G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

Annual Financial Statements (audited)

for the year ended 30 June 2021

G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

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G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

Directors' responsibility statement

Included herein are the audited financial statements of G Properties Two Proprietary Limited (The "company") for the year ended 30 June 2021.

Preparation of financial statements

The financial statements have been audited by Ernst & Young Inc. in compliance with section 30 of the Companies Act 2008, as amended, and the preparation of the financial statements has been supervised by Gerald Völkel CA(SA), Growthpoint Properties Limited's group financial director.

G Völkel CA(SA)
Financial Director
12 November 2021
Sandton

Certificate by Company secretary

In terms of section 88(2)(e) of the Companies Act 2008, as amended (the Act), I hereby certify that the company has filed the required returns and notices in terms of the Act in respect of the financial year ended 30 June 2021 and that, to the best of my knowledge and belief, all such returns and notices are true, correct and up to date.

J de Koker
Company Secretary
12 November 2021
Sandton

G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

Directors and corporate information
for the year ended 30 June 2021

Directors
EK de Klerk
G Völkel
LN Sasse
G Muchanya

Company secretary
J de Koker

Public officer
FJ Schindehütte

Registered office address
The Place
1 Sandton Drive
Sandton
Johannesburg
2196

Management company
Growthpoint Management Services Proprietary Limited
(Registration no 2004/015933/07)
The Place
1 Sandton Drive
Sandton
Johannesburg
2196

Auditor
Ernst & Young Inc.
Registered Auditor
102 Rivonia Road
Sandton
Johannesburg
2196

G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

Directors' report
for the year ended 30 June 2021

The directors are pleased to present the financial statements for the year ended 30 June 2021.

Main business and operations

G Properties Two Proprietary Limited which is a subsidiary of Growthpoint Properties Limited (Growthpoint) is a South African investment company.

Financial results and year under review

The results of the company and the state of its affairs are set out in the attached annual financial statements and do not, in our opinion, require further comments.

Figures in Rand	2021	2020	Year on year movement	% change year on year
Final dividend (12 months ended 30 June)	-	-	-	-

Going concern

As at 30 June 2021, the company was in a net liability position of R107,157,287 (2020: R114,672,104).

The company has received a letter of guarantee from its holding company, Growthpoint Properties Limited. Growthpoint Properties Limited has agreed to continue to make available such funds as are needed by the company to meet its obligations as they fall due for a period of at least 12 months from the date of signing. Furthermore, Growthpoint Properties Limited will not seek repayment of any loans in this period if, in doing so, the company will be unable to meet it's obligations as they fall due.

The directors have satisfied themselves that the company has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The directors believe that the company has adequate financial resources through the support of Growthpoint Properties Limited to continue its operations for the foreseeable future; and accordingly, the financial statements have been prepared on a going concern basis.

Directors and secretary

Growthpoint's Group Financial Director was assessed by the Group (Growthpoint Properties Limited Group) Audit Committee (as is done annually) to be appropriately qualified and experienced for the position.

The details of the directors and company secretary are included on page 3.

Ultimate holding company

Growthpoint Properties Limited.

Events after reporting period

On 20 October 2021, the company received a four-year USD60m convertible loan facility from the International Finance Corporation (IFC), maturing on 11 August 2025. The IFC has the option to convert the loan into Growthpoint Healthcare Property Holdings Limited (Healthcare) equity. The company entered into cross-currency interest rates swaps (CCIRS) to convert the USD60m into R883.6m of which R396.0m was lent as an intercompany loan to Healthcare. The balance will be lent to Healthcare over time and is used for liquidity purposes in Growthpoint Properties Limited.

Approval of financial statements

The financial statements of G Properties Two Proprietary Limited, as described in the first paragraph of this statement, were approved by the Board of Directors on 12 November 2021 and are signed by:

G Völkel
Director
12 November 2021

EK de Klerk
Director
12 November 2021

EY
102 Rivonia Road
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Private Bag X14
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Independent Auditor's Report

To the Shareholders of G Properties Two Proprietary Limited

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of G Properties Two Proprietary Limited ('the company') set out on pages 8 to 30 which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of G Properties Two Proprietary Limited as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 31-page document titled "G Properties Two Proprietary Limited Annual Financial Statements (Audited) for the year ended 30 June 2021", which includes the Certificate by Company Secretary and the Directors' Report, as required by the Companies Act of South Africa. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DocuSigned by:
Ernst & Young Inc.
EB9343545C4046B...

Ernst & Young Inc.

Director: Jane Fitton CA (SA)

Registered Auditor

12 November 2021

102 Rivonia Road

Sandton

G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

Statement of profit or loss and other comprehensive income
for the year ended 30 June 2021

Figures in Rand	Notes	**2021**	2020
Finance income and other investment income	3.2	**16,812,725**	63,585,101
Fair value adjustments	2.1	**2,808,948**	(114,479,319)
Finance expense	3.1	**(12,106,856)**	(63,750,436)
Profit/(loss) before taxation		**7,514,817**	(114,644,654)
Taxation	6	**-**	(27,451)
Profit/(loss) for the year		**7,514,817**	(114,672,105)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**7,514,817**	(114,672,105)

G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

Statement of financial position
as at 30 June 2021

Figures in Rand	Notes	**2021**	2020
Assets			
Cash and cash equivalents		**4,728**	51,159
Related party assets	7.1	**-**	1,694,143,632
Total assets		**4,728**	1,694,194,791
Equity and liabilities			
Liabilities			
Current tax payable		**-**	27,451
Derivative liabilities	5.2	**-**	115,143,325
Related party liabilities	7.1	**107,162,015**	22,908,384
Interest-bearing borrowings	5.1	**-**	1,670,787,735
Total liabilities		**107,162,015**	1,808,866,895
Shareholder's interest		**(107,157,287)**	(114,672,104)
Ordinary share capital	4	**1**	1
Retained income		**-**	(1,456,524)
Non-distributable reserve		**(107,157,288)**	(113,215,581)
Total equity and liabilities		**4,728**	1,694,194,791

G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

Statement of changes in equity
for the year ended 30 June 2021

Figures in Rand	Share capital	Non-distributable reserve (NDR)	Retained income (RI)	Total equity
Balance at 30 June 2019	1	-	-	1
Total comprehensive income				
Loss after taxation	-	-	(114,672,105)	(114,672,105)
Other comprehensive income	-	-	-	-
Transfer non-distributable items to NDR	-	(113,215,581)	113,215,581	-
Dividends declared	-	-	-	-
Balance at 30 June 2020	1	(113,215,581)	(1,456,524)	(114,672,104)
Total comprehensive income				
Profit after taxation	-	-	7,514,817	7,514,817
Other comprehensive income	-	-	-	-
Transfer non-distributable items to NDR	-	6,058,293	(6,058,293)	-
Dividends declared	-	-	-	-
Balance at 30 June 2021	1	(107,157,288)	-	(107,157,287)

G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

Statement of cash flows
for the year ended 30 June 2021

Figures in Rand	Notes	2021	2020
Cash flows from operating activities			
Cash received from operations		**5,878**	(461,551)
Cash generated from operating activities		**5,878**	(461,551)
Interest paid		**(39,647,314)**	(55,958,602)
Net cash utilised in operating activities		**(39,641,436)**	(56,420,153)
Cash flows from investing activities			
Repayment of related party assets		**85,969,438**	-
Advances to group companies		**-**	(2,856,525,036)
Net cash utilised in investing activities		**85,969,438**	(1,410,439,510)
Cash flows from financing activities			
Repayments of interest-bearing borrowings	5.1	**(1,597,119,356)**	-
Settlements of derivatives	5.3	**(44,658,630)**	(4,628,214)
Proceeds from related party liabilities	7.1	**1,597,119,360**	2,856,525,036
Repayment of related party liabilities	7.1	**(1,715,807)**	-
Proceeds from related party assets		**-**	(1,384,986,000)
Net cash generated from financing activities		**(46,374,433)**	1,466,910,822
Effect of exchange rate changes on cash and cash equivalents		**-**	-
Movement in cash and cash equivalents		**(46,431)**	51,159
Cash and cash equivalents at the beginning of the period		**51,159**	-
Cash and cash equivalents at the end of the reporting period		**4,728**	51,159

Notes to the annual financial statements
for the year ended 30 June 2021

1. Significant accounting policies

Included below is a summary of the significant accounting policies applicable to G Properties Two Proprietary Limited. These accounting policies include only the areas in IFRS where elections have been made or policy choices exercised (including the choice or election made) as well as measurement criteria applied. The accounting policies also include information where it will assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position and was included based on the materiality as determined by management.

Corporate information

Reporting Entity	G Properties Two Proprietary Limited is a company domiciled and incorporated in South Africa. The physical address of the company's registered office is The Place, 1 Sandton Drive, Sandton.
Reporting period end	Financial year ending 30 June.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are stated at fair value.

Prepared in accordance with

International Financial Reporting Standards (IFRS) and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The Companies Act of South Africa.

The principle of going concern.

The historical cost and fair value basis of accounting, where applicable.

These financial statements have been prepared on a basis consistent with that of the prior year, unless otherwise indicated.

Functional and presentation currency

Rand.

Rounding policy

All amounts are presented in Rands (ZAR) and rounded to the nearest rand.

1. Significant accounting policies *(continued)*

1.1 Financial instruments

Classification	Financial assets are classified into the following categories: amortised cost or financial assets at fair value through profit or loss. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics and is determined at the time of initial recognition.Financial assets are classified into the following categories: amortised cost or financial assets at fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics and is determined at the time of initial recognition. Financial liabilities are classified as either financial liabilities at fair value through profit or loss, financial liabilities at fair value through other comprehensive income or other financial liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition. Financial assets are held at amortised cost if the cashflows are solely payments of principal and interest, and interest is a consideration for the time value of money and credit risk only. Financial instruments with cash flows that are not solely payments of principle and interest are mandatorily classified at fair value through profit or loss. All equity instruments of the Company, within the scope of IFRS 9, are measured at fair value through profit or loss. The Company applies the amortised cost model as the default for financial liabilities, except for instances where an accounting mismatch exists and its more appropriate to designate it at fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the changes in the business model. Financial liabilities are classified as either financial liabilities at fair value through profit or loss, financial liabilities at fair value through other comprehensive income or at amortised cost. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

1.1.1 *Derivative financial instruments*

Derivative assets and liabilities comprising interest rate swaps, forward exchange contracts and cross-currency swaps are classified at fair value through profit or loss.

1.1.2 *Non-derivative financial liabilities*

Non-derivative financial liabilities comprising external interest-bearing borrowings are classified as at fair value through profit or loss as such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise. The interest-bearing borrowings are used to fund property related investments. Investment properties are recognised as fair value through profit or loss and therefore it would give greater meaning to the financial statements if interest-bearing borrowings are treated in the same way. Interest-bearing borrowings are measured at fair value, with any resulting gain or loss recognised in profit or loss.

Accrued interest and fair value adjustments are presented separately in the notes to the annual financial statements. Accrued interest is calculated based on the interest rate applicable to the loan and the fair value adjustment as the difference between the fair value and the nominal amount of the loan and accrued interest.

1.1.3 *Trade and other receivables*

Trade and other receivables are classified at amortised cost.

1.1.4 *Related party assets and liabilities*

Related party assets and liabilities are classified at amortised cost.

1.1.5 *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date and are classified at amortised cost.

1. Significant accounting policies *(continued)*

1.1 Financial instruments *(continued)*

1.1.6 *Measurement*

Initial measurement	Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provision of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.
Subsequent measurement	Financial assets and liabilities at fair value through profit or loss are carried at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Financial assets and liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method, less accumulated impairments.

1.1.7 *Impairment*

At each reporting date the company reviews the carrying values of financial assets carried at amortised cost for an indication of impairment, based on either the 12-month expected credit losses or lifetime expected credit losses. For trade and other receivables, the company applies the simplified impairment approach, and therefore assesses impairment using a lifetime approach for these assets.

Changes in the loss allowance are recognised in profit or loss as an impairment gain or loss.

In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data, based on past behaviour as well as forward looking information, indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

1.1.8 *Derecognition*

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

1. Significant accounting policies *(continued)*

1.2 Equity

1.2.1. *Capital and reserves*

	Type	Description of share capital
1.2.1.1	*Share capital*	Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

1.2.2 *Non-distributable reserve*

	Type	Description of non-distributable reserve
1.2.2.1	*Overall description of non-distributable reserve*	The non-distributable reserve relates to items that are not distributable to the shareholder, such as fair value adjustments on borrowings, derivatives, bargain purchases and equity-accounted earnings.
1.2.2.2	*Bargain purchase*	Where the net recognised amount of the identifiable assets acquired and liabilities assumed exceeds the fair value of the consideration transferred (including the recognised amount of any non-controlling interest in the acquiree and the fair value of any existing equity interest), this excess is recognised immediately in profit or loss as a gain on bargain purchase. The bargain purchase reserve relates to the cumulative gain on bargain purchase.
1.2.2.3	*Other fair value adjustments*	The other fair value adjustments relates to all non-distributable items accounted for in profit or loss, such as the fair value adjustments on borrowings, derivatives and equity-accounted earnings that were transferred to the non-distributable reserve in the current year.

1.2.3 *Dividends*

Type and description	Classification and measurement
Dividends	Dividends or other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity on the date of declaration.

1.3 Income

	Type and description	Classification and measurement
1.3.1	*Finance income*	Interest earned on amounts invested is recognised on an accrual basis using the effective interest method.
1.3.2	*Dividend income*	Dividends are recognised when declared.

1.4 Expenses

	Type and description	Classification and measurement
1.4.1	*Finance expense*	All finance costs are expensed in profit or loss in the period in which they are incurred using the effective interest method.
1.4.2	*Taxation*	Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income. Withholding tax relating to foreign distributions received is recognised as part of the tax expense, and the financial results are reflected at the gross amounts, before withholding tax.
1.4.3	*Foreign exchange loss/gain*	Foreign exchange losses/gains are recognised on GBP denominated loan when these are converted to the reporting currency.

1. Significant accounting policies *(continued)*

1.5 Estimates and judgements involved for taxation

The company is subject to income taxes and the calculation of the company's tax charge and provision for income tax necessarily involves a degree of estimation and judgement. There are transactions and tax computations for which the ultimate tax treatment or result is uncertain, or in respect of which the relevant tax authorities may or could indicate disagreement with the company's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

1.6 Changes in significant accounting policies *(continued)*

The below table summarises the standards, amendments and interpretations that became effective for the first time in the current financial year. The impact of the adoption of these standards and amendments have been considered and is deemed immaterial.

International Financial Reporting Standards, amendments and interpretations	Effective for the financial reporting period ending
Amendment to IFRS 3, 'Business combinations' – Definition of a business	**30 June 2021**
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, Changes in Accounting Estimates and Errors' on the definition of material	**30 June 2021**
Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform	**30 June 2021**
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	**30 June 2021**

1.7 Standards and interpretations issued and not yet effective

The below table summarises the standards, amendments and interpretations that have been published, but that are not yet effective in the current financial year and are relevant to the company. None of these standards, amendments and interpretations are expected to have a material impact on the results of the company.

International Financial Reporting Standards, amendments and interpretations issues but not yet effective for 30 June 2021 year-end	Effective for the financial reporting period ending
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	**30 June 2022**
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	**30 June 2022**
Amendment to IFRS 3, 'Business combinations'	**30 June 2022**
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	**30 June 2022**
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on	**30 June 2022**
Definition of Accounting Estimates - Amendments to IAS 8	**30 June 2022**
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	**30 June 2022**

G Properties Two Proprietary Limited
(Reg. No. 2018/456112/07)

Notes to the annual financial statements
for the year ended 30 June 2021

Figures in Rand	**2021**	2020

2. Fair value adjustments

2.1. Fair value adjustments

Other gains or losses	**(2,808,948)**	114,479,319
Interest-bearing borrowings gain/(loss)	**3,106,374**	(3,106,374)
Derivatives (loss)/gain - unrealised	**(112,731,979)**	112,731,979
Derivatives loss - realised interest	**22,193,349**	4,628,214
Derivatives loss - realised	**44,658,630**	-
Foreign exchange gain	**39,964,678**	225,500
	(2,808,948)	114,479,319

3. Net finance expense

3.1 Finance expense

Interest expense on interest-bearing borrowings	**11,787,331**	58,643,436
Raising fees	**319,525**	5,107,000
	12,106,856	63,750,436

3.2 Finance income and other investment income

Banks	**5,878**	17,234
Interest on related party assets	**16,806,847**	63,567,867
	16,812,725	63,585,101

Figures in Rand	**2021**	2020

4. Ordinary share capital

	Number of shares		Amount	
	2021	2020	**2021**	2020
Authorised				
100 000 000 ordinary shares with no par value	**100**	100	**100**	100
Issued				
1 ordinary share with no par value	**1**	1	**1**	1
	1	1	**1**	1

5. Financial liabilities at fair value through profit or loss

	2021	2020
Summary of financial liabilities		
Interest-bearing borrowings	**-**	1,670,787,735
Derivative liabilities	**-**	115,143,325
	-	1,785,931,060

5.1 Interest-bearing borrowings

	2021	2020
Variable rate loans secured	**-**	1,670,787,735
	-	1,670,787,735
Reconciliation of interest-bearing borrowings		
Opening balance	**1,670,787,735**	-
Proceeds from borrowings raised	**-**	2,856,525,036
Repayments of borrowings	**(1,597,119,356)**	(1,384,986,000)
Fair value adjustments	**(70,983,545)**	196,563,865
Interest paid	**(14,791,690)**	(55,958,602)
Accrued interest on interest-bearing borrowings	**12,106,856**	58,643,436
Closing balance	**-**	1,670,787,735

Interest-bearing borrowings are designated at fair value through profit or loss upon initial recognition as such designation eliminates or significantly reduces a measurement or recognition inconsistency on the Growthpoint group level that would otherwise arise. The loan was settled on 18 November 2020.

Figures in Rand	2021	2020

5. Financial liabilities at fair value through profit or loss *(continued)*

5.2 Derivative liabilities

Interest rate derivatives	-	115,143,325
	-	115,143,325

Derivative	Risk mitigation
Interest rate derivatives	The company enters into derivative financial instruments to manage its exposure to interest rates by fixing floating interest rates on loans.

5.3 Reconciliation of derivatives

Opening balance	**115,143,325**	-
Fair value adjustments	**(70,484,695)**	119,771,539
Settlement of derivatives	**(44,658,630)**	(4,628,214)
Closing balance	-	115,143,325

6. Taxation and deferred taxation

6.1 *Reconciliation of effective taxation charge*

Statutory taxation charge at 28%	**2,104,149**	(32,100,503)
Finance expenses not deductible	**4,896,495**	1,429,960
Tax-exempt income:	**(7,000,643)**	30,643,092
Fair value adjustments not taxable	**(7,000,643)**	30,643,092
Effective taxation charge	-	(27,451)
Effective taxation rate	**0%**	0%

7. Related party transactions

7.1 Related party transactions

Various transactions were entered into between related parties. These transactions were entered into at market related terms. Growthpoint Properties Limited and Growthpoint Management Services Proprietary Limited provides working capital funding to the company. The company provided loans to enable the Growthpoint Properties UK Holdco 1 - 10 Limited to invest into Capital & Regional Plc.

Figures in Rand	2021				2020			
	Income	**Receivables**	**Expenses**	**Payables**	Income	Receivables	Expenses	Payables
Holding company								
Parent company								
Growthpoint Properties Limited (GRT)	-	-	-	**107,162,015**	-	-	-	21,192,577
Management company								
Growthpoint Management Services Proprietary Limited (GMS)	-	-	-	-	-	-	-	1,715,807
Other companies								
Growthpoint Properties UK Holdco 1 Limited	-	-	-	-	-	169,414,363	-	-
Growthpoint Properties UK Holdco 2 Limited	-	-	-	-	-	169,414,363	-	-
Growthpoint Properties UK Holdco 3 Limited	-	-	-	-	-	169,414,363	-	-
Growthpoint Properties UK Holdco 4 Limited	-	-	-	-	-	169,414,363	-	-
Growthpoint Properties UK Holdco 5 Limited	-	-	-	-	-	169,414,363	-	-
Growthpoint Properties UK Holdco 6 Limited	-	-	-	-	-	169,414,363	-	-
Growthpoint Properties UK Holdco 7 Limited	-	-	-	-	-	169,414,363	-	-
Growthpoint Properties UK Holdco 8 Limited	-	-	-	-	-	169,414,363	-	-
Growthpoint Properties UK Holdco 9 Limited	-	-	-	-	-	169,414,363	-	-
Growthpoint Properties UK Holdco 10 Limited	-	-	-	-	-	169,414,363	-	-
Total	-	-	-	**107,162,015**	-	1,694,143,632	-	22,908,384

The related party liability is unsecured, interest free and has no fixed terms of repayment. The directors believe that the nominal value approximates the fair value. The GBP denominated loans with Growthpoint Properties UK Holdco 1 - 10 Limited (Holdco's), fellow subsidiaries of Growthpoint Properties Limited, were unsecured and beared interest at a rate of 3M LIBOR + 1.67% p.a. The loans were repayable by the lender on 6 November 2020 or another date as agreed by the parties. The loans were repaid on 18 November 2020.

Reconciliation of related party payables/receivable	**2021**		2020	
	Liabilities	**Assets**	**Liabilities**	**Assets**
Opening balance	22,908,384	(1,694,143,632)	22,908,384	-
Proceeds from borrowings raised	-	-	-	(1,423,177,142)
Borrowings granted	85,969,438	-	-	2,856,525,036
Unrealised forex movements	-	113,831,119	-	197,227,871
Repayment	(1,715,807)	1,597,119,360	-	-
Interest capitalised	-	(16,806,847)	-	63,567,867
Closing balance	107,162,015	-	22,908,384	1,694,143,632

7. Related party transactions (continued)

7.2 Key management personnel

The key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Inclub Properties Proprietary Limited (directly or indirectly) and comprise of the board of directors and the heads of the major business units and functions.

Figures in Rand	2021	2020
Key management personnel compensation		
Short term employee benefits	35 117 051	35 493 178
Share-based payments	29 867 999	25 853 782
	64 985 050	61 346 960

Figures in Rand 2021

	Basic salary	Contribution to defined contribution plan	Annual bonus	Total	Accounting IFRS charge in respect of staff incentive scheme awards	Total IFRS remuneration
LN Sasse	6 370 285	958 691	5 696 000	13 024 976	11 225 636	24 250 612
EK de Klerk	5 080 704	612 262	4 424 000	10 116 966	8 961 167	19 078 133
G Völkel	3 166 191	946 796	2 406 000	6 518 987	4 790 967	11 309 954
G Muchanya	2 482 927	565 195	2 408 000	5 456 122	4 890 229	10 346 351
	17 100 107	3 082 944	14 934 000	35 117 051	29 867 999	64 985 050

7. Related party transactions (continued)

7.2 Directors' remuneration

	2020					
	Basic salary	Contribution to defined contribution plan	Annual bonus*	Total	Accounting IFRS charge in respect of staff incentive scheme awards	Total IFRS remuneration
LN Sasse	6 378 553	946 550	6 064 000	13 389 103	10 004 674	23 393 777
EK de Klerk	5 088 972	600 948	4 668 000	10 357 920	8 043 860	18 401 780
G Völkel	3 174 783	935 958	2 252 000	6 362 741	4 214 884	10 577 625
G Muchanya	2 494 531	551 883	2 337 000	5 383 414	3 590 364	8 973 778
	17 136 839	3 035 339	15 321 000	35 493 178	25 853 782	61 346 960

*The final STI scorecard for FY20 was calculated on 30 September 2020 after the reporting date when all companies in the FTSE/ JSE SA REIT Index with a June year-end reported. This resulted in a total bonus of R15.3m for FY20 compared to R6.2m disclosed in FY20.

The table above reflects the total cost to company remuneration of the Executive Directors which was paid by Growthpoint Management Services. The IFRS accounting charge reflects the cost that has been expensed by the Company in profit of loss in the relevant year in relation to long-term incentive awards that have been granted to Executive Directors.

The IFRS charge is a calculation based on the fair value of the awards made to employees, measured at the grant date, compared to the amount calculated in the prior year, arriving at the expense accounted for in profit or loss. It should be noted that the amount estimated here will differ from the actual expense in the current and future years, which is based on the number of shares that vested, calculated at the price which they were exercised. No attrition is taken into account and the calculation is based on the principal assumptions as set out in the employee benefits note.

Following a review of the definition of a "prescribed officer" in terms of the Companies Act, in the context of decision-making processes within the Group, executive management and the Board have concluded that no member of the Executive Committee can be regarded as a "prescribed officer".

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8. Classification of financial assets and liabilities

8.1 Assets

Figures in Rand	Fair value through profit or loss	Financial assets at amortised cost	Outside the scope of IFRS 9	Total
2021				
Cash and cash equivalents	**-**	**4,728**	**-**	**4,728**
2020				
Cash and cash equivalents	-	51,159	-	51,159
Related party assets	-	1,694,143,632	-	1,694,143,632

8.2 Liabilities

Figures in Rand	Fair value through profit or loss	Financial liabilities at amortised cost	Outside the scope of IFRS 9	Total
2021				
Related party liabilities	**-**	**107,162,015**	**-**	**107,162,015**
2020				
Derivative liabilities	115,143,325	-	-	115,143,325
Related party liabilities	-	22,908,384	-	22,908,384
Interest-bearing borrowings	1,670,787,735	-	-	1,670,787,735

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9. Fair value estimation

9.1 Fair value measurement of assets and liabilities

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

Figures in Rand	2021				2020			
	Fair value	**Level 1**	**Level 2**	**Level 3**	Fair value	Level 1	Level 2	Level 3
Liabilities								
Recurring fair value measurement								
Interest-bearing borrowings	-	-	-	-	1,670,787,735	-	1,670,787,735	-
Derivative liabilities	-	-	-	-	115,143,325	-	115,143,325	-
Total liabilities measured at fair value	-	-	-	-	1,785,931,060	-	1,785,931,060	-

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 Related party assets and liabilities.

9. Fair value estimation

9.2 Valuation process

A number of the company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The company 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, are 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 company 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.

There were not transfers between the different levels during the year.

9.2.1 Valuation techniques and significant unobservable inputs

9.2.1.1 Level 2 instruments

Interest-bearing borrowings

Description	Valuation technique	Significant unobservable inputs
Interest-bearing borrowings	Valued by discounting future cash flows using the swap curve plus an appropriate credit margin at the dates when the cash flows will take place.	Not applicable

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

Derivative instruments

Description	Valuation technique	Significant unobservable inputs
Interest rate swaps	Valued by discounting the future cash flows using the swap curve at the dates when the cash flows will take place.	Not applicable

10. Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Risk Management Committee reports regularly to the board of directors' on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The Group's Risk Management Committee oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Group's Risk Management Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to both the Group's Audit Committee and the Group's Risk Management Committee.

The financial instruments of the company consist mainly of cash and cash equivalents, trade and other receivables and derivative assets. The company purchases or issues financial instruments in order to finance operations and to manage the interest rate risks that arise from these operations and the source of funding.

The company has exposure to the following risks from its use of financial instruments:
Credit risk
Liquidity risk
Market risk (interest rate risk, foreign currency risk and market price risk)

10.1 Capital risk management

In terms of its Memorandum of Incorporation, the company has unlimited borrowing capacity. The company is funded partly by owner's capital and partly by external borrowings. The maximum value of external borrowings as a percentage of the value of assets is 55% in relation to the group and 100% in relation to the company.

Nominal value of borrowings, net of cash

	Total	
Figures in Rand	**2021**	2020
Total borrowings	**-**	1,670,787,735
Less: Cash and cash equivalents - net of bank overdraft	**4,728**	51,159
Net debt	**4,728**	1,670,838,894
Total Related party assets	**-**	1,694,143,632
Nominal value of borrowings, net of cash	**0%**	**99%**

The company complied fully with the covenants in respect of all loan facilities during the year.

Growthpoint Properties Limited, the company's holding company, has provided a letter of guarantee in relation to the company's external borrowings. The groups capital risk management information is presented below.

	Rm	Rm
Value of investment property	**128,061**	139,029
Property held for trading and development	**181**	84
Investment property classified as held for sale	**548**	900
Total investment property	**128,790**	140,013
Equity-accounted investment	**15,003**	17,537
Listed investment	**1,122**	837
Total	**144,915**	158,387
55% (FY20: 55%) of total	**79,703**	87,113
Nominal value of long-term interest-bearing borrowings utilised at year-end	**60,466**	66,976
Percentage of nominal value long-term interest-bearing borrowings to total investment property	**42%**	44%
Potential borrowing capacity	**19,237**	17,137
Facilities available to the Group in terms of existing agreements at year end	**10,561**	7,400

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10. Financial risk management

10.2 Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from derivative assets and cash and cash equivalents.

The carrying amounts of financial assets represent the maximum credit exposure.

Derivative assets

Exposure to credit risk is limited by entering into derivative financial instruments with counterparties that have a high percentage tier-one capital and strong credit ratings assigned by international credit rating agencies.

Cash and cash equivalents

Exposure to credit risk is limited by investing in liquid currencies with counterparties that have a high percentage tier-one capital and strong credit ratings assigned by international credit rating agencies. This results in a low credit risk for the company.

Related party assets

The company has loans with other group companies. In the event where there is a material credit risk exposure the company will provide a subordination agreement for the group company. Going concern risk at a group level is limited.

10. Financial risk management *(continued)*

10.2 Credit Risk *(continued)*

Figures in Rand	2021			
	Gross maximum exposure	**Fully performing**	**Total**	**Impaired**
Cash and cash equivalents	**4,728**	**4,728**	**4,728**	**-**

	2020			
	Gross maximum exposure	Fully performing	Total	Impaired
Cash and cash equivalents	51,159	51,159	51,159	-
Related party assets	1,694,143,632	1,694,143,632	1,694,143,632	-

10.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income, cash flows or the value of its holdings of financial statements. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

The company is exposed to interest rate risk and adopts a policy of ensuring that at least 75% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into "pay fixed and receive variable" interest rate swaps. All such transactions are carried out within the guidelines set by the Group Risk Management Committee. As a consequence, the company is exposed to fair value interest rate risk in respect of the fair value of its fixed rate financial instruments, which will not have an impact on distributions. Short-term receivables and payables and equity-accounted investments are not directly exposed to interest rate risk.

The below table depicts the percentage of long-term interest-bearing borrowings that were fixed.

	2021		2020	
	% fixed	**Weighted average period**	% fixed	Weighted average period
Interest-bearing borrowings fixed	**-**	**-**	100.00	4.43

Sensitivity Analysis

The following tables demonstrates the sensitivity to an increase in interest rate, on interest expense, profit and equity, with all other variables held constant. A decrease of interest rate will have the opposite impact:

		2021	
Figures in Rand	**Change in base points**	**Interest expense**	**Profit and equity**
South African operations	**100**	**6,489,129**	**(6,489,129)**

		2020	
Figures in Rand	**Change in base points**	**Interest expense**	**Profit and equity**
South African operations	**100**	**885,170**	**(885,170)**

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10. Financial risk management *(continued)*

10.3 Market Risk *(continued)*

(i) Interest rate risk (continued)

The interest rate profile or interest bearing financial instruments as reported to the management of the company is as follows:

Figures in Rand	**2021**	2020	**2021**	2020
	Variable rate instruments		Fixed rate instruments	
Financial Assets	**4,728**	1,694,194,791	**-**	-
Cash and cash equivalents	**4,728**	51,159	**-**	-
Related party assets	**-**	1,694,143,632	**-**	-
Financial Liabilities	**-**	1,670,787,735	**-**	115,143,325
Derivative liabilities	**-**	-	**-**	115,143,325
Interest-bearing borrowings	**-**	1,670,787,735	**-**	-

10. Financial risk management *(continued)*

10.4 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's policy is to seek to minimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinance risk. In effect the company seeks to borrow for as long as possible at the lowest acceptable cost. The company regularly reviews the maturity profile of its financial liabilities and seeks to avoid concentration of maturities through regular replacement of facilities, and by using a selection of maturity dates. Cash flows are monitored on a regular basis to ensure that cash resources are adequate to meet the funding requirements of the company.

The major sources of funding for the company are long-term borrowings. The Group monitors the level of expected cash inflows (including but not limited to cash inflows from rental debtors, finance income and proceeds from the sale of properties) together with expected cash outflows on financial liabilities over the next 60 days.

The tables below set out the maturity analysis of the company's financial assets and liabilities based on the undiscounted contractual cash flows.

Figures in Rand			**2021**			
	Carrying Amount	**Within 1 year**	**1 - 2 years**	**2 - 5 years**	**>5 years**	**Total**
Related party liabilities	**107,162,015**	**107,162,015**		**-**	**-**	**107,162,015**

			2020			
	Carrying Amount	Within 1 year	1 - 2 years	2 - 5 years	>5 years	Total
Derivative liabilities	115,143,325	36,293,083	36,986,608	50,249,615	-	123,529,306
Related party liabilities	22,908,384	3,835,065	23,311,835	-	-	27,146,900
Interest-bearing borrowings	1,670,787,735	1,695,812,128	-	-	-	1,695,812,128

11. Going concern

As at 30 June 2021, the company was in a net liability position of R107,157,287 (2020: R114,672,104).

The company has received a letter of guarantee from its holding company, Growthpoint Properties Limited. Growthpoint Properties Limited has agreed to continue to make available such funds as are needed by the company to meet its obligations as they fall due for a period of at least 12 months from the date of signing. Furthermore, Growthpoint Properties Limited will not seek repayment of any loans in this period if, in doing so, the company will be unable to meet it's obligations as they fall due.

The directors have satisfied themselves that the company has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The directors believe that the company has adequate financial resources through the support of Growthpoint Properties Limited to continue its operations for the foreseeable future; and accordingly, the financial statements have been prepared on a going concern basis.

12. Events after reporting period

IFC loan

On 20 October 2021, the company received a four-year USD60m convertible loan facility from the International Finance Corporation (IFC), maturing on 11 August 2025. The IFC has the option to convert the loan into Growthpoint Healthcare Property Holdings Limited (Healthcare) equity. The company entered into cross-currency interest rates swaps (CCIRS) to convert the USD60m into R883.6m of which R396.0m was lent as an intercompany loan to Healthcare. The balance will be lent to Healthcare over time and is used for liquidity purposes in Growthpoint Properties Limited.