

GROWTHPOINT

PROPERTIES LIMITED

(Growthpoint or "the company")

AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2011

Highlights

- 8.1% distribution growth to 131,0 cents per linked unit
- Acquisition of 50% interest in V&A Waterfront for R5,0 billion
- Growthpoint Australia grows its portfolio by R2,9 billion
- Entry into corporate bond market raises R1,0 billion

Statement of Comprehensive Income

Notes	30 June 2011 Rm	30 June 2010 Rm
Revenue, excluding straight-line lease income adjustment	4 435	3 956
Straight-line lease income adjustment	205	250
Revenue	4 640	4 206
Property expenses	(1 009)	(915)
Net property income	3 631	3 291
Other operating expenses	(135)	(101)
Operating profit	3 496	3 190
Fair value adjustments	(282)	(182)
Finance costs	(1 237)	(1 157)
Non-cash items	(111)	67
Capital items	–	(30)
Finance income	90	128
Profit before debenture interest	1 956	2 016
Debenture interest	(2 070)	(1 874)
(Loss)/profit before taxation	(114)	142
Taxation	(121)	(36)
– normal taxation	(1)	(2)
– capital gains taxation	(7)	13
– deferred taxation charge	(141)	(75)
– deferred taxation credit	28	28
(Loss)/profit for the year	(235)	106
(Loss)/profit attributable to:		
Equity holders	(323)	38
Non-controlling interest	88	68
Other comprehensive income:		
Foreign currency translation gain/(loss)	325	(8)
Total comprehensive income	90	98
Equity holders	(97)	32
Non-controlling interest	187	66
Calculation of distributable earnings		
Operating profit	3 496	3 190
Less: straight-line lease income adjustment	(205)	(250)
Finance costs	(1 237)	(1 157)
Finance income	90	128
Non-controlling interest share of distribution (excluding fair value adjustments)	(71)	(36)
Pre-acquisition profit	–	3
Taxation	(1)	(2)
Distributable earnings	2 072	1 876
Total distribution	(2 072)	(1 876)
– Debenture interest	(2 070)	(1 874)
– Ordinary dividend	(2)	(2)
Linked units in issue at the end of the year	1 591 971 441	1 547 521 924
Weighted number of linked units in issue	1 591 971 441	1 547 521 924
Distribution per linked unit	cents	cents
Six months ended 31 December	63.90	59.10
Six months ended 30 June	67.10	62.10
Basic (loss)/earnings per share	(20.29)	2.46
Headline earnings per linked unit	104.58	94.76
	Rm	Rm
Note 1: Fair value adjustments	(282)	(182)
Gross investment property fair value adjustment	1 960	865
Less: straight-line lease income adjustment	(205)	(250)
Net investment property fair value adjustment	1 755	615
Listed property investments	–	1
Borrowings and derivatives	(128)	(492)
Foreign exchange gain	2	18
Long-term loans granted to BEE consortia	59	54
Zero-coupon loans profit	–	14
Debentures	(1 970)	(392)
Debentures are adjusted to fair value which represents the net asset value attributable to Growthpoint's debenture holders, excluding the intangible assets.		
The debenture fair value adjustment consists of:		
Fair value adjustments on other assets and liabilities excluding fair value adjustment on debentures	(1 688)	(210)
Straight-line lease income adjustment	(205)	(250)
Capital gains taxation	7	(13)
Deferred taxation – GOZ	141	75
Non-cash financing charge	–	20
Fair value adjustment on GOZ	(254)	(95)
Non-controlling interest's portion of fair value adjustments	17	35
Decrease in other long-term employee benefits	12	16
Capital items	–	30
Debenture fair value adjustment	(1 970)	(392)
Note 2: Non-cash items	(111)	67
Non-cash financing charge	–	(20)
Amortisation of intangible asset	(99)	(99)
Negative goodwill	–	202
Decrease in other long-term employee benefits	(12)	(16)
Note 3: The directors are of the view that the disclosure of earnings per share, while obligatory in terms of IAS 33, <i>Earnings per Share</i> , and the JSE Listings Requirements, is not meaningful to investors as the shares are traded as part of a linked unit and practically all the revenue earnings are distributed in the form of debenture interest plus dividends in the ratio of 1 000 to 1. In addition, headline earnings include fair value adjustments on interest-bearing borrowings and debentures as well as non-cash charges, which do not affect distributable earnings. The calculation of distributable earnings as set out above is more meaningful to investors and is in accordance with Growthpoint's reporting policies.		
Note 4: In terms of Circular 3/2009, issued by SAICA, both the fair value adjustment on investment property and debentures are added back in the calculation of headline earnings per linked unit. The Circular does not make provision for the fair value adjustment on other non-current financial liabilities to be added back.		
	Rm	Rm
Basic (loss)/earnings are reconciled to headline earnings as follows:		
(Loss)/profit after taxation – attributable to equity holders	(323)	38
Bargain purchase	–	(202)
Add back: net fair value adjustment – investment property	(1 501)	(526)
– Fair value adjustment	(1 755)	(615)
– Applicable taxation	254	89
Headline loss attributable to shareholders	(1 824)	(690)
Add back: net fair value adjustment – debentures	1 418	282
– Fair value adjustment	1 970	392
– Applicable taxation	(552)	(110)
Add back: debenture interest paid	2 070	1 874
Headline earnings attributable to linked unitholders	1 664	1 466
Note 5: Non-current liabilities – debentures		
Fair value at the beginning of the year	20 795	18 641
Issued during the year	698	1 762
Fair value adjustment (Note 1)	1 970	392
Fair value at the end of the year	23 463	20 795

Statement of Financial Position

Note	30 June 2011 Rm	30 June 2010 Rm
ASSETS		
Non-current assets	47 442	36 398
Fair value of investment property for accounting purposes	43 653	32 903
Straight-line lease income adjustment	1 510	1 305
Fair value of long-term property assets	45 163	34 208
Intangible assets	1 535	1 634
Other long-term employee benefits	5	29
Equipment	17	3
Loan receivables	126	–
Long-term loans granted to BEE consortia	594	491
Derivative assets	2	33
Current assets	1 289	1 293
Investment property reclassified as held for sale	539	691
Trade and other receivables	411	292
Cash and cash equivalents	339	310
Total assets	48 731	37 691
EQUITY AND LIABILITIES		
Shareholders' interest	1 421	1 550
Ordinary share capital	79	77
Foreign currency translation reserve	192	(6)
Non-distributable reserve	1 150	1 479
Non-current liabilities – debentures	23 463	20 795
Linked unitholders' interest	24 884	22 345
Non-controlling interest	1 377	496
Total unitholders' interest	26 261	22 841
Other non-current liabilities	16 502	10 338
Other non-current financial liabilities	15 983	9 932
Deferred tax liability	519	406
Current liabilities	5 968	4 512
Trade and other payables	858	821
Current portion of other non-current liabilities	3 969	2 705
Taxation payable	9	2
Linked unitholders for interest and dividends	1 132	984
Total equity and liabilities	48 731	37 691
Net asset value per linked unit	cents	cents
	1 563	1 444
Tangible net asset value per linked unit	1 499	1 365

Statement of Cash Flows

	30 June 2011 Rm	30 June 2010 Rm
Cash generated from operations	3 168	3 048
Investment income	46	88
Finance costs	(1 233)	(1 197)
Taxation (paid)/received	(7)	10
Capital items	–	(30)
Distribution to unitholders	(1 995)	(1 715)
Net cash (outflow)/inflow from operating activities	(21)	204
Net cash outflow from investing activities	(7 458)	(1 741)
Net cash inflow from financing activities	7 493	1 352
Translation effects on cash and cash equivalents of foreign operation	15	(2)
Net increase/(decrease) in cash and cash equivalents	29	(187)
Cash and cash equivalents at beginning of the year	310	497
Cash and cash equivalents at end of the year	339	310

Statement of Changes in Equity

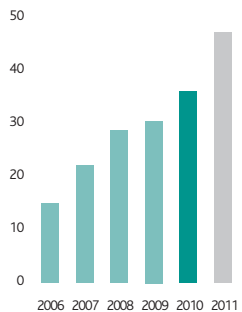
	Ordinary share capital Rm	Non-distributable reserve (NDR) Rm	Foreign currency translation reserve (FCTR) Rm	Retained earnings Rm	Shareholders' interest Rm	Non-controlling interest (NCI) Rm	Total equity Rm
Balance at 30 June 2009	70	1 366	–	–	1 436	–	1 436
Shares issued	7	–	–	–	7	–	7
Total comprehensive income	–	–	(6)	38	32	66	98
Transfer amortisation net of deferred taxation to NDR	–	(71)	–	71	–	–	–
Transfer bargain purchase to NDR	–	202	–	(202)	–	–	–
Business acquisition – GOZ	–	–	–	77	77	466	543
Transfer to NDR reserves with NCI	–	77	–	(77)	–	–	–
Transfer fair value adjustment on GOZ to NDR	–	(95)	–	95	–	–	–
Dividends declared – NCI	–	–	–	–	–	(36)	(36)
Dividends declared	–	–	–	(2)	(2)	–	(2)
Balance at 30 June 2010	77	1 479	(6)	–	1 550	496	2 046
Shares issued	2	–	–	–	2	–	2
Total comprehensive income	–	–	226	(323)	(97)	187	90
Transfer amortisation net of deferred taxation to NDR	–	(71)	–	71	–	–	–
Business acquisition – GOZ	–	–	(28)	(4)	(32)	756	724
Transfer to NDR reserves with NCI	–	(4)	–	4	–	–	–
Transfer fair value adjustment on GOZ to NDR	–	(254)	–	254	–	–	–
Joint venture acquisition – V&A	–	–	–	–	–	5	5
Foreign translation difference on NCI	–	–	–	–	–	4	4
Dividends declared – NCI	–	–	–	–	–	(71)	(71)
Dividends declared	–	–	–	(2)	(2)	–	(2)
Balance at 30 June 2011	79	1 150	192	–	1 421	1 377	2 798

Segmental Analysis

	South Africa					Total Rm
	Retail Rm	Office Rm	Industrial Rm	V&A Rm	Australia Rm	
STATEMENT OF COMPREHENSIVE INCOME EXTRACTS						
Year ended 30 June 2011						
Revenue, excluding straight-line lease income adjustment	1 374	1 555	874	25	607	4 435
Property expenses	(390)	(367)	(191)	(8)	(53)	(1 009)
Segment result	984	1 188	683	17	554	3 426
Fair value adjustment:						
– investment property	1 150	687	101	(3)	15	1 950
– investment property – non-controlling interest	–	–	–	–	10	10
Total fair value adjustment on total investment property	1 150	687	101	(3)	25	1 960

Assets

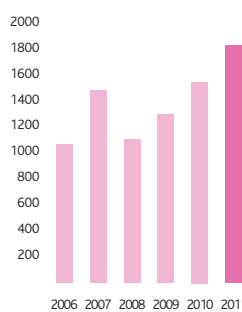
Rbn



The largest listed property company on the JSE with tangible assets of R47 billion

Unit price

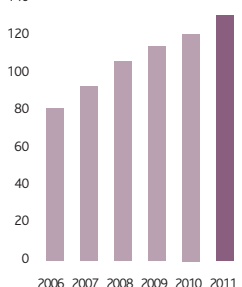
Cents



11.3% compound annual growth in linked unit price over the last 5 years

Distribution per linked unit

Cents



10.1% average annual growth in distributions over the last 5 years

Segmental Analysis (continued)

	South Africa (excl V&A) Rm	V&A Rm	Australia Rm	Total Rm	
Further extracts of statement of comprehensive income					
Other operating expenses	101	–	34	135	
Finance costs	953	(3)	287	1 237	
	South Africa				
	Retail Rm	Office Rm	Industrial Rm	Australia Rm	Total Rm
Year ended 30 June 2010					
Revenue, excluding straight-line lease income adjustment	1 258	1 442	838	418	3 956
Property expenses	(337)	(321)	(209)	(48)	(915)
Segment result	921	1 121	629	370	3 041
Fair value adjustment:					
– investment property	359	449	(108)	126	826
– investment property – non-controlling interest	–	–	–	39	39
Total fair value adjustment on total investment property	359	449	(108)	165	865
	South Africa				Total Rm
	Retail Rm	Office Rm	Industrial Rm	Australia Rm	Total Rm

	South Africa (excl V&A) Rm	V&A Rm	Australia Rm	Total Rm
Further extracts of statement of comprehensive income				
Other operating expenses	79	–	22	101
Finance costs	954	–	203	1 157

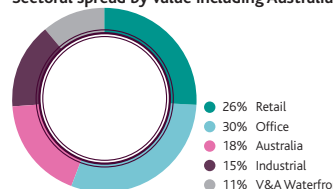
	South Africa (excl V&A) Rm	V&A Rm	Australia Rm	Total Rm		
STATEMENT OF FINANCIAL POSITION EXTRACTS						
At 30 June 2011						
– Investment property						
– Opening balance	10 669	12 686	6 667	–	4 877	34 899
– 30 June 2010	–	–	–	–	–	–
Acquisitions – Income producing assets	–	–	–	4 179	–	4 179
Acquisitions – Undeveloped bulk	–	–	–	600	–	600
Acquisitions – Other Developments and capital expenditure	253	122	82	–	2 881	3 338
Disposals	166	264	143	7	20	600
Disposals	(253)	(90)	(152)	–	(129)	(624)
Foreign exchange gain	–	–	–	750	–	750
Fair value adjustment	1 150	687	101	(3)	25	1 960
Fair value of total property assets – 30 June 2011	11 985	13 669	6 841	4 783	8 424	45 702
– Fair value of long-term property assets	11 842	13 442	6 710	4 783	8 386	45 163
– Investment property reclassified as held for sale	143	227	131	–	38	539

	South Africa (excl V&A) Rm	V&A Rm	Australia Rm	Total Rm
Further extracts of statement of financial position				
Intangible assets	1 535	–	–	1 535
Trade and other receivables	356	24	31	411
Cash and cash equivalents	76	88	175	339
Trade and other payables	(718)	(56)	(84)	(858)
Total interest-bearing liabilities	(15 022)	–	(4 930)	(19 952)
– Nominal value – interest-bearing liabilities	(14 249)	–	(4 465)	(18 714)
– Fair value adjustment	(773)	–	(73)	(846)
– Foreign translation differences	–	–	(392)	(392)

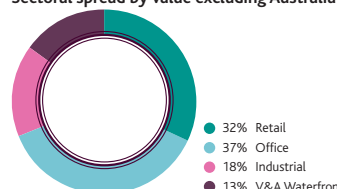
	South Africa (excl V&A) Rm	V&A Rm	Australia Rm	Total Rm	
STATEMENT OF FINANCIAL POSITION EXTRACTS					
At 30 June 2010					
– Investment property					
– Opening balance	10 152	12 399	6 682	–	29 233
– 30 June 2009	–	–	–	–	4 272
Acquisitions – GOZ	102	11	50	–	467
Acquisitions – Other Developments and capital expenditure	202	284	103	14	603
Disposals	(146)	(457)	(60)	–	(663)
Foreign exchange loss	–	–	–	(41)	(41)
Fair value adjustment	359	449	(108)	165	865
Fair value of total property assets – 30 June 2010	10 669	12 686	6 667	4 877	34 899
– Fair value of long-term property assets	10 669	12 124	6 600	4 815	34 208
– Investment property reclassified as held for sale	–	562	67	62	691

	South Africa Rm	Australia Rm	Total Rm
Further extracts of statement of financial position			
Intangible assets	1 634	–	1 634
Trade and other receivables	273	19	292
Cash and cash equivalents	202	108	310
Trade and other payables	(782)	(39)	(821)
Total interest-bearing liabilities	(9 846)	(2 791)	(12 637)
– Nominal value – interest-bearing liabilities	(9 191)	(2 730)	(11 921)
– Fair value adjustment	(655)	(61)	(716)

Sectoral spread by value including Australia



Sectoral spread by value excluding Australia



Commentary

INTRODUCTION

Growthpoint is the largest South African listed property company with a quality portfolio of 424 directly owned properties in South Africa valued at R32.5 billion, 37 properties in Australia valued at R8.4 billion and has recently acquired a 50% interest in the V&A Waterfront with properties valued at R9.6 billion.

The company's objective is to grow and nurture a diversified portfolio of quality investment properties, providing accommodation to a wide spectrum of users and delivering sustainable income distributions and capital appreciation, optimised by effective financial structures. Effectively, all rental income received by the company, less operating costs and interest on debt, is distributed to unitholders semi-annually, so that the company's business model is the same as the Real Estate Investment Trust (REIT) models that are well established internationally. Growthpoint's distributions are based on sustainable income generated from rentals. The company does not distribute capital profits.

Growthpoint is included in the JSE ALSI Top 40 Companies Index, having a market capitalisation of R29.1 billion at 30 June 2011. Over the last year, on average more than 63 million linked units traded per month (2010: 67 million). The monthly average value traded was R1.1 billion (2010: R950 million).

The South African portfolio represents 82% of the total portfolio by value, and 85% by GLA, after the acquisition of the 50% interest in the V&A Waterfront, and is well diversified in the three major sectors of commercial property, being office, retail and industrial. The bulk of the value of the South African properties is situated in the major metropolitan areas in strong economic nodes.

HIGHLIGHTS FOR THE YEAR

Acquisition of 50% interest in V&A Waterfront for R5.0 billion

On 7 June 2011, Growthpoint realised a long-held ambition, when it, jointly with the Government Employees Pension Fund, represented by the Public Investment Corporation Limited ("PIC"), acquired, 100% of the V&A Waterfront ("V&A") for a total of R9.9 billion. Growthpoint's share of the price was initially fully debt-funded but on 22 July 2011 a portion of the debt was repaid from the proceeds of an issue of new linked units that raised R1.8 billion.

The V&A is a landmark South African property asset and is the country's top tourist destination. The developed property portfolio boasts a well-established and high-quality portfolio of properties offering attractive rentals, rental escalations and lease expiry profiles. Whilst the transaction is consistent with Growthpoint's objectives of providing its linked unitholders with long-term sustainable income and capital growth, it also creates the opportunity to unlock significant value through the development of the undeveloped bulk. The acquisition also improves the diversification of Growthpoint's property portfolio, through greater exposure to the Retail and Leisure sectors and to the Western Cape.

Development rights have been approved for 603 868m², of which 220 035m² of bulk remains available for development ("undeveloped bulk"). Borrowing costs in respect of the undeveloped bulk acquired will be capitalised, while in development stage.

Overview of developed portfolio:

Sector	% of total rental	GLA	% average base rental escalation* (by GLA)	Weighted average lease expiry* (years)
Retail	59.9	88 923	7.8	4
Office	19.5	89 023	8.7	10
Hotel and Leisure	11.8	83 508	Note 1	25
Fishing and Industrial	8.8	122 379	8.9	23
	100	383 833		

Note 1: The nature of the hotel leases vary significantly between tenants, the majority of which are land leases.

The anticipated initial yield on the income producing assets acquired is expected to be approximately 7.25%*.

In terms of IAS 31, *Interest in Joint Ventures*, Growthpoint proportionately consolidated its 50% interest of assets and liabilities, as well as income and expenses from 7 June 2011.

The fair value of the 50% of assets and liabilities of the V&A Waterfront acquired was as follows:

	Rm
Investment property	4 179
Rights to undeveloped bulk	600
Long-term loan	126
Equipment	16
Trade and other receivables	46
Cash and cash equivalents	77
Trade and other payables	(94)
Net asset value	4 950

Additional investments by Growthpoint Australia (GOZ)

In the previous financial year, Growthpoint acquired a 76.2% holding in GOZ for R1.25 billion. In September 2010, GOZ acquired seven direct property assets from Property Solutions Group for a total price of AUD172 million (R1.2 billion) at a weighted average yield of 8.4%*. The acquisition diversified the previously 100% industrial portfolio of GOZ to include the office sector.

GOZ funded the acquisition through a rights offer that raised AUD101 million, and the balance was funded from existing debt facilities.

In line with our strategy to reduce Growthpoint's percentage shareholding in GOZ and create greater liquidity in the listed units, Growthpoint renounced a portion of its rights, resulting in a dilution of its holding in GOZ to 67.6% subsequent to the rights issue. Growthpoint followed its rights in respect of 42% of the units offered, resulting in an increased investment in GOZ of R282 million.

In April 2011, GOZ acquired six office properties held in the Rabinov Property Trust ("Rabinov") for a total price of AUD184 million (R1.3 billion) at a weighted average yield of 8.3%*. GOZ issued 25 million additional stapled securities to Rabinov unitholders further diluting Growthpoint's unitholding to 60.6%.

At the time that Growthpoint invested in GOZ, it was a focused industrial fund. One of the strategies stated by Growthpoint was to diversify the fund into other sectors. Very good progress has been made towards achieving this, as the office sector represented 28.4% of the portfolio value at year-end.

The distribution received from GOZ for the year amounted to R168 million (2010: R114 million), resulting in an income return of 11.4% (2010: 9.9%) and a capital return of 17.2% (2010: 13.4%), due to the increased trading price, as well as the strengthening of the AUD against the Rand.

Subsequent to year-end, GOZ undertook a renounceable rights issue which was underwritten by Growthpoint to raise AUD102.6 million at an issue price of AUD1.90 per stapled security. The proceeds from the rights offer will be utilised to reduce bank debt and to provide additional capital for investment into the Energex office development at Nundah, Brisbane. Growthpoint paid AUD62.1 million to follow its rights and an additional AUD3.3 million to follow the rights that were not taken up by current security holders.

Bond issues

In December 2010 Growthpoint issued its first unsecured corporate bond. The four-year floating rate note was issued at a margin of 156 bps over 3-month Jibar. Growthpoint was extremely pleased with the strong demand from institutions and the ability to access debt capital markets directly for long-term unsecured funding.

In May 2011 Growthpoint issued a further five-year unsecured bond. Strong demand for the paper saw margins reduce to 134 bps over Jibar. This was despite Growthpoint being under ratings review from Moody's at the time.

FINANCIAL RESULTS

For the year ended 30 June 2011, Growthpoint delivered growth in distributions of 8.1%, in line with expectations at the time of announcing the interim results.

The recovery from the recession is proving to be sluggish, with slow economic growth, an uncertain and volatile global outlook and increases in energy and transport costs that are well above inflation.

The positive side of this has been the slow-down in the development of new commercial premises which would have increased the supply of lettable space at a time of weak demand.

It is pleasing to be able to report that in these difficult conditions the company has achieved a modest decrease in vacancies, bad debts and arrears percentages.

The inclusion of our 50% share of the profits of the V&A Waterfront from 7 June 2011 resulted in an approximate R595 000 dilution to profits after borrowing costs in the current financial year. This is in line with our expectations as it is anticipated that it will take just over a year for rental escalations in the V&A to increase net income above funding costs.

The investment in GOZ continues to enhance overall profits, based on the attractive yield of the investment, as well as hedging strategies that take advantage of Rand weakness relative to the Australian dollar from time to time to enhance the distributions receivable from GOZ when converted to Rand.

BASIS OF PREPARATION

The financial statements are considered preliminary based on the JSE Listings Requirements and are summarised from a complete set of the group annual financial statements on which the independent auditors, KPMG Inc., have expressed an unmodified audit opinion, which is available for inspection at the company's registered office.

These summarised consolidated financial statements have been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards (IFRS), and the AC500 series issued by the Accounting Practices Board, and have been prepared in accordance with the presentation and disclosure requirements of IAS 34, *Interim Financial Reporting*, and the Companies Act of South Africa.

The company's accounting policies as set out in the audited financial statements for the year ended 30 June 2010 have been consistently applied.

Investment property comprises land and buildings held to generate rental income over the long term. Should any properties no longer meet the company's investment criteria and be sold, any profits or losses will be of a capital nature and will be taxed at rates applicable to capital gains. Deferred taxation on the revaluation of investment property is offset against the deferred taxation asset that arises on the revaluation of the company's issued debentures (excluding deferred taxation on intangible assets and the deferred taxation applicable to the investment in GOZ).

* The information marked with "*" has not been subject to audit or review by the company's independent external auditor.

ACCOUNTING FOR THE INVESTMENT IN GOZ

In terms of IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the consolidated statement of financial position includes 100% of the assets and liabilities of GOZ, converted at the closing exchange rate at 30 June 2011 of R7.24:AUD1 (2010 R6.44:AUD1). The consolidated statement of comprehensive income also includes 100% of the revenue and expenses of GOZ, which was translated at an average exchange rate of R6.91:AUD1 (2010: R6.71:AUD1) for the year. The resulting foreign currency translation difference is recognised in other comprehensive income. A non-controlling interest was raised for the 39.4% (2010: 23.8%) not owned by Growthpoint.

NET PROPERTY INCOME

The increase in revenue (12.1%) was mainly due to contractual rental escalations, accounting for the acquisition of GOZ made in August 2009 for a full year, higher revenue of GOZ due to acquisitions made and the inclusion of revenue of R25 million from the V&A.

The ratio of property expenses to revenue has improved slightly, from 23.1% to 22.8%. Other operating expenses increased from 2.6% to 3.0% of revenue as GOZ has increased its very small staff complement to handle its rapid growth, and in South Africa costs have also increased as the company has continued to grow.

FAIR VALUE ADJUSTMENTS

The revaluation of properties resulted in an upward revaluation of R2.0 billion (4.5%) to R45.7 billion for investment property (including properties reclassified as held for sale). This was mainly due to increased rentals and an average decrease of 0.5% in discount rates. The revaluation of interest-bearing borrowings and derivatives resulted in a fair value loss of R128 million as a result of interest rates being lower than a year ago.

FINANCE COSTS

The increase in finance costs was due to the higher debt of GOZ as a result of acquisitions.

ARREARS

At the end of June 2011, arrears for South Africa (excluding V&A) amounted to R34.8 million (2010: R36.3 million) with a provision of R16.8 million (2010: R14.9 million) having been raised for potential bad debts. Included in the purchase price allocation of the V&A was an amount of R23.6 million for arrears with a provision of R14.9 million raised for potential bad debts.

For the period to June 2011, the total bad debts expense amounted to R9.6 million (2010: R12.5 million).

VACANCY LEVELS

At 30 June 2011 Growthpoint's (South Africa, excluding V&A) vacancy levels, as a percentage of gross lettable area (GLA) were:

Retail	2.9%	(2010: 2.7%)
Office	8.1%	(2010: 9.0%)
Industrial	4.3%	(2010: 6.7%)
Total	5.0%	(2010: 6.4%)

The Office sector started the year with relatively high vacancies in certain recently developed or re-developed properties and managed to reduce these considerably. The impact of the large development pipeline of a few years ago has now effectively come to an end. Despite relatively high office vacancies nationally, Growthpoint will be aggressively marketing its available space and expects vacancies to decline in the year ahead.

Growthpoint's regional shopping centres and other high quality smaller centres such as Constantia Village and Walmer Park, which collectively account for 73% of the value of the Retail portfolio, proved their resilience throughout the recession. Demand from national tenants for space in these dominant centres remains strong. The current high occupancy rates are expected to be maintained in the year ahead.

The improvement in occupancy levels in the Industrial sector was partly due to letting some large areas and partly due to the sale of two vacant buildings. Conditions are expected to remain tough in the Industrial sector where Growthpoint has a large number of smaller businesses who are facing a weak economy and increasing cost pressures.

ACQUISITIONS AND COMMITMENTS

In addition to the acquisition of the 13 properties by GOZ, mentioned in the highlights, it also acquired Worldpak, an office building in Adelaide, for AUD47 million (R334 million). The initial yield on the property is 9.0% and the weighted average lease expiry is 12.8 years. GOZ has a capital commitment to the value of AUD69.5 million in respect of development of Energex office at Nundah. In addition Growthpoint South Africa has commitments outstanding in respect of developments amounting to R478 million and acquisitions amounting to R299 million.

DISPOSALS

11 South African properties were sold for R233 million realising a profit of R104 million on cost, and three Australian properties were sold for the equivalent of R129 million.

BORROWINGS

At 30 June 2011, the 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, was 40.2% (2010: 33.2%). The increase was mainly due to the additional R4.5 billion debt raised to pay for the V&A. The issue of new linked units in July 2011 raised R1.8 billion which has been used to reduce debt and reduced the LTV to below 40.0%.

As a result of the higher gearing following the V&A acquisition, Moody's have lowered Growthpoint's credit rating by one notch. Growthpoint's credit rating remains an investment-grade rating and we have continued to see strong demand for Growthpoint's bonds and short-term commercial paper.

Growthpoint currently enjoys the following ratings, with a stable outlook:

Global long-term	Baa3
Global short-term	P-3
National long-term	A-2,za
National short-term	P-2,za

Including R2.0 billion of swaps that commence on 1 July 2011, 77.1% (30 June 2010: 99.3%) of interest-bearing borrowings were fixed for a weighted average of 5.3 years at 30 June 2011.

On 1 August 2011 Growthpoint repaid R969 million of Commercial Mortgage Backed Securitisation (CMBS) notes that expired on that date. On 1 September 2011 the last R1 billion of CMBS notes will be repaid, utilising existing committed debt facilities.

From 30 September 2011 as a result of entering into additional swaps, the ratio of fixed interest rate debt increased to 94.0% for the rest of FY2012.

SHARE AND DEBTURE CAPITAL

The authorised share capital is R100 000 000 divided into two billion ordinary shares of five cents each. Each ordinary share is linked to ten variable rate debentures of 250 cents each.

The ordinary shares and debentures trade as linked units on the JSE Limited (JSE). In terms of the debenture trust deed, the interest payable on the debenture component of the linked unit is always 1 000 times greater than the dividend payable per ordinary share.

23 995 468 new linked units were issued in September 2010 and 20 454 048 new linked units were issued in March 2011, to those Growthpoint linked unitholders who elected to reinvest their 2010 final distribution and 2011 interim distribution. The linked units were issued at R15.90 and R16.20 per unit, respectively.

Subsequent to year-end, Growthpoint has raised R1.8 billion by placing 100 million new linked units with local and international institutional investors.

CHANGES TO THE BOARD

Mr Zakhele Johannes Sithole was appointed as a non-executive director of Growthpoint with effect from 3 November 2010.

PROSPECTS

Given the global and local economic uncertainties, higher interest margins on debt refinancing, continuing cost pressures and lackluster demand in particular in the office sector, Growthpoint expects to show positive growth in distributions of between 3.0% and 7.0% for FY2012.

The forecast has been based on the company's budgets for the year to 30 June 2012, taking into account that the majority of the company's income, is contractual rental income, as well as the fact that 94.0% of the debt has been fixed for the next year.

The forecast has not been subject to audit or review by the company