

CONDENSED UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2017

GROWTH-POINT PROPERTIES



HIGHLIGHTS

101.2 cents

dividend per share

6.5% growth

R2.9bn

distributable income

growth **10.6%**

3.9%

increase in Group NAV from
HY17 to 2 593 cents per
share

4.6%

Group vacancies

well contained albeit they have
increased by 0.9% from FY17

R127.7bn

Group property assets
4.4% increase from
FY17

34.5%

Group LTV

gearing levels remain
conservative, down by 0.5%
from FY17

Largest South African primary listed REIT
21st largest company in the FTSE/JSE top
40 index

R80.4bn

Market capitalisation

R4.5bn

average value of shares traded per month



Baa3

global scale and

AAA.za

national scale rating
from Moody's

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



Investment proposition:

- Sustainable quality of earnings
- 14-year track record of uninterrupted dividend growth – 3.1% above inflation on average
- 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 BEE contributor

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 463 directly owned properties in South Africa (RSA) valued at R80.1 billion.

Growthpoint has a 65.1% interest in Growthpoint Properties Australia (GOZ), which owns 56 properties in Australia valued at R31.2 billion.

Growthpoint has five equity-accounted investments, valued at R12.1 billion. Our 50% share of the V&A Waterfront (V&A) is the largest of these investments (R7.2 billion), followed by a 29.0% stake in London Stock Exchange (AIM)-listed Globalworth Real Estate Investments (GWI) (R4.9 billion).

Growthpoint also has a listed investment which is an 18.2% investment in ASX-listed Industria REIT, owned by GOZ, valued at R722.0 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 existing portfolio, the introduction of new revenue streams via the Funds Management business and trading and development and lastly, further international diversification. The company has set a target to double the offshore contribution to distributable income over the next three to five years.

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 and development fees and going forward, distributions and management fees from its Funds Management business.

Growthpoint is included in the FTSE/JSE Top40 Index (J200) with a market capitalisation of R80.4 billion at 31 December 2017 (HY18). Over this period, on average, more than 180.0 million shares traded per month (HY17: 147.2 million). The monthly average value traded was R4.5 billion (HY17: R3.8 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) (69.5%) and international (30.5%) assets. The RSA portfolio represents 84.9% by gross lettable area (GLA), excluding GWI. 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 strong economic nodes within major metropolitan areas.

For the period under review the net asset value (NAV) of the group increased by 3.9% to 2 593 (HY17: 2 495) cents per share.

GROWTH IN DISTRIBUTIONS

Growthpoint delivered growth in distributions per share for HY18 of 6.5% and has declared an interim dividend of 101.2 cents per share for the six months ended 31 December 2017. This growth is in line with the guidance given to the market for FY18.

Distributions increased by R281 million or 10.6% to R2.9 billion.

BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in

accordance with International Financial Reporting Standard, 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 interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements. Mr G Völkel (CA(SA)), Growthpoint's Financial Director, was responsible for supervising the preparation of these condensed consolidated interim financial statements.

These condensed interim financial statements for the period ended 31 December 2017 have not been reviewed or audited by Growthpoint's independent external auditors.

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 HY18 of R9.66:AUD1 (FY17: R10.04:AUD1).

On 13 July 2017, GOZ acquired an 18.2% stake in the Australian Securities Exchange (ASX)-listed Industria REIT, classified as a Listed Investment, for AUD68.1 million (R681.0 million).

A deferred tax liability of R2.4 billion (FY17: R2.1 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

COMMENTARY CONTINUED

average exchange rate of R10.45:AUD1 (HY17: R10.55:AUD1) for HY18.

The resulting foreign currency translation difference is recognised in other comprehensive income. A non-controlling interest was raised for the 34.9% (FY17: 34.9%) not owned by Growthpoint.

Included in the HY18 distributable income is R417.5 million income from GOZ, compared to R426.2 million for HY17. Included in normal tax in the statement of profit or loss and other comprehensive income is R74.9 million (HY17: R67.0 million) that relates to withholding tax paid on the distributions received from GOZ. The increased withholding tax and stronger Rand had a negative impact on the distribution received from GOZ.

V&A WATERFRONT AND OTHER EQUITY-ACCOUNTED INVESTMENTS

The investments in the V&A, GWI and the other joint ventures were accounted for in terms of IFRS 11 *Joint Arrangements*. 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 HY18 finance income is R287.0 million from the V&A, compared to R256.0 million for HY17, and R128.0 million from GWI (included in distributable income), compared to R78.0 million for FY17.

NET PROPERTY INCOME

Gross revenue increased by 6.0% for HY18 compared to HY17. RSA increased revenues by 6.4% compared to HY17, and the GOZ operations increased revenues by 4.7%.

The ratio of property expenses to revenue for the Group increased slightly to 21.7% at HY18 from 21.3% at HY17. For RSA the ratio increased to 24.0% from 23.7% at HY17, and increased for GOZ to 14.3% from 13.7% at HY17.

FAIR VALUE ADJUSTMENTS

The revaluation of properties in RSA and GOZ resulted in an increase of R2.5 billion (2.3%) to R111.3 billion for investment property (including investment properties classified as held for sale). This was driven mainly by growth in future contractual rental. Interest-bearing borrowings and derivatives were fair valued using the South African or EUR swap curve at HY18, decreasing the overall liability by R174.0 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 4.3% to R1 308 million (HY17: R1 254 million). This was partly offset by the proceeds from the Distribution Re-Investment Plans (DRIPs) offered by Growthpoint. The weighted average interest rate for RSA borrowings was 9.1% (HY17: 9.2%) (7.5% including Euro loans and cross-currency interest rate swaps (CCIRS) (HY17: 7.6%)). The weighted average maturity of debt decreased to 2.8 years (FY17: 3.0 years). Finance costs for GOZ increased by 0.7% from R291.0 million in HY17 to R293.0 million in HY18. The interest cover ratio, where income from the equity-accounted investments and listed investments is included in the operating profit, remained at 3.5 times at HY18 (HY17: 3.5 times).

FINANCE INCOME

Finance income increased by 15.8% to R360.0 million (HY17: R311.0 million).

ACQUISITIONS AND COMMITMENTS

Growthpoint acquired one retail property, the remainder of N1 City, for R922.1 million and one industrial property, for R132.0 million during the

period for its RSA portfolio. The development and capital outlay for RSA of R1.1 billion (HY17: R1.1 billion) was for various projects undertaken in the period, of which the Discovery Head Office accounted for R275.7 million.

Growthpoint has commitments outstanding for RSA developments totalling R2.2 billion (HY17: R2.4 billion) of which 144 Oxford, Rosebank is the largest at R600.2 million. These commitments also include Exxaro Head Office in Centurion at R408.5 million.

GOZ acquired one industrial property for R517.8 million (AUD48.6 million) and it incurred development costs of R64.7 million (AUD6.4 million), which includes an office property development at Buildings 1 & 3, 572-576 Swan Street, Richmond, VIC for R18.4 million (AUD1.7 million).

GOZ has commitments outstanding totalling R146.5 million (AUD14.8 million) (HY17: R218.0 million (AUD22.0 million)) of which 1 Charles Street, Parramatta, NSW is the largest at R59.4 million (AUD6.0 million). These commitments also include Building 2, 572-576 Swan Street, Richmond, VIC at R37.6 million (AUD3.8 million).

Our 50% development and capital expenditure at the V&A amounted to R187.0 million (HY17: R312 million) for the period. Growthpoint's share of the V&A's commitments outstanding at HY18 amounted to R99.7 million (HY17: R364.0 million). The largest include the Dock Road Junction at R35.1 million, Battery Parkade at R23.8 million and Waterway House at R18.6 million.

ADDITIONAL INVESTMENT GLOBALWORTH (GWI)

Growthpoint followed its rights in the GWI €340.0 million capital raise in December 2017 and made an additional investment of R1.9 billion (€113.8 million) in GWI. This increased Growthpoint's interest to 29.0%.

GWI completed its strategic investment in Griffin Premium RE. N.V. ("GPRE") resulting in a shareholding of 71.7% in December 2017. GPRE has now been fully consolidated into Globalworth's accounts for their FY17.

On 22 December 2017, GPRE completed the acquisition of three high quality properties in Wroclaw, Gdansk and Katowice in Poland from Echo Polska Properties (EPP) for a total consideration of approximately €160.0 million. This takes GWI's total properties to 39,19 in Romania and 20 in Poland.

DISPOSALS AND HELD FOR SALE ASSETS

Growthpoint disposed of ten properties in the period (HY17: seven) for R478.6 million (HY17: R259.0 million), achieving a collective R230.8 million (HY17: R85.0 million) profit on cost.

At HY18, five RSA properties (HY17: four) valued at R159.9 million (HY17: R968.0 million) were held for sale.

GOZ disposed of two properties in the period (HY17: five) with a book value of R1.7 billion (AUD169.4 million) (HY17: R1.6 billion (AUD151.6 million)).

ARREARS

Total RSA arrears at HY18 were R76.6 million (HY17: R82.8 million) with a provision for bad debts of R28.9 million (HY17: R34.2 million). Total RSA bad debt expenses were R7.1 million (HY17: R6.4 million).

VACANCY LEVELS

At HY18 Growthpoint's vacancy levels as a percentage of its total portfolio GLA were:

| | Total GLA | | Vacancy | |
|-----------------|------------------------|------------------------|-----------|-----------|
| | m ² HY18 | m ² HY17 | % HY18 | % HY17 |
| Retail | 1 423 816 | 1 422 121 | 3.0 ↑ | 2.6 |
| Office | 1 757 898 | 1 759 080 | 8.4 ↑ | 6.9 |
| Industrial | 2 244 535 | 2 273 094 | 4.1 ↓ | 6.0 |
| RSA total | 5 426 249 | 5 454 295 | 5.2 ↓ | 5.4 |
| GOZ | 1 003 529 | 1 065 623 | 2.4 ↑ | 0.5 |
| V&A (50%) | 229 315 | 217 920 | 1.2 ↑ | 1.1 |
| Total/Average % | 6 659 093 | 6 737 838 | 4.6 ↑ | 4.5 |

Vacancies decreased in the industrial sector but increased across the retail and office 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

During the period Growthpoint issued 45.7 million shares and raised R1.1 billion through its DRIP programme. The DRIP equity raised was used to finance Growthpoint's investment activities.

BORROWINGS AND NET WORKING CAPITAL

At HY18, 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 34.5% (HY17: 36.7%). 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.

Growthpoint had unused committed bank facilities of R3.0 billion in RSA and R2.2 billion (AUD230.9 million) in Australia at HY18, which assures that it can meet its short-term commitments.

CHANGE IN DIRECTORATE

Mr HS Herman retired as a non-executive director on 14 November 2017.

Ms N Siyotula was appointed as a non-executive director on 1 January 2018.

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

The quality and diversity of the underlying South African property portfolio and our strong corporate customer base, together with our investment in the prestigious V&A, will continue to ensure sustainable, quality earnings domestically, against the backdrop of a domestic economy where property fundamentals remain weak. Growthpoint's increased internationalisation has added further geographic exposure to our business. The contribution to distributable income from GOZ is expected to increase in line with guidance provided by GOZ but the strong ZAR and increased dividend withholding tax are expected to have a negative impact. GWI, through the GPRE acquisition, now has a Polish footprint which further adds to the diversification and defensiveness of the investment opportunity. Large multi-national tenants continue to be attracted to both Poland and Romania due to the young, educated, affordable and ambitious labour force, and as such GWI is expected to perform well. Given the

COMMENTARY CONTINUED

above, the Growthpoint Board is of the view that the dividend growth for FY18 will be similar to that achieved for FY17.

INTERIM DIVIDEND WITH THE ELECTION TO REINVEST THE CASH DIVIDEND IN RETURN FOR GROWTHPOINT SHARES

Notice is hereby given of the declaration of the final dividend number 64 of 101.20000 cents per share for the period ended 31 December 2017. 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, 9 March 2018.

Other information:

- issued shares at 31 December 2017: 2 934 202 472 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 80.96000 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 Services.

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

Summary of the salient dates relating to the Cash Dividend and Share Alternative are as follows:

Salient dates and times

2018

| | |
|--|---------------------|
| Circular and form of election posted to shareholders and announced on SENS | Friday, 2 March |
| Last date for Growthpoint to withdraw the entitlement for shareholders to elect to participate in the share re-investment alternative before the publication of the announcement of the share alternative issue price and finalisation information on SENS | Friday, 9 March |
| Announcement of share re-investment alternative issue price and finalisation information published on SENS | Monday, 12 March |
| Last day to trade (LDT) cum dividend | Monday, 19 March |
| Shares to trade ex-dividend | Tuesday, 20 March |
| Listing of maximum possible number of share alternative shares commences on the JSE | Friday, 23 March |
| Last day to elect to receive the share alternative (no late forms of election will be accepted) at 12:00 (South African time) | Friday, 23 March |
| Record date | Friday, 23 March |
| Announcement of results of cash dividend and share re-investment alternative published on SENS | Monday, 26 March |
| Cheques posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the cash alternative on | Monday, 26 March |
| Share certificates posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the share re-investment alternative on | Wednesday, 28 March |
| Adjustment to the maximum number of shares listed on or about | Thursday, 29 March |

Notes:

- 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.
- Shares may not be dematerialised or rematerialised between commencement of trade on Tuesday, 20 March 2018 and the close of trade on Friday, 23 March 2018.

By order of the Board

GROWTHPOINT PROPERTIES LIMITED

27 February 2018

DIRECTORS

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

* *Executive*

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

COMPANY SECRETARY

RA Krabbenhöft

REGISTERED OFFICE

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

TRANSFER SECRETARY

Computershare Investor Services (Pty) Ltd
(Registration number 2004/003647/07)
Ground Floor, 70 Marshall Street,
Johannesburg, 2001
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 2017

| | Notes | Unaudited six months 31 December 2017 Rm | Unaudited six months 31 December 2016 Rm | Audited 12 months 30 June 2017 Rm |
|---|-------|--|--|---|
| Revenue, excluding straight-line lease income adjustment | | 5 487 | 5 178 | 10 716 |
| Straight-line lease income adjustment | | 7 | 40 | 39 |
| Total revenue | | 5 494 | 5 218 | 10 755 |
| Property-related expenses | | (1 192) | (1 103) | (2 245) |
| Net property income | | 4 302 | 4 115 | 8 510 |
| Other administrative and operating overheads | | (213) | (196) | (416) |
| Operating profit | | 4 089 | 3 919 | 8 094 |
| Equity-accounted investment profit – net of tax | | 555 | 68 | 369 |
| Fair value adjustments, capital items and other charges | | 2 926 | 1 595 | 1 850 |
| Finance and other investment income | 1 | 360 | 311 | 692 |
| Finance expense | | (1 308) | (1 254) | (2 510) |
| Profit before taxation | | 6 622 | 4 639 | 8 495 |
| Taxation | | (179) | 137 | (48) |
| Profit for the year | | 6 443 | 4 776 | 8 447 |
| Other comprehensive income | | | | |
| Items that may subsequently be reclassified to profit or loss | | | | |
| Translation of foreign operations | | (917) | (1 891) | (1 571) |
| Total comprehensive income for the year | | 5 526 | 2 885 | 6 876 |
| Profit attributable to: | | 6 443 | 4 776 | 8 447 |
| Owners of the company | | 5 748 | 4 416 | 7 524 |
| Non-controlling interests | | 695 | 360 | 923 |
| Total comprehensive income attributable to: | | 5 526 | 2 885 | 6 876 |
| Owners of the company | | 5 092 | 3 154 | 6 507 |
| Non-controlling interests | | 434 | (269) | 369 |
| | | Cents | Cents | Cents |
| Basic earnings per share | | 200.07 | 158.86 | 267.72 |
| Diluted earnings per share | | 198.80 | 158.02 | 266.21 |
| Headline earnings per share | 2 | 101.04 | 100.12 | 179.66 |
| Diluted headline earnings per share | 2 | 100.40 | 99.58 | 178.64 |

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | Unaudited 31 December 2017 Rm | Unaudited 31 December 2016 Rm | Audited 30 June 2017 Rm |
|---|--|--|----------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 631 | 1 027 | 613 |
| Trade and other receivables | 3 697 | 2 970 | 3 214 |
| Investment property classified as held for sale | 160 | 1 070 | 1 241 |
| Derivative assets | 697 | 347 | 356 |
| Listed investments | 722 | 382 | 226 |
| Fair value of property assets | 111 145 | 107 593 | 108 201 |
| Fair value of investment property for accounting purposes | 108 557 | 105 085 | 105 641 |
| Straight-line lease income adjustment | 2 588 | 2 508 | 2 560 |
| Long-term loans granted | 353 | 761 | 709 |
| Equity-accounted investments | 12 142 | 9 627 | 9 920 |
| Equipment | 14 | 5 | 15 |
| Intangible assets | 2 314 | 2 412 | 2 362 |
| Total assets | 131 875 | 126 194 | 126 857 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Trade and other payables | 2 739 | 2 442 | 2 572 |
| Derivative liabilities | 566 | 537 | 587 |
| Taxation payable | 71 | 60 | 44 |
| Interest-bearing borrowings | 43 810 | 44 843 | 42 568 |
| Deferred tax liability | 2 441 | 2 178 | 2 332 |
| Total liabilities | 49 627 | 50 060 | 48 103 |
| Shareholders' interest | | | |
| Share capital | 45 993 | 43 390 | 44 876 |
| Retained income | 2 943 | 2 688 | 2 886 |
| Other reserves | 26 435 | 23 844 | 24 283 |
| Non-controlling interest | 6 877 | 6 212 | 6 709 |
| Total liabilities and equity | 131 875 | 126 194 | 126 857 |

STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

| | Attributable to owners of the company | | | | Shareholders' interest Rm | Non-controlling interest (NCI) Rm | Total equity Rm |
|--|--|---|---------------------------------------|------------------------------|------------------------------|---|--------------------|
| | Share capital net of treasury shares Rm | Non-distributable reserves (NDR) | | Retained earnings (RE) Rm | | | |
| | | Foreign currency translation reserve (FCTR) Rm | Non-distributable reserve (NDR) Rm | | | | |
| Balance at 30 June 2016 | 42 329 | 2 602 | 20 736 | 2 628 | 68 295 | 5 871 | 74 166 |
| Total comprehensive income: | | | | | | | |
| – Profit after taxation | – | – | – | 4 416 | 4 416 | 360 | 4 776 |
| – Other comprehensive income | – | (1 262) | – | – | (1 262) | (629) | (1 891) |
| Transactions with owners recognised directly in equity: | | | | | | | |
| Contributions by and distributions to owners: | | | | | | | |
| Shares issued | 1 057 | – | – | – | 1 057 | – | 1 057 |
| Transfer non-distributable items to NDR | – | – | 1 754 | (1 754) | – | – | – |
| Share-based payment transactions | 4 | – | 23 | – | 27 | – | 27 |
| Dividends declared | – | – | – | (2 602) | (2 602) | (249) | (2 851) |
| Changes in ownership interest: | | | | | | | |
| Rights issue and acquisitions | – | (9) | – | – | (9) | 859 | 850 |
| Balance at 31 December 2016 | 43 390 | 1 331 | 22 513 | 2 688 | 69 922 | 6 212 | 76 134 |
| Total comprehensive income: | | | | | | | |
| – Profit after taxation | – | – | – | 3 108 | 3 108 | 563 | 3 671 |
| – Other comprehensive income | – | 245 | – | – | 245 | 75 | 320 |
| Transactions with owners recognised directly in equity: | | | | | | | |
| Contributions by and distributions to owners: | | | | | | | |
| Shares issued | 1 476 | – | – | – | 1 476 | – | 1 476 |
| Transfer non-distributable items to NDR | – | – | 248 | (248) | – | – | – |
| Share-based payment transactions | 10 | – | (50) | – | (40) | – | (40) |
| Dividends declared | – | – | – | (2 662) | (2 662) | (253) | (2 915) |
| Changes in ownership interest: | | | | | | | |
| Rights issue and acquisitions | – | (4) | – | – | (4) | 112 | 108 |
| 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 |
| | | | | | | 2017 Cents | 2016 Cents |
| Dividend per share | | | | | | 101.2 | 95.0 |

STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

| | Unaudited 31 December 2017 Rm | Unaudited 31 December 2016 Rm | Audited 30 June 2017 Rm |
|---|--|--|----------------------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 3 796 | 3 747 | 7 580 |
| Finance expense paid | (1 008) | (1 187) | (2 438) |
| Finance and other investment income received | 29 | 55 | 105 |
| Taxation paid | (43) | (65) | (84) |
| Distribution to shareholders | (3 153) | (2 761) | (5 766) |
| Net cash outflow from operating activities | (379) | (211) | (603) |
| Net cash outflow from investing activities | (1 917) | (8 783) | (8 637) |
| Net cash inflow from financing activities | 2 331 | 9 165 | 8 993 |
| Net increase/(decrease) in cash and cash equivalents | 35 | 171 | (247) |
| Translation effects on cash and cash equivalents of foreign operation | (17) | (45) | (41) |
| Cash and cash equivalents at beginning of period | 613 | 901 | 901 |
| Cash and cash equivalents at end of period | 631 | 1 027 | 613 |

SEGMENTAL ANALYSIS

For the six months ended 31 December 2017

SEGMENT ANALYSIS

The Group determines and presents operating segments based on the information that is provided internally to the Executive Management Committee (EXCO), the Group's operating decision-making forum. The Group comprises six segments, namely Retail, Office, Industrial, Growthpoint Australia, V&A Waterfront and Globalworth. 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 54 properties, comprising shopping centres with the balance being vacant land. It includes regional, community, neighbourhood, speciality and small regional shopping centres as well as retail warehouses. |
| Office | The Growthpoint office portfolio consists of 182 properties which includes high rise and low rise offices, office parks, office warehouses, hospitals as well as mixed use properties comprising both office and retail. |
| Industrial | The Growthpoint industrial portfolio consists of 227 properties which includes warehousing, industrial parks, retail warehousing, motor-related outlets, low and high grade industrial, high-tech industrial as well as mini, midi and maxi units, as well as mixed use properties comprising both industrial and retail. |
| Growthpoint Australia | The GOZ portfolio consists of 56 properties which includes both industrial and office properties, all situated in Australia. |
| V&A Waterfront | The V&A Waterfront is a 122 hectare mixed-use property development situated in and around the historic Victoria and Alfred Basins, which formed Cape Town's original harbour, with Table Mountain as its backdrop. Its properties include retail, office, fishing and industrial, hotel and residential as well as undeveloped bulk. |
| Globalworth | The Globalworth portfolio consists of 39 properties which includes mostly modern A-grade office properties, industrial properties as well as a residential property complex concentrated in Bucharest and in Timisoara, Romania (19) and major cities in Poland (20). |

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 Eastern Europe

Profit or loss and assets and liabilities disclosure

| Unaudited 31 December 2017 | | | | | | | | | |
|---|--------------|--------------|------------------|--------------------------------|-----------------|----------------------------|-------------------------|------------------------------------|----------------|
| | Retail Rm | Office Rm | Industrial Rm | Total South Africa Rm | Australia Rm | Total as reported Rm | V&A Waterfront Rm | Central Eastern Europe Rm | Total Rm |
| 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 other charges | | | | (70) | – | (70) | 86 | (52) | (36) |
| Finance and other 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 |
| Derivative assets | | | | 695 | 2 | 697 | – | – | 697 |
| Listed investments | | | | – | 722 | 722 | – | 123 | 845 |
| Fair value of property assets | | | | | | | | | |
| Acquisitions made during the year | 922 | – | 132 | 1 054 | 518 | 1 572 | – | 3 532 | 5 104 |
| Balance at year end | 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 |

SEGMENTAL ANALYSIS CONTINUED

For the six months ended 31 December 2017

Profit or loss and assets and liabilities disclosure

| | Unaudited 31 December 2016 | | | | | | | | |
|---|----------------------------|-----------|---------------|-----------------------|---------------|----------------------|-------------------|---------------------------|----------------|
| | Retail Rm | Office Rm | Industrial Rm | Total South Africa Rm | Australia Rm | Total as reported Rm | V&A Waterfront Rm | Central Eastern Europe Rm | Total Rm |
| Revenue, excluding straight-line lease adjustment | 1 544 | 1 739 | 654 | 3 937 | 1 241 | 5 178 | 349 | – | 5 527 |
| Property-related expenses | (395) | (395) | (143) | (933) | (170) | (1 103) | (95) | – | (1 198) |
| Net property income | 1 149 | 1 344 | 511 | 3 004 | 1 071 | 4 075 | 254 | – | 4 329 |
| Other administrative and operating overheads | | | | (135) | (61) | (196) | (9) | – | (205) |
| Equity-accounted investment profit – net of tax | | | | 68 | – | 68 | – | – | 68 |
| Fair value adjustment on investment property | 540 | 436 | 281 | 1 257 | 329 | 1 586 | – | – | 1 586 |
| Fair value adjustments (other than investment property) | | | | 98 | 34 | 132 | – | – | 132 |
| Capital items and other charges | | | | (70) | (13) | (83) | – | – | (83) |
| Finance and other investment income | | | | 308 | 3 | 311 | 22 | – | 333 |
| Finance expense | | | | (963) | (291) | (1 254) | (10) | – | (1 264) |
| Consolidated profit before taxation | | | | 3 567 | 1 072 | 4 639 | 257 | – | 4 896 |
| Assets | | | | | | | | | |
| Cash and cash equivalents | | | | 653 | 374 | 1 027 | 36 | – | 1 063 |
| Trade and other receivables | | | | 2 387 | 583 | 2 970 | 222 | – | 3 192 |
| Investment property classified as held for sale | – | 966 | 2 | 968 | 102 | 1 070 | – | – | 1 070 |
| Derivative assets | | | | 347 | – | 347 | – | – | 347 |
| Listed investments | | | | 382 | – | 382 | – | – | 382 |
| Fair value of property assets | | | | | | | | | |
| Acquisitions made during the year | – | 1 168 | 12 | 1 180 | 3 860 | 5 040 | 312 | 3 813 | 9 165 |
| Balance at year end | 30 035 | 33 782 | 12 247 | 76 064 | 31 529 | 107 593 | 7 965 | 3 813 | 119 371 |
| Long-term loans granted | | | | 761 | – | 761 | – | – | 761 |
| Equity-accounted investments | | | | 9 627 | – | 9 627 | – | – | 9 627 |
| Equipment | | | | 5 | – | 5 | – | – | 5 |
| Intangible assets | | | | 2 412 | – | 2 412 | – | – | 2 412 |
| Total assets | | | | 93 606 | 32 588 | 126 194 | 8 223 | 3 813 | 138 230 |
| Liabilities | | | | | | | | | |
| Trade and other payables | | | | 1 692 | 750 | 2 442 | 108 | – | 2 550 |
| Derivative liabilities | | | | 537 | – | 537 | – | – | 537 |
| Taxation payable | | | | (8) | 68 | 60 | – | – | 60 |
| Interest-bearing borrowings | | | | 31 011 | 13 832 | 44 843 | 195 | – | 45 038 |
| Deferred tax liability | | | | 2 180 | (2) | 2 178 | – | – | 2 178 |
| Total liabilities | | | | 35 412 | 14 648 | 50 060 | 303 | – | 50 363 |

Profit or loss and assets and liabilities disclosure

Audited 30 June 2017

| | Retail Rm | Office Rm | Industrial Rm | Total South Africa Rm | Australia Rm | Total as reported Rm | V&A Waterfront Rm | Central Eastern Europe Rm | Total Rm |
|---|--------------|--------------|------------------|--------------------------------|-----------------|----------------------------|-------------------------|------------------------------------|-------------|
| Revenue, excluding straight-line lease adjustment | 3 099 | 3 632 | 1 348 | 8 079 | 2 637 | 10 716 | 726 | 140 | 11 582 |
| Property-related expenses | (792) | (819) | (290) | (1 901) | (344) | (2 245) | (204) | (52) | (2 501) |
| Net property income | 2 307 | 2 813 | 1 058 | 6 178 | 2 293 | 8 471 | 522 | 88 | 9 081 |
| Other administrative and operating overheads | | | | (289) | (127) | (416) | (24) | (16) | (456) |
| Equity-accounted investment profit net of tax | | | | 369 | – | 369 | – | – | 369 |
| Fair value adjustment on investment property | 481 | 293 | 332 | 1 106 | 848 | 1 954 | 492 | 4 | 2 450 |
| Fair value adjustments (other than investment property) | | | | 35 | 4 | 39 | – | – | 39 |
| Capital items and other charges | | | | (91) | (13) | (104) | (1) | 8 | (97) |
| Finance and other investment income | | | | 1 521 | (829) | 692 | 28 | 4 | 724 |
| Finance expense | | | | (1 944) | (566) | (2 510) | – | (108) | (2 618) |
| Consolidated profit before taxation | | | | 6 885 | 1 610 | 8 495 | 1 017 | (20) | 9 492 |
| Assets | | | | | | | | | |
| Cash and cash equivalents | | | | 298 | 315 | 613 | 81 | 1 139 | 1 833 |
| Trade and other receivables | | | | 2 649 | 565 | 3 214 | 73 | 46 | 3 333 |
| Investment property classified as held for sale | 173 | – | 29 | 202 | 1 039 | 1 241 | – | – | 1 241 |
| Derivative assets | | | | 356 | – | 356 | – | – | 356 |
| Listed investments | | | | 226 | – | 226 | – | – | 226 |
| Fair value of property assets | | | | | | | | | |
| Acquisitions made during the year | – | 1 758 | 116 | 1 874 | 5 047 | 6 921 | – | 192 | 7 113 |
| Balance at year end | 29 415 | 34 732 | 12 557 | 76 704 | 31 497 | 108 201 | 8 705 | 4 200 | 121 106 |
| Long-term loans granted | | | | 709 | – | 709 | – | – | 709 |
| Equity-accounted investments | | | | 9 920 | – | 9 920 | – | 8 | 9 928 |
| Equipment | | | | 3 | 12 | 15 | – | – | 15 |
| Intangible assets | | | | 2 362 | – | 2 362 | – | 52 | 2 414 |
| Total assets | | | | 93 429 | 33 428 | 126 857 | 8 859 | 5 445 | 141 161 |
| Liabilities | | | | | | | | | |
| Trade and other payables | | | | 1 829 | 743 | 2 572 | 111 | 51 | 2 734 |
| Derivative liabilities | | | | 523 | 64 | 587 | – | – | 587 |
| Taxation payable | | | | (4) | 48 | 44 | 6 | – | 50 |
| Interest-bearing borrowings | | | | 29 492 | 13 076 | 42 568 | 195 | 559 | 43 322 |
| Deferred tax liability | | | | 2 332 | – | 2 332 | – | 74 | 2 406 |
| Total liabilities | | | | 34 172 | 13 931 | 48 103 | 312 | 684 | 49 099 |

SEGMENTAL ANALYSIS CONTINUED

For the six months ended 31 December 2017

Distributable earnings reconciliation

| | Unaudited 31 December 2017 Rm | Unaudited 31 December 2016 Rm | Audited 30 June 2017 Rm |
|--|--|--|----------------------------------|
| Revenue, excluding straight-line lease income adjustment | 5 487 | 5 178 | 10 716 |
| Property-related expenses | (1 192) | (1 103) | (2 245) |
| Other administrative and operating overheads | (213) | (196) | (416) |
| Net interest | (948) | (943) | (1 818) |
| Finance and other investment income | 360 | 311 | 692 |
| Finance expense | (1 308) | (1 254) | (2 510) |
| GOI dividend declared after half-year end, based on HY18 earnings* | 128 | – | – |
| Antecedent dividends | 22 | 20 | 45 |
| Non-controlling portion of distribution (excluding fair value adjustments) – GOZ | (266) | (249) | (502) |
| Distributable income from GOZ retained (including NCI's portion) | – | – | (165) |
| Realised foreign exchange (loss)/gain | (1) | 22 | 31 |
| Current normal taxation | (74) | (67) | (98) |
| Distributable earnings | 2 943 | 2 662 | 5 548 |

| | Unaudited 31 December 2017 | Unaudited 31 December 2016 | Audited 30 June 2017 |
|------------------------------------|----------------------------------|----------------------------------|----------------------------|
| Distributable earnings (Rm) | 2 943 | 2 662 | 5 548 |
| Net number of shares in issue | 2 906 954 088 | 2 802 007 024 | 2 860 702 595 |
| Distribution per share | 101.2 | 95.0 | 195.8 |
| – Interim taxable dividend (cents) | 101.2 | 95.0 | 95.0 |
| – Final taxable dividend (cents) | | | 100.8 |

Number of shares**Shares issued during the period:**

| | | | |
|---|----------------------|----------------------|----------------------|
| Issued ordinary shares at the beginning of the period | 2 888 462 582 | 2 786 093 366 | 2 786 093 366 |
| Effect of shares issued | 45 739 890 | 44 023 040 | 102 369 216 |
| Shares in issue at end of the period | 2 934 202 472 | 2 830 116 406 | 2 888 462 582 |
| Effect of treasury shares held | (27 248 384) | (28 109 382) | (27 759 987) |
| Net shares in issue at end of the period | 2 906 954 088 | 2 802 007 024 | 2 860 702 595 |

* R78.0 million distribution from GOI included in finance and other investment income for FY17.

| | Unaudited 31 December 2017 Cents | Unaudited 31 December 2016 Cents | Unaudited 30 June 2017 Cents |
|---|---|---|---------------------------------------|
| Net asset value* | | | |
| Net asset value per share | 2 593 | 2 495 | 2 518 |
| Tangible net asset value per share | 2 597 | 2 487 | 2 517 |
| | 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 | 75 371 | 69 922 | 72 045 |
| Less: Net effect of business acquisitions and other intangibles | 127 | (234) | (30) |
| Intangible assets | (2 314) | (2 412) | (2 362) |
| Deferred tax liability | 2 441 | 2 178 | 2 332 |
| Tangible net asset value | 75 498 | 69 688 | 72 015 |

Key reporting ratios*

Best practice recommendations were issued by the SA REIT Association 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.

| | % | % | % |
|--------------------------------------|-------|-------|-------|
| Property cost-to-income ratio | | | |
| Gross | 31.29 | 31.19 | 30.42 |
| Net | 16.82 | 16.82 | 16.56 |
| Based on IFRS reported figures | 21.72 | 21.30 | 20.95 |

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 expense.

Operating cost-to-income ratio

| | | | |
|--------------------------------|------|------|------|
| Gross | 3.41 | 3.52 | 4.15 |
| Net | 4.13 | 3.79 | 3.88 |
| Based on IFRS reported figures | 3.88 | 3.79 | 3.88 |

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 expense.

Total cost-to-income ratio

| | | | |
|--------------------------------|-------|-------|-------|
| Gross | 34.70 | 34.71 | 34.00 |
| Net | 20.95 | 20.82 | 20.66 |
| Based on IFRS reported figures | 25.61 | 25.09 | 24.83 |

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 expense.

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

SEGMENTAL ANALYSIS CONTINUED

For the six months ended 31 December 2017

| | Unaudited six months 31 December 2017 % | Unaudited six months 31 December 2016 % | Unaudited 12 months 30 June 2017 % |
|---|---|---|--|
| Interest cover ratio | 3.46 | 3.45 | 3.51 |
| Interest cover ratio (excluding GOZ) | 3.42 | 3.43 | 3.43 |
| 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 | 34.53 | 36.70 | 34.98 |
| Loan to value ratio (excluding GOZ) | 33.84 | 34.69 | 33.40 |
| 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. | | | |

NOTES

For the six months ended 31 December 2017

NOTE 1: FINANCE AND OTHER INVESTMENT INCOME

| | Unaudited six months 31 December 2017 Rm | Unaudited six months 31 December 2016 Rm | Audited 12 months 30 June 2017 Rm |
|--|--|--|---|
| Finance income | | | |
| Banks | 28 | 12 | 23 |
| Long-term loans | 17 | 22 | 19 |
| | 45 | 34 | 42 |
| Investment income | | | |
| Dividends received from equity-accounted investments | 287 | 256 | 605 |
| Other | 28 | 21 | 45 |
| | 315 | 277 | 650 |
| Total finance and other investment income | 360 | 311 | 692 |

NOTE 2: HEADLINE EARNINGS PER SHARE

Reconciliation between basic earnings, diluted earnings and headline earnings

| | Unaudited six months 31 December 2017 Rm | Gross Unaudited six months 31 December 2016 Rm | Audited 12 months 30 June 2017 Rm | Unaudited six months 31 December 2017 Rm | Total Unaudited six months 31 December 2016 Rm | Audited 12 months 30 June 2017 Rm |
|--|--|---|---|--|---|---|
| Profit for the year | | | | 5 748 | 4 416 | 7 524 |
| Bargain purchase | 2 926* | 1 595* | 1 850* | (1) | (80) | (78) |
| Fair value adjustments on investment property | 2 926* | 1 595* | 1 850* | (2 845) | (1 553) | (2 397) |
| Fair value adjustment: Net of straight-line lease adjustment | | | | (2 486) | (1 431) | (1 993) |
| NCI portion of fair value adjustments | | | | (359) | (122) | (404) |
| Headline earnings | | | | 2 902 | 2 783 | 5 049 |

*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 statement of profit or loss and other comprehensive income.

NOTES CONTINUED

For the six months ended 31 December 2017

NOTE 3: FAIR VALUE DISCLOSURE**Classification of financial assets and liabilities**

| | Held for trading Rm | Designated at fair value Rm | Loans and other receivables Rm | Outside scope of IAS 39 Rm | Total Rm |
|--|------------------------|--------------------------------|-----------------------------------|-------------------------------|-------------|
| Assets | | | | | |
| Unaudited 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 |
| Unaudited six months 31 December 2016 | | | | | |
| Cash and cash equivalents | – | – | 1 027 | – | 1 027 |
| Trade and other receivables | – | – | 2 185 | 785 | 2 970 |
| Derivative assets | 347 | – | – | – | 347 |
| Listed investments | – | 382 | – | – | 382 |
| Long-term loans granted | – | 761 | – | – | 761 |
| Audited 30 June 2017 | | | | | |
| Cash and cash equivalents | – | – | 613 | – | 613 |
| Trade and other receivables | – | – | 2 426 | 788 | 3 214 |
| Derivative assets | 356 | – | – | – | 356 |
| Listed investments | – | 226 | – | – | 226 |
| Long-term loans granted | – | 709 | – | – | 709 |
| Liabilities | | | | | |
| Unaudited six months 31 December 2017 | | | | | |
| Trade and other payables | – | – | 2 395 | 344 | 2 739 |
| Derivative liabilities | 566 | – | – | – | 566 |
| Taxation payable | – | – | – | 71 | 71 |
| Interest-bearing borrowings | – | 43 810 | – | – | 43 810 |
| Deferred tax liabilities | – | – | – | 2 441 | 2 441 |
| Unaudited six months 31 December 2016 | | | | | |
| Trade and other payables | – | – | 2 151 | 291 | 2 442 |
| Derivative liabilities | 537 | – | – | – | 537 |
| Taxation payable | – | – | – | 60 | 60 |
| Interest-bearing borrowings | – | 44 843 | – | – | 44 843 |
| Deferred tax liabilities | – | – | – | 2 178 | 2 178 |
| Audited 30 June 2017 | | | | | |
| Trade and other payables | – | – | 2 302 | 270 | 2 572 |
| Derivative liabilities | 587 | – | – | – | 587 |
| Taxation payable | – | – | – | 44 | 44 |
| Interest-bearing borrowings | – | 42 568 | – | – | 42 568 |
| Deferred tax liabilities | – | – | – | 2 332 | 2 332 |

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 31 December 2017 Rm | | | | Unaudited 31 December 2016 Rm | | | Audited 30 June 2017 Rm | | |
|---|-------------------------------------|---------|---------|---------|-------------------------------------|---------|---------|-------------------------------|---------|---------|
| | Fair value | Level 1 | Level 2 | Level 3 | Fair value | Level 2 | Level 3 | Fair value | Level 2 | Level 3 |
| Assets | | | | | | | | | | |
| Recurring fair value measurement | | | | | | | | | | |
| Fair value of property assets | 111 305 | – | – | 111 305 | 107 593 | – | 107 593 | 108 201 | – | 108 201 |
| Listed investments | 722 | 722 | – | – | 382 | – | 382 | 226 | – | 226 |
| Long-term loans granted | 353 | – | – | 353 | 761 | – | 761 | 709 | – | 709 |
| Derivative assets | 697 | – | 590 | 107 | 347 | 347 | – | 356 | 249 | 107 |
| Non-recurring fair value measurement | | | | | | | | | | |
| Non-current assets held for sale | 160 | – | – | 160 | 1 070 | – | 1 070 | 1 241 | – | 1 241 |
| Total assets measured at fair value | 113 237 | 722 | 590 | 111 925 | 110 153 | 347 | 109 806 | 110 733 | 249 | 110 484 |
| Liabilities | | | | | | | | | | |
| Recurring fair value measurement | | | | | | | | | | |
| Interest-bearing borrowings | 43 810 | – | 43 810 | – | 44 843 | 44 843 | – | 42 568 | 42 568 | – |
| Derivative liabilities | 566 | – | 535 | 31 | 537 | 537 | – | 587 | 556 | 31 |
| Total liabilities measured at fair value | 44 376 | – | 44 345 | 31 | 45 380 | 45 380 | – | 43 155 | 43 124 | 31 |

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 2017 Rm | | | Unaudited six months 31 December 2016 Rm | | | Audited 12 months 30 June 2017 Rm | | |
|---|---|--------------------|-------------------------|---|--------------------|-------------------------|--|--------------------|-------------------------|
| | Property assets | Listed investments | Long-term loans granted | Property assets | Listed investments | Long-term loans granted | Property assets | Listed investments | Long-term loans granted |
| Opening balance | 109 442 | 226 | 709 | 104 690 | 440 | 605 | 104 690 | 440 | 605 |
| Gain/(loss) from fair value adjustments and translation of foreign operations | 1 298 | 10 | 37 | (1 898) | (58) | 31 | (1 086) | (214) | 53 |
| Acquisitions | 2 744 | – | – | 7 717 | – | 172 | 9 529 | – | – |
| Disposals | (2 179) | (236) | – | (1 846) | – | – | (3 691) | – | – |
| Advances | – | – | 50 | – | – | – | – | – | 463 |
| Settlements | – | – | (443) | – | – | (47) | – | – | (412) |
| Closing balance | 111 305 | – | 353 | 108 663 | 382 | 761 | 109 442 | 226 | 709 |

NOTES CONTINUED

For the six months ended 31 December 2017

Valuation process

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

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

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

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

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

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

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 technique 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 observable and unobservable inputs**Level 1 instruments****Listed investments**

| 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 2017. | Market price of AUD2.52 per listed share |

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

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 or EUR swap curve plus an appropriate credit margin at the dates when the cash flows will take place. | Credit margins: 0.49% to 3.60% (FY17: 0.43% 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 year end to the open hedged positions. | Not applicable |
| Interest rate swaps | Valued by discounting the future cash flows using the South African swap curve at the dates when the cash flows will take place. | Not applicable |
| Cross-currency interest rate swaps | Valued by discounting the future cash flows using the basis swap curve of the respective currencies at the dates when the cash flows will take place. | Not applicable |

Level 3 instruments

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

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

The South African properties were valued at HY18 using the discounted cash flow of future income streams method by the following valuers who are all registered valuers in terms of section 19 of the Property Valuers Professional Act, No 47 of 2000:

| | | |
|---------------------|---------------------|--|
| Mills Fitchet PWV | PG Mitchell | NDip (Prop Val), MIV (SA), CIEA, professional valuer |
| Eris Property Group | 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), professional valuer |
| Sterling | Ali Su Greybe-Smith | BSc (Hons), MIVSA, professional associated valuer |

The Australian properties were valued at HY18 using the discounted cash flow of future income streams method by Savills, Urbis, m3property, JLL, CBRE, Colliers, Knight Frank and LMW. The fair value of properties not externally valued as at 31 December 2017 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

| Description | Valuation technique | Significant unobservable inputs and range of estimates used | | |
|-------------------|----------------------------|---|------------------------------|-------------------------|
| | | Discount rate (%) | Exit capitalisation rate (%) | Capitalisation rate (%) |
| Retail sector | Discounted cash flow model | 12.5 – 17.0 | 6.8 – 11.00 | 6.8 – 11.0 |
| Office sector | | 13.3 – 16.0 | 7.5 – 10.3 | 7.5 – 10.0 |
| Industrial sector | | 13.8 – 17.0 | 8.0 – 12.0 | 8.0 – 13.4 |
| GOZ office | | 6.8 – 9.0 | 6.0 – 8.5 | 5.3 – 13.4 |
| GOZ industrial | | 6.8 – 8.8 | 6.0 – 10.0 | 5.8 – 8.8 |

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. | Not applicable |
| Roeland Street Investment 2 (Pty) Ltd | Valued by discounting future cash flows using a floating rate that is applicable to this loan including an estimated counter party credit spread. | Not applicable |
| OPEN | Valued by discounting future cash flows using the South African swap curve at the dates when the cash flows will take place. | Not applicable |