

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

Condensed unaudited results for the six months ended 31 December 2018

Group salient features

Investment proposition:

- Sustainable quality of earnings
 - 15-year track record of uninterrupted dividend growth
 - Underpinned by high-quality physical property assets
 - Diversified across international geographies and sectors
 - Dynamic and proven management track record
 - Best practice corporate governance
 - Transparent reporting
 - Level 3 B-BBEE contributor
-
- 5.9% growth in distributable income from FY18
-
- 105.8 (cents per share)
Dividend per share growth of 4.5% from FY18
-
- R138.7bn in group property assets (4.3% growth from FY18)
-
- 35.9% LTV
Gearing levels remain conservative, increased from 35.2% at FY19
-
- 2 570 NAV (cents per share)
An increase of 0.5% from FY18
-
- Baa3 global scale and AAA .za national scale rating from Moody's
-
- Included in major sustainability indices: FTSE/JSE Responsible Investment Index,
Dow Jones Sustainability Index (DJSI), FTSE4Good Emerging Index

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 listed REIT with a quality portfolio of 447 directly owned properties in South Africa (RSA) valued at R77.2 billion.

We have a 66.0% interest in ASX-listed Growthpoint Properties Australia (GOZ), which owns 59 properties in Australia valued at R38.3 billion.

Growthpoint has six equity-accounted investments, valued at R15.3 billion. Our 50% share of the V&A Waterfront (V&A) (R7.5 billion) is the largest of these investments, followed by a 28.96% stake in London Stock Exchange (AIM)-listed Globalworth Real Estate Investments (GWI) (R5.2 billion) and a 21.6% stake in Warsaw Stock Exchange-listed Globalworth Poland Real Estate (GPPE) (R2.5 billion).

Growthpoint also has a listed investment which is an 18.2% investment in ASX-listed Industria REIT, owned by GOZ, valued at R819.0 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, and further international diversification.

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

Growthpoint is included in the FTSE/JSE Top40 Index (J200) with a market capitalisation of R69.2 billion at 31 December 2018 (HY19). Over the reporting period, on average, more than 226.6 million shares traded per month (HY18: 180.0 million). The monthly average value traded was R5.5 billion (HY18: R4.5 billion). 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) (62.3%) and international (37.7%) assets. The RSA portfolio represents 84.3% by gross lettable area (GLA). It is well diversified in the three major sectors of commercial property, being retail, office and industrial. Most of the value of the RSA portfolio is in economic nodes within major metropolitan areas.

For the period under review the net asset value (NAV) of the group increased by 0.5% to 2 570 (FY18: 2 556) cents per share.

Growth in distributions

Growthpoint delivered growth in distributions per share for HY19 of 4.5% and has declared an interim dividend of 105.8 cents per share for the six months ended 31 December 2018. This growth is in line with the guidance given to the market for FY19.

Distributable income increased by R173 million or 5.9% to R3.1 billion.

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.

These summarised consolidated financial statements are not audited. Mr G Volkel (CA(SA)), Growthpoint's Financial Director, was responsible for supervising the preparation of these summarised consolidated financial statements.

Growthpoint Properties Australia (GOZ)

The investment in GOZ was accounted for in terms of IAS 21 The Effects of Changes in Foreign Exchange Rates. The statement of financial position includes 100% of the assets and liabilities of GOZ, converted at the closing exchange rate at HY19 of R10.12:AUD1 (HY18 of R9.66:AUD1).

On 29 November 2018, Growthpoint Properties Limited took up its full entitlement of a rights issue in GOZ. The additional investment in GOZ totalled R907.6 million (AUD89.1 million).

A deferred tax liability of R2.8 billion (HY18: R2.4 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 of R10.27:AUD1 (HY18: R10.45:AUD1) for HY19. The resulting foreign currency translation difference is recognised in other comprehensive income. A non-controlling interest was raised for the 34.0% (HY18: 34.9%) not owned by Growthpoint.

Included in the HY19 distributable income is R536.1 million income from GOZ, compared to R417.5 million for HY18. Included in normal tax in the statement of profit or loss and other comprehensive income is R51.5 million (HY18: R74.9 million) that relates to withholding tax paid on the distributions received from GOZ. The decreased withholding tax together with the additional investment made, had a positive impact on the distribution received from GOZ.

V&A Waterfront and other equity-accounted investments

The investments in the V&A (joint venture), GWI, GPRE 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 HY19 distributable income is R323.9 million from the V&A, compared to R287.0 million for HY18, R172.0 million from GWI, compared to R128.0 million for HY18, and R60 million from GPRE, compared to R nil for HY18.

Net property income

Gross revenue increased by 4.3% for HY19 compared to HY18. RSA increased revenues by 3.1%, and the GOZ operations increased revenues by 8.4% compared to HY18.

The ratio of property expenses to revenue for the Group increased slightly to 22.7% at HY19 from 21.7% at HY18. For RSA the ratio increased to 25.2% from 24.0% at HY18 and for GOZ, increased to 14.8% from 14.3% at HY18.

Fair value adjustments

The revaluation of properties in RSA and GOZ resulted in an overall increase of R1.0 billion (0.9%) to R115.5 billion for investment property (including investment properties classified as held for sale and trading and development). This was driven mainly by positive property fundamentals in Australia with a slight decrease in RSA due to low growth reflecting economic weakness.

Interest-bearing borrowings and derivatives were fair valued using the South African or foreign exchange denominated swap curves at HY19, increasing the overall liability by R165.0 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 increased by 5.6% to R1.4 billion (HY18: R1.3 billion). The weighted average interest rate for RSA borrowings was 9.1% (HY18: 9.1%) (6.8% including Euro loans and cross currency interest rate swaps (CCIRS) (HY18: 7.5%)). The weighted average maturity of debt increased to 3.4 years (HY18: 2.8 years).

Finance costs for GOZ decreased by 3.8% from R293.0 million in HY18 to R282.0 million in HY19. The interest cover ratio, where income from the equity-accounted investments and listed investments is included in the operating profit, increased to 3.7 times at HY19 (HY18: 3.5 times).

Finance and other investment income

Finance income increased by 93.1% to R695.0 million (HY18: R360 million) due to the inclusion of dividends from GWI and GPRE for the first time as at 30 June 2018.

Acquisitions and commitments

There were no acquisitions during the period for Growthpoint's RSA portfolio. The development and capital outlay for RSA of R1.2 billion (HY18: R1.1 billion) was for various developments and capital expenditure in the period.

Growthpoint has commitments outstanding for RSA developments totalling R1.7 billion at HY19 (HY18: R2.2 billion) of which 144 Oxford, Rosebank is the largest at R708.0 million (which now includes commitments for phase 2).

GOZ acquired two office properties for R3.7 billion (AUD341.3 million) and it incurred development costs of R155.9 million (AUD15.6 million).

GOZ has commitments outstanding totalling R800.5 million (AUD79.1 million) (HY18: R146.5 million (AUD14.8 million)). The majority of this commitment is for a new office development of Building 3 at the Botanica Corporate Park in Richmond, Victoria.

Our 50% development and capital expenditure at the V&A amounted to R86.0 million (HY18: R187.0 million) for the period. Growthpoint's share of the V&A's commitments outstanding at HY19 amounted to R330.5 million (HY18: R99.7 million). The largest of these commitments includes Site B: "The Ridge" at R150.4 million, Woolworths extension at R69.8 million and the Cruise Liner Terminal at R67.3 million.

Additional investments in Globalworth (GWI) and GPRE

There were no additional investments made by Growthpoint in GWI and GPRE for the six months ended 31 December 2018.

Funds Management

Part of Growthpoint's strategy is to grow a R15 billion Fund Management business over the next three to five years. To this end we have already established two separately identifiable funds:

- (1) Growthpoint Investec Africa Properties Fund (GIAP)
- (2) Growthpoint Healthcare Properties Holdings Fund (The Healthcare Fund)

GIAP, a joint venture with Investec Asset Management, has raised USD212 million from third-party investors which we expect will be fully invested in assets on the continent by FY19.

The Healthcare Fund already owns five healthcare assets valued at R2.6 billion consisting of four hospitals and one medical chambers. The Fund has attracted approximately R700 million in investments from third-party investors so far. The focus is currently on developments and extensions to Hillcrest and Gateway hospitals for approximately R100 million. Growthpoint has also undertaken the development of the new Neck and Head hospital in Pretoria due for completion in August 2020. There is a significant pipeline of both acquisitions and greenfield developments.

Trading and Development

Adhering to the limits previously communicated, the value of projects pre-identified as opportunities for trading and development for third-parties will not exceed 5.0% of the value of the South African portfolio and assets developed for our own balance sheet will not exceed 10.0%. Trading profits of R49 million have been realised on the sale of the units at Pine Industrial Park, 50% of Runway Park and Storage.

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

Disposals and held-for-sale assets

Growthpoint disposed of twelve properties in the period (HY18: ten) for R2.8 billion (HY18: R478.6 million), achieving a collective R1.2 billion (HY18: R230.8 million) profit on cost.

At HY19, two RSA properties (HY18: five) valued at R10.0 million (HY18: R159.9 million) and two (HY18: nil) GOZ properties valued at R457 million (AUD45.2 million) (HY18: nil) were held for sale.

There were no disposals in GOZ for the six months ended 31 December 2018.

Arrears

Total RSA arrears at HY19 were R79.0 million (HY18: R76.6 million) with a provision for bad debts of R28.2 million (HY18: R28.9 million). Total RSA bad debt expenses were R4.0 million (HY18: R7.1 million).

Vacancy levels

At HY19, Growthpoint's vacancy levels as a percentage of its total portfolio GLA were:

	GLA		Vacancy	
	m2 HY19	m2 HY18	% HY19	% HY18
Retail	1 382 624	1 423 816	3.3	3.0
Office	1 728 986	1 757 898	10.2	8.4
Industrial	2 240 791	2 244 535	5.7	4.1
RSA total	5 352 401	5 426 249	6.5	5.2
GOZ	1 038 683	1 003 529	1.5	2.4
V&A Waterfront (50%)	233 596	229 315	1.8	1.2
Total/Average %	6 624 680	6 659 093	5.6	4.6

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

Equity raised

There were no share issues or DRIP Programmes for the six months ended 31 December 2018.

Borrowings and net working capital

At HY19, 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 and the equity-accounted investments and the listed investments, was 35.9% (HY18: 34.5%). 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 R19.5 billion (HY18: R14.3 billion). All other interest-bearing borrowings across the Group are secured.

Growthpoint had unused committed bank facilities of R5.1 billion in RSA and R2.5 billion (AUD244.0 million) in Australia at HY19, which assures that it can 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.

Edcon

Growthpoint participated in the restructuring of Edcon Ltd by providing it with an equity injection of R110 million, in return for an equity stake. Growthpoint was among the landlords approached in December 2018 to consider a rental reduction for retail space leased to Edcon's brands. Given that our business model is based on contractual leases that provide a steady stream of annuity income, we did not want to compromise this by agreeing to the request for a rental reduction. Growthpoint has already decreased its exposure to the retail group by approximately 9 000m² since 31 December 2017. This is expected to decrease further by at least 18 000m² over the next two years. This is a non-adjusting event.

Prospects

With 62.3% of properties by book value exposed to South Africa's macro-economic environment where property fundamentals remain weak and are worsening, little to no growth is expected from the SA portfolio. 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 and turnover rentals declined in HY19. The Cape Town water crisis is now under control and the V&A Waterfront is building its own desalination plant to take it entirely off the water grid.

Most of FY19's growth will come from our international investments. Property fundamentals in Australia remain strong and GOZ is expected to deliver on its guidance. Dividend withholding tax will be lower this financial year and we have taken advantage of exchange rate weakness with favourable hedge rates. Additional offshore growth will come from our Central and Eastern Europe investments in GWI and GPPE, which enhance the diversity and defensiveness of the Growthpoint portfolio. Romania and Poland continue to attract large multinational tenants seeking a young, educated, affordable and ambitious labour force and relatively lower rentals. Property fundamentals are solid in these strong growth markets with low vacancies, long leases and blue-chip covenants. There is a solid development pipeline in Romania and accretive acquisition opportunities in Poland.

Assuming no further deterioration in the South African business environment, the Growthpoint Board expects growth in dividends per share for the financial year ending 30 June 2019 of approximately 4.5%. 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 66 of 105.8 cents per share for the period ended 31 December 2018. Shareholders will be entitled to elect to reinvest the net Cash Dividend, in return for Growthpoint shares (Share Alternative), failing which they will receive the net cash dividend in respect of all or part of their shareholdings. The entitlement of shareholders to elect to participate in the share re-investment alternative is subject to the Board, either itself or through a Board sub-committee appointed to set the pricing and terms of the share re-investment alternative, having the discretion to withdraw the entitlement to elect the share re-investment alternative should market conditions warrant such action. A withdrawal of the entitlement to elect the share re-investment alternative would be communicated to shareholders before the publication of the finalisation announcement on Friday, 22 March 2019.

Other information:

- issued shares at 31 December 2018: 2 970 981 288 ordinary shares of no par value.
- Income Tax Reference Number of Growthpoint: 9375/077/71/7.

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

Tax implications for South African resident shareholders

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

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

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption section 10(1)(k) of the Income Tax Act. Any dividend received by a non-resident from a REIT is subject to Dividend Tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net amount due to non-resident shareholders is 84.64 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.

Cash dividend payment	2019
Publication of declaration data and finalisation info (SENS)	Wednesday, 13 March (together with HY19 results announcement)
Announcement of share re-investment alternative issue price and finalisation information published on SENS	Monday, 25 March
Last day to trade cum dividend	Tuesday, 2 April
Shares trade ex dividend	Wednesday, 3 April
Record date (last date to register to receive payment)	Friday, 5 April
Payment date (EFTs and posting of cheques)	Monday, 8 April

Appointment of Company Secretary

In compliance with paragraph 3.59 of the JSE Limited Listings Requirements, shareholders are advised that FluidRock Co Sec Proprietary Limited (FluidRock) has been appointed as Company Secretary to Growthpoint with effect from 13 March 2019.

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

By order of the Board

Growthpoint Properties limited
13 March 2019

Directors

JF Marais (Chairman), O Chauke* (Human Resources Director), EK de Klerk* (Chief Executive Officer South Africa), MG Diliza, PH Fechter, LA Finlay, JC Hayward (Lead Independent Director), SP Mngconkola, R Moonsamy, NBP Nkabinde, LN Sasse* (Group Chief Executive Officer), N Siyotula, FJ Visser, G Volkel* (Group Financial Director)

* Executive

Registered office

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

Company Secretary

FluidRock Co Sec Proprietary Limited (represented by Claire Middlemiss)

Transfer Secretary

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

Sponsor

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

Statement of profit or loss and other comprehensive income
For the six months ended 31 December 2018

	Unaudited six months 31 December 2018 Rm	Reviewed six months 31 December 2017 Rm	Audited 12 months 30 June 2018 Rm
Notes			
Revenue, excluding straight-line lease income adjustment	5 724	5 487	10 976
Straight-line lease income adjustment	(93)	7	(50)
Total revenue	5 631	5 494	10 926
Property-related expenses	(1 297)	(1 192)	(2 366)
Net property income	4 334	4 302	8 560
Other administrative and operating overheads	(232)	(213)	(437)
Operating profit	4 102	4 089	8 123
Equity-accounted investment (loss)/profit - net of tax	(3)	555	711
Fair value adjustments, capital items and other charges	909	2 926	1 407
Finance and other investment income	695	360	904
Finance expense	(1 381)	(1 308)	(2 574)
Profit before taxation	4 322	6 622	8 571
Taxation	(158)	(179)	(666)
Profit for the year	4 164	6 443	7 905
Other comprehensive income			
Items that may subsequently be reclassified			

to profit or loss			
Translation of foreign operations	(10)	(917)	241
Total comprehensive income for the year	4 154	5 526	8 146
Profit attributable to:	4 164	6 443	7 905
Owners of the company	3 520	5 748	6 663
Non-controlling interests	644	695	1 242
Total comprehensive income attributable to:	4 154	5 526	8 146
Owners of the company	3 548	5 092	6 803
Non-controlling interests	606	434	1 343
	Cents	Cents	Cents
Basic earnings per share	119.48	200.07	229.14
Diluted earnings per share	118.91	198.80	228.00
Headline earnings per share	2 81.77	101.04	159.84
Diluted headline earnings per share	2 81.38	100.40	159.05

Statement of financial position
As at 31 December 2018

	Unaudited 31 December 2018 Rm	Reviewed 31 December 2017 Rm	Audited 30 June 2018 Rm
Assets			
Cash and cash equivalents	2 507	631	2 320
Trade and other receivables	4 377	3 697	3 645
Investment property classified as held for sale	467	160	3 180
Investment property held for trading and development	368	-	131
Derivative assets	720	697	476
Listed investments	819	722	801
Investment in subsidiaries	-	-	-
Fair value of property assets	114 696	111 145	109 046
Fair value of investment property for accounting purposes	112 307	108 557	106 543
Straight-line lease income adjustment	2 389	2 588	2 503
Long-term loans granted	82	353	370
Equity-accounted investments	15 306	12 142	15 096
Equipment	10	14	12
Intangible assets	2 244	2 314	2 279
Total assets	141 596	131 875	137 356
Liabilities and Equity			
Liabilities			
Trade and other payables	2 230	2 739	2 305
Derivative liabilities	687	566	741
Taxation payable	46	71	72
Interest-bearing borrowings	50 867	43 810	48 234
Deferred tax liability	2 945	2 441	2 844
Total liabilities	56 775	49 627	54 196
Shareholders' interest	75 740	75 371	75 273
Share capital	47 138	45 993	47 092
Retained income	3 116	2 943	3 191
Other reserves	25 486	26 435	24 990
Non-controlling interest	9 081	6 877	7 887
Total liabilities and equity	141 596	131 875	137 356

Statement of changes in equity
For the six months ended 31 December 2018

	Attributable to owners of the company						
	Non-distributable reserves (NDR)						
	Share capital net of treasury shares	Foreign currency translation reserve (FCTR)	Non-distributable reserve (NDR)	Retained earnings (RE)	Share holders' interest	Non-controlling interest (NCI)	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 30 June 2017	44 876	1 572	22 711	2 886	72 045	6 709	78 754
Total comprehensive income:							
- Profit after taxation	-	-	-	5 748	5 748	695	6 443
- Other comprehensive income	-	(656)	-	-	(656)	(261)	(917)
Transactions with owners recognised directly in equity:							
Contributions by and distributions to owners:							
Shares issued	1 107	-	-	-	1 107	-	1 107
Transfer non-distributable items to NDR	-	-	2 805	(2 805)	-	-	-
Share-based payment transactions	10	-	3	-	13	-	13
Dividends declared	-	-	-	(2 886)	(2 886)	(266)	(3 152)
Balance at 31 December 2017	45 993	916	25 519	2 943	75 371	6 877	82 248
Total comprehensive income:							
- Profit after taxation	-	-	-	915	915	547	1 462
- Other comprehensive income	-	796	-	-	796	362	1 158
Transactions with owners recognised directly in equity:							
Contributions by and distributions to owners:							
Shares issued	1 048	-	-	-	1 048	-	1 048
Transfer non-distributable items from NDR	-	-	(2 275)	2 275	-	-	-
Share-based payment transactions	51	-	31	-	82	-	82
Dividends declared	-	-	-	(2 942)	(2 942)	(247)	(3 189)
Changes in ownership interest:							
Change of ownership in Healthcare Fund	-	-	-	-	-	285	285
Rights issue and acquisitions - GOZ	-	3	-	-	3	63	66
Balance at 30 June 2018	47 092	1 715	23 275	3 191	75 273	7 887	83 160

	Attributable to owners of the company						
	Non-distributable reserves (NDR)						
	Share capital net of treasury shares	Foreign currency translation reserve (FCTR)	Non-distributable reserve (NDR)	Retained earnings (RE)	Share holders' interest	Non-controlling interest (NCI)	Total equity

	Rm	Rm	Rm	Rm	Rm	Rm	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:							
Shares issued	-	-	-	-	-	-	-
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 Healthcare Fund	-	-	-	-	-	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
						2018	2017
						Cents	Cents
Dividend per share						105.8	101.2

Statement of cash flows

For the six months ended 31 December 2018

	Unaudited 31 December 2018 Rm	Reviewed 31 December 2017 Rm	Audited 30 June 2018 Rm
Cash flows from operating activities			
Cash generated from operations	4 603	3 796	8 060
Finance expense paid	(1 381)	(1 008)	(2 574)
Finance and other investment income received	984	29	312
Taxation paid	(75)	(43)	(126)
Distribution paid to shareholders	(3 462)	(3 153)	(6 341)
Net cash inflow/(outflow) from operating activities	669	(379)	(669)
Net cash outflow from investing activities	(2 629)	(1 917)	(5 241)
Net cash inflow from financing activities	2 196	2 331	7 386
Movement in cash and cash equivalents	236	35	1 476
Translation effects on cash and cash equivalents of foreign operations	(49)	(17)	231
Cash and cash equivalents at beginning of period	2 320	613	613
Cash and cash equivalents at end of period	2 507	631	2 320

Segmental analysis

For the six months ended 31 December 2018

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 six segments, namely Retail, Office, Industrial, Growthpoint Australia, V&A Waterfront and Eastern Europe. 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

operating overheads				(170)	(62)	(232)	(13)	(67)	(312)
Equity-accounted investment									
profit net of tax				(3)	-	(3)	-	-	(3)
Fair value adjustment on investment property	26	(16)	(30)	(20)	1 038	1 018	-	4	1 022
Fair value adjustments (other than investment property)				(54)	(87)	(141)	-	-	(141)
Capital items and non-cash charges				(61)	-	(61)	(13)	(2)	(76)
Finance and investment income				692	3	695	13	20	728
Finance expense				(1 099)	(282)	(1 381)	(9)	(117)	(1 507)
Consolidated profit before taxation				2 512	1 810	4 322	293	337	4 952

Assets

Cash and cash equivalents				2 093	414	2 507	304	1 248	4 059
Trade and other receivables				3 490	887	4 377	100	282	4 759
Investment property classified as held for sale	-	-	10	10	457	467	-	-	467
Investment property held for trading and development	-	213	155	368	-	368	-	-	368
Derivative assets				720	-	720	-	-	720
Listed investments				-	819	819	-	-	819
Fair value of property assets	30 019	33 633	13 149	76 801	37 895	114 696	9 227	13 964	137 887
Long-term loans granted				82	-	82	-	-	82
Equity-accounted investments				15 306	-	15 306	-	42	15 348
Equipment				2	8	10	-	293	303
Intangible assets				2 244	-	2 244	-	-	2 244
Total assets				101 116	40 480	141 596	9 631	15 829	167 056
Liabilities									
Trade and other payables				1 615	615	2 230	138	387	2 755
Derivative liabilities				671	16	687	-	124	811
Taxation payable				(6)	52	46	-	-	46
Interest-bearing borrowings				35 934	14 933	50 867	188	7 099	58 154
Deferred tax liability				2 945	-	2 945	-	547	3 492
Total liabilities				41 159	15 616	56 775	326	8 157	65 258

Material profit or loss disclosures (continued)

	Reviewed 31 December 2017								
	Retail Rm	Office Rm	Industrial Rm	Total South Africa Rm	Australia Rm	Total as reported Rm	V&A Water-front Rm	Central Eastern Europe Rm	Total Rm
Material profit or loss disclosures									
Revenue excluding straight-line lease adjustment	1 612	1 871	705	4 188	1 299	5 487	420	356	6 263
Property-related expenses	(420)	(426)	(160)	(1 006)	(186)	(1 192)	(121)	(123)	(1 436)
Net property income	1 192	1 445	545	3 182	1 113	4 295	299	233	4 827
Other administrative and operating overheads				(150)	(63)	(213)	(12)	(66)	(291)
Equity-accounted investment profit net of tax				555	-	555	-	10	565
Fair value adjustment on investment property	763	544	202	1 509	1 253	2 762	-	32	2 794
Fair value adjustments (other than investment property)				176	65	241	-	131	372

Capital items and non-cash charges				(70)	-	(70)	86	(52)	(36)
Finance and investment income				359	1	360	11	7	378
Finance expense				(1 015)	(293)	(1 308)	(10)	(176)	(1 494)
Consolidated profit before taxation				4 546	2 076	6 622	374	119	7 115
Assets									
Cash and cash equivalents				326	305	631	395	1 191	2 217
Trade and other receivables				3 011	686	3 697	101	112	3 910
Investment property classified as held for sale	-	126	34	160	-	160	-	-	160
Investment property held for trading and development	-	-	-	-	-	-	-	-	-
Derivative assets				695	2	697	-	-	697
Listed investments				-	722	722	-	123	845
Fair value of property assets	31 245	35 698	12 954	79 897	31 248	111 145	8 660	7 739	127 544
Long-term loans granted				353	-	353	-	-	353
Equity-accounted investments				12 142	-	12 142	-	95	12 237
Equipment				3	11	14	-	-	14
Intangible assets				2 314	-	2 314	-	53	2 367
Total assets				98 901	32 974	131 875	9 156	9 313	150 344
Liabilities									
Trade and other payables				1 962	777	2 739	153	231	3 123
Derivative liabilities				455	111	566	-	-	566
Taxation payable				-	71	71	-	4	75
Interest-bearing borrowings				31 836	11 974	43 810	192	3 751	47 753
Deferred tax liability				2 438	3	2 441	-	429	2 870
Total liabilities				36 691	12 936	49 627	345	4 415	54 387

Material profit or loss disclosures (continued)

	Audited 30 June 2018								
	Retail Rm	Office Rm	Industrial Rm	Total South Africa Rm	Australia Rm	Total as reported Rm	V&A Water-front Rm	Central Eastern Europe Rm	Total Rm
Material profit or loss disclosures									
Revenue excluding straight-line lease adjustment	3 244	3 779	1 420	8 443	2 533	10 976	813	207	11 996
Property-related expenses	(834)	(848)	(325)	(2 007)	(359)	(2 366)	(242)	(76)	(2 684)
Net property income	2 410	2 931	1 095	6 436	2 174	8 610	571	131	9 312
Other administrative and operating overheads				(309)	(128)	(437)	(30)	(28)	(495)
Equity-accounted investment profit net of tax				711	-	711	-	-	711
Fair value adjustment on investment property	(439)	53	250	(136)	1 671	1 535	375	100	2 010
Fair value adjustments (other than investment property)				(120)	(113)	(233)	-	-	(233)
Capital items and non-cash charges				(190)	245	55	87	(4)	138
Finance and investment income				901	3	904	62	5	971
Finance expense				(2 027)	(547)	(2 574)	(24)	(16)	(2 614)
Consolidated profit before taxation				5 266	3 305	8 571	1 041	188	9 800

Assets

Cash and cash equivalents				2 000	320	2 320	248	2 708	5 276
Trade and other receivables				2 966	679	3 645	75	484	4 204
Investment property classified as held for sale	-	2 187	340	2 527	653	3 180	-	-	3 180
Investment property held for trading and development	-	131	-	131	-	131	-	-	131
Derivative assets				476	-	476	-	-	476
Listed investments				801	-	801	-	-	801
Fair value of property assets	29 878	33 134	13 094	76 106	32 940	109 046	9 141	11 564	129 751
Long-term loans granted				370	-	370	-	-	370
Equity-accounted investments				15 096	-	15 096	-	40	15 136
Equipment				3	9	12	-	-	12
Intangible assets				2 279	-	2 279	-	57	2 336
Total assets				102 755	34 601	137 356	9 464	14 853	161 673
Liabilities									
Trade and other payables				1 665	640	2 305	188	249	2 742
Derivative liabilities				671	70	741	-	-	741
Taxation payable				-	72	72	-	-	72
Interest-bearing borrowings				35 699	12 535	48 234	170	6 594	54 998
Deferred tax liability				2 838	6	2 844	-	538	3 382
Total liabilities				40 873	13 323	54 196	358	7 381	61 935

Segmental analysis continued

For the six months ended 31 December 2018

Distributable earnings reconciliation

	Unaudited 31 December 2018 Rm	Reviewed 31 December 2017 Rm	Audited 30 June 2018 Rm
Revenue excluding straight-line lease income adjustment	5 724	5 487	10 976
Property related expenses	(1 297)	(1 192)	(2 366)
Other administrative and operating overheads	(232)	(213)	(437)
Net interest	(686)	(948)	(1 670)
Finance and other investment income	695	360	904
Interest paid	(1 381)	(1 308)	(2 574)
Less: GWI dividend declared for FY18	(157)	-	-
GWID dividend declared after period end based on the reporting period earnings	164	128	157
GPRED dividend declared for FY18	(64)	-	64
Antecedent dividends	5	22	33
Non-controlling portion of distribution (excluding fair value adjustments) - GOZ	(296)	(266)	(513)
Non-controlling portion of distribution (excluding fair value adjustments) - Healthcare	(26)	-	-
Distributable income from GOZ retained (including NCI's portion)	-	-	(22)
Profit on disposal of Roeland Street Investment 2 (Pty) Ltd	7	-	-
Realised foreign exchange loss	26	(1)	46
Current normal taxation	(52)	(74)	(160)
Distributable earnings	3 116	2 943	6 108
Distributions			
Total dividend			
Distributable earnings	3 116	2 943	6 108
Actual number of shares in issue	2 947 368 431	2 906 954 088	2 945 510 719

Distribution per share	105.8	101.2	208.6
- Interim taxable dividend	105.8	101.2	101.2
- Final taxable dividend	-	-	107.4

	Unaudited 31 December 2018	Number of shares Reviewed 31 December 2017	Audited 30 June 2018
Shares issued during the year:			
Issued ordinary shares at the beginning of year	2 970 981 288	2 888 462 582	2 888 462 582
Effect of shares issued	-	45 739 890	82 518 706
Shares in issue at period end	2 970 981 288	2 934 202 472	2 970 981 288
Effect of treasury shares held	(23 612 857)	(27 248 384)	(25 470 569)
Net shares in issue at half year	2 947 368 431	2 906 954 088	2 945 510 719
Net asset value*			
Net asset value per share (cents)	2 570	2 593	2 556
Tangible net asset value per share (cents)	2 594	2 597	2 575
Net asset value per share is reconciled to tangible net asset value per share as follows:			
	Rm	Rm	Rm
Net asset value attributable to shareholders	75 740	75 371	75 273
Less: Net effect of business acquisitions and other intangibles	701	127	565
Intangible assets	(2 244)	(2 314)	(2 279)
Deferred tax liability	2 945	2 441	2 844
Tangible net asset value	76 441	75 498	75 838

* This information has not been reviewed or audited by Growthpoint's independent external auditors.

Key reporting ratios*

Best practice recommendations were issued by the SA REIT Association during the financial year, 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 2018 %	Group 31 December 2017 %	30 June 2018 %
Property cost-to-income ratio			
Gross	32.39	31.29	31.11
Net	17.11	16.82	16.64
Based on IFRS reported figures	22.66	21.72	21.56
Property cost-to-income ratio is based on the total property, related expenses divided by the revenue, excluding straight-line lease income adjustments. The figures are adjusted for gross, net and IFRS reported expenses.			
Operating cost-to-income ratio			
Gross	3.54	3.41	4.17
Net	4.34	4.13	3.98
Based on IFRS reported figures	4.05	3.88	3.98
Operating cost-to-income ratio is based on the total operating expenses divided by the revenue, excluding straight-line lease income adjustments. The figures			

are adjusted for gross, net and IFRS reported expenses.

Total cost-to-income ratio

Gross	35.93	34.70	34.72
Net	21.46	20.95	20.87
Based on IFRS reported figures	26.71	25.61	25.54

Total cost-to-income ratio is based on the total expenses divided by the revenue, excluding straight-line lease income adjustments. The figures are adjusted for gross, net and IFRS reported expenses.

Interest cover ratio	3.66	3.46	3.65
Interest cover ratio (excluding GOZ)	3.55	3.42	3.62

Interest cover ratio for Growthpoint is based on the operating profit excluding straight-line lease income adjustment plus the investment income from equity-accounted investments divided by the finance costs, after deducting finance income from banks and long-term loans.

Loan to value ratio	35.87	34.53	35.17
Loan to value ratio (excluding GOZ)	35.87	33.84	35.37

Loan to value ratio for Growthpoint is based on the nominal value of debt (net of cash), divided by the fair value of property assets. Including investment property held for sale, equity-accounted investments and listed investments.

* This information has not been reviewed or audited by Growthpoint's independent external auditors.

Notes

For the six months ended 31 December 2018

Note 1: Finance and other investment income

	Unaudited six months 31 December 2018 Rm	Unaudited six months 31 December 2017 Rm	Audited 12 months 30 June 2018 Rm
Finance income			
Banks	60	28	45
Long-term loans granted	4	17	46
Other	11	-	54
	75	45	145
Investment income			
Dividends received from the V&A	324	287	591
Dividends received from GWI	168	-	131
Dividends received from GPPE	121	-	37
Other	7	28	-
	620	315	759
Total finance and investment income	695	360	904

Note 2: Headline earnings per share

Reconciliation between basic earnings, diluted earnings and headline earnings

	Unaudited six months 31 December 2018 Rm	Gross Reviewed six months 31 December 2017 Rm	Audited 12 months 30 June 2018 Rm	Unaudited six months 31 December 2018 Rm	Total Reviewed six months 31 December 2017 Rm	Audited 12 months 30 June 2018 Rm
Profit for the year				3 520	5 748	6 663

Bargain purchase	909*	2 926*	1 407*	-	(1)	(9)
Fair value adjustments on investment property	909*	2 926*	1 407*	(1 111)	(2 845)	(2 006)
Fair value adjustment: Net of straight-lining lease adjustment				(1 149)	(2 486)	(1 290)
NCI portion of fair value adjustments				38	(359)	(716)
Headline earnings				2 409	2 902	4 648
* Both the bargain purchase and fair value adjustment on investment property are included on 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.						

Note 3: Fair value disclosure

Classification of financial assets and liabilities

Assets

	Held at fair value Rm	Designated at fair value Rm	Loans and other receivables Rm	Outside scope of IAS 39 Rm	Total Rm
Unaudited six months 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
Reviewed six months 31 December 2017					
Cash and cash equivalents	-	-	631	-	631
Trade and other receivables	-	-	2 929	768	3 697
Derivative assets	697	-	-	-	697
Listed investments	-	722	-	-	722
Long-term loans granted	-	353	-	-	353
Audited 30 June 2018					
Cash and cash equivalents	-	-	2 320	-	2 320
Trade and other receivables	-	-	2 836	809	3 645
Derivative assets	476	-	-	-	476
Listed investments	-	801	-	-	801
Long-term loans granted	-	370	-	-	370

Liabilities

	Held at fair value Rm	Designated at fair value Rm	Financial liabilities Rm	Outside scope of IAS 39 Rm	Total Rm
Unaudited six months 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
Deferred tax liabilities	-	-	-	2 945	2 945
Reviewed six months 31 December 2017					
Trade payables	-	-	2 395	344	2 739
Derivative liabilities	566	-	-	-	566
Tax payable	-	-	-	71	71
Interest-bearing borrowings	-	43 810	-	-	43 810

Deferred tax liabilities	-	-	-	2 441	2 441
Audited 30 June 2018					
Trade payables	-	-	2 074	231	2 305
Derivative liabilities	741	-	-	-	741
Tax payable	-	-	-	72	72
Interest-bearing borrowings	-	48 234	-	-	48 234
Deferred tax liabilities	-	-	-	2 844	2 844

Fair value estimation

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:

	Unaudited 31 December 2018			
	Fair value	Level 1	Level 2	Level 3
	Rm	Rm	Rm	Rm
Assets				
Recurring fair value measurement				
Fair value of property assets	114 696	-	-	114 696
Listed investments	819	819	-	-
Long-term loans granted	82	-	-	82
Derivative assets	720	-	423	297
Non-recurring fair value measurement				
Non-current assets held for sale	467	-	-	467
Non-current assets held for trading and development	368	-	-	368
Total assets measured at fair value	117 152	819	423	115 910
Liabilities				
Recurring fair value measurement				
Interest-bearing borrowings	50 867	-	50 867	-
Derivative liabilities	687	-	375	312
Total liabilities measured at fair value	51 554	-	51 242	312

	Reviewed 31 December 2017			
	Fair value	Level 1	Level 2	Level 3
	Rm	Rm	Rm	Rm
Assets				
Recurring fair value measurement				
Fair value of property assets	111 305	-	-	111 305
Listed investments	722	722	-	-
Long-term loans granted	353	-	-	353
Derivative assets	697	-	590	107
Non-recurring fair value measurement				
Non-current assets held for sale	160	-	-	160
Total assets measured at fair value	113 237	722	590	111 925
Liabilities				
Recurring fair value measurement				
Interest-bearing borrowings	43 810	-	43 810	-
Derivative liabilities	566	-	535	31
Total liabilities measured at fair value	44 376	-	44 345	31

	Audited 30 June 2018		
	Fair value	Level 1	Level 2
			Level 3

	Rm	Rm	Rm	Rm
Assets				
Recurring fair value measurement				
Fair value of property assets	109 046	-	-	109 046
Listed investments	801	797	-	4
Long-term loans granted	370	-	-	370
Derivative assets	476	-	252	224
Non-recurring fair value measurement				
Non-current assets held for sale	3 180	-	-	3 180
Total assets measured at fair value	113 873	797	252	112 824
Liabilities				
Recurring fair value measurement				
Interest-bearing borrowings	48 234	5 772	42 462	-
Derivative liabilities	741	-	511	230
Total liabilities measured at fair value	48 975	5 772	42 973	230

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

Movement in level 3 instruments

	Unaudited six months 31 December 2018					Reviewed six months 31 December 2017			
	Property assets	Listed investments	Long-term loans granted	Derivative assets	Derivative liabilities	Property assets	Listed investments	Long-term loans granted	
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	
Opening balance	112 226	4	370	224	(230)	109 442	226	709	
Gain/(loss) from fair value adjustments and translation of foreign operations	843	-	-	73	(82)	1 298	10	37	
Accrued interest	-	-	-	-	-	-	-	-	
Acquisitions	5 231	-	-	-	-	2 744	-	-	
Disposals	(2 769)	(4)	-	-	-	(2 179)	(236)	-	
Advancements	-	-	-	-	-	-	-	50	
Settlements	-	-	(288)	-	-	-	-	(443)	
Closing balance	115 531	-	82	297	(312)	111 305	-	353	

Movement in level 3 instruments (continued)

	Audited 12 months 30 June 2018				
	Property assets	Listed investments	Long-term loans granted	Derivative assets	Derivative liabilities
	Rm	Rm	Rm	Rm	Rm
Opening balance	109 442	226	709	107	(31)
Gain/(loss) from fair value adjustments and translation of foreign operations	2 005	-	12	117	(199)
Accrued interest	-	-	71	-	-
Acquisitions	3 978	-	-	-	-
Disposals	(3 199)	(222)	-	-	-
Advancements	-	-	77	-	-
Settlements	-	-	(499)	-	-

Closing balance	112 226	4	370	224	(230)
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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).

Valuation techniques using observable inputs - Level 1 and 2

Fair values classified as level 1 and 2 have been determined using models for which inputs are observable in an active market. A valuation input is considered observable if it is obtained directly, such as quoted prices, or indirectly, such as those derived from quoted prices.

Valuation techniques using significant unobservable inputs - Level 3

Fair values are classified at level 3 if their determination incorporates significant inputs that are not based on observable market data.

Valuation techniques and significant unobservable inputs

Level 1 instruments

Listed investment

Description	Valuation technique	Significant observable inputs
Industria REIT	The fair value is based on the last traded market price from the Australian Securities Exchange (ASX) as at 31 December 2018.	Market price of AUD2.73 per listed share

The estimated fair value would increase/(decrease) if the listed share price was higher/(lower).

Level 2 instruments

Interest-bearing borrowings

Description	Valuation technique	Significant observable inputs
Interest-bearing borrowings	Valued by discounting future cash flows using the South African swap curve plus an appropriate credit margin at the dates when the cash flows will take place.	Credit margins: 0.46% to 3.60% (FY18: 0.46% to 3.60%)

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

Derivative instruments

Description	Valuation technique	Significant observable inputs
Forward exchange contracts	Valued by discounting the forward rates applied at period 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

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 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 was valued by Growthpoint's qualified internal valuers.

The South African properties which were valued at HY19, using the discounted cash flow of future income streams method, were done so 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
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
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 HY19 using the discounted cash flow of future income streams method by Savills, Urbis, m3property, JLL, CBRE and Colliers. The fair value of properties not externally valued as at 31 December 2018 were based solely on director valuations.

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		
		Exit		
Description	Valuation technique	Discount rate	capitalisation rate	Capitalisation rate
Retail sector		12.5 - 16.5	6.8 - 11.0	6.8 - 11.0
Office sector	Discounted cash	13.0 - 16.0	8.0 - 10.5	8.0 - 10.0
Industrial sector	flow model	13.5 - 17.0	8.0 - 11.5	8.0 - 11.5
GOZ office		6.5 - 7.8	5.5 - 7.5	5.3 - 14.9
GOZ industrial		6.5 - 8.5	5.8 - 9.8	5.5 - 8.9

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

Long-term loans granted

Description	Valuation technique	Significant unobservable inputs
-------------	---------------------	---------------------------------

Acucap Unit Purchase Scheme	Valued by discounting future cash flows using the South African swap curve at the dates when the cash flows will take place.	Counterparty credit risk
Workshop 17 (previously OPEN)	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
Sakhumnotho Group Holdings	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 instruments		
Description	Valuation technique	Significant unobservable inputs
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.	Credit Curve