

The definitions contained on page 3 to 5 of this Circular apply, *mutatis mutandis*, throughout this document.

**This Circular is important and requires your immediate attention**

1. If you are in any doubt as to what action you should take arising from this Circular, please consult your broker, banker, accountant, attorney, CSDP or other professional adviser immediately.
2. If you have disposed of all your Linked Units in Growthpoint, please forward this document to the CSDP, broker, banker or agent through whom you disposed of such Linked Units.
3. Growthpoint has issued all Letters of Allocation in dematerialised form and the electronic record for Certificated Linked Unitholders is being maintained by Computershare Nominees (Pty) Limited, a wholly-owned Subsidiary of Computershare Custodial Services Limited. This has made it possible for Certificated Linked Unitholders to enjoy the same rights and opportunities as those Linked Unitholders who have already dematerialised their Linked Units. In order to take up or sell all or part of the new Linked Units to which you are entitled, you must complete the form of instruction accompanying this Circular and return it to the Transfer Secretaries at the address indicated therein.
4. The rights that are represented by the form of instruction accompanying this Circular could have value and may be sold on the JSE.

**Action required**

5. Linked Unitholders are referred to page 2 of this Circular, which sets out the action required of them in regard to the renounceable Rights Offer.

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# GROWTHPOINT

PROPERTIES

## Growthpoint Properties Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1987/004988/06)  
Share code: GRT ISIN: ZAE000037669

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## CIRCULAR TO GROWTHPOINT LINKED UNITHOLDERS

relating to:

- a renounceable Rights Offer of 128 092 620 Linked Units at an issue price of 1360 cents per Linked Unit in the ratio of 10 Rights Offer Units for every 100 Linked Units held; and
  - a form of instruction in respect of a renounceable (nil paid) Letter of Allocation in respect of Certificated Linked Unitholders only.
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Investment bank



Sponsor



Attorneys to Growthpoint



Independent reporting accountants



Transaction sponsor



Growthpoint debenture trustee



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Date of issue: **Monday, 5 January 2009**

Copies of this Circular are only available in English and may be obtained from the registered office of Growthpoint and the offices of the sponsor to Growthpoint, the addresses of which are set out in the "Corporate information and advisers" section of this Circular; as well as all other broking members. A copy of this Circular, the form of instruction in respect of a renounceable (nil paid) Letter of Allocation and the other documents referred to in paragraph 18 on page 22 of this Circular have been registered with the Registrar of Companies in Pretoria, in terms of the Companies Act on Monday, 15 December 2008.

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## CORPORATE INFORMATION AND ADVISERS

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### Directors

J F Marais (*Chairman*) #  
H S P Mashaba (*Deputy Chairman*) \*  
L N Sasse (*Chief Executive Officer*)  
S M Snowball (*Financial Director*) (†)  
E K de Klerk (*Executive Director*) (†)  
M G Diliza \*  
P H Fechter \*  
J C Hayward \*  
H S Herman \*  
R Moonsamy \*  
C G Steyn \*  
J H N Strydom \*  
F J Visser \*

# *Non-executive*

\* *Independent non-executive*

(†) *Appointed 26 August 2008*

### Investment bank

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

### Transaction sponsor

Barnard Jacobs Mellet Corporate Finance (Pty) Limited  
(Registration number 2000/023249/07)  
24 Fricker Road  
Ground Floor, Illovo Corner  
Illovo, 2196  
(PO Box 62200, Marshalltown, 2107)

### Attorneys to Growthpoint

Glyn Marais Inc  
(Registration number 1990/000849/21)  
Second Floor, The Place  
1 Sandton Drive  
Sandton, 2196  
(PO Box 652361, Benmore, 2010)

### Independent reporting accountants

KPMG Inc  
(Registration number 1999/021543/21)  
85 Empire Road  
Parktown, 2193  
(Private Bag 9, Parkview, 2122)

### Company secretary and registered office

R A Krabbenhöft  
Growthpoint Properties Limited  
The Place  
1 Sandton Drive  
Sandown  
Sandton, 2196  
(PO Box 78949, Sandton, 2146)

### Sponsor

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

### Growthpoint debenture trustee

Bell Dewar & Hall Inc  
(Registration number 1995/004675/21)  
37 West Street  
Houghton, 2198  
(PO Box 1972, Houghton, 2041)

### Transfer secretaries

Computershare Investor Services (Pty) Limited  
(Registration number 2004/003647/07)  
Ground Floor, 70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

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<b>Form of instruction (for Certificated Linked Unitholders only) (where applicable)</b>	Enclosed

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## ACTION REQUIRED

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### **LINKED UNITHOLDERS WHO HAVE DEMATERIALISED THEIR GROWTHPOINT LINKED UNITS:**

- will **not** receive a printed form of instruction but will have their account credited by their CSDP or broker with the number of rights to which they are entitled;
- should timeously instruct their CSDP or broker as to whether they wish to subscribe for all or part of the rights allocated to them or sell all or part of the rights allocated to them;
- who do not issue instructions to their CSDP or broker; will result in the CSDP or broker acting in accordance with the original mandate granted;
- should note that CSDP's effect payment on delivery of scrip *versus transfer of cash for payment in respect of rights exercised*; and
- should note that Growthpoint assumes no responsibility and will not be held liable for any failure on the part of their CSDP or broker to notify Linked Unitholders of the Rights Offer and to receive instructions in regard thereto.

### **LINKED UNITHOLDERS WHO HAVE NOT DEMATERIALISED THEIR GROWTHPOINT LINKED UNITS:**

- will have a Letter of Allocation created in electronic form with Computershare Nominees (Pty) Limited, to afford Certificated Linked Unitholders the same rights and opportunities as those who have already dematerialised their Growthpoint Linked Units;
- will receive a printed form of instruction in relation to the Letter of Allocation providing for the sale of all or part of the rights embodied in the Letter of Allocation and/or the subscription of Linked Units in terms thereof and must act in accordance with the instructions thereon; and
- who wish to subscribe for all or part of the rights allocated to them, where appropriate, must complete Blocks 1 to 9 of the form of instruction, attach their cheque or bankers' draft for the appropriate amount and lodge same with the Transfer Secretaries as follows:

**Hand deliveries to:**

Computershare Investor Services (Pty) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001

**Postal deliveries to:**

Computershare Investor Services (Pty) Limited  
PO Box 61763  
Marshalltown, 2107

so as to reach the Transfer Secretaries by no later than 12:00 on Friday, 30 January 2009;

- will receive Linked Unit Certificates in respect of the Linked Units subscribed for: Certificated Linked Unitholders will only be able to trade their Linked Units on the JSE once they have dematerialised their linked unitholding in Growthpoint.

Certificated Linked Unitholders who wish to sell all or part of the rights allocated to them in terms of the Rights Offer should complete the relevant section of the form of instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein so as to reach the Transfer Secretaries by no later than 12:00 on Friday, 23 January 2009.

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## DEFINITIONS

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In this Circular, unless otherwise stated or the context otherwise indicates, the words in the first column below shall have the meaning stated opposite them in the second column, reference to the singular shall include the plural and *vice versa*, words denoting one gender shall include others, expressions denoting natural persons include juristic persons and associations of persons:

"Articles of Association"	the Articles of Association of Growthpoint;
"Act" or "Companies Act"	the Companies Act of South Africa, 1973 (Act 61 of 1973), as amended;
"AMU Trust"	the trustees for the time being of the AMU Trust, an <i>inter vivos</i> trust duly registered by the Master of the High Court in Pretoria (Master's reference IT8040/2005);
"BEE Partners"	the AMU Trust and Phatsima;
"Business Day"	means a day other than a Saturday, Sunday or official public holiday in South Africa;
"Certificated Linked Unitholders"	Linked Unitholders who hold Certificated Linked Units;
"Certificated Linked Units"	Linked Units which have not yet been dematerialised, title to which is represented by a paper linked unit certificate or other document of title printed on paper;
"Circular"	this bound circular dated Monday, 5 January 2009 including all annexures hereto and the accompanying form of instruction, where applicable;
"Common Monetary Area"	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"CSDP"	Central Securities Depository Participant;
"Dematerialised Linked Unitholders"	Linked Unitholders who hold Dematerialised Linked Units;
"Dematerialised Linked Units"	Linked Units that have been dematerialised in accordance with Strate and which unitholding is recorded electronically;
"Documents of Title"	certificates, certified transfer deeds, balance receipts, electronic record of ownership of Linked Units as a consequence of dematerialisation and any other acceptable documents of title to Linked Units;
"Excess Rights Offer Units"	Rights Offer Units in excess of Growthpoint Linked Unitholders <i>pro rata</i> entitlement thereto which may be applied for by Growthpoint Linked Unitholders after the Underwriter has taken up the Underwritten Units;
"Growthpoint" or "the Company"	Growthpoint Properties Limited (Registration number 1987/004988/06), a public company registered and incorporated under the laws of South Africa, the Linked Units of which are listed on the JSE;
"Growthpoint Board"	the board of directors of Growthpoint;
"Growthpoint Debentures" or "Debentures"	unsecured, subordinated, variable rate debentures with a nominal value of 250 cents each in the debenture capital of Growthpoint;
"Growthpoint Linked Unitholders" or "Linked Unitholders"	holders of Growthpoint Linked Units comprising collectively Certificated and Dematerialised Linked Unitholders;
"Growthpoint Linked Units" or "Linked Units"	Growthpoint Shares linked to Growthpoint Debentures in the ratio of one share to ten Debentures, trading as a Linked Unit on the JSE;

“Growthpoint Shares”	ordinary shares with a par value of 5 cents each in the share capital of Growthpoint;
“Group”	collectively, the Company, any Subsidiary of the Company from time to time, any division or subdivision of the Company from time to time, any company or entity whose earnings are equity accounted by the Company, and includes any partnership in which the Company is a partner and any joint venture to which the Company is a party and any trust to which the Company is a beneficiary;
“Investec Call Deposit Rate”	the rate quoted as such by Investec, from time to time, which for the purposes of this Circular is assumed to be 11.7% per annum;
“IPG”	Investec Property Limited (previously Investec Property Group Limited) (Registration number 1947/025753/06), a public company registered and incorporated under the laws of South Africa, being a wholly-owned subsidiary of Investec Bank Limited;
“Last Practicable Date”	the last practicable date prior to the finalisation of this Circular, being Friday, 5 December 2008;
“Letters of Allocation”	128 092 620 dematerialised JSE listed renounceable (nil paid) letters of allocation to be issued to Rights Recipients in terms of the Rights Offer, or any number thereof;
“Linked Unit Certificates”	Linked unit certificates or other Documents of Title;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated under the laws of South Africa and licensed as an exchange under the Securities Services Act (Act 36 of 2004), as amended;
“Mailed” or “Mailing”	unless the context otherwise requires, shall mean the mailing by way of registered post;
“Own Name Dematerialised Linked Unitholders”	Dematerialised Linked Unitholders who have instructed their CSDP to hold their Dematerialised Linked Units in their own name on the sub-register (the list of Linked Unitholders maintained by the CSDP and forming part of Growthpoint’s Linked Unitholder register);
“Phatsima”	Phatsima Properties (Proprietary) Limited (Registration number 2002/025261/07), a private company registered and incorporated under the laws of South Africa;
“Record Date”	close of business on Friday, 2 January 2009;
“Registrar” or “Registrar of Companies”	the Registrar of Companies in South Africa;
“Rights Offer”	the renounceable rights offer by Growthpoint to raise R1.742 billion through the issue of a total of 128 092 620 Rights Offer Units at an issue price of 1 360 cents per Linked Unit to be extended to all Linked Unitholders recorded as such on the Record Date, in the ratio of 10 Rights Offer Units for every 100 Linked Units held on the Record Date;
“Rights Offer Price”	the subscription price of 1 360 cents per Rights Offer Unit;
“Rights Offer Units”	128 092 620 new Growthpoint Linked Units, including the Underwritten Units, which are to be offered to Linked Unitholders pursuant to the Rights Offer;
“Rights Recipients”	Linked Unitholders entitled to participate in the Rights Offer, being Linked Unitholders recorded in the register as such on the Record Date;
“RSA” or “South Africa”	the Republic of South Africa;
“SENS”	Securities Exchange News Service of the JSE;

“Strate”	the share settlement and clearing system utilised by the JSE for all share transactions concluded on the JSE, managed by Strate Limited (Registration number 1998/022242/06), a public company registered and incorporated under the laws of South Africa;
“Subscription and Underwriting Agreement”	the agreement, dated Thursday, 4 December 2008, as amended on Friday, 5 December 2008, entered into between Growthpoint and the Underwriter;
“Subsidiary”	has the meaning ascribed to the term in section 1(3) of the Act;
“Transfer Secretaries”	Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a private company registered and incorporated under the laws of South Africa;
“Underwriter”	Investec Bank Limited (Registration number 1969/004763/06), a public company registered and incorporated under the laws of South Africa or its nominee;
“Underwritten Units”	73 529 391 new Growthpoint Linked Units subscribed for by the Underwriter as part of the Rights Offer and which form part of the Rights Offer Units being offered; and
“Underwriting Commission”	a fee payable to the Underwriter by Growthpoint in return for underwriting part of the Rights Offer and in terms of the Subscription and Underwriting Agreement.

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## **SALIENT FEATURES**

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**The definitions contained on pages 3 to 5 of this Circular have, where necessary, been used in this section.**

The salient features provide an outline of the Rights Offer and should be read in conjunction with the Circular as a whole.

### **1. INTRODUCTION**

It was released on SENS on Thursday, 4 December 2008 and on Friday, 5 December 2008 that Growthpoint would undertake a Rights Offer to raise R1.742 billion, before expenses, through the issue of 128 092 620 new Growthpoint Linked Units at an issue price of 1 360 cents per Linked Unit in the ratio of 10 Rights Offer Units for every 100 Growthpoint Linked Units held on the Record Date.

Growthpoint has entered into a Subscription and Underwriting Agreement with the Underwriter in terms of which the Underwriter will underwrite R1 billion of the Rights Offer, payable on Wednesday, 31 December 2008, by subscribing for 73 529 391 new Growthpoint Linked Units which will be offered to all existing Growthpoint Linked Unitholders on the terms set out in paragraph 2 below.

The Rights Offer Price represents a 2.3% discount to the 30-day volume weighted average price and a 10.6% discount to the closing price on Wednesday, 3 December 2008.

Growthpoint has also received irrevocable undertakings from Growthpoint Linked Unitholders to follow their rights for a minimum of R400 million in terms of the Rights Offer. Taking this and the R1 billion which has been underwritten into account, Growthpoint will raise a minimum of R1.4 billion from the Rights Offer.

### **2. RIGHTS OFFER AND UNDERWRITTEN UNITS**

Growthpoint will make the Rights Offer to all existing Growthpoint Linked Unitholders pro-rata to their existing unitholding as at the Record Date of the Rights Offer.

The Underwritten Units, which form part of the Rights Offer Units, will be offered to Growthpoint Linked Unitholders at the Rights Offer Price. If Growthpoint Linked Unitholders exercise their right to subscribe for Rights Offer Units in excess of 54 563 229 new Growthpoint Linked Units then the Underwriter will renounce its entitlement to the appropriate number of Underwritten Units.

### **3. RATIONALE FOR THE RIGHTS OFFER**

The capital to be raised in terms of the Rights Offer will:

- enhance Growthpoint's ability to take advantage of local and international acquisition opportunities that are expected to arise in the volatile markets currently being experienced; and
- strengthen Growthpoint's balance sheet improving its ability to use cash to conclude transactions.

In the interim the Rights Offer will:

- partly fund Growthpoint's future developments and projects as highlighted in Growthpoint's 30 June 2008 results;
- be accretive to distributions due to favourable rates available for cash deposits and the ability to reduce short-term borrowings; and
- provide flexibility in relation to future financing obligations.

### **4. TERMS OF THE RIGHTS OFFER**

Growthpoint is raising R1.742 billion, before expenses, by way of the Rights Offer through the issue of 128 092 620 Linked Units, at an issue price of 1 360 cents per Linked Unit.

Linked Unitholders recorded in the register as such on the Record Date, will have the right to subscribe for 10 Rights Offer Units for every 100 Linked Units held on the Record Date. Linked Unitholders holding less than 100 Linked Units will receive entitlements in accordance with the table of entitlements contained in Annexure 6 to this Circular.

Fractional entitlements to Linked Units resulting from the Rights Offer will be rounded down to the nearest whole number if they are less than 0,5 and will be rounded up to the nearest whole number if they are equal to or greater than 0,5.

The detailed terms of the Rights Offer are contained in paragraph 4 of the main body of this Circular commencing on page 10.

## 5. APPLICATIONS FOR EXCESS RIGHTS OFFER UNITS

Rights Offer Units in excess of Growthpoint Linked Unitholders *pro rata* entitlement thereto may be applied for by Growthpoint Linked Unitholders after the Underwriter has taken up the Underwritten Units. If Excess Rights Offer Units are available to be allocated, the pool of Excess Rights Offer Units will be allocated equitably, the decision of the Growthpoint Board, acting in its sole discretion, being final and binding in this regard, taking into account the following:

- the number of Growthpoint Linked Units held prior to any excess application;
- the Rights Offer Units subscribed for; and
- the number of Excess Rights Offer Units applied for by such Growthpoint Linked Unitholder.

## 6. FINANCIAL EFFECTS OF THE RIGHTS OFFER

A summary of the unaudited *pro forma* financial effects of Growthpoint after the Rights Offer is set out below. It has been assumed for purposes of the unaudited *pro forma* financial effects that the Rights Offer took place with effect from 1 July 2007. The directors of Growthpoint are responsible for the preparation of the unaudited *pro forma* financial effects. The *pro forma* income statement and balance sheet is attached in Annexure 2. The financial effects, unaudited *pro forma* income statement and balance sheet of Growthpoint has been presented for illustrative purposes only and because of its nature may not give a fair reflection of Growthpoint's results, financial position and changes in equity after the Rights Offer.

	<b>Before Rights Offer (cents)</b>	<b>Pro forma after Rights Offer (cents)</b>	<b>Change (%)</b>
Distribution per linked unit	106.50	110.50	3.76
Basic loss per linked unit	(7.91)	(9.95)	25.79
Headline earnings per linked unit	159.31	155.79	(2.21)
Net asset value per linked unit	1 545	1 524	(1.36)
Tangible net asset value per linked unit	1 432	1 422	(0.70)
Linked units in issue at year-end	1 280 926 195	1 409 018 815	10.00
Weighted average number of linked units in issue	1 238 460 442	1 366 553 062	10.34

### Notes:

1. The figures in the "Before" column have been extracted without adjustment from the published audited results for the year ended 30 June 2008.
2. Finance costs have been adjusted to take into account the interest saving resulting from the reduction in interest bearing debt by the R1.742 billion received from the Rights Offer at the Investec Call Deposit Rate.
3. Transaction costs have been expensed.
4. The Underwriting Commission of 3.5% and interest at the Investec Call Deposit Rate paid to the Underwriter is calculated based on the value of the Rights Offer underwritten of R1 billion. The interest is calculated for the period from the date the Underwriter subscribes and pays for the Underwritten Units until Monday, 2 February 2009.
5. Linked units in issue have been adjusted for the 128 092 620 Rights Offer Units to be issued.
6. On the basis that R1 billion has been underwritten and irrevocables have been received for R400 million, Growthpoint will raise a minimum of R1.4 billion. The difference in the financial effects based on Growthpoint only raising R1.4 billion and not the full R1.742 billion is not material.
7. Transaction costs and Underwriting Commission relating to capital raised have historically been treated by Growthpoint as items of a capital nature in the determination of distributions to Linked Unitholders. These items have therefore been added back in the calculation of the distribution per Linked Unit.

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## SALIENT DATES AND TIMES

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**The definitions contained on pages 3 to 5 of this Circular have, where necessary, been used in this section.**

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Finalisation date announcement released on SENS	Monday, 15 December 2008
Finalisation date announcement published in the press	Wednesday, 17 December 2008
Last Date to Trade in Growthpoint Linked Units on the JSE in order to settle by the Record Date and thus be recorded as a Linked Unitholder in order to be entitled to participate in the Rights Offer	Tuesday, 23 December 2008
Growthpoint Linked Units trade ex-Rights Offer entitlement on the JSE	Wednesday, 24 December 2008
Listing and trading on the JSE of the Letters of Allocation from the commencement of trade	Wednesday, 24 December 2008
Subscription by the Underwriter for the Underwritten Units and payment of R1 billion to Growthpoint by the Underwriter	Wednesday, 31 December 2008
<hr/>	
Record Date in order to be entitled as a Growthpoint Linked Unitholder to participate in the Rights Offer	Friday, 2 January 2009
Rights Offer opens at 09:00 and the Circular including a form of instruction, where applicable, to be Mailed to Linked Unitholders	Monday, 5 January 2009
Last Date to Trade in the Letters of Allocation on the JSE in order to settle by Friday, 30 January 2009	Friday, 23 January 2009
Listing and trading on the JSE of Rights Offer Units commence at 09:00	Monday, 26 January 2009
Rights Offer closes at 12:00 and payment and forms of instruction to be received by the Transfer Secretaries	Friday, 30 January 2009
Record Date for the Letters of Allocation	Friday, 30 January 2009
Results of the Rights Offer announcement released on SENS	Monday, 2 February 2009
Expected date from which Linked Unit Certificates are Mailed in respect of Certificated Linked Unitholders or accounts at the relevant CSDP or broker are updated with their new Linked Units and debited with the costs of the purchase in respect of Dematerialised Linked Unitholders	Monday, 2 February 2009
Subscription refund settled	Monday, 2 February 2009
Announcement giving results of the Rights Offer published in the press	Tuesday, 3 February 2009
Excess Rights Offer Units allocated	Wednesday, 4 February 2009

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**Notes:**

1. Dematerialised Linked Unitholders are required to notify their duly appointed CSDP or broker of their acceptance of the Rights Offer in the manner and time stipulated in the agreement governing the relationship between the Linked Unitholders and his/her CSDP or broker.
2. No Linked Units may be dematerialised or rematerialised from the start of trade on Wednesday, 24 December 2008 to Friday, 2 January 2009.
3. CSDP's effect payment on a delivery of scrip versus payment method in respect of Dematerialised Linked Unitholders.
4. These dates and times are subject to further changes. All changes will be released on SENS and published in the press.
5. The above times are South African times.

# GROWTHPOINT

## PROPERTIES

### Growthpoint Properties Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1987/004988/06)

Share code: GRT ISIN: ZAE000037669

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## CIRCULAR TO GROWTHPOINT LINKED UNITHOLDERS

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### 1. INTRODUCTION

It was released on SENS on Thursday, 4 December 2008 and on Friday, 5 December 2008 that Growthpoint would undertake a Rights Offer to raise R1.742 billion, before expenses, through the issue of 128 092 620 new Growthpoint Linked Units at an issue price of 1360 cents per Linked Unit in the ratio of 10 Rights Offer Units for every 100 Growthpoint Linked Units held on the Record Date.

Growthpoint has entered into a Subscription and Underwriting Agreement with the Underwriter in terms of which the Underwriter will underwrite R1 billion of the Rights Offer, payable on Wednesday, 31 December 2008, by subscribing for 73 529 391 new Growthpoint Linked Units which will be offered to all existing Growthpoint Linked Unitholders on the terms set out in paragraph 2 below.

The Rights Offer Price represents a 2.3% discount to the 30-day volume weighted average price and a 10.6% discount to the closing price on Wednesday, 3 December 2008.

Growthpoint has also received irrevocable undertakings from Growthpoint Linked Unitholders to follow their rights for a minimum of R400 million in terms of the Rights Offer. Taking this and the R1 billion which has been underwritten into account, Growthpoint will raise a minimum of R1.4 billion from the Rights Offer.

### 2. RIGHTS OFFER AND UNDERWRITTEN UNITS

Growthpoint will make the Rights Offer to all existing Growthpoint Linked Unitholders *pro rata* to their existing unitholding at the Record Date of the Rights Offer.

The Underwritten Units, which form part of the Rights Offer Units, will be offered to Growthpoint Linked Unitholders at the Rights Offer Price. If Growthpoint Linked Unitholders exercise their right to subscribe for Rights Offer Units in excess of 54 563 229 new Growthpoint Linked Units then the Underwriter will renounce its entitlement to the appropriate number of Underwritten Units.

### 3. RATIONALE FOR THE RIGHTS OFFER

The capital to be raised in terms of the Rights Offer will:

- enhance Growthpoint's ability to take advantage of local and international acquisition opportunities that are expected to arise in the volatile markets currently being experienced; and
- strengthen Growthpoint's balance sheet improving its ability to use cash to conclude transactions.

In the interim the Rights Offer will:

- partly fund Growthpoint's future developments and projects as highlighted in Growthpoint's 30 June 2008 results;
- be accretive to distributions due to favourable rates available for cash deposits and the ability to reduce short-term borrowings; and
- provide flexibility in relation to future financing obligations.

## **4. TERMS OF THE RIGHTS OFFER**

### **4.1 Terms of the Rights Offer Units**

The Rights Offer Units comprise an ordinary share of 5 cents per share linked to ten variable rate Debentures of 250 cents per Debenture. The Rights Offer Units are to be issued at 1 360 cents per Linked Unit. The salient terms of the Debentures are set out in paragraph 22 below.

### **4.2 Terms of the Rights Offer**

Up to the Last Practicable Date Growthpoint had 1 280 926 195 Linked Units in issue.

Growthpoint hereby offers, by way of the Rights Offer, to its Linked Unitholders, a total of 128 092 620 Linked Units, at an issue price of 1 360 cents per Linked Unit, payable in full on acceptance in the currency of South Africa, in the ratio of 10 Rights Offer Units for every 100 Linked Units held on the Record Date. Linked Unitholders not holding a multiple of 100 Linked Units will receive entitlements in accordance with the table of entitlements contained in Annexure 6 to this Circular.

### **4.3 Rights Offer Price**

The Rights Offer Price has been calculated on the basis that the Rights Offer Units will qualify for the full distribution in respect of the period ending 31 December 2008 and 30 June 2009 notwithstanding the date of allotment and issue of such Rights Offer Units and as such the Rights Offer Price includes the following pre-paid amounts, which will fund the payment of the 31 December 2008 and 30 June 2009 distributions on the Rights Offer Units:

- 56.26 cents as a pre-paid distribution for the six-month period 1 July 2008 to 31 December 2008; and
- 10.16 cents as a pre-paid distribution for the one-month period 1 January 2009 to 31 January 2009,

each being an estimate of the distributions which will be paid in respect of the Rights Offer Units for each of such distribution periods. These estimates are based on the fact that the Rights Offer timetable is anticipated to be completed by the end of January 2009 and are based on the I-net consensus forecast of 117.2 cents for the twelve-month period ending 30 June 2009 and in no way constitutes a forecast in terms of the Listings Requirements of the JSE.

### **4.4 Flow of funds and payment of interest**

In terms of the Subscription and Underwriting Agreement, the Underwriter will subscribe and pay Growthpoint R1 billion on Wednesday, 31 December 2008. On Monday, 2 February 2009 Growthpoint will return to the Underwriter that amount equivalent to the value of the Underwritten Units subscribed for by Linked Unitholders including interest. The interest is calculated at the Investec Call Deposit Rate on the full value of the Underwritten Units for the period from the date the Underwriter subscribes and pays for the Underwritten Units until Monday, 2 February 2009. Growthpoint will also earn interest on the funds received in respect of the Underwritten Units and is therefore in a neutral position.

### **4.5 Opening and closing dates of the Rights Offer**

The Rights Offer will open at 09:00 on Monday, 5 January 2009 and close at 12:00 on Friday, 30 January 2009.

### **4.6 Procedure for acceptance of the Rights Offer**

Full details of the procedure for acceptance and payment by Certificated Linked Unitholders are contained in the form of instruction enclosed with this Circular; or in the case of Dematerialised Linked Unitholders, as advised by their CSDP or broker.

It should be noted that:

- 4.6.1** acceptances of the Rights Offer are irrevocable and may not be withdrawn;
- 4.6.2** acceptances may only be made by Certificated Linked Unitholders by means of the form of instruction;
- 4.6.3** Linked Unitholders may accept a lesser number of Linked Units than their full entitlement and excess applications will be also be allowed subject to paragraph 4.8 below;

- 4.6.4** properly completed forms of instruction and cheques or banker's drafts, in the currency of South Africa, in payment of the Rights Offer Price must be received from Certificated Linked Unitholders by the Transfer Secretaries at the addresses referred to in paragraph 4.9 below by no later than 12:00 on Friday, 30 January 2009. Certificated Linked Unitholders are advised to take into consideration postal delivery times when posting their form of instruction, as no late postal deliveries will be accepted after 12:00 on Friday, 30 January 2009. Each cheque or banker's draft will be deposited immediately for collection;
- 4.6.5** payment referred to in paragraph 4.9 below, when the cheque or banker's draft has been paid together with receipt of the completed forms of instruction, will constitute an irrevocable acceptance of the Rights Offer upon the terms and conditions set out in this Circular and in the form of instruction. Should any cheque or banker's draft be dishonoured, Growthpoint, in its sole discretion, may either treat the acceptance of the form of instruction by the acceptor concerned as void or may deliver the relevant Linked Units to the acceptor for immediate payment in cash of the Rights Offer Price in respect of the Linked Units concerned;
- 4.6.6** if any form of instruction and cheque or banker's draft is not received as set out above, then the Rights Offer will be deemed to have been declined and the right to subscribe for the Linked Units offered to the addressee or renounced in favour of his renounee in respect of such form of instruction will be deemed not to have been accepted; and
- 4.6.7** Dematerialised Linked Unitholders should act in terms of the instructions received from their CSDP or broker.

#### **4.7 Renunciation or sale of rights**

Growthpoint has issued all Letters of Allocation in dematerialised form as they can only be traded electronically and the electronic record for Certificated Linked Unitholders is being maintained by Computershare Nominees (Pty) Limited, a wholly-owned subsidiary of Computershare Custodial Services Limited. This has made it possible for Certificated Linked Unitholders to enjoy the same rights and opportunities as those Linked Unitholders who have already dematerialised their Linked Units.

Certificated Linked Unitholders not wishing to subscribe for all or part of their entitlement as reflected in the enclosed form of instruction may sell or renounce their rights.

Certificated Linked Unitholders who wish to sell all or part of their entitlement as reflected in the form of instruction should complete the relevant section of the form of instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein to be received by not later than 12:00 on Friday, 23 January 2009. Computershare Nominees (Pty) Limited will endeavour to procure the sale, on an equitable basis, of the rights on the JSE on behalf of such Certificated Linked Unitholders and will remit the proceeds in accordance with the payment instructions reflected in the form of instruction, net of brokerage charges and associated expenses. Computershare Nominees (Pty) Limited will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained or any failure to sell such entitlements. References in this paragraph to a Certificated Linked Unitholders include references to the person or persons executing this form of instruction and any person or persons on behalf of whom such person or persons executing the form of instruction is/are acting and in the event of more than one person executing the form of instruction the provisions of this paragraph shall apply to them, jointly and severally.

Certificated Linked Unitholders who do not wish to sell all or part of their entitlements as reflected in the form of instruction and who do not wish to subscribe for the Linked Units offered in terms of the form of instruction but who wish to renounce their rights, must complete the relevant section of the form of instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein.

Certificated Linked Unitholders who wish to subscribe for a portion only of their entitlement must indicate the number of Linked Units which they wish to subscribe for on the form of instruction.

Dematerialised Linked Unitholders should act in terms of the instructions received from their CSDP or broker.

#### **4.8 Applications for Excess Rights Offer Units**

Rights Offer Units in excess of Growthpoint Linked Unitholders *pro rata* entitlement thereto may be applied for by Growthpoint Linked Unitholders after the Underwriter has taken up the Underwritten Units. If Excess Rights Offer Units are available to be allocated, the pool of Excess Rights Offer Units will be allocated equitably, the decision of the Growthpoint Board, acting in its sole discretion, being final and binding in this regard, taking into account the following:

- the number of Growthpoint Linked Units held prior to any excess application;
- the Rights Offer Units subscribed for; and
- the number of Excess Rights Offer Units applied for by such Growthpoint Linked Unitholder.

#### **4.9 Payment by Rights Recipients and/or their renounees**

A cheque (drawn on a registered bank, crossed “not transferable” and with the words “or bearer” or “or order” deleted), payable to “**Growthpoint Properties Limited – Rights Offer 2009**”, for the total amount due in respect of the number of Linked Units to be acquired in the currency of South Africa, together with a properly completed form of instruction, must be lodged by Certificated Linked Unitholders as follows:

*Hand deliveries to:*

Computershare Investor Services (Pty) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001

*Postal deliveries (at the risk of the holder) to:*

Computershare Investor Services (Pty) Limited  
PO Box 61763  
Marshalltown, 2107

by no later than 12:00 on Friday, 30 January 2009.

CSDP's effect payment on a delivery versus payment method in respect of Dematerialised Linked Unitholders.

Dematerialised Linked Unitholders must instruct their CSDP or broker as to the action they must take to enable the CSDP or broker to act timeously on their behalf in terms of the agreement entered into between the Dematerialised Linked Unitholders and the CSDP or broker.

#### **4.10 Documents of Title**

Linked Unit Certificates to be issued to Certificated Linked Unitholders pursuant to the Rights Offer will be Mailed to persons entitled thereto, by registered post, at the risk of the Linked Unitholders concerned, on or about Monday, 2 February 2009.

Certificated Linked Unitholders recorded on the Company's share register receiving new Certificated Linked Units must note that such Certificated Linked Units are not good for delivery in respect of trades concluded on the JSE until they have been dematerialised.

Dematerialised Linked Unitholders will receive electronic statements in terms of Strate that will be sent to the address in the records of the CSDP or broker in terms of the agreement entered into between the Dematerialised Linked Unitholders and the CSDP or broker.

#### **4.11 Fractional entitlements**

Fractional entitlements to Linked Units resulting from the Rights Offer will be rounded down to the nearest whole number if they are less than 0,5 and will be rounded up to the nearest whole number if they are equal to or greater than 0,5.

A table of entitlements is presented in Annexure 6.

#### **4.12 South African Exchange Control Regulations and other regulations**

The following instructions are intended as a guide and are not comprehensive. If you are in any doubt in regard thereto, please consult your professional adviser:

##### **4.12.1 South African Exchange Control Regulations**

In terms of the Exchange Control Regulations of South Africa:

- Non-residents, excluding former residents, of the Common Monetary Area will be allowed to:
  - take up rights allocated to them in terms of the Rights Offer;
  - purchase Letters of Allocation on the JSE; and
  - subscribe for new Linked Units arising in respect of the Letters of Allocation purchased on the JSE, provided payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through an authorised dealer in foreign exchange. Linked Unit certificates issued pursuant to such applications will be endorsed "non-resident".

Former residents:

Where a right in terms of the Rights Offer accrues to a former resident of the Common Monetary Area, which right is based on Linked Units blocked in terms of the Exchange Control Regulations, then only emigrant blocked funds may be used to take up these rights, and may be used to:

- purchase Letters of Allocation on the JSE; and
- subscribe for new Linked Units arising in respect of the Letters of Allocation purchased on the JSE.

All applications by emigrants using blocked funds for the above purposes must be made in foreign exchange through the authorised dealer controlling their blocked assets. Linked Unit certificates issued pursuant to blocked Rand transactions will be endorsed "non-resident" and placed under the control of the authorised dealer in foreign exchange through whom the payment was made.

The sale proceeds of Letters of Allocation, if applicable, will be returned to the authorised dealer in foreign exchange for credit of such emigrant's blocked funds account.

#### **4.12.2 Additional provisions applicable to Rights Recipients and/or their renounees resident outside of the Common Monetary Area**

The United Kingdom:

Residents of the United Kingdom are free to subscribe for Linked Units in terms of the Rights Offer or deal in the Letters of Allocation without restriction.

Canada and the United States of America:

The Linked Units will not be registered for the purposes of the Rights Offer under the securities laws of Canada or of the United States and accordingly, except as stated below, are not being offered to Rights Recipients with registered addresses in those countries. Therefore, this Circular is sent to them for information purposes only. In this regard, the approval of the Registrar in terms of section 142(2)(a) of the Act has been obtained. The rights attributable to such Rights Recipients will, if a premium can be obtained over the expenses of sale, be sold on the JSE, for the benefit of such Rights Recipients as soon as practicable. However, if the net proceeds of sale in relation to any such Rights Recipient is less than R5.00, they will be retained for the benefit of Growthpoint. No Letters of Allocation will be sent, therefore, to any Rights Recipient whose registered address is in Canada or the United States unless, in appropriate circumstances where Growthpoint considers it practical, such a person satisfies Growthpoint that an allotment is permitted under an exemption to the securities laws referred to above.

For the purposes of the above, "United States" means the United States of America (including the States and District of Columbia), its territories, its possessions and all areas subject to its jurisdiction and "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, the income of which is subject to United States Federal Income Taxation, regardless of its source.

Other areas:

Any addressee resident elsewhere, who receives this Circular and the attached form of instruction, where applicable, should obtain advice as to whether any governmental and/or legal consents are required and/or any other formality must be observed to enable a subscription to be made in terms of such letter of allocation.

#### **Note:**

This Circular does not incorporate an offer in any jurisdiction in which it is illegal to make it, and, in those circumstances, this Circular and any attached form of instruction are sent for information purposes only.

## **5. DETAILS OF THE UNDERWRITER**

In terms of the Subscription and Underwriting Agreement, the Underwriter has irrevocably undertaken to subscribe and pay for 73 529 391 Underwritten Units at an issue price of 1 360 cents per Linked Unit with effect from Wednesday, 31 December 2008, also being the date on which the Underwriting Commission becomes due and payable. Such subscription is on the basis that the Growthpoint Linked Unitholders recorded in the register as such on the Record Date be afforded the opportunity to subscribe for the Underwritten Units in terms of this Circular and the Underwriter will renounce its entitlement in respect of such Underwritten Units.

On Monday, 2 February 2009 the Company will pay to the Underwriter:

- an amount equal to the subscription proceeds received by Growthpoint from its Linked Unitholders or their renounees in respect of the Underwritten Units subscribed for; and
- interest calculated at the Investec Call Deposit Rate on the full value of the Underwritten Units for the period from the date the Underwriter subscribes and pays for the Underwritten Units until Monday, 2 February 2009. Growthpoint will also earn interest on the funds received in respect of the Underwritten Units and is therefore in a neutral position.

The statutory details of the Underwriter are as follows:

## **5.1 Investec Bank Limited**

### **5.1.1 Place and date of incorporation**

Incorporated in South Africa on 31 March 1969

### **5.1.2 Registration number**

1969/004763/06

### **5.1.3 Company secretary**

Benita Coetsee

### **5.1.4 Registered office**

100 Grayston Drive  
Sandown  
Sandton, 2196  
(PO Box 785700, Sandton, 2146)

### **5.1.5 Banker**

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

### **5.1.6 Authorised and issued share capital**

	<b>Rand</b>
<b>Authorised share capital</b>	
105 000 000 ordinary shares of 50 cents each	52 500 000
4 000 000 variable rate redeemable cumulative preference shares of R1.00 each	4 000 000
70 000 000 non-redeemable non-cumulative non-participating preference shares of 1 cent each	700 000
	<b>57 200 000</b>
<b>Issued share capital</b>	
42 025 725 ordinary shares of 50 cents each	21 012 863
15 000 000 non-redeemable non-cumulative non-participating preference shares of 1 cent each	150 000
	<b>21 162 863</b>
<b>Total nominal value</b>	<b>8 580 527 171</b>
Premium (Ordinary)	7 080 677 171
Premium (Prefs)	1 499 850 000
<b>Total premium</b>	<b>8 580 527 171</b>
	<b>8 601 690 034</b>

<b>Debentures: Authorised</b>	<b>R</b>
3 753 994 Unsecured subordinated compulsorily convertible debentures of 50 cents each	1 876 997
5 000 000 Class A debentures of 50 cents each	2 500 000
1 000 000 Class A Series II debentures of 50 cents each	500 000
1 500 000 Class B debentures of 50 cents each	750 000
2 000 000 Class C debentures of 50 cents each	1 000 000
<b>Debentures: Issued</b>	<b>-</b>

### 5.1.7 Directors

FTiti (*Chairman*)  
 D M Lawrence (*Deputy Chairman*)\*  
 S Koseff (*Chief Executive*)\*  
 B Kantor (*Managing*)\*  
 G R Burger\*  
 S E Abrahams  
 M P Malungani  
 K X T Socikwa  
 B Tapnack\*  
 P R S Thomas  
 C B Tshili  
 R M W Dunne

\* Executive

## 6. STOCK EXCHANGE LISTINGS

The JSE has granted separate listings for:

- the Letters of Allocation in respect of the Rights Offer from the commencement of trading on the JSE on Wednesday, 24 December 2008 to Friday, 23 January 2009 (both days inclusive); and
- the Linked Units to be issued pursuant to the Rights Offer from the commencement of trading on the JSE on Monday, 26 January 2009.

## 7. FINANCIAL EFFECTS OF THE RIGHTS OFFER

A summary of the unaudited *pro forma* financial effects of Growthpoint after the Rights Offer is set out below. It has been assumed for purposes of the unaudited *pro forma* financial effects that the Rights Offer took place with effect from 1 July 2007. The directors of Growthpoint are responsible for the preparation of the unaudited *pro forma* financial effects. The *pro forma* income statement and balance sheet is attached in Annexure 2. The financial effects, unaudited *pro forma* income statement and balance sheet of Growthpoint has been presented for illustrative purposes only and because of its nature may not give a fair reflection of Growthpoint's results, financial position and changes in equity after the Rights Offer.

	<b>Before Rights Offer (cents)</b>	<b>Pro forma after Rights Offer (cents)</b>	<b>Change (%)</b>
Distribution per linked unit	106.50	110.50	3.76
Basic loss per linked unit	(7.91)	(9.95)	25.79
Headline earnings per linked unit	159.31	155.79	(2.21)
Net asset value per linked unit	1 545	1 524	(1.36)
Tangible net asset value per linked unit	1 432	1 422	(0.70)
Linked units in issue at year-end	1 280 926 195	1 409 018 815	10.00
Weighted average number of linked units in issue	1 238 460 442	1 366 553 062	10.34

**Notes:**

1. The figures in the before column have been extracted without adjustment from the published audited results for the year ended 30 June 2008.
2. Finance costs have been adjusted to take into account the interest saving resulting from the reduction in interest bearing debt by the R1.742 billion received from the Rights Offer at the Investec Call Deposit Rate.
3. Transaction costs have been expensed.
4. The Underwriting Commission of 3.5% and interest at the Investec Call Deposit Rate paid to the Underwriter is calculated based on the value of the Rights Offer underwritten of R1 billion. The interest is calculated for the period from the date the Underwriter subscribes and pays for the Underwritten Units until Monday, 2 February 2009.
5. Linked units in issue have been adjusted for the 128 092 620 Rights Offer Units to be issued.
6. On the basis that R1 billion has been underwritten and irrevocables have been received for R400 million, Growthpoint will raise a minimum of R1.4 billion. The difference in the financial effects based on Growthpoint only raising R1.4 billion and not the full R1.742 billion is not material.
7. Transaction costs and Underwriting Commission relating to capital raised have historically been treated by Growthpoint as items of a capital nature in the determination of distributions to Linked Unitholders. These items have therefore been added back in the calculation of the distribution per Linked Unit.

## **8. INFORMATION ON GROWTHPOINT**

### **8.1 Incorporation and history**

Growthpoint is a property investment holding company, incorporated and registered as a public company on 12 October 1987, and is listed under the "Financial – Real Estate" sector of the JSE lists.

Growthpoint's capital structure comprises ordinary shares, which are linked to unsecured, subordinated, variable rate Debentures in the ratio of one ordinary share of 5 cents linked to ten Debentures of 250 cents each. This linkage means that each ordinary share may only be issued and traded on the JSE as a Linked Unit together with the Debentures to which it is linked.

Growthpoint has a diversified portfolio of 436 properties valued at more than R27.2 billion at 30 June 2008. Retail properties comprised 35% of the value, commercial 42% and industrial 23%. The bulk of Growthpoint's gross lettable area is situated in greater Johannesburg (55%) with the balance located in the Western Cape (17%), Pretoria (8%), KwaZulu-Natal (14%), Eastern Cape (3%) and the other South African provinces (3%).

Measured by market capitalisation and total assets, Growthpoint is currently the largest listed South African property company on the JSE with a market capitalisation in excess of R19.5 billion at the Last Practicable Date.

### **8.2 Future prospects**

Growthpoint, as the largest South African listed property loan stock company continues to be a point of reference for investors seeking exposure to the South African property market. Growthpoint will endeavour to provide Linked Unitholders with long-term sustainable growing returns by investing in quality real estate assets. Growthpoint continues to look for opportunities to grow its total asset base and market capitalisation. This growth strategy will be undertaken in a structured manner having regard to opportunities that arise within the respective sectors, regions and geographies (both locally and internationally).

The impact of newly completed developments that have recently come on stream, and others that will be completed in the next six months, is likely to increase vacancies in the office sector in the short-term, as these properties might not all be fully let on completion. Besides the developments, Growthpoint intends to spend R360 million in the next year on capital improvements to properties that will, in the medium and longer term, enable higher net rentals to be achieved.

In the retail sector, a slow-down in consumer spending due to increased interest rates and higher inflation levels is impacting on disposable incomes and smaller tenants are being affected. Although bad debts and tenancy failures are expected to increase, this is not likely to be material to Growthpoint's results.

## **9. PRO FORMA BALANCE SHEET**

A *pro forma* balance sheet of Growthpoint at 30 June 2008, as if the Rights Offer had been concluded on that date, has been set out in Annexure 2 to this Circular.

## 10. FINANCIAL INFORMATION

Relevant financial information extracted from the annual financial statements of Growthpoint for the three financial years ended 30 June 2006, 2007 and 2008 is set out in Annexure 1 to this Circular.

## 11. SHARE CAPITAL

At the Last Practicable Date, the authorised and issued share capital of Growthpoint is as follows:

	<b>Before transaction R'000</b>	<b>After transaction R'000</b>
<b>Authorised share capital</b>		
Ordinary shares (2 000 000 000 shares with a par value of 5 cents each)	100 000	100 000
<b>Issued share capital</b>		
Ordinary shares (1 280 926 195 shares with a par value of 5 cents each already in issue after adding 128 092 620 ordinary shares with a par value of 5 cents each = total 1 409 018 815 shares)	64 046	70 451

The information provided in the table above represents the entire authorised and issued share capital of the Company. The Company does not hold any treasury shares and the Company has no share premium account.

## 12. TRADING HISTORY OF GROWTHPOINT LINKED UNITS

The recent trading history of Growthpoint Linked Units on the JSE is set out in Annexure 4 to this Circular.

## 13. DIRECTORS

Board of directors

### **Jacobus Francois Marais (53) (Non-Executive Chairman)**

BCom, LLB, H Dip (Company Law). A founding partner and managing partner of Glyn Marais Inc. Appointed to the board in 2003.

### **Herman Samtseu Philip Mashaba (49) (Independent Non-Executive Deputy Chairman)**

Founder of Black Like Me products in 1985. Non-executive director of Black Like Me (Pty) Limited. Chairman of Leswiking Minerals and Energy (Pty) Limited, the Phatsima Group of companies and Stocks Building Africa (Pty) Limited. Chairman of the Institute of Directors in Southern Africa. Non-executive director of The IQ Business Group (Pty) Limited and PG Group (Pty) Limited. Appointed to the board in 2006.

### **Leon Norbert Sasse (44) (Chief Executive Officer)**

BCom (Hons) (Acc), CA(SA). Ten years' experience in corporate finance dealing with listings, delistings, mergers, acquisitions and capital raising, prior to joining Growthpoint. Chairman: Property Loan Stock Association. Director of South African Property Owners' Association and Sandton Business Improvement District. Appointed to the board in 2003.

### **Stuart McKenzie Snowball (52) (Financial Director)**

BCom (Hons) (Acc), CA(SA). 26 years' post-qualifying working experience in commerce, including 18 years' property experience. Chief Financial Officer of Barprop Limited, Primegro Properties Limited and of Growthpoint since 2003. Appointed to the board in 2008.

### **Estienne Konrad de Klerk (39) (Executive Director)**

BCom (Industrial Psych), BCom (Hons) (Marketing). BCom (Hons) (Acc), CA(SA). Fund Executive for Growthpoint subsequent to the acquisition of Metboard Properties Limited by Growthpoint in June 2006. Seven years' experience in listed property as an executive at Investec Property Group Limited involved in BEE transactions, mergers and acquisitions for both Growthpoint and Metboard. Six years' prior experience with Investec Bank Limited. Board member of the Property Sector Charter Council. Appointed to the board in 2008.

**Mzolisi Goodman Dliza (59) (Independent Non-Executive Director)**

BCom (Rhodes). Bachelor of Business Management and Administration (Hons). Chief Executive: Chamber of Mines of South Africa. Appointed to the board in 2001.

**Peter Henry Fechter (62) (Independent Non-Executive Director)**

BSc (Eng). More than 30 years' experience in construction, property development, management and investment. Appointed to the board in 2003.

**John Carey Hayward (57) (Independent Non-Executive Director)**

BSc (Hons). Fellow of the Institute of Actuaries. 25 years' experience in investment and investment-related activities. Appointed to the board in 2001.

**Hugh Sidney Herman (67) (Independent Non-Executive Director)**

BA LLB. Chairman of Investec Bank (UK) Limited. Chairman of Investec plc and Investec Limited. Director of Pick n Pay Holdings Limited and Pick n Pay Stores Limited. Appointed to the board in 1994.

**Ragavan Moonsamy (44) (Independent Non-Executive Director)**

Founder of Kascara Financial Services (Pty) Limited. Chief Executive of UniPalm Investments (Pty) Limited. Director of Afripalm (Pty) Limited. Appointed to the board in 2005.

**Colin Graham Steyn (67) (Independent Non-Executive Director)**

FCIS, Senior Management Program, Harvard University. Formerly Chairman of Barprop Limited. Former President of SAPOA. Appointed to the board in 2001.

**Jan Henrik Nicolaas Strydom (69) (Independent Non-Executive Director)**

MCom (Acc), CA(SA). Retired. Co-founder of Strydom's Incorporated, a firm of Chartered Accountants specialising in business valuations, forensic investigations, litigation support and arbitrations. Director of MTN Group Limited, Director of the Public Investment Corporation Limited and senior member of the Special Income Tax Court. Appointed to the board in 2003.

**Frederick Johannes Visser (56) (Independent Non-Executive Director)**

BCom (Hons). Chief Executive Officer of Mine Pension Funds. Appointed to the board in 2001.

The business address of each of the above directors is The Place, 1 Sandton Drive, Sandown, Sandton, 2196.

### 13.1 Directors' interests

At the Last Practicable Date, the directors of Growthpoint had the following interests in Growthpoint Linked Units:

Rand	Beneficial		Non-beneficial		Total	Total %
	Direct	Indirect	Direct	Indirect		
M G Diliza*	–	15 407 479	–	–	15 407 479	1.20
J C Hayward*	50 000	–	–	–	50 000	0.00
H S Herman*	–	50 000	–	–	50 000	0.00
H S P Mashaba*	–	8 800 000	–	–	8 800 000	0.69
R Moonsamy *	–	6 054 954	–	–	6 054 954	0.47
J H N Strydom*	–	–	–	134 000	134 000	0.01
P H Fechter*	–	–	–	2 871 428	2 871 428	0.22
L N Sasse	285 500	–	–	–	285 500	0.02
L N Sasse Staff Incentive Scheme Option	1 033 333	–	–	–	1 033 333	0.08
S M Snowball	257 299	–	–	–	257 299	0.02
S M Snowball Staff Incentive Scheme Option	180 000	–	–	–	180 000	0.01
E K de Klerk	–	140 969	–	–	140 969	0.01
E K de Klerk Staff Incentive Scheme Option	533 333	–	–	–	533 333	0.04
	2 339 465	30 453 402	–	3 005 428	35 798 295	2.79

\* Non-executive director.

Dealings by the directors of Growthpoint for the period commencing 30 June 2008 and terminating on the Last Practicable Date is as set out below:

Director	Date	Nature of transaction	Number of securities	Price (cents)
S M Snowball	6 October 2008	Options exercised	60 000	1 340

### 13.2 Directors' intention in respect of the Rights Offer

Due to the Rights Offer falling within a closed period, the directors, in terms of the JSE Listings Requirements, are required to make the decision to follow or sell their rights prior to the commencement of the closed period.

The directors have elected as follows:

- Mr L N Sasse, Mr E K de Klerk, Mr S M Snowball, Mr J C Hayward, Mr J H N Strydom and Mr H S Herman will follow their rights in terms of the Rights Offer in full.
- Mr P H Fechter will follow his rights for 1 285 718 Linked Units (128 572 rights) and sell his rights relating to the balance of his Linked Unitholding of 1 585 710 Linked Units (158 571 rights).
- Mr H S P Mashaba will not follow his rights in respect of his indirect beneficial holding in Growthpoint and will, accordingly, sell all the rights attached to the Linked Units he holds via Phatsima, a BEE partner of Growthpoint. As Mr Mashaba is a director of Phatsima and he and his wife are shareholders in Phatsima, he has undertaken to recuse himself from any decision taken by the board of Phatsima regarding the Rights Offer.
- Mr R Moonsamy will sell his rights relating to his indirect beneficial shareholding, other than those rights attached to the Linked Units he owns via the AMU Trust, a BEE partner of Growthpoint. As Mr Moonsamy is a trustee of the AMU Trust, he has undertaken to recuse himself from any decision taken by the trustees of the AMU Trust regarding the Rights Offer.

- Mr M G Diliza will follow his rights relating to his indirect beneficial shareholding, other than those rights attached to the Linked Units he owns via the AMU Trust, a BEE partner of Growthpoint. As Mr Diliza is a trustee of the AMU Trust, he has undertaken to recuse himself from any decision taken by the trustees of the AMU Trust regarding the Rights Offer.

### 13.3 Directors' remuneration

For the financial year ended 30 June 2008, the following amounts were paid to the directors of Growthpoint for services as directors:

<b>Fees earned for services as directors (non-executive)</b>	<b>2008 Special** Rand</b>	<b>2008 Normal Rand</b>	<b>2008 Total Rand</b>
S Hackner <sup>(1)</sup>		157 500	157 500
M G Diliza *		212 500	212 500
P H Fechter *	400 000	292 500	692 500
J C Hayward *		200 000	200 000
H S Herman *		140 000	140 000
S R Leon <sup>(2)</sup>		25 000	25 000
J F Marais	225 000	164 000	389 000
H S P Mashaba *		197 500	197 500
R Moonsamy *		162 500	162 500
B T Ngcuka * <sup>(3)</sup>		110 000	110 000
C G Steyn *	400 000	280 000	680 000
J H N Strydom *	400 000	313 500	713 500
F J Visser *		140 000	140 000
	<b>1 425 000</b>	<b>2 395 000</b>	<b>3 820 000</b>

(1) Mr S Hackner resigned as a director on 8 July 2008.

(2) Mr S R Leon resigned as a director on 16 October 2007.

(3) Mr B T Ngcuka resigned as a director on 5 November 2008.

\* Independent.

\*\* Mr J F Marais, Mr P H Fechter, Mr C G Steyn and Mr J H N Strydom received additional fees for their involvement in negotiations relating to the R475 million extension to the Investec Bank Limited head office building in Sandton, as well as the acquisition of the property services business from IPG.

<b>Executive director's remuneration: L N Sasse</b>	<b>2008 Rand</b>
Salary	2 810 503
Bonus	3 600 000
Contributions to defined contribution plan	439 497
Other long-term employee benefits: Staff Incentive Scheme	4 858 961
Aggregate emoluments	11 708 961
<b>Total directors' emoluments</b>	<b>15 528 961</b>

During the financial year ended 30 June 2008, Mr L N Sasse was awarded 1 033 333 options in Growthpoint's Staff Incentive Scheme. The options have a NIL strike price per unit and shall vest in four tranches of 25% each on 1 September 2008, 2009, 2010 and 2011, and are exercisable within 90 days of those dates, failing which they shall be forfeited.

Mr L N Sasse and Mr E K de Klerk have, to date, not exercised their vested options in terms of the 1 September 2008 tranche as they were involved in concluding negotiations relating to the Rights Offer referred to in this Circular and were therefore in the possession of "price sensitive" information. Consequently it was resolved on 1 December 2008 by the Growthpoint Remuneration Committee to extend the exercise closing date to the next open trading period, which is expected to commence at the end of February 2009, after the release of the Company's interim financial results.

There was no opening balance in respect of Mr L N Sasse's Staff Incentive Scheme options at 1 July 2007.

Mr E K de Klerk and Mr S M Snowball were appointed as directors to the Growthpoint board on 26 August 2008 and therefore did not receive any directors' remuneration for the period ended 30 June 2008.

No amounts were paid in the form of basic salaries, bonuses and performance-related payments, expense allowances, material benefits, contributions under pension schemes, commissions, gains or profit sharing arrangements or any share options, other than the amounts set out in the tables above.

The salient features of the directors' service contracts are set out in Annexure 5 to this Circular.

### 13.4 Directors' interests in transactions

The remuneration receivable by any of the directors will not be varied as a consequence of this or any transaction. The directors of the Group do not have any material interest, direct or indirect, in any transactions that took place during the current or the financial year ended 30 June 2008 or during an earlier financial year and remain in any respect outstanding or unperformed.

## 14. MAJOR GROWTHPOINT LINKED UNITHOLDERS

At the Last Practicable Date, insofar as is known to the Growthpoint directors, the name of any unitholder other than a director, that, directly or indirectly, is beneficially interested in 3% or more of any class of Growthpoint's capital together with the amount of each Linked Unitholders' interest, is set out in the table below:

<b>Growthpoint Linked Unitholder</b>	<b>Number of Growthpoint Linked Units prior to Rights Offer</b>	<b>Linked unit holding (%)</b>
Public Investment Corporation	372 290 382	29.06
BEE Consortium	122 000 000	9.52
Old Mutual Group	88 258 001	6.89
Stanlib	76 334 137	5.96
Investec	43 303 452	3.38
Liberty Group	38 342 757	3.00
Investment Solutions	38 304 070	3.00

## 15. MATERIAL CONTRACTS

Material contracts entered into by Growthpoint, otherwise than in the normal course of business, within the two years prior to the Last Practicable Date, are as follows:

- the provision of mezzanine debt by Growthpoint of R57 million to facilitate the acquisition by Phatsima of 22 million Growthpoint Linked Units in a deal worth R244 million, effective December 2006;
- the acquisition of Paramount Property fund in a share for share deal effective date January 2007;
- the acquisition of the property fund management business from IPG, the management agreement rights from the trustees for the time being of the AMU Trust and the units in the issued share capital of Buildmain from IPG; and the property administration business from IPG for a total purchase consideration of R1.57 billion settled by the issue of 98 300 000 new Growthpoint Linked Units; and
- the Subscription and Underwriting Agreement dated Wednesday, 26 September 2007, entered into between Growthpoint and the trustees, for the time being, of the Government Employees Pension Fund, as duly represented by the Public Investment Corporation Limited, relating to a previous clawback offer on 1 October 2007 by Growthpoint whereby Growthpoint raised R1.65 billion through the issue of 100 million new Linked Units at an issue price of 1 650 cents per Linked Unit.

## 16. STATEMENT OF INDEBTEDNESS

Detail of the material borrowings of Growthpoint at the Last Practicable Date have been disclosed in Annexure 8.

The borrowing powers of the directors have not been exceeded during the three-year period preceding the Last Practicable Date.

## 17. LITIGATION

The directors of Growthpoint are not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened) which may have, or have had, a significant effect on the Group's financial position during the last twelve-month period preceding the date of this Circular.

## 18. REGISTRATION OF DOCUMENTS

The form of instruction issued to Linked Unitholders of Growthpoint accompanied by, *inter alia*:

- a copy of this Circular; and
- the written consents of the investment bank and sponsor, attorneys, reporting accountant and debenture trustee to act in their respective capacities and to their names being stated in this Circular;

have been registered by the Registrar of Companies in Pretoria, in terms of section 146A of the Companies Act on Monday, 15 December 2008. The written consents referred to above, have been given, and have not been withdrawn before the lodgement/delivery of this Circular and accompanying documents for registration as referred to above.

## 19. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Growthpoint whose names are given in paragraph 13 commencing on page 17 and 18 of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify to the best of their knowledge and belief there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the JSE Listings Requirements.

## 20. COSTS

The following costs, expenses and provisions are expected, or have been provided for in connection with the Rights Offer (excluding Value-Added Tax) ("VAT") and will be settled out of the proceeds thereof:

<b>Costs</b>	<b>R000 (excluding VAT)</b>
Legal fee	200
Investment bank	2 000
Transaction sponsor	50
JSE documentation fee	18
JSE linked unit listing fees	265
Underwriting commission	35 000
Independent reporting accountants	30
Printing, publication, distribution and advertising expenses	110
	<b>37 673</b>

## 21. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of Growthpoint, The Place, 1 Sandton Drive, Sandown, Sandton 2196, up to and including Friday, 30 January 2009:

- a signed copy of this Circular and form of instruction;
- a signed copy of the Subscription and Underwriting Agreement;

- the material contracts referred to in paragraph 15 above;
- the Memorandum and Articles of Association of the Company and its Subsidiaries;
- the audited annual financial statements of Growthpoint for the three years ended 30 June 2006, 30 June 2007 and 30 June 2008;
- the reporting accountants' report on the *pro forma* financial effects;
- the letters of consent of the investment bank, sponsor; transaction sponsor; attorneys, reporting accountant and debenture trustee;
- the debenture trust deed;
- the latest sworn appraisals or valuations relative to movable and immovable property and items of similar nature;
- copies of service agreements with directors, managers or secretaries entered into during the last three-years; and
- a signed copy of irrevocable undertakings referred to in paragraph 1 above.

## 22. DEBENTURES

Growthpoint has not issued any debentures, loan stock or other form of loan capital and does not have any off-balance sheet finance commitments, save as disclosed in this Circular.

Each Growthpoint Linked Unit comprises one Growthpoint Share of 5 cents linked to ten Growthpoint Debentures with a nominal value of 250 cents per Debenture. In terms of the Growthpoint debenture trust deed, 12 809 261 950 Debentures have been issued prior to the Last Practicable Date. Pursuant to the proposed Rights Offer, a further 128 092 620 Growthpoint Linked Units will be issued and 1 280 926 200 new Debentures will be created.

The rights of debenture holders to repayment of capital are subordinated to the claims of all other unsecured creditors. The interest payable on ten Debentures in each Linked Unit will be a multiple of 1 000 times the dividend payable on each share.

Subject to subordination provisions, the Growthpoint Debentures will be repayable if a final Court Order is granted or an effective special resolution is passed for the winding-up of the Company, or if the Company, *inter alia*, commits a material breach of a material obligation under the Growthpoint debenture trust deed. The Growthpoint Debentures will be redeemable at the instance of the debenture holders at any time after 25 years from the date of allotment of the relevant Growthpoint Debentures. This right must be exercised by special resolution of the debenture holders. Upon the passing of the said special resolution, the Growthpoint Debentures shall be redeemed at the appropriate issue price on the last Friday in December of the fifth year after the year in which the special resolution is passed.

Full details of the terms and conditions of the Growthpoint Debentures are set out in the Growthpoint debenture trust deed, which is available for inspection at the registered office of Growthpoint as contemplated in paragraph 21 above.

Details of all material loans to Growthpoint are set out in Annexure 8 to this Circular.

## 23. MATERIAL CHANGES

There have been no material changes relating to the trading or financial position of Growthpoint subsequent to the release of the Growthpoint financial results for the year ended 30 June 2008, other than as set out in this Circular.

**SIGNED AT THE PLACE, 1 SANDTON DRIVE, SANDOWN, SANDTON ON MONDAY, 5 JANUARY 2009 BY OR ON BEHALF OF THE DIRECTORS OF GROWTHPOINT PROPERTIES LIMITED.**

## HISTORICAL FINANCIAL INFORMATION OF GROWTHPOINT

The historical financial information presented in this annexure has been extracted from the published annual financial statements of Growthpoint for the three years ended 30 June 2006, 2007 and 2008. The historical financial information is the responsibility of the directors of Growthpoint.

For the comprehensive set of financial information, including the Company's accounting policies and notes to the financial statements, refer to the annual reports on the Growthpoint website ([www.growthpoint.co.za](http://www.growthpoint.co.za)).

### INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
Revenue excluding straight-line lease income adjustment		2 712	2 152	1 298
Straight-line lease income adjustment	14.1	208	210	82
Revenue	2	2 920	2 362	1 380
Property expenses	3	(675)	(539)	(351)
Net property income		2 245	1 823	1 029
Other operating expenses	4	(62)	(120)	(66)
Net property income after other operating expenses		2 183	1 703	963
Investment income	5	1	45	34
Operating profit		2 184	1 748	997
Fair value adjustments	6	(139)	(186)	(49)
Finance costs	7	(697)	(615)	(361)
Non-cash financing charges	8	(193)	(16)	(10)
Trading profit and other capital profits/(losses)	9	22	(6)	–
Finance income	10	87	44	49
Profit before debenture interest		1 264	969	626
Debenture interest		(1 363)	(966)	(602)
(Loss)/Profit before taxation		(99)	3	24
Taxation	11	1	(2)	(23)
– Normal and Secondary Tax on Companies		(4)	–	–
– Capital Gains Taxation		5	(2)	(23)
(Loss)/Profit for year		(98)	1	1
		<b>cents</b>	<b>cents</b>	<b>cents</b>
Distribution per linked unit	12	106.50	93.10	81.30
Basic (loss)/earnings per share	13	(7.91)	0.09	0.09

**BALANCE SHEETS FOR THE YEARS ENDED 30 JUNE**

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>ASSETS</b>				
<b>Non-current assets</b>				
		30 231	22 632	15 353
Fair value of investment property for accounting purposes	14	26 409	21 545	14 599
Straight-line lease income adjustment	14.1	836	628	418
Fair value of property assets		27 245	22 173	15 017
Intangible assets	15	1 832	–	–
Other long-term employee benefits	17	59	–	–
Equipment	16	2	–	–
Listed property investment	18	9	11	–
Long-term loans granted to BEE consortia	19	325	340	222
Derivative asset		759	108	114
Other investments	20.1	–	–	–
<b>Current assets</b>				
		426	325	191
Investment property held for sale	14.2	42	–	–
Trade and other receivables	21	357	306	175
Cash and cash equivalents	22	27	19	16
<b>Total assets</b>				
		30 657	22 957	15 544
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' interest</b>				
		1 501	54	39
Ordinary share capital	23	64	54	39
Retained earnings		–	–	–
Non-distributable reserve	24	1 437	–	–
Non-current liabilities – debentures	25	18 283	13 646	7 943
<b>Linked unitholders' interest</b>				
		19 784	13 700	7 982
<b>Other non-current liabilities</b>				
		9 519	8 293	5 748
Other non-current financial liabilities	26.5	9 132	8 293	5 748
Deferred tax liability	28	387	–	–
<b>Current liabilities</b>				
		1 354	964	1 814
Trade and other payables	27	638	385	182
Liability for the acquisition of subsidiary		–	–	1 251
Current portion of non-current liabilities	26.4	–	53	–
Taxation payable		5	5	23
Linked unitholders for interest and dividends		711	521	358
<b>Total equity and liabilities</b>				
		30 657	22 957	15 544
<b>Linked units in issue</b>				
		1 280 926 195	1 074 126 195	778 186 044
		<b>cents</b>	<b>cents</b>	<b>cents</b>
<b>Net asset value per linked unit</b>				
		1 545	1 275	1 026
<b>Tangible net asset value per linked unit</b>				
		1 432	1 275	1 026

## CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Cash flows from operating activities</b>				
Cash received from tenants		2 661	2 087	1 238
Cash paid to suppliers		(604)	(603)	(435)
Cash generated from operations	29	2 057	1 484	803
Investment income	5	1	45	34
Finance income, excluding accrued interest on long-term loans	10	54	17	49
Finance costs excluding accrued interest on financial liabilities	7	(577)	(615)	(361)
Taxation received/(paid)	30	1	(22)	(25)
Trading profit and other capital profits/(losses)	9	22	(6)	–
Distribution to unitholders	31	(1 174)	(804)	(497)
<b>Net cash inflow from operating activities</b>		<b>384</b>	<b>99</b>	<b>3</b>
<b>Cash flows from investing activities</b>				
Investment in investment property		(3 411)	(1 274)	(1 289)
Long-term loans to BEE consortia		–	(57)	(222)
Investment in listed property companies		–	(79)	(89)
Proceeds on sale of investment property		120	166	214
Proceeds on sale of listed investments		–	83	248
Cash from property portfolio acquisition		–	81	3
Acquisition of Property Services Businesses		(5)	–	–
(Increase)/Decrease in loans to subsidiaries and joint ventures		–	–	–
Acquisition of property portfolio		–	(259)	–
<b>Net cash outflow from investing activities</b>	32	<b>(3 296)</b>	<b>(1 339)</b>	<b>(1 135)</b>
<b>Cash flows from financing activities</b>				
Non-current loans raised		3 710	3 083	2 080
Repayment of non-current financial liabilities		(2 396)	(1 840)	(978)
Proceeds from issue of shares		5	–	–
Increase in amount owing to subsidiaries		–	–	–
Proceeds from issue of debentures		1 601	–	–
<b>Net cash inflow from financing activities</b>		<b>2 920</b>	<b>1 243</b>	<b>1 102</b>
Net increase/(decrease) in cash and cash equivalents		8	3	(30)
Cash and cash equivalents at beginning of year		19	16	46
<b>Cash and cash equivalents at end of year</b>	22	<b>27</b>	<b>19</b>	<b>16</b>

**STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 JUNE**

<b>Group</b>	<b>Ordinary share capital R'm</b>	<b>Non- distributable reserve R'm</b>	<b>Retained earnings R'm</b>	<b>Shareholders' interest R'm</b>
<b>Balance at 1 July 2005</b>	33	–	–	33
Shares issued	6	–	–	6
Profit for year	–	–	1	1
Dividends	–	–	(1)	(1)
<b>Balance at 30 June 2006</b>	39	–	–	39
Shares issued	15	–	–	15
Profit for year	–	–	1	1
Dividends	–	–	(1)	(1)
<b>Balance at 30 June 2007</b>	54	–	–	54
Shares issued	10	1 536	–	1 546
Loss for year	–	–	(98)	(98)
Transfer to non-distributable reserve	–	(99)	99	–
Dividends	–	–	(1)	(1)
<b>Balance at 30 June 2008</b>	64	1 437	–	1 501

## FINANCIAL RESULTS

For the year ended 30 June 2008, Growthpoint recorded 14.4% growth in distributions per linked unit. This was slightly ahead of the 13.5% growth achieved in the interim six months ended 31 December 2007. Tangible net asset value increased by 12.3% to 1 432 cents per linked unit.

The growth in distributions was based on core, sustainable earnings derived from property net rental income. In keeping with the terms of its debenture trust deed, Growthpoint does not distribute capital profits.

On 1 October 2007, Growthpoint raised R1.65 billion through the issue of 100 million new linked units in terms of a clawback rights offer. This contributed significantly to the growth in earnings and distributions for the year being higher than anticipated at the time of announcing the 2007 results. The timing of the capital raising was fortunate, as market conditions were favourable and the cash was raised at a forward yield of less than 7%.

The other significant transaction that occurred during the year was the acquisition of the property fund management and property management and all related activities (Property Services Businesses) from Investec Property Group Limited (IPG) and Growthpoint's black economic empowerment partners for a consideration of R1.6 billion. This was settled by the issue of 98.3 million new linked units to the sellers, while an additional 8.5 million linked units were issued to the Staff Incentive Scheme. This was also a distribution enhancing transaction for Growthpoint, with the cash saving for the year in asset management fees and net property management expenses equal to approximately R141 million.

Prior to this transaction, Growthpoint did not have any employees. The property asset management and property management functions were performed by IPG in terms of a management contract. Growthpoint has, through this transaction, effectively bought back the management and created an internally managed company. Growthpoint is now uniquely positioned as the only South African listed property company that performs every aspect of property fund management, property administration, letting, facilities management, developments and redevelopments internally.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Revenue</b>	<b>2</b>			
Assessment rates recovered		138	103	56
Casual parking		32	15	10
Contracted operating cost recoveries		216	179	123
Contracted rental		2 257	1 815	1 086
Other income		23	17	8
Property management income		17	–	–
Turnover rental		29	23	15
Revenue excluding straight-line lease income adjustment		2 712	2 152	1 298
Straight-line lease income adjustment		208	210	82
		2 920	2 362	1 380
<b>Property expenses</b>	<b>3</b>			
Assessment rates		182	145	79
Bad debts written off		6	4	3
Cleaning		38	31	22
Consulting fees		28	18	8
Electricity – net		(7)	2	2
Cost		194	170	106
Recovery		(201)	(168)	(104)
Insurance		39	26	12
Letting commissions		20	32	18
Other property expenses		52	35	32
Personnel expenses		95	–	–
Property management expenses		22	–	–
Promotions and marketing costs – net		8	5	4
Cost		21	16	13
Recovery		(13)	(11)	(9)
Property management fee		2	91	57
Repairs and maintenance		70	57	47
Security		77	62	40
Tenant installation costs		30	20	16
Water and other municipal charges – net		13	11	11
Cost		69	56	32
Recovery		(56)	(45)	(21)
		675	539	351
<b>Other operating expenses</b>	<b>4</b>			
Administration costs		13	2	2
Asset management fees and expenses		31	107	58
Auditor's remuneration – audit fee		3	2	1
Directors' fees		9	2	1
Legal fees		1	1	1
Other fund expenses		5	6	3
		62	120	66

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Investment income</b>	<b>5</b>			
Distributions from listed investments – interest		1	45	34
Distributions from Growthpoint Securitisation Warehouse Trust as vested beneficiary		–	–	–
Distributions from subsidiaries		–	–	–
		1	45	34
<b>Fair value adjustments</b>	<b>6</b>			
Gross investment property fair value adjustment		1 823	2 802	1 582
Paramount initial recognition adjustment		–	(579)	–
Less: Straight-line income adjustment		(208)	(210)	(82)
Net investment property revaluation		1 615	2 013	1 500
Investment in subsidiaries and interest in controlled trust		–	–	–
Listed investment portfolio		(1)	7	33
Interest bearing borrowings – profit		442	99	117
Derivatives – profit		779	59	169
Derivatives – loss		(33)	(40)	(9)
Long-term loan to BEE consortia		(48)	34	–
Zero-coupon loans		9	7	11
Debentures		(2 902)	(2 365)	(1 870)
		(139)	(186)	(49)
<b>Debenture fair value adjustment</b>	<b>6.1</b>			
Debentures are adjusted to fair value which represents the net asset value attributable to debenture holders excluding intangible assets.				
<i>The adjustment consists of:</i>				
Fair value adjustments for other assets and liabilities excluding fair value adjustment on debentures (note 6)		(2 763)	(2 179)	(1 821)
Straight-line lease income adjustment		(208)	(210)	(82)
Capital Gains Taxation		(5)	2	23
Notional interest on zero-coupon loan		19	16	14
Interest adjustment on stepped-rate loan		–	–	(4)
Trading profit and other capital profits/(losses) net of taxation		(20)	6	–
Increase in Staff Incentive Scheme liability		75	–	–
		(2 902)	(2 365)	(1 870)
<b>Finance costs</b>	<b>7</b>			
Occupational interest		1	1	1
Interest paid on long-term loans		696	614	360
		697	615	361
Borrowings costs capitalised to investment property developments (at prime less 2%)		84	25	7

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Non-cash financing charges</b>	<b>8</b>			
Notional interest on zero-coupon loans		19	16	14
Interest adjustment on stepped-rate loan		–	–	(4)
Amortisation of intangible asset		99	–	–
Increase in Staff Incentive Scheme liability		75	–	–
		193	16	10
<b>Trading profit and other capital profits/(losses)</b>	<b>9</b>			
Trading profit on sales of residential units		8	–	–
Other capital items		14	–	–
Capital expenses		–	(6)	–
		22	(6)	–
<b>Finance income</b>	<b>10</b>			
Interest received from bank		11	3	3
Interest received from antecedent divestiture of distribution **		41	11	26
Interest received from long-term loans (BEE loans)		33	27	18
Interest received from other		2	3	2
Interest received from subsidiary and controlled trust		–	–	–
		87	44	49
** Where Growthpoint issued linked units as part payment for properties acquired the recipients of these linked units agreed to divest themselves of that portion of the following Growthpoint distributions that accrued prior to Growthpoint becoming entitled to income from the properties.				
<b>Taxation</b>	<b>11</b>			
South African taxation				
Normal – current year		4	1	–
– prior year over-provision		–	(1)	–
Capital Gains Taxation – on realised capital profits		–	2	23
– prior year over-provision		(5)	–	–
		(1)	2	23
<b>The taxation rate is reconciled as follows:</b>				
Statutory taxation rate		28.0%	29.0%	29.0%
Exempt income		27.0%	(71.3%)	(0.1%)
Disallowable expenses		(28.5%)	11.3%	1.5%
Current and prior year taxation overprovision		4.9%	(27.4%)	0.1%
Deferred taxation asset not raised		(30.3%)	166.7%	207.2%
Effect of capital gains taxation payable at a lower rate		(0.4%)	(45.3%)	(140.5%)
Secondary Tax on Companies		(0.1%)	4.1%	0.3%
Effective tax rate		0.6%	67.1%	97.5%

	Note	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Distribution per linked unit</b>	<b>12</b>			
<b>Calculation of distributable earnings</b>				
Net property income after operating expenses		2 183	1703	963
Less: Straight-line lease income adjustment		(208)	(210)	(82)
Investment income		1	45	34
Finance costs		(697)	(615)	(361)
Finance income		87	44	49
Taxation – excluding taxation on residential units sold		(2)	–	–
Distributable earnings		1 364	967	603
<i>Distribution comprises:</i>				
– Debenture interest		1 363	966	602
– Ordinary dividend		1	1	1
Total distribution		1 364	967	603
Retained distributable earnings		–	–	–
		<b>cents</b>	<b>cents</b>	<b>cents</b>
Distribution per linked unit		106.50	93.10	81.30
Interest on debentures		106.39	93.01	81.22
Dividend		0.11	0.09	0.08
Distribution for year		106.50	93.10	81.30
Interim six months ended 31 December		51.10	45.00	39.10
Period to 31 October		–	30.00	–
Period to 31 December		51.10	15.00	39.10
Final six months ended 30 June		55.40	48.10	42.20

### Earnings per share 13

The disclosure of earnings per share and headline earnings per share set out below while obligatory in terms of accounting standards 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 for listed property investments and for financial liabilities as well as notional interest on non-interest bearing long-term loans and accounting adjustments required to account for lease income on a straight-line basis. These adjustments do not affect distributable earnings. The calculation of distributable earnings and the distribution per linked unit as shown in note 12 are more meaningful to investors and are in accordance with Growthpoint's reporting policy.

	Number of shares	Number of shares	Number of shares
Shares in issue at end of year	1 280 926 195	1 074 126 195	778 186 044
Weighted average number of shares in issue	1 238 460 442	1 030 639 648	705 248 004
	<b>cents</b>	<b>cents</b>	<b>Cents</b>
Basic (loss)/earnings per share	(7.91)	0.09	0.09
Headline (loss)/earnings per linked unit	159.31	90.73*	(65.5)

\* The comparative headline earnings per linked unit has been restated in terms of Circular 8/2007 issued in November 2007 by SAICA. As per the circular the debenture fair value adjustment is added back in the calculation of headline earnings.

Note	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
Basic earnings are reconciled to headline earnings as follows:			
(Loss)/Profit after taxation	(98)	1	1
Add: Net fair value adjustment – investment property:	(1 381)	(1 711)	(1 065)
Fair value adjustment	(1 615)	(2 013)	(1 500)
Applicable taxation	234	302	435
Headline loss attributable to shareholders	(1 479)	(1 710)	(1 064)
Less: Fair value adjustment – debentures	2 089	1 679	–
Fair value adjustment	2 902	2 365	–
Applicable taxation	(813)	(686)	–
Add: Debenture interest paid	1 363	966	602
	1 973	935	(462)

### Property assets

### 14

*Fair value of investment property for accounting purposes*

Opening fair value of property assets	22 173	15 017	9 119
Acquisition of Paramount	–	3 494	2 364
Additions, at cost – acquisitions	2 266	1 071	1 912
– capital expenditure	1 145	533	254
Disposals at fair value	(120)	(166)	(214)
Transferred to investment property held for sale (note 14.2)	(42)	–	–
Gross fair value adjustment on investment property	1 823	2 224	1 582
Property valuation	27 245	22 173	15 017
Less: Straight-line lease income adjustment (note 14.1)	(836)	(628)	(418)
Fair value of investment property for accounting purposes	26 409	21 545	14 599
Straight-line lease income adjustment	836	628	418
Closing fair value of property assets	27 245	22 173	15 017
Cost	20 018	16 727	11 744
Cumulative fair value surplus	7 227	5 446	3 273

Mortgage bonds have been registered over investment property with a value of R22 062 million (2007: R19 541 million) as security for long-term interest bearing liabilities amounting to R9 411 million (2007: R8 091 million).

The properties were valued at 30 June 2008 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 (Act No. 47 of 2000).

Mills Fitchett PWV	P G Mitchell N Dip (Prop Val), MIV (SA), CIEA
Mills Fitchett KZN	T Bate (KwaZulu-Natal) MSc BSc Land Econ (UK) MRICS, MIV SA
Mills Fitchett Magnus Penny	Mike Gibbons N Dip (Prop Val), MIV (SA), Professional valuer
Glenross	A G Rostovsky MIV (SA), Professional Valuer, Appraiser
Old Mutual Properties	T King BSc DipSurv MRICS Valuer (SA)
SC Property Valuation Services CC	S Crous Dip Real Estate (Prop Val), MIV(SA)
CB Richard Ellis	R Hunting MRICS, MIV (SA)
Rode and Associates	K Scott B Com (Hons), Registered Valuer (SA Council of Property Valuers)
Benchmark	S Levinson B Com (Real Estate Valuation), Professional Valuer

In view of the increase in the bond yield curve, the discount rate as well as the reversionary capitalisation rate used in the valuation of investment property at 30 June 2008 was increased by between 1% and 2%.

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Straight-line lease income adjustment</b>	<b>14.1</b>			
Opening balance		628	418	336
Arising during year		208	210	82
		836	628	418
<b>Investment property held for sale</b>	<b>14.2</b>			
Fair value		42	—	—

The investment property held for sale is a property that the directors have decided will be recovered through sale rather than through use. The property consists of 61 residential units in the new development known as Montclare Place in Claremont, Cape Town. It is expected that the property will be disposed of in the forthcoming year.

(R'm)	Note	Goodwill	Right to manage property	Total
<b>Intangible assets</b>	<b>15</b>			
<b>Cost – 2008</b>				
Acquisitions through business combination		448	1 483	1 931
<b>Amortisation and impairment losses</b>				
Amortisation for year		–	(99)	(99)
Carrying value at 30 June 2008		448	1 384	1 832

#### Amortisation

The amortisation is recognised as a non-cash charge in the income statement and is excluded from the unitholders' distribution calculation.

#### Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the group's management services entity, which represents the property administration and management business within the group where goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating unit was based on its value in use. It was determined that the recoverable amount was higher than the carrying amount and therefore no impairment loss was recognised. The recoverable amount was calculated by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions from discussions with management of Growthpoint Management Services (Pty) Limited (GMS) and past experience:

- (a) The management contract will continue on similar terms to the agreement that was in place before the acquisition transaction, which had the following terms:
  - asset management fee was calculated at 0.50% of the "enterprise value"; and
  - enterprise value was measured by taking the sum of the nominal value of external debt plus market capitalisation.
- (b) Letting commission on new deals was calculated at 100% of recommended SAPOA tariffs, while letting commission on renewals was calculated at 50% of recommended SAPOA tariffs.
- (c) Collection fees range from 1% to 4% of cash collected on a property-by-property basis.
- (d) Salaries are in respect of staff of 243 people, who were previously employed by IPG.
- (e) Operating expenditure was based on discussions with the previous property managers and after consideration of historic costs, which included rental of premises, IT systems and support, marketing and other expenses necessary for operating a listed company.
- (f) All profits will be distributed to linked unitholders and thus no tax will be payable.
- (g) A discount rate of 10% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the group's weighted average debt.
- (h) Revenue and operating expenses will increase by 7% per annum. The discounted cash flow was performed over a 15-year period, which took into account the remaining period of the contract that existed and that the contract would be renewed for another 10-year period.

(R'm)	Notes	Furniture and fittings	Equipment	Total
<b>Equipment</b>	<b>16</b>			
<b>Cost – 2008</b>				
Acquisitions through business combination		3	1	4
<b>Depreciation and impairment losses</b>				
Depreciation for the year		(1)	(1)	(2)
Carrying value at 30 June 2008		2	–	2
<b>Other long-term employee benefits</b>	<b>17</b>			
Plan assets		94	–	–
Service cost		(35)	–	–
		59	–	–

As part of the management “buy-in” transaction, the company established a Staff Incentive Scheme. The company issued 8.5 million linked units to the Staff Incentive Scheme Trust. The initial Staff Incentive Scheme units will vest with the beneficiaries over a period of four years from the date of issue, in tranches of 25% per year from 1 September 2008.

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

- Discount rate at 30 June 2008 11.9%.
- Expected growth on plan assets 10.0%.
- Probability of staying was estimated as being 95.0% in 2008, 90.0% in 2009, 80.0% in 2010 and 70.0% in 2011.

The expense is recognised as a non-cash charge in the income statement and is excluded from the calculation of unitholders' distributions.

	Units	Units	Units
Linked units issued	8 500 000	–	–
Awarded	(8 213 436)	–	–
Forfeited in respect of resignations	224 849	–	–
Additional units acquired	61 667	–	–
Available for allocation	573 080	–	–

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Listed property investment</b>	<b>18</b>			
Opening valuation		11	–	391
Additions at fair value		–	801	89
Additions – Paramount		–	9	–
Disposals at carrying value		(1)	(83)	(248)
Fair value adjustment on listed investments		(1)	7	33
Transfer to investment in subsidiaries		–	(723)	(265)
		9	11	–
<b>Long-term loans granted to BEE consortia</b>	<b>19</b>			
Amount advanced		261	261	204
Opening balance		261	204	–
Additions		–	57	204
Accrued interest		78	45	18
Opening balance		45	18	–
Arising during year		33	27	18
Nominal value of long-term loans		339	306	222
Fair value adjustment		(14)	34	–
		325	340	222

BEE 1 consortium	
Amount advanced	R203 750 000
Date advanced	2 September 2005
Repayment date (capital and interest)	30 September 2015
Fixed interest rate	10.25%

The loan was advanced to acquire 100 000 000 Growthpoint linked units. The rights to repayment are subordinated to the rights of the senior lenders (R565 000 000) and junior lenders (R130 500 000). Should the growth in Growthpoint's distributions and linked unit price be sufficient, an additional 2% interest may be charged at the end of the loan period, as well as a participation in equity, limited to an internal rate of return on the loan of 15%. In order to protect its interest, Growthpoint is entitled but not obligated to provide guarantees to the senior and junior lenders should there be a breach of any of their loan covenants at any time.

BEE 2 consortium	
Amount advanced	57 350 000
Date advanced	8 December 2006
Repayment date (capital and interest)	30 September 2016
Fixed interest rate	10.35%

The loan was advanced to acquire 22 000 000 Growthpoint linked units. The rights to repayment are subordinated to the rights of the senior lenders (R164 450 000) and junior lenders (R37 950 000). Should the growth in Growthpoint's distributions and linked unit price be sufficient, an additional 2% interest may be charged at the end of the loan period, as well as a participation in equity, limited to an internal rate of return on the loan of 15%. In order to protect its interest, Growthpoint is entitled but not obligated to provide guarantees to the senior and junior lenders should there be a breach of any of their loan covenants at any time.

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Balances with controlled entities</b>	<b>20</b>			
<b>Other investments</b>	<b>20.1</b>			
<i>Investments in subsidiaries</i>				
The company owns 100% of the units in:				
Changing Tides 5 (Pty) Limited				
Growthpoint Building Managers (Pty) Limited				
Growthpoint Finance Company (Pty) Limited				
Growthpoint Management Services (Pty) Limited				
Majorshelf 184 (Pty) Limited				
Metboard Finance Company (Pty) Limited				
Metboard Finance Company Security SPV (Pty) Limited				
Metboard Properties Limited				
New Heights 344 (Pty) Limited				
Paramount Property Fund Limited				
Scopeful 157 (Pty) Limited				
Skillful 115 (Pty) Limited				
Skillful 82 (Pty) Limited				
Tresso Trading 337 (Pty) Limited				
Tuinweg Property Investments (Pty) Limited				
All the subsidiaries are incorporated in South Africa, except for Tuinweg Property Investments (Pty) Limited which is incorporated in Namibia.				
Paramount Property Fund Limited owns 100% of the shares in:				
Claremain Properties (Pty) Limited				
Lighthouse Mall (Pty) Limited				
Michael & Michael Properties (Pty) Limited				
Ovbel Finance Limited				
Ovbel Registrars (Pty) Limited				

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Trade and other receivables</b>	<b>21</b>			
Rental debtors		30	28	21
Impairment of debtors		(10)	(7)	(7)
Pre-paid expenses		6	10	19
Deferred expenditure		109	105	42
Value-Added Tax		144	13	5
Property management debtor		15	–	–
Sundry debtors		63	157	95
		357	306	175
<b>Cash and cash equivalents</b>	<b>22</b>			
Cash held on call account as security for municipal and other guarantees		17	12	11
Other call accounts		10	7	5
		27	19	16
<b>Ordinary share capital</b>	<b>23</b>			
<b>Authorised</b>				
1 500 000 000 (2007: 1 500 000 000) ordinary units with a nominal value of 5 cents each		75	75	75
<b>Issued</b>				
1 280 926 195 (2006: 1 074 126 195) ordinary units of 5 cents each)				
In issue at beginning of year		54	39	33
Issued during year		10	15	6
		64	54	39

In terms of the memorandum of association and the debenture trust deed, the shares are linked with unsecured, subordinated, variable-rate debentures of 250 cents (2007: 250 cents) each in the ratio of one ordinary share to 10 debentures.

This linkage means that each share may only be issued and traded together with the debentures with which it is linked, until such time as it is delinked in accordance with the terms of the memorandum of association and the debenture trust deed.

The unissued shares are under the control of the directors of the company subject to the provisions of the Companies Act and the requirements of the JSE.

#### **Non-distributable reserve** **24**

Capital reserve on issue of linked units	1 437	–	–
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Where a linked unit is issued, it is allocated between an equity and a debenture portion. The debenture component of the linked unit is recognised initially at fair value. The remaining component is recognised as equity.

Where an intangible asset is acquired using linked units, this results in the majority of the issue price being allocated to the equity component. This component is reflected in a non-distributable reserve. On the issue of linked units for the acquisition of the Property Services Businesses, the majority of the payment related to an intangible asset which was accounted for as a non-distributable reserve in equity. All transactions related to the acquisition, such as the amortisation of the intangible asset, will be transferred to the non-distributable reserve.

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Debentures</b>	<b>25</b>			
12 809 261 950 (2007: 10 741 261 950) unsecured variable rate subordinated debentures				
Fair value at beginning of the year		13 646	7 943	4 834
Issued during the year		1 735	3 338	1 239
		15 381	11 281	6 073
Fair value adjustment		2 902	1 870	–
		18 283	13 646	7 943
Fair value		18 283	13 646	7 943
Nominal value		32 023	26 853	19 455
Discount on issue		(22 444)	(19 009)	(14 949)
Issue value		9 579	7 844	4 506
Fair value adjustment – previous years		5 802	3 437	1 567
Fair value adjustment – current year		2 902	2 365	1 870

The rights of the debenture holders to repayment of capital are subordinated to the claims of all other secured and unsecured creditors. The interest payable on 10 debentures in each linked unit will be a multiple of 1 000 times the dividend payable on each share.

Subject to the subordination provisions, the debentures will be repayable if a final court order is granted or an effective special resolution is passed for the winding up of the company or if the company, inter alia, commits a material breach of a material obligation under the trust deed. The debentures are redeemable at the instance of the debenture holders at any time after 25 years from the date of incorporation.

This right must be exercised by special resolution of the debenture holders. Upon passing of the said special resolution, the debentures shall be redeemed on the last Friday in December of the fifth year after the year in which the special resolution is passed.

The yield on the debentures is dependant upon the dividend paid on ordinary units. For this reason, limitations have been placed on the company in that it may not change its share capital if such change results in a change in the equity to debenture ratio.

#### **Other non-current financial liabilities** **26**

##### **Variable rate loan – unsecured** **26.1**

The loan is an unsecured bridging facility and was settled on 7 September 2006 from the proceeds of a R1 billion CMBS issue.

Interest was charged at the prime overdraft rate less 1.82%.	–	–	810
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	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Variable rate loans – secured by investment property</b>	<b>26.2</b>			
<b>Variable rate mortgage loan – Old Mutual Specialised Finance (Pty) Limited R658 million facility</b>	<b>26.2.1</b>	658	658	498
Interest is charged at a rate of Jibar + 1.05% per annum. The capital is repayable on 28 February 2013.				
<b>Variable rate mortgage loan – ABSA Bank Limited (ABSA) R600 million facility</b>	<b>26.2.2</b>	355	–	–
Interest is charged at the prime overdraft rate less 2.00% per annum. The capital is repayable on 31 March 2011.				
<b>Variable rate mortgage loan – ABSA R1 200 million facility</b>	<b>26.2.3</b>	1 200	–	–
Interest is charged at a rate of Jibar + 0.80% per annum. The capital is repayable on 31 March 2011.				
<b>Variable rate mortgage loan – ABSA R740 million facility (Paramount)</b>	<b>26.2.4</b>	740	–	–
Interest is charged at a rate of Jibar + 0.80% per annum. The capital is repayable on 28 February 2015.				
<b>Variable rate mortgage loan – ABSA R584 million facility</b>	<b>26.2.5</b>	–	584	488
Interest is charged at a rate of Jibar + 1.15% per annum.				
<b>Variable rate mortgage loan</b>	<b>26.2.6</b>	–	–	164
Interest is charged at the prime overdraft rate less 2.00% per annum. The capital is repayable on 28 February 2011.				
<b>Variable rate mortgage loan – ABSA R172 million facility (Paramount)</b>	<b>26.2.7</b>	–	167	–
Interest is charged at the prime overdraft rate less 1.50% per annum.				
<b>Variable rate mortgage loan – ABSA Development accounts (Paramount)</b>	<b>26.2.8</b>	–	112	–
Interest is charged at the prime overdraft rate less 1.50% per annum and at the prime rate on the VAT mortgage loan.				
<b>Variable rate mortgage loan – Standard Bank Limited (Paramount)</b>	<b>26.2.9</b>	–	38	–
Interest is charged at various rates between the prime overdraft rate less 1.0% to 1.5% per annum.				
<b>Variable rate mortgage loan – Nedbank Limited (Nedbank) (Paramount)</b>	<b>26.2.10</b>	–	54	–
Interest is charged at the prime overdraft rate less 2.0% per annum.				

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Variable rate mortgage loan – RMB Limited (RMB) (Paramount)</b>	<b>26.2.11</b>	–	71	–
Interest is charged at the prime overdraft rate less 1.5% per annum.				
<b>Variable rate mortgage loan – RMB (Paramount)</b>	<b>26.2.12</b>	–	290	–
Interest is charged at a rate of Jibar + 1.2% per quarter.				
<b>Variable rate mortgage loan – ABSA R250 million facility (Paramount)</b>	<b>26.2.13</b>	–	250	–
Interest is charged at a rate of Jibar + 1.2% per quarter.				
<b>Variable rate mortgage loan – ABSA R50 million facility (Paramount)</b>	<b>26.2.14</b>	–	50	–
Interest is fixed to 27 July 2011 at 10.13%				
<b>Variable rate mortgage loan – ABSA R36 million facility (Paramount)</b>	<b>26.2.15</b>	–	36	–
Interest is fixed to 23 March 2010 at 12.5%				
<b>Variable rate mortgage loan – ABSA R51 million facility (Paramount)</b>	<b>26.2.16</b>	–	51	–
Interest was fixed to November 2006 at 10.18%				
<b>Variable rate mortgage loan – ABSA R70 million facility (Paramount)</b>	<b>26.2.17</b>	–	70	–
Interest was fixed to 18 December 2007 at 9.27%				
<b>Variable rate mortgage loan – INDWA R250 million facility (Paramount)</b>	<b>26.2.18</b>	–	250	–
Interest is charged at Jibar + 1.2% per quarter.				
<b>Fixed rate mortgage loans secured by investment property</b>	<b>26.3</b>			
<b>Fixed rate mortgage loan – Tranche 6a</b>	<b>26.3.1</b>	–	–	212
Interest is charged at a rate of 11.21% per annum.				
<b>Fixed rate mortgage loan – Tranche 6b</b>	<b>26.3.2</b>	–	–	212
Interest is charged at a rate of 11.48% per annum.				
<b>Fixed rate mortgage loan – Tranche 6c</b>	<b>26.3.3</b>	–	–	212
Interest is charged at a rate of 11.62% per annum.				
<b>Fixed rate mortgage loan – Tranche 6d</b>	<b>26.3.4</b>	–	–	212
Interest is charged at a rate of 11.67% per annum.				
<b>Fixed rate mortgage loan – ABSA R53 million facility</b>	<b>26.3.5</b>	–	53	53
Interest is charged at a rate of 10.26% per quarter.				

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Fixed rate mortgage loan – ABSA R53 million facility</b>	<b>26.3.6</b>	–	53	53
Interest is charged at a rate of 10.51% per quarter.				
<b>Fixed rate mortgage loan – ABSA R53 million facility</b>	<b>26.3.7</b>	–	53	53
Interest is charged at a rate of 10.61% per annum.				
<b>Fixed rate mortgage loan – ABSA R53 million facility</b>	<b>26.3.8</b>	–	53	53
Interest is charged at a rate of 10.66% per annum.				
<b>Fixed rate mortgage loan – Investec Bank Limited (Investec) R703 million facility</b>	<b>26.3.9</b>	703	703	703
Interest is charged at a rate of 9.01% per annum. The capital can be repaid anytime from 28 February 2009 with a final date of repayment of 29 February 2024.				
<b>Fixed rate mortgage loan – Investec Securitisation issue 1 R805 million facility (GSWT)</b>	<b>26.3.10</b>	805	805	805
Interest is charged at a rate of 9.28% per annum. Scheduled repayment date is 2 August 2010.				
<b>Fixed rate mortgage loan – Investec Securitisation issue 2 R969 million facility (GSWT)</b>	<b>26.3.11</b>	969	969	832
Interest is charged at a rate of 8.49% per annum. Scheduled repayment date is 1 August 2013.				
<b>Fixed rate mortgage loan – Investec Securitisation issue 3 R1 566 million facility</b>	<b>26.3.12</b>	1 566	1 566	–
Interest is charged at a rate of 9.84% per annum. The scheduled repayment date is 1 November 2009.				
<b>Fixed rate mortgage loan – Investec Securitisation R1 000 million facility (Metboard)</b>	<b>26.3.13</b>	1 000	1 000	–
Interest is charged at a rate of 8.96% per annum. The scheduled repayment date is 1 September 2011.				
<b>Fixed rate mortgage loan – RMB R250 million facility (Paramount)</b>	<b>26.3.14</b>	250	–	–
Interest is charged at a rate of 10.35% per annum. The scheduled repayment date is 30 April 2018.				
<b>Fixed rate mortgage loan – RMB R490 million facility (Paramount)</b>	<b>26.3.15</b>	490	–	–
Interest is charged at a rate of 10.45% per annum. The scheduled repayment date is 30 April 2018.				
<b>Fixed rate mortgage loan – RMB R675 million facility</b>	<b>26.3.16</b>	675	–	–
Interest is charged at a rate of 9.63% per annum. The scheduled repayment date is 28 February 2018.				

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Fixed rate mortgage loan – Nedbank R155 million facility (Paramount)</b>	<b>26.3.17</b>	–	155	–
Interest is charged at a rate of 11.55% from April 2007 (before: 11.95%) per annum. Interest is only payable to January 2012. Thereafter the capital is repayable in monthly installments to December 2016.				
Loans listed from 23.2.1 to 23.3.17 are secured by first mortgage bonds over investment property with a value of R22 062 million (2007: R22 062 million).				
<b>Finance lease liability</b>	<b>26.4</b>	–	–	14
Finance leases over leasehold properties with a market value of R31 796 000.				
Total nominal value of long-term interest bearing loans		9 411	8 091	5 374
Fair value adjustment:		(656)	(235)	(58)
Fixed interest rate loans – loss		–	9	38
Fixed interest rate loans – profit		(656)	(244)	(96)
Interest rate swaps (derivatives) – loss		239	355	313
Fair value of long-term interest bearing loans and derivatives		8 994	8 211	5 629
<b>Non-interest bearing long-term liabilities</b>	<b>26.5</b>			
<b>Non-interest bearing long-term loan</b>	<b>26.5.1</b>			
Nominal value		153	153	153
Unamortised discount		(39)	(55)	(69)
Book value prior to revaluation		114	98	84
The balance is payable as follows:				
R96 513 884 – November 2009				
R56 874 239 – November 2010				
The loan is secured by second covering mortgage bonds over investment property with a value of R2 830 million (2007: R2 731 million).				
<b>Non-interest bearing loan</b>	<b>26.5.2</b>			
Nominal value		24	24	24
Unamortised discount		(6)	(9)	(11)
Book value prior to revaluation		18	15	13
The loan is unsecured and will be discharged as follows:				
– to the extent that any portion of the vacant land acquired in terms of this arrangement is sold or developed, from the proceeds of the sale or on completion of the development;				
– to the extent that any portion of the land remains unsold or undeveloped at 31 October 2009, the unpaid amount will become due and payable at that date.				

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>B Debentures</b>	<b>26.5.3</b>	–	7	–
The Class B debentures are zero coupon subordinated unlisted Class B debentures with a nominal value of 500 cents each. The debentures were compulsorily convertible into linked units. In terms of the Paramount acquisition transaction, the 1 447 304 B debentures converted on 3 January 2008 and Growthpoint issued 1 new linked unit for every 1.58 B debentures.				
Total book value of long-term non-interest bearing loans		132	120	97
Fair value adjustment of non-interest bearing loans		6	15	22
Fair value of non-interest bearing loans		138	135	119
Total financial liabilities		9 132	8 347	5 748
<b>Less portion repayable within the next 12 months</b>	<b>26.6</b>			
interest bearing		–	(53)	–
<b>Total non-current financial liabilities</b>	<b>26.7</b>	9 132	8 293	5 748
Loans		8 893	7 938	5 435
Derivatives		239	355	313
Loan covenants				
Interest times cover		3.2	2.7	2.0
Loan to value ratio for Growthpoint based on the nominal value of debt		34.5%	36.5%	50.0%
<b>Trade and other payables</b>	<b>27</b>			
Accrued expenses		406	167	84
Accrued interest		120	62	27
Tenant deposits		88	68	46
Trade creditors		24	87	23
Value-Added Tax		–	–	–
Income received in advance		–	1	2
		638	385	182
<b>Deferred taxation</b>	<b>28</b>			
<b>Deductible temporary differences</b>	<b>28.1</b>			
Fair value adjustment – debentures		2 437	1 683	997
Fair value adjustment – non-current liabilities		–	68	105
Listed property investments		–	1	–
Impairment of trade receivables		2	2	1
Long-term loans granted to BEE consortia		4	–	1
Deferred taxation asset partially recognised		2 443	1 754	1 104

Recovery of these deferred tax assets is dependent on the generation of sufficient future taxable income. In order to recognise an asset, it must be probable that deductible temporary differences in excess of existing taxable temporary differences will be used.

Note	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
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In practice, all taxable income (excluding capital gains) is distributed to unit holders primarily in the form of tax deductible debenture interest. While the debentures (representing the most significant of the above deductible temporary differences) are carried at fair value and remain unredeemed, future tax deductions are likely to equal or exceed any tax liability which may arise (excluding capital gains taxation).

The deferred tax effect of the right to manage the property assets is excluded from the calculation of the unrecognised deferred tax asset as the deferred tax liability does not qualify for offset against the unrecognised deductible temporary difference.

The deferred tax asset is limited to the amount of any deferred tax liability raised, being that portion of the deferred tax asset that is recoverable. The net effect of R nil is therefore reflected on the consolidated balance sheet.

### **Taxable temporary differences**

### **28.2**

The recognition of a deferred tax liability is dependent on the manner in which Growthpoint will recover the carrying value of the related assets. The most significant asset in this case is investment property, which is expected to be recovered through a combination of use (rental to third parties) and ultimately by sale.

In determining the amount of deferred tax to be raised, accounting standards require:

- (a) the revaluation of land to be separated from that of the buildings and deferred tax to be computed using the consequences of sale; and
- (b) in respect of the buildings, management is required to estimate the expected period of use until sale and an estimated sales value (residual). The fair value adjustment is then split between a use and sale component and the respective tax consequences applied to each component.

In view of the size of the property portfolio, the complexity of determining the residual value and anticipated sale date of these properties, and the fact that any deferred tax liability raised will be offset by deferred tax assets, management believe that an exercise to determine the requisite amounts would require expenditure well in excess of any expected benefit.

	<b>Group 2008 R'm</b>	<b>Group 2007 R'm</b>	<b>Group 2006 R'm</b>
--	-------------------------------	-------------------------------	-------------------------------

The effective rate will be between 14% and 28% (2007: 14.5% and 29.0%). The factors that would reduce the effective rate to less than 28% (2007: 29%) are that:

- (a) the tax effect on revaluation of land must be provided for using the sales consequences; and
- (b) Growthpoint has historically sold investment properties for a significant amount in relation to the carrying value and therefore a large component of the carrying value is recoverable through sale.

The following analysis of deferred tax has been provided for illustrative purposes, presuming that the effective tax rate calculated is 14.5% (2007: 15.0%) for investment properties:

		<b>Group Temporary differences 2008 R'm</b>	<b>Group Temporary differences 2007 R'm</b>	<b>Group Temporary differences 2006 R'm</b>
<b>Investment property component</b>				
Fair value adjustment – investment property assets		7 282	5 464	3 267
<b>Other assets/liabilities</b>				
Intangible asset – right to manage property assets		1 384	–	–
Fair value adjustment – listed property investments		–	–	–
Fair value adjustment – gain on fair value of derivatives		759	109	115
Fair value adjustment – non-current liabilities		291	–	–
Fair value adjustment – other investments		–	–	–
Long-term loans granted to BEE consortia		–	34	–
Interest accrued on linked debentures		–	3	6
		9 716	5 610	3 388
Fair value adjustment – investment property assets	14.5%	1 056	820	948
<b>Other assets or liabilities</b>				
Intangible asset – right to manage property assets	28.0%	387	–	–
Fair value adjustment – listed property investments	14.0%	–	–	–
Fair value adjustment – gain on fair value of derivatives	28.0%	213	31	33
Fair value adjustment – non-current liabilities	28.0%	81	–	–
Fair value adjustment – other investments	14.0%	–	–	–
Long-term loans	28.0%	–	10	–
Interest accrued on linked debentures	28.0%	–	1	2
Potential deferred tax liability		1 737	8 62	983

The excess of the potential deferred tax asset over the potential tax liability is not recognised for the reason stated in note 25.1 above.

Notes	Group Illustrative deferred tax 2008 R'm	Group Illustrative deferred tax 2007 R'm	Group Illustrative deferred tax 2006 R'm
Movement in deferred tax relates to:			
Balance at beginning of the year – unrecognised	892	121	72
Change in estimate*	(32)	398	–
Temporary differences reversed on disposal of assets			
– investment property	1	4	7
– listed property investments	–	1	34
Temporary differences arising during the year	(154)	368	8
Net timing difference	233	368	8
Intangible asset deferred tax liability recognised	(387)	–	
Balance at end of year – unrecognised	707	892	121

\* In the current year the Capital Gains Tax rate has changed to 14.0% (2007: 14.5%) and the income tax rate has changed to 28.0% (2007: 29.0%).

	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Cash generated from operations</b>	<b>29</b>		
Net property income after other operating expenses	2 183	1 703	963
Straight-line lease income adjustment	(208)	(210)	(82)
Increase in trade and other receivables	(51)	(131)	(87)
Increase in trade and other payables	133	203	37
Non-cash movements relating to Paramount/Metboard transaction:			
– trade and other receivables	–	66	28
– trade and other payables	–	(147)	(56)
	2 057	1 484	803
<b>Taxation (received)/paid</b>	<b>30</b>		
Amounts unpaid at beginning of the year	5	23	25
Acquisition of Paramount	–	2	–
Amounts (credits)/charged to income statement	(1)	2	23
Amounts unpaid at end of year	(5)	(5)	(23)
	(1)	22	25
<b>Distribution to unitholders</b>	<b>31</b>		
Amounts unpaid at beginning of year	521	358	252
Interest	1 363	966	602
Dividends	1	1	1
Amounts unpaid at end of year	(711)	(521)	(358)
	1 174	804	497

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Net cash outflow from investing activities</b>	<b>32</b>			
Opening balance of non-current assets		22 632	15 353	9 528
Non-cash movements		4 303	5 859	4 687
Fair value adjustment of investment property		1 615	2 013	1 500
Straight-line lease income adjustment		208	210	82
Investment property held for sale reclassified		(42)	–	(368)
Fair value adjustment of listed investments		(1)	7	33
Fair value adjustment on derivatives		651	(6)	96
Fair value adjustment and accrued interest on long-term loans		(15)	34	–
Fair value adjustment on investment in subsidiaries and interest in trust		–	–	–
Property management subsidiary acquired by issue of linked units		–	–	–
Linked units issued for Staff Incentive Scheme		134	–	–
Increase in Staff Incentive Scheme Liability		(75)	–	–
Amortisation of intangible asset		(99)	–	–
Properties acquired by issue of linked units		–	317	1 245
Net movement as a result of the IPG transaction (2007: Paramount)		1 927	3 284	2 099
Closing balance of non-current assets		(30 231)	(22 632)	(15 353)
Cash from acquisition of additional linked units in Paramount/Metboard		–	81	3
		(3 296)	(1 339)	(1 135)
<b>Joint ventures</b>	<b>33</b>			
<b>Income statement</b>				
Revenue		165	155	113
Property expenses		(33)	(34)	(21)
Property operating profit		132	121	92
Fair value adjustments		47	246	165
Operating profit		179	367	257
<b>Balance sheet</b>				
Non-current assets				
Property assets:				
Opening fair value of property assets		1 617	1 495	869
Acquisitions		121	–	437
Transfer to investment properties		–	(128)	–
Capital expenditure		46	4	25
Net fair value adjustments		51	246	165
Less: Straight-line lease income adjustment		(45)	(35)	(9)
Closing balance		1 790	1 582	1 487
Straight-line lease income adjustment		45	35	9
Property assets		1 835	1 617	1 496
Current assets		14	17	9
<b>Total assets</b>		1 849	1 634	1 505
Owners' equity		1 839	1 620	4
Current liabilities		10	14	1 501
<b>Total equity and liabilities</b>		1 849	1 634	1 505

	Notes	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
Joint ventures comprise the following properties:				
– Northgate Shopping Centre (50.0%)				
– Kolonnade Shopping Centre (50.0%)				
– Alberton City (35.7%)				
– Westgate (50.0%)				
– Eagle Industrial Park (50.0%)				
– Lakeside Mall (87.2%)				
During the current year, a further 20.5% of Lakeside Mall was acquired.				
<b>Borrowing powers</b>	<b>34</b>			
The borrowing capacity of the company and its subsidiaries, in terms of their articles of association is unlimited.				
<b>Capital commitments</b>	<b>35</b>			
Authorised and contracted		2 274	3 692	128
The capital expenditure will be financed from existing funding facilities.				
<b>Contingent liabilities</b>	<b>36</b>			
Certain wholly-owned subsidiaries of the company have guaranteed the income of their wholly-owned subsidiary companies to certain financial institutions.				
The total value of this income over the next five years amounts to approximately R204 million (2007: R232 million) and is due, in terms of lease agreements, by the following tenants:				
Centre for Diabetes and Endocrinology (Pty) Limited – R18 million (2007: R21 million);				
Ernst & Young South Africa – R160 million (2007: R181 million); and				
Merck (Pty) Limited – R26 million (2007: R30 million).				
Growthpoint Properties Limited has a total investment in these long-lease subsidiaries of approximately R22.2 million (2007: R22.2 million).				
		204	232	257
<b>Minimum contracted rental income</b>	<b>37</b>			
Contractual amounts due in terms of operating lease agreements:				
Less than one year		2 423	2 116	1 563
between one and five years		5 786	4 794	3 732
More than five years		4 789	3 904	3 460
		12 998	10 814	8 755

	Note	Group 2008 R'm	Group 2007 R'm	Group 2006 R'm
<b>Related party transactions</b>	<b>38</b>			
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party making financial or operational decisions.				
Balances with controlled entities are disclosed in note 17. Balances with BEE consortia are disclosed in note 16.				
Growthpoint Management Services (Pty) Limited (GMS) is a wholly-owned subsidiary and is responsible for the property management of the properties.				
This entity started operating after the acquisition of the Property Services Businesses from Investec Property Group Limited was concluded.				
The following transactions within the group were concluded:				
Letting commissions paid to GMS		–	–	–
Project management fees paid to GMS		–	–	–
Collection commission paid to GMS		–	–	–
The following key management remuneration was paid during the year:				
Salaries		8	–	–
Bonuses		6	–	–
Contributions to defined contribution plan		1	–	–
Other long-term employee benefits: Staff Incentive Scheme		8	–	–
		23	–	–

The company issued 1 826 366 linked units in terms of the Staff Incentive Scheme to key management.

In the prior year, Investec Bank Limited (Investec) was a major shareholder of Growthpoint and a controlling shareholder of the asset management company, Growthpoint Managers (Pty) Limited and Investec Property Group Limited (IPG), and was responsible for the property management of the properties. The following additional disclosure is given in the interests of greater transparency and good corporate governance:

	<b>Group 2008 R'm</b>	<b>Group 2007 R'm</b>	<b>Group 2006 R'm</b>
Rental income from Investec			
– per lease agreement	–	108	99
– straight-line lease income accrual	–	64	72
Interest paid on loan from Investec	–	63	57
Interest paid on loan from Investec (variable)	–	–	18
Interest paid on loan from Investec (bridging loan)	–	40	5
Interest paid on loan from Investec (swaps)	–	1	5
Interest paid to Investec as part of lending consortium of banks	–	2	6
Secretarial/Valuation fees	–	1	–
Corporate finance fees paid to Investec	–	13	7
Swap contracts entered into with Investec (note 35.5)	–	6 877	4 103
Direct loans from Investec	–	703	703
Letting commission paid to IPG	–	28	17
Property management fee paid to IPG	–	86	55
Asset management fees paid to Growthpoint Managers (Pty) Limited	–	90	58
Other balances at 30 June			
– fees payable included in trade and other payables	–	9	6
– loan included in trade and other receivables	–	14	10
– cash and cash equivalents	–	17	12

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**PRO FORMA BALANCE SHEET AND INCOME STATEMENT OF GROWTHPOINT  
AFTER THE RIGHTS OFFER**

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The unaudited *pro forma* consolidated balance sheet and income statement of Growthpoint prior to and after the Rights Offer is set out below. The unaudited *pro forma* consolidated balance sheet and income statement of Growthpoint has been presented for illustrative purposes only and because of its nature may not give a fair reflection of Growthpoint's results, financial position and changes in equity after the Rights Offer. It has been assumed for purposes of the unaudited *pro forma* consolidated balance sheet that the Rights Offer took place with effect from 30 June 2008. The directors of Growthpoint are responsible for the preparation of the unaudited *pro forma* consolidated balance sheet and income statement.

## PRO FORMA CONSOLIDATED BALANCE SHEET

	Before Rights Offer <sup>(1)</sup> R'm	Pro forma adjustment R'm	Pro forma after Rights Offer R'm
<b>ASSETS</b>			
<b>Non-current assets</b>	30 231		30 231
Fair value of investment property for: Accounting purposes	26 409		26 409
Straight-line lease income adjustment	836		836
Fair value of property assets	27 245		27 245
Furniture and equipment	2		2
Listed property investment	9		9
Intangible asset	1 832		1 832
Long-term employee benefits	59		59
Long-term loans to BEE consortia	325		325
Gain on fair value of derivatives	759		759
<b>Current assets</b>	426		2 168
Trade and other receivables	357		357
Investment property held for sale	42		42
Cash and cash equivalents	27	1 742 <sup>(2)</sup>	1 769
<b>Total assets</b>	30 657		32 399
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' interest</b>	1 501		1 459
Ordinary share capital	64	6 <sup>(3)</sup>	70
Retained earnings	–	(48) <sup>(5)</sup>	(48)
Non-distributable reserve	1 437		1 437
Non-current liabilities – debentures	18 283	1 736 <sup>(4)</sup>	20 019
<b>Linked unitholders' interest</b>	19 784		21 478
<b>Other non-current liabilities</b>	9 519		9 519
Other non-current financial liabilities	9 132		9 132
Deferred tax liability	387		387
<b>Current liabilities</b>	1 354		1 402
Trade and other payables	638	48 <sup>(5)</sup>	686
Taxation payable	5		5
Linked unitholders for interest and dividends	711		711
<b>Total equity and liabilities</b>	30 657		32 399
<b>Linked units in issue</b>	1 280 926 195	128 092 620	1 409 018 815
	<b>Cents</b>		<b>Cents</b>
<b>Net asset value per linked unit</b>	1 545		1 524
<b>Tangible net asset value</b>	1 432		1 422

### Notes:

- The unaudited *pro forma* amounts "Before Rights Offer" column have been extracted without adjustment from the published audited financial statements of Growthpoint at 30 June 2008.
- Cash and cash equivalents have been adjusted to include the cash received as a result of the Rights Offer.
- Ordinary share capital has been adjusted to include the ordinary share capital portion of 128 092 620 Linked Units issued at a value of 5 cents per share.
- Debentures have been adjusted to include the 128 092 620 Linked Units issued at 1 360 cents.
- Current liabilities and retained earnings have been adjusted to reflect transaction costs and the charge in respect of the Underwriting Commission of 3.5% and interest paid of 11.7% on the Rights Offer underwritten of R1 billion.

## PRO FORMA INCOME STATEMENT

	<b>Before Rights Offer<sup>(1)</sup> R'm</b>	<b>Pro forma adjustment R'm</b>	<b>Pro forma after Rights Offer R'm</b>
Revenue excluding straight-line lease income adjustment	2 712		2 712
Straight-line lease income adjustment	208		208
Revenue	2 920		2 920
Property expenses	(675)		(675)
Net property income	2 245		2 245
Other operating expenses	(62)		(62)
Net property income after other operating expenses	2 183		2 183
Investment income	1		1
Operating profit	2 184		2 184
Fair value adjustments	(139)		(139)
Finance costs	(697)	204 <sup>(2)</sup>	(493)
Interest income on proceeds from Rights Offer	–		–
Transaction costs	–	(3) <sup>(3)</sup>	(3)
Underwriting Commission and interest on Underwritten Units	–	(45) <sup>(4)</sup>	(45)
Non-cash charges	(193)		(193)
Trading profit and other capital profits	22		22
Finance income	87		87
Profit before debenture interest	1 264		1 420
Debenture interest	(1 363)		(1 557)
Loss before taxation	(99)		(137)
Taxation	1		1
– Normal and Secondary Tax on Companies	(4)		(4)
– Capital Gains Taxation	5		5
Loss for year	(98)		(136)
	<b>Cents</b>		<b>Cents</b>
Distribution per linked unit <sup>(7)</sup>	106.5		110.50
Basic loss per linked unit	(7.91)		(9.95)
Headline earnings per linked unit	159.31		155.79
Linked units in issue at year-end	1 280 926 195	1 28 092 620 <sup>(5)</sup>	1 409 018 815
Weighted average number of linked units in issue	1 238 460 442	1 28 092 620 <sup>(5)</sup>	1 366 553 062

### Notes:

- The figures in the "Before" column have been extracted without adjustment from the published audited results for the year ended 30 June 2008.
- Finance costs have been adjusted to take into account the interest saving resulting from the reduction in interest bearing debt by the R1.742 billion received from the Rights Offer at the Investec Call Deposit Rate.
- Transaction costs have been expensed.
- The Underwriting Commission of 3.50% and interest at the Investec Call Deposit Rate paid to the Underwriter is calculated based on the value of the Rights Offer underwritten of R1 billion. The interest is calculated for the period from the date the Underwriter subscribes and pays for the Underwritten Units until Monday, 2 February 2009.
- Linked units in issue have been adjusted for the 128 092 620 Rights Offer Units to be issued.
- On the basis that R1 billion has been underwritten and irrevocables have been received for R400 million, Growthpoint will raise a minimum of R1.4 billion. The difference in the financial effects based on Growthpoint only raising R1.4 billion and not the full R1.742 billion is not material.
- Transaction costs and Underwriting Commission relating to capital raised have historically been treated by Growthpoint as items of a capital nature in the determination of distributions to Linked Unitholders. These items have therefore been added back in the calculation of the distribution per Linked Unit.

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**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT  
ON THE UNAUDITED *PRO FORMA* FINANCIAL EFFECTS**

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"The Directors  
Growthpoint Properties Limited  
PO Box 78949  
Sandton  
2146

9 December 2008

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE  
UNAUDITED *PRO FORMA* FINANCIAL EFFECTS****Introduction**

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects, income statement and balance sheet (collectively "the *pro forma* financial information") of Growthpoint Properties Limited ("Growthpoint") set out in paragraph 7 commencing on page 15 and Annexure 2 to the Circular to be dated on or about 5 January 2009 issued in connection with the partially underwritten renounceable rights offer ("Circular").

The *pro forma* financial information has been prepared for purposes of complying with the requirements of the JSE Limited ("JSE"), for illustrative purposes only, to provide information about how the rights offer ("transaction") might have affected the reported financial information had the transaction been undertaken on 30 June 2008 for balance sheet purposes and on 1 July 2007 for income statement purposes.

Because of its nature, the *pro forma* financial information may not present a fair reflection of the financial position, changes in equity, results of operations or cash flows of Growthpoint, after the transaction.

**Directors' responsibility**

The directors of Growthpoint are solely responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared.

Their responsibility includes determining that the *pro forma* financial information contained in the Circular has been properly compiled on the basis stated, the basis is consistent with the accounting policies of Growthpoint and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information as disclosed in terms of the JSE Listings Requirements.

**Reporting accountants' responsibility**

Our responsibility is to express a limited assurance conclusion on the *pro forma* financial information included in the Circular. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by The South African Institute of Chartered Accountants.

This standard requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain sufficient appropriate audit evidence to support our limited assurance conclusion, expressed below.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

## Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted audited historical financial information of Growthpoint with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Growthpoint, considering the evidence supporting the *pro forma* adjustments, recalculating the amounts based on the information obtained and discussing the *pro forma* financial information with the directors of Growthpoint.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Growthpoint and other information from various public, financial and industry sources.

Whilst our work performed involved an analysis of the historical audited financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the International Standards on Auditing or the International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance are obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## Opinion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Growthpoint; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed pursuant to Section 8.30 of the JSE Listings Requirements.

## Consent

We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued by Growthpoint in the form and context in which it appears.

Yours faithfully

## KPMG Inc.

Per **Mickey Bove**  
Chartered Accountant (SA)  
Registered Auditor  
Director"

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**GROWTHPOINT TRADING HISTORY ON THE JSE**


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	High (cents)	Low (cents)	Volume (Linked Units)	Value (Linked Units) (R'm)
<b>Quarterly</b>				
30/09/2006	1 170	980	98 603 434	1 063
31/12/2006	1 290	1 010	100 158 708	1 231
31/03/2007	1 582	1 235	126 849 412	1 766
30/06/2007	1 705	1 420	96 824 702	1 509
30/09/2007	1 650	1 425	115 414 755	1 785
31/12/2007	1 710	1 530	343 073 377	5 716
31/03/2008	1 639	1 245	103 484 849	1 478
30/06/2008	1 426	1 073	129 519 215	1 607
30/09/2008	1 520	1 060	136 862 723	1 799
<b>Monthly</b>				
30/11/2007	1 710	1 540	272 843 545	4 598
31/12/2007	1 635	1 530	21 452 793	338
31/01/2008	1 639	1 275	36 490 011	543
29/02/2008	1 535	1 350	28 001 988	409
31/03/2008	1 456	1 245	38 992 850	526
30/04/2008	1 426	1 250	33 462 413	448
31/05/2008	1 281	1 100	55 436 448	689
30/06/2008	1 240	1 073	40 620 354	470
31/07/2008	1 334	1 060	50 012 570	610
31/08/2008	1 520	1 301	41 025 697	556
30/09/2008	1 475	1 280	45 824 456	633
31/10/2008	1 403	1 175	66 468 018	839
30/11/2008	1 575	1 300	80 288 081	1 160
<b>Daily</b>				
27/10/2008	1 225	1 175	2 744 650	33
28/10/2008	1 230	1 191	3 171 523	39
29/10/2008	1 300	1 236	1 559 707	20
30/10/2008	1 330	1 274	2 081 480	27
31/10/2008	1 325	1 291	1 107 550	14
03/11/2008	1 400	1 300	843 922	11
04/11/2008	1 400	1 310	2 273 859	30
05/11/2008	1 350	1 310	390 092	5
06/11/2008	1 350	1 310	1 838 947	24
07/11/2008	1 347	1 308	557 430	7
10/11/2008	1 380	1 330	3 340 322	46
11/11/2008	1 355	1 330	786 264	11
12/11/2008	1 372	1 330	729 487	10
13/11/2008	1 395	1 310	2 120 773	29
14/11/2008	1 375	1 345	856 853	12
17/11/2008	1 350	1 330	394 022	5
18/11/2008	1 340	1 330	2 051 984	27
19/11/2008	1 390	1 340	4 846 674	66
20/11/2008	1 379	1 330	4 282 352	58
21/11/2008	1 399	1 366	3 239 841	45

	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Volume (Linked Units)</b>	<b>Value (Linked Units) (R'm)</b>
<b>Daily</b>				
24/11/2008	1 428	1 395	3 083 223	44
25/11/2008	1 575	1 395	31 503 463	476
26/11/2008	1 540	1 455	7 445 284	110
27/11/2008	1 513	1 455	5 731 073	85
28/11/2008	1 529	1 450	3 972 216	59
01/12/2008	1 519	1 462	1 560 473	23
02/12/2008	1 550	1 485	5 063 260	77
03/12/2008	1 535	1 516	1 383 133	21
04/12/2008	1 539	1 514	1 698 182	26
05/12/2008	1 515	1 365	2 684 652	39

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## SALIENT FEATURES OF DIRECTORS' SERVICE CONTRACTS

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At 30 July 2008 the following service contracts have been entered into:

### **1. SERVICE CONTRACT ENTERED INTO BETWEEN: LEON NORBERT SASSE AND GROWTHPOINT, DATED JULY 2007**

#### **1.1 Commencement date and duration**

##### **1.1.1 Commencement date**

1 July 2007.

##### **1.1.2 Duration**

Four years subject to summary termination by Growthpoint in certain circumstances.

##### **1.1.3 Notice period**

Subject to 1.1.2 above, two calendar months written notice.

##### **1.1.4 Capacity, function and duties**

Leon Norbert Sasse is employed in the capacity as the chief executive officer of Growthpoint which will embrace all functions, activities and duties reasonably necessary, incidental and ancillary thereto and in such other capacity as he may from time to time be appointed, provided that such other appointments and/or capacities will be consistent with the capacities and functions assigned to the executive in terms of the service contract.

#### **1.2 Remuneration**

**1.2.1** Leon Norbert Sasse shall be paid an annual salary at a total cost to company of R3 250 000.

**1.2.2** Leon Norbert Sasse shall be entitled to participate as a beneficiary in the group's bonus process, on merit, in accordance with the rules in force in respect of such scheme from time to time.

**1.2.3** Leon Norbert Sasse will participate in the group's staff incentive scheme.

### **2. SERVICE CONTRACT ENTERED INTO BETWEEN: ESTIENNE DE KLERK AND GROWTHPOINT, DATED JULY 2007**

#### **2.1 Commencement date and duration**

##### **2.1.1 Commencement date**

1 July 2007.

##### **2.1.2 Duration**

Four years subject to summary termination by Growthpoint in certain circumstances.

##### **2.1.3 Notice period**

Subject to 2.1.2 above, two calendar months' written notice.

##### **2.1.4 Capacity, function and duties**

Estienne de Klerk is employed in the capacity as an executive director of Growthpoint which will embrace all functions, activities and duties reasonably necessary, incidental and ancillary thereto and in such other capacity as he may from time to time be appointed, provided that such other appointments and/or capacities will be consistent with the capacities and functions assigned to the executive in terms of the service contract.

## **2.2 Remuneration**

**2.2.1** Estienne de Klerk shall be paid an annual salary at a total cost to company of R2 000 000.

**2.2.2** Estienne de Klerk shall be entitled to participate as a beneficiary in the group's bonus process, on merit, in accordance with the rules in force in respect of such scheme from time to time.

**2.2.3** Estienne de Klerk will participate in the group's staff incentive scheme.

No further service contracts have been entered into between Growthpoint and any of its directors in the period commencing 1 July 2008 up to the Last Practicable Date.

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**TABLE OF ENTITLEMENTS**


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The rounded number of rights to Linked Units to which unitholders are entitled are as follows:

<b>Existing Linked Units</b>	<b>Linked Unitholder entitlement</b>	<b>Existing Linked Units</b>	<b>Linked Unitholder entitlement</b>	<b>Existing Linked Units</b>	<b>Linked Unitholder entitlement</b>
1	–	35	4	69	7
2	–	36	4	70	7
3	–	37	4	71	7
4	–	38	4	72	7
5	1	39	4	73	7
6	1	40	4	74	7
7	1	41	4	75	8
8	1	42	4	76	8
9	1	43	4	77	8
10	1	44	4	78	8
11	1	45	5	79	8
12	1	46	5	80	8
13	1	47	5	81	8
14	1	48	5	82	8
15	2	49	5	83	8
16	2	50	5	84	8
17	2	51	5	85	9
18	2	52	5	86	9
19	2	53	5	87	9
20	2	54	5	88	9
21	2	55	6	89	9
22	2	56	6	90	9
23	2	57	6	91	9
24	2	58	6	92	9
25	3	59	6	93	9
26	3	60	6	94	9
27	3	61	6	95	10
28	3	62	6	96	10
29	3	63	6	97	10
30	3	64	6	98	10
31	3	65	7	99	10
32	3	66	7	100	10
33	3	67	7	1 000	100
34	3	68	7	10 000	1 000

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## CORPORATE GOVERNANCE

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### 1. INTRODUCTION

Growthpoint Properties Limited and its board of directors are committed to the Code of Corporate Practice and Conduct as set out in the King II Report and have no areas of non-compliance. The directors recognise the need to conduct the enterprise with integrity and accountability in accordance with sound corporate practices.

### 2. BOARD OF DIRECTORS

The board of directors consists of ten non-executive directors, including the chairman, and three executive directors. Details of the board's composition is set out in paragraph 13 commencing on page 17 of this Circular. In addition to four quarterly board meetings held each year on preset dates, directors' meetings are convened on an *ad hoc* basis as required. The directors' remuneration is subject to the recommendations made by the Remuneration Committee to and approval by the board as authorised from time to time at annual general meetings.

Nine of the non-executive directors are independent of management and free from any relationship that could materially interfere with the execution of their independent judgement. Their business experience enables them to evaluate strategy and act in the Company's best interests

The board operates in terms of a written charter that sets out its terms of reference, its overall purpose, its responsibilities and its authority, and governs matters such as board membership, meeting procedures and ethical conduct. A copy of the Board Charter is available from the Company Secretary. The chief executive officer does not hold the position of chairperson.

### 3. DEALING IN THE COMPANY'S LINKED UNITS

In terms of policy, directors have to obtain written clearance from the chief executive officer and/or the chairman of the board of any intention to buy or sell Linked Units in the company whether directly or indirectly. Directors and Company employees who become aware of sensitive financial information are barred from dealing directly or indirectly in the Company's Linked Units until such information is in the public domain.

### 4. ASSET MANAGEMENT AND PROPERTY ADMINISTRATION

The management company is Growthpoint Management Services (Proprietary) Limited ("GMS"), a wholly-owned Subsidiary of Growthpoint. GMS is responsible for the asset management, property management and related businesses of Growthpoint.

### 5. INTERNAL AUDIT

The internal audit function is provided in-house by the head of internal audit and risk management, appointed on 1 May 2008. It includes:

- meeting with the audit committee to agree on the audit plan for the year;
- preparing an audit strategy for the year, for approval by the Audit Committee;
- attending meetings of and reporting to the Audit Committee;
- meeting with the external auditors to co-ordinate planning and promote reliance on internal audit work performed; and
- carrying out the audit work, including testing of controls, as agreed in the audit plan.

## **6. EXTERNAL AUDIT**

KPMG Inc. are the external auditors of the Company and its Subsidiaries. The independence of the external auditors is recognised and annually reviewed by the Audit Committee with the auditors. The external auditors attend the audit committee meetings and have unrestricted access to the chairman of the Audit Committee.

## **7. AUDIT COMMITTEE**

The Audit Committee comprises four independent non-executive directors, including the chairman of the risk management committee. The chief executive officer, executive director, financial director, external auditors, head of internal audit and risk management, fund directors and chief operating officer of GMS are present at meetings by standing invitation.

The Audit Committee meets at least four times a year and operates according to written terms of reference approved by the board of directors. These include the review of the annual financial statements before they are presented to the board, the review of internal control systems with reference to the findings of the external auditors, considering any changes in accounting policies and considering any recommendations of the internal and external auditors.

## **8. RISK MANAGEMENT COMMITTEE**

The Risk Management Committee comprises five independent non-executive directors, including the chairman of the audit committee. The chief executive officer, financial director, the fund directors, head of internal audit and risk management and the chief operating officer of GMS are present at meetings by standing invitation.

The Risk Management Committee meets at least four times a year and operates according to written terms of reference approved by the board of directors. These include the review of the Company's risk management function, internal control systems, risk philosophy, strategies and policies and risk-related performance measures and indicators.

## **9. RISK MANAGEMENT**

A formalised risk assessment model is used to identify all material risks to which the Company is exposed and to evaluate these risks in terms of severity of impact and likelihood of occurrence. Key risk indicators have been identified in order to monitor and manage these risks on an on-going basis. The head of internal audit and risk management reports to the risk management committee at each quarterly meeting.

## **10. PROPERTY COMMITTEE**

The committee comprises five independent non-executive directors and the chief executive officer.

This committee meets at least twice per annum and, further as might be required. The committee assists the board of directors in the discharge of its duties relating to transactions involving the Company's property portfolio, including management of the portfolio.

The committee's terms of reference are:

- review the annual net income budget, the proposed capital expenditure budget and the projected earnings for the Linked Units for next financial year;
- appraise proposed purchases and sales of property which exceeds the levels of authority of the executive directors;
- evaluate proposed unbudgeted capital expenditure which exceeds the levels of authority of the executive directors; and
- review the annual valuation performed on the property portfolio.

## **11. REMUNERATION COMMITTEE**

The Remuneration Committee consists of the board's chairman, the chief executive officer and deputy chairman. The terms of reference of the committee are to make recommendations to the board regarding remuneration of the directors as well as to approve the annual salary increases, bonus payments and Growthpoint staff incentive scheme option allocations.

## **12. NOMINATION COMMITTEE**

The Nomination Committee consists of the independent non-executive directors in office from time to time and is chaired by the board's chairman. The terms of reference of the committee are to make recommendations to the board regarding the appointment of new directors. The committee is also responsible for ensuring that all new directors receive appropriate induction and adequate information on all aspects of the Company's business.

## **13. TRANSFORMATION COMMITTEE**

The Transformation Committee consists of six independent non-executive directors, the chief executive officer and financial director.

The Company fully supports the principles of empowering previously disadvantaged groups in South Africa and was actively involved in the formulation of a property sector transformation charter. The Company will continue to strive to achieve the expected targets for procurement from black empowered entities as well as investing in socially responsible projects and assisting in the development of black-owned enterprises.

## **14. STAFF INCENTIVE SCHEME**

Linked to the management "buy-in" transaction entered into with IPG, Growthpoint staff incentive scheme (the "scheme") as an incentive for management and staff previously employed by IPG to remain with Growthpoint. The scheme also ensures that the interests of management and staff are aligned with those of Linked Unitholders. Further details of the scheme are provided in the Company's full annual report available on the Company's website ([www.growthpoint.co.za](http://www.growthpoint.co.za)).

## **15. ATTENDANCE AT MEETINGS**

Details of directors' attendance at meetings from 1 July 2007 to the Last Practicable Date are set out hereunder:

Four scheduled board meetings were held during the year ended 30 June 2008. Two scheduled board meetings were held during the period 1 July 2008 to 5 December 2008. Special board meetings were held on 8 July 2008 and 1 December, 2008. *Ad hoc* or special board meetings are arranged with due regard to the quorum requirements of the Company's articles of association and the recusal, where necessary, of related-party directors or those presented with a conflict of interests.

The nomination committee did not meet during the period 1 July 2007 to 30 June 2008. Subsequently, at a meeting held on 26 August 2008, the committee met and approved the appointment of Mr E K de Klerk and Mr S M Snowball as executive director and financial director, respectively.

Director	Board		Audit		Risk Management		Property		Transformation		Remuneration	
	A	B	A	B	A	B	A	B	A	B	A	B
S Hackner <sup>(1)</sup>	7	6									2	2
J F Marais	10	10									3	3
E K de Klerk	3	3										
M G Diliza	10	8			7	7	4	3	6	6		
P H Fechter	10	10	9	8	7	7	4	4	6	6		
J C Hayward	10	10	9	8								
H S Herman	10	9										
S R Leon <sup>(2)</sup>	1	1										
H S P Mashaba <sup>(3)</sup>	10	10			6	6			5	5	2	2
R Moonsamy	10	10					4	3				
B Ngcuka <sup>(4)</sup>	8	6							6	4		
L N Sasse	10	10	9	6	7	7	4	4	6	6	3	3
S M Snowball	3	3										
C G Steyn	10	9	9	9	7	7	4	4	6	6		
J H N Strydom	10	10	9	9	7	7	4	4	6	6		
F J Visser	10	10										

**Notes:**

Column A is the number of meetings held during the year that the director was eligible to attend.

Column B is the number of meetings attended by the director:

(1) Mr S Hackner resigned as a director on 8 July 2008.

(2) Mr S R Leon resigned as a director on 16 October 2007.

(3) Mr Mashaba resigned his Committee memberships on 25 August 2008.

(4) Mr BT Ngcuka retired as a director at the Company's annual general meeting held on 5 November 2008.

**NB:** In all cases where directors were unable to attend a meeting, the board or the respective committee accepted their justified leave of absence.

## 16. RELATIONS WITH UNITHOLDERS

The board is also committed to transparency and disclosure of relevant and appropriate information in the annual report and through other communication channels to give all unitholders, potential unitholders and other stakeholders' access to such information.

## 17. ETHICS

The directors are bound in terms of a written code of ethics that is part of the Board Charter to ensure that the Company and its agents conduct the business according to the highest ethical standards, in particular to comply with all the laws of South Africa and any applicable regulatory bodies and to conduct all business activities in a manner that is beyond reproach.

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**MATERIAL BORROWINGS, COMMITMENTS AND/OR CONTINGENT LIABILITIES**


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**I. MATERIAL LOANS**

Save as set out below and elsewhere in this Circular:

- No material loans have been advanced to the company or any of its subsidiaries; and
- No material loans have been advanced by the company or its subsidiaries.

The table below sets out information at the Last Practicable Date, regarding material loans advanced to the Company.

<b>Variable rate loans – secured by investment property</b>	<b>R'm</b>
<b>Variable rate mortgage loan – Old Mutual Specialised Finance (Pty) Limited R658 million facility</b>	658
Interest is charged at a rate of Jibar + 1.05% per annum. The capital is repayable on 28 February 2013.	
<b>Variable rate mortgage loan – ABSA Bank Limited (ABSA) R600 million facility</b>	178
Interest is charged at the prime overdraft rate less 2.00% per annum. The capital is repayable on 31 March 2011.	
<b>Variable rate mortgage loan – ABSA RI 200 million facility</b>	1 200
Interest is charged at a rate of Jibar + 0.80% per annum. The capital is repayable on 31 March 2011.	
<b>Variable rate mortgage loan – ABSA R740 million facility (Paramount)</b>	740
Interest is charged at a rate of Jibar + 0.80% per annum. The capital is repayable on 28 February 2015.	
<b>Variable rate mortgage loan – Nedbank R2 000 million facility</b>	1 000
<b>Variable rate mortgage loan – Standard Bank RI 000 million facility</b>	500
<b>Fixed rate mortgage loans secured by investment property</b>	
<b>Fixed rate mortgage loan – Investec Bank Limited (Investec) R703 million facility</b>	703
Interest is charged at a rate of 9.01% per annum. The capital can be repaid anytime from 28 February 2009 with a final date of repayment of 29 February 2024.	
<b>Fixed rate mortgage loan – Investec Securitisation issue 1 R805 million facility (GSWT)</b>	805
Interest is charged at a rate of 9.28% per annum. Scheduled repayment date is 2 August 2010.	
<b>Fixed rate mortgage loan – Investec Securitisation issue 2 R969 million facility (GSWT)</b>	969
Interest is charged at a rate of 8.49% per annum. Scheduled repayment date is 1 August 2013.	
<b>Fixed rate mortgage loan – Investec Securitisation issue 3 RI 566 million facility</b>	1 566
Interest is charged at a rate of 9.84% per annum. The scheduled repayment date is 1 November 2009.	
<b>Fixed rate mortgage loan – Investec Securitisation RI 000 million facility (Metboard)</b>	1 000
Interest is charged at a rate of 8.96% per annum. The scheduled repayment date is 1 September 2011.	
<b>Fixed rate mortgage loan – RMB R250 million facility (Paramount)</b>	250
Interest is charged at a rate of 10.35% per annum. The scheduled repayment date is 30 April 2018.	
<b>Fixed rate mortgage loan – RMB R490 million facility (Paramount)</b>	490
Interest is charged at a rate of 10.45% per annum. The scheduled repayment date is 30 April 2018.	
<b>Fixed rate mortgage loan – RMB R675 million facility</b>	675
Interest is charged at a rate of 9.63% per annum. The scheduled repayment date is 28 February 2018.	
Loans above are secured by first mortgage bonds over investment property with a value of R22 062 million.	

	<b>R'm</b>
Total nominal value of long-term interest bearing loans	10 734
Fair value adjustment:	(656)
Fixed interest rate loans – loss	–
Fixed interest rate loans – profit	(656)
Interest rate swaps (derivatives) – fair value loss	239
Fair value of long-term interest bearing loans and derivatives	10 317

### **Non-interest bearing long-term liabilities**

#### **Non-interest bearing long-term loan**

Nominal value	153
Unamortised discount	(39)
Book value prior to revaluation	114

The balance is payable as follows:

R96 513 884 – November 2009

R56 874 239 – November 2010

The loan is secured by second covering mortgage bonds over investment property with a value of R2 830 million.

#### **Non-interest bearing loan**

Nominal value	24
Unamortised discount	(6)
Book value prior to revaluation	18

The loan is unsecured and will be discharged as follows:

- to the extent that any portion of the vacant land acquired in terms of this arrangement is sold or developed, from the proceeds of the sale or on completion of the development; and
- to the extent that any portion of the land remains unsold or undeveloped at 31 October 2009, the unpaid amount will become due and payable at that date.

#### **B Debentures**

–

The Class B debentures are zero coupon subordinated unlisted Class B debentures with a nominal value of 500 cents each. The debentures are compulsorily convertible into linked units. In terms of the Paramount acquisition transaction the 1 447 304 B debentures will convert on 3 January 2008 and Growthpoint will issue 1 new linked unit for every 1.58 B debentures.

Total book value of long-term non-interest bearing loans	132
Fair value adjustment of non-interest bearing loans	6
Fair value of non-interest bearing loans	138
Total financial liabilities	10 455

#### **Less: Portion repayable within the next 12 months**

Interest bearing	–
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#### **Total non-current financial liabilities**

Loans	10 216
Derivatives	239

There are no conversion or redemption rights attached to any of the loans set out above.

## **2. DIRECTORS' LOANS**

No loans have been made or security furnished by the Company to or for the benefit of any director or manager or associate of any director or manager of the Company.

## **3. COMMITMENTS AND/OR CONTINGENT LIABILITIES**

No material commitments and/or contingent liabilities have been made or exist in the Company, other than as disclosed in the Company's annual financial statements.