GROWTHPOINT
PROPERTIES

CONDENSED UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Group salient features

2.2%

Growth in distributable income from HY19

106.0 cents per share

Dividend per share growth of 0.2% from HY19

38.2% LTV

Gearing levels remain conservative, increased from 36.4% at FY19

35.2% offshore assets

Increase from **30.3%** at FY19

24.3% EBIT from offshore

Increase from **23.3%** at FY19

2 518 NAV cents per share

0.8% decrease from FY19

(1.4% increase from offshore, offset by -2.2% in RSA)

Baa3 global scale

AAA.za

national scale rating from Moody's

Investment proposition

- Sustainable quality of earnings
- Underpinned by high-quality physical property assets
- Diversified across geographies and sectors
- Increasing proportion of offshore assets and liabilities
- Dynamic and proven management track record
- Best practice corporate governance
- Transparent reporting
- Level 2 B-BBEE contributor

Participant of:

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

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

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 441 directly-owned properties in South Africa (RSA) valued at R79.2 billion, including R2.7 billion in the Healthcare Fund (GHPH).

We have a 62.2% interest in ASX-listed Growthpoint Properties Australia (GOZ), which owns 58 properties in Australia valued at R42.5 billion.

During the period, Growthpoint acquired a 51.1% controlling interest in LSE-listed REIT, Capital & Regional (C&R), which owns seven retail properties in the United Kingdom valued at R14.8 billion.

Growthpoint has four equity-accounted investments, valued at R17.2 billion. Our 50% share of the V&A Waterfront (V&A) (R7.6 billion), 29.4% stake in London Stock Exchange (AIM)-listed Globalworth Real Estate Investments (GWI) (R8.8 billion) and 19.8% stake in Growthpoint Investec Africa Property Fund (GIAP) (R674.7 million) are the largest of these investments.

GOZ has a listed investment which is a 15% share in ASX-listed Industria REIT (ADI), valued at R848.1 million.

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), GOZ and C&R, interest received, the distributable income received from the equity-accounted and listed investments, development fees and profits, distributions and management fees from fund management, less administration fees, 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 R66.8 billion at 31 December 2019 (HY20). On average, 246.8 million (FY19: 202.2 million) shares with a value of R5.7 billion (FY19: R4.9 billion) were traded per month during the period. 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) (64.8%) and international (35.2%) assets. It is well diversified in the three major sectors of commercial property, being retail, office and industrial. Most of the RSA portfolio is within major metropolitan areas.

For the period under review the net asset value (NAV) of the Group decreased by 0.8% to 2 518 (FY19: 2 539) cents per share.

Growth in distributions

Growthpoint delivered growth in distributions per share for HY20 of 0.2% and has declared an interim dividend of 106.0 cents per share for the six months ended 31 December 2019.

Distributable income increased by R67.0 million or 2.2% to R3.2 billion for the period, mostly as a result of international contributions.

Basis of preparation

The condensed 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, 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*.

Growthpoint has initially adopted IFRS 16 *Leases* from 1 July 2019 and has adopted the modified retrospective method approach. Growthpoint elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease* at the date of initial application.

On adoption of IFRS 16, Growthpoint recognised right-of-use assets and lease liabilities in relation to land leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. On transition date, the right-of-use assets were measured at the amount equal to the lease liability. The right-of-use assets relating to land leases are subsequently remeasured at fair value in terms of IAS 40. As at 31 December 2019, the Group had R1.3 billion right-of-use assets with a corresponding R1.2 billion lease liability. IFRIC 23 did not have a material impact on the Group.

These condensed consolidated financial statements are not audited by the Group's independent auditor.

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

Acquisition of Capital & Regional (C&R)

On 13 December 2019, Growthpoint acquired a strategic stake of 51.1% in C&R. Growthpoint subscribed for 311 451 258 new shares in C&R and acquired 219 786 924 shares from existing shareholders for a total consideration of GBP150.4 million.

The acquisition represented a unique opportunity for Growthpoint to increase its offshore asset exposure by investing in the United Kingdom. The acquisition is consistent with Growthpoint's growth and investment strategy to build a diversified international property portfolio and offer long-term distribution and capital growth underpinned by strong underlying contractual cash flows.

In the two weeks to 31 December 2019, C&R contributed revenue of R69.7 million and a profit of R15.9 million to the Group's results. If the acquisition had occurred on 1 July 2019, management estimates that consolidated revenue for the period would have been R636.6 million higher, and consolidated loss attributable to C&R for the period would have been R1.1 billion higher as a result of a R1.3 billion revaluation loss on investment properties.

The fair value of the assets and liabilities of C&R acquired were as follows:

	Rm
Fair value of properties	15 160.4
Net working capital*	1 454.4
Other assets	65.9
Other liabilities	(66.5)
Leasehold liabilities	(1 188.8)
Fair value of interest-bearing borrowings	(8 607.2)
Net asset value	6 818.2
Funded by cash	(2 908.6)
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	(3 331.6)
Bargain purchase	578.0

** The trade receivables comprise gross contractual amounts due of R121.5 million of which R24.8 million was expected to be uncollectable at the date of acquisition.*

The Group incurred acquisition-related costs of R171.0 million. These costs have been included in the "fair value adjustments, capital items and other charges" line item on the face of the statement of profit or loss and other comprehensive income.

A bargain purchase of R578.0 million was recognised in the "fair value adjustments, capital items and other charges" line item on the face of the statement of profit or loss and other comprehensive income. The bargain purchase was due to the share price of C&R trading below its NAV mainly as a result of the uncertainty around Brexit, the election and the outlook for retail properties in the UK.

The statement of financial position includes 100% of the assets and liabilities of C&R, converted at the closing exchange rate at HY20 of R18.54 GBP1.

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 HY20 of R9.84:AUD1 (FY19 of R9.89:AUD1).

A deferred tax liability of R3.0 billion (FY19: R2.7 billion) 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 for HY20 of R10.06:AUD1 (HY19: R10.27:AUD1). The resulting foreign currency translation difference is recognised in other comprehensive income. A non-controlling interest was raised for the 37.8% (HY19: 34.0%) not owned by Growthpoint.

Included in the HY20 distributable income is R542.0 million from GOZ, compared to R536.1 million for HY19. Included in normal tax in the statement of profit or loss and other comprehensive income is R71.3 million (HY19: R51.5 million) that relates to withholding tax paid on the distributions received from GOZ. The increased withholding tax had a negative 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, GIAP 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 HY20 distributable income is R349.3 million from the V&A (HY19: R333.6 million), R333.6 million from GWI (HY19: R172.0 million) and Rnil from GPRE (HY19: R60.0 million). GPRE was acquired by GWI in December 2017.

Net property income

Gross revenue increased by 2.2% for HY20 compared to HY19. RSA decreased revenues by 0.8%, and the GOZ operations increased revenues by 6.4% compared to HY19.

The ratio of property expenses to revenue for the Group increased to 23.3% at HY20 from 22.7% at HY19, mainly driven by the increase in administered costs, i.e. rates and taxes. For RSA, the ratio increased to 25.7% from 25.2% at HY19 and for GOZ, increased to 15.1% from 14.8% at HY19.

Fair value adjustments

The revaluation of properties in RSA and GOZ resulted in an overall increase of R703 million (0.5%) to R135.7 billion 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 positive valuation of 3.5% (R1.4 billion) and a valuation in RSA of negative 0.9% (–R682 million).

Interest-bearing borrowings and derivatives were fair valued using the South African or foreign exchange denominated swap curves at HY20, decreasing the overall liability by R331.4 million.

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 4.1% to R1 437 million (HY19: R1 381 million). The weighted average interest rate for RSA borrowings was 9.2% (HY19: 9.1%) (6.5% including Euro/Pound loans and cross-currency interest rate swaps (CCIRS) (HY19: 6.8%)). The weighted average maturity of debt increased to 3.8 years (HY19: 3.4 years). Finance costs for GOZ decreased by 10.3% from R282.0 million in HY19 to R253.3 million in HY20. The interest cover ratio, where income from the equity-accounted investments and listed investments is included in the operating profit, decreased to 3.5 times at HY20 (HY19: 3.7 times).

Finance income

Finance income decreased to R37.2 million (HY19: R75.0 million). This decrease is due to a decrease in interest earned on cash balances.

Acquisitions and commitments

Growthpoint acquired two office properties for R134.3 million during the period for its RSA portfolio. The development and capital outlay for RSA of R1.3 billion (HY19: R1.2 billion) was for various developments and capital expenditure in the period, including R248.0 million for 144 Oxford Road, Rosebank and R162.0 million for the Pretoria Head and Neck Hospital.

Growthpoint has commitments outstanding for RSA developments totalling R1.2 billion at HY20 (FY19: R1.5 billion), including R248.0 million for trading and development.

GOZ acquired one industrial property for R429.2 million (AUD42.3 million) and it incurred development costs of R666.6 million (AUD67.8 million).

GOZ has commitments outstanding totalling R687.7 million (AUD69.9 million) (FY19: R959.9 million (AUD97.1 million)). These commitments relate mainly to a tenant incentive for a 25-year lease at 1 Charles Street, Parramatta, NSW of R491.9 million (AUD50.0 million) and developments at Building 3, 570 Swan Street, Richmond, VIC of R33.5 million (AUD3.4 million) and 599 Main North Road, Gepps Cross, SA of R162.3 million (AUD16.5 million).

Our 50% development and capital expenditure at the V&A amounted to R154.9 million (FY19: R191.0 million) for the period. Growthpoint's share of the V&A's commitments outstanding at HY20 amounted to R250.5 million (FY19: R117.4 million). The largest of these commitments include Site B "The Ridge": Deloitte (R126.9 million) and the Desalination Plant (R71.4 million).

Funds management

Part of Growthpoint's strategy is to grow a R15.0 billion Funds Management business. To date we have c.R10 billion assets under management. We have already established two separately identifiable funds:

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

GIAP, a joint venture with Investec Asset Management, has raised USD251.1 million from third-party investors (including USD50.0 million from Growthpoint) to fund the acquisition of Achimota Retail Centre in Ghana and Manda Hill Shopping Centre in Zambia as well as six properties from the RMB Westport Real Estate Development Fund. GIAP now owns properties valued at USD510.0 million (R7.1 billion). GIAP is an equity-accounted investment.

GHPH owns five healthcare assets valued at R2.7 billion consisting of four hospitals and one medical chamber building. The Fund has attracted approximately R700 million from third-party investors so far. Growthpoint has undertaken the development of the new Head and Neck Hospital in Pretoria due for completion in August 2020. There is a significant pipeline of both acquisitions and greenfield developments. GHPH is a subsidiary of Growthpoint and is consolidated.

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%. Development fees of R7.7 million were earned during the period.

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.

Commentary continued

Disposals and held for sale assets

Growthpoint disposed of nine properties in the period (HY19: 12) for R433.8 million (HY19: R2.8 billion), the largest being the Sunward Park retail centre for R147.0 million. GOZ didn't dispose of any properties during the period (HY19: Rnil).

At HY20, five RSA properties (FY19: seven) valued at R223.0 million (FY19: R325.4 million) were classified as held for sale. No Australian properties were classified as held for sale as at HY20 (FY19: Rnil).

Arrears

Total RSA arrears at HY20 were R107.4 million (FY19: R77.7 million) with a loss allowance of R48.4 million (FY19: R36.8 million). Total RSA bad debt expenses were R20.8 million (HY19: R4.0 million), which increased as a result of the weak RSA economic environment and one tenant failure in the office sector.

Vacancy levels

At HY20, Growthpoint's GLA and vacancy levels as a percentage of its total portfolio GLA were:

	GLA		Vacancy		
	m² HY20	m² FY19	% HY20		% FY19
Retail	**1 363 706**	1 381 997	**4.4**	↑	3.9
Office	**1 677 820**	1 675 560	**11.5**	↑	10.4
Industrial	**2 299 741**	2 262 328	**6.7**	↑	6.2
Healthcare	**72 125**	72 121	**–**	—	–
Trading and development	**32 724**	32 727	**–**	—	–
RSA total	**5 446 116**	5 424 733	**7.4**	↑	6.8
GOZ	**1 057 290**	1 026 466	**2.1**	↑	1.4
C&R	**328 711**	–	**5.0**		–
V&A Waterfront (50%)	**227 394**	225 490	**1.0**	↓	1.2
Total/average %	**7 059 511**	6 676 689	**6.3**	↓	5.8

Vacancies increased across all the RSA sectors. Tenant retention remains a priority and we are driving this through various initiatives including the UNdeposit and Smartmove campaigns, as well as Growthpoint's occupancy cost 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 38.2% at HY20 (FY19: 36.4%).

The RSA LTV decreased to 33.3% (FY19: 36.9%) and the GOZ LTV decreased to 31.6% (FY19: 35.4%).

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 period.

The Group has an unsecured interest-bearing borrowings balance of R23.1 billion (FY19: R20.1 billion). All other interest-bearing borrowings across the Group are secured.

Growthpoint had unused committed bank facilities of R3.2 billion in RSA (FY19: R5.5 billion) and R2.7 billion (AUD278.8 million) in Australia at HY20 (FY19: R2.5 billion (AUD244.0 million)), which assures its ability to meet its short-term commitments.

Events after the reporting period

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

Prospects

Our internationalisation strategy has resulted in our offshore footprint increasing, however, the majority of the Group's assets remain in South Africa, both by EBIT (75.7%) and by market value of property assets (64.8%), where the macro-economic environment continues to weigh heavily on all property key performance indicators.

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 with capitalisation rates and interest rates at all-time lows. GOZ's balance sheet is in excellent shape with substantial debt headroom for accretive acquisitions and a development pipeline which is also expected to deliver above market returns. GOZ is well positioned with exposure to the two favoured commercial property sectors, being office and industrial. GOZ reaffirmed its expectation to grow its DPS by 3.5% to AUD23.8 cents 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.

The acquisition of C&R has provided exposure to a needs-based defensive retail portfolio.

C&R is unlikely to have a meaningful impact in the short to medium term given the funding structure of the acquisition.

Unfortunately any growth from the Group's strategic initiatives to internationalise, and create new revenue streams through its funds management business and trading and development, will be eradicated by Growthpoint's significant exposure to the overall RSA economy where GDP growth is in decline, which continues to weaken property fundamentals. As such, 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.

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

Notice is hereby given of the declaration of the interim dividend number 68 of 106.0 cents per share for the period ended 31 December 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 reinvestment alternative is subject to the Board, either itself or through a Board sub-committee appointed to set the pricing and terms of the share reinvestment alternative, having the discretion to withdraw the entitlement to elect the share reinvestment alternative should market conditions warrant such action. A withdrawal of the entitlement to elect the share reinvestment alternative would be communicated to shareholders before the publication of the finalisation announcement on Friday, 20 March 2020.

Other information:

- Issued shares at 31 December 2019: 3 022 496 382 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 84.80 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.

Commentary continued

Salient dates and times

	2020
Circular and form of election posted to shareholders	Monday, 16 March
Last date for Growthpoint to withdraw the entitlement for shareholders to elect to participate in the share reinvestment alternative before the publication of the announcement of the share alternative issue price and finalisation information on SENS	Friday, 20 March
Announcement of share reinvestment alternative issue price and finalisation information published on SENS	Tuesday, 24 March
Last day to trade (LDT) cum dividend	Tuesday, 31 March
Shares to trade ex dividend	Wednesday, 1 April
Listing of maximum possible number of share alternative shares commences on the JSE	Friday, 3 April
Last day to elect to receive the share alternative (no late forms of election will be accepted) at 12:00 (South African time)	Friday, 3 April
Record date	Friday, 3 April
Announcement of results of cash dividend and share reinvestment alternative published on SENS	Monday, 6 April
Cheques posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the cash alternative on	Monday, 6 April
Share certificates posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the share reinvestment alternative on	Wednesday, 8 April
Adjustment to the maximum number of shares listed on or about	Thursday, 9 April

Notes:

1. *Shareholders electing the share reinvestment 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, 1 April 2020 and the close of trade on Friday, 3 April 2020.*
3. *The above dates and times are subject to change. Any changes will be released on SENS.*

By order of the Board

Growthpoint Properties Limited
11 March 2020

Directors
JF Marais (Chairman), FM Berkeley, NO Chauke* (Human Resources Director), EK de Klerk* (Chief Executive Officer South Africa), MG Diliza, LA Finlay, 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

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Company Secretary
Johan de Koker

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

REIT ratios

For the six months ended 31 December 2019

Distributable earnings reconciliation

	31 December 2019 Rm	31 December 2018 Rm	30 June 2019 Rm
Revenue, excluding straight-line lease income adjustment	**5 849**	5 724	11 388
Property-related expenses	**(1 348)**	(1 297)	(2 626)
Impairment loss on trade receivables	**(12)**	–	(9)
Other administrative and operating overheads	**(273)**	(232)	(435)
Net interest and investment income	**(769)**	(686)	(1 347)
Finance income	**37**	75	119
Dividends/interest received from equity-accounted investments	**631**	620	1 137
Interest paid	**(1 704)**	(1 381)	(3 123)
Derivatives (realised interest)	**267**	–	520
GWI dividend declared for previous period	**(282)**	(157)	(157)
GPRE dividend declared for previous period	**–**	(64)	(64)
GWI dividend declared after half-year end, based on reporting period earnings	**334**	164	282
C&R dividend declared after half-year end	**69**	–	–
Antecedent dividends	**30**	5	5
Non-controlling portion of distribution (excluding fair value adjustments) – GOZ	**(339)**	(296)	(563)
Non-controlling portion of distribution (excluding fair value adjustments) – GHPH	**(26)**	(26)	(51)
Amortisation of incentive add back (GOZ FFO)	**99**	–	191
Distributable income from GOZ retained (including NCI's portion)	**(99)**	–	(100)
Profit on disposal of Roeland Street Investment 2 (Pty) Ltd	**–**	7	7
Realised foreign exchange profit	**21**	26	27
Current normal taxation	**(71)**	(52)	(118)
Distributable earnings	**3 183**	3 116	6 430
Distributions			
Total dividend			
Distributable earnings (Rm)	**3 183**	3 116	6 430
Actual number of shares in issue (net of treasury shares)	**3 003 144 664**	2 947 368 431	2 950 587 688
Distribution per share (cents)	**106.0**	105.8	218.1
Interim taxable dividend (cents)	**106.0**	105.8	105.8
Final taxable dividend (cents)			112.3

REIT ratios continued

For the six months ended 31 December 2019

	Number of shares		
	Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
Shares issued during the year			
Issued ordinary shares at beginning of period	**2 970 981 288**	2 970 981 288	2 970 981 288
Effect of shares issued	**51 515 094**	–	–
Shares in issue at end of period	**3 022 496 382**	2 970 981 288	2 970 981 288
Effect of treasury shares held	**(19 351 718)**	(23 612 857)	(20 393 600)
Net shares in issue at half year	**3 003 144 664**	2 947 368 431	2 950 587 688

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.

	31 December 2019 Cents	31 December 2018 Cents	30 June 2019 Cents
Net asset value per share	**2 518**	2 570	2 539
Tangible net asset value per share	**2 560**	2 594	2 569

	Rm	Rm	Rm
Net asset value per share is reconciled to tangible net asset value per share as follows:			
Net asset value attributable to shareholders	**75 613**	75 740	74 908
Net effect of business acquisitions and other intangibles	**1 275**	701	896
Intangible assets	**(1 926)**	(2 244)	(1 983)
Deferred tax liability	**3 201**	2 945	2 879
Tangible net asset value	**76 888**	76 441	75 804

Key reporting ratios

Best practice recommendations were issued by the SA REIT Association (issued in January 2016, 1st 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.

	31 December 2019 %	31 December 2018 %	30 June 2019 %
Property cost-to-income ratio			
Gross	**33.29**	32.39	32.56
Net	**17.75**	17.11	17.58
Based on IFRS reported figures	**23.25**	22.66	23.06
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	**3.44**	3.54	3.82
Net	**3.44**	4.34	3.82
Based on IFRS reported figures	**3.44**	4.05	3.82
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	**36.28**	35.93	36.02
Net	**21.44**	21.46	21.67
Based on IFRS reported figures	**27.71**	26.71	26.88
Total cost-to-income ratio is based on the total expenses divided by the revenue, excluding straight-line lease income adjustments.			
Interest cover ratio (times)	**3.46**	3.66	3.81
Interest cover ratio (excluding GOZ and C&R)	**3.77**	3.55	3.78
Interest cover ratio 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 (net of finance income received on derivatives), after deducting finance income from banks and long-term loans.			
Loan to value ratio	**38.17**	35.87	36.43
Loan to value ratio (excluding GOZ and C&R)	**33.28**	35.87	36.94
Loan to value ratio is based on the nominal value of debt (net of cash), divided by the fair value of property assets. Property assets include investment property classified held for sale, property held for trading and development, equity-accounted investments, long-term loans granted and listed investments.			

Statement of profit or loss and other comprehensive income

For the six months ended 31 December 2019

	Unaudited six months 31 December 2019 Rm	Unaudited six months 31 December 2018 Rm	Audited 12 months 30 June 2019 Rm
Revenue, excluding straight-line lease income adjustment	5 849	5 724	11 388
Straight-line lease income adjustment	(132)	(93)	166
Total revenue	5 717	5 631	11 554
Property-related expenses	(1 348)	(1 297)	(2 626)
Impairment loss on trade receivables	(12)	–	(9)
Net property income	4 357	4 334	8 919
Other administrative and operating overheads	(273)	(232)	(435)
Operating profit	4 084	4 102	8 484
Equity-accounted investment profit – net of tax	657	617	1 170
Non-distributable income	26	(3)	33
Dividends/interest received	631	620	1 137
Fair value adjustments, capital items and other charges	1 619	909	870
Finance income	37	75	119
Finance expense	(1 704)	(1 381)	(3 123)
Profit before taxation	4 693	4 322	7 520
Taxation	(377)	(158)	(153)
Profit for the period	4 316	4 164	7 367
Other comprehensive income – net of tax			
Items that may subsequently be reclassified to profit or loss			
Translation of foreign operations	(357)	(10)	(625)
Total comprehensive income for the period	3 959	4 154	6 742
Profit attributable to:	4 316	4 164	7 367
Owners of the company	3 372	3 520	6 321
Non-controlling interests	944	644	1 046
Total comprehensive income attributable to:	3 959	4 154	6 742
Owners of the company	3 062	3 548	5 958
Non-controlling interests	897	606	784

Statement of financial position

As at 31 December 2019

	Unaudited 31 December 2019 Rm	Unaudited 31 December 2018 Rm	Audited 30 June 2019 Rm
ASSETS			
Cash and cash equivalents	**2 371**	2 507	882
Trade and other receivables	**1 335**	4 377	4 345
Investment property classified as held for sale	**223**	467	325
Property held for trading and development	**806**	368	455
Derivative assets	**1 001**	720	1 016
Listed investments	**848**	819	846
Fair value of property assets	**135 503**	114 696	116 229
Fair value of investment property for accounting purposes	**129 278**	112 307	113 565
Straight-line lease income adjustment	**2 752**	2 389	2 664
Tenant incentives	**1 043**	–	–
Right-of-use assets	**2 430**	–	–
Long-term loans granted	**2 426**	82	76
Equity-accounted investments	**17 201**	15 306	15 515
Unlisted investments	**69**	–	96
Equipment	**50**	10	10
Intangible assets	**1 926**	2 244	1 983
Total assets	**163 759**	141 596	141 778
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	**2 989**	2 230	2 213
Derivative liabilities	**766**	687	1 132
Taxation payable	**69**	46	18
Interest-bearing borrowings	**64 015**	50 867	51 624
Lease liability	**2 535**	–	–
Deferred tax liability	**3 201**	2 945	2 879
Total liabilities	**73 575**	56 775	57 866
Shareholders' interest	**75 613**	75 740	74 908
Share capital	**48 363**	47 138	47 217
Retained earnings	**3 183**	3 116	3 336
Other reserves	**24 067**	25 486	24 355
Non-controlling interest	**14 571**	9 081	9 004
Total liabilities and equity	**163 759**	141 596	141 778

Statement of changes in equity

For the six months ended 31 December 2019

	Attributable to owners of the company						
		Non-distributable reserves (NDR)					
	Share capital net of treasury shares Rm	Foreign currency translation reserve (FCTR) Rm	Non-distributable reserve (NDR) Rm	Retained earnings (RE) Rm	Share-holders' interest Rm	Non-controlling interest (NCI) Rm	Total equity Rm
Balance at 30 June 2018	47 092	1 715	23 275	3 191	75 273	7 887	83 160
Total comprehensive income:							
– Profit after taxation	–	–	–	3 520	3 520	644	4 164
– Other comprehensive income	–	28	–	–	28	(38)	(10)
Transactions with owners recognised directly in equity:							
Contributions by and distributions to owners:							
Transfer non-distributable items to NDR	–	–	429	(429)	–	–	–
Share-based payment transactions	46	–	11	–	57	–	57
Dividends declared	–	–	–	(3 166)	(3 166)	(296)	(3 462)
Changes in ownership interest:							
Change of ownership in GHPH	–	–	–	–	–	395	395
Rights issue and acquisitions – GOZ	–	28	–	–	28	489	517
Balance at 31 December 2018	47 138	1 771	23 715	3 116	75 740	9 081	84 821
Total comprehensive income:							
– Profit after taxation	–	–	–	2 801	2 801	402	3 203
– Other comprehensive income	–	(391)	–	–	(391)	(224)	(615)
Transactions with owners recognised directly in equity:							
Contributions by and distributions to owners:							
Transfer non-distributable items to NDR	–	–	(611)	611	–	–	–
Share-based payment transactions	79	–	(101)	–	(22)	–	(22)
Dividends declared	–	–	–	(3 192)	(3 192)	(267)	(3 459)
Changes in ownership interest:							
Change of ownership in GHPH	–	–	–	–	–	–	–
Rights issue and acquisitions – GOZ	–	(28)	–	–	(28)	12	(16)
Balance at 30 June 2019	47 217	1 352	23 003	3 336	74 908	9 004	83 912

	Attributable to owners of the company						
		Non-distributable reserves (NDR)					
	Share capital net of treasury shares Rm	Foreign currency translation reserve (FCTR) Rm	Non-distributable reserve (NDR) Rm	Retained earnings (RE) Rm	Share-holders' interest Rm	Non-controlling interest (NCI) Rm	Total equity Rm
Balance at 30 June 2019	47 217	1 352	23 003	3 336	74 908	9 004	83 912
Total comprehensive income:							
– Profit after taxation	–	–	–	3 372	3 372	944	4 316
– Other comprehensive income	–	(310)	–	–	(310)	(47)	(357)
Transactions with owners recognised directly in equity:							
Contributions by and distributions to owners:							
Shares issued	1 120	–	–	–	1 120	–	1 120
Transfer non-distributable items to NDR	–	–	184	(184)	–	–	–
Share-based payment transactions	26	–	(84)	–	(58)	–	(58)
Dividends declared	–	–	–	(3 341)	(3 341)	(339)	(3 680)
Changes in ownership interest:							
Non-controlling interest – C&R	–	–	–	–	–	3 332	3 332
Rights issue and acquisitions – GOZ	–	(78)	–	–	(78)	1 677	1 599
Balance at 31 December 2019	48 363	964	23 103	3 183	75 613	14 571	90 184

	2019 Cents	2018 Cents
Dividend per share	106.0	105.8

Statement of cash flows

For the six months ended 31 December 2019

	Unaudited six months 31 December 2019 Rm	Unaudited six months 31 December 2018 Rm	Audited 12 months 30 June 2019 Rm
Cash flows from operating activities			
Cash generated from operating activities	4 977	4 603	8 376
Finance expense paid	(1 425)	(1 381)	(2 289)
Finance and investment income	673	984	578
Taxation paid	(3)	(75)	(172)
Investment in property held for trading and development	(351)	–	(336)
Disposal of property held for trading and development	–	–	301
Distribution paid to shareholders	(3 704)	(3 462)	(6 921)
Net cash inflow/(outflow) from operating activities	167	669	(463)
Cash flows from investing activities			
Investments in:	(5 930)	(5 745)	(7 636)
Investment property	(2 307)	(5 169)	(6 991)
Intangible assets	(5)	(14)	(21)
Equity-accounted investments	(1 697)	(502)	(371)
Subsidiary – C&R	(1 385)	–	–
Unlisted investment	–	–	(110)
Long-term loans	(345)	(60)	(99)
Capital costs incurred on business acquisitions	(191)	–	(44)
Proceeds from:	658	3 116	3 411
Disposal of investment property	109	218	501
Disposal of investment property held for sale	326	2 550	2 549
Repayment of long-term loans granted	223	348	361
Net cash outflow from investing activities	(5 272)	(2 629)	(4 225)
Cash flows from financing activities			
Proceeds from:	12 409	5 039	15 025
Borrowings raised	9 690	5 039	14 129
Distribution reinvestment	1 120	–	–
Rights issues to non-controlling interest of GOZ	1 599	–	501
Change of ownership GHPH	–	–	395
Repayments of borrowings	(5 651)	(2 843)	(11 781)
Net cash inflow from financing activities	6 758	2 196	3 244
Effect of exchange rate changes on cash and cash equivalents	(164)	(49)	6
Movement in cash and cash equivalents	1 489	187	(1 438)
Cash and cash equivalents at beginning of period	882	2 320	2 320
Cash and cash equivalents at end of period	2 371	2 507	882

Segmental analysis

For the six months ended 31 December 2019

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 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 zoned for retail or standalone single-tenanted properties. It includes regional, community, neighbourhood, retail warehouses and speciality centres.
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 213 properties which includes warehousing, industrial parks, motor-related outlets, low and high-grade industrial, high-tech industrial, land zoned for development 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 61 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 in-town dominant community 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 six months ended 31 December 2019

	Unaudited 31 December 2019											
	Retail Rm	Office Rm	Industrial Rm	Health-care Rm	Trading and Develop-ment Rm	Total South Africa Rm	Australia Rm	United Kingdom Rm	Total as reported Rm	V&A Water-front Rm	Central and Eastern Europe Rm	Total Rm
Profit or loss disclosures												
Revenue excluding straight-line lease adjustment	1 688	1 698	757	130	8	4 281	1 498	70	5 849	494	568	6 911
Property-related expenses	(459)	(450)	(178)	(15)	–	(1 102)	(226)	(32)	(1 360)	(150)	(186)	(1 696)
Net property income	1 229	1 248	579	115	–	3 179	1 272	38	4 489	344	382	5 215
Other administrative and operating overheads						(183)	(90)	–	(273)	(14)	(61)	(348)
Equity-accounted investment profit, net of tax						659	–	(2)	659	–	–	657
Fair value adjustment on investment property	(95)	(490)	(214)	9	–	(790)	1 309	–	519	–	329	848
Fair value adjustments (other than investment property)						410	219	–	629	–	2	631
Capital items and non-cash charges						(239)	–	578	339	(7)	26	358
Finance income						33	2	2	37	13	3	53
Finance expense						(1 429)	(253)	(22)	(1 704)	(14)	(108)	(1 826)
Consolidated profit before taxation						1 640	2 459	594	4 693	322	573	5 588
ASSETS												
Cash and cash equivalents						213	380	1 778	2 371	216	1 348	3 395
Trade and other receivables						826	210	299	1 335	230	289	1 854
Investment property classified as held for sale	–	138	85	–	–	223	–	–	223	–	–	223
Property held for trading and development	–	–	–	–	806	806	–	–	806	–	–	806
Derivative assets						870	131	–	1 001	–	–	1 001
Listed investments						–	848	–	848	–	–	848
Fair value of property assets	29 931	31 879	13 676	2 685	–	78 171	42 533	14 799	135 503	9 724	14 236	159 463
Long-term loans granted						2 426	–	–	2 426	–	–	2 426
Equity-accounted investments						17 201	–	–	17 201	–	82	17 283
Unlisted investments						69	–	–	69	–	60	129
Equipment						1	8	41	50	224	–	274
Intangible assets						1 926	–	–	1 926	–	57	1 983
Total assets						102 732	44 110	16 917	163 759	10 394	16 072	190 225
LIABILITIES												
Trade and other payables						1 866	459	664	2 989	146	343	3 478
Derivative liabilities						702	–	64	766	–	7	773
Taxation payable						–	69	–	69	–	4	73
Interest-bearing borrowings						40 909	14 834	8 272	64 015	181	6 117	70 313
Lease liability						89	1 040	1 406	2 535	1	148	2 684
Deferred tax liability						3 201	–	–	3 201	176	607	3 984
Total liabilities						46 767	16 402	10 406	73 575	504	7 226	81 305

Unaudited 31 December 2018									Audited 30 June 2019										
Retail Rm	Office Rm	Industrial Rm	Total South Africa Rm	Australia Rm	Total as reported Rm	V&A Water-front Rm	Central and Eastern Europe Rm	Total Rm	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 Water-front Rm	Central and Eastern Europe Rm	Total Rm
1 675	1 873	768	4 316	1 408	5 724	455	685	6 864	3 341	3 510	1 461	240	75	8 627	2 761	11 388	920	1 044	13 352
(441)	(480)	(168)	(1 089)	(208)	(1 297)	(140)	(186)	(1 623)	(905)	(949)	(327)	(30)	–	(2 211)	(424)	(2 635)	(263)	(329)	(3 227)
1 234	1 393	600	3 227	1 200	4 427	315	499	5 241	2 436	2 561	1 134	210	75	6 416	2 337	8 753	657	715	10 125
			(170)	(62)	(232)	(13)	(67)	(312)						(294)	(141)	(435)	(29)	(117)	(581)
			617	–	617	–	–	617						1 170	–	1 170	–	–	1 170
26	(16)	(30)	(20)	1 038	1 018	–	4	1 022	(426)	(166)	159	227	–	(206)	2 172	1 966	227	260	2 453
			(54)	(87)	(141)	–	–	(141)						3	(580)	(577)	–	–	(577)
			(61)	–	(61)	(13)	(2)	(76)						(341)	(12)	(353)	–	–	(353)
			72	3	75	13	20	108						114	5	119	36	17	172
			(1 099)	(282)	(1 381)	(9)	(117)	(1 507)						(2 553)	(570)	(3 123)	(21)	(210)	(3 354)
			2 512	1 810	4 322	293	337	4 952						4 309	3 211	7 520	870	665	9 055
			2 093	414	2 507	304	1 248	4 059						584	298	882	293	1 894	3 069
			3 490	887	4 377	100	282	4 759						3 547	798	4 345	65	243	4 653
–	–	10	10	457	467	–	–	467	164	105	56	–	–	325	–	325	–	–	325
–	213	155	368	–	368	–	–	368	–	–	–	–	455	455	–	455	–	–	455
			720	–	720	–	–	720						1 006	10	1 016	–	28	1 044
			–	819	819	–	–	819						–	846	846	–	–	846
30 019	33 633	13 149	76 801	37 895	114 696	9 227	13 964	137 887	29 681	31 591	13 626	2 626	–	77 524	38 705	116 229	9 567	12 788	138 584
			82	–	82	–	–	82						76	–	76	–	–	76
			15 306	–	15 306	–	42	15 348						15 515	–	15 515	–	276	15 791
			–	–	–	–	–	–						96	–	96	–	–	96
			2	8	10	–	293	303						4	6	10	–	–	10
			2 244	–	2 244	–	–	2 244						1 983	–	1 983	–	59	2 042
			101 116	40 480	141 596	9 631	15 829	167 056						101 115	40 663	141 778	9 925	15 288	166 991
			1 615	615	2 230	138	387	2 755						1 743	470	2 213	145	62	2 420
			671	16	687	–	124	811						1 022	110	1 132	–	726	1 858
			(6)	52	46	–	–	46						–	18	18	–	–	18
			35 934	14 933	50 867	188	7 099	58 154						36 055	15 569	51 624	165	6 225	58 014
			–	–	–	–	–	–						–	–	–	–	–	–
			2 945	–	2 945	–	547	3 492						2 879	–	2 879	–	556	3 435
			41 159	15 616	56 775	326	8 157	65 258						41 699	16 167	57 866	310	7 569	65 745

Notes

For the six months ended 31 December 2019

NOTE 1: EARNINGS PER SHARE

Reconciliation between basic earnings, diluted earnings and headline earnings

	Gross			Total		
	Unaudited six months 31 December 2019 Rm	Unaudited six months 31 December 2018 Rm	Audited 12 months 30 June 2019 Rm	**Unaudited six months 31 December 2019 Rm**	Unaudited six months 31 December 2018 Rm	Audited 12 months 30 June 2019 Rm
Profit for the year				**3 372**	3 520	6 321
Impairment of goodwill	**1 619***	909*	870*	**–**	–	218
Bargain purchase	**1 619***	909*	870*	**(578)**	–	(5)
Fair value adjustments on investment property	**1 619***	909*	870*	**(703)**	(1 111)	(1 874)
Fair value adjustment: Net of straight-lining lease adjustment				**(179)**	(1 149)	(1 426)
NCI portion of fair value adjustments				**(524)**	38	(448)
Headline basic and diluted earnings				**2 091**	2 409	4 660

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

	Cents	Cents	Cents
Basic earnings per share	**113.32**	119.48	214.46
Diluted earnings per share	**113.13**	118.91	213.68
Headline basic earnings per share	**89.69**	81.77	158.10
Diluted headline earnings per share	**89.54**	81.38	157.53

NOTE 2: FAIR VALUE DISCLOSURE

Classification of financial assets and liabilities

ASSETS

	Fair value through profit or loss Rm	Financial assets at amortised cost Rm	Outside scope of IFRS 9 Rm	Total Rm
Unaudited at 31 December 2019				
Cash and cash equivalents	–	**2 371**	–	**2 371**
Trade and other receivables	–	**1 216**	**119**	**1 335**
Derivative assets	**1 001**	–	–	**1 001**
Listed investments	**848**	–	–	**848**
Unlisted investments	**69**	–	–	**69**
Long-term loans granted	**2 426**	–	–	**2 426**
Unaudited at 31 December 2018				
Cash and cash equivalents	–	2 507	–	2 507
Trade and other receivables	–	3 331	1 046	4 377
Derivative assets	720	–	–	720
Listed investments	819	–	–	819
Long-term loans granted	82	–	–	82
Audited at 30 June 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

LIABILITIES

	Fair value through profit or loss Rm	Financial liabilities at amortised cost Rm	Outside scope of IFRS 9 Rm	Total Rm
Unaudited at 31 December 2019				
Trade payables	–	**2 721**	**268**	**2 989**
Derivative liabilities	**766**	–	–	**766**
Tax payable	–	–	**69**	**69**
Interest-bearing borrowings	**64 015**	–	–	**64 015**
Unaudited at 31 December 2018				
Trade payables	–	1 974	256	2 230
Derivative liabilities	687	–	–	687
Tax payable	–	–	46	46
Interest-bearing borrowings	50 867	–	–	50 867
Audited at 30 June 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

Notes continued

For the six months ended 31 December 2019

NOTE 2: FAIR VALUE DISCLOSURE (continued)
FAIR VALUE ESTIMATION
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:

	Unaudited six months 31 December 2019			
	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
ASSETS				
Recurring fair value measurement				
Fair value of property assets	135 503	–	–	136 503
Listed investments	848	848	–	–
Unlisted investments	69	–	–	69
Long-term loans granted	2 426	–	–	2 426
Derivative assets	1 001	–	1 001	–
Non-recurring fair value measurement				
Non-current assets held for sale	223	–	–	223
Total assets measured at fair value	140 070	848	1 001	138 221
LIABILITIES				
Recurring fair value measurement				
Interest-bearing borrowings	64 015	–	64 015	–
Derivative liabilities	766	–	766	–
Total liabilities measured at fair value	64 781	–	64 781	–

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.

Movement in level 3 instruments

	Unaudited six months 31 December 2019				
	Property assets Rm	Long-term loans granted Rm	Derivative assets Rm	Derivative liabilities Rm	Unlisted investments Rm
Opening balance	116 554	76	607	(281)	96
Gain/(loss) fair value adjustments and translation of foreign operations	1 924	–	(607)	281	(27)
Accrued interest	–	335	–	–	–
Acquisitions/additions	17 671	2 208	–	–	–
Disposals	(423)	–	–	–	–
Transfer to property held for trading and development	–	–	–	–	–
Advancements	–	33	–	–	–
Settlements	–	(226)	–	–	–
Closing balance	135 726	2 426	–	–	69

	Unaudited six months 31 December 2018				Audited 12 months 30 June 2019			
	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
	114 696	–	–	114 696	116 229	–	–	116 229
	819	819	–	–	846	846	–	–
	–	–	–	–	96	–	–	96
	82	–	–	82	76	–	–	76
	720	–	423	297	1 016	–	409	607
	467	–	–	467	325	–	–	325
	116 784	819	423	115 542	118 588	846	409	117 333
	50 867	–	50 867	–	51 624	6 311	45 313	–
	687	–	375	312	1 132	–	851	281
	51 554	–	51 242	312	52 756	6 311	46 164	281

	Unaudited six months 31 December 2018					Audited 12 months 30 June 2019					
	Property assets Rm	Listed investments Rm	Long-term loans granted Rm	Derivative assets Rm	Derivative liabilities Rm	Property assets Rm	Listed investments Rm	Long-term loans granted Rm	Derivative assets Rm	Derivative liabilities Rm	Unlisted investments Rm
	112 226	4	370	224	(230)	112 226	4	370	224	(230)	–
	843	–	–	73	(82)	676	–	(30)	383	(51)	(14)
	–	–	–	–	–	–	–	25	–	–	–
	5 231	–	–	–	–	6 965	–	–	–	–	110
	(2 769)	(4)	–	–	–	(3 060)	(4)	–	–	–	–
	–	–	–	–	–	(253)	–	–	–	–	–
	–	–	–	–	–	–	–	72	–	–	–
	–	–	(288)	–	–	–	–	(361)	–	–	–
	115 531	–	82	297	(312)	116 554	–	76	607	(281)	96

Notes continued

For the six months ended 31 December 2019

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 Group 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.

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 a swap curve plus an appropriate credit margin of between 0.5% and 7.4% at the dates when the cash flows 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 a 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

Level 3 instruments

In terms of the Group's policy, by year-end at least 75% of the fair value of investment properties should be determined by an external, independent valuator, 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 are valued by Growthpoint's qualified internal valuers.

The South African properties were valued at HY20 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:

Company	Valuer	Qualifications
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
Broll Valuation and Advisory Services	R Long	BSc, MBA, MRICS, professional valuer
Knight Frank	A Arbee	NDip (Real 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
Mills Fitchet Cape (Pty) Ltd	S Wolffs	NDip (Prop Val), professional associate valuer

The Australian properties were valued at HY20 using the discounted cash flow of future income streams method by CBRE Limited, Colliers, JLL, Knight Frank, m3property, Savills and Urbis. The fair value of properties not externally valued as at 31 December 2019 were based solely on director valuations.

The United Kingdom properties were valued at HY20 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 5.5% to 10.2%.

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 – 18.5	6.8 – 13.5	6.8 – 12.5
Office sector		12.8 – 15.8	7.5 – 10.5	7.5 – 10.5
Industrial sector		13.5 – 16.5	8.0 – 13.0	8.0 – 12.0
Healthcare sector		13.3 – 14.3	8.3 – 9.3	8.3 – 9.3
GOZ office		6.3 – 7.8	5.0 – 7.3	4.5 – 16.3
GOZ industrial		6.0 – 8.0	4.8 – 10.3	4.8 – 8.3

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).

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For the six months ended 31 December 2019

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

Unlisted investments

Description	Valuation technique	Significant unobservable inputs
Edcon	Management's best estimate of the fair value of Edcon is R68.6 million 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 OAK TREE GROUP