losses)	(994)	(965)	(401)	(41)	(11)	(2 412)	(487)	(335)	(3 234)	(326)	(373)	(3 993)
Net property income	2 114	2 377	1 114	222	30	5 857	2 537	380	8 774	594	812	10 180
Other administrative and operating overheads						(370)	(153)	(57)	(580)	(28)	(86)	(693)
Equity-accounted investment profit, net of tax						409	–	–	409	–	–	409
Fair value adjustment on investment property	(3 410)	(2 736)	(872)	(17)	–	(7 035)	1 436	(2 422)	(8 021)	(406)	(336)	(8 763)
Fair value adjustments (other than investment property)						(1 869)	(293)	228	(1 934)	–	–	(1 934)
Capital items and other charges						(904)	–	7	(897)	(38)	–	(935)
Finance and investment income						100	3	–	103	28	32	163
Finance expense						(2 801)	(547)	(221)	(3 569)	(23)	(234)	(3 826)
Consolidated (loss)/profit before taxation						(6 613)	2 983	(2 085)	(5 715)	128	188	(5 399)
Assets												
Cash and cash equivalents						142	512	1 766	2 420	205	3 252	5 877
Trade and other receivables						1 349	163	550	2 062	104	351	2 517
Investment property classified as held for sale	–	–	84	–	–	84	–	–	84	–	–	84
Investment property held for trading and development	–	–	–	–	900	900	–	–	900	–	–	900
Derivative assets						985	622	–	1 607	–	18	1 625
Listed investments						–	837	–	837	–	–	837
Fair value investment of property assets	26 759	29 793	13 223	2 645	–	72 420	51 845	14 764	139 029	9 447	17 226	165 702
Fair value of investment property	26 656	29 471	13 201	2 620	–	71 948	49 995	14 385	136 328	9 412	17 226	162 966
Tenant incentives	69	322	22	25	–	438	598	93	1 129	–	–	1 129
Right-of-use assets	34	–	–	–	–	34	1 252	286	1 572	35	–	1 607
Long-term loans granted						2 338	–	–	2 338	108	–	2 446
Equity-accounted investments						17 537	–	–	17 537	–	189	17 726
Unlisted investments						900	–	22	922	–	57	979
Equipment						2	8	53	63	232	–	295
Intangible assets						700	–	–	700	–	71	771
Total assets						97 357	53 987	17 155	168 499	10 096	21 164	199 759
Liabilities												
Trade and other payables						1 888	384	727	2 999	248	406	3 653
Derivative liabilities						4 446	124	192	4 762	–	57	4 819
Taxation payable						–	101	–	101	–	–	101
Interest-bearing borrowings						43 275	18 643	8 848	70 766	260	9 622	80 648
Lease liability						34	1 297	1 616	2 947	–	–	2 947
Deferred tax liability						3 879	–	–	3 879	100	762	4 741
Total liabilities						53 522	20 549	11 383	85 454	608	10 847	96 909

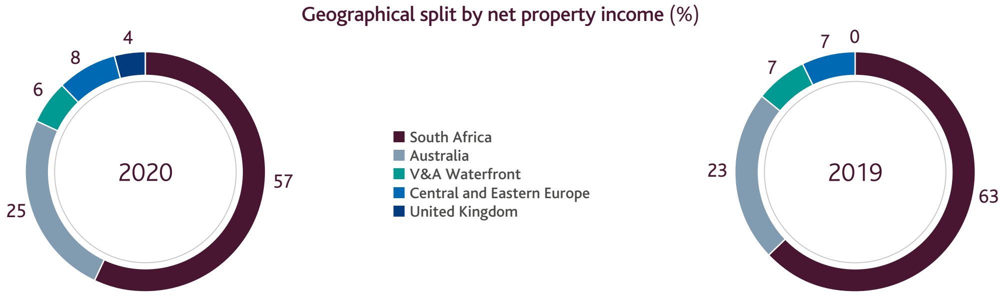
2019 Re-presented										
Retail Rm	Office Rm	Industrial Rm	Healthcare Rm	Trading and Development Rm	Total South Africa Rm	Australia 100% Rm	Total as reported Rm	V&A Waterfront 50% Rm	Central and Eastern Europe 29.8% Rm	Total Rm
3 341	3 510	1 461	240	75	8 627	2 761	11 388	920	1 044	13 352
(905)	(949)	(327)	(30)	–	(2 211)	(424)	(2 635)	(263)	(329)	(3 227)
2 436	2 561	1 134	210	75	6 416	2 337	8 753	657	715	10 125
					(294)	(141)	(435)	(29)	(117)	(581)
					1 170	–	1 170	–	–	1 170
(426)	(166)	159	227	–	(206)	2 172	1 966	227	260	2 453
					3	(580)	(577)	–	–	(577)
					(341)	(12)	(353)	–	–	(353)
					114	5	119	36	17	172
					(2 553)	(570)	(3 123)	(21)	(210)	(3 354)
					4 309	3 211	7 520	870	665	9 055
					584	298	882	293	1 894	3 069
					3 112	150	3 262	65	243	3 570
164	105	56	–	–	325	–	325	–	–	325
–	–	–	–	455	455	–	455	–	–	455
					1 006	10	1 016	–	28	1 044
					–	846	846	–	–	846
29 744	31 915	13 640	2 660	–	77 959	39 353	117 312	9 567	12 788	139 667
29 681	31 591	13 626	2 626	–	77 524	38 705	116 229	9 567	12 788	138 584
63	324	14	34	–	435	648	1 083	–	–	1 083
–	–	–	–	–	–	–	–	–	–	–
					76	–	76	–	–	76
					15 515	–	15 515	–	276	15 791
					96	–	96	–	–	96
					4	6	10	–	–	10
					1 983	–	1 983	–	59	2 042
					101 115	40 663	141 778	9 925	15 288	166 991
					1 743	470	2 213	145	62	2 420
					1 022	110	1 132	–	726	1 858
					–	18	18	–	–	18
					36 055	15 569	51 624	165	6 225	58 014
					–	–	–	–	–	–
					2 879	–	2 879	–	556	3 435
					41 699	16 167	57 866	310	7 569	65 745

SEGMENTAL ANALYSIS continued

For the year ended 30 June 2020

Geographical split by revenue (%)

Geographical split by net property income (%)



Geographical split by fair value of property assets (%)

1. Basic and headline earnings per share

1.1 Summary of earnings per share (EPS), headline earnings per share (HEPS) and distributable income per share (DIPS)

		Earnings attributable		Weighted average number of shares		Cents per share	
		2020 Rm	2019 Rm	**2020**	2019	**2020**	2019
Total operations							
EPS	◆ Basic	**(6 865)**	6 321	**2 985 603 538**	2 947 452 108	**(229.94)**	214.46
EPS	◆ Diluted	**(6 865)**	6 321	**2 996 415 033**	2 958 213 718	**(229.11)**	213.68
HEPS	◆ Basic	**2 386**	4 660	**2 985 603 538**	2 947 452 108	**79.93**	158.10
HEPS	◆ Diluted	**2 386**	4 660	**2 996 415 033**	2 958 213 718	**79.64**	157.53

	Earnings attributable		Actual number of shares		Cents per share	
	2020 Rm	2019 Rm	**2020**	2019	**2020**	2019
DIPS#	**5 478**	6 430	**2 989 240 606**	2 950 587 688	**183.1**	218.10

1.2 Reconciliation between basic earnings, diluted earnings and headline earnings

	Gross		Total	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
(Loss)/profit for the year			**(6 865)**	6 321
Impairment of goodwill	**(11 093)***	870*	**1 202**	218
Bargain purchase	**(11 093)***	870*	**(578)**	(5)
Fair value adjustments on investment property	**(11 093)***	870*	**8 627**	(1 874)
Net investment property valuation			**8 723**	(1 634)
Fair value adjustments: equity-accounted investments			**808**	208
NCI portion of fair value adjustments			**(904)**	(448)
Headline basic and diluted earnings			**2 386**	4 660

1.3 Reconciliation of weighted average number of shares

	Weighted number of shares	
	2020	2019
Weighted average number of shares	**2 985 603 538**	2 947 452 108
Number of shares as at 1 July	**2 970 981 288**	2 970 981 288
Shares issued during the year	**38 143 690**	–
Effect of treasury shares held	**(23 521 440)**	(23 529 180)
Effect of share options in issue	**10 811 495**	10 761 610
Diluted average number of shares	**2 996 415 033**	2 958 213 718

** The impairment of goodwill, 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, which totals R11 093m.*

 # The Board is still considering the final dividend to be paid.

2. Intangible assets

	Goodwill Rm	Rights to manage property Rm	Software Rm	Total Rm
Cost	**3 426**	**1 513**	**55**	**4 994**
Opening balance	**3 426**	**1 513**	**37**	**4 976**
Additions during the year – software development	**–**	**–**	**18**	**18**
Accumulated amortisation and impairment losses	**(2 978)**	**(1 316)**	**–**	**(4 294)**
Opening balance	**(1 776)**	**(1 217)**	**–**	**(2 993)**
Impairment for the year	**(1 202)**	**–**	**–**	**(1 202)**
Amortisation for the year	**–**	**(99)**	**–**	**(99)**
Carrying value at 30 June 2020	**448**	**197**	**55**	**700**
Cost	3 426	1 513	37	4 976
Opening balance	3 426	1 513	16	4 955
Additions during the year – software development	–	–	21	21
Accumulated amortisation and impairment losses	(1 776)	(1 217)	–	(2 993)
Opening balance	(1 558)	(1 118)	–	(2 676)
Impairment for the year	(218)	–	–	(218)
Amortisation for the year	–	(99)	–	(99)
Carrying value at 30 June 2019	1 650	296	37	1 983

Carrying amount of goodwill allocated to the different cash-generating units are as follows:

	Initial goodwill Rm	Accumulated impairment loss recognised Rm	Goodwill 2020 Rm
Retail (note 2.1)	**1 815**	**(1 815)**	**–**
Office (note 2.1)	**1 087**	**(1 087)**	**–**
Industrial (note 2.1)	**76**	**(76)**	**–**
Growthpoint Management Services (note 2.2)	**448**	**–**	**448**
Carrying value at 30 June 2020	**3 426**	**(2 978)**	**448**

2.1 Goodwill acquired as part of the Acucap business combination

Acucap Properties Limited carried on the business of a property holding company through the ownership of investment properties by its wholly owned subsidiaries. Acucap had three cash-generating units (CGUs): retail, office and industrial. Goodwill was allocated for impairment testing purposes to these individual cash-generating units.

The recoverable amounts of all these CGUs were based on fair value less costs of disposal, estimated using the average difference between the net asset value and the market capitalisation of Growthpoint over a period of five years. This indicates that a third party will be prepared to pay a premium over the net asset value for Growthpoint shares. The future expectations of the CGUs were considered by estimating the premium a third party is prepared to pay for Growthpoint's own shares as the properties form part of the Growthpoint portfolio. Growthpoint's net asset value and share price has been considered to provide an indication of how the portfolio is expected to perform in the future. The fair value measurement was categorised as a level 3 fair value based on the inputs in the valuation techniques used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent the quoted share price of Growthpoint at 30 June from FY16 until FY20, as well as the net asset value per share per the published results of the Group.

2. Intangible assets (continued)

2.1 Goodwill acquired as part of the Acucap business combination (continued)

	2016	2017	2018	2019	**2020**
Growthpoint (share price in cents)	2 568	2 448	2 669	2 428	**1 076***
Growthpoint (net asset value per share in cents)	2 474	2 517	2 566	2 539	**2 307**
Growthpoint (market capitalisation versus net asset value) (%)	3.80	(2.74)	4.01	(4.37)	**(53.36)**

** Share price at its lowest during FY20, as this was an indicator of impairment.*

The average net asset value versus market capitalisation for the Group for the previous five years (i.e. 10.53%) was used in the calculation of the fair value less costs of disposal of the CGUs. The difference between the recoverable amount and carrying amount including allocated goodwill were calculated as follows:

	2020 Rm	2019 Rm
Retail	**–**	–
Office	**–**	225
Industrial	**–**	260
	–	485

Covid-19 had a significant impact on Growthpoint's share price and resulted in a significant discount to Growthpoint's net asset value. As a result of this an impairment loss of R1 202m was recognised during the current year.

2.2 Goodwill acquired – Growthpoint Management Services

For the purpose of impairment testing, goodwill, other than goodwill relating to the acquisition of Acucap, is allocated to the Group's historical management services entity. This represents the property administration and management business within the Group where goodwill allocated is monitored for internal management purposes.

The recoverable amount of the cash-generating unit was based on its value in use. It was determined that the recoverable amount was higher than the carrying amount and therefore no impairment loss was recognised. The recoverable amount was calculated by discounting the future cash flows generated from the continuing use of the unit and was based on past experience and the following key assumptions:

(a) The management contract will continue on similar terms to the agreement that was in place before the acquisition transaction, which had the following terms:
- Asset management fee was calculated at 0.50% of the enterprise value.
- Enterprise value was measured by taking the sum of the market value of external debt plus market capitalisation.

(b) Letting commission on new deals was calculated at 100% of recommended South African Property Owners Association (SAPOA) tariffs while letting commission on renewals was calculated at 50% of recommended SAPOA tariffs.

(c) Collection fees range from 1% to 4% of cash collected on a property-by-property basis.

(d) Salaries are in respect of functions that relate to property management.

(e) Operating expenditure was based on discussions with the previous property managers and after consideration of historic costs, which included rental of premises, IT systems and support, marketing and other expenses necessary for operating a listed company.

(f) A discount rate of 8.2% (FY19: 10%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's weighted average cost of debt.

There are no expected significant changes to the assumptions.

The discounted cash flow was performed over the weighted average lease period (years) at FY20 of 3.2 years.

The difference between the recoverable amount and carrying amount including allocated goodwill were calculated as follows:

	2020 Rm	2019 Rm
Growthpoint Management Services	**846**	904
	846	904

NOTES continued

For the year ended 30 June 2020

3. Classification of financial assets and liabilities

3.1

	Fair value through profit or loss Rm	Financial assets at amortised cost Rm	Outside scope of IFRS 9 Rm	Total Rm
Assets				
2020				
Cash and cash equivalents	**–**	**2 420**	**–**	**2 420**
Trade and other receivables	**–**	**1 716**	**346**	**2 062**
Derivative assets	**1 607**	**–**	**–**	**1 607**
Listed investments	**837**	**–**	**–**	**837**
Unlisted investments	**922**	**–**	**–**	**922**
Long-term loans granted	**2 338**	**–**	**–**	**2 338**
2019 Re-presented				
Cash and cash equivalents	–	882	–	882
Trade and other receivables	–	1 986	1 276	3 262
Derivative assets	1 016	–	–	1 016
Listed investments	846	–	–	846
Unlisted investments	96	–	–	96
Long-term loans granted	76	–	–	76

3.2

	Fair value through profit or loss Rm	Financial assets at amortised cost Rm	Outside scope of IFRS 9 Rm	Total Rm
Liabilities				
2020				
Trade payables	**–**	**2 601**	**398**	**2 999**
Derivative liabilities	**4 762**	**–**	**–**	**4 762**
Tax payable	**–**	**–**	**101**	**101**
Interest-bearing borrowings	**70 766**	**–**	**–**	**70 766**
Lease liability	**–**	**2 947**	**–**	**2 947**
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

4. Fair value estimation

4.1 Fair value measurement of assets and liabilities

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

	2020				2019 Re-presented			
	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 investment property assets	**139 029**	**–**	**–**	**139 029**	117 312	–	–	117 312
Listed investments	**837**	**837**	**–**	**–**	846	846	–	–
Unlisted investments	**922**	**–**	**–**	**922**	96	–	–	96
Long-term loans granted	**2 338**	**–**	**–**	**2 338**	76	–	–	76
Derivative assets	**1 607**	**–**	**1 607**	**–**	1 016	–	409	607
Non-recurring fair value measurement								
Non-current assets held for sale	**84**	**–**	**–**	**84**	325	–	–	325
Total assets measured at fair value	**144 817**	**837**	**1 607**	**142 373**	119 671	846	409	118 416
Liabilities								
Recurring fair value measurement								
Interest-bearing borrowings	**70 766**	**–**	**70 766**	**–**	51 624	6 311	45 313	–
Derivative liabilities	**4 762**	**–**	**4 762**	**–**	1 132	–	851	281
Total liabilities measured at fair value	**75 528**	**–**	**75 528**	**–**	52 756	6 311	46 164	281

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

	2020					2019 Re-presented					
	Property assets Rm	Long-term loans granted Rm	Derivative assets Rm	Derivative liabilities Rm	Unlisted investments Rm	Property assets Rm	Listed investments Rm	Long-term loans granted Rm	Derivative assets Rm	Derivative liabilities Rm	Unlisted investments Rm
Opening balance	**117 637**	**76**	**607**	**(281)**	**96**	112 929	4	370	224	(230)	–
Gain/(loss) from fair value adjustments and translation of foreign operations	**1 842**	**(89)**	**(607)**	**281**	**12**	676	–	(30)	383	(51)	(14)
Accrued interest	**–**	**228**	**–**	**–**	**–**	–	–	25	–	–	–
Reclassified from trade and other receivables	**–**	**2 119**	**–**	**–**	**–**	–	–	–	–	–	–
Acquisitions	**3 439**	**–**	**–**	**–**	**814**	6 965	–	–	–	–	110
Acquisitions through the C&R business combination	**15 160**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Tenant incentives	**46**	**–**	**–**	**–**	**–**	380	–	–	–	–	–
Right-of-use assets	**1 572**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Disposals	**(583)**	**–**	**–**	**–**	**–**	(3 060)	(4)	–	–	–	–
Transferred to investment property held for trading and development	**–**	**–**	**–**	**–**	**–**	(253)	–	–	–	–	–
Advance	**–**	**17**	**–**	**–**	**–**	–	–	72	–	–	–
Settlements	**–**	**(13)**	**–**	**–**	**–**	–	–	(361)	–	–	–
Closing balance	**139 113**	**2 338**	**–**	**–**	**922**	117 637	–	76	607	(281)	96

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 applicable swap curve plus an appropriate credit margin of between 1.5% and 3.60% at the dates when the cash flow will take place (FY19: 0.45% to 3.60%).	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 FY20 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 (Real Estate in Prop Val), associate professional 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 FY20 using the discounted cash flow of future income streams method by JLL, Savills, Urbis, CBRE, Knight Frank, Colliers and m3property that are all members of the Australian Property Institute and certified practicing valuers.

The United Kingdom properties were valued at FY20 by independent qualified professional valuers from CBRE Limited and Knight Frank LLP in accordance with RICS (Royal Institution of Chartered Surveyors) standards. The yield of the seven retail properties ranged from 4.7% to 11.8%.

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 (%)**	**Rental growth rate (%)**
Retail sector	Discounted cash flow model	**11.0 – 15.5**	**7.5 – 13.5**	**7.0 – 13.0**	**2.5 – 6.0**
Office sector		**11.0 – 15.25**	**8.0 – 11.0**	**8.0 – 10.5**	**2.4 – 5.5**
Industrial sector		**10.5 – 16.5**	**8.5 – 13.0**	**8.0 – 13.75**	**2.85 – 5.5**
Healthcare sector		**13.5 – 14.5**	**8.5 – 9.5**	**8.5 – 9.5**	**5.0 – 5.0**
GOZ office		**6.0 – 7.5**	**4.9 – 7.3**	**4.4 – 7.0**	**2.3 – 3.7**
GOZ industrial		**6.0 – 8.0**	**5.0 – 10.3**	**4.8 – 8.3**	**1.7 – 3.2**

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).

The property portfolio on pages 75 to 97 of the Group annual financial statements provides further detail on each of the Group's investment properties.

4. Fair value estimation (continued)

4.4 Valuation techniques and significant unobservable inputs (continued)

Long-term loans granted

Description	Valuation technique	Significant unobservable inputs
V&A Waterfront	Valued by discounting future cash flows using the South African swap curve at the dates when the cash flows will take place.	Counterparty credit risk
Acucap Unit Purchase Scheme	Valued by discounting future cash flows using the South African swap curve at the dates when the cash flows will take place.	Counterparty credit risk
Workshop 17	Valued by discounting future cash flows using the South African swap curve at the dates when the cash flows 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	Management's best estimate of the fair value is Rnil million taking into account comparative transactions in the market.	Forecast, budget and EBIT
Africa Fund	Valued by discounting future cash flows using the weighted average cost of capital at the dates when the cash flows will take place.	Forecast, budget and EBIT
Kingfisher Limited Partnership	Valued by discounting future cash flows using the weighted average cost of capital at the dates when the cash flows will take place.	Forecast, budget and EBIT
OneCart	Valued by discounting future cash flows using the weighted average cost of capital at the dates when the cash flows will take place.	Forecast, budget and EBIT
SA SME Fund	Valued by discounting future cash flows using the weighted average cost of capital at the dates when the cash flows will take place.	Forecast, budget and EBIT

5. Voluntary reclassification

Tenant incentives were previously capitalised and recognised in trade and other receivables. Management considered it appropriate to reclassify the tenant incentives as part of the investment property line item, as it provides reliable and more relevant information as tenant installation are part of the building. Tenant incentives continue to be recognised at cost minus amortisation written off over the period of the lease. The effect of this change on the face of the statement of financial position is as follows:

	Previously reported Rm	Re-presented 2019 Rm
Trade and other receivables	**4 345**	3 262
Tenant incentives	**–**	1 083
	4 345	4 345

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GROWTHPOINT
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