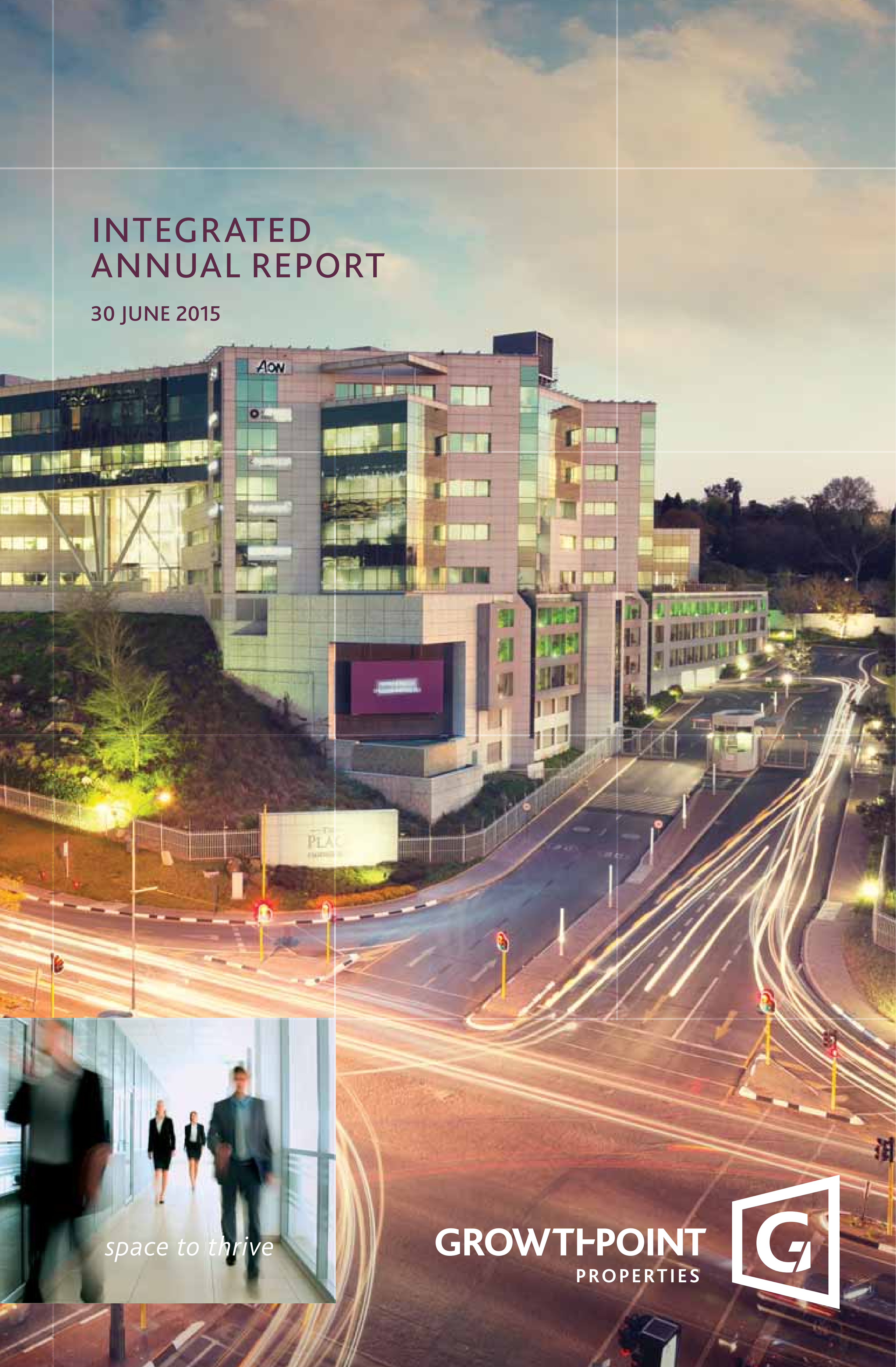


INTEGRATED ANNUAL REPORT

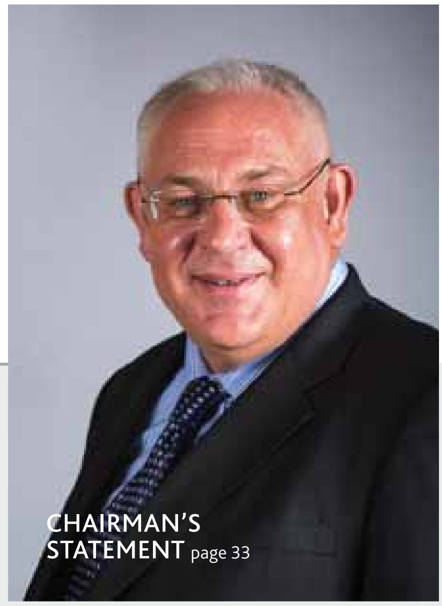
30 JUNE 2015

space to thrive

GROWTHPOINT PROPERTIES

Turn over for easy cross referencing

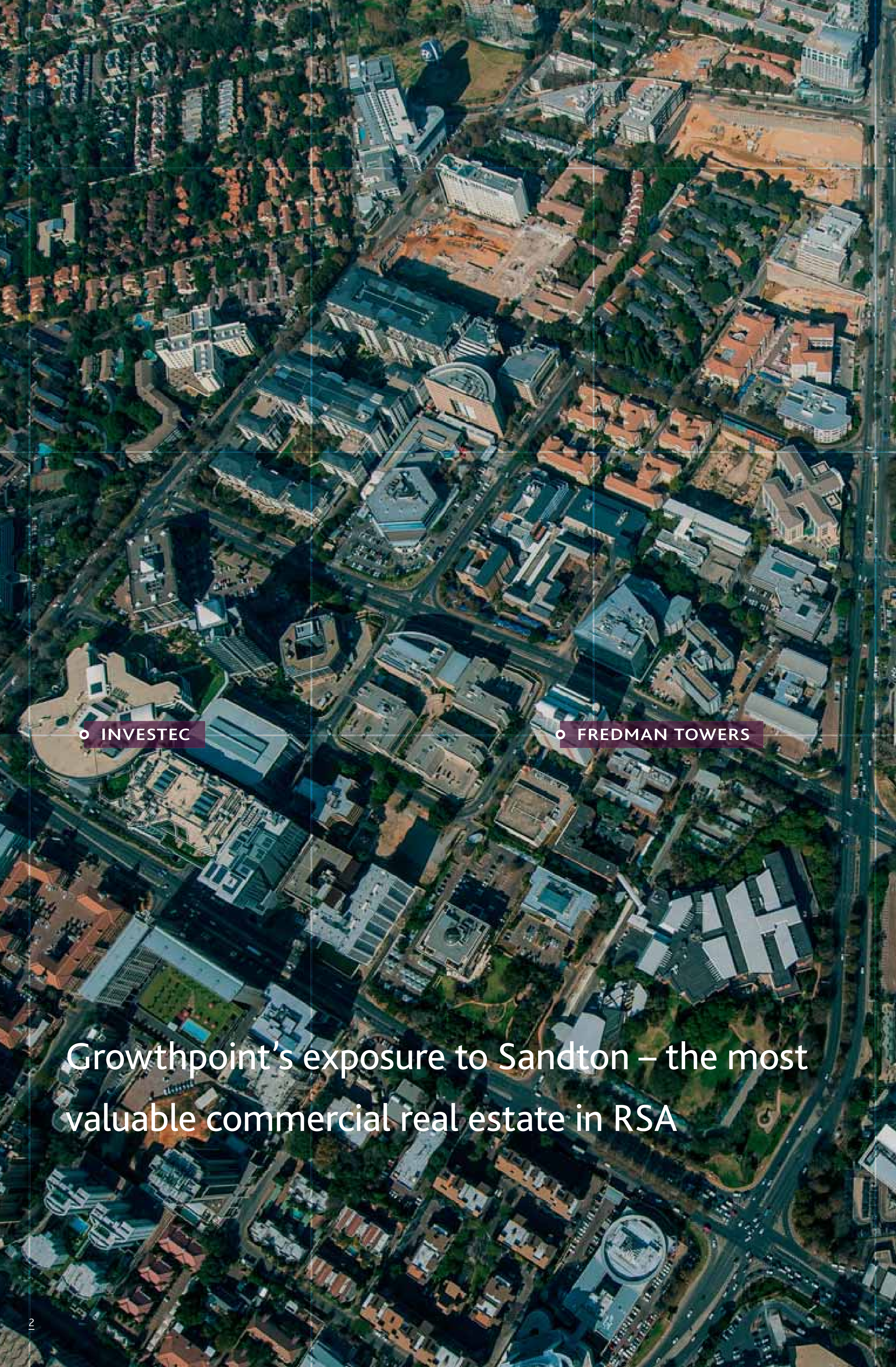
Together, creating space to thrive



Our growth was strategic and disciplined

We further extended our robust track record on uninterrupted growth in distribution

We delivered 7.5% growth in distributions per share for FY15



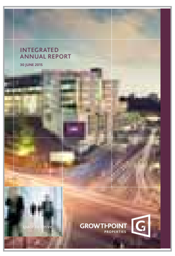
Growthpoint's exposure to Sandton – the most valuable commercial real estate in RSA

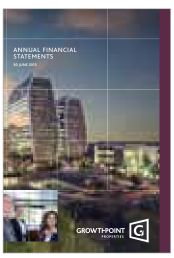

DISCOVERY
THE PLACE
THE ANNEX
12 ALICE
THE TOWERS
151 ON 5TH
SANDTON CLOSE

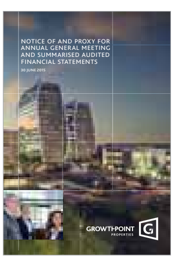
ABOUT THIS REPORT

The Growthpoint Properties Integrated Annual Report endeavours to portray a holistic and integrated representation of the Group's performance in terms of both its profitability and its long-term sustainability. This report aims to inform our stakeholders about the objectives and strategies of the Group, as well as its performance and value creation.

GROWTHPOINT'S REPORTING CONSISTS OF







ANNUAL FINANCIAL STATEMENTS (AFS)

The statutory AFS are prepared in accordance with International Financial Reporting Standards (IFRS), JSE Listings Requirements and the requirements of the Companies Act 2008, as amended.

INTEGRATED ANNUAL REPORT (IAR)

Incorporating an overview of our organisation, our key risks and opportunities, performance reviews including reports from our Chairman, Chief Executive Officer and Financial Director, key matters, sectoral reviews, corporate social responsibility, corporate governance and risk management.

The IAR should be read together with the statutory AFS which, combined, provide a complete overview of Growthpoint's performance and prospects.

AGM NOTICE

The booklet containing the AGM notice also includes the summarised audited AFS for FY15, and relevant extracts from the IAR supporting the notice and report to shareholders by the Social, Ethics and Transformation Committee.

REPORT SCOPE AND BOUNDARY

This report covers the period from 1 July 2014 to 30 June 2015 (FY15) and provides an overview of the operations and performance of all businesses. This encompasses the South African businesses of Growthpoint Properties, its share in the V&A Waterfront and Growthpoint Properties Australia (GOZ).

MATERIALITY

The concept of "materiality" is fundamental to corporate reporting practice. To be effective, reporting should provide information that is of value or material interest to the intended users of the report.

Growthpoint's definition of materiality is based on a combination of IFRS and the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

Growthpoint has determined that materiality can best be described as those issues that could substantively influence the assessment and decisions of shareholders and other stakeholders with regard to its ability to create value in the short, medium and long term.

In defining materiality for our IAR, Growthpoint is striving to bring together the material information about its strategy, governance, performance and prospects in a manner that reflects the commercial, social and environmental context within which it operates.

INTEGRATED REPORTING JOURNEY

Growthpoint first issued an IAR in FY10. The reports in subsequent years, as well as the current year, have evolved and been refined to reflect developments with regard to integrated reporting. Those developments having the most significant impact on our reporting in more recent times have been the International Integrated Reporting Framework issued by the IIRC, EY's Excellence in Integrated Reporting Awards and PwC's survey of JSE Top 40 companies' integrated reports.

We recognise that integrated reporting is work in progress and we will endeavour to continue to improve our reporting, taking cognisance of future pronouncements by the IIRC and feedback from our stakeholders.

ASSURANCE

Growthpoint has a combined assurance model to enable its Audit Committee to express the view that it is satisfied that suitable assurance has been obtained for all material statements made in the IAR.

The "Three Lines of Defence" model is utilised to facilitate the assessment of assurance with specific regard to integrated reporting. Utilising this model as a basis, the following lines of defence have been identified:

- **First line of defence:** Line management and support functions. These are internal functions that own and manage the information and are ideally placed to identify incorrect information due to their familiarity with the function.
- **Second line of defence:** Executive management. These are internal oversight functions that oversee the information and serve as a review mechanism to identify incorrect information.
- **Third line of defence:** The Board, also through its committees, provides independent assurance of the information.

Accordingly, some of the assurance is provided by external sources whilst other assurance is provided with reference to appropriate internal sources.

RESPONSIBILITY STATEMENT

The Audit Committee and management acknowledge their responsibility to ensure the integrity of this report. The Audit Committee has applied its mind to the report and believes that it addresses all material issues, and presents fairly the integrated performance of the organisation.

This report was approved by Audit Committee on 8 September 2015, and is signed on its behalf by:

LA Finlay
Chairman of the Audit Committee

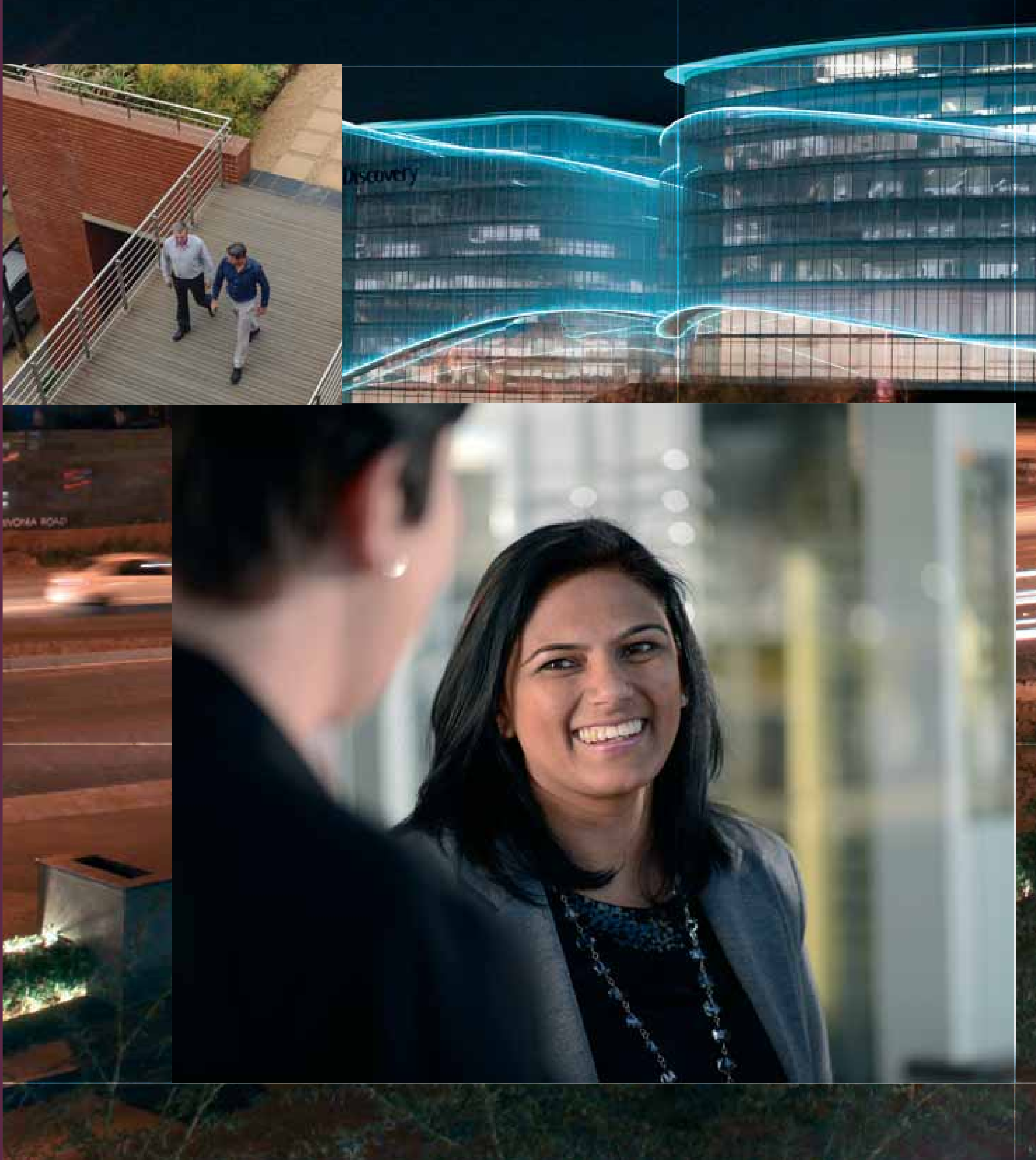
LN Sasse
Chief Executive Officer

HELPING THE ENVIRONMENT by reducing paper usage and printing consumption, our IAR and AFS are available on our website **www.growthpoint.co.za**

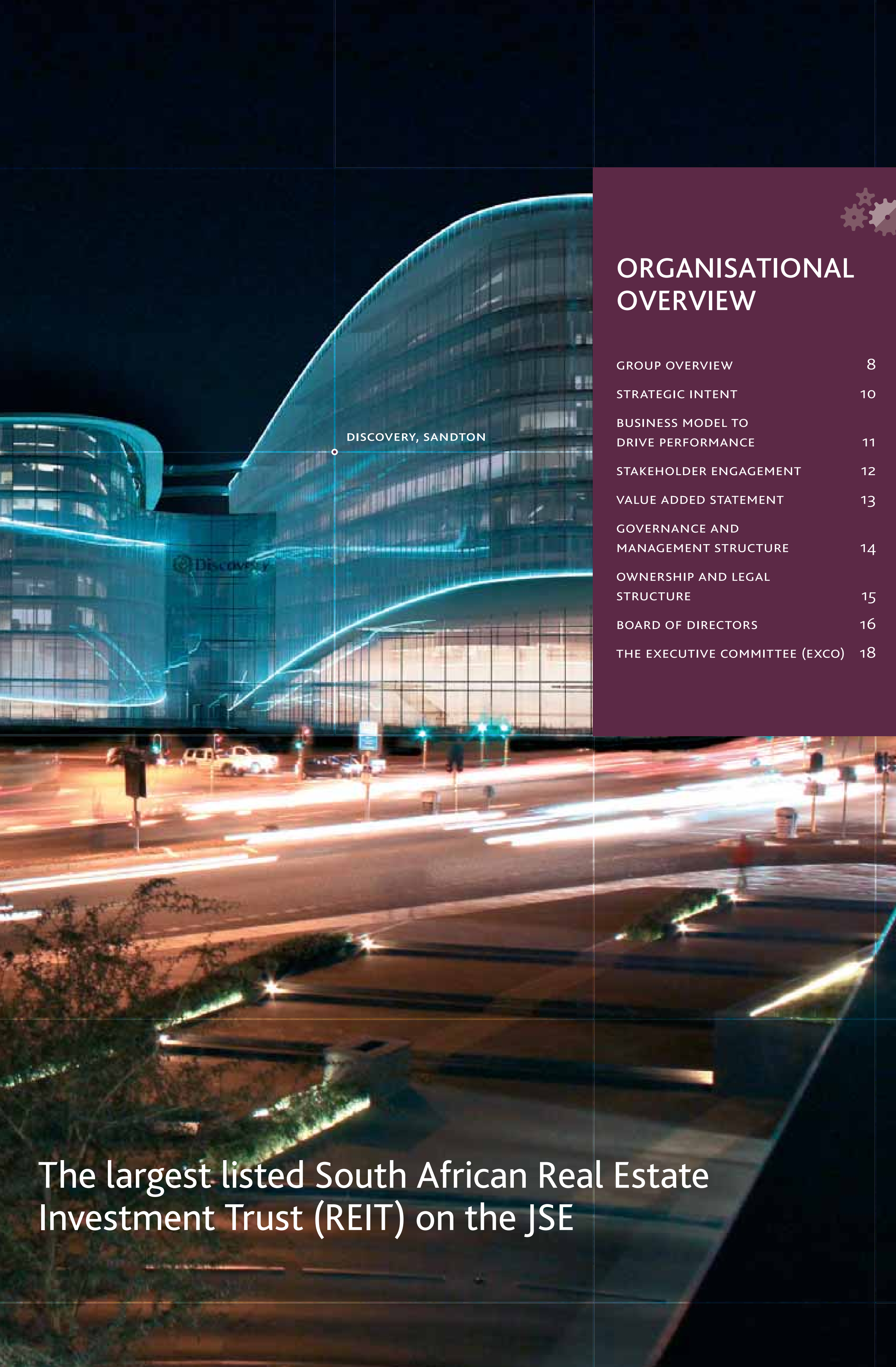
OUR WEBSITE includes further details, descriptions and images of Growthpoint's property assets.

NAVIGATION – To make it easy to read and navigate the report, we have incorporated a cross-reference symbol to find related information.

Distribute all revenue profits in the form of dividends



ORGANISATIONAL OVERVIEW



DISCOVERY, SANDTON

The largest listed South African Real Estate Investment Trust (REIT) on the JSE

GROUP OVERVIEW

Growthpoint Properties Limited (Growthpoint) is a diversified property investment holding company incorporated and registered as a public company on 12 October 1987, and is listed under the "Financial Services Real Estate Investment Trust" sector of the JSE Limited (JSE).

Tangible assets of R103,8 billion

11.3% compound annual growth in share price over the past five years

HIGHLIGHTS

- We own a quality portfolio of 525 properties providing 6,7 million m^2 of retail, office and industrial space to leading South African and Australian businesses
- Our total property assets were valued at R100,4 billion which includes 100% of Growthpoint Properties Australia (GOZ) and Growthpoint's 50% interest in the properties of the V&A Waterfront
- The 53 properties in GOZ were valued at R22,0 billion of which we own 65.0%
- Growthpoint's 50% interest in the properties of the V&A Waterfront was valued at R6,8 billion
- The 471 properties in RSA (excluding the V&A Waterfront) were valued at R71,6 billion
- During FY15, we generated distributable earnings of R4,2 billion
- We employ 700 people in three regional offices and at various properties in RSA
- GOZ and the V&A Waterfront are independently managed, each having their own staff complement
- We acquired Acucap Properties Limited (Acucap) and Sycom Property Fund (Sycom) properties for R18,6 billion

REIT STRUCTURE AND DISTRIBUTIONS

Growthpoint made application to the JSE to be listed as a Real Estate Investment Trust (REIT) with effect from 1 July 2013 and was accordingly awarded such status. The REIT structure is a tax regime that provides "flow through" on a pre-tax basis of the net property income to investors in the form of a dividend. It is the most prevalent structure for investment in property in international jurisdictions. As investment in listed property continues to globalise, the REIT structure is increasingly becoming a recognised international standard.

Our earnings are generated from our property portfolio's rental streams. We distribute all our revenue profits, in the form of dividends. These regular distributions should continue to provide sustainable annuity income.

In terms of the dividend and dividend withholding tax provisions of the Income Tax Act, read in conjunction with section 25BB of the Income Tax Act, distributions received from a REIT will be taxed in the hands of the shareholder as follows:

- Distributions received by **resident shareholders** are taxed as a dividend for income purposes, but are not exempt in terms of the usual dividend exemption and are accordingly exempt from dividend withholding tax. The dividends represent income in the hands of the recipient.
- Distributions received by **non-resident shareholders** are not taxed as a dividend for income tax purposes as the dividends are exempt in terms of the usual dividend exemptions, but are however subject to dividend withholding tax.

Shareholders are encouraged to consult their professional tax advisors if they are in any doubt about the tax implications for distributions received from Growthpoint.

For more information about our shares and shareholders, please refer to the AFS page 102.

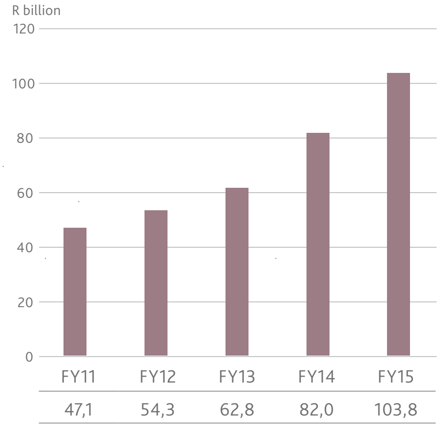
Five-year journey of value creation

FY10		FY15
35	Property assets (R billion)	**100**
24	Market cap (R billion)	**72**
121,2	Distribution per share (cents)	**173,4**
1 552	Share price (cents)	**2 646**
1 365	NTAV per share (cents)	**2 328**
456	Properties	**525**
452	Staff	**700**

7.4% compound average annual growth in distributions over the past five years

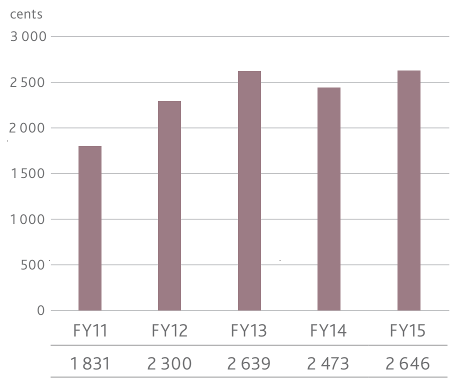
Growing a portfolio of quality investments

TANGIBLE ASSETS



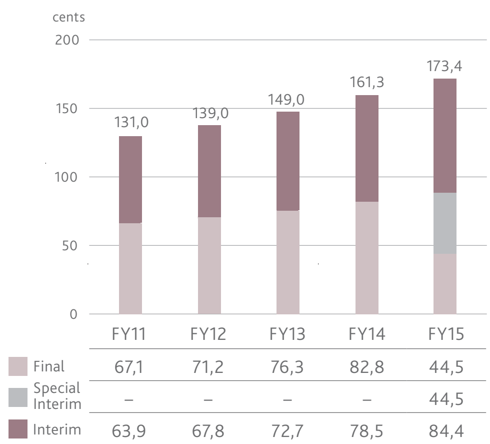
Providing capital appreciation over the long term

SHARE PRICE



Delivering sustainable growth

DISTRIBUTION PER SHARE



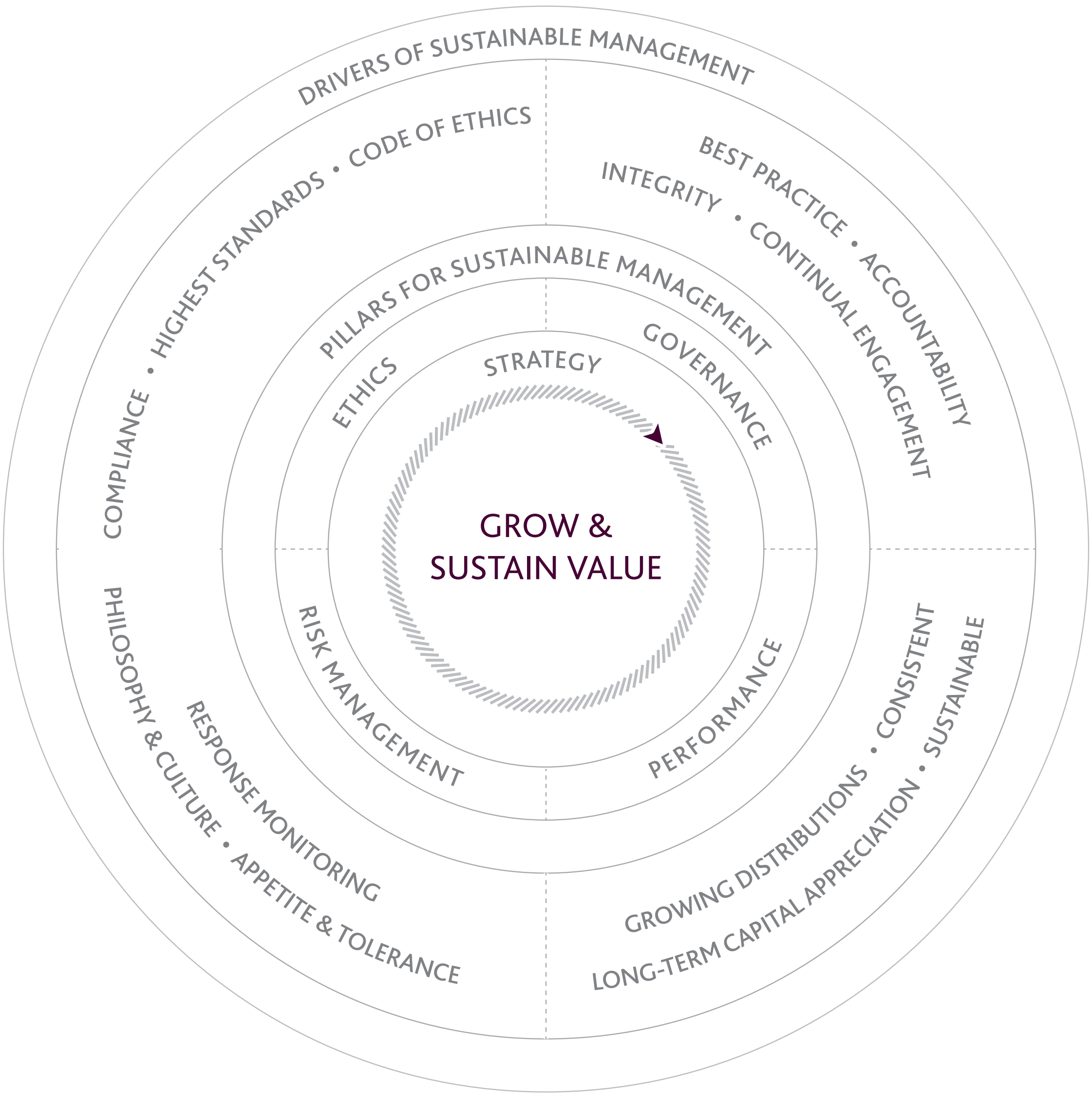
STRATEGIC INTENT

OUR VISION

To be the leading South African property company, consistently delivering superior value to all stakeholders, driven by our passion for property and commitment to our core values.

OUR MISSION

To grow and nurture a diversified portfolio of quality investment properties, providing accommodation to a wide spectrum of users and delivering sustainable income distributions and capital appreciation, optimised by effective financial structures.



OUR VALUES

Our people are our most important asset	We achieve through extraordinary performance	We provide clients the highest level of service	We fulfil our commitments	We take ownership	We are ethical and fair	We show respect for all employees	We encourage open and honest debate	We are socially responsible

BUSINESS MODEL TO DRIVE PERFORMANCE

Providing the highest level of service to our stakeholders

Invest	Finance	Own	Earn rental	Manage	Distribute earnings
• Seek suitable acquisition opportunities both locally and internationally which fit our business strategy • Maintain a limited development programme tailored to market risks and opportunities	• Sustain a strong balance sheet through conservative gearing and credit metrics that are well within covenants • Optimise the cost of capital by having access to all available forms of funding • Limit exposure to interest rates fluctuations by fixing rates over periods matching loan expiry profiles	• Maintain a balance of a sectorally and geographically diversified portfolio of quality properties to take advantage of opportunities, market conditions and user demand	• Optimise the letting of available space to financially sound tenants with long leases	• Preserve and enhance the value of properties through on-going maintenance, upgrading, refurbishment and enhancement • Using and growing our skills and understanding of our operating environment by attracting and retaining the best people through creating a working environment that is conducive to productivity and performance	• Balancing the need to provide investors with growing distributions on an annual basis with the objective of delivering sustainable earnings in the long term, we will continue to invest in our properties, in our employees and the communities in which we operate

Key Performance Indicators

Invest	Finance	Own	Earn rental	Manage	Distribute earnings
Business growth: • Gross asset base growth	Financial management: • Loan to value ratio • Debt expiry profile • Interest rate hedging • Secured versus unsecured debt • Moody's rating	Business growth: • Gross asset base growth	Business growth: • Gross revenue growth • Dividend growth in absolute terms	Operational metrics: • Property cost to income ratio • Operating expense ratio • Overall vacancies • Total arrears (as a % of collectables)	Growth in dividend per share: • Internal benchmark (budget) • Peer group benchmark

Qualitative factors: Compliance, development of people/culture/values, overall management review and industry participation

STAKEHOLDER ENGAGEMENT

Our stakeholder categories and our approach to engaging with each of them are presented below.

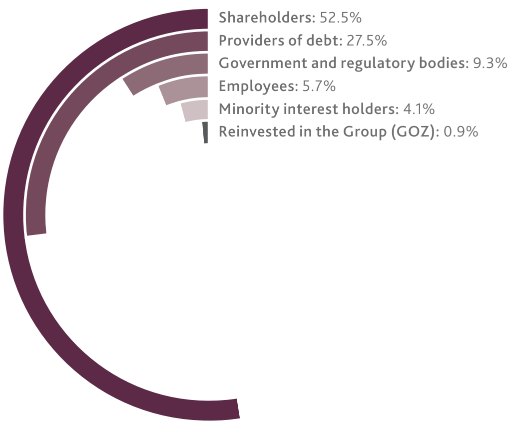
Stakeholder	Engagement with stakeholder	Stakeholder contribution	Meeting of stakeholder expectation	FY15 New initiatives
Investors	• Presentations • Roadshows • One-on-one meetings • JSE SENS announcements • Media announcements • Website • Surveys • Site visits	The provision of financial capital to grow the business	Providing growing distributions on an annual basis with the objective of delivering sustainable earnings in the long term and capital appreciation	• Appointment of a dedicated Head of Investor Relations
Employees	• Newsletters (e-mail) • Intranet • Presentations • Equity forum • Induction, training and development • Wellness days	Employees form the foundation of our business and provide the performance and productivity required to grow and sustain the business	Using and growing the skills of employees and retaining the best people by appropriate reward and remuneration	• Software introduced to coordinate performance reviews • Implementation of retention scheme for key talent
Business partners – Tenants	• Personal interaction and meetings • Information events • On-site property teams • Operational notices • Safety notices and practice drills • Print communication	The letting of available space which enables Growthpoint to sustain and grow its business	Providing the highest level of service to tenants which will enable them to thrive, grow and sustain their businesses	• Establishment of a maintenance service desk • Incentives to take up space in specific buildings (SmartMove)
Business partners – Suppliers	• Request for Proposals (RFPs) • Preferential payment terms • Property Point's enterprise development programme • B-BBEE preferential procurement	The provision of services which will preserve and enhance our properties	Providing sustainable business and growth opportunities which are mutually beneficial in a transparent and equitable manner	• Implementation of digital invoicing for contracted services
Government and regulatory bodies	• Formal responses on policy and regulation • Joint initiatives for industry solutions • B-BBEE scorecards • Employment equity reports • Tax returns • Workplace skills development plan	The provision of regulatory frameworks which will enable Growthpoint to operate in an environment which provides reasonable certainty and is fair and transparent to all competing participants	Growthpoint acts in a responsible, ethical and transparent manner	• Together with National Business Initiative (NBI) addressed key issues • SA REIT's engagement with National Treasury on tax related matters
Business partners – Property brokers	• Website • Incentive programmes • Twitter and Facebook • One-on-one presentations and engagement	The letting of available space which enables Growthpoint to sustain and grow its business	The provision of quality properties to take advantage of opportunities, market conditions and user demand	• Deal Chaser Incentive benefits broadened
Providers of finance	• Bi-annual results presentation • Roadshows • One-on-one meetings • JSE SENS announcements • Media announcements • Website	The provision of funding to grow the business	Security of funds provided to Growthpoint, sustaining a strong balance sheet through conservative gearing and credit metrics that are well within covenants	• Introduction of an institutional investor • Moody's upgrade to Baa2 • Discussions with regard to re-financing of FY16 maturing loans arising out of Acucap/Sycom
Industry and business organisations	• Active involvement on boards and committees • Presentations at conferences and congresses • Involvement in Real Estate Investment Trust (REIT) Association, South African Property Owners Association (SAPOA) and the Green Building Council of South Africa (GBCSA) • Member of European Public Real Estate Association (EPRA)	The collective and consensus opinion of the participants which enables industry and business organisations to influence and impact on matters that affect them and their operations	The sharing of experience and expertise which will mutually benefit the property industry and related organisations	• Senior executive elected a board member of World Green Building Council • Growthpoint became a member of NBI
Communities	• CSI initiatives in general • CSI initiatives at our properties • Bursaries • Environmental initiatives • Involvement in city improvement districts	An understanding of social, economic and environmental impacts on the communities in which we operate	Impacting the communities in which Growthpoint operates in a positive manner	• Initiation of Greenovate Awards targeting students • Sustainability roadshows

VALUE ADDED STATEMENT

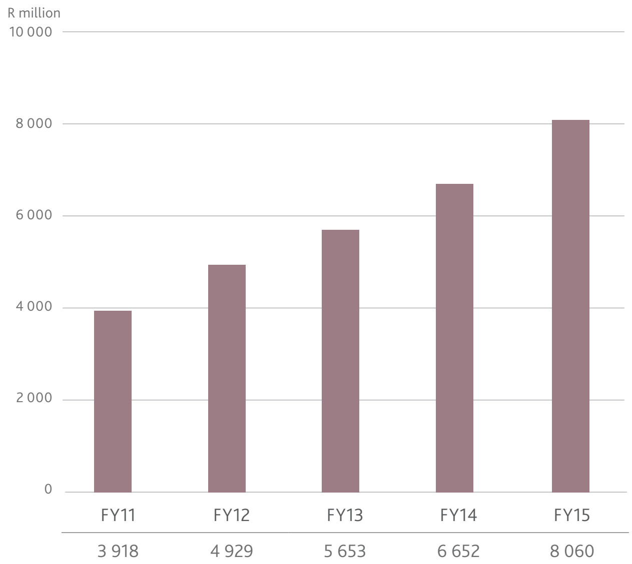
The value added statement reflects the value created by Growthpoint and the distribution of that value to stakeholders. This is determined as revenue less property and other operating expenses.

	FY15 Rm	FY14 Rm	FY13 Rm	FY12 Rm	FY11 Rm
Revenue	**8 322**	6 959	6 215	5 519	4 435
Property and other expenses	**(990)**	(853)	(815)	(770)	(623)
Value added	**7 332**	6 106	5 400	4 749	3 812
Finance and other investment income	**728**	546	253	180	106
Wealth created	**8 060**	6 652	5 653	4 929	3 918
Shareholders	**4 232**	3 497	2 728	2 395	2 072
Providers of debt	**2 215**	1 802	1 820	1 710	1 253
Government and regulatory bodies	**747**	602	469	363	320
Employees	**463**	418	353	279	202
Minority interest holders	**329**	293	248	182	71
Reinvested in the Group (GOZ)	**74**	40	35	–	–
Wealth distribution	**8 060**	6 652	5 653	4 929	3 918

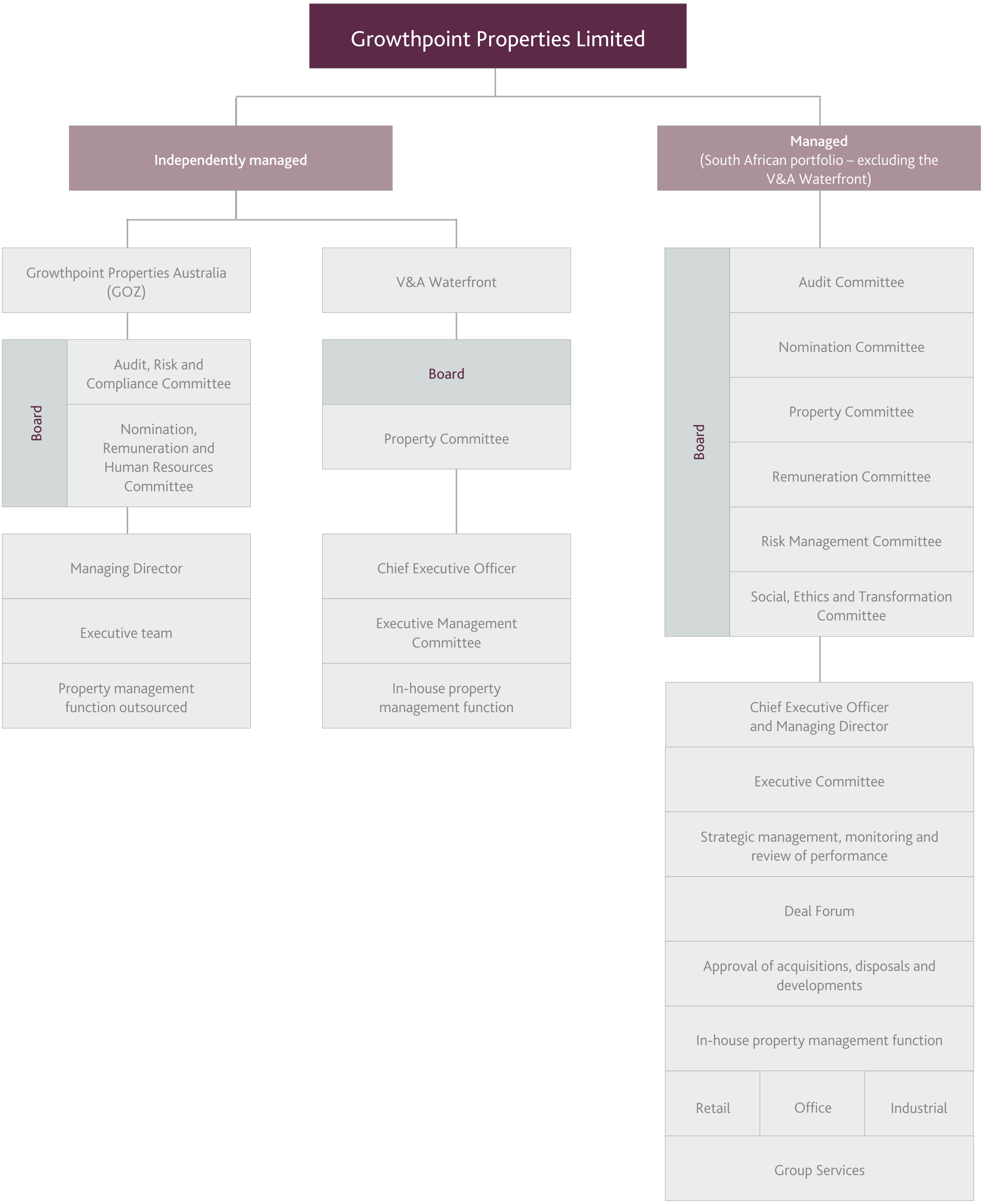
WEALTH CREATED AND DISTRIBUTED
FY15 SPLIT PER STAKEHOLDER



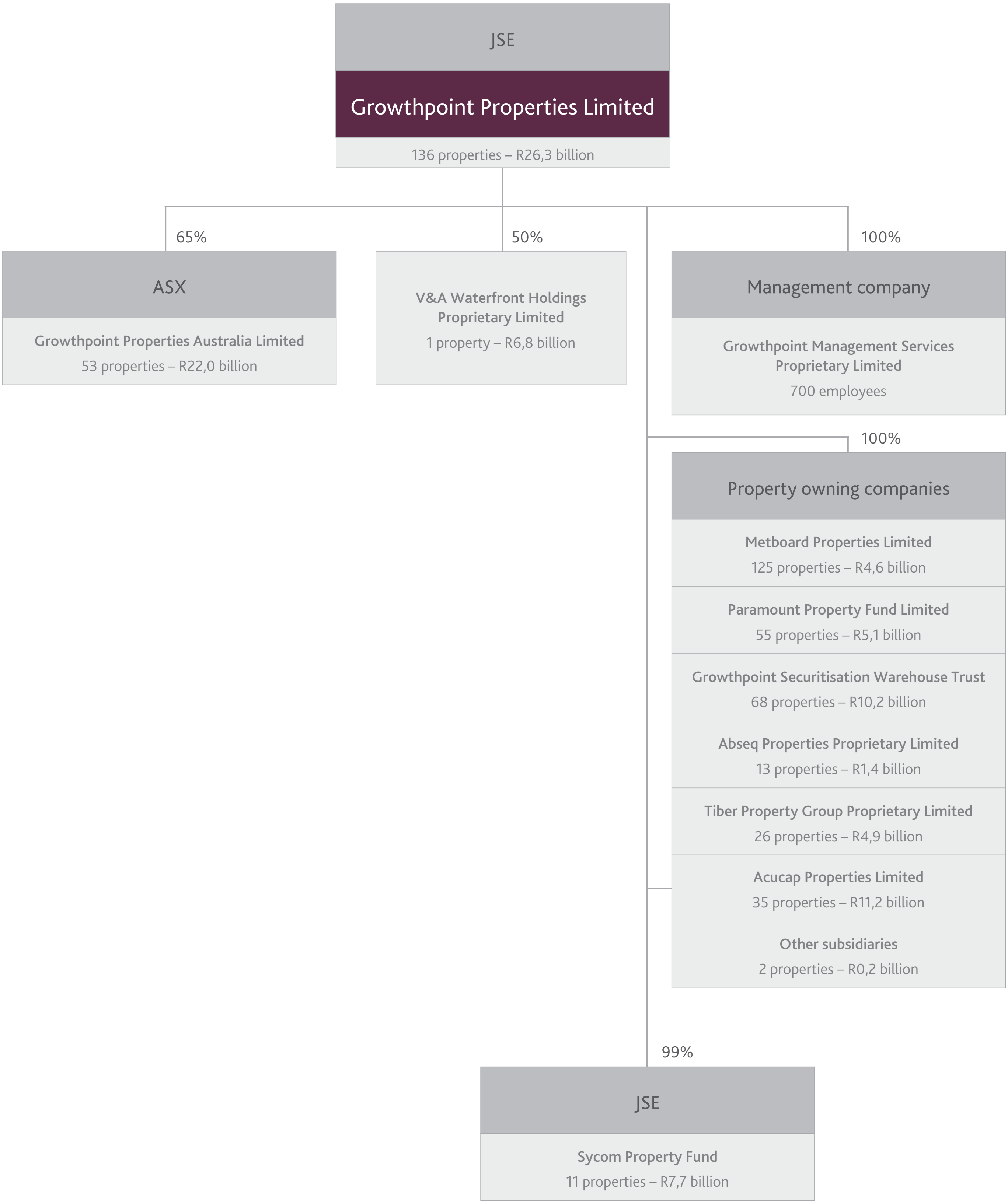
WEALTH CREATED AND DISTRIBUTED
FY11 TO FY15



GOVERNANCE AND MANAGEMENT STRUCTURE



SIMPLIFIED OWNERSHIP AND LEGAL STRUCTURE



BOARD OF DIRECTORS

FRANCOIS MARAIS (60)

Chairman
Independent non-executive

BCom, LLB, H Dip (Company Law)

Appointed to the Board in 2003

COMMITTEES: Nomination (Chairman), Remuneration, standing invitation to Risk meetings

CAREER: A founding member of Glyn Marais Inc., a legal firm, a director of Growthpoint Properties Australia Limited and V&A Waterfront Holdings Proprietary Limited

HERMAN MASHABA (56)

Deputy Chairman
Independent non-executive

Appointed to the Board in 2006

COMMITTEES: Remuneration

CAREER: Founder of Black Like Me Products. Executive Chairman of Lephatsi Investments Proprietary Limited, non-executive director of Black Like Me Proprietary Limited and Anka Products Proprietary Limited, past Chairman of the Free Market Foundation and past Chairman of the Institute of Directors in Southern Africa

NORBERT SASSE (50)

Chief Executive Officer

BCom (Hons) (Acc), CA (SA)

Appointed to the Board in 2003

COMMITTEES: Participates in all committee meetings by standing invitation

CAREER: Experience in corporate finance dealing with listings, de-listings, mergers, acquisitions and capital raising. Director of major subsidiaries, Metboard Properties Limited, Paramount Property Fund Limited, Abseq Properties Proprietary Limited, Tiber Property Group Proprietary Limited, Growthpoint Properties Australia Limited, Growthpoint Management Services Proprietary Limited and Acucap Properties Limited. Director of V&A Waterfront Holdings Proprietary Limited and its subsidiaries

ESTIENNE DE KLERK (46)

Managing Director

BCom (Industrial Psych), BCom (Hons) (Marketing), BCom (Hons) (Acc), CA (SA)

Appointed to the Board in 2008

COMMITTEES: Participates in all committee meetings by standing invitation

CAREER: Extensive experience in listed property, involved in BEE transactions, mergers and acquisitions. Director of major subsidiaries, Metboard Properties Limited, Paramount Property Fund Limited, Abseq Properties Proprietary Limited, Tiber Property Group Proprietary Limited, Growthpoint Properties Australia Limited, Growthpoint Management Services Proprietary Limited, Acucap Properties Limited and Sycom Property Fund Managers Limited. Director of V&A Waterfront Holdings Proprietary Limited and its subsidiaries

GERALD VÖLKEL (54)

Financial Director

BAcc, CA (SA)

Appointed to the Board in 2013

COMMITTEES: Participates in committee meetings other than Remuneration by standing invitation

CAREER: Ended 15 years in the auditing profession as an audit partner with the former Ernst & Young before joining the JD Group Limited in November 1995, where he was appointed to its Board in April 2001 as the Chief Financial Officer having fulfilled that role for 12 years. Director of major subsidiaries, Metboard Properties Limited, Paramount Property Fund Limited, Abseq Properties Proprietary Limited, Tiber Property Group Proprietary Limited, Growthpoint Management Services Proprietary Limited and Sycom Property Fund Managers

MZOLISI DILIZA (66)

Non-executive, BEE structure stakeholder

BCom, BBA in Management (Hons)

Appointed to the Board in 2001

COMMITTEES: Property, Social, Ethics and Transformation (Chairman) and Nomination

CAREER: Executive Chairman of Strategic Partnership Group Proprietary Limited, Director of Bombela Concession Company, Chairman of Mega Express Proprietary Limited, Chairman of Teba Fund Trust, Board member of NWU-Potchefstroom Business School, former Chief Executive of the Chamber of Mines of South Africa

PETER FECHTER (69)
Independent non-executive

BSc (Eng)

Appointed to the Board in 2003

COMMITTEES: Audit, Property (Chairman) and Nomination

CAREER: More than 46 years' experience in construction, property development, management and investment

LYNETTE FINLAY (55)
Independent non-executive

BCompt (Hons), CA (SA)

Appointed to the Board in 2009

COMMITTEES: Audit (Chairman), Social, Ethics and Transformation and Nomination

CAREER: Chief Executive Officer of Finlay Mall Leasing Proprietary Limited, first female President of South African Property Owners Association (SAPOA), co-founding member of Noah

JOHN HAYWARD (64)
Independent non-executive

BSc (Hons), Fellow of the Institute of Actuaries and Actuarial Society of South Africa

Appointed to the Board in 2001

COMMITTEES: Audit, Risk (Chairman) and Nomination

CAREER: Fellow of Institute of Actuaries, extensive experience of investment and investment-related activities

HUGH HERMAN (74)
Independent non-executive

BA, LLB

Appointed to the Board in 1995

COMMITTEES: Property, Remuneration (Chairman)

CAREER: Chairman of Investec Asset Management Limited and Investec Asset Management Holdings Limited. Former Chairman of Investec Bank (UK) Limited, Investec plc and Investec Limited. Director of Investec USA Holdings Corp, Investec Securities (US) LLC, Pick n Pay Holdings Limited, Pick n Pay Stores Limited, Freddy Hirsch Group Proprietary Limited and Melbro Wholesale Proprietary Limited

PATRICK MNGCONKOLA (53)
Non-executive

BTech (Business Administration), BA (Human Resources Management), National Diploma Police Administration, Certificate: Forensic Investigative Auditing (Unisa)

Appointed to the Board in 2012

COMMITTEES: Risk and Social, Ethics and Transformation

CAREER: Non-executive director of the Public Investment Corporation (SOC) Limited and former trustee of the Government Employees Pension Fund, Director of V&A Waterfront Holdings Proprietary Limited and its subsidiaries

RAGAVAN MOONSAMY (51)
Independent non-executive

Appointed to the Board in 2005

COMMITTEES: Property and Social, Ethics and Transformation

CAREER: Founder of Kascara Financial Services Proprietary Limited, Managing Director of UniPalm Investment Holdings Proprietary Limited and Director of Qmuzik Technologies Proprietary Limited

MPUME NKABINDE (55)
Independent non-executive

MBA, Honours in HRD, Diploma in Adult Education, Postgraduate Diploma in Property Development and Management

Appointed to the Board in 2009

COMMITTEES: Risk and Social, Ethics and Transformation

CAREER: Co-founder and Managing Director of Sigma Lifts and Escalators Proprietary Limited and Cities Africa. Trustee of the Otis Pension and Provident Fund Proprietary Limited

ERIC VISSER (63)
Independent non-executive

BCom (Hons)

Appointed to the Board in 2001

COMMITTEES: Risk, Remuneration

CAREER: Chief Executive Officer of the Sentinel Retirement Fund

THE EXECUTIVE COMMITTEE (EXCO)

NORBERT SASSE (50)
Chief Executive Officer
BCom (Hons) (Acc), CA (SA)
Sixteen years' experience in listed property

ENGELBERT BINEDELL (45)
Divisional Director – Industrial sector
BA (Ed), MBL
Eighteen years' experience in the property industry

ESTIENNE DE KLERK (46)
Managing Director
BCom (Industrial Psych), BCom (Hons) (Marketing), BCom (Hons) (Acc), CA (SA)
Fifteen years' experience in listed property

DIRKJE BOUMA (43)
Corporate Treasurer
BCom, MSc Finance, CFA
Nineteen years' financial and treasury experience

GERALD VÖLKEL (54)
Financial Director
BAcc, CA (SA)
Thirty years' financial management experience

ALEC DAVIS (50)
Chief Information Officer
BCom (Hons) (Acc), CA (SA)
Twenty three years' IT and financial experience and nineteen years' experience in the property industry

HOW IS OUR TEAM MEASURED?

Each member of Exco is tasked with an area of responsibility which encompasses a number of key activities. These key activities form the basis for determining that person's key performance areas (KPAs) and related key performance indicators (KPIs). Performance against these KPAs is evaluated on an annual basis, whilst KPIs are monitored on a more frequent basis, i.e. monthly or at least quarterly. The performance of the Exco during FY15, relative to the company's objectives, is set out in our Key Matters section. IAR page 46

15 members, from all key areas of our business, make up our Exco

GREG DE KLERK (59)

Regional Head – KwaZulu-Natal

FCIS

Twenty four years' experience in the property industry

GEORGE MUCHANYA (44)

Deal Manager

BSc Eng, MBA

Twenty years' experience spanning engineering, management, consulting and the property industry

Over 300 years of combined relevant experience is represented on our Exco

NADINE KUZMANICH (44)

Head of Marketing and Communication

Marketing career spans twenty three years

RUDOLF PIENAAR (55)

Divisional Director – Office sector

Extensive experience in the property industry

LAUREN TURNER (39)

Head of Investor Relations

BCompt (Hons)

Fourteen years' financial markets experience

STEPHAN LE ROUX (57)

Divisional Director – Retail sector

BCom (Acc), BArch Studies

Twenty nine years' experience in the property industry

DAVID STOLL (56)

Regional Head – Cape Town

BCom (Hons) (Acc), CA (SA)

Twenty six years' property-related experience

JULIA MODISE (37)

Head of Human Resources

BSc (Management), Postgraduate diploma in leadership

Seventeen years experience in human resources gained in retail, manufacturing and property industries

SHAWN THEUNISSEN (36)

Head of Corporate Social Responsibility (CSR)

BCom (Industrial Psych), Masters in Concept Marketing and Innovation

Thirteen years organisational development and socio-economic development experience

THE SILO, V&A WATERFRONT, CAPE TOWN

Managing risk to ensure a sustainable business is an imperative

KEY RISKS AND OPPORTUNITIES

RISKS, RESPONSES AND PERFORMANCE

The Chief Executive Officer together with selected Executive Committee members identified the strategic and operational risks that could inhibit Growthpoint from achieving its strategy and objectives.

STRATEGIC RISKS

Key risk identified	Response to threat or opportunity	Find out more
B-BBEE • The rating of Growthpoint has a direct impact on its ability to attract tenants, particularly those who require a landlord with a rating that will maintain or improve their own rating. This is prevalent in those sectors of the market where occupancy costs account for a meaningful proportion of expenditure, such as financial, professional and consultancy services	Growthpoint's B-BBEE rating was analysed and given the necessary attention, resulting in an improved rating for Growthpoint. Initiatives in this regard are on-going	Page 117
Increased compliance and regulatory burden and associated costs • New and amended legislation is continually being introduced in South Africa. Such legislation is often based on similar legislation in highly developed economies where the state has created an environment which is both conducive to, and supportive of, the implementation thereof. The same cannot be said for the South African environment where such burden is often placed on the private sector. This often results in the redirection of both human and financial resources	New and amended legislation is monitored and assessed by the in-house Legal Department. The Legal Department determines the direct probable impact on the businesss, and together with the business explores mechanisms to address the related risks in an efficient and effective manner	
Limited opportunities to buy quality assets that are accretive • Growthpoint, in common with other larger listed property companies, has grown its property assets in more recent years largely through acquisitions. The pool from which future meaningful acquisitions can be sourced is diminishing, resulting in yields increasing to levels which could result in such acquisitions having a dilution effect on distributions	Growthpoint is spending increasing amounts of capital and development expenditure on its own portfolio as well as providing capital to fund the expansion of both GOZ and the V&A Waterfront. The investment in GOZ is in the form of reinvestment distributions (DRIPs) and in the V&A Waterfront in the form of a loan funded from distributions due to Growthpoint	Page 69 Page 95 Page 99
Low economic growth environment exacerbated by electricity crisis • Electricity costs account for some 35% of direct property-related expenditure. The recent increases in electricity costs have been significantly higher than inflation. Although Growthpoint recovers the cost of electricity from tenants, the tenants are unable to pass such costs onto their customers. This is exacerbated in a low economic growth environment. The tenants seek to redress this imbalance by reducing direct rental costs upon expiry/renewal of leases	A number of initiatives have been undertaken to reduce electricity consumption of tenants and thereby reduce the cost of a tenant's occupancy. Such initiatives include amongst others: • The design of new and refurbished office buildings to achieve a minimum 4-Star Green Star rating from the Green Building Council of South Africa (GBCSA) • The introduction of energy efficient light fittings; the savings derived therefrom being split equally between Growthpoint and the tenant • The rating of buildings using a tool developed by the GBCSA in order to identify poor performing buildings and implement improvements • Investment in renewable energy projects	Page 51

Key risk identified	Response to threat or opportunity	Find out more
Making poor investment decisions • The returns from an investment may be lower than anticipated	Investments are made only after a thorough analysis has been conducted. The acquisition, development or redevelopment of a property in excess of R20 million is assessed by the Deal Forum, which comprises executive management as well as personnel having specific knowledge and experience relevant to the proposed acquisition, development or redevelopment. Furthermore, any acquisition, development or redevelopment of property in excess of the prescribed levels of authority delegated to the executive directors is appraised by the Property Committee and/or the Board	Page 69
Political instability and civil unrest • Historically, this risk has not had a direct impact on Growthpoint and, as such, the organisation has not been precluded from conducting its business nor have its assets been threatened, nor has the market value of its property assets been diminished. The risk is rather one of an indirect nature where the impact thereof translates into a lack of general business confidence resulting in an unwillingness of tenants to commit to longer-term leases	Growthpoint endeavours to secure long-term leases from tenants of national or international repute. To this end, it attempts to offer occupancy that is tailor-made for tenant specific requirements	Page 69
Reaching capacity in local debt markets • The banks in South Africa have risk models whereby limits are established at which a bank's exposure to any one client is capped. The recent acquisition of Acucap and Sycom increased Growthpoint's total exposure. The extent of funding available from all major South African banks could, with time, be restrictive	Locally, Growthpoint has diversified its sources of funding to include not only traditional bank debt, but also debt capital markets. More recently, it has accessed unsecured long-term funding from an institutional financier. The company continues to raise additional equity utilising the distribution reinvestment (DRIP) mechanism	Page 48

OPERATIONAL RISKS

The key operational risks identified have been assessed in terms of their probability and their impact on Growthpoint from both an inherent risk, as well as a residual risk perspective.

The inherent risk is the risk assessed prior to any response from management, whereas the residual risk reflects the potential likelihood and impact of the risk after interventions taken by management.

The inherent and residual risks have been depicted in “heat maps” below.

Heat map of inherent operational risks

Likelihood	NONE	NEGLIGIBLE	LOW	MEDIUM	HIGH	SEVERE
PREVALENT					• Margin pressure on net property income	• Increased cost of debt
FREQUENT						
ALMOST CERTAIN				• Deteriorating service delivery and infrastructure • Increase in arrears • Fraud	• Management capacity and succession • Attraction and retention of skilled staff • Successful integration of Acucap acquisition	• Major tenant failure • Increase in vacancies
MODERATE						• New property administration and financial system implementation
UNLIKELY						
NEVER						

Impact

Heat map of residual operational risks

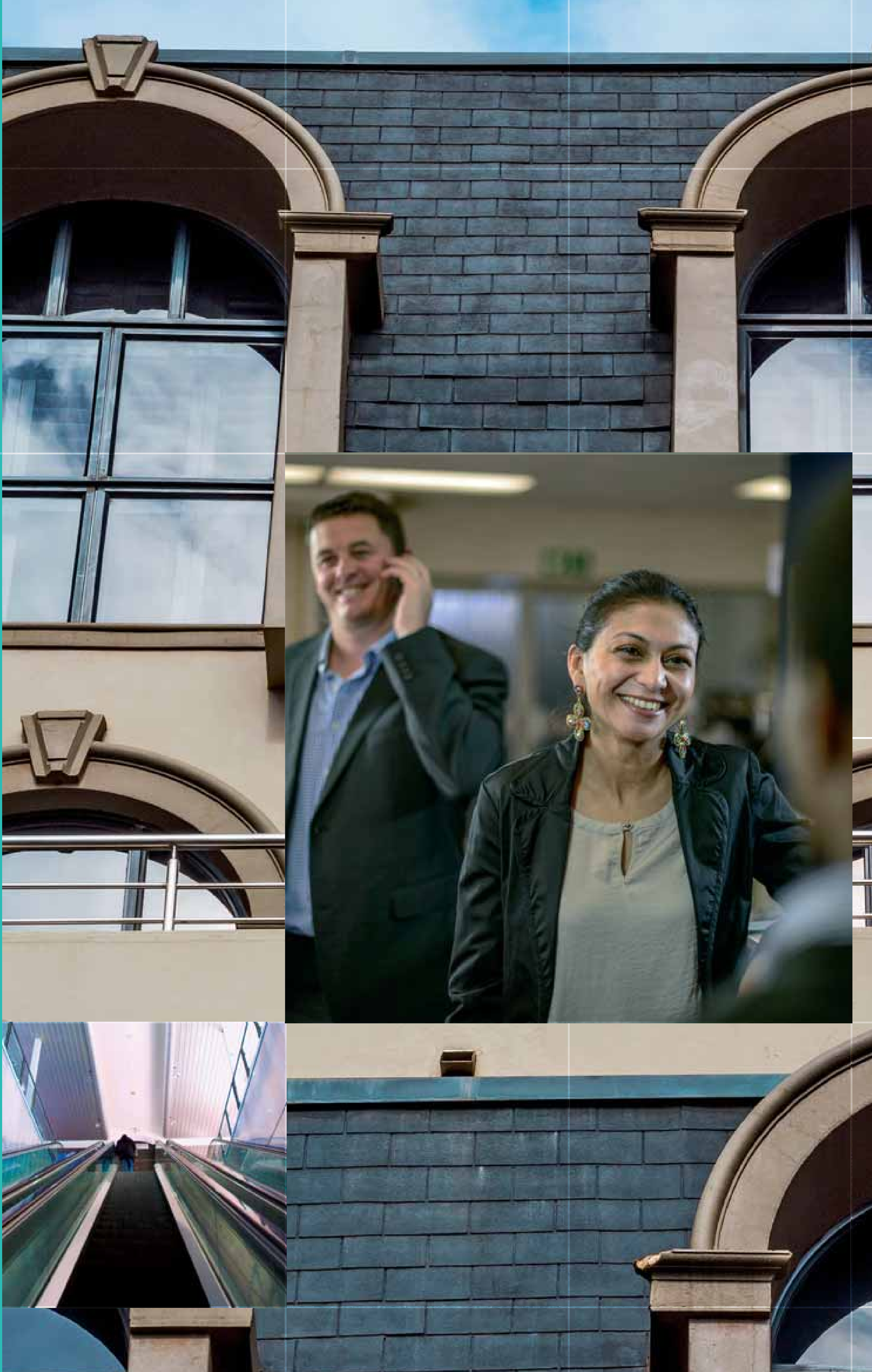
Likelihood	NONE	NEGLIGIBLE	LOW	MEDIUM	HIGH	SEVERE
PREVALENT						
FREQUENT						
ALMOST CERTAIN					• Margin pressure on net property income	• Increased cost of debt
MODERATE		• Fraud	• Deteriorating service delivery and infrastructure • Successful integration of Acucap acquisition	• Increase in arrears • Attraction and retention of skilled staff • Management capacity and succession	• New property administration and financial system implementation	• Major tenant failure • Increase in vacancies
UNLIKELY						
NEVER						

Impact

Key risk identified	Probable effects of risk	Inherent risk assessment	Response to risk	Residual risk assessment	Key performance indicator and performance	Find out more
Major tenant failure	• Large vacancies that cannot readily be filled • Unable to re-let retail space due to the limited pool of national retailers • Additional costs incurred in filling vacancies • Re-letting of space which is at a lower rental than the current or market rental	**Likelihood:** Almost certain **Impact:** Severe	• Tenant creditworthiness is assessed at the inception of a lease • Sector and geographically diverse portfolio of properties	**Likelihood:** Moderate **Impact:** Severe	RSA bad debts written off less recoveries R15,1 million (FY14: R6,6 million)	Page 88
Increase in vacancies	• Reduction in net property income • Additional costs incurred in filling vacancies	**Likelihood:** Almost certain **Impact:** Severe	• Upgrading, refurbishment and enhancement of properties • Tenant incentives • Broker incentives	**Likelihood:** Moderate **Impact:** Severe	RSA vacancies • Retail: 3.3% (FY14: 4.5%) • Office: 8.0% (FY14: 8.0%) • Industrial: 5.3% (FY14: 3.0%)	Page 75 Page 82 Page 88
Increase in arrears	• Significant monies owing are irrecoverable • Increase in working capital requirements	**Likelihood:** Almost certain **Impact:** Medium	Credit risk management processes implemented and enforced	**Likelihood:** Moderate **Impact:** Medium	RSA arrears as a percentage of collectables • Retail: 10.2% (FY14: 9.3%) • Office: 5.0% (FY14: 3.5%) • Industrial: 6.5% (FY14: 3.8%)	Page 75 Page 83 Page 88
Deteriorating service delivery and infrastructure	• Loss of tenants to nodes with better service levels/ working infrastructure • The incurring of additional expenditure to retain tenants	**Likelihood:** Almost certain **Impact:** Medium	• Upgrading, refurbishment and enhancement of properties • Building sustainability initiatives	**Likelihood:** Moderate **Impact:** Low	Renewal percentage of RSA leases 65.5% (FY14: 65.7%)	Page 75 Page 82
Margin pressure on net property income	• Lower distributions	**Likelihood:** Prevalent **Impact:** High	• Annual budgets are prepared and approved • Monitoring of performance against budget per building, strategic business unit, sector and at RSA operations (excluding the V&A Waterfront) level	**Likelihood:** Almost certain **Impact:** High	RSA property expense ratio (excluding the V&A) 24.0% (FY14: 24.8%)	Page 37
New property administration and financial system implementation	• Not meeting the minimum functional requirements of the business • Non-realisation of envisaged efficiencies resulting from the introduction of new processes	**Likelihood:** Moderate **Impact:** Severe	A Steering Committee headed by the Chief Information Officer was initiated at the inception of the project and oversees all project-related activities. The Chief Information Officer reports on the project at each Executive Committee meeting	**Likelihood:** Moderate **Impact:** High	Project scorecard	

Key risk identified	Probable effects of risk	Inherent risk assessment	Response to risk	Residual risk assessment	Key performance indicator and performance	Find out more
Attraction and retention of skilled staff	• Operational instability and/or lack of experience resulting in poor service levels • Loss of credibility by external stakeholders	**Likelihood:** Almost certain **Impact:** High	• The Remuneration Committee fixes the remuneration packages of individual directors and members of senior management with the objective of attracting and retaining people of the required calibre • A Staff Incentive Scheme was established so as to assist in the retention of personnel	**Likelihood:** Moderate **Impact:** Medium	RSA retention of personnel Resignations (including retirements) of only 11.6% (FY14: 8.1%) of employees	Page 55 Page 58
Successful integration of Acucap and Sycom acquisition	• The loss of key Acucap and Sycom personnel • Disproportionate allocation of personnel and resources to integration activities • Slower than intended realisation of synergies	**Likelihood:** Almost certain **Impact:** High	An Acucap Steering Committee comprising all members of the Executive Committee, as well as a number of other role players, including former Acucap – now Growthpoint employees, meets on a monthly basis to share information with regard to the integration process and to discuss matters that could hinder the successful integration of the Acucap acquisition	**Likelihood:** Moderate **Impact:** Low	• Retention of key Acucap personnel • Property expense ratio	Page 36 Page 104
Increased cost of debt	• Volatility in distributions • Breaching of interest covenants • Impacts the required forward yield for the acquisition of properties	**Likelihood:** Prevalent **Impact:** Severe	Utilisation of interest rate swap contracts to ensure adherence to RSA policy of maintaining a minimum rolling 12-month fixed to floating ratio on debt of 75%	**Likelihood:** Almost certain **Impact:** Severe	RSA proportion of fixed to floating borrowings 76.0% (FY14: 78.4%)	Page 50

Key risk identified	Probable effects of risk	Inherent risk assessment	Response to risk	Residual risk assessment	Key performance indicator and performance	Find out more
Management capacity and succession	• Cannot readily react to opportunities that arise in the market place • Loss of credibility by external stakeholders • Operational instability and/or experience resulting in poor service levels	**Likelihood:** Almost certain **Impact:** High	• The Executive Committee meets monthly to discuss and address operational performance and any related matters of concern • The Remuneration Committee reviews the succession plan of Exco	**Likelihood:** Moderate **Impact:** Medium	Renewal percentage of RSA leases 65.5% (FY14: 65.7%)	Page 39
Fraud	• Lower distribution income • Reputational damage	**Likelihood:** Almost certain **Impact:** Medium	• Growthpoint has a crime and civil liability insurance policy which addresses fraud by both employees and others, as well as civil liability to third parties • Internal Audit addresses all matters identified through the Tip-offs Anonymous Helpline	**Likelihood:** Moderate **Impact:** Low	RSA number and extent of fraud claims Nil (FY14: Nil)	Page 132



LINCOLN ON THE LAKE, DURBAN

PERFORMANCE REVIEW

Property assets and related investments valued at R100,4 billion

PERFORMANCE HIGHLIGHTS

We are pleased to have further extended our robust track record of uninterrupted growth in distribution to our shareholders since 2003

NORBERT SASSE – CHIEF EXECUTIVE OFFICER

FINANCIAL CAPITAL

- 173,4c distribution – growth of 7.5% per share
- 31.9% total return to Growthpoint on R5,9 billion investment in GOZ
- 7.4% average annual distribution growth over past five years
- R18,6 billion purchase price of Acucap and Sycom property assets
- R2,6 billion cash retained through distribution reinvestment with 54.6% participation
- 14.0% total (income and capital) return
- 76.0% debt at fixed interest rates for RSA
- R7,5 billion of unsecured debt for RSA

44 ON GRAND CENTRAL, MIDRAND

HUMAN CAPITAL RSA

- R7,7 million net property income per employee
- R6,5 million invested in employee training
- 6.0 hours training received, on average, per employee
- 427 employees trained

SOCIAL CAPITAL

- Continued inclusion in 2014 JSE Socially Responsible Investment Index (SRI)
- 237 jobs created through Property Point's enterprise development programme
- R15,1 million disbursed through corporate social investment initiatives
- 70 000 learners reached through literacy initiatives
- R2,7 billion spend on B-BBEE suppliers

MANUFACTURED CAPITAL

- R19,1 billion of acquisitions in RSA
- R1,9 billion of developments and capex in RSA
- R621 million of disposals in RSA
- R3,3 billion of commitments in RSA
- R637 million of acquisitions in GOZ
- R306 million of developments and capex in GOZ
- R309 million of development in the V&A Waterfront
- R475 million (Growthpoint's 50%) of commitment in the V&A Waterfront

OXFORD CORNER, ROSEBANK

THE SILO, V&A WATERFRONT, CAPE TOWN

INTELLECTUAL CAPITAL

- Investment Analysts 2015 Award for Best Reporting and Communication in the property sector
- IPD 2015 Award for highest annualised direct property return for three years
- Moody's upgrade to Baa2 (global scale)
- S&P/ASX 200 inclusion for GOZ
- Senior executive elected board member of World Green Building Council
- Continued inclusion in Dow Jones Sustainability Index (DJSI)

NATURAL CAPITAL

- Green Star SA rating achieved for 20 buildings
- 4-Star Green Star SA rating achieved for 12 buildings
- 90% score achieved in Platinum Status (Band B) Carbon Disclosure Project
- Platinum member status received by the V&A Waterfront from Heritage Environmental Committee
- Utility saving initiatives agreed to by over 80% of Office sector clients
- Roll-out of solar programmes at shopping centres

ECONOMIC OVERVIEW

SA REITs are facing more challenging times with interest rates rising in a sluggish economy, and forecast sector distribution per share (DPS) growth expected to slow in the next 12 to 24 months.

Short-term interest rate rises have, in the past, had little direct impact on REITs in the near term. This is because interest rates tended to increase in a strong economy, with rising GDP growth. When this happens it mostly leads to declining property vacancies and rising REIT earnings.

However, the present rising rate cycle coincides with a sluggish economy, which is clearly negative for REITs.

GDP growth in the previous rate hike cycle averaged 4%, from 2005 to 2008. However, 2014 saw growth of only 1.5%, with forecasts of 1.9% to 2.0% for 2015/2016. Similarly, commercial property vacancies averaged 4% in the previous cycle compared with around 6% now.

In addition, since the global financial crisis, companies have been more cautious to expand and take up more space. There is an international trend for space densification in offices, increasing the number of employees per m^2. There is also a new supply of space around Gautrain stations, which is exceeding demand. Further, the retail sector is more saturated now than it was eight to 10 years ago. Plus, there is little room for vacancy levels to decline in the near term. So, the tailwind of previous cycles is lacking this time around.

There are indications that we can expect further interest rate hikes in the next two years, yet there are also hopes the current rate hike cycle will be more gradual given the sluggish economy. In the previous rate hike cycle there were 400bps rate hikes in 18 months and 500bps in 24 months. So far we have had 100bps in 18 months. With around 75% of listed property sector debt hedged for three to four years, the direct negative impact should be small in the short term. Nevertheless the refinancing savings of recent years will come to an end.

The sector also faces the impacts of concerning mismanagement at both council level and at the utilities responsible for electricity, infrastructure and water provision. There seems to be a lack of political will and leadership to address these issues as well as corruption. Companies consequently have to pay more (rates) for less (service delivery), and in addition have to provide the services privately. While REITs can pass on a significant portion of rates and taxes to tenants, the cost of occupancy has been rising faster than inflation, resulting in pressure on the ability to pay higher net rents.

SA REITs in general benefit from good quality management, disclosure and transparency, an attractive listing structure and capital markets, yet their competitive advantage will be eroded over time by these negative macro and socio-political factors. This has resulted in a trend in recent years by both REITs and companies in other sectors to expand offshore, driven by the above negative factors.

CHAIRMAN'S STATEMENT

Growthpoint achieved the strategic undertaking of growing distributions and the value of our properties, and at the same time delivering on our projections.

FRANCOIS MARAIS
Chairman

7.4% compound average annual growth in distributions over the past five years

DELIVERING SHAREHOLDER VALUE

I am pleased to report that Growthpoint delivered on its objective to grow distributions to shareholders and ensure the long-term capital appreciation of our assets. We achieved this despite an intensely challenging operating environment and a market that is more competitive than ever.

We also significantly increased our investments with complementary and quality enhancing assets. This was achieved chiefly with a single large, defensive transaction, which has grown our property portfolio and our business. Our growth was strategic and disciplined.

INCLUSION IN VARIOUS INDICES

Our continued inclusion in the FTSE/JSE Top 40 Index (ALSI 40 Index) underscores Growthpoint's sustained position as market leader in South Africa. It heightens our exposure to international investors and supports a flow of funds for Growthpoint. Increasing our exposure to international capital flows, we benefited from ongoing inclusion as a Top 10 constituent in the Morgan Stanley Capital International (MSCI) Emerging Markets Core REIT Index.

For a pleasing fifth consecutive year Growthpoint is in the JSE SRI (Socially Responsible Investment) Index. For the second year running Growthpoint was included in the Dow Jones Sustainability Index (DJSI), a benchmark for investors who integrate sustainability considerations into their portfolios that includes the top 10% to 20% of the best performing publicly traded companies on a sustainability level in the world. We have also been included in the FTSE EPRA/NAREIT-Emerging Index.

We significantly increased our investments with complementary and quality enhancing assets

MATTERS OF IMPORTANCE

Besides our pillars of sustainable management – best practice governance, ethical conduct, risk management and performance – in this report, we've also emphasised several key focus areas for Growthpoint. These matters of importance include treasury management, environmental considerations, our people, remuneration philosophy and strategy, and future property focus. We are obsessed with applying the highest standards in all these fields. This year, we continued our good progress and accomplishments in each important matter.

TALENT RETENTION AND MANAGEMENT

Growthpoint is a leading property business and continues to attract talent. We are considered a breeding ground for good people and skills, which enables talent in our industry. Good skills are in high demand in our industry, which has only a small pool of talent. Besides addressing this through pay structures, we have various talent retention initiatives in place. For more detail on this, refer to the Our People and Remuneration Report in the Key Matters section.

ACCOLADES

We always strive to do the best in everything we do. We believe this is the right thing to do. However, it is pleasing when we receive external acknowledgement for our achievements. Growthpoint received numerous awards for its outstanding performance this year. These were achieved across almost the full gamut of our business. There are too many to list here, but more detail can be found in the performance highlights of the Performance section. However, among our most noteworthy achievements is winning the overall IPD Direct Property Investment Award for the second year in a row. Perhaps one of our most pleasing awards was again winning the Best Reporting and Communication Award by the Investment Analysts Society (IAS) for the Property Sector, underscoring the priority we place on providing transparent, comprehensive and timely market intelligence and our commitment to good governance.

PROSPECTS

Growthpoint's operating environment has become even more challenging, and we expect this to continue. It's going to be a difficult year ahead but, despite this, with our proven strategies and competent management, we are well placed to continue delivering growing income returns and capital appreciation.

The escalating challenges we faced in FY15 are set to prevail in the coming year. Factors contributing to this weak economic backdrop include high unemployment, low business and consumer confidence, labour issues and a rising interest rate environment, as well as load shedding and a commodities crisis. This all amounts to continued negligible economic growth. In addition, our market has become even more fiercely competitive on all fronts.

While we have effectively re-let vacancies occurring from the demise of Ellerines, we are still seeing business failures across all sectors and the threat of large corporate failures remains a concern. This is especially worrying in context of softer property fundamentals placing pressure on occupancies and rentals.

Ineffectiveness at local government level, with inadequate delivery and climbing municipal costs, continues to place strain on property owners. This is further exacerbated by the electricity crisis, infrastructure failure and water provision.

Our access to liquidity remains good, from the capital and money markets, and banks. Our investment-grade Moody's rating, which was upgraded during the year, favours our ability to raise funding and benefits our funding costs.

Our long-term sustainability is a business imperative for Growthpoint. We have management strategies in place for those dynamics which affect our performance that are within our control.

In addition to delivering on our strategy, our immediate and short-term objectives in South Africa are to bed down our remarkable growth. This includes focusing on consolidation and unlocking value and efficiencies from our newly acquired properties. We'll continue to pursue suitable growth opportunities, driven by opportunity and demand.

Investing in sought-after properties in good locations will ensure the sustainability of inflation-beating rental revenues, optimised by innovative leadership and prudent financial management from our talented team. We'll also create even more value at our V&A Waterfront investment as we roll out our exciting pipeline of development projects and continue to support the growth of GOZ. Growthpoint is in a confident position to deliver long-term sustainable performance.

TALENT RETENTION AND MANAGEMENT

We are considered a breeding ground for good people and skills, which enables talent in our industry.

BOARD CHANGES

Mr Colin Steyn retired as a non-executive director with effect from 18 November 2014. We thank Mr Steyn for his distinguished service and contribution to Growthpoint. Mr Estienne de Klerk was appointed as Managing Director of Growthpoint with effect from 3 March 2015.

ACKNOWLEDGEMENTS

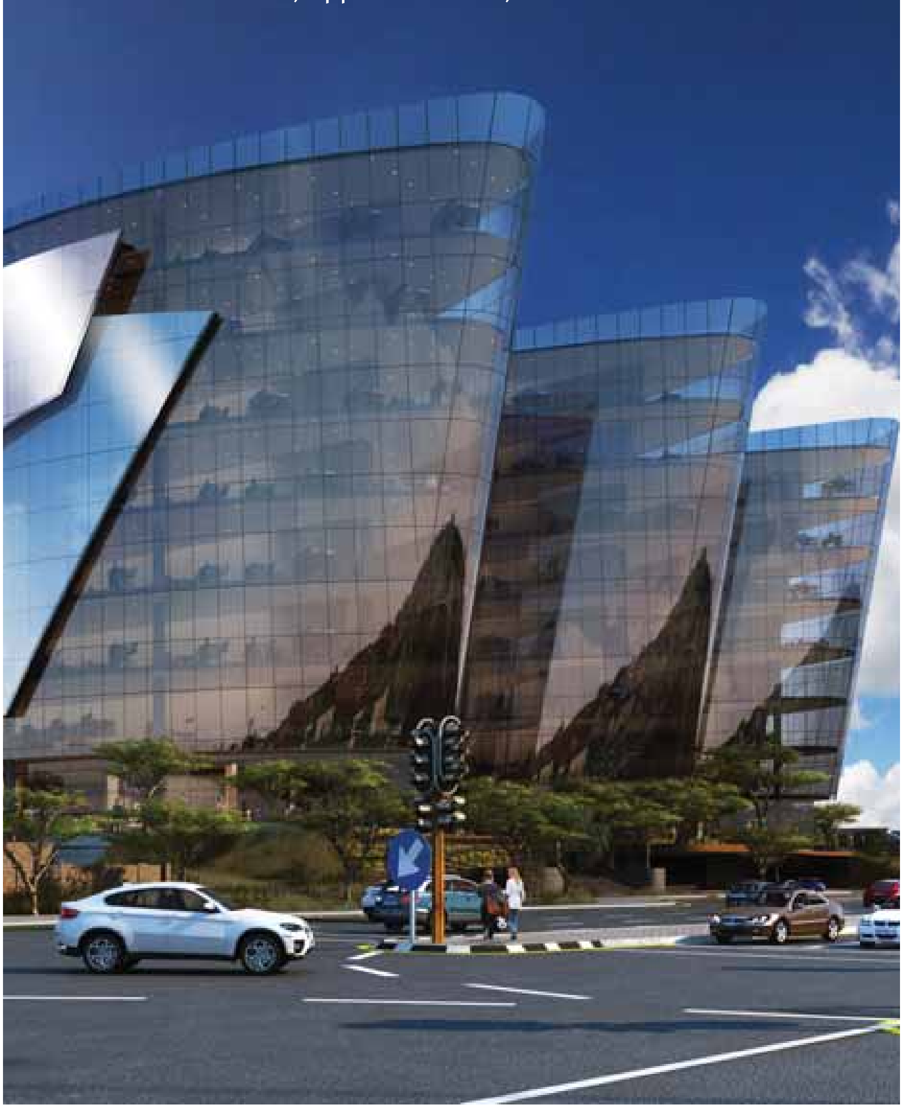
We find ourselves in an unforgiving business environment. Yet, Growthpoint has delivered performance at the upper end of its market guidance, achieved significant defensive growth, made excellent strategic progress and shown remarkable innovation across all areas of our business. In addition to this, by focusing on our clients, we have upheld our market leading position. This is an immense achievement. I thank Norbert Sasse and his executive team, who have again delivered a sterling performance, as well as every Growthpoint employee for contributing to a strong set of results in weak market conditions.

I am grateful to my fellow non-executive directors for their valued commitment, skill and insight on the Audit, Risk Management, Property, Social, Ethics and Transformation, Remuneration and Nomination committees, as well as on the Board where their astute judgement is underscored by resolute integrity.

JF Marais
Chairman

8 September 2015

PROPOSED DEVELOPMENT, 144 OXFORD ROAD, ROSEBANK



CHIEF EXECUTIVE OFFICER'S REVIEW

Growthpoint exceeded its budget (6.8%) to deliver distribution growth of 7.5% per share for our investors, at the upper end of our market guidance. We are pleased to have further extended our robust track record of uninterrupted growth in distributions to our shareholders since 2003.

Annual distribution to shareholders exceeded R4 billion for the first time

OUR FINANCIAL PERFORMANCE

Growthpoint finalised the acquisition of Acucap and Sycom during the year. Both became subsidiaries of Growthpoint from 1 April 2015, adding 46 properties to our portfolio, and defensively growing our property portfolio with complementary and quality enhancing assets.

For the first time, Growthpoint's annual distributions to shareholders exceeded R4 billion for the year. This includes the R1 billion paid to investors five months early as part of our R18,6 billion acquisition of Acucap Properties Limited and Sycom Property Fund portfolios. Taking into account the early payment, Growthpoint's distribution growth would have been 8.4% for the financial year.

We boosted our consolidated property assets and property related investments to R100,4 billion, and remain the largest South African listed REIT on the JSE.

A significantly bigger asset base is evident throughout our business and our results, such as our gross revenue, which grew by 20.7%, and our employee headcount, which has grown around 50% over the past two financial years.

We also faced big challenges against the backdrop of an extremely tough operating environment. We operated in a weak economy with negligible GDP growth, the electricity crisis, a commodity crisis, job losses, labour unrest, consumer confidence at the lowest level it has been in nearly 15 years, international tourist numbers dropping and interest rates rising. Achieving our performance and progress against this backdrop makes it even more pleasing.

All three areas of our business, being our South African portfolio, GOZ and the V&A Waterfront, again contributed positively to our results.

OUR SOUTH AFRICAN PORTFOLIO

This portfolio of properties contributed 75.8% or R3,2 billion to our total distributable income of R4,2 billion. Despite on-going tough local conditions, it delivered a substantial increase in gross revenue of 22.8%. This was largely due to our Acucap and Sycom acquisition. Growthpoint won the 2015 IPD Direct Property Investment Award, which considers performance across all property market sectors – office, retail and industrial – for the highest annualised direct property return over three years. We received this top award for the second year running.

TIBER AND ABSEQ

We've bedded down these good acquisitions and integrated the people and properties that made up these transactions. All properties have been added to our systems and have performed better than expected, adding value to our portfolio.

ACUCAP AND SYCOM

Growthpoint finalised the acquisition of Acucap and Sycom during the year.

The Acucap and Sycom properties were included in Growthpoint's portfolio for three months of its financial year. With only one quarter of performance, it is early days in assessing the merits and opportunities of each property. We are already aware there will be earnings pressure on the Acucap and Sycom portfolio linked to developments, extending debt maturities and interest rate hedges.

Integration of Acucap's and Sycom's people into the business, merging offices and adding their properties onto the same system as our core portfolio will take time, but should be complete before the FY16 year-end. Operationally, this is a real challenge and will be a key focus area in the coming year. We are also well advanced with our objective of eventually delisting Sycom, of which we hold 99%. Should we be successful in securing 100% ownership, Sycom will become an unlisted subsidiary of Growthpoint.

PERFORMANCE

The domestic market remains challenging, in fact more so than in recent years. It is comparable to the recessionary times we experienced after the onset of the global financial crisis, with really low GDP growth, and clients seeking to shrink or right size their businesses and reduce their space requirements. Companies are not making long-term decisions nor are they embarking on growth strategies.

On a macro-economic level, all economic indicators are negative. On top of that, the listed property sector is more competitive than ever. The sector comprises mainly diversified funds, in one form or another, invested in the retail, office and industrial sectors. This means everyone is fighting to retain whatever clients they have but also attract each other's clients too.

We're also facing weakened property fundamentals in the form of increased vacancies, higher expense ratios, lower rental growth numbers, and challenging lease renewal dynamics, including the fact that the lease periods clients are prepared to commit to are getting shorter and shorter, reflecting the loss of confidence in the economy.

Administered cost pressures remain at elevated levels with further increases in utilities costs and rates and taxes. We also face the triple-negative of higher costs for municipal services, less service delivery and having to replicate the service privately at our own cost.

This operating context demands more than conventional property management to succeed. So Growthpoint has increased its customer-centric approach to offer added services and ensure a better client experience. We offer businesses space to thrive. Thanks to our innovative approach and talented teams, we delivered solid results in many key performance areas, even with tough market conditions.

Growthpoint's South African portfolio achieved like-for-like net property income growth of 6.2%. Overall vacancies increased from 4.9% to 5.7% during the year. Vacancies in the industrial portfolio moved up from 3.0% to 5.3% and were largely a result of the Ellerines demise. However, retail vacancies improved from 4.5% to 3.3% and office vacancies remained steady at 8.0%, outperforming the SAPOA national office vacancy benchmark of 10.6%.

In the face of continued increasing cost pressures, we tightened our cost-to-income ratio from 24.8% to 24.0% and our overall expense ratio improved from 28.6% to 27.8%. In step with our larger portfolio, arrears, bad debts and provision for bad debts increased. We kept our weighted average future escalations on renewals at 8.3% and our weighted average renewal growth remained positive at 4.1%.

Our retail portfolio net property income increased to R284 million, mainly through acquisitions. Like-for-like portfolio net property income grew 7.2% and vacancies improved to 3.3% with the sale of Arcadia and the inclusion of the Acucap and Sycom portfolios, which benefited the retail sector with its slightly lower vacancy levels.

Our core retail portfolio vacancy, excluding space under development and the office component of our malls, is at a low 1.9%. Retail arrears deteriorated to 10.2% of collectables. This results from the inclusion of Acucap and Sycom properties, Post Office and Platinum Group. Some R4,2 million of arrears are made up of outstanding deposits. Our retail leasing success rate improved to 87%, with renewal growth of 6.0% negatively affected by lower renewal rentals at City Mall, Klerksdorp, resulting from new competition in its area. Portfolio trading densities increased by 4.7%.

The trading performance of our malls was diluted by negative growth at City Mall Klerksdorp and Lakeside Mall Benoni. However, centres serving affluent markets – Brooklyn Mall, La Lucia Mall, Walmer Park Shopping Centre, The Constantia Village and Gardens Shopping Centres – achieved 7.7% growth.

Growthpoint won the 2015 IPD Direct Property Investment Award for office property market sector performance, demonstrating the stand-out results we are delivering in this highly competitive area of commercial property.

During the year, our office net property income and portfolio value increased 33.5% and 35.5% respectively, mainly because of the Acucap and Sycom acquisition. We kept vacancies in check and unchanged with reasonable retention and letting of space, as well as disposing of non-core buildings with large vacancies. Core portfolio arrears remained constant at 3.5% while overall, including the new portfolios, arrears grew to 5.0% of collectables. Our leasing renewal remained largely unchanged at 62.0%. However, renewal growth of 1.5%, down slightly from last year, continues to reflect tough market conditions.

Our office team is undertaking nearly 130 000m^2 of developments in high-demand locations in Sandton, Century City, Umhlanga and Bryanston. A conservative 77% of this space is pre-let. Over 107 000m^2 of space under development is in joint venture.

Our industrial portfolio recorded net property income growth up 6.3%, despite difficult conditions with GDP shrinking 1.3% in Q2:15, as mining and manufacturing came under more pressure. In tandem with this stress, the portfolio's arrears and provision increased, but remain favourable considering the economic context. Its vacancies deteriorated from 3.0% to 5.3% and, while positive letting activity progress is being made, the failure of Ellerines left a 30 000m^2 vacancy. This accounts for 1.4% of the industrial portfolio vacancy. The portfolio's renewal success was marginally down, but this was offset by renewal growth and higher escalations. Our industrial development pipeline remains healthy and we continue to extract value from our core portfolio.

As an interesting addition to our industrial portfolio, through the Acucap and Sycom acquisition we gained exposure to two large development joint ventures, introducing self-storage as an asset class in our portfolio with

The acquisition of Acucap and Sycom defensively grew our property portfolio with complementary and quality enhancing assets

R3,3 billion acquisition and development pipeline in RSA to drive immediate growth

Distributions are based on sustainable income generated from rentals

Stor-Age. Its market share is set to increase with a significant development pipeline.

Delivering on our objective to grow and nurture a quality portfolio of properties, besides the Acucap and Sycom acquisition, Growthpoint acquired the remaining 50% interest of Inyanda 1, 2, 3 and 4 in Parktown, Johannesburg for R388 million. We also acquired two office properties for R95 million and the industrial property Monte Carlo in Pinetown, KwaZulu-Natal, for R21 million. Growthpoint invested R1,9 billion developing and improving its South African portfolio. We also disposed of 18 non-core properties for R621 million, achieving a combined R205 million profit on cost.

DEVELOPMENTS

Growthpoint has secured a R3,3 billion acquisition and development pipeline in South Africa to drive its immediate growth. We will continue to deliver on our strategy of developing good quality properties, specifically in the office and industrial sectors, in established nodes and essentially on a turnkey basis for customers. We minimise speculative development and are cautious to avoid adding to the overhang of the overall vacancy in both sectors. By developing our own properties, we are able to achieve higher yields while also creating assets that are ideal for our portfolio.

More detail is available in our South African property portfolio's sector performance overviews in this report and our Future Property Focus report has more information on our developments.

V&A WATERFRONT

Revenue from Growthpoint's R6,0 billion – 50% investment in the V&A Waterfront contributed 8.7% to our total distributable income, and was up 10.8% from the prior year, despite a slowdown in tourism. Its performance was driven by continued good results from its retail. Business conditions in the Western Cape seem to be more favourable than the rest of the country. Year-on-year retail turnover at the V&A Waterfront is still in the double digits at 11.0%. While the extent of this growth is slowing somewhat, this is because it is coming off a much higher base. Overall vacancies remain low at 2.6%.

The V&A Waterfront improved on many of its key operating metrics with an impressive 92.7% renewal success rate, weighted average rental growth at 7.1%, weighted average future escalations on renewals of 7.6% and in force escalations increasing to 8.3%

It continued its roll-out of an exciting pipeline of development opportunities, with new projects for H&M and Hamleys, which will open later this year. Development momentum continued in the Silo district with over 18 500m^2 earmarked for PwC, Werksmans and Virgin Active. The 77 luxury residential apartments to be developed at Silo 3 will be launched for sale later this year and the first Radisson Red Hotel in South Africa confirmed it will also open in the Silo district in 2017. With the development potential of the Silo district largely realised, we have moved our focus to the Gateway precinct, which is closest to the Cape Town CBD. The development of a further 18 000m^2 of office space has kicked off the roll-out of the Gateway precinct.

V&A Waterfront enjoys good demand from corporates and retailers. Its hotel occupancies improved during the year. Our Breakwater residential property developed to let exceeded projections with a rapid start to letting. It is now 55% let. However, there is a lot of new residential stock across Cape Town resulting in high levels of competition. Our Portsedge apartments, which have traded for a year and were fully let for the short term, are now undergoing a phased re-letting.

In the Dockside precinct, V&A Waterfront was named the preferred bidder for a cruise liner terminal, which creates the opportunity to link the V&A Waterfront to the terminal itself. This will involve a 28 000m^2 extension and we plan to take a phased approach to the associated redevelopment and letting of space.

Please see our detailed report on the V&A Waterfront.

GROWTHPOINT PROPERTIES AUSTRALIA (GOZ)

Our strategic holding in GOZ continued to deliver good performance for Growthpoint. GOZ had a spectacular year, delivering a 36.4% total return to shareholders on the ASX. It was one of the best performing A-REITs in FY15. Dividend contributions from GOZ grew 28.3% in Rand compared with the prior year, with GOZ contributing 15.5% to Growthpoint's total distributable income. Growthpoint invested an additional R607 million into GOZ during the year by electing to reinvest its distributions. GOZ made AUD67,4 million of acquisitions during the year,. It now has a market capitalisation of around R17,0 billion and gross assets valued at around R22,0 billion.

GOZ remains a core investment for us. The market there however is also becoming very challenging for the office space in general, and in Brisbane in particular. The weak commodity cycle is behind a number of tenant liquidations. Office vacancies are rising in the market and it is challenging for us to retain existing tenants and sign new leases on vacant space. Fortunately leases expiring in these areas over the next two years represent only a small amount of space.

Besides this, the business is in a good position. Its gearing has decreased and funding costs in Australia are coming down, creating positive gearing scenarios to support good accretive acquisition opportunities. Among the biggest challenges for GOZ is the extremely high level of global competition for good quality Australian property assets. Although the investment market in Australia remains fiercely competitive, good opportunities exist for GOZ to make accretive acquisitions.

One of GOZ's key objectives of being included in the main indices was achieved this year. It achieved the major milestone of becoming a component of the S&P/ASX200 Index. This has resulted in a marked improvement in its liquidity and tradability and delivered additional shareholder value.

Growthpoint remains supportive of the growth of G0Z, which has forecast to grow its distributions per share in AUD at 4.0% for the year to June 2016. A weaker AUD and increased withholding tax on distributions payable by non-Australian shareholders is however likely to contain the growth in Rand that Growthpoint can expect from its Australian subsidiary in 2016.

QUALITY OF INCOME

Growthpoint's distributions are based on sustainable income generated from rentals. We do not distribute capital profits.

OPERATIONS

With our business becoming so much bigger over the past two years, our operational pressures became much larger and we realised we needed to create more capacity to focus on strategic issues and growing the company, while also having an executive focused on our operations. In March 2015, Estienne de Klerk was appointed Managing Director, introducing this role at Growthpoint for the first time.

We also changed some internal reporting structures, reducing the business areas reporting directly to myself from 13 to seven. Now, our shared services teams and regional offices report to our MD, including marketing, human resources, legal, IT, facilities management, and investor relations. Our treasury, secretariat and corporate social responsibility teams report to our FD. Our MD, FD, sector teams, GOZ and V&A Waterfront report to me, who will continue to lead Growthpoint's strategy.

Our operations continue to innovate and find the best ways to serve our clients and support our business in South Africa and our own sustainability. By putting our stakeholders at the heart of everything we do, we remaining keenly focused on providing excellent service.

For more information on how we are constantly improving our operations and innovating, please read our Key Matters and Sectoral Reviews in this report.

FUNDING AND BORROWINGS

We optimise our performance with effective financial management structures. Growthpoint continues to benefit from significant access to capital from diverse sources including debt and equity funding.

We were able to raise both, thanks to the strength of our balance sheet, quality and diversity of our properties and clients, our investment-grade credit rating, which was upgraded during the year, our strong culture of good corporate governance, respected and experienced management and our good track record of consistently delivering on our promises.

To fund our substantial growth in investments during the year, we raised R11,7 billion in equity, including our distribution reinvestment programme. We also increased our debt by R8,9 billion and introduced a new institutional funder.

Our balance sheet remains well capitalised and we kept gearing at conservative levels, moving from 27.4% to 32.1% after including Acucap and Sycom, which had slightly higher debt levels, shorter debt maturity, lower fixed interest rate exposure, a shorter fixed interest rate maturity profile and a lower weighted average interest rate. Most of the Acucap and Sycom debt will be re-structured. Some 76.0% of Growthpoint's debt is hedged for 3.5 years on average, in line with our treasury guidelines, placing us in a good position in an increasing interest rate environment.

We are firmly in a rising interest rate cycle, having seen a 25 basis points increase during FY15, and another 25bp increase early in FY16. This gives rise to higher funding costs in our domestic business. Banks remain keen to

THE TOWERS AND 12 ALICE, SANDTON

lend and are more competitive than the bond market, which is not as fluid and liquid as we've been accustomed to in the past, especially off the back of corporate failures like ABIL. Its pricing is also not conducive to listing significant amounts of long-term corporate bonds and in the past year we only used it for three-month short-term paper.

We are also exploring other avenues of funding, which could include funding in the international debt markets, now that we are of a size to enter these markets.

During the year, Moody's Investors Service upgraded Growthpoint Properties global scale issuer and senior unsecured ratings to Baa2/P-2 from Baa3/P-3, its national scale issuer ratings to A1.za/P-1.za from A2.za/P-2.za. Moody's also upgraded Growthpoint's national scale senior unsecured Medium Term Note Programme (MTN) ratings to (P)A1.za/P-1.za from (P)A2.za/P-2.za.

GOZ maintained its Moody's investment grade credit rating (Baa2), which was first issued in August 2014. GOZ's reduction in gearing and new credit rating enabled it to raise an AUD200 million 10-year bond and diversify its sources of funding. It also brought down its debt levels, and cost of debt, in line with its strategy. Its gearing was reduced to 36.8% from 40.6% last year.

The Key Matters – Treasury Management and our AFS contain detail information on our funding and borrowings.

SUSTAINABILITY

As a property investment company, Growthpoint is a long-term business. This means that being a sustainable business is a priority for us. Our aim is to deliver growth in distributions on a sustainable basis and provide capital appreciation over the long term. We achieve this through our strategies, including:

- growing our investment portfolio through acquisition or development of quality, well-located properties
- continually investing in, maintaining and upgrading our portfolio
- optimising the sectoral and geographic diversity of our portfolio
- disposing of properties that no longer meet our investment criteria.

The effectiveness of our internal strategies is underscored by a variety of external recognitions. In FY15, Growthpoint was included in the JSE's SRI Index for the fifth consecutive year. Inclusion in this index is based on environmental, economic and social sustainability practices and corporate governance of listed companies. We have continued to put into action our commitment to measuring and monitoring our carbon footprint by again participating in the Carbon Disclosure Project, with our fifth submission to date.

Environmental, social and governance research by MSCI rates our governance metrics at 8.5/10, placing us in the highest scoring range for all companies assessed, relative to global peers. This shows we have leading corporate governance practices that are well aligned with shareholder interests.

Our considered approach to environmental responsibility takes into account where we can make the most impact. Helping our clients reduce their utilities consumption, like electricity and water, can support them to be more profitable. Because we have a large client base, this has a big impact, so it is a business imperative for us. We monitor electricity consumption and have initiatives in place to help clients reduce costs.

This year we approved our environmental policy which encapsulates Growthpoint's commitment to responsible environmental conduct, which is essential to our business strategy. Regulatory requirements are only the starting point for our priority areas and the targets we have set to reduce our company's environmental impact. Our policy goes beyond the basics and is designed to continually improve our environmental performance.

Our sustainability approach is also supported by our pillars of sustainable management and matters of importance which are presented the Organisational Overview section of this report.

CONCLUSION

Growthpoint continued its pleasing performance during the year to 30 June 2015. We remain committed to delivering distribution growth and enhancing our portfolios of investment assets to create shareholder value. Growthpoint will continue to create sustainable value for our shareholders. We will remain driven by opportunity and demand as we grow, and will actively seek ways to outperform.

The South African domestic market is exceptionally challenging and more competitive than ever. There is continued weakness in the economy and pressure on property fundamentals, with soft demand and increasing competition. Interest rates are rising and negative gearing is limiting our opportunities for acquisitive growth, in addition to there being few assets available of the quality we would consider investing in. We are focused on integrating the Acucap and Sycom acquisition, bedding down our growth and consolidating, unlocking value in our larger portfolio, and being even more competitive by offering clients the most attractive buildings and the best service.

Fortunately our investments in the V&A Waterfront and GOZ are benefiting from better operating environments.

We are still seeing strong retail sales growth at the V&A Waterfront and have exciting development opportunities underway. Its hotel and residential sectors are now making improved contributions. All in all, it is experiencing strong property fundamentals.

While Australia's commodity-based economy is coming under pressure, it has stable interest rates, with the possibility of rate cuts. Positive gearing supports opportunities for accretive acquisitive growth. GOZ has forecast distributions growth per share in AUD at 4.0% for FY16. While the ZAR remains relatively stable against the AUD, a likely increase in withholding tax on distributions payable by non-Australian shareholders will contain the growth in Rand that Growthpoint can expect from GOZ.

The combined effects of these dynamics create short-term earnings pressure but, despite this, Growthpoint expects to deliver positive distribution growth of between 5.0% and 6.0% for the coming financial year.

LN Sasse
Chief Executive Officer

8 September 2015

FINANCIAL DIRECTOR'S REVIEW

Growthpoint's distributions are based on sustainable income generated from rentals. The company does not distribute capital profits. Effectively, all rental income received by the company and its 65.0% held subsidiary, Growthpoint Properties Australia (GOZ), less operating costs and interest on debt, including interest received and the 50% portion of the distributable income received from our equity-accounted investments, are distributed to shareholders bi-annually.

GERALD VÖLKEL
Financial Director

Acucap and Sycom acquisition consistent with Growthpoint's growth and investment strategy

Growthpoint is the largest South African-listed REIT with a quality portfolio of 471 directly owned properties in South Africa valued at R71,6 billion, as well as six equity-accounted investments, with our share of properties valued at R7,4 billion, of which the V&A Waterfront is by far the largest. In addition, Growthpoint has a 65.0% interest in GOZ, which owns 53 properties in Australia valued at R22,0 billion. Through the acquisition of the shares not already owned in the listed investments Acucap Properties Limited (Acucap) and Sycom Property Fund (Sycom), these entities became subsidiaries of the Group on 1 April 2015. The remaining listed investment with a value of R380 million relates to a 22.9% investment in Stenham European Shopping Centre Fund, a company listed on the Channel Island Stock Exchange as a closed fund and acquired as part of the Acucap and Sycom business combination.

Growthpoint delivered growth in distributions per share for FY15 of 7.5%. This growth is at the upper end of the guidance given to the market in the FY14 results of between 7.0% and 7.5%.

Distribution growth was impacted by the payment of the special interim dividend of 44,5 cents per share (R1 058 million in aggregate) which was paid to shareholders five months earlier than it would have been in the normal course. Taking the interest benefit of this early payment, of approximately 1,4 cents per share, into account, shareholders effectively received growth in distributions per share equal to 8.3%.

Distribution growth has been impacted by a solid performance from the South African portfolio, especially the V&A Waterfront, and also includes the results of Acucap and Sycom for nine months as an investment and three months, being April to June, as a subsidiary.

The increase in distributions was further enhanced by the investment in GOZ, where an effective hedging strategy led to distributions from GOZ being received at an average rate of R9.92:AUD1 compared to R9.57:AUD1 for FY14. Distribution per unit from GOZ grew by 5.3% in Rand terms on a like-for-like basis.

ACQUISITION OF ACUCAP AND SYCOM

At the announcement of Growthpoint's FY14 result on 27 August 2014, Growthpoint held 34.7% of Acucap and retained 15.0% of Sycom. Acucap had acquired 82.7% of Sycom. Acucap successfully acquired a further 1.3% in Sycom. On 1 April 2015, Growthpoint acquired the remaining shares and voting interests in Acucap by issuing 317 370 060 Growthpoint shares.

The acquisition is consistent with Growthpoint's growth and investment strategy to build a diversified property portfolio and offer long-term distribution and capital growth underpinned by strong underlying contractual cash flows.

ILLOVO CORNER, SANDTON

Equity of R11,7 billion raised in FY15

EQUITY RAISED

During the year, Growthpoint issued 426,1 million shares and raised R11,7 billion. Details thereof are as follows: In September 2014 R1 006 million, in March 2015 R1 199 million and in April 2015 R442 million was raised through DRIP programmes, where 42,2 million, 46,4 million and 16,3 million shares were issued at R24.20, R26.25 and R27.25 per share respectively. The equity raised from the DRIPs was utilised to finance Growthpoint's investment activities.

Growthpoint issued 3,8 million shares for the acquisition of the remaining 50% interest in Truzen 75 Trust, as well as the remaining 50% share in Erven 99 and 100 Parktown Township Share Block Proprietary Limited.

Growthpoint issued 317,4 million shares in April 2015 for the purchase of the Acucap shares it did not already own.

The company has 2,7 billion shares in issue at FY15 and the authorised capital is 4,0 billion shares. Growthpoint held 30 631 827 treasury shares at FY15 (FY14: 32 406 635).

SIMPLIFIED FINANCIAL STATEMENTS

We have included a simplified income statement and balance sheet in this report. This has been done in order to make the financial statements easier to understand, to reflect the cash-based operating results as used by management and the Board, and to eliminate fair value and other non-cash flow adjustments required in the statutory financial statements in terms of International Financial Reporting Standards (IFRS). The management figures have been reconciled to the figures as reported in terms of IFRS. We have referred to the Statement of Profit or Loss and Other Comprehensive Income as the income statement and the Statement of Financial Position as the balance sheet for ease of understanding.

The Group's accounting policies as set out in the audited financial statements for the year ended 30 June 2014 have been consistently applied in the current year and some new standards have been adopted.

Significant movements in the income statement and balance sheet are explained below.

NET PROPERTY INCOME

The increase in gross revenue of 20.7% for FY15 compared to FY14, was due to the acquisitions of Acucap and Sycom, as well as the revenue from GOZ (14.0%), resulting from property acquisitions made and a favourable increase in the average exchange rate applied. Disposals amounting to R651 million were made in the RSA portfolio in FY14 and impacted negatively on revenue growth in the current period.

The ratio of property expenses to revenue for the Group has decreased slightly from 21.6% to 21.1% at FY15. For RSA the ratio reduced marginally to 24.0%.

FINANCE AND OTHER INVESTMENT INCOME

Finance income increased by 4.8% from R545 million to R571 million. Including other income for dividends, total income increased by 68.1% to R916 million due to distributions received from Acucap and Sycom.

INTEREST PAID

Interest costs increased by 19.3% from R1 748 million to R2 086 million as a result of the further investments made in GOZ, loans advanced to the V&A Waterfront as well as the special dividend paid in April 2015 relating to the Acucap and Sycom acquisition. These outflows were somewhat negated by the proceeds from the DRIPs offered by Growthpoint. The weighted average interest rate for RSA borrowings was 8.9% (FY14: 9.4%).

Finance costs for GOZ decreased by 9.4% from R467 million in FY14 to R423 million in FY15. The additional equity raised by GOZ was used for the acquisition of properties and to settle debt, resulting in the decrease.

The interest cover ratio, whereby the income from the equity-accounted investments and listed investments is included in the operating profit, increased from 3.3 at FY14 to 3.4 at FY15.

PROPERTY ASSETS

Acquisitions: In addition to the acquisition of the Acucap and Sycom portfolios, on 1 September 2014 Growthpoint acquired the remaining 50% interest in the properties owned by Truzen 75 Trust from the remaining beneficiaries, as well as the remaining shares in Erven 99 and 100 Parktown Township Share Block Proprietary Limited from Zenprop. Growthpoint also acquired one industrial property for R21 million and two other office properties for R95 million during the year. Development and capital expenditure for RSA amounting to R1,9 billion (FY14: R1,0 billion) relates to various projects undertaken during the year, of which the Discovery Head Office (owned 55%) and Bridgeway Park Office Block accounted for R420 million and R83 million, respectively.

GOZ acquired land for an office property development situated at 211 Wellington Road, Mulgrave, Victoria for R67 million (AUD7 million) and incurred development expenditure in respect of this land amounting to R252 million (AUD27 million) during the year. Three industrial properties were acquired by GOZ for R571 million (AUD60 million).

Development and capital expenditure at the V&A Waterfront amounted to R309 million (FY14: R276 million) for the year.

Disposals: Growthpoint RSA disposed of 18 properties in the current year (FY14: 14) for R621 million (FY14: R651 million) with a collective R205 million (FY14: R132 million) profit on cost achieved.

At 30 June 2015, five RSA properties (FY14: eight) valued at R539 million (FY14: R265 million) were classified as held for sale assets.

Fair value adjustments: The revaluation of properties resulted in an upward revision of R3,4 billion (3.8%) to R93,6 billion for investment property (including investment properties reclassified as held for sale). This was mainly due to an increase in future contractual rental. Interest-bearing borrowings and derivatives were fair valued using the swap curve at FY15, resulting in a decrease of R272 million in the overall liability. In addition a loss of R116 million was realised on the settlement of an interest rate swap by GOZ.

These fair value adjustments, together with the other non-distributable items such as capital items, non-cash charges, deferred taxation and the net effect of the non-controlling interest's portion of the non-distributable items, were transferred to the non-distributable reserve.

EQUITY-ACCOUNTED INVESTMENTS: V&A WATERFRONT AND OTHER

The investments in the V&A Waterfront and the other joint ventures, have been accounted for in terms of IFRS 11, Joint Arrangements. The equity-accounting method was used, whereby the Group's share of the Profit or Loss and Other Comprehensive Income of these investments was accounted for.

Included in the FY15 finance income is R368 million of distributable income from the V&A Waterfront, compared to distributable income for FY14 of R332 million.

The investment in the V&A Waterfront and the other joint ventures, have been accounted for in the Statement of Financial Position as the fair value of Growthpoint's 50% interest in the net asset value amounting to R6,0 billion (FY14: R5,6 billion) for the V&A Waterfront and R417 million (FY14: R148 million) for the other joint ventures.

INVESTMENT IN GOZ

Growthpoint increased its investment in GOZ from R5,3 billion at FY14 to R5,9 billion at FY15. This further investment of R607 million related to Distribution Reinvestment Plans (DRIPs), where Growthpoint elected not to receive the distributions in August 2014 and February 2015, but to reinvest the distributions in GOZ.

The total amount invested at year-end by Growthpoint for its 65.0% interest amounts to R5,9 billion, the market value of which was R10,9 billion at 30 June 2015.

Included in normal tax in the Statement of Profit or Loss and Other Comprehensive Income, is R73 million (FY14: R24 million) that relates to withholding tax paid on the distributions received from GOZ.

OTHER MATTERS

We remain aware of the possible impact of carbon tax on our RSA business. For Growthpoint's direct emissions the cost is low, but we are cognisant of the possible impact on our tenants.

G Völkel
Financial Director

8 September 2015

SIMPLIFIED DISTRIBUTION INCOME STATEMENT

For the year ended 30 June	Notes	Total Group FY15 Rm	Total Group FY14 Rm
Revenue	1	**7 740**	6 412
Property expenses		**(1 630)**	(1 384)
Net property income		**6 110**	5 028
Asset management costs		**(238)**	(167)
Other operating expenses		**(65)**	(100)
Finance and other investment income	6	**986**	845
Interest paid		**(2 086)**	(1 748)
Profit before taxation		**4 707**	3 858
Taxation	7	**(72)**	(28)
Profit before dividends and debenture interest		**4 635**	3 830
Minorities' share of profit and realised foreign exchange loss		**(403)**	(333)
Dividends (including dividends on treasury shares)		**(4 232)**	(3 497)
Retained profit		**–**	–
Number of shares in issue (including treasury shares)		**2 711 056 264**	2 284 908 257
Dividend per share (cents)		**173,4**	161,3

SIMPLIFIED BALANCE SHEET

At 30 June	Notes	FY15	FY14
ASSETS			
Property assets	8	**93 574**	69 913
Equity-accounted investments		**6 464**	5 722
Intangible assets	9	**2 388**	1 038
Derivative assets		**105**	12
Long-term loans granted		**614**	466
Listed investments		**380**	4 457
Equipment		**9**	10
Current assets		**2 677**	1 406
Cash and cash equivalents		**505**	375
Other current assets		**2 172**	1 031
Total assets		**106 211**	83 024
EQUITY AND LIABILITIES			
Shareholders' interest		**63 369**	49 895
Non-controlling interest		**4 713**	4 180
Nominal value of interest-bearing liabilities	10	**33 811**	25 045
Market adjustments on interest-bearing liabilities	10	**874**	1 089
Deferred taxation	11	**1 425**	1 205
Current liabilities	12	**2 019**	1 610
Total equity and liabilities		**106 211**	83 024

RECONCILIATION BETWEEN STATUTORY AND SIMPLIFIED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTES		FY15 Rm	FY14 Rm
1	**Revenue as stated**	**7 870**	6 605
	Less: straight-line lease income adjustment	**(130)**	(193)
		7 740	6 412
2	**Fair value adjustments as stated**	**3 562**	2 396
	Less: fair value adjustments reversed	**(3 562)**	(2 396)
		–	–
3	**Equity-accounted investment profit**	**484**	91
	Less: equity-accounted investment profit reversed	**(484)**	(91)
		–	–
4	**Non-cash charges as stated**	**1 723**	(78)
	Less: non-cash charges reversed	**(1 723)**	78
		–	–
5	**Capital items as stated**	**1 078**	(23)
	Less: capital items reversed	**(1 078)**	23
		–	–
6	**Finance and other investment income as stated**	**916**	545
	Add: cash adjustment on business acquisition	**4**	110
	Add: dividends received on treasury shares	**66**	25
	Add: distribution received on listed investments	**–**	165
		986	845
7	**Taxation as stated**	**(264)**	(160)
	Add back: deferred taxation	**192**	132
		(72)	(28)
8	**Property assets as stated**	**93 035**	69 648
	Add back: investment property reclassified as held for sale (included in current assets)	**539**	265
		93 574	69 913
9	**Intangible assets as stated**	**2 580**	1 258
	Reversal of additional goodwill raised on deferred taxation liability*	**(192)**	(220)
		2 388	1 038
10	**Non-current financial liabilities as stated**	**28 755**	21 591
	Add: reclassification of current financial liabilities	**5 930**	4 543
	Less: nominal value of interest bearing long-term liabilities	**(33 811)**	(25 045)
	Market adjustments on interest bearing liabilities	**874**	1 089
11	**Deferred taxation as stated**	**1 617**	1 425
	Reversal of additional deferred tax liability on intangible asset	**(192)**	(220)
		1 425	1 205
12	**Current liabilities as stated**	**7 949**	6 153
	Less: reclassification of current portion of non-current financial liabilities	**(5 930)**	(4 543)
		2 019	1 610

* In terms of IFRS 3, *Business Combinations*, goodwill was increased with the deferred tax liability that was raised on initial recognition of the intangible asset acquired in terms of the acquisition of the property services businesses. Applying the principle that the Group will recover the carrying value of the intangible asset through use rather than through sale, the tax base was determined to have no value, which gave rise to the deferred tax liability. The deferred tax liability will reverse over time as the intangible assets to which it relates are amortised over a 15-year period.

Alignment of the Group's business strategy of long-term goals with the interests of shareholders

RIVER SQUARE SHOPPING CENTRE, VEREENIGING

KEY MATTERS

TREASURY MANAGEMENT

Growthpoint's history of accelerated growth and its need for capital has placed debt management at the forefront of the business. We detail below the activities undertaken in this regard in respect of the South African operations for FY15.

CAPITAL FLOWS

During FY15 new capital employed amounted to R20,6 billion, of which R11,7 billion was raised from equity (share swap with Acucap shares, DRIPs and other) and R8,9 billion additional debt was taken on. The capital together with proceeds realised from disposals was utilised for acquisitions, property developments and capital expenditure, as well as to fund the additional investment in GOZ and Growthpoint's share of the development expenditure of the V&A Waterfront.

INTEREST BEARING LIABILITIES

	FY15 R'm	% of total debt	FY14 R'm	% of total debt
South Africa[1]				
Secured debt:	**17 905**	70.4	10 394	63.0
Bank debt	**15 852**	62.3	8 944	54.2
Institutional financiers	**2 053**	8.1	1 450	8.8
Unsecured debt:	**7 539**	29.6	6 105	37.0
Bank debt	**4 480**	17.6	1 796	10.9
Corporate bonds	**2 659**	10.4	3 909	23.7
Commercial paper	**400**	1.6	400	2.4
Total South African debt	**25 444**	100.0	16 499	100.0
Australia[2]				
Secured debt:				
Bank debt and loan note	**8 367**	100.0	8 677	100.0
Consolidated debt	**33 811**		25 176	

[1] Includes debt from equity-accounted Tiber entities.

[2] Includes a cumulative foreign exchange difference of R1,9 billion (FY14: R2,3 billion).

The significant increase in Growthpoint's nominal liabilities was mainly due to the acquisition of Acucap, which resulted in the consolidation of the debt of Acucap and Sycom. This consolidation impacted the debt profile as the characteristics of Acucap's and Sycom's debt were different from that of Growthpoint.

The challenges in the macro-economic environment together with the woes of African Bank negatively impacted the liquidity in the debt capital markets for the year under review. Institutional investors became inwardly focused and had less appetite for corporate bond issues. We found the funding from the banks competitively priced compared to funding from the debt capital markets. This was the reason we chose to repay two bond issues in the capital market (R1,25 billion in total, maturities in December 2014 and January 2015), which were refinanced with bank funding. We successfully continued to roll the R400 million commercial paper programme, although the margins increased from 20 basis points in June 2014 to 36 basis points in June 2015. There are some indications that the appetite for corporate issues in the bond market is returning. There has been a lack of supply of listed corporate paper in the debt capital market, which should support demand for high-quality issuers, like Growthpoint.

Growthpoint introduced an institutional investor as a new funder, with unsecured funding of R1 billion for a term of up to seven years. This, together with other new unsecured facilities, resulted in an increase of total unsecured debt to R7,5 billion. However, Acucap's and Sycom's debt consisted largely of secured funding, which resulted in the ratio of secured loans to property value increasing to 22.8%. Total unencumbered assets, including the equity-accounted investments, as well as listed investments (but excluding the investment in GOZ) amounted to R35,1 billion. We will continue to focus on negotiating the best possible terms for our debt.

COST OF FUNDING

The average cost of funding materially reduced to 8.9% in June 2015 from 9.4% in June 2014. This was mainly as a result of the lower cost of funding of Acucap and Sycom (due to the average shorter maturity of the debt and the secured nature of the debt) and a reduction in the percentage of fixed interest rate exposure to total debt. Base interest rates however increased during the year under review and are expected to increase further in anticipation of inflation pressures and interest rate hikes in the United States.

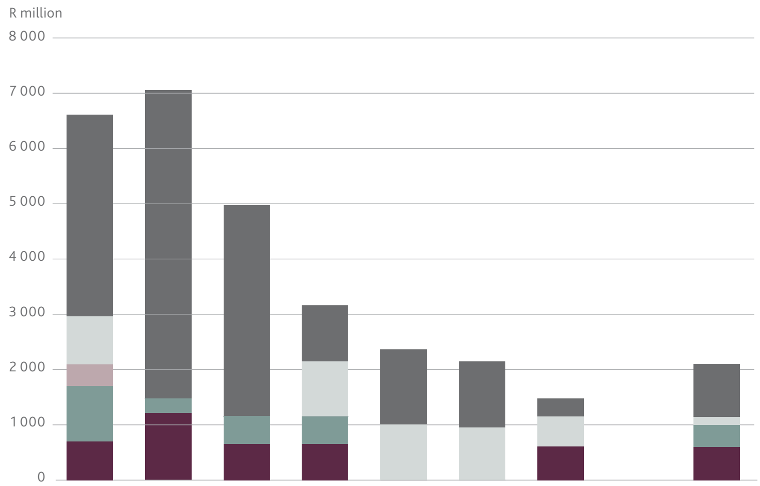
Growthpoint has experienced pressure on the credit spreads in newly negotiated loans. The outlook on the local macro-economic environment is not positive. It is therefore our view that South African credit spreads will continue their widening trend in the near future. However, the demand for corporate credit paper might counteract the increase in margins somewhat.

MATURITY PROFILE

The weighted average term of the liabilities has reduced from 3.5 years at 30 June 2014 to 2.9 years at 30 June 2015. Although Growthpoint successfully managed to negotiate longer-term debt, the average term of the liabilities reduced mainly as a result of the weighted average term of the debt of Acucap and Sycom (1.7 years at date of acquisition). A significant amount of loans mature in FY16 and Growthpoint has commenced with a re-financing strategy in this regard, with a number of banks having already agreed to extend the maturity date of loans amounting to R1,4 billion, which are expiring in the next twelve months.

In various discussions, financial institutions have indicated their commitment to Growthpoint

DEBT MATURITY PROFILE AT FY15 (EXCLUDING GOZ)



	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Undrawn facilities	698	1 212	651	650	–	–	606	–	606
Corporate bonds	1 000	260	500	499	–	–	–	–	400
Commercial paper	400	–	–	–	–	–	–	–	–
Unsecured loans	857	–	–	1 000	1 000	950	536	–	136
Secured loans	3 645	5 565	3 810	1 013	1 370	1 200	340	–	963

and Growthpoint is confident that it will be able to raise sufficient funding from the banking sector and debt capital markets for its on-going investment programme as well as the re-financing of maturing loans.

CREDIT RATINGS AND COVENANTS

Growthpoint was extremely pleased with the upgrade of its Moody's credit ratings in May 2015:

Issuer – Global scale rating	Baa2
Short-term – Global scale rating	P-2
Issuer – National scale rating	A1.za
Short-term – National scale rating	P-1.za

The outlook on all ratings is stable. The upgrade of our investment-grade ratings shows increased confidence in Growthpoint's core credit quality on a globally comparable basis for REITs and other commercial property firms.

Growthpoint remains well within the covenant ratios that it is exposed to through its loans. The most constraining contract limits are reflected in the table:

		FY15		FY14	
Covenants	**Limit**	**Incl. GOZ**	**Excl. GOZ**	**Incl. GOZ**	**Excl. GOZ**
Loan-to-value [Nominal debt (net of cash)/ Property fair value]	≤55%	**33.2%**	**32.1%**	30.8%	27.4%
Interest cover [Net property income/ Net interest expense]	≥2.0	**3.4x**	**3.4x**	3.3x	3.5x

Although Acucap was acquired on a share swap basis, Acucap's loan to value (41.9% for FY15) was higher than that of Growthpoint, which resulted in an increase in Growthpoint's loan-to-value ratio. We are targeting to maintain a loan-to-value ratio below 40%.

INTEREST RATE RISK MANAGEMENT

At the end of June 2015, 76.0% of the interest exposure on the liabilities was fixed (including forward starting swaps) compared to 78.4% in June 2014. As Acucap had a different hedging policy, its debt was only 48.1% hedged as at date of acquisition. This resulted in a reduction in Growthpoint's overall hedged percentage. The weighted average maturity of the fixed interest rate profile reduced from 4.3 years to 3.5 years, mainly as a result of the shorter-term nature of Acucap's swaps.

Growthpoint believes it is well positioned for anticipated interest rate increases as a 1% increase in interest rates would increase Growthpoint's interest expense by R61,1 million, which represents 2,3 cents of dividend per share. In order to reduce the volatility in its interest expense, Growthpoint has a conservative policy of maintaining a fixed interest rate profile on at least 75% of its total outstanding debt.

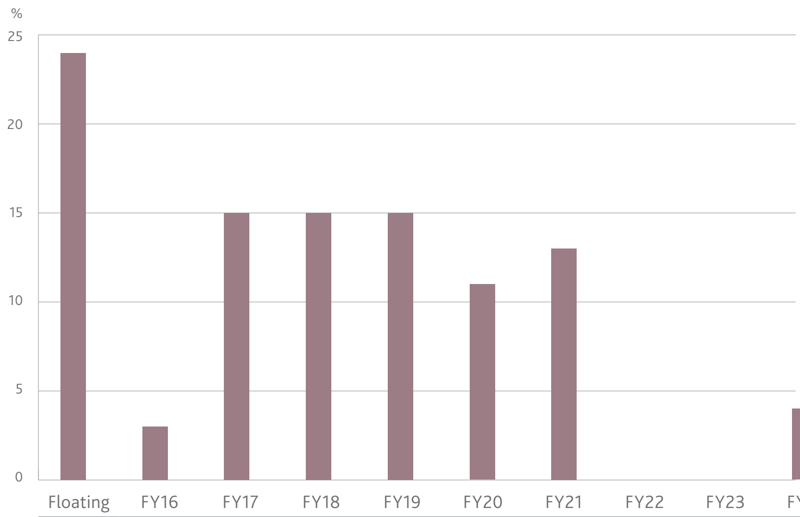
EXCHANGE RATE RISK MANAGEMENT

Due to the investment in GOZ, our results are subject to changes in the AUD/ZAR exchange rate. The bulk of the actual investment is not hedged on the balance sheet, however the future distributions from GOZ are partially hedged through forward exchange rate contracts for up to three distribution periods to achieve less volatility in our income. It is estimated that for FY16 distribution from GOZ, a strengthening of R1 to the AUD would decrease our earnings by R37,8 million as 46% of the anticipated distribution is hedged. This represents approximately 1.4 cents in dividend per share.

Growthpoint's earnings are minimally impacted by volatility in the EUR/ZAR rate, which could potentially impact the earnings from the investment in the Stenham European Shopping Centre Fund (SESCF).

FY15: FIVE-YEAR SWAP RATE

FY 15: FIXED INTEREST RATE EXPIRY PROFILE RSA



FY15: AUD/ZAR

INTEGRATING GREEN BUILDING AND SUSTAINABILITY THROUGHOUT OUR BUSINESS

Growthpoint has embarked on a journey of sustainable development and operations that is changing the way we do business. As a prominent owner and manager of properties in South Africa, we are also growing our reputation as a pre-eminent green property developer. We do this to better meet the needs of our clients and ensure the long-term sustainability of our business.

Each sector has different levels of focus within sustainability. So, we have developed a sustainability strategic framework to highlight five key focus areas for Growthpoint as explained below:

VALUE CREATION THROUGH SUSTAINABILITY

UTILITIES MANAGEMENT

We strive to accurately measure and bill our clients for energy and water consumption at our properties. This also ensures we align ourselves with the latest electricity and water measuring technology.

CONSUMPTION EFFICIENCY

We explore and use interventions that will reduce operational costs for our clients. This also increases the desire to occupy our property space.

RENEWABLE (ENERGY MIX)

We want to incorporate renewable energy solutions in buildings, where feasible.

SUSTAINABLE DEVELOPMENT

We ensure that our new and existing buildings adhere to the quality standards set out by the Green Building Council South Africa (GBCSA).

STRATEGIC

We initiate risk mitigating projects within our property portfolio, practise advocacy and education regarding sustainability, and report about our sustainability.

Our sustainability strategic framework leads to identifying interventions of all types and standards. These interventions then flow into a governance framework. We call this the 'Six steps to sustainable change'.

The six steps to sustainable change framework ensures that we use a suitable solution with a strong business case, which is aligned to the quality standards of the GBCSA, where applicable. It also ensures that we track how our interventions perform after implementation.

STEP 1

SUSTAINABLE SOLUTION IDENTIFICATION

Sustainable solutions can be identified either within the organisation or externally. Solutions need to be captured and documented to ensure the enhancement of organisational learning.

Innovation

Sustainable innovation will become harder to achieve as the GBCSA rating tools increase in maturity. Identification of innovative solutions within sustainability would be critical to be successful in the future.

STEP 2

FINANCIAL ANALYSIS

Financial analysis/modelling standards will be developed for all types of sustainable solutions. Focus needs to be given to both hard financial benefits (NPV, IRR, etc.) and soft non-financial benefits.

GBCSA ratings

Identified sustainable solutions should align with the GBCSA rating tools. A strong focus needs to be given to the GBCSA existing building performance rating tool.

STEP 3

PRODUCT VERIFICATION, PILOT and BENCHMARK

After a solution is deemed to be financially feasible and aligns with the requirements of the respected GBCSA rating tool, verification and validation of the solution is required. This can be achieved either by verifying the products' specifications at a credible source or by conducting a pilot study obtaining critical test results. In addition, similar products could also be benchmarked both financially and technically.

STEP 4

IMPLEMENTATION READINESS ASSESSMENT

Before a product commences the implementation stage (large roll-out) it needs to go through an implementation readiness assessment. This will identify key focus areas and areas of concern ensuring a smooth implementation.

People readiness assessment

It is also important to identify the maturity of key clients to assist in the prioritisation of implementing a solution.

STEP 5

IMPLEMENTATION TRAINING and MARKETING

The first focus area would be to implement the identified solution. This would lead to the development of training material for both the property brokers and the client itself, highlighting the benefits and operational requirements. Marketing of a single property or property portfolio should be updated accordingly to ensure that both property value and rental income increase over time.

STEP 6

MONITOR

- People behavioural change
- GBCSA EWP tool
- GBCSA existing building performance rating tool
- GBCSA design and as-built rating tool

Manage

- Manage building performance to retain GBCSA rating

OUR GUIDANCE OR BEST PRACTICE STANDARDS

Growthpoint uses the Green Star SA rating system, adopted and adapted by the GBCSA from the Green Building Council of Australia. Through local context studies, a rigid peer review system and expert input, the Green Star SA tools are thoroughly adapted to respond to the local market and environment.

The aim of Green Star SA is to provide the commercial property industry with an objective measurement for green buildings. It also recognises and rewards environmental leadership in the property industry. Each Green Star SA rating tool is developed in response to market demand (and sponsorship) and tailored for different building types and uses.

To support sustainability, and drive it forward, Growthpoint developed the Property Management Dashboard. By using this dashboard tool our staff can access building information, including sustainability features, building plans and the lessons we've learned about each of our properties. This ensures that we maintain and improve the performance of each building as well as create an organisational learning culture.

GREEN STAR SA RATINGS

Putting our commitment to green building into certified action, we have achieved Green Star SA ratings for over 20 of our buildings. For us, this is only the beginning. We are committed to growing our number of independently rated green properties.

New Developments – Design and As-Built Ratings

Growthpoint is well-recognised for its growing portfolio of award-winning green-rated buildings and it stays on the cutting edge of environmentally responsible technologies. Most of our new and refurbished buildings are designed to have at least a 4-Star Green Star SA rating.

Existing Properties – Existing Building Performance Rating

While the Green Star SA Existing Building Performance Tool covers the same environmental categories as the Green Star SA design and as-built tools, it focuses on measurable performance indicators such as energy and water management policies and plans essential to achieve environmental performance. Growthpoint has rated 10 buildings with the GBCSA Existing Building Performance (EBP) pilot tool. Several buildings have been identified for certification in FY16.

ENVIRONMENTAL COMMITMENT

The Growthpoint Board has approved an environmental policy which demonstrates Growthpoint's commitment to responsible environmental conduct. We believe this goes beyond legal and regulatory requirements. Our Board, management and staff are committed to reducing the company's environmental impact and continually improve our environmental performance. This approach is an integral part of our business strategy.

Growthpoint constantly monitors and improves our environmental performance in the context of our business. Some of the areas we focus on are climate change and carbon emissions, energy, water, waste and, where applicable, biodiversity. We are working towards reducing our use of resources and having positive impacts in these areas, wherever we face environmental considerations, whatever they may be. We do this by applying effective environmental management systems, stakeholder engagement and education.

We strive to ensure the buildings we own and manage are as environmentally friendly as possible and we incorporate new methods and technologies that also make business sense. We continually assess our buildings based on green building standards, and improve them where we can. When we undertake development and refurbishment projects, environmental considerations are essential.

We work with our people, clients, suppliers and other stakeholders to find the best approach within our operating parameters. Our ongoing efforts are multipronged, addressing issues that span across the business as well as individual projects.

We also work towards making a constructive contribution to national environmental objectives and carrying out local and international best practices, where fitting. Growthpoint actively engages on environmental issues at various platforms – national, local and international – as a representative of the property sector and a responsible business.

PRIORITIES: ENERGY, WATER, WASTE, CARBON EMISSIONS AND TARGETS

Growthpoint has set the following targets:

Water

All office buildings are to perform better than our internally set benchmark of 0.88kl/m^2 per year by 2020.

Energy

All office buildings are to perform better than our internally set benchmark of 200kWh/m^2 per year by 2020.

All new office developments must achieve a minimum 4-Star Green Star SA rating.

Waste

We actively pursue the diversification of waste from landfill over our whole portfolio and will be in a position to set adequate targets in FY16.

Emissions

A 10% reduction in carbon ton emissions (ton CO_2e) was the target set for a combination of Scope 1 and Scope 2 emissions on a 2011 base year with Scope 1 and 2 emission of 2 053.65. The objective was to reach a target of 1 848.30 ton CO_2e by 2016. In FY15 we have adjusted our carbon footprint emissions reporting period to ensure that it is alligned with our financial year. For FY14 our emissions were 1 991.17 ton CO_2e despite an increase in our assets. In the next financial year we will undertake two carbon footprints for FY15 and FY16. Due to the growing portfolio, we have realised the need to restate this target and will do so in the FY16 reporting period.

EXTERNAL AND INTERNAL STAKEHOLDER GROUPS ENGAGED

We are active within leading sustainability and green building organisations. A senior executive from our office sector was elected as a board member of the World Green Building Council and is also deputy chairman of the GBCSA. We also have representation on the South African Property Owners Association Sustainability Committee. Recently we became members of the National Business Initiative (NBI) where we take part in the National Energy Efficiency Accord Technical Committee as well as their various discussions relating to a range of business concerns including climate change. Growthpoint is acknowledged as a leader in its field, with many Growthpoint employees playing key roles in our industry and various industry bodies.

GREENOVATE AWARDS

Growthpoint and the GBCSA have launched a joint project to explore ideas for developing and setting up a student awards programme. The Greenovate Awards introduce university students to green building thinking and recognise excellence in application.

In this way Growthpoint, with the GBCSA, is promoting innovative environmental thinking as agents for positive change. We're excited to see the ideas the students present.

The Greenovate Awards competition targets students in their honours year from the property, construction and quantity surveying departments. The pilot programme is underway at University of Cape Town, Wits University and University of Pretoria. The competition will test the interests and perceived value of both the students and the faculty before it expands to other selected universities.

Round one of the competition takes place internally, within each tertiary institution. Each university decides its own internal selection and judging process. Each university selection panel will choose the top two projects submitted by their students. These projects will be invited to enter round two of the competition where the top performers from each institute will compete against one another for a grand prize.

Growthpoint has successfully presented and launched the Greenovate Award competition at all three universities. The groups of students interested have registered their projects online, and we are in communication with registered students about the competition.

GREENX$^{5.0}$

We have launched an internal campaign, GreenX$^{5.0}$ as our commitment to increase energy and water efficiencies in all our commercial buildings to be on par with the GBCSA Energy and Water Benchmark (EWP rating). The EWP rating was developed on international standards, where 5.0 represents the benchmark on a rating scale between 0 and 10. Participating buildings have been identified and a baseline set by independent consultants. We have worked with the NBI on this and look to enhance the knowledge and application among our employees. This campaign requires participation by facility managers in all stages of the project. The buildings will be judged on improvements made in the latter part of 2015.

SUSTAINABILITY ROADSHOW

During March 2015 our sustainability team presented our environmental sustainability strategy to key stakeholders in Durban, Cape Town and Johannesburg. This sustainability roadshow was an information sharing campaign focused on Growthpoint's sustainability strategy. We included key clients from our three South African portfolio sectors, as well as senior management. The roadshow marketed the financial benefit of our green buildings and highlighted our various campaigns to improve the quality of our buildings.

MAJOR ACHIEVEMENTS IN FY15

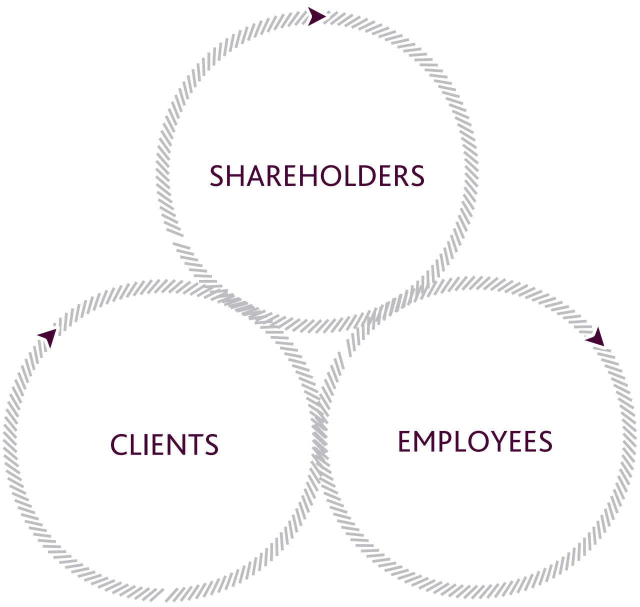
- Growthpoint continued to play a leading role in carbon disclosure reporting in the real estate sector in Africa
- Growthpoint was the proud recipient of the Nedbank Capital Sustainable Business award in the category of infrastructure and renewable energy for the second successive year
- We received another prestigious SAPOA Award in FY15 – the Innovative Merit Award 2014 for Tshedimosetso House
- Growthpoint won the LUX International Project of the Year award for the sheer scale of our low-energy lighting installation programme over our whole portfolio
- Kirstenhof Office Park became the 100th Green Star SA rated building. It achieved a 5-Star Green Star SA Existing Building Performance rating
- Growthpoint has achieved the largest portfolio of green rated buildings in South Africa
- Second year participation in the Global Real Estate Sustainability Benchmarking Survey (GRESB).

MAJOR ENERGY EFFICIENCY AND ALTERNATIVE ENERGY PROJECTS TARGETED

- Replacing basement lighting with LED technology is a main focus in our office sector
- Solar projects for our retail and office sectors will get our top attention. We currently have 714kWp solar capacity installed and have approval to add another 1.45MWp
- We are investigating installing electric vehicle charging stations at selected sites
- We are exploring using gas to generate electricity
- We currently have a pilot plant up and running to turn waste into energy. Success of this plant will dictate further roll-out.

OUR PEOPLE

Our employees are key stakeholders as articulated in one of our objectives: "Using and growing our skills and understanding of our operating environment by attracting and retaining the best people in a work environment that is conducive to productivity and performance."



We continuously strive to be an employer of choice by offering a thriving, challenging and nurturing environment where we treat all our employees with dignity and respect. We drive and foster a culture of performance, offering development and growth opportunities with the aim of attracting, developing and retaining engaged talent and teams in a diverse and inclusive environment. We care for and nurture our employees by providing robust education and awareness on key life issues to foster a healthy and sustainable workforce. Our total rewards remain competitive and market related.

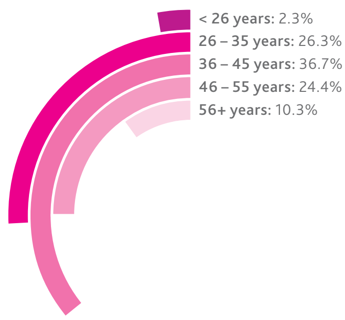
Employee statistics	
Number of employees	700
Weighted average net property income per employee	R7 697 854
Average tenure of employees	5.0 years
Annualised attrition rate	11.6%
Average age of employees	42 years
Minimum CTC – lowest level of employee	R89 521 pa
Direct investment in employee training	R4,7m
Total cost of employee training	R6,5m
Number of employees trained	427
Average hours of training per employee	6 hours
Total number of sick days	1 718 days
Weighted average number of sick days per employee	2.9 days
Number of physical injuries	3
Days lost to incidents	8 days
Serious occupational injuries	Nil

STAFF PROFILE

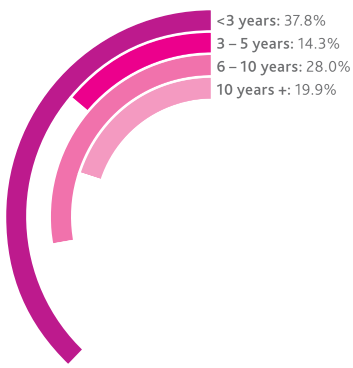
At 30 June 2015, Growthpoint had 700 staff members with an annualised attrition rate of 11.6%.

EMPLOYEE GENDER PROFILE

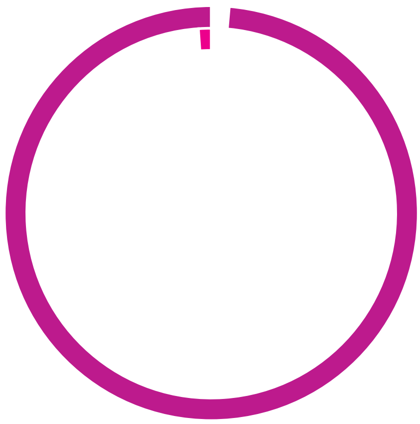
EMPLOYEE AGE PROFILE



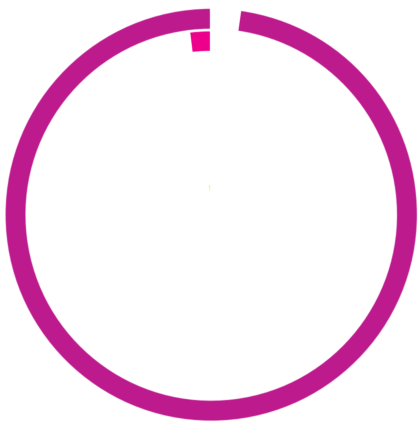
EMPLOYEE TENURE



SELF REVIEWS



MANAGER REVIEWS



RACIAL COMPOSITION

DRIVING A CULTURE OF PERFORMANCE

Performance management at Growthpoint is central to managing and developing our employees. The staff performance cycle of 1 July 2014 to 30 June 2015 was the first time we used the Aspiration Software system to coordinate performance reviews. It was a resounding success. We are proud to have achieved an outstanding 99% of self-reviews and 98% of manager-reviews.

The areas of development identified in our performance review process become a key input into the training and development plans of each employee. Also, the results of the performance reviews are a key input for our annual compensation review process. This ensures a clear link between performance and rewards.

DEVELOPMENT AND GROWTH OPPORTUNITIES

Employee development and growth is extremely important to Growthpoint and remains a shared responsibility between each employee and their manager. We encourage our employees to take full ownership of their development and growth. Our performance management process also provides for identifying training and development needs. This feeds into our training and development budget process. In FY15 we trained 427 employees at a total direct financial investment of R4,7 million.

As we hire new talent, we recognise that their seamless onboarding and integration into the company is important to position them for success. It builds engagement and longevity with the company. We therefore recently introduced a first-day onboarding programme to welcome and help the new employees to feel enabled in their new environment from day one. The onboarding programme introduces the new employee to key cultural issues, a benefits overview and our self-management processes and tools. Besides the onboarding, our well-established induction programme continues to run twice a year, giving employees a structured business overview and insight into our approach to leadership.

We are in the final stages of completing our young talent development plan which comprises our internship and graduate programmes. We have started creating a presence at universities to ensure that Growthpoint is first choice for young talent aspiring to build careers with a leading property company in the country. Growthpoint attended the Wits University School of Construction Economics and Management Studies Student Council Career day, which is a good foundational base. We will continue to build on this in FY16 with other universities.

Growthpoint also contributes to uplifting skills development in the country by offering an on-the-job training and mentorship programme for unemployed learners. In addition, we launched adult basic education and training for our employees.

The ongoing development of our leaders is central to the successful leadership and management of our employees. We introduced executive coaching for our senior managers, and team development initiatives for our executive team. We will work on a development framework to guide our leadership development efforts in the future.

Growthpoint provides study assistance for employees pursuing formal education to better their skills and career growth opportunities.

To improve our performance and ensure the on-going development of our people, Growthpoint ensures its employees' level of knowledge, education and skills is continually strengthened. This has resulted in several agreed learning interventions being planned for the new financial year, under the following model:

ESSENTIAL EMPLOYEE TRAINING

Learning in this category relates to mandatory training interventions that ensure our employees comply with regulatory requirements such as Occupational Health and Safety, Estate Agency Affairs Board, Green Building and professional compliance standards. This includes accreditations in Property Valuations Quantity Surveying, SAICA and Credit Management.

OTHER TRAINING

We believe in retaining employees who have proven commitment and determination to succeed. As a result, employees identified to have potential and capabilities to reach greater results can access opportunities in this category to enhance job skills. This learning takes place through reputable and accredited recognised academic institutions of learning. It includes, for example, handyman training, learnerships, and university or college bursaries.

WORK-BASED LEARNING

The company has planned various work-based learning activities that will extend our employees' workplace knowledge, skills and abilities. The training anticipated in this category occurs because of an introduction or change in a system or process that will impact on an employee's speed and effectiveness of service delivery.

DIVERSITY AND INCLUSION PLAN

Diversity and inclusion is central to attracting, developing and retaining key talent. It supports a sustainable business that represents the demographics it serves. We are developing our diversity and inclusion plan to articulate key initiatives that will help us attract, develop and retain diverse talent.

Part of the diversity and inclusion plan will focus on advancing people with disabilities within our company. A disability and disclosure policy together with an awareness campaign and workshops will be launched to encourage employees to disclose their disabilities. We are committed to non-discrimination practices.

Furthermore, we do not prohibit employees from freedom of association.

EDUCATION AND AWARENESS

Growthpoint provides an ongoing programme of education and awareness for its people. This benefits individual employees, our teams and our business. It also has positive knock-on effects beyond our company, to our industry and South African society in general.

RETIREMENT

We want our employees to have a thorough understanding of our competitive retirement benefits so they are well prepared for retirement and life's eventualities which may include death, disability, dreaded diseases and the like.

We are creating awareness and education by asking employees to attend various workshops targeted at savings, retirement, preparing for death and other unforeseen circumstances. Working in partnership with our pension and provident fund service provider, we identified several sessions, which we presented.

EMPLOYEE ASSISTANCE PROGRAMME

Our well-established Employee Assistance Programme helps employees respond adequately to challenges they may face in their lives. In turn, it benefits us with effective and productive teams and individuals.

Our Employee Assistance Programme gives our people access to a wide variety of psychosocial professionals who can provide expert advice and help with challenges and difficulties. These could deal with emotional, personal, family, relationship, substance abuse, financial, lifestyle diseases, violence or bereavement challenges.

Besides providing access to counselling services for our employees and their immediate family members, we regularly run education and awareness sessions on psychosocial issues. In FY15, we ran well-attended workshops.

LIFESTYLE DISEASE MANAGEMENT

One of the biggest threats to a sustainable business is the health and wellness of its workforce. With this in mind, we believe in consistently educating and creating awareness about lifestyle-based diseases.

Our Vitality-wellness days target our Vitality members to improve their Vitality status with regular health and assessment tests, as well as living a healthy and balanced lifestyle characterised by healthy eating, exercise, rest and mindfulness. The Vitality Health Check identifies employees' risk for chronic diseases of lifestyle by testing their blood pressure, glucose, cholesterol and weight.

In addition we run wellness days to provide awareness and education sessions for our employees. In the coming year they will have the opportunity to attend:

- Health and wellness days in all our regions, Johannesburg, Cape Town and Durban
- Strategies to achieving weight loss and maintenance
- Living with HIV/Aids – a personal account.

Based on the most recent voluntary testing our HIV/Aids prevalence rate remains at below 4% for those employees who participated in the testing. We continue to provide education and awareness in this regard.

TOTAL REWARDS

We are producing a total rewards statement for all our staff. Total reward statements represent the remuneration and financial reward elements of the employee value proposition. It encapsulates all remuneration, incentive and benefit value offered to employees.

It is a short, clear document that shows all elements of reward that each employee is entitled to, the value thereof and the expected date of payment. It illustrates the time-based value of the total reward package taking all elements of reward into consideration.

THE BENEFIT OF TOTAL REWARD STATEMENTS

- Inform staff members of the total value of their remuneration and benefits is an effective way to remind staff of the total investment the company makes in them
- Highlight the full range of benefits offered to staff
- Emphasise that compensation includes a wide range of benefits and perks
- Illustrate the time-value of short-term incentives deferred and long-term incentives
- Are effective tools in annual remuneration reviews to remind staff what the current and proposed package includes
- Improves morale and is an effective retention tool
- Improves the marketability of packages offered in the recruitment process
- Employees respond positively when their remuneration and benefits are laid out in 'black and white'.

REMUNERATION REPORT

The Board of Growthpoint Properties Limited (the company) and the Remuneration Committee (the committee) have pleasure in submitting the remuneration report for the financial year ended 30 June 2015. This report sets out the company's remuneration policy and strategy for all employees and sets out the detailed implementation and disclosure of remuneration for executive directors, Executive Committee members and non-executive directors. The information provided in this report has been approved by the Board on the recommendation of the committee.

The Remuneration Committee has worked with its independent advisors, PwC, for guidance on responsible and appropriate remuneration principles in respect of decisions that are adopted and implemented by the committee. The committee has also taken cognisance of the performance of the company and the value creation for shareholders during the year and believes that our remuneration policy and the implementation thereof reflects alignment of the Group's business strategy and long-term goals with the interests of shareholders. The committee is satisfied that the overall principles laid down by the King code of Governance for South Africa (King III) and the Companies Act, 2008 (the Act) have been adhered to unless specifically stated and explained. The SA property industry continues to be active, characterised by a number of new listings and significant corporate activity, including consolidations. The demand for industry specific skills within our limited pool of talent remains high, and therefore also the risk of retention. Our Executive Retention Scheme (ERS), launched during the 2014 financial year to address these serious retention risks, has been an integral part of our remuneration mix, and has assisted us in retaining the talent which is so vital to our organisation.

Whilst we continually work towards increasing and diversifying our property portfolio, we are focused on ensuring that we invest in quality properties that will deliver superior value and long-term benefits for our stakeholders. We take a long-term view on growth and success, and are committed to being the leading South African property company. The retention of our key employees is vital, and skills retention and attraction has been identified as a key risk area for our business – without these employees, we could face a lack of experience, decision-making ability, competence, capability and quality of staff, as well as a loss of "corporate memory" – all areas which are vital to our success, and to enable us to deliver value to you, our stakeholders. Whilst we believe in pay for performance, we remain acutely aware of the fierce war for talent within our industry.

With this in mind, we take great care to ensure that our remuneration mix is appropriate – that each executive and member of senior management has enough outstanding value to ensure that he or she is retained, and that there is a reasonable level of confidence that the value in terms of our various share schemes will be realised. Our ERS went a long way to address concerns we had surrounding retention risks, and whilst no further awards are contemplated at present, we will retain this tool to use where appropriate, for instance in the attraction of key talent which will help us in unlocking value for all of our stakeholders. The first vesting of ERS awards will be in April 2016. We will continue to monitor the outstanding award levels of our key employees, to ensure that we are able to address any retention risks.

We believe our key performance indicators which are used for the measurement and determination of short-term incentive awards are aligned with company goals and strategies, whilst the targets set provide sufficient stretch to challenge executive management but at the same time are not completely unachievable resulting in management being demoralised. Given the rapidly changing environment in the listed property sector and emergence of a two-tier market characterised by property hedge funds on the one hand and more traditional rent collecting property companies on the other hand, the committee is of the opinion that the peer group and the peer groups benchmark which is used for determining short-term incentive awards might need to be reviewed to ensure its relevance when considering the company's long-term strategies and focus on owning a lower yielding quality property portfolio.

We are determined to ensure that all our staff members are engaged and motivated to perform. To ensure that this happens, we continue to make awards of zero cost options to all staff (excluding the executive directors and Executive Committee members) under the Growthpoint Staff Incentive Scheme (GSIS), and have undertaken significant work during the year on the remuneration levels of junior workers.

Being conscious of increasing social issues in the country and negative perceptions of the significant gaps between what the lowest paid employees earn and what executive management earn, the committee sought advice from PwC as to what level of remuneration constituted a "living wage" and as a result are in the process of adjusting the remuneration of 83 of the lowest paid employees to a minimum of R120 000 (which amount does not include any STI payments or value realised from participation in the GSIS). These adjustments will be made over the next two years and are a continuation of the company's efforts to reduce income disparity by reducing the wage gap whilst "doing the right thing" in terms of paying the lowest earners a living wage.

HS Herman
Remuneration Committee Chairman

25 August 2015

The report this year is again segmented into two parts, separating the disclosure of policy (Part 1) and its implementation (Part 2).

PART 1: REMUNERATION PHILOSOPHY AND POLICY

THE COMMITTEE

Role of the committee

The committee assists the Board in setting the company's remuneration policy and executive as well as non-executive directors' and executive management's remuneration. The committee's Terms of Reference are set out in the Corporate Governance section of the Integrated Annual Report.

Members of the committee

Details of the members of the committee can be found in the Corporate Governance section of the Integrated Annual Report.

All the current members of the committee are independent non-executive directors. The committee met five times during the financial year ended 30 June 2015. The Chief Executive Officer, Managing Director and Head of Human Resources attended the committee meetings by invitation and assisted the committee in its deliberations, except when issues relating to their own remuneration were discussed. PwC attended the meetings in their capacity as independent advisors to the committee.

Summary of remuneration activities/ decisions undertaken during FY15

The main issues considered and approved by the committee during FY15 were as follows:

- Approval of the remuneration report
- Short-term incentives for executive directors and Executive Committee members
- Share incentive plan awards to all eligible employees and approval of vesting of awards
- Annual salary review for executive directors and Executive Committee members
- Mandate for salary increases for all other employees
- Review of executive directors' service contracts
- Review of fees to non-executive directors
- Review and approval of remuneration policy.

REMUNERATION POLICY SUMMARY

Remuneration of executive directors and Executive Committee members

The table below summarises the individual elements of the total remuneration package offered to executive directors and Executive Committee members during FY15.

Element		Purpose and link to strategy	Detail
Fixed	**Guaranteed Cost to Company (GCTC)** Total fixed remuneration paid in cash	Ensures that each individual's role is compensated at market-related levels which recognises the individual's skill and experience	GCTC is set to be competitive and is set at the median of the comparator group. For key employees, GCTC may be set at the upper quartile GCTC is reviewed annually, and the committee considers the following in its review: • company and individual performance • affordability • changes in responsibilities • internal and external benchmarks • average salary increases for the entire Growthpoint workforce
	Benefits		Benefits include: • included in GCTC: – contributions to a defined contribution retirement plan – contributions to a medical aid scheme • company paid: – personal accident, dreaded disease and AdmedGap (hospitalisation gap cover) insurance policies

<table>
<tr><th colspan="2">Element</th><th>Purpose and link to strategy</th><th>Detail</th></tr>
<tr><td rowspan="2">Variable</td><td>Short-term incentive (STI) including a cash payment and a Deferred Incentive</td><td>Drives and rewards the achievement of the company’s short- and medium-term goals, with payment levels based on five Key Performance Areas (KPAs)

Through the KPAs, employees are aligned with the key short- and long-term strategic priorities of Growthpoint and the interest of shareholders. This in turn helps to generate long-term returns to shareholders</td><td>The STI is determined by the committee on a discretionary basis, with the maximum STI for executives being 200% of the Total Fixed Remuneration (TFR) at the time of making the STI award, which reflects the TFR in September in any given year.

Actual company performance is measured against a scorecard of KPAs, as set out in Part 2 of this report. Performance achievement against the KPAs and Key Performance Indicators (KPIs) is benchmarked against a peer group of companies in the property sector, namely Redefine, Emira, Hyprop, and SA Corporate. The peer group changed as four companies have been taken over and delisted. In exceptional cases, the committee has the discretion to make ex gratia payments, where considerable value has been added to shareholders. The targets set out in the KPA scorecard translate to a maximum STI achievable, and the committee then applies its discretion to determine an appropriate STI for each executive director, and member of the Executive committee.
A portion of the STI is paid in cash, and a portion of the STI is deferred into zero cost options which vest in equal tranches, over three years to provide a deferred element, and assist with retention.

For executive directors and executive management, 50% of the STI is paid upfront in cash, and the remaining 50% is delivered on a deferred basis in zero cost options, vesting over a three-year period of one third each, following the award date.</td></tr>
<tr><td>Long-term incentives (LTI)
• Growthpoint Staff Incentive Scheme (GSIS), comprising:
For the executive directors, and executive management (“Executives”):
– the Executive Retention Scheme
For other staff:
– Zero cost options</td><td>The LTIs drive and reward long-term, sustained performance measured against metrics which are strongly aligned with the interests of shareholders</td><td>The Growthpoint Staff Incentive Scheme

One of Growthpoint’s core values is that “we own and manage” our property portfolio. Through the GSIS we achieve the ownership component of this value, in that all of Growthpoint’s staff members (excluding executives) are awarded zero cost options which vest over a five-year period.

The vesting profile allows for 0% of the awards to vest after year one, and 25% to vest in each successive year after year two with the last vesting of each award taking place after year five.</td></tr>
</table>

Element		Purpose and link to strategy	Detail
Variable continued			The GSIS currently provides for regular annual awards of zero cost options to Growthpoint staff and the award of reducing strike options as part of the Executive Retention Scheme. The components, as applicable to executives, are set out in more detail below. The GSIS, in the form of zero cost options, is also used as a mechanism for the deferred component of the STI for executives. The limit for the GSIS is 50 million shares, representing around 1.8% of the issued capital of the company. In the case of termination of employment, the GSIS provides for forfeiture of all unvested options, except for certain instances where, at the discretion of the committee, pro-rata future vesting may be allowed (for instance in the case of 'good leavers') or death in service. *Zero cost options (All staff excluding the executives)* Zero cost options are awarded annually where the quantum of options awarded to each eligible employee is based on a target multiple of their respective annual GCTC. Target multiples are linked to market benchmarks and can be increased by approval of the committee for critical skills and individual retention. *The Executive Retention Scheme (ERS – part of the GSIS)* The ERS is a notional share purchase scheme and is designed to retain executive directors and senior management over the longer term. The option simulates a share purchase scheme that is half funded with debt. The ERS is not awarded on a regular basis, with a significant initial award having been made in 2014. Further awards will be made only if considered necessary by the committee, as merited by specific retention risks. The options granted on 1 April 2014 had an initial strike price of R11.43 based on a 50% discount to the Growthpoint 30 day clean VWAP price as traded on the JSE. Each option's strike price will be adjusted on a notional basis by: • increasing the strike price by 8.25% per annum compounding on the distribution payment date representing interest of the notional debt, and • decreasing the strike price by the actual distribution per share, declared and paid by the company. These options will vest on 1 April each year over the next eight years as follows, and give the option holder the right to acquire one Growthpoint share at the variable strike price at the vesting date: 2015 0% 2016 – 2017 10% pa 2018 – 2020 20% pa 2021 – 2022 10% pa

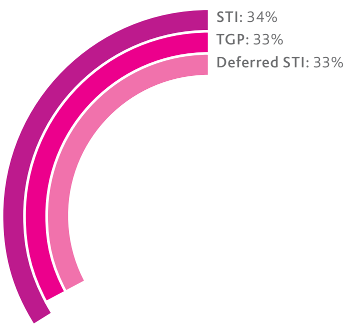
General staff remuneration philosophy and strategy

Growthpoint values all staff, and strives to ensure that remuneration below executive level is structured fairly, and all staff members are rewarded for exceptional performance. We recognise that remuneration forms an integral part of the employment offering that enables us to attract, reward and retain the staff we require to manage the company effectively and efficiently. We are particularly proud of our GSIS, and believe that the participation of all employees in the GSIS helps us to create a culture of ownership, which contributes towards employees that are satisfied and engaged, and motivated to perform to the best of their ability.

PACKAGE DESIGN FOR EXECUTIVES

Packages are designed to provide the appropriate balance between fixed remuneration and variable "at risk" remuneration. Fixed remuneration is benchmarked against the same comparator groups used to benchmark remuneration for non-executive directors as set out in the table below. Variable pay will, depending on the role, function and responsibility of the executive director, or Executive Committee member, constitute between 40% and 75% of the total remuneration of that executive director or Executive Committee member. The average on-target package for the executive directors is depicted below (no LTI awards were made during the year under review).

AVERAGE ON-TARGET PACKAGE FOR EXECUTIVE DIRECTORS



SERVICE CONTRACTS

The CEO and Managing Director have service contracts with Growthpoint with reciprocal six- month notice of termination provisions. The Financial Director is on a standard employment contract with a six-month reciprocal notice of termination provision.

The service contracts provide for the following:

- An indefinite period of service, subject to the normal retirement age of the company, with a six-month reciprocal notice of termination provision
- The termination provisions provide for paid "garden leave" for the executives at the company's election
- In addition to "garden leave" there are also restraints, in relation to the company's clients, staff and corporate opportunities
- KPAs and KPIs have been identified in the contracts, which the executives are measured against.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The following principles apply to the remuneration of non-executive directors:

- Fees are structured as an annual retainer component and an attendance fee for scheduled meetings
- Fees are reviewed annually and proposed at annual general meetings for approval
- The comparator group changed from the previous year and now includes the following companies:

Tiger Brands Limited	Redefine Properties Limited
MMI Holdings Limited	Sanlam Group Limited
Netcare Limited	The Bidvest Group Limited
Mr Price Group Limited	Aspen Pharmacare Holdings Limited
Discovery Limited	Vodacom Group Limited
Woolworths Holdings Limited	

- The group was selected on the basis of JSE companies of similar size. It is the same as that used for the executive directors
- The remuneration of non-executive directors is targeted between the median and the upper quartile of the comparator group. Attendance at meetings of any ad-hoc sub-committee, established for special purposes, shall be remunerated on the basis applicable to the established sub-committees. It is expected that non-executive directors will attend at least two ad-hoc meetings a year without being paid. Payment for the ad-hoc board and committee meetings will be determined on a case by case basis by the committee
- Non-executive directors are compensated for travel and subsistence on official business where necessary and to attend meetings
- Non-executive directors do not participate in the company's annual bonus plan or in any of its long-term incentive plans
- None of the non-executive directors has a contract of employment with the company. Their appointments are made in terms of the company's Memorandum of Incorporation and are confirmed at the first annual general meeting of shareholders following their appointment, and thereafter at three-yearly intervals when they retire by rotation in terms of the Memorandum of Incorporation.

EXTERNAL APPOINTMENTS

Executive directors are not permitted to hold external directorships or offices outside of the Group, without the approval of the Board. If such approval is granted, the executive directors will not be permitted to retain such earnings in their individual capacities. Please see the AFS's for detailed remuneration paid to executive directors and the Chairman in respect of services rendered to other Group companies.

NON-BINDING ADVISORY VOTE

Shareholders are requested to cast a non-binding advisory vote on the aforementioned Part 1 of this report.

PART 2: DISCLOSURE OF THE IMPLEMENTATION OF THE POLICIES FOR THE FINANCIAL YEAR

GUARANTEED PAY ADJUSTMENTS

An executive benchmarking of remuneration for executives and non-executive directors was conducted in May 2015 to ensure that total reward packages were in line with market benchmarks.

In determining the GCTC increases for executive directors, the committee considered relevant comparator group market data, using a new comparator group listed below. The average rate of GCTC increase for executive directors was 9.2% taking into account the outcome of the benchmarking exercise, as well as the changed role of the Managing Director, whilst the average rate of increase of GCTC for the Executive Committee members including the Executive Directors was 7.3%. On average, these increases were similar to those made to staff below executive level which averaged out at 7.5%. The increases were effective on 1 July 2015 and are applicable for the period July 2015 to June 2016.

This compares to the following average increases for the previous financial year:

- For executive directors and executive committee members: 10.6%
- For managers and general staff: 7.7%

Previous comparator group	New comparator group
Aspen Pharmacare Holdings Limited	Aspen Pharmacare Holdings Limited
Discovery Limited	Discovery Limited
Imperial Holdings Limited	MMI Holdings Limited
Life Healthcare Group Holdings Limited	Mr Price Group Limited
Mediclinic International	Netcare Limited
Remgro Limited	Redefine Properties Limited
RMB Holdings Limited	Sanlam Group Limited
Shoprite Holdings Limited	The Bidvest Group Limited
Tiger Brands Limited	Tiger Brands Limited
Woolworths Holdings Limited	Vodacom Group Limited
	Woolworths Holdings Limited

2015 STI OUTCOMES (CASH AND DEFERRED STI INTO ZERO COST OPTIONS)

FY15 was one of the busiest years in Growthpoint's history which saw it complete the effective takeover of Acucap/Sycom, its largest property transaction to date and one of the largest, if not the largest corporate takeover in the history of the property industry in South Africa, with property assets valued at more than R18 billion being acquired and over 160 employees needing to be transferred and integrated into the business.

The year was further characterised by the successful integration of the Abseq and Tiber businesses and employees. Combined, the above transactions have seen Growthpoint's total staff complement grow to approximately 700, an increase of over 50% in just over two years, whilst the consolidated gross asset value has grown to just over R100 billion.

Given a particularly weak overall economic backdrop, with GDP growth in South Africa below 2.0%, heavily impacted by the energy crisis and labour unrest resulting in an increase in overall unemployment, the South African property portfolio (excluding V&A) performed admirably with "like for like" net property income growing at 6.2% and overall vacancies remaining relatively stable.

Costs were also well controlled with the property cost-to-income ratio reducing to 24.0% (FY14: 24.8%) and the operating expense ratio at 3.8% (FY14: 3.8%). Notwithstanding the subdued economic climate and outlook, acquisition, disposal and development activity (in addition to the Acucap/Sycom transaction) remained robust with five properties being acquired for R504 million in total and 18 properties being sold for R621 million at an aggregate profit above historical cost plus capex of R205 million.

The V&A continued to perform strongly with total distributable income growing at 10.8% (also on a "like for like" basis). Annual growth in turnover at the V&A has slowed to 11%, however off a much higher base which has been set over the past two years. Overall vacancies at the V&A remain very low at 2.6% whilst the cost-to-income ratio at 27.8% remains under control. Momentum at the V&A in respect of development continues to improve with the capital value of developments in progress and in the process of being approved exceeding R3 billion.

GOZ as a stand-alone investment had one of its best years ever achieving a total shareholder return for the 12 months to 30 June 2015 of 36% which placed it second overall in terms of the performance of Australian REITs. On a consolidated basis, however, the performance of GOZ was more modest, with 3.7% growth in distributions per share which was in line with budget and growth in net asset value per share of 14.8%. GOZ had another active year in terms of investment with the acquisition of properties for an aggregate value of AUD119.5 million.

The target performance set out in the table below indicates the maximum possible STI pay-out and Committee discretion is then applied to determine the final STI amounts paid.

Performance outcomes

Actual performance in respect of the five key performance indicators (KPIs), compared to the target performance, is set out and illustrated in the table below. Growthpoint aims to set targets which include stretch within the targets, and accordingly does not have a concept of "stretch" performance, as strong performance is required to meet the targets set:

	KPI	Weighting	Actual	Target	Performance achievement
(a)	Growth in dividend per share:	60%			
	Internal benchmark (budget)	30%	7.5%	6.8%	30%
	Peer group benchmark	30%	7.5%	9.4%	24%
(b)	Business growth:	10%			10%
	– Gross asset base (R100,397 million vs R76,175 million)		31.8%	>5%	
	– Gross revenue growth (R7,740 million vs R6,442 million)		20.5%	>7%	
	– Dividend growth in absolute terms (R4,232 million vs R3,497 million)		21.0%	>5%	
(c)	Operational metrics:	15%			15%
	– Property cost to Income ratio		24%	<27%	
	– Operating expense ratio		3.8%	<5%	
	– Overall vacancies		5.7%	<7%	
	– Total arrears (as % of collectables)		7.4%	<10%	
(d)	Qualitative factors:	5%			5%
	– Compliance		√		
	– Development of people/culture/values		√		
	– Overall management review		√		
	– Industry participation		√		
(e)	Financial management:	10%			10%
	– Loan to value ratio		33.2%	<45%	
	– Debt expiry profile		2.9 years	>3 years	
	– Interest rate hedging		76.0%	>75%	
	– Secured vs unsecured debt (longer-term 50/50)		70/30	70/30	
	– Moody's rating		Yes	Investment grade	
				Total	**94%**

Notwithstanding the achievement, or otherwise, of these KPIs, ultimate discretion in respect of the payment of cash STI, or award of deferred STI, remains with the committee and the Board of Directors.

Actual STI payments for executive directors

The executive directors received the following STI awards in respect of performance in FY15:

Name	Title	STI – cash R	Deferred STI R	STI as % of GCTC* %
LN Sasse	CEO	5 527 200	5 527 200	188
EK de Klerk	Managing Director	3 995 000	3 995 000	188
G Völkel	Financial Director	1 269 000	1 269 000	94

* Expressed as a percentage of the GCTC for FY16, being the GCTC applicable at the time the STI awards were approved by the Board.

EXECUTIVE RETENTION SCHEME (ERS) AWARDS GRANTED IN FY15

In line with our communication within our previous remuneration report, no awards were made under the ERS during the year under review.

DISCLOSURE OF THE VESTING OUTCOMES IN RESPECT OF GSIS AWARDS VESTING IN FY15

The value attributable to long-term incentives that vested in FY15 in terms of the GSIS (excluding deferred STIs) is disclosed in the table below.

TOTAL REMUNERATION OUTCOMES FOR FY15

The composition of remuneration outcomes in FY15 for the CEO, Managing Director and Financial Director is represented in the table below:

EXECUTIVE DIRECTORS' REMUNERATION

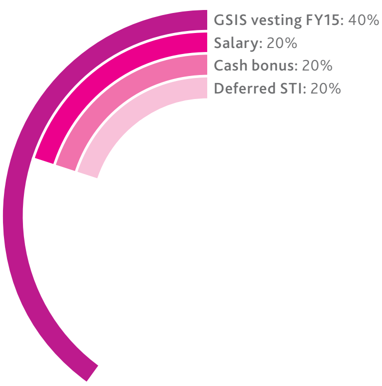
Previously, the deferred STI vesting in the year under review was disclosed. In line with best practice we have changed our disclosure to reflect the deferred STI earned in the year under review, which will be paid in 2016, 2017 and 2018. For ease of comparison, the total remuneration for FY14 is depicted in a similar fashion.

Name	GCTC	Cash bonus(1) R	Deferred STI(2) R	GSIS vesting 2015(3) R	Total remuneration FY15 R	Total remuneration FY14 R
LN Sasse	5 550 000	5 527 200	5 527 200	10 801 032	**27 405 432**	27 651 312
EK de Klerk	3 850 000	3 995 000	3 995 000	5 406 060	**17 246 060**	16 796 882
G Völkel	2 350 000	1 269 000	1 269 000	–	**4 888 000**	3 200 000

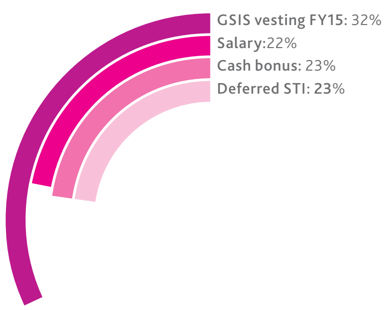
Notes:
(1) Based on the FY15 performance and paid in cash in FY16.
(2) Deferred STI earned in 2015 year, payable in 2016, 2017 and 2018.
(3) GSIS awarded in prior years and vesting in the 2015 financial year, excluding deferred STI.

The actual remuneration outcomes paid to executive directors are graphically illustrated as follows:

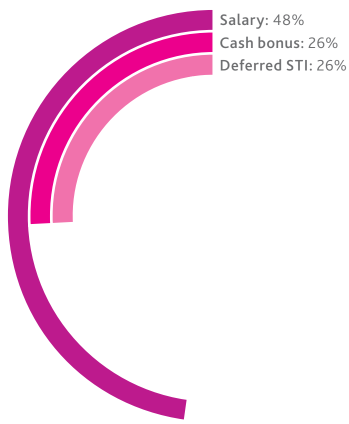
LN SASSE



EK DE KLERK



G VÖLKEL



NON-EXECUTIVE DIRECTORS' FEES

Proposed non-executive directors' fees for FY16

The following fees are proposed for FY16. The increase in the proposed non-executive directors' fees for FY16 is based on the outcome of the benchmarking exercise concluded in May 2015.

Schedule of retainer fees and fees payable per meeting:

	FY15	Increase %	FY16
Basic fee (pa)			
Chairman	**1 033 000**	6.96	1 105 000
Deputy Chairman	**123 000**	6.91	131 500
Director	**49 500**	7.07	53 000
Attendance fees – per meeting (x5)			
Chairman	**173 400**	6.97	185 500
Deputy Chairman	**83 500**	6.83	89 200
Director	**55 700**	7.00	59 600
Audit Committee (x5)			
Chairman	**52 000**	6.92	55 600
Members	**37 000**	6.76	39 500
Risk Committee			
Chairman	**46 000**	6.96	49 200
Members	**31 000**	7.09	33 200
Property Committee*			
Chairman	**46 000**	20.9	55 600
Members	**31 000**	27.4	39 500
Social, Ethics and Transformation Committee			
Chairman	**40 250**	6.83	43 000
Members	**25 750**	6.80	27 500
Remuneration Committee			
Chairman	**46 000**	6.96	49 200
Members	**31 000**	7.09	33 200
Nomination Committee			
Chairman	**40 250**	6.83	43 000
Members	**25 750**	6.80	27 500

* The committee decided that, in order to recognise the importance of work done by the Property Committee, it should be proposed that the fees paid to this committee be increased to the same level as that of the Audit Committee. Refer to special resolution in the notice of annual general meeting for approval of the fees by shareholders in terms of section 66 of the Companies Act.

ACTUAL FEES PAID TO NON-EXECUTIVE DIRECTORS FOR FY15

The fees paid to non-executive directors for FY15 were paid on the basis presented in the tables in the AFS, as approved by the committee and by the Board, on authority granted by shareholders at the annual general meeting held on 18 November 2014:

	Directors' fees FY15 R	Directors' fees FY14 R
MG Diliza (Social, Ethics and Transformation Committee Chairman, Property Committee and Nomination Committee)	**527 350**	511 500
PH Fechter (Property Committee Chairman, Audit Committee and Nomination Committee)	**667 050**	733 500
LA Finlay (Audit Committee Chairman, Social, Ethics and Transformation Committee and Nomination Committee)	**635 300**	602 500
JC Hayward (Risk Management Committee Chairman, Audit Committee and Nomination Committee)	**667 050**	622 500
HS Herman (Remuneration Committee Chairman, Property Committee and Nomination Committee)	**606 050**	681 000
JF Marais (Board Chairman, Remuneration Committee and Nomination Committee Chairman)	**1 890 850**	1 978 000
HSP Mashaba (Board Deputy Chairman and Remuneration Committee)	**581 000**	607 000
SP Mngconkola (Social, Ethics and Transformation Committee and Risk Management Committee)	**442 550**	337 000
R Moonsamy (Social, Ethics and Transformation Committee and Property Committee)	**499 300**	574 000
NBP Nkabinde (Social, Ethics and Transformation Committee and Risk Management Committee)	**499 300**	531 500
CG Steyn (Audit Committee and Property Committee)	**309 150**	692 500
JHN Strydom	**–**	325 300
FJ Visser (Remuneration Committee and Risk Management Committee)	**520 300**	573 000
Total	**7 845 250**	8 769 300

SHAREHOLDER ENGAGEMENT

We strive to maintain transparent and active communication channels with our shareholders. During FY15, no queries were raised by shareholders.

APPROVAL

This remuneration report was recommended by the Remuneration Committee on 18 August 2015 for approval by the Board of Directors of Growthpoint Properties Limited on 25 August 2015.

Signed on behalf of the Board of Directors

HS Herman

Remuneration Committee Chairman

25 August 2015

TRIANGLE, GERMISTON

Acquisition and development pipeline in RSA of R3,3 billion

FUTURE PROPERTY FOCUS

Growthpoint has secured a R3,3 billion acquisition and development pipeline in South Africa to drive its immediate growth. In the current market, we are seeing more value in growing through development than by acquiring properties, especially in the face of negative gearing for acquisitions. Our development pipeline and properties are designed to support our outperformance. Through developments we are able to tailor-make premises for our clients that also match our investment criteria and produce the quality of property we want for our portfolio. We use best practice standards and development guidelines. Growthpoint has excellent in-house development skills and partners with reputable industry leaders for its developments.

We also consider our environmental and social impacts when undertaking a development, and in many instances our investment goes beyond our buildings to creating infrastructure in the vicinity of our development. Our deep understanding of property and facilities management means that, before our buildings are built, we consider their efficient operation in the future, to the benefit of their occupants. Our aim is to create space to thrive. Our developments represent excellent business propositions for our clients and our company.

RETAIL PORTFOLIO

Redevelopments, extensions and refurbishments continue across Growthpoint's retail portfolio. This enhances our existing tenant mix and is increasingly needed to defend our shopping centres against new, competing developments. While we have essentially completed the refurbishments of all our top 15 centres in both the Growthpoint, and the Acucap and Sycom portfolios, these projects render no immediate yield but ensure the sustainability of rentals and shopper support. Where refurbishments are combined with redevelopments and/or extensions, the yields on projects will be diluted. However, as a norm, redevelopments and extensions will only be undertaken if substantially pre-let and at acceptable yields. The following major projects are either in progress or will commence during FY16:

KEY WEST

November 2015 will see the completion of a three-year upgrade and refurbishment programme of the Key West Shopping centre. The capital investment of R389 million included adding some 650 structured paid parking bays, relocating Virgin Active to new 4 080m² premises, adding 2 500m² of new retail GLA and refurbishing interiors, common areas and facilities. The project is complete save for a new municipal sewer link, two external road intersection upgrades and a taxi holding area upgrade. Planning for the redevelopment of the old Virgin Active premises and the 1 500m² expansion of Woolworths is well advanced. This phase includes introducing 3 800m² of new retail space and the redevelopment of some 4 400m² of existing retail space. This will entail the relocation of the existing banks from the main fashion mall to a banking court. Estimated capital cost for this phase is R181 million at an anticipated first year return of 8.0%.

GREENACRES

The Greenacres refurbishment and expansion project is being undertaken over three phases. The first phase commenced in August 2014 and launched in May 2015. It included the relocation of the food court and several line shops. New stores including Fabiani, John Craig, Kauai and Edgars Active were introduced. In addition the southern parking was reconfigured, a link to Shoprite and The Bridge was constructed and a new feature entrance added. This phase is open and trading and, with the exception of 101m², is fully let. The second phase is currently under construction and the scope of the development includes enlarging several national tenants including Standard Bank, Truworths Man, Identity, YDE, Foschini and Jet. The mall will have 2 700m² of new space which will include Old Khaki, Pick n Pay Clothing, Checkers Liquor Store, Executive Specs and several fashion boutiques, services and accessory shops. Interiors will be refurbished and shop fronts raised to 3.6 metres. Both phases, at a total capital cost of R296 million, are expected to be completed at an anticipated yield of 7.5%. In addition, an opportunity exists to introduce a full Virgin Active gym of approximately 3 800m² into Greenacres as well as the expansion of a further 1 000m² of retail for fashion. This final phase is currently in the planning and viability stages. The redevelopment and extension of Greenacres helps to address the newly introduced competition from Bay West and is expected to reposition Greenacres in the greater Port Elizabeth market.

HILLCREST CORNER (50% OWNED)

Comprising two phases, this project commenced on 16 July 2015. Phase 1 should be complete by the end of 2015. This phase will primarily redevelop some of the national fashion stores, which were relocated to Watercrest Mall, as well as the construction of 215 additional parking bays which will greatly enhance the centre's appeal from a convenience perspective. New tenants for the project, at a cost of R18,5 million (50% share), have been secured and include Baby City (1 167m²), Mr Price Weekend (581m²) and Standard Bank (580m²). The second phase of the development is the construction of a 3 616m² Virgin Active linked to Hillcrest Corner on an adjacent vacant site. We expect this phase to commence towards the end of 2015 for opening by November 2016. The total capital cost for the second phase is R41 million (50%) at an initial yield of 8.5%.

VAAL MALL (77.9% OWNED)

Started in September 2014, the project includes a new parking deck and added GLA of 15 000m². Edgars, Jet, Toys R Us, Foschini, Markham, Donna Claire, TotalSPORTS, @Home, Dis-Chem, Truworths and Identity will all expand. New tenants include Ster-Kinekor, Mr Price Sport and the Cotton On Group. Construction should be complete by July 2016, save for the expansion of Woolworths. In addition, the existing mall will be refurbished, introducing new floor tiles and energy efficient lighting. This R442 million project (100%) is anticipated to be completed at a yield of 8.0%.

PAARL MALL

Paarl Mall's expansion commenced in January 2015 at an approved capital cost of R54 million at an initial yield of 8.5%. The project includes a 1 985m² Woolworths expansion and the relocation of a number of tenants. The project is proceeding as planned, on budget and within time. A further phase, introducing Game as a trading anchor to the mall, is being planned.

BROOKLYN MALL AND DESIGN SQUARE (75% OWNED)

The next phase of Brooklyn Mall's redevelopment is subject to the finalisation of a town planning application, a process which has been on-going for almost eight years. Notwithstanding the unacceptable delay, the major international fashion retailer earmarked for this extension, occupying 2 200m², remains committed to the development. We expect that the project will commence during FY16 for completion in 2017. We are also conducting a feasibility study on the redevelopment and extension of the existing office block at the shopping centre, which would enable the office component to compete in the A-grade office market of Brooklyn. Further, we expect to commence with the redevelopment of the current Checkers space in 2016. Checkers will relocate to a state-of-the-art store in the current Game premises and its existing store will be redeveloped into smaller fashion retail premises.

WATERFALL MALL

The 7 000m² extension to Waterfall Mall, Rustenburg, has now been approved by the local authority after a long period of protracted negotiations. Renewed interest from national retailers for additional brands and the extension of existing retail offerings is the main driver of the project. New proposed tenants include Dis-Chem as an anchor, and ancillary fashion, household and service-related tenants. The tenant mix will consolidate all the retail offerings in Rustenburg and ensure Waterfall Mall remains the dominant retail centre in the region of the North West province. Construction of the development, if pre-let at 65%, should commence in early 2016 and will include 442 additional parking bays in a larger parkade. The preliminary project cost is R216 million, with an anticipated yield of 9.5%.

RIVER SQUARE SHOPPING CENTRE

The objective of the re-development is to reposition the centre by enlarging, refurbishing and re-tenanting it. New proposed tenants include Cape Union Mart, Old Khaki, Cotton On, Pizza Hut and RocoMamas. Existing tenants that require additional space include Truworths, Identity, Mr Price, Milady's, Ackermans and Woolworths. The R66 million project is expected to yield 9.2%.

OFFICE PORTFOLIO

The following office developments are currently underway:

DISCOVERY

We have commenced with the construction of the new Discovery head office on the prime corner of Katherine Street and Rivonia Road, Sandton. The property is co-owned by Growthpoint (55%) and Zenprop (45%) and the development is being undertaken as a joint venture. This 5-Star Green Star SA rated building will comprise 89 600m² of offices with 5 753 basement parking bays, and will be completed in December 2017. This landmark development is made up of two atrium office towers linked with a central concourse, featuring an activated roof with sports facilities. The development is future proofed for seamless expansion of up to 135 000m². The Discovery lease will commence on 1 January 2018.

BRIDGE PARK

Bridge Park is an 18 000m² office development in the Bridgeways Precinct of Century City, undertaken as a joint venture between Growthpoint and Rabie Property Group. It is located on Ratanga Drive and falls within an all-green precinct which includes the R1,0 billion Century City Square development comprising a 900-seat conference centre and 125- room hotel. This all forms part of the Green Star SA – Custom Mixed Use rating pilot programme of the GBCSA. Bridge Park consists of two four storey buildings – the 9 900m² Bridge Park East and the 8 100m² Bridge Park West – which have a shared basement and atrium. The development commenced in March 2014 for completion in July 2015 at a development cost of R450 million.

RIDGEVIEW

This 4-Star Green Star SA rated premier office building in Ridgeside, Umhlanga Rocks is a R157 million development. It includes 6 680m² of GLA across four super-basement levels and four above ground office levels. Aecom will occupy 3 368m², or half the building, on the top two floors. It is set for practical completion by mid-December 2015.

THE BOULEVARD

Extending Growthpoint's strong presence in the Umhlanga New Town Centre, The Boulevard is being developed adjacent to the existing owned buildings known as 'Lincoln on the Lake' and 'Mayfair on the Lake'. The first phase of this development will include 5 441m² of GLA with a potential bulk of 9 756m² for the entire development. Designed for a 4-Star Green Star SA rating, the first phase of the development is set for practical completion in May 2016. RHDVH will occupy nearly half of the building. The total development cost is R117 million.

ANSLOW PHASE 2

This 9 500m² office development enjoys a prime position at the William Nicol Drive and Main Road crossing in Bryanston, in Sandton. With superb visibility, it maximises office exposure onto both William Nicol Drive and Main Road. The two-level office building is situated on a two-level structured parking platform, offering generous parking with direct building access. It features three internal atrium areas and balconies of around 800m². It is designed as a 4-Star Green Star SA rated development and is due for practical completion by the end of May 2016. It is already 50% let.

LAND – TYGER VALLEY

In line with our Office sector development strategy, we acquired land for development at a cost of R56 million in Tyger Valley, Cape Town.

INDUSTRIAL PORTFOLIO

Growthpoint's Industrial team has a strategic imperative to extract value from its existing asset base due to the scarce and relatively expensive acquisition opportunities in the sector. Last year we announced our 'convert the dirt' strategy for our industrial portfolio, and it has already gained momentum with several developments and redevelopments having been completed or underway. Our core focus remains on existing land holdings and value-extraction opportunities within our portfolio. We are noticing a continued emergence of new industrial nodes. Land costs continue to increase in KwaZulu-Natal and Cape Town due to scarcity, yet Gauteng land prices seem to have levelled out. Land preparation for development is well underway specifically at Samrand, Wadeville and Monte Carlo. Our minority exposure to Montague Park on N1 Business Park via the Acucap acquisition is developing well. Significant developments and redevelopments underway include:

MONTE CARLO

This industrial development is in the sought-after industrial node of Westmead, Pinetown. The development totals around 9 022m² of new A-grade warehouse space comprising two individual warehouses of 5 103m² and 3 919m². It features a dedicated concrete hardstand yard of 4 484m² providing ample access for the manoeuvrability of large vehicles. Each warehouse will have its own internal offices and ablution facilities with large canopies for all roller shutter doors. The development is currently under construction and is expected to be complete in November 2015. The approved development capital expenditure is R63 million with an initial yield of 8.3% once fully tenanted.

GREENFIELD INDUSTRIAL PARK

The R150 million development of Greenfield Industrial Park will introduce a quality, modern industrial estate on a prime 3.4 hectare site in Airport Industria, near Cape Town International Airport. Set for completion in November 2015, it is the landmark redevelopment of the former Wasteman site. The park is well situated in the high-demand Airport Industrial Node, on Manchester Road, adjacent to the Borcherds Quarry interchange and the Airport Approach Road. It is positioned for easy access with good proximity to the N2 highway, for both north- and south-bound routes. It also benefits from excellent visibility with prominent signage opportunities. Greenfield Industrial Park includes 21 000m² of flexible, sub-divisible space, intended to meet the needs of modern business. It features internal stacking heights of 12 metres, and fully finished office components. It is designed for efficiency, including optimal use of warehousing, yard area and roadways, with two entrances and exits, and generous parking facilities. It has been registered for the Green Star SA – Custom Industrial Rating Tool with the GBCSA. The building is targeting a 4-Star Green Star SA rating with its many integrated features to reduce utilities costs.

MAN DIESEL & TURBO

Growing our more than a decade-long relationship with this leading company, we are custom developing a 7 524m² warehouse for it, expanding its Henville, Germiston premises of approximately 5 000m². The R53 million project's completion date is August 2015 at a 9.0% return. The building has a number of cranes, features a custom-built blade assembly facility, a workshop area with a sandblasting facility and spray booth. It also includes A-grade offices, a canteen, change rooms and covered parking. The property allows for circulation around the facility to accommodate trucks and various delivery vehicles. It features a flexible design with future expansion capability.

HILLTOP INDUSTRIAL PARK

The redevelopment of this 71 880m² property in Tunney, Ekurhuleni, is expected to be completed in December 2015 at a value of R75 million and a return of 9.4%. The project involves demolishing old structures to increase circulation and truck access, developing a new canteen, change room entrance and security guard facility. It is also being improved with new fire sprinkler tanks and reticulation to all facilities. We are refurbishing existing facilities to accommodate new tenant's requirements, including the painting of building exteriors and a general upgrade of existing office buildings, ablutions and warehouse facilities.

WADEVILLE (70% OWNED)

With a potential development bulk of 70 000m², we are currently installing infrastructure for a new industrial park in Wadeville, Germiston. Our initial R40 million investment includes developing access roads and reticulation to various stands, electricity supply, storm water attenuation, an entrance gatehouse, security and access control, as well as fire sprinkler protection.

SAMRAND

This new development, just off the N1 highway and halfway between Pretoria and Johannesburg, represents 200 000m² of potential developable bulk with a potential value of R1,7 billion.

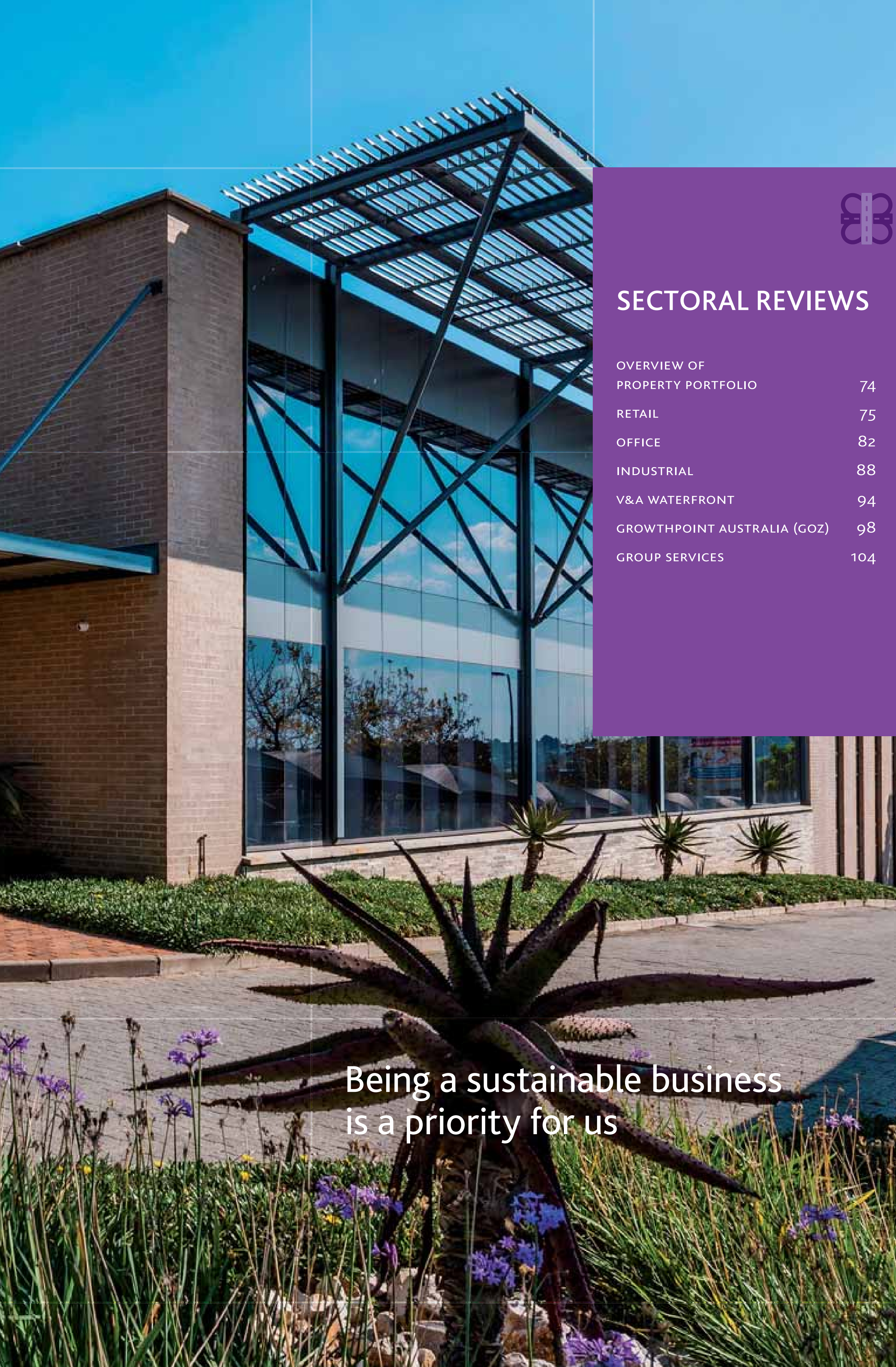
M1 PLACE

The redevelopment of this Kelvin property is valued at R90 million and represents an 11.2% return. Due for completion in August 2016, the 18 193m² property will cater for its tenants' long-term expansion plans. It will be given a new common entrance and escalators, its warehouse will be extended for added storage and the building's façade will be upgraded. It will also receive full back-up power and a new events area and retail outlet.

MIDRAND CENTRAL

We are busy with two developments which cover 6 800m² of high-tech, secure, access-controlled industrial space. Due for completion in October 2015, these developments will benefit from excellent visibility on the K101 and easy access from the N1 and Allandale Road. Midrand Central also has future development potential of 12 000m².

EBONY, GERMISTON



SECTORAL REVIEWS

Being a sustainable business is a priority for us

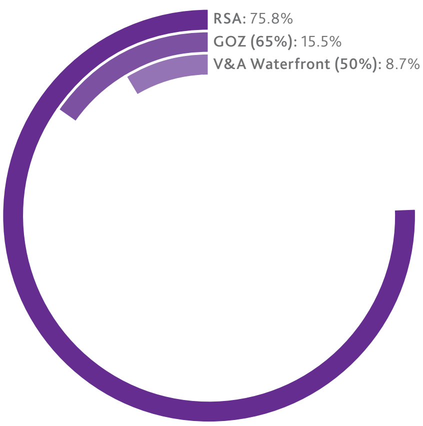
OVERVIEW OF PROPERTY PORTFOLIO

Comprising five property segments – Retail, Office, Industrial, V&A Waterfront and GOZ, each focused on achieving sustainable rental growth.

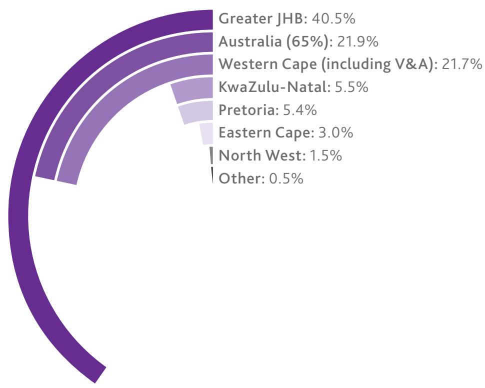
	RETAIL	OFFICE	INDUSTRIAL	V&A WATERFRONT**	GOZ***
	Provides leading retail accommodation to a diversity of retailers, restaurants and banks, mostly in regional shopping centres	Accommodates businesses in a range of quality offices, from high-rise buildings and office parks to tailor-made, company-specific developments	Supplies premises to industries in well-established industrial nodes, ranging from warehousing and showrooms to high-tech manufacturing	Provides quality accommodation to a mix of retail, office, fishing, industrial, hotel and residential tenants	A portfolio of high quality industrial warehouses and offices providing accommodation to predominantly blue-chip Australian businesses across all states
Asset value (Rbn)	28,2	33,0	10,4	6,8	22,0
Number of properties	58	184	229	1	53
Gross lettable area (GLA) (m²)	1 410 461	1 790 428	2 225 075	202 658	1 050 611
GLA as % of total portfolio (%)	21.1	26.8	33.3	3.1	15.7
Net property income (Rm)	1 470	2 122	892	399	1 631
Net property income as a % of total portfolio (%)	22.6	32.6	13.7	6.1	25.0
Value per m² (R)	20 003	18 411	4 690	33 362	20 963
Value (excl bulk) per m² (R)	19 996	17 562	4 589	30 840	20 963
Average gross rental (R per m²/month)	156	142	43	186	188*
Forward yield (%)	7.7	8.4	10.1	7.0	7.3
Average in-force escalations (%)	7.4	7.7	8.4	8.3	3.0
Weighted average lease period (years)	3.8	4.2	2.8	7.8	6.7
Property expense ratio (%)	26.3	23.1	22.4	27.8	11.6
Drivers	Demand for retail space driven by retailer expansion strategies underpinned by population growth, wealth creation and consumer spend dynamics	Changing business needs, business growth and international company operations in South Africa	Distribution and warehousing requirements, import and export demands, manufacturing activity, motor trade dynamics, and infrastructure spend	Retail and office drivers, international and local tourism and residential property market demand dynamics	Industrial: Distribution and warehousing demand driven by activity in the retail, manufacturing, import and export markets, and changing business needs and operations of corporate Australia Office: changing business needs and business growth

* The rental for Australia is shown as average net rental per annum in AUD.
** Represents 50% of the V&A Waterfront.
*** Represents 100% of the GOZ portfolio.

CONTRIBUTION TO DISTRIBUTION



GEOGRAPHICAL SPREAD BY VALUE



RETAIL

MARKET ENVIRONMENT

Apart from property fundamentals, retail property's performance in rental levels, vacancies and arrears is chiefly dependent on the quality and growth of consumer spending at a specific property. While consumer spending may vary from location to location depending on the spending dynamics of the shoppers in the catchment area, overall growth in consumer spending on a macro scale is a function of disposable income growth, household credit extension and consumer confidence.

Household consumption expenditure showed some improvement in the beginning of 2015, increasing by 2.8% in Q1:15 from 1.6% in Q4:14.

There are several factors that will affect real disposable income growth for the rest of 2015, and possibly into 2016. These include a potential interest rate increase, higher food inflation and increases in administered costs.

Private sector credit extension remains lacklustre. This is unlikely to improve as household indebtedness increased in Q1:15.

The South African BER Consumer Confidence Index for Q2:15 registered the worst reading in almost 15 years at -15 and is substantially lower than the -6 reading during the 2008/9 recession.

PERFORMANCE

Growthpoint's retail portfolio increased to 58 properties with a total GLA of 1 410 461m², valued at R28,2 billion after the Acucap and Sycom transaction.

Net property income for the financial year was R1,5 billion, representing a 23.9% increase. This is mainly attributable to the income from acquisitions for part of the year. On a like-for-like basis for the Growthpoint portfolio it increased by 7.9%. However, after normalisation for revenue attributable to capital projects in the year under review, net property income increased by 7.2%. It was slightly below budget owing to the demise of Ellerines impacting our rental income and delays in redeveloping certain vacancies.

Overall, vacancies improved during the year to 3.3%. This was positively affected by selling Arcadia Centre and acquiring the Acucap and Sycom portfolios. Most of the former Ellerines-occupied stores were let during the year but, on average, six months' rental income was lost. Included in the listed vacancy is 11 240m² currently under development. This is made up of Lakeside Mall (4 500m²), River Square (1 800m²), Greenacres (3 300m²) and Hillcrest Corner (1 640m²). Excluding the area under development our vacancy factor is 2.5%. Office and storage vacancies included in the retail portfolio amount to 8 900m² and, if excluded, results in a core retail portfolio vacancy of 1.9%.

Our renewal success rate for the year was 87.0%, up from 75.6% in the last year when it was negatively impacted by the non-renewal of two cinema leases. We continue to aim for a renewal success rate of above 90%. The average increase in renewal rentals was 6.0%, lower than the previous year's 6.9%. This is mainly a result of negative rental growth in leases renewed at City Mall, Klerksdorp. The lease period of renewals has remained stable at an average of 3.8 years.

Portfolio arrears, including Acucap and Sycom, amounted to R35,6 million, representing 10.2% of collectables. This is up from the previous year's 9.0%. Included in arrears are outstanding deposits of R4,2 million, mainly in the Acucap portfolio because of new developments opened in the latter half of the financial year.

Legal arrears total R16,8 million and a provision of R14,7 million is in place. Trading arrears were R12,5 million. Some R2,5 million of arrears are attributable to the Platinum Group. While the re-letting of the stores occupied by the group will not be problematic, the chance of any recovery on this debt is unlikely. The Post Office remains two months in arrears across our portfolio. We have not noticed a broad deterioration of payment performance among non-national retailers.

Significant increase in property portfolio resulting from the Acucap and Sycom transaction

Trading performance at our centres was mixed with a marked deterioration in growth rates during Q2:15. The centres trading in affluent areas performed well, reporting year-on-year growth in trading densities of 7.7%. However, La Lucia underperformed with its Woolworths expansion interrupting trading. While our Western Cape centres generally outperformed other regions, the overall portfolio trading densities increased by 4.7% year-on-year. This lacklustre performance was driven by a noticeable slow-down in trading in lower income and commuter centres where consumers are more exposed to adverse macro-economic conditions and lower levels of unsecured lending.

The continuing development of new competing shopping centres is eroding trading densities. In the past year the trading density at City Mall in Klerksdorp declined by 15% as a result of Matlosana Mall opening. In the prior financial year, Waterfall Mall was in a similar position after Platinum Junction opened. The centre has recovered strongly since showing 9.4% year-on-year trading density growth in Q2:15. At this stage, the May 2015 opening of the 82 000m^2 Baywest Centre in Port Elizabeth has had limited impact on our centres in the city. We expect both Walmer Park and Greenacres to substantially hold market share.

Generally, trading densities remain healthy within our top 10 centres where we average monthly trading densities above R2 500/m^2. Several smaller centres are achieving trading densities above R3 500/m^2, with Constantia Village at R6 400/m^2.

ENVIRONMENTAL COMMITMENT

Water efficiency, renewable energy, energy security, energy efficiency, and waste management are the environmental focus areas for our retail sector. During the year we advanced various innovative sustainable projects at our shopping centres.

Waterfall Mall in Rustenburg continues to lead shopping centres in our country for commercial solar energy harvesting to minimise impacts on the environment and generate clean energy that responds to South Africa's electricity shortage.

Installing a R10 million utility scale solar power plant on the rooftop of the mall has provided it with 876 746kWh hours of clean energy over the past 12 months. This is enough power for 2 884 households (at 304kWh per house) and offsets 868 tonnes of CO_2 a year.

The continuing electricity load shedding has necessitated accelerating the roll-out of our solar programme at other shopping centres. Solar power plants installed at our centres will be limited to around 1MWp in size, covering 10 000m^2 of roof area per centre. The installation of a 1.16MWp at Northgate (50% owned) has been approved at a total cost of R23,3 million and will render a commercially acceptable yield on capital cost. We anticipate installations at Brooklyn Mall, Kolonnade and Constantia Village will be approved this year. Growthpoint plans to introduce similar installations at our 15 major shopping centres over the next two years.

Unfortunately, until battery storage technology improves and becomes more affordable, solar energy cannot fulfil its role as an effective alternative to grid-supplied power. While the quickest and easiest solution for addressing the electricity supply problems seems to be installing diesel back-up generators, we see this as a poor solution for costs, supply certainty and sustainability. We will therefore limit back-up generation to produce enough power for restaurants and service operators, such as hair salons.

We have negotiated preferential agreements for our smaller tenants to buy inverters and battery systems that enable them to trade for periods of up to three hours during

Key performance areas

	FY15	FY14	Increase/ (decrease)
Gross property revenue (R'million)	**1 995**	1 645	350
Property expenses (R'million)	**(525)**	(459)	66
Net property income (R'million)	**1 470**	1 186	284
Property expense ratio (%)	**26.3**	27.9	(1.6)
Vacancies (%)	**3.3**	4.5	(1.2)
Arrears (R'million)	**35,6**	19,3	16,3
Bad debt provision (R'million)	**14,7**	8,3	6,4
Average gross rental (R per m^2/month)	**156**	149	7
Forward yield (%)	**7.7**	8.2	(0.5)
Average in-force escalation (%)	**7.4**	7.7	(0.3)
Weighted average lease period (years)	**3.8**	3.8	–
Asset value (R'billion)	**28,2**	15,8	12,4
Number of properties	**58**	41	17
GLA (m^2)	**1 410 461**	907 746	502 715
Value (excluding bulk) per m^2 (R)	**19 996**	17 347	2 649
Capital expenditure (R'million)	**352**	270	82

load shedding. This is a more cost-effective alternative, and substantially more environment friendly.

After partnering with Eskom to install energy-efficient lighting in all of our malls over a three-year period from 2012 to 2014, we have now introduced an energy efficient lighting life cycle replacement system. This ensures we uphold the achieved savings of 5,1 million kWh per year in our malls.

We continued our successful recycling programme, recycling 167 364kg of cans, glass, cardboard, paper and plastic at our shopping centres. Recycling collection points for our shoppers and the public to use are now in several of our shopping centres. We encourage shoppers to actively take part in recycling at source by replacing mall refuse bins with bins for different waste types.

A sustainability project to produce solar energy, harvest rainwater, and convert waste into energy was successfully completed in 2015 at Bayside in Cape Town. The aim of this project is to be more self-sufficient by generating our own energy and reducing our waste to landfill. As part of the redevelopment and extension of Hillcrest Corner, an integrated grey water harvesting system will be installed. This will result in the reuse of most of the water consumed at the proposed Virgin Active gym.

The unintended consequences of the deterioration in services delivered by local authorities includes the forced installation of mass water-storage at several of our shopping centres. While we are harvesting rainwater as part of our water-efficiency, the intent is to introduce grey water harvesting where possible, over time.

PROSPECTS

Macro-economic factors do not support increasing consumer spending, yet retail space continues to grow, albeit at a slower rate. Several new shopping centres have opened in the past year, some competing directly with Growthpoint centres.

Without exception the bigger new shopping centres are substantially underperforming industry benchmarks for trading densities. Developers had to resort to unusually generous allowances and turnover-based leases to tenant these centres. The supply and demand equilibrium has been distorted, leading to cannibalisation of turnover among some retailers.

For retailers, lacklustre growth in sales means higher occupancy cost ratios, a decrease in sales per employee and margin erosion. However, as retailers are tied into five-year leases, and sometimes longer, in new underperforming shopping centres, they are forced to mitigate the situation by trying to reduce costs at existing shopping centres. Retail landlords are subjected to extremely difficult renewal negotiations, especially where existing shopping centres were adversely impacted by new competing centres. Also, turnover rentals, which make up a small portion of our income, are coming under pressure because of weak sales growth nationally.

We are still seeing some interest from international retailers new to our country.

While the performance of retail in the Cape Town area looks promising, Gauteng retail remains under stress. Growthpoint is well positioned to benefit from the more favourable dynamics in the Western Cape with our increased geographic diversification and exposure in the area, achieved in the Acucap and Sycom transaction. These acquisitions have also gained us exposure in otherwise inaccessible nodes.

There is some work to do on the new shopping centres acquired from Acucap and Sycom. We believe there is value that we can unlock. Except for Watercrest, which is newly opened, we are confident of the quality of the portfolio in terms of its revenue, tenant mix and market position. The newly acquired centres are very much in line and compatible with our existing portfolio. All the Acucap and Sycom centres have gone through a cycle of refurbishment. With the exception of N1 City where we are minority owners, most centres were extended and upgraded in the last few years. That said, we always work to improve and refine each of our malls and continuously consider new tenants. Our centres are never a finished product.

Growthpoint's retail portfolio remains relatively insulated by serving the upper end of the market. However, even South Africa's top-end consumers are not immune to the tough economic landscape and face pressures like double-digit increases in the cost of education.

We will focus on vacancies in the coming year. While we are aware that everything is going to be more difficult in this economy, unless we experience a national retailer failure, we should be able to reduce vacancies even further over the next 12 months. Our only big pocket vacancies are the former cinema areas at

SHOPPING CENTRE VALUE BY TYPE

Renewal success rate of 87.0%

We will continue to improve and extract value from all our assets

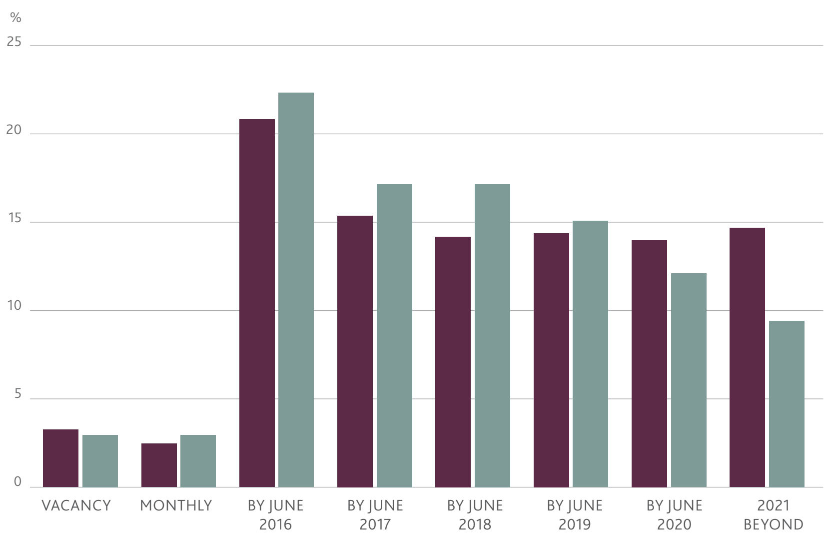
WOODMEAD RETAIL PARK, WOODMEAD

Lakeside Mall and Hatfield Square, and we are exploring several plans for these areas. We've made good inroads in filling the former Ellerines space, which is now effectively all let.

The coming year will be a consolidation phase for our retail division. We'll bring the Growthpoint, Acucap and Sycom portfolios onto the same system and physically consolidate the management of all three portfolios. We'll also assess each acquired asset for suitability for our core portfolio, and identify anything we need to trade out of.

Growthpoint will continue to find opportunities for growth, both within our retail portfolio and through acquisition. We remain interested in the Western Cape in particular. While it is almost impossible to find assets of a significant size, we will consider smaller retail properties that match our investment criteria. We will also continue to improve and extract value from all our assets.

RETAIL LEASE EXPIRY PROFILE



	VACANCY	MONTHLY	BY JUNE 2016	BY JUNE 2017	BY JUNE 2018	BY JUNE 2019	BY JUNE 2020	2021 BEYOND
GLA	3.3%	2.5%	21.0%	15.5%	14.3%	14.5%	14.1%	14.8%
Gross rental	3.0%	3.0%	22.5%	17.3%	17.3%	15.2%	12.2%	9.5%

Growthpoint's retail portfolio remains relatively insulated by serving the upper end of the market

Top 10 retail tenants

	Tenant	GLA* m²	% of total retail GLA
1	Edcon Holdings Proprietary Limited	129 046	9.5
2	The Foschini Group Limited	53 860	3.9
3	Shoprite Holdings Limited	149 133	10.9
4	Mr Price Group Limited	55 921	4.1
5	Pick n Pay Stores Limited	115 430	8.5
6	Pepkor Holdings Limited	49 325	3.6
7	Truworths International Limited	32 653	2.4
8	Massmart Holdings Limited	66 900	4.9
9	Woolworths Holdings Limited	85 872	6.3
10	Clicks Group Limited	27 922	2.0
Total of Top 10		**766 062**	**56.1**

* Ranked in terms of gross monthly rental.

Top 10 retail properties by value

	Property name	Location	Value Rm	% of total retail portfolio	GLA m²	% of total retail GLA
1	Brooklyn Mall & Design Square (75%)	Pretoria	2 079	7.4	55 935	4.0
2	Festival Mall	Kempton Park	1 730	6.1	81 146	5.7
3	Waterfall Mall	Rustenburg	1 361	4.8	49 196	3.5
4	Lakeside Mall	Benoni	1 274	4.5	67 536	4.8
5	Vaal Mall (77.9%)	Vanderbijlpark	1 239	4.4	38 337	2.7
6	Bayside Centre	Cape Town	1 159	4.1	45 646	3.2
7	Key West	Krugersdorp	1 144	4.1	52 245	3.7
8	Greenacres	Port Elizabeth	1 134	4.0	40 424	2.9
9	La Lucia Mall	Durban	1 123	4.0	36 424	2.6
10	Kolonnade (50%)	Pretoria	1 033	3.7	38 098	2.7
Total of Top 10			**13 276**	**47.1**	**504 987**	**35.8**

RETAIL PROPERTIES TOP 10 BY VALUE

1 410 461m^2 total GLA

R2,0 billion total revenue

BROOKLYN MALL & DESIGN SQUARE (75%) PRETORIA

Brooklyn Mall is nestled in the affluent suburbs of Pretoria's cosmopolitan area of Brooklyn, surrounded by established upmarket residential homes, corporate offices and a large contingent of embassies and diplomatic properties. Brooklyn Mall, measuring 74 580m², is the premier shopping destination in Pretoria. It offers shoppers a full complement of national retailers, specialist boutiques, restaurants and coffee bars and the best of home and décor shops. The centre is visited by more than 12 million shoppers a year and has consistently exceeded national retail sales growth.

FESTIVAL MALL KEMPTON PARK

This 81 146m^2 regional centre is close to the CBD and near the residential areas of Kempton Park. Due to the mall's close proximity to public transport, the centre also benefits from strong support from the Tembisa area. The tenant mix covers a wide range of categories, with a strong national representation. Trade is growing steadily, with an average monthly trading density of over R2 000/m^2 with foot counts averaging 800 000 visitors a month. The centre also includes a Ster Kinekor cinema complex and an ice rink.

WATERFALL MALL RUSTENBURG

Waterfall Mall, with its adjacent value centre, forms a 60 000m² regional shopping centre that draws shoppers from as far afield as Botswana. Located in the upmarket suburbs of Rustenburg, the centre has easy access from the R24 and N4 highway. The size of the centre allows for an extensive representative tenant mix which includes most national retailers as well as a variety of specialised retailers. The mall has an average monthly trading density of over R2 800/m² which ensures strong demand for space.

LAKESIDE MALL BENONI

Located on the southern banks of the Civic Lake in Benoni, Lakeside Mall regional shopping centre is a local landmark due to its distinctive design. The two-level centre incorporates several different retail areas including 5 000m² of usable outdoor space. With 67 536m² of lettable area, the centre features all the major retail anchors. The popular centre attracts more than 10 million shoppers a year.

The monthly trading densities of our Top 10 centres average above R2 500/m^2

VAAL MALL (77.9%) VANDERBIJLPARK

At 49 000m^2, Vaal Mall is the dominant regional centre in the Vaal area. Its catchment area extends to Sasolburg. The mall also benefits from domestic tourism, being near the Vaal River. It has a strong tenant mix with a high percentage of nationals anchored by all the traditional South African majors. The average monthly trading density exceeds R3 000/m^2, with the fashion category being particularly strong.

BAYSIDE CENTRE CAPE TOWN

Bayside is a regional shopping centre of 45 646m^2, in a growing residential node on the western coastline of Cape Town. It serves the greater west coast suburbs of Cape Town including Tableview, Parklands, Bloubergstrand, Sunset Beach and Melkbosstrand. The BRT public bus route has its second largest bus station next to the centre which has resulted in an increased foot traffic to the centre.

KEY WEST KRUGERSDORP

Key West Shopping Centre is a 52 245m^2 regional shopping centre serving the greater Krugersdorp area including Randfontein and Kagiso. It has a full component of national fashion retailers and banks. Its entertainment is anchored by a Nu Metro Cinema complex and supplemented with a food court, family restaurants and a Virgin Active gym. The centre attracts 9,6 million customers and grew its visitors by 5.8% in FY15.

GREENACRES PORT ELIZABETH

The 40 424m^2 Greenacres Shopping Centre is part of a larger retail node of 88 000m^2. It attracts an average of 950 000 customers a month. The mall is linked to the adjacent Bridge Shopping Centre. It is surrounded by established residential suburbs, offices, educational institutions and a hospital.

LA LUCIA MALL DURBAN

This 36 424m^2 small regional centre is in the heart of one of Durban's most affluent suburbs, La Lucia. It serves an upmarket LSM 9 and 10 shopper. In recent years it has attracted more young and aspirant professionals. The centre's tenant mix encompasses many top national, local and some international retail brands and is strongly focused on convenience, lifestyle, food, and the health and beauty categories.

KOLONNADE (50%) PRETORIA

The 76 196m^2 Kolonnade Shopping Centre was developed in 1995 and has been extended numerous times as demand for retail space at the centre continues to grow. It is located to the north of Pretoria, serving a wide catchment area. Annual retail sales at the centre exceed R3,1 billion and trading densities are substantially higher than comparable shopping centres. Kolonnade attracts around 11 million shoppers a year and is co-owned with Sasol Pension Fund.

OFFICE

RUDOLF PIENAAR
Divisional Director

Our premier office portfolio comprises 184 properties valued at R33,0 billion, which includes properties from the Acucap and Sycom portfolios incorporated during FY15

MARKET ENVIRONMENT

Challenging market conditions in recent years have resulted in both sustained vacancies and slowing rental growth in the office sector. The SAPOA Office Vacancy Survey reports overall vacancies of 11.2% at Q1:2015. This is in line with office vacancies during 2014, which ranged between 11.2% and 11.6%. This confirms office vacancies are not improving. Asking rentals across the market achieved growth of 6.0%, which is flat in real terms.

Vacancy levels are closely linked to property grade. P- and A-grade properties reflected vacancies of 6.3% and 9.2% respectively for Q1:2015, according to the SAPOA survey. In contrast, B- and C-grade properties reported vacancies of 13.7% and 15.7%. This supports Growthpoint's strategy to invest in premium office properties. This trend has also spurred a flurry of office refurbishments in the market, to improve asset quality.

Development remains robust at 4.5% of the existing supply. The pre-let portion of developments in the sector has been steadily increasing and stands at 69% overall, reflecting caution among financiers and developers. Importantly, most activity is taking place in Sandton.

The Sandton node still dominates the supply of top-end space in the country, with 45% of the P-grade market, and 10% of the A-grade market. Although 80% of development in Sandton is pre-let, tenants moving into these new buildings will vacate their existing premises, leaving gaps that exacerbate vacancies in older properties.

The cost of occupancy for office tenants continues to rise given the ever-increasing cost of electricity and assessment rates. This places pressure on rentals and results in highly competitive leasing drives.

INTEGRATION OF ACUCAP AND SYCOM PORTFOLIOS

The office component of the Acucap and Sycom portfolios, acquired by Growthpoint during 2015, comprises 26 properties, introducing a further 321 593m² of lettable space to our portfolio, with a value of R6,8 billion at FY15. They have had a positive impact on the vacancy levels in the office portfolio as a whole, and their management teams are being integrated into our office division.

PERFORMANCE

Growthpoint's office portfolio upheld performance, increasing year-on-year net property income on a like-for-like basis by 5.6% to R1,2 billion. For the total portfolio, we increased net property income by 33.5% to R2,1 billion, of which R129,6 million was contributed by the newly acquired Acucap and Sycom properties.

Growthpoint's office portfolio won the 2015 IPD Direct Property Investment Award for the highest annualised direct property total return on capital employed over three years to 31 December 2014, measured by leading provider of research-based indexes and analytics worldwide, MSCI. The Growthpoint office portfolio delivered a 16.7% total return over the three years, outperforming the IPD office benchmark of 13.0%.

Gross rental per square metre has increased since 2006 as follows:

Year	Gross rental/m² R	Increase %
2006 – 2007	67	
2007 – 2008	79	17.9
2008 – 2009	92	16.5
2009 – 2010	103	12.0
2010 – 2011	109	5.8
2011 – 2012	115	5.5
2012 – 2013	123	7.0
2013 – 2014	132	7.3
2014 – 2015	142	7.6

Through proactive cost control we reduced our property expense-to-income ratio slightly from 23.8% in FY14 to 23.1% in FY15 despite significant increases in assessment rates and utilities. We make every effort to reduce property expenses on vacant offices, but it isn't always possible to keep expense ratios at the levels achieved in times of full occupancy.

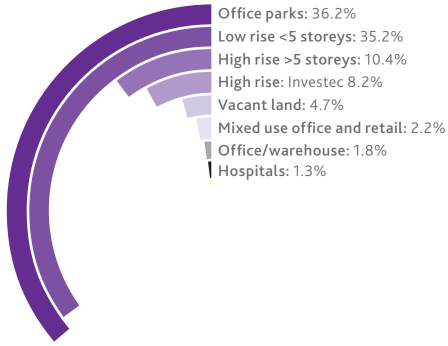
Our increased portfolio GLA totalled 1 790 428m² by the end of FY15 and, despite its significant growth in size, our vacancy level was maintained at 8.0%. Our renewal success rate was impacted by difficult market conditions. At 62.0% it was 1% lower than the prior year. Growth in renewal rental has dropped slightly during the year, from 1.6% to 1.5%, with our focus being firmly on retaining clients.

Arrears for the portfolio excluding the Acucap acquisition were on par with the arrears recorded at FY14, a low 3.5% of collectables. The difficult economic climate is putting clients' ability to pay under pressure but we are confident, with our proactive credit control strategies, our arrears will be well controlled.

During the year we sold nine properties which no longer met our investment criteria. Proceeds from these disposals totalled R430,5 million, achieving a capital profit of R136,5 million. This was used to invest in new developments and acquisitions. We have entered into agreements to sell further property for R469,3 million.

We acquired property in Wierda Valley and signed an acquisition agreement for a further property in the same area. This furthers our strategy to increase our holdings in the area adjacent to the Discovery Development.

OFFICE VALUE BY TYPE



ENVIRONMENTAL COMMITMENT

With our game-changing approach to doing business we are crafting an office portfolio that is a growing example of sustainable development and operations. Our Sustainability Strategic Framework incorporates five strands.

1. Utilities management

   Better utility efficiency can only be achieved if consumption is accurately metered. Growthpoint has partnered with Remote Monitoring Solutions to ensure precise billing and metering. RMS has also developed an online tool that helps Growthpoint to forecast and budget for utilities.

2. Consumption efficiency

   The uptake of the Growthpoint Green Addendum to leases has been successful and signed by over 80% of our office clients. This addendum has allowed Growthpoint to record savings on utility bills from our various green initiatives. These savings are then split equally between Growthpoint and our clients. The utility savings we have achieved are mainly the result of our light-fitting roll-out project. We're examining several other green initiatives.

   GBCSA has developed the Energy and Water Performance rating tool, sponsored by Growthpoint and Eskom, to benchmark existing buildings' performance. Growthpoint has assessed all of its office buildings using this tool. This analysis allows our sustainability team to set up various sustainable strategies to ensure increased efficiency, and better building performance.

3. Renewable energy

   To ensure future energy security, contribute to the mitigation of our clients' carbon tax risks, and meet their growing demand for sustainable space, we are exploring several alternative clean energy sources. These include solar gas to energy and waste to energy.

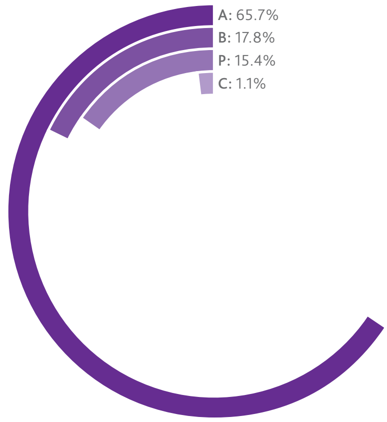
4. Sustainable development

   Growthpoint is recognised for our growing portfolio of award-winning green-rated buildings. So far, we have achieved Green Star SA ratings for over 20 of our office buildings, with more in the pipeline. We target a minimum 4-Star Green Star SA rating for all new office developments.

5. Strategic projects

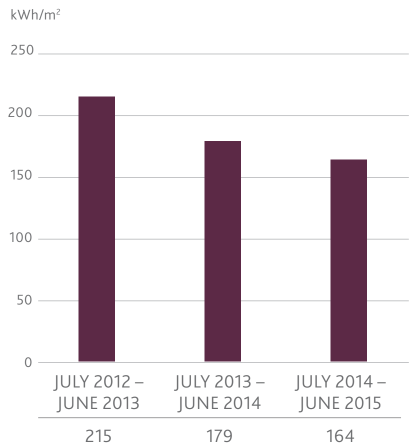
   The strategic project focus area usually takes a more holistic approach over all sectors and is discussed in more detail in the Key Matters section – Environmental Considerations.

OFFICE GLA BY BUILDING GRADE



Reducing electricity consumption in our office buildings

ELECTRICITY CONSUMPTION PER ANNUM



Average electricity consumption for a selected sample of 41 office buildings.

We strive for long-term leases. Our weighted average term to lease expiry is 4.2 years, with an average in-force escalation of 7.7%

PROSPECTS

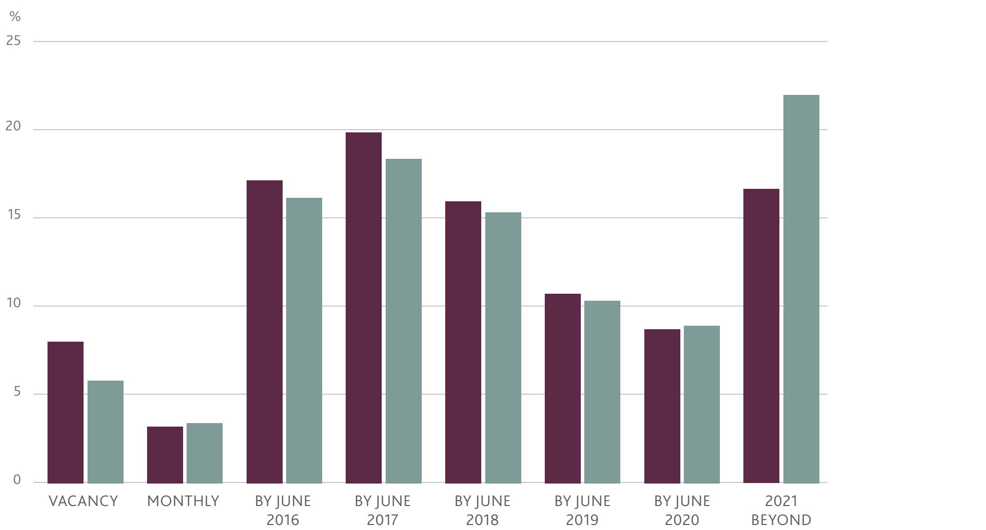
We expect continued challenging market conditions for the office sector in the coming year but are confident that, with our prime portfolio located across sought-after nodes, we are well positioned to take advantage of any increase in demand for office space.

Our focus remains tenant retention and reducing vacancies and we have a number of innovative strategies to keep our vacancies below the SAPOA benchmark. These include:

Key performance areas

	FY15	FY14	Increase/ (decrease)
Gross property revenue (R'million)	**2 758**	2 086	672
Property expenses (R'million)	**(636)**	(496)	140
Net property income (R'million)	**2 122**	1 590	532
Property expense ratio (%)	**23.1**	23.8	(0.7)
Vacancies (%)	**8.0**	8.0	–
Arrears (R'million)	**18,8**	10,5	8,3
Bad debt provision (R'million)	**7,4**	4,1	3,3
Average gross rental (R per m^2/month)	**142**	132	10
Forward yield (%)	**8.4**	8.3	0.1
Average in-force escalation (%)	**7.7**	8.3	(0.9)
Weighted average lease period (years)	**4.2**	4.2	–
Asset value (R'billion)	**33,0**	24,3	8,7
Number of properties	**184**	165	19
GLA (m^2)	**1 790 428**	1 460 741	329 687
Value (excluding bulk) per m^2 (R)	**17 562**	16 257	1 305
Capital expenditure (R'million)	**1 003**	543	460

OFFICE LEASE EXPIRY PROFILE



	VACANCY	MONTHLY	BY JUNE 2016	BY JUNE 2017	BY JUNE 2018	BY JUNE 2019	BY JUNE 2020	2021 BEYOND
GLA	8.0%	3.2%	17.1%	19.8%	15.9%	10.7%	8.7%	16.6%
Gross rental	5.8%	3.4%	16.1%	18.3%	15.3%	10.3%	8.9%	21.9%

- The Growthpoint Smartmove Campaign, which offers incentives of up to a year's rental to tenants taking up space in specific buildings which have long-standing vacancies. This initiative has been hugely successful in particular nodes
- Our newly initiated maintenance service desk, which seeks to enhance the quality and turnaround time of our maintenance teams
- Our focus on sustainable buildings, as described earlier
- The Undeposit, which allows prospective tenants to pay a one-off fee rather than putting down a deposit for their premises. This releases capital that can be better spent in client's businesses.

Driven by demand and opportunity, we also acquire premium sites and develop innovative, operationally efficient and cost effective sustainable buildings for blue-chip companies

Top 10 office tenants

	Tenant	GLA* m²	% of total office GLA
1	Investec Bank Limited	85 134	5.2
2	Deloitte (South Africa)	51 202	3.1
3	Transnet Limited	31 535	1.9
4	ABSA Bank Limited	27 516	1.7
5	Netcare Hospitals Proprietary Limited	17 867	1.1
6	Business Connexion Proprietary Limited	36 093	2.2
7	EOH Mthombo Proprietary Limited	26 906	1.6
8	Mobile Telephone Networks Proprietary Limited	20 281	1.2
9	Anglogold Ashanti Limited	19 381	1.2
10	Hatch Goba Proprietary Limited	20 167	1.2
Total of Top 10		**336 082**	**20.4**

* Ranked in terms of gross monthly rental.

Top 10 office properties by value

	Property name	Location	Value Rm	% of total office portfolio	GLA m²	% of total office GLA
1	The Woodlands Office Park	Woodmead	2 609	7.9	114 396	6.4
2	Investec	Sandton	2 338	7.1	70 945	4.0
3	Constantia Office Park	Roodepoort	1 023	3.1	72 420	4.0
4	The Place	Sandton	1 001	3.0	34 077	1.9
5	Inanda Greens	Sandton	890	2.7	40 760	2.3
6	Harrowdene Office Park	Woodmead	791	2.4	42 082	2.4
7	Growthpoint Business Park	Midrand	598	1.8	70 201	3.9
8	Tygerberg Park	Cape Town	580	1.8	28 726	1.6
9	MontClare Place	Cape Town	551	1.7	29 446	1.6
10	Turbine Hall and Square	Johannesburg	487	1.5	22 796	1.3
Total of Top 10			**10 868**	**33.0**	**525 849**	**29.4**

OFFICE PROPERTIES TOP 10 BY VALUE

1 790 428m^2 total GLA

R2,8 billion total revenue

THE WOODLANDS OFFICE PARK — WOODMEAD

This office park, valued at R2,6 billion, consists of a number of buildings totalling 114 396m^2 of commercial office space. The buildings are situated in a low density, game park environment with free roaming blesbok, impala, springbok, other smaller animals and bird life. The Woodlands boasts amenities such as a restaurant, a gym, a nursery school, hairdresser and dry cleaner. The park is on a Gautrain Shuttle route and is known in the area for hosting the park run.

INVESTEC — SANDTON

This iconic P-grade office building of 70 945m^2 is a landmark at the gateway to the central Sandton banking hub. It is valued at R2,3 billion and is fully let to a single tenant, Investec, on a long-term lease.

CONSTANTIA OFFICE PARK — ROODEPOORT

With a superb location benefiting from excellent N1 highway visibility and accessibility, together with amenities including a Virgin Active Gym, Spur family restaurant and a Protea Express Hotel, it offers a combination of A- and B-grade office space to 90 tenants, set in a lush park environment. The 72 420m^2 office park is valued at R1,0 billion and is 88% let to major tenants like MTN, Afrisam and Primedia.

THE PLACE — SANDTON

Situated at Sandton's premier address, The Place comprises P-grade office space across 34 077m^2. It is valued at R1,0 billion and is 90% let to major tenants, which include AON, Macquarie Africa and Growthpoint.

Our properties are in prime office nodes across South Africa's major metropolitan areas. Our clients are mostly blue-chip businesses. Over 80% of our properties are P- or A-grade, making a high-quality portfolio

INANDA GREENS — SANDTON

This A-grade office park has 10 buildings totalling 40 760m^2 valued at R890 million. It is 90% let and has 24 tenants including Fasken Martineau, Advtech and FNB.

HARROWDENE OFFICE PARK — WOODMEAD

This office park has 42 082m^2 of commercial offices situated in landscaped gardens, and is valued at R791 million. This park is located close to the M1/Woodmead drive off ramp and is next to and integrated with The Woodlands Office Park. Harrowdene enjoys the shared amenities with The Woodlands and is also on the Gautrain Shuttle route.

GROWTHPOINT BUSINESS PARK — MIDRAND

This mixed-use office park is well-located and enjoys N1 highway visibility with easy access from the Allandale Road interchange. Valued at R598 million, it offers 70 201m^2 of A- and B-grade office space to 28 tenants, including Continuity SA, Nashua Communications, Fresenius Kabi SA and Nike. It is 96% let.

TYGERBERG PARK — CAPE TOWN

This 28 726m^2 office park is valued at R580 million. It is located in Plattekloof, Cape Town and has good views across the peninsula towards Table Mountain. Its proximity to the N1 enables efficient accessibility to all other major commercial nodes in Cape Town. This park is particularly convenient in respect of the residential suburbs of Plattekloof, Durbanville, Bellville, Parow, Edgemead and Panorama.

MONTCLARE PLACE — CAPE TOWN

This mixed use development, integrating retail, a gym and A-grade offices, totalling 29 446m^2 is valued at R551 million and is fully let. It has 21 tenants including Pick n Pay Retailers, Coronation Asset Management and Kagiso Asset Management.

TURBINE HALL AND SQUARE — JOHANNESBURG

Fully let to three tenants, including Anglogold Ashanti and The Forum, this property comprises 22 796m^2 of business space. Valued at R487 million, the building is an iconic part of Johannesburg's history and skyline. It was originally a power station for the city in the 1920s.

INDUSTRIAL

ENGELBERT BINEDELL
Divisional Director

MARKET ENVIRONMENT

FY15 has been a tale of two markets. Industries and exports less dependent on utilities, like warehousing, remain more resilient. Conversely, those industries with exposure to commodities and Rand weakness were most sluggish. This trend was clear in our diversified industrial portfolio.

The slowdown in developments resulted in the gradual take-up of the overhang of new industrial property stock, so normality is returning to the market. In addition, there is less exuberance in the market, making expectations more realistic now.

User commitment remains intact, albeit with shorter lease terms and less capital commitment. South Africa traditionally has a resilient culture and its people have a tendency to find new ways to thrive in changing conditions.

There is an increased appreciation of industrial property as a subsector, with its perceived resilience, historical lower rentals and higher capitalisation rates. Our talented industrial team includes skilled people who together have weathered negative cycles before, so we are also enjoying the benefits of a stable, experienced group of specialised industrial property professionals.

Our sector faces challenges from the rising interest rate environment, water and electricity cost increases, load shedding, labour unrest, declining commodity prices and the slump in retail sales. Motor vehicle sales, considered a proxy for the industrial property sector, were negative. Manufacturing confidence is the lowest in 10 years. We also face infrastructure failure and an increasing number of business failures and business rescues. The failure of Ellerines is one of the most significant examples, leaving Growthpoint's industrial portfolio with a 46 000m^2 vacancy.

The industrial sector's performance in FY15 was largely sentiment driven. There was less commitment to expansion, lower capital investment and our users had a distinct focus on cost-cutting. Responding to this, we have applied significant focus on ways of reducing energy consumption and recovering utilities costs. Research around sustainability initiatives has also accelerated, driven by market conditions. We've also explored other revenue streams.

PERFORMANCE

Three years ago we identified a difficult cycle approaching as telegraphed in our report of FY14. It is firmly here.

The performance of our diversified portfolio remains positive, although different subsectors are affected differently by the prevailing cycle.

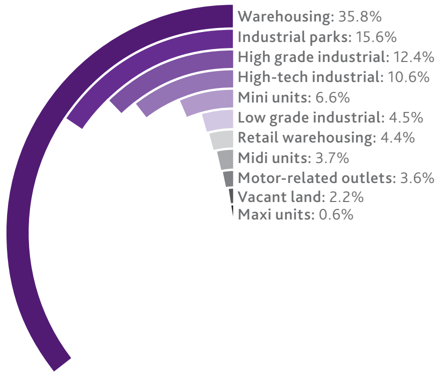
We have kept rental escalations positive, in excess of 8.0%. We've also kept our arrears at satisfactory levels and placed strong emphasis on utilities management and recoveries. However, vacancies are increasing, renewal growth is mid-single digit and lease terms are shorter.

The impact of the Ellerines business failure was significant for us. Several other large vacancies also occurred during the year, mostly because of the underlying economic forces. For a short time, our vacancy factor reached the highest level it had been in five years. This has already improved. We've achieved significant lettings that will bring vacancies down to market-related levels.

Rent renewals remained under pressure. For us the emphasis was strongly on keeping clients, especially as we believe the sector will remain under pressure for the foreseeable future.

Bringing world-class facilities to market at attractive yields

INDUSTRIAL VALUE BY TYPE



ENVIRONMENTAL COMMITMENT

After the success of our environmentally innovative Grundfos development, which achieved the first Green Star SA rating for an integrated industrial and office development, we have actively explored including sustainable elements in all our developments and redevelopments. Greenfield Industrial Park is one such development.

There is still no green rating tool for the sector, so we are continually learning and applying the skills from our counterparts in the office and retail sectors. However, there is now a GBCSA Green Star SA tool under development. GBCSA has accepted our Greenfields Industrial Park development, near Cape Town International Airport, as a pilot project for its Green Star SA Industrial building rating tool. This confirms our cutting-edge position in providing green industrial buildings.

One of our latest initiatives is to integrate solar PV on rooftops. This has huge potential benefits for our clients.

Where possible, we use clients as the suppliers of the materials, skills and services we need. This vertical integration within our portfolio also provides business-to-business opportunities for our clients. It has really taken off and is proving to be yet another important advantage for our clients.

PROSPECTS

After experiencing tough trading for FY15, largely due to the Ellerines demise and several other large vacancies, we believe our diversified portfolio should offer some resilience in FY16.

The negative drivers of the sector are all factors outside our control. We remain focused on that which we do well and can control. Our focus is on our core portfolio, our clients, lease retention and value extraction from the portfolio.

We have a solid development pipeline to stand us in good stead and have some superb land opportunities, specifically Samrand, Wadeville and a site on the R300 in Cape Town. In addition, acquisitive growth has become a reality because of normalising capitalisation rates and seller expectations.

Besides seeking alternative revenue streams, we are fortunate our portfolio values per square metre and in-force gross rentals are still relatively low. This creates an opportunity for upward adjustment. We also have a solid team with vast experience.

All this places us in a position to weather the storm of the coming year.

Offering a full range of industrial facilities to our client base

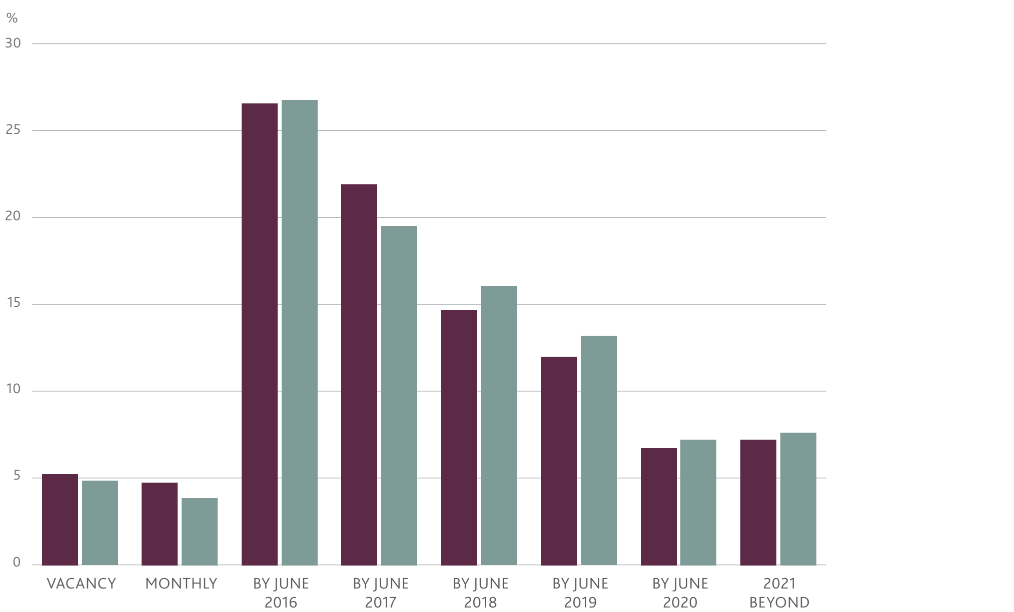
Value adding joint ventures

Strategic land acquisitions

Key performance areas

	FY15	FY14	Increase/ (decrease)
Gross property revenue (R'million)	**1 149**	1 074	75
Property expenses (R'million)	**(257)**	(235)	22
Net property income (R'million)	**892**	839	53
Property expense ratio (%)	**22.4**	21.9	0.5
Vacancies (%)	**5.3**	3.0	2.3
Arrears (R'million)	**9,3**	4,9	4,4
Bad debt provision (R'million)	**3,8**	1,7	2,1
Average gross rental (R per m^2/month)	**43**	42	1
Forward yield (%)	**10.1**	10.1	–
Average in-force escalation (%)	**8.4**	8.3	0.1
Weighted average lease period (years)	**2.8**	2.9	(0.1)
Asset value (R'billion)	**10,4**	9,3	1,1
Number of properties	**229**	230	(1)
GLA (m^2)	**2 225 075**	2 194 459	30 616
Value (excluding bulk) per m^2 (R)	**4 589**	4 127	462
Capital expenditure (R'million)	**530**	234	296

INDUSTRIAL LEASE EXPIRY PROFILE



5.3%	4.8%	26.8%	22.1%	14.8%	12.1%	6.8%	7.3%
4.9%	3.9%	27.0%	19.7%	16.2%	13.3%	7.3%	7.7%

Top 10 industrial tenants

	Tenant	GLA* m²	% of total industrial GLA
1	The Bidvest Group Limited	57 036	2.7
2	Adcock Ingram Holdings Limited	27 280	1.3
3	Scania SA Proprietary Limited	23 341	1.1
4	Kulingile Metals Proprietary Limited (Robor)	49 000	2.3
5	Distell Limited	45 658	2.2
6	The Laser Transport Group Proprietary Limited	36 013	1.7
7	Allied Electronics Corporation Limited	27 872	1.3
8	Pioneer Foods Proprietary Limited	20 734	1.0
9	Barloworld Limited	18 516	0.9
10	DCD Dorbyl Proprietary Limited	72 252	3.4
Total of Top 10		**377 702**	**17.9**

* Ranked in terms of gross monthly rental

Top 10 industrial properties by value

	Property name	Location	Value Rm	% of total industrial portfolio	GLA m²	% of total industrial GLA
1	Growthpoint Industrial Estate	Germiston	388	3.7	61 245	2.8
2	Hilltop Industrial Park	Germiston	325	3.1	74 089	3.3
3	Montague Business Park (25%)	Cape Town	322	3.1	19 470	0.9
4	Adcock Ingram	Johannesburg	205	2.0	21 536	1.0
5	Rivonia Crossing 2	Sandton	186	1.8	19 778	0.9
6	N1 Business Park (20%)	Midrand	183	1.8	18 937	0.9
7	Omni Park	Johannesburg	178	1.7	41 331	1.9
8	Central Park	Cape Town	163	1.6	49 135	2.2
9	Kulungile Building	Kempton Park	153	1.5	49 000	2.2
10	Meadowbrook Estate	Germiston	142	1.4	9 684	0.4
Total of Top 10			**2 245**	**21.7**	**364 205**	**16.5**

INDUSTRIAL PROPERTIES TOP 10 BY VALUE

2 225 075m² total GLA

R1,1 billion total revenue

GROWTHPOINT INDUSTRIAL ESTATE — GERMISTON

The 61 245m² A-grade industrial park is situated on a 259 455m² site in the Route 24 node in Meadowdale. Valued at R388 million, it provides around-the-clock cutting-edge security in an environmentally respectful and energy efficient setting for 32 businesses. It is 96% let and major tenants include Barloworld Logistics, Avon Justine, Fast & Furious and Ricoh SA. Growthpoint Industrial Estate has 40 000m² of available bulk for tenant driven developments.

HILLTOP INDUSTRIAL PARK — GERMISTON

With superb highway frontage and access, Hilltop Industrial Estate encompasses some of the most functional industrial premises in South Africa. This B-grade industrial park is valued at R325 million and is currently undergoing a major upgrade. It comprises 19 businesses in 74 089m² of lettable area on a 263 446m² site area. It is 95% let and major tenants include Scania, Cartoon Candy, Capital Africa Steel and MAN Diesel and Turbo SA.

MONTAGUE BUSINESS PARK (25%) — CAPE TOWN

Growthpoint's 25% joint ownership of this newly developed industrial park is valued at R322 million and represents a current GLA of 19 470m². This A-grade industrial park, in the sought after Montague node, is home to 18 businesses, which include leading brands such as Takealot.com, Supergroup, ABB SA and The Radiant Group. There is high demand for further development of the park's available bulk.

ADCOCK INGRAM — JOHANNESBURG

This 21 536m² A-grade property is a key facility for leading South African pharmaceutical company Adcock Ingram Healthcare. It has a site area of 47 011m², is fully let to Adcock Ingram and valued at R205 million.

We believe our diversified portfolio should offer some resilience in FY16

RIVONIA CROSSING 2 — SANDTON

This well-located showroom and value centre spans 19 778m² of A-grade lettable area on a 37 933m² site. This multi-tenant centre is fully let and houses 17 tenants and is valued at R186 million. Its major tenants include Honda Rivonia, The Barnyard Theatre and Safari and Outdoor Warehouse.

N1 BUSINESS PARK (20%) — MIDRAND

Growthpoint's 20% stake in the well located park between Midrand and Pretoria is valued at R183 million and represents a GLA of 18 937m². With superb visibility to the busy N1 motorway, this A-grade industrial park is home to 14 businesses including Shoprite, Mazda SA, Elliot Mobility, Zodiac, Tevo and MTN. The landscaped and high security N1 Business Park is almost completely developed.

OMNI PARK — JOHANNESBURG

With its superb position in the high-demand Aeroton industrial node, this industrial park is 85% let. It provides 41 331m² of B-grade industrial space on an 85 014m² site area. The property's appeal is underpinned by excellent highway access, to both the north and south of Johannesburg. It is valued at R178 million and major tenants include BCE Food Services and Brandcorp.

CENTRAL PARK — CAPE TOWN

This landscaped industrial park provides exceptional security and good access to main arterials for 24 businesses in 49 135m² of A-grade space on a site area of 97 216m². Valued at R163 million, it is fully let and is home to major tenants Retail Logistics, Fawecia Emissions Control and Conop Projects.

KULUNGILE BUILDING — KEMPTON PARK

This single tenanted, large industrial facility is situated in the prominent industrial node of Isando. With a lettable area of 49 000m² under roof, gantries and cranes in all bays and large yard areas this industrial facility is valued at R153 million.

MEADOWBROOK ESTATE — GERMISTON

Home to Grundfos, this 9 684m² facility is situated on the very prominent intersection of the N12 and R24 interchange. This high–tech facility, with superb visibility to two major motorways, is valued at R142 million. This 5-Star, Green Accredited, integrated office and industrial facility represents the very best of South African property innovation and is the first property to have been awarded this accolade.

V&A WATERFRONT

The V&A Waterfront remains Africa's number one tourist destination

V&A WATERFRONT INVESTMENT

Growthpoint has a 50.0% interest in the V&A Waterfront, a 122 hectare mixed-use property development situated in and around the historic Victoria and Alfred Basins, which formed Cape Town's original harbour, with Table Mountain as its backdrop. Our investment is valued at R6,0 billion.

Distributions from Growthpoint's 50.0% stake in the V&A Waterfront increased by 10.8% and contributed 8.7% to total distributable income.

This quality investment with a unique location is an iconic South African asset and one of the most visited cultural and historical landmarks on the African continent. It attracts just short of 24 million visitors yearly. It includes 22 official landmarks and a working harbour.

The V&A Waterfront has performed to expectations and made excellent progress over the past year, despite a tough market. It delivered good performance across its mixed uses.

We expect the V&A Waterfront's performance to improve during the coming year and to extract more value. A significant contributing factor to the V&A Waterfront's enhanced performance is several approved development projects, with its next development focus area being the Gateway precinct.

How the V&A Waterfront offers Growthpoint and our shareholders value:

- It provides unique exposure to Africa's most prominent commercial property and the most comprehensive mixed-use precinct on the continent
- The income-producing part of this asset offers sustainable growth prospects
- The profit it generates flows straight to shareholders, and comprised 8.7% of Growthpoint's distributable earnings for FY15
- Long-lease terms and strong demand give security of revenue
- Its undeveloped bulk provides the opportunity for future accretive growth by adding developments
- It provides exceptional exposure to the Western Cape commercial property market.

MARKET ENVIRONMENT

The V&A Waterfront remains Africa's number one tourist destination attracting both local and international visitors and has contributed over R260 billion to the South African economy over the past twelve years. The site hosts up to 180 000 visitors a day in peak season and creates over 19 000 direct employment opportunities.

The retail sector continued to trade strongly despite a slowdown in market conditions and the rising cost of living. Retail sales for FY15 were at a double digit growth of 11.0%.

High vacancies in the Cape Town Central Business District (CBD) placed pressure on office rental levels. However, the V&A Waterfront continued to attract interest from both local and international blue-chip tenants.

Hotels traded favourably with year-on-year growth of some 7.0%, with a related increase in turnover rental streams.

The V&A Waterfront continued to see opportunity in the residential to let sector. The newly completed Breakwater development of 150 units was released at the beginning of the year and is currently 55% let. PortsEdge, with 109 residential units, is in its first year of renewals and performing to expectation. We currently have 259 residential apartments to let within the V&A Waterfront precinct property.

The market demand to bring residential property for sale remains strong. We shall be bringing 77 luxury apartments to market in the last quarter of 2015.

PERFORMANCE

The V&A Waterfront performed well, with net property income growing by 12.1% and like-for-like growth of 9%.

The performance was driven by higher retail sales, improved hotel performance, increased occupancy levels in the parking garages and the phasing in of new residential to let revenue streams.

Gross property revenue increased by 14.0% in line with the strategy of increasing revenue year-on-year through improving footfall, enhancing the tenant mix and maintaining local interest. Footfall of just under 24 million for FY15 is consistent with that of the prior year, whilst vehicle numbers increased 13.0% year-on-year. The local and international visitor split was similar to previous years. This has a ripple effect on the hotel market which directly benefits from this benchmark trading at premium occupancy levels.

Cost savings were achieved through a range of efficiencies including the use of green sustainable energy practices. This is against a backdrop of recent abnormal rates and taxes increases and electricity price hikes. The V&A Waterfront has experienced significant rates valuation increases, directly impacting on the property expense ratio of 27.8%.

Demand for letting space of all types remains high with overall vacancies at 2.6%. The average in-force escalations are at 8.3% and tenant retention is in excess of 92%.

The newly completed Watershed building won the award for most Innovative Building Design at the annual SAPOA convention. The building has 120 small business craft and design tenants, showcasing over 365 African brands, which are all trading well.

ENVIRONMENTAL COMMITMENT

The V&A Waterfront is committed to lead in environmentally friendly and sustainable practices, and continues to strive to reduce the impact of operations on the environment and local communities.

It has undertaken to install some R30,0 million in solar panels across the site, which is in line with its strategy of cost efficiency. This initiative has the ability to produce 15.0% of total energy consumption requirements and will result in less demand on the Western Cape electricity grid. This also has a favourable impact of mitigating future electricity tariff hikes.

Focus is turning to water conservation, where extensive drip irrigation across the site has been implemented, reducing consumption by 60.0%. The V&A Waterfront is also utilising borehole water and looking at a series of "grey water initiatives".

The V&A Waterfront continues to recycle over 40.0% of the waste generated on site, with exciting new opportunities being explored for wet waste.

This year the V&A Waterfront received platinum member status from the Heritage Environmental Committee, which is an internationally recognised eco-labelling programme. The V&A Waterfront is currently one of only four Platinum-status facilities in the Western Cape and the only entity of its magnitude in Africa to have received this prestigious award.

Recently substantial investments were undertaken in generators and uninterrupted power supply units to ensure that retail and restaurant facilities would be able to trade normally during load shedding. This had a positive impact on tenant trading levels.

PROSPECTS

The V&A Waterfront continues to work hard to improve its tenant mix, and demand for retail space remains strong. This is evidenced by large international brands wanting to use the facility as a flagship base. The landmark letting of a 4 500m² store to the largest clothing retailer in the world, H&M, will be the first in the country. The store is due to open in the last quarter of 2015. Another international offering is the development of a new toy store for Hamley's of London. Further tenant enhancements include sought after local and international retailers such as Just Cavalli, Hackett, Lorna Jane, Active Living Room and Seafolly, which are all due to open in the coming months.

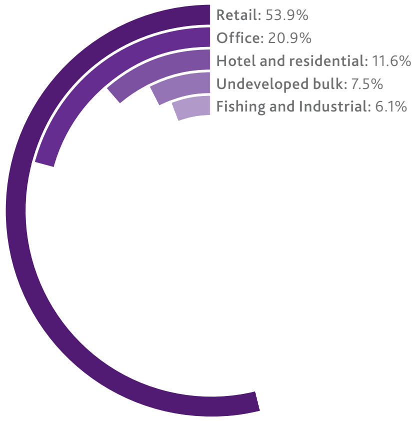
The commercial portfolio continues to grow as development activity ramps up in both the Silo and Gateway precincts. Large international corporates such as PWC, Werksmans Attorneys and Virgin Active Gym have earmarked the V&A Waterfront as their preferred head office location.

The recently purchased former Amway building is in the planning approval stage. The V&A Waterfront sees this as a great opportunity to create a multi-let commercial, office and supporting retail offering linking the V&A Waterfront and the city CBD neighbourhoods. The building is perfectly located at the main entrance of the Gateway precinct and embraces an already well known landmark building.

The Silo precinct continues with the development of the first Museum of Contemporary Art Africa (Zeitz Mocaa). The landmark project continues to gain support both nationally and internationally and is scheduled to open in the first quarter of 2017.

The V&A Waterfront announced the first Radisson Red Hotel for South Africa. This hotel will provide some 250 rooms for a mid-market 3-4 star market and is also due to open in early 2017. Furthermore, an ultra-high end Silo Hotel will be located above the Zeitz Mocaa museum and will comprise 27 luxury suites.

SECTOR VALUE BY TYPE



THE V&A WATERFRONT, CAPE TOWN

The V&A Waterfront will be extending its boundaries with the new Dockside precinct. It recently won the preferred bid for the cruise liner terminal, which is incorporated in this precinct. This is an opportunity to link the Waterfront to the harbour. The site incorporates a further 28 000m² of letting opportunity earmarked for mixed use. The development and letting of this space will be phased over a period of two years.

The aforementioned initiatives should translate into:

- Strong organic growth in retail, albeit at lower levels than the past, driving rental escalation and additional turnover rental
- Some 72 000m² of new lettable space
- Various new market offerings, coupled with a stream of events and activities, all aimed at driving footfall, dwell time and spend.

The most comprehensive mixed-use precinct on the continent

Key performance areas

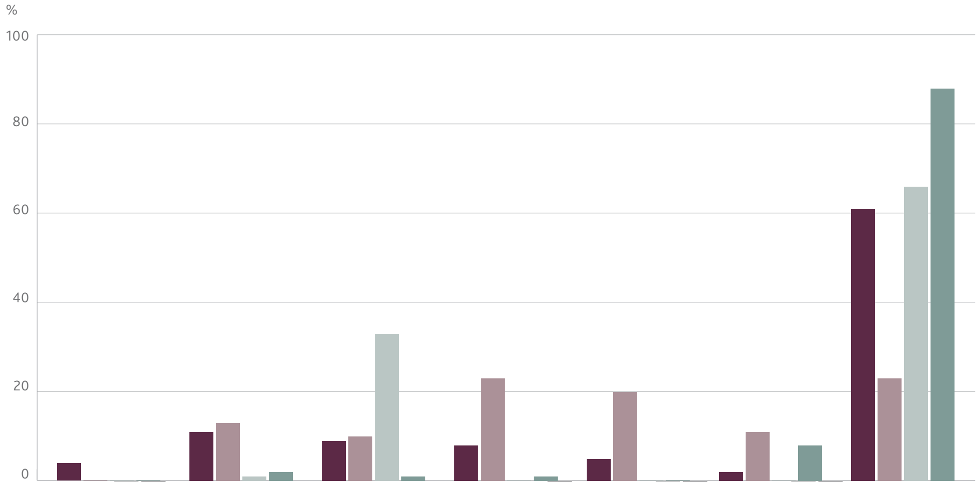
	FY15	FY14	Increase/ (decrease)
Gross property revenue (R'million)	**553**	485	68
Property expenses (R'million)	**(154)**	(129)	25
Net property income (R'million)	**399**	356	43
Property expense ratio (%)	**27.8**	26.6	1.2
Vacancies (%)	**2.6**	1.5	1.1
Arrears (R'million)	**21,0**	25,0	(4,0)
Bad debt provision (R'million)	**8,4**	6,2	2,2
Average gross rental (R per m²/month)	**186**	172	14
Forward yield (%)	**7.0**	6.8	0.2
Average in-force escalation (%)	**8.3**	7.8	0.5
Weighted average lease period (years)	**7.8**	8.6	(0.8)
Asset value (R'billion)	**6,8**	5,9	0,9
GLA (m²)	**202 658**	195 700	6 958
Value (excluding bulk) per m² (R)	**30 840**	27 828	3 012
Capital expenditure (R'million)	**309**	276	33

Top 10 V&A Waterfront tenants

	Tenant	GLA* m²	% of total V&A GLA
1	Allan Gray Proprietary Limited	18 500	4.7
2	Nedbank Group Limited	25 432	6.4
3	Sun International Hotels	17 100	4.3
4	Legacy Hotels	16 226	4.1
5	Woolworths Holdings Limited	7 682	1.9
6	Edcon Holdings Proprietary Limited	7 162	1.8
7	Newmark Hotels	7 564	1.9
8	Tourvest Holdings Proprietary Limited	3 212	0.8
8	The Foschini Group Limited	2 824	0.7
10	National Department of Public Works	14 600	3.7
Total of Top 10		**120 302**	**30.3**

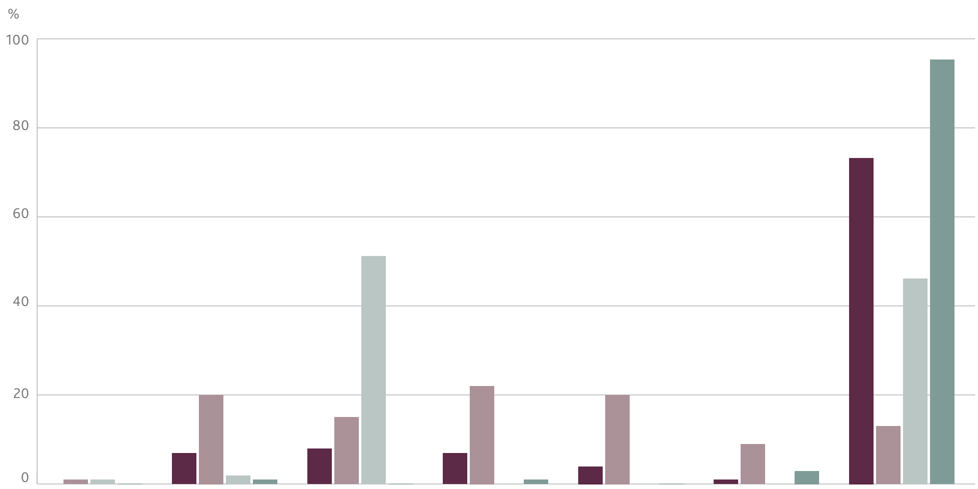
* Ranked in terms of gross monthly rental

V&A WATERFRONT LEASE EXPIRY % OF GLA



	VACANCY	BY JUNE 2016	BY JUNE 2017	BY JUNE 2018	BY JUNE 2019	BY JUNE 2020	2021 BEYOND
Office	4.0%	11.0%	9.0%	8.0%	5.0%	2.0%	61.0%
Retail	–	13.0%	10.0%	23.0%	20.0%	11.0%	23.0%
Fishing and industrial	–	1.0%	33.0%	–	–	–	66.0%
Hotel and residential	–	2.0%	1.0%	1.0%	–	8.0%	88.0%

V&A WATERFRONT LEASE EXPIRY % OF GROSS RENTAL



	VACANCY	BY JUNE 2016	BY JUNE 2017	BY JUNE 2018	BY JUNE 2019	BY JUNE 2020	2021 BEYOND
Office	–	7.0%	8.0%	7.0%	4.0%	1.0%	73.0%
Retail	1.0%	20.0%	15.0%	22.0%	20.0%	9.0%	13.0%
Fishing and industrial	1.0%	2.0%	51.0%	–	–	–	46.0%
Hotel and residential	–	1.0%	–	1.0%	–	3.0%	95.0%

GROWTHPOINT AUSTRALIA (GOZ)

A component of the S&P/ASX200

THE INVESTMENT IN GOZ

Growthpoint's 65% share of GOZ performed exceptionally for FY15. GOZ was one of the best performing A-REITs in FY15 and delivered a total AUD return of 36.4% to Growthpoint. The distributions received from GOZ during the year amounted to R658 million.

Distributions from GOZ grew 28.3% in Rand, making a solid 15.5% contribution to Growthpoint's overall distributable income, notwithstanding the weakening of the AUD against the Rand.

GOZ has grown significantly since Growthpoint's initial acquisition in 2009. It has grown its market capitalisation to AUD1,8 billion and owns assets of AUD2,3 billion.

GOZ achieved the major milestone of becoming a component of the S&P/ASX200, which has seen a marked improvement in its liquidity and tradability, adding to shareholder value. Its share price increased from AUD2.45 to AUD3.13 at FY15. Growthpoint continues to support the growth of GOZ to improve the liquidity and tradability of the company's shares and drive value enhancement for all shareholders.

During the year we invested a further R607 million in GOZ, by way of supporting the Distribution Reinvestment Plans (DRIPs), where Growthpoint elected to reinvest its distributions receivable from GOZ. Our shareholding in GOZ remained largely unchanged for FY15, ending the year at 65%.

It has been financially rewarding to support the growth of GOZ and we intend to continue to do this. It remains a good investment for Growthpoint and has delivered a total return of 31.9% in Rand terms. To date our investment in GOZ has cost a total of R5,9 billion and the market value is R10,9 billion.

During the year GOZ continued to invest in quality commercial Australian real estate. It acquired AUD119,5 million of office and industrial properties.

GOZ brought down its debt levels in line with its strategy. Its gearing was reduced to 37.0% at FY15 from 40.9% at FY14 – within its target range – placing it in a conservative financial position. GOZ maintained its Moody's investment grade credit rating (Baa2), which was first issued in August 2014. GOZ's reduction in gearing and credit rating enabled it to raise an AUD200 million 10-year bond and diversify its sources of funding. GOZ also reduced its cost of debt over the period from a weighted average interest rate of 5.8% at FY14 to 4.8% at FY15.

Although GOZ grew its distribution by 3.7%, the AUD weakened against the Rand and together with the increased level of withholding tax was detrimental to Growthpoint.

How GOZ offers Growthpoint and our shareholders value:

- The size of our investment in Australia at a fair value of R10,9 billion is large enough to have an impact on Growthpoint without changing the nature of the company or exposing it to excessive foreign risk
- It provides Growthpoint international diversification and exposure to a developed and stable economy that has prospered throughout the global financial crisis
- It is a pure Australian investment with 53 properties located in all Australian states with good proximity to key infrastructure, particularly CBDs, ports, airports and major arterial road networks
- It is a low-risk investment in Australia with most of its rental income coming from some of Australia's largest and most stable companies.

MARKET ENVIRONMENT

Although vacancy rates remain elevated in most office markets in Australia, there has been an improvement in Sydney and Melbourne over FY15. Buyer demand for quality office and industrial property is still outstripping supply and is coming from A-REITs, domestic wholesale funds, superannuation funds, syndicators and offshore investors and this should support asset values particularly for assets like GOZ's which are typically leased long-term to quality tenants. This strong buyer demand was demonstrated by the sale processes for the Investa office portfolio and the GIC/Australand industrial portfolio, which have reportedly sold for AUD2,45 billion and in excess of AUD1,0 billion, respectively. These transactions are expected to lead to further yield compression in the short to medium term.

Valuation increases arising from lower capitalisation rates are expected to continue in FY16 as demand to acquire well-leased, quality property continues to increase in Australia.

Although GOZ's property portfolio saw a significant increase in valuations over the year, there remains further potential valuation upside.

PERFORMANCE

GOZ has completed its sixth year of growth in distributions, net tangible assets and security price.

GOZ owns an enviable AUD2,3 billion portfolio of modern, well-leased and well-located properties in every State of Australia, split 51%/49% between office and industrial. Other key features include a long weighted average lease expiry or WALE of 6.7 years, weighted average fixed rent reviews of 3.0% per annum, a high occupancy rate at 96.5% and only 6.0% of the portfolio leases potentially expiring over the next two financial years.

Following a mix of internal and external valuations, GOZ's properties increased in value by AUD186.0 million over FY15 or by 9.0% on a like-for-like basis. This reflected a general increase in demand for the type of assets GOZ owns: modern, well-leased properties in excellent locations.

Like-for-like net property income growth was 1.0% for the portfolio for the six months to 30 June 2015 with office increasing by 1.2% and industrial increasing by 0.8%. A 0.1% increase was recorded on a like-for-like basis from FY14 with industrial increasing by 2.4% and office declining by 2.1%. The like-for-like decline for office was due to increased vacancy and tenant incentives for new or extended leasing.

Over 69 000m² of new and extended leasing out of a total portfolio of 1 050 611m² was undertaken in FY15. Whilst GOZ has achieved significant leasing success to date, the Brisbane office market remains challenging and this is where the majority of GOZ's upcoming potential lease expiries are located. However, given that only 6% of the portfolio's leases come up for renewal over the next two years, primarily within the industrial portfolio, and the excellent portfolio, GOZ is confident that it will maintain a high occupancy level over the short to medium term.

The existing portfolio was strengthened by AUD119,5 million of acquisitions during FY15, an AUD20,8 million acquisition in early July 2015 and the AUD26,7 million disposal of two non-core assets at or above previous book value. GOZ may look to divest a portfolio of assets in FY16 to take advantage of strong demand for property in Australia.

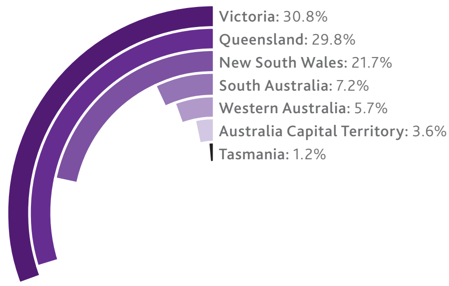
FY15 operating expenses as a percentage of average gross assets returned to its longer-term average of 0.4% versus 0.5% in FY14. GOZ expects its operating expenses to remain at this level in FY16.

PROSPECTS

GOZ continues to actively consider a number of development opportunities within its existing portfolio including:

- The redevelopment of part of a Richmond site in Victoria for offices, subject to a pre-commitment being in place. A planning permit has been issued for construction of an 18 000m² office building. GOZ may also explore the potential for a residential redevelopment of part of this site
- Tenant-initiated expansions at five industrial properties in Queensland and Victoria
- The redevelopment or change of use of a 25 hectare site at 120 Northcorp Boulevard, Broadmeadows, Victoria where Woolworths has announced that it will be closing its facility. The lease of this facility currently expires in July 2021
- A significant potential development of 522-550 Wellington Road, Mulgrave, Victoria should Woolworths decide not to renew its lease in July 2021. This 19.1 hectare site adjoins a large residential estate and offers long-term residential development opportunities subject to re-zoning
- The other four distribution centres leased to Woolworths offer significant development potential should Woolworths require additional lettable area as these sites have low site coverage of approximately 30%.

GOZ VALUE BY GEOGRAPHIC DIVERSITY



Further potential valuation upside of property portfolio

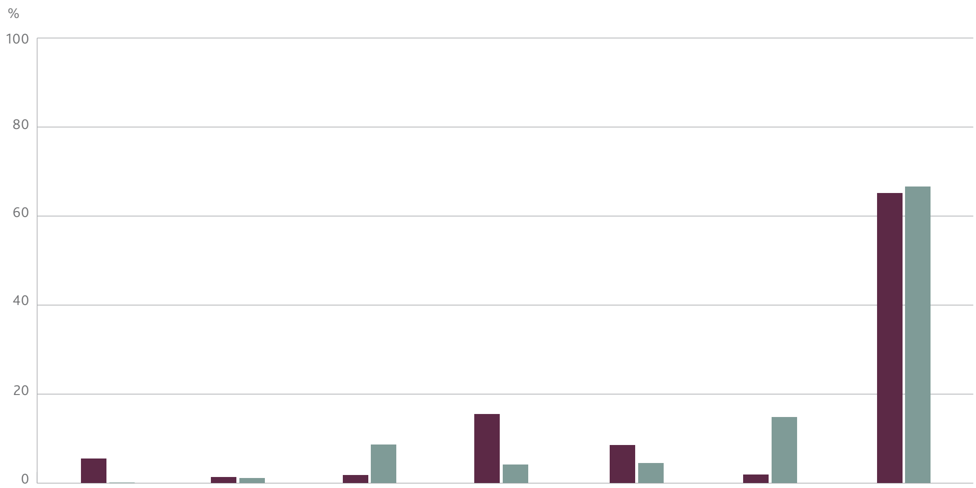
Continue to actively consider a number of development opportunities within existing portfolio

Key performance areas

	FY15	FY14	Increase/ (decrease)
Gross property revenue (R'million)	**1 844**	1 617	227
Property expenses (R'million)	**(213)**	(196)	17
Net property income (R'million)	**1 631**	1 421	210
Property expense ratio (%)	**11.6**	12.1	(0.5)
Vacancies (%)	**1.0**	1.5	(0.5)
Arrears (R'million)	**0,4**	6,9	(6,5)
Bad debt provision (R'million)	**–**	1,0	(1,0)
Average gross rental (AUD per m^2/annum)	**188**	192	(4)
Forward yield (%)	**7.3**	8.2	(0.9)
Average in-force escalation (%)	**3.0**	3.1	(0.1)
Weighted average lease period (years)	**6.7**	6.9	(0.2)
Asset value (R'billion)	**22.0**	20.9	1.1
Number of properties	**53**	51	2
GLA (m^2)	**1 050 611**	1 036 740	13 871
Value (excluding bulk) per m^2 (R)	**20 963**	20 120	843
Capital expenditure (R'million)	**306**	416	(110)

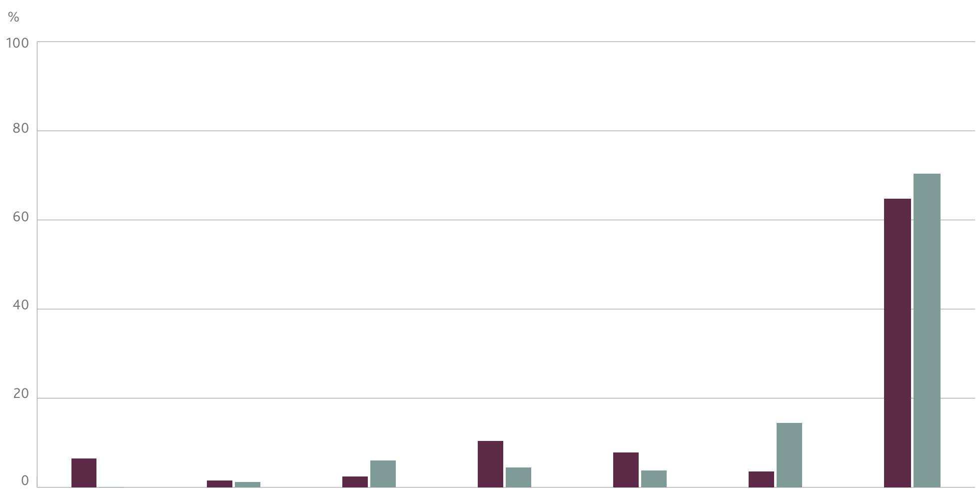

1 CHARLES STREET, PARRAMATTA, NEW SOUTH WALES

GOZ LEASE EXPIRY % OF GLA



	VACANCY	BY JUNE 2016	BY JUNE 2017	BY JUNE 2018	BY JUNE 2019	BY JUNE 2020	2021 BEYOND
Office	5.5%	1.4%	1.9%	15.5%	8.6%	2.0%	65.1%
Industrial	–	1.2%	8.7%	4.2%	4.5%	14.9%	66.5%

GOZ LEASE EXPIRY % OF GROSS RENTAL



	VACANCY	BY JUNE 2016	BY JUNE 2017	BY JUNE 2018	BY JUNE 2019	BY JUNE 2020	2021 BEYOND
Office	6.5%	1.6%	2.5%	13.5%	7.9%	3.6%	64.4%
Industrial	–	1.3%	6.1%	4.5%	3.8%	14.4%	69.9%

Sixth year of growth in distribution, net tangible assets and security price

Top 10 GOZ tenants

	Tenant	GLA* m²	% of total GOZ GLA
1	Woolworths	406 941	39.1
2	NSW Police	31 954	3.1
3	GE Capital Finance Australasia	24 910	2.4
4	Linfox	58 077	5.6
5	Commonwealth of Australia – DEEWR	15 398	1.5
6	Jacobs Engineering	9 595	0.9
7	Energex	8 754	0.8
8	Fox Sports	8 092	0.8
9	Star Track Express	44 424	4.3
10	Downer EDI Mining	5 636	0.5
Total of Top 10		**613 781**	**59.0**

* Ranked in terms of gross monthly rental.

Top 10 GOZ properties by value

	Property name	Location	Sector	Value Rm	% of total GOZ portfolio	GLA m²	% of total GOZ GLA
1	1 Charles Street, Parramatta	New South Wales	Office	2 457	11.2	31 954	3.0
2	70 Distribution Street, Larapinta	Queensland	Industrial	1 818	8.3	75 425	7.2
3	20 Colquhoun Road, Perth Airport	Western Australia	Industrial	1 259	5.7	80 374	7.7
4	219-247 Pacific Highway, Artarmon	New South Wales	Office	973	4.4	14 496	1.4
5	1231-1241 Sandgate Road, Nundah	Queensland	Office	876	4.0	12 980	1.2
6	333 Ann Street, Brisbane	Queensland	Office	855	3.9	16 490	1.6
7	10-21 Mort Street, Canberra	Australia Capital Territory	Office	799	3.6	15 398	1.5
8	22 Cordelia Street, South Brisbane	Queensland	Office	780	3.5	11 529	1.1
9	28 Bilston Drive, Wodonge	Victoria	Industrial	756	3.4	57 440	5.5
10	572-576 Swan Street, Richmond	Victoria	Office	738	3.4	14 660	1.4
Total of Top 10				**11 311**	**51.4**	**330 746**	**31.6**

International diversification and exposure to a developed and stable economy

120-132 ATLANTIC DRIVE, KEYSBOROUGH, VICTORIA

10-12 MORT STREET, CANBERRA, ACT

GROUP SERVICES

It has been a year of growth and restructuring for our service divisions, which focus on supporting our three South African sectors efficiently and in a cost-effective way. This enables profitable delivery and the ability to better serve our clients.

Group Services reorganised to help us work more smartly and efficiently

Responding to our significant portfolio growth and large rise in staff numbers, we reorganised our service divisions to help us work more smartly and efficiently. This new structure also strongly supports our client-focused approach.

Reporting lines were restructured at the beginning of the year and, in doing so, we placed a focus on our service divisions to ensure it was appropriately resourced. The large business acquisition of Acucap and Sycom grew our employees from 528 at FY14 to 700 at FY15 and added 46 properties to our portfolio. Our incorporation of the Tiber and Abseq portfolios and employees in FY14 had highlighted some weaknesses, so we undertook several initiatives in our service divisions to improve the quality of service internally and externally.

Our Investor Relations division is benefiting us with a fresh and dedicated focus. Taking a proactive approach to this important role, we have appointed Lauren Turner to head our Investor Relations division. This will ease up capacity for our Chief Executive Officer and Managing Director and ensure that the flow of information to investors is more efficient. It will also help us target specific investors in certain jurisdictions.

Julia Modise was appointed as our new head of Human Resources and we have expanded the capacity of the division. Our learning and development team was reintegrated with the Human Resources division. We've also added new business partners to carry out our Human Resources strategy across our business units.

Our Facilities Management and Procurement division restructured. It introduced a Centre of Excellence to set policy and ensure consistency and quality of service within our three property sectors. We established a call centre and an electronic invoice submission system for suppliers. Procurement, which plays a major role in this division, ensures that we are meeting our B-BBEE procurement targets and strive to optimise the benefit of Growthpoint's scale as well as ensuring that service levels are maintained by our service provider.

We have added capacity to our corporate marketing and communications team which took Growthpoint's distinctive branding forward this year by introducing an iconic new brand mark to our logo. Launched in June, the 'Growthpoint Window' is a modern crest that builds on the strength of Growthpoint's existing brand, creates an icon that can stand alone and offers more flexible use of the logo.

Our marketing team continued to broaden and increase awareness of Growthpoint with our marketing and brand awareness strategies.

The Information Technology division, which underpins our service division's operations, will be tackling the considerable task of integrating our new employees on to our Information Technology system. The IT division also continued developing Growthpoint's tailor-made property and financial management system, as well as furthering their focus on business continuity and disaster recovery.

Besides providing vital on-going legal support to our different sectors and service divisions, our Legal division managed the successful Acucap and Sycom Competition Commission and Tribunal merger approval. It continues to play a key role in negotiating our acquisition and lease agreements and effecting the transfer of properties for both acquisitions and disposals. In fact, during the year, it managed our largest land acquisition so far, Samrand, as well as assisting with the transaction's joint venture suite of agreements.

ACUCAP AND SYCOM

Bedding down our Acucap and Sycom acquisition is a major focus for Growthpoint. We have put together a steering committee to oversee the planning and implementing of the Acucap and Sycom business operations and property portfolio integration. By April 2016, a year after the transaction became effective, the Acucap and Sycom staff, systems and properties will be assimilated into the Growthpoint structure.

We have already taken the first big strides toward this goal. During the final few months of FY15 our management became more familiar with the properties and people of Acucap and Sycom. We worked closely with the former Acucap and Sycom teams on our FY16 budgets and made it a priority to develop an intimate understanding of all the development projects and transactions in progress.

Division	Objectives	Key performance indicators	Highlights for FY15
Corporate Marketing and Communications	To establish and increase positive engagement with the Growthpoint brand for all our stakeholders	• To maintain and uphold the Growthpoint brand and corporate identity • Identify marketing opportunities in line with the sector's strategic objectives to promote Growthpoint's activities and projects, and to execute these creatively and cost effectively • Nationally integrate and promote the Growthpoint culture and values among all staff, in collaboration with the HR Department • Drive and measure research and additional initiatives to improve tenant attraction and retention • Continue to effectively engage our clients through all communication platforms with emphasis on "green" media (very limited print) • Enhance client and supplier relationships through clear, regular communication – as well as providing opportunities for face-to-face interaction • Support the property industry through strategic sponsorships and congresses • Support our vision by providing information to our stakeholders which is relevant, substantial, understandable and factual	• Print and electronic media coverage for the brand valued at R60 million • Successful execution of 148 events • Growthpoint exhibition stand at the 2015 SAPOA annual conference awarded most innovative stand prize for the second consecutive year • Growthpoint quarterly digital newsletter Touchpoint steadily gained readership, having increased twentyfold this year • Exponentially increased usage of social media, engagement and "shares" through digital platforms including Facebook, Twitter, Instagram and our YouTube channel • Office and Industrial sector broker incentive now in its fifth year and gaining popularity in the industry • Our five year partnership with Growthpoint Kings Park (since May 2013) continues to provide us with good exposure across South Africa

Division	Objectives	Key performance indicators	Highlights for FY15
Facilities Management and Procurement	• Focused on fostering a culture of collaboration to support the strategy of Growthpoint, delivering maintenance solutions, value adding client experiences and quality facilities throughout the asset life cycle, guided by best practice and legislation • Partnering with our stakeholders to deliver international best procurement/supply chain practices through value adding, innovative and sustainable services	• Maintaining an excellent state of condition and functional performance of all properties which in turn directly influences attraction and retention of tenants • Achieving the most sustainable and predictable cost of maintaining and operating the properties. The outcome directly supports achievements of profit margins and consequent investment returns • Maintaining compliance with legislation governing the operation and use of buildings, plant and machinery • Maximising the B-BBEE spend on services procured for the operations and maintenance of properties and thereby directly impacting the B-BBEE scorecard of Growthpoint, notably in preferential procurement and enterprise development • Increasing knowledge sharing, standardisation and consistency of the facilities management function across the organisation • Brokering business to business and client collaboration partnerships • Investing in enabling technological solutions to streamline service delivery and automate integrated processes • Continuously researching and benchmarking supply chain/ procurement and facilities management best practices thereby creating value for all stakeholders	• Restructuring of procurement team to align with the organisation's procurement vision and leverage on team's strengths • Creation of a Facilities Management centre of excellence to drive standardisation and consistency across the organisation • Creation of a new Facilities Management operating model to improve service delivery across the three sectors of the organisation • Setting up of a Growthpoint Maintenance Service Desk to track client logged maintenance requests thereby ensuring client satisfaction and improved service delivery • Cleaning, tenant installations and small industrial works request for proposals successfully completed, resulting in the organisation achieving a significant improvement in black woman -owned and black-owned small and medium enterprises B-BBEE targets • Preferential procurement score of 17.16 out of 20 achieved on total procurement spend • Asset register for the Tiber and Abseq acquired properties has been completed • A pilot project to create a governance framework of physical and technical security building solutions is being rolled out across the three sectors of the organisation to address unique building security risk profiles • Round one of Live@5 procurement systems training completed • Live@5 phase 1, which includes digital invoicing and payment for contracted services, has been successfully implemented • Business needs analysis and prioritisation of supply chain/ procurement opportunities conducted across the three sectors and strategic business units of the organisation to leverage economies of scale

Division	Objectives	Key performance indicators	Highlights for FY15
Human Resources	To attract, develop and retain engaged talent and teams	**Talent attraction:** • Maintain recruitment turnaround time of ninety days • Utilise cost effective alternative recruitment methods • On-board new employees to facilitate seamless integration into the organisation • Attract a representative workforce	• HR Business Partners appointed to better and closely service the business • Recruitment Service Level Agreement launched • On-boarding programme launched
		Development: • Number of black employees trained • Enhanced compliance and alignment of key employees with regulatory requirements of the Estate Agency Affairs Board (EAAB) • Contribution towards the National Skills Development • Health and safety training	• 427 employees trained (232 – black; 195 – white; 218 – male; 209 – female) • R6,5 million (including operational costs) invested in learning and development activities with direct expenditure of R2,7 million spent on black employees and R2,0 million spent on white employees • On average, our employees received six hours on training interventions • R202 000 spent on the development of unemployed learners • On the job training and mentorship programme for the unemployed learners • Accreditation of designated managers and employees for successful completion of the EAAB qualifications • Executive coaching for senior management • Roll-out of the performance management system • Launching of the change integration process for the office sector • Launching of ABET (Adult Basic Education Training) • 78 employees attended OHS training courses

Division	Objectives	Key performance indicators	Highlights for FY15
Human Resources continued		**Retention:** • Consistent development of managers and leaders "Good leaders develop and retain top talent" • Maintain competitive total rewards	• Coaching of key senior leaders • Team development of Exco • Enhanced risk benefits • Implemented Retention Scheme for key talent
	To foster and entrench a culture of high performance	• Implementation of an integrated performance management system • Clear link between performance and rewards • 95% completion of performance contracts and reviews • Consistent training of staff and managers on effective performance discussions	• Performance Development System implemented • Salary increases and bonus linked to performance rating • 98% completion rate of year-end performance reviews • Effective performance discussion workshops held with managers
	To drive and build our employee value proposition and brand	• Maintain a strong presence at top universities • Participate in key employer branding initiatives; Deloitte Best Company to Work for & Top Employer • Produce total rewards statements for all staff "Articulating full investment in staff"	• Attended Wits University Built Environment Career Day for the School of Construction Economic & Management • Total rewards statement project kicked off in partnership with PwC
Information Technology	To support the South African sectors of the businesses across all geographic regions by providing information technology services and support	• Effective utilisation of outsourced operations and internal focus on enhancing IT values to the business • Optimisation of the performance of the IT infrastructure and the deployment of human resources • Identification, assessment, mitigation and monitoring of IT risks • Securing the IT environment and reduction of vulnerabilities impacting on operations and the business • Compliance with King III IT governance principles • Successful disaster recovery testing • Value of IT spend	• Further consolidation and upgrade of the internet resulting in reduced cost and increased bandwidth • Additional implementation of Cloud Based Hosted IP Telephony systems • Continued optimisation of Wide Area Network (WAN) infrastructure for retail centres • Online portal for the electronic submission of supplier invoices implemented • Development of online property management dashboard • Development of CRM solution for the office sector and Corporate Marketing and Communication division • Upgrade of Microsoft infrastructure for measurement and monitoring of performance • Efficient utilisation of IT resources using cloud based infrastructure as a service. • Ongoing development of a new property and financial management system

Division	Objectives	Key performance indicators	Highlights for FY15
Legal	To support the South African sectors of the businesses across all geographic regions, as well as the Group Services divisions, by providing legal services and support	• Effecting the timely and successful transfer of properties with regard to both acquisitions and disposals • Timely and appropriate response for legal support • Employees kept abreast of new legislation and amendments to existing legislation	• Managing the successful Acucap/Sycom Competition Commission and Tribunal merger approval • Managing the joint venture suite of agreements and negotiations with regard to the Samrand acquisition – Growthpoint's largest land acquisition to date • Initiation of recording, monitoring and reporting of conveyancers' performance • Initiation and collaboration on a Workflow and Document Generation System aimed at improving workflow and service delivery • Hosting of legal boot camps for employees
Investor Relations	• Creating awareness and understanding of Growthpoint amongst the investment community, to enable Growthpoint to gain access to capital, achieve liquidity and a fair valuation of its shares • Ensuring that the investment story is convincing and consistent over the long term • Attracting a diversified shareholder base in terms of investor type, investment style and geography	• Further geographical diversification of the shareholder base • Attraction of large prestigious international investors to the shareholder register • Implementation of a formal Investor Relations strategy • Investor Relations calendar to be planned a year ahead • Disclosure policy to be refined • Analysis and understanding of our shareholder base • Targeting of specifically identified investors • Upgrading of Investor Relations section of the website	• Increased exposure to foreign investors • Roadshow for RSA investors to GOZ

We undertook several initiatives in our service divisions to improve the quality of service

Building sustainable communities through strategic investments in socio economic development initiatives

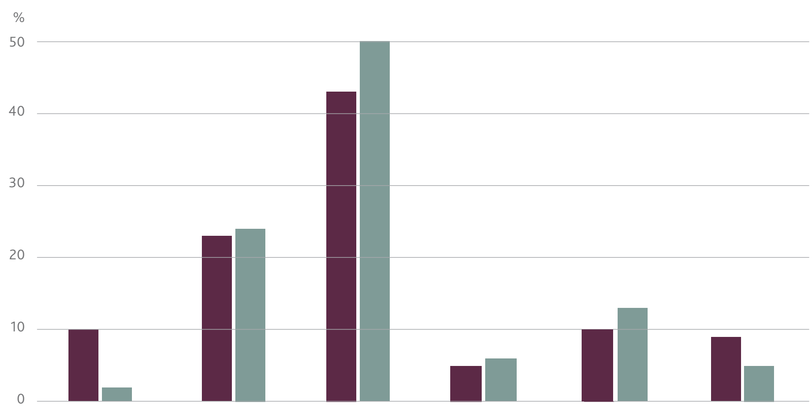
RIVER SQUARE SHOPPING CENTRE, VEREENIGING

EBONY, GERMISTON

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CORPORATE SOCIAL RESPONSIBILITY

CSI 2015 BUDGET



	AD HOC AND COMMUNITY WELFARE	EDUCATION	ENTERPRISE DEVELOPMENT	RENTAL SUBSIDY	SOCIAL INFRA-STRUCTURE	SUPPORT COST
2015	10%	23%	43%	5%	10%	9%
2014	2%	24%	50%	6%	13%	5%

Corporate Social Responsibility (CSR) at Growthpoint is about demonstrating a long-term positive change in society and the environment around us. Our approach begins by identifying challenges faced within our context and the adoption of an integrated methodology in mitigating them. Growthpoint takes responsibility seriously and make risks and opportunities an important part of decision making processes.

There are a number of drivers and barriers to the effectiveness of our CSR at Growthpoint, some of which are within our control and others over which we have limited control.

We acknowledge that the property sector plays a significant role in socio-economic development of the country and deem our responsibility to be linked to community investment, industry transformation and environmental accountability. Corporate social investment remains a great demonstration of Growthpoint's commitment to uplifting local communities. Our investment intention towards socio-economic development includes entrepreneurial development, education, social infrastructure projects, staff engagement, and rental subsidies. For FY15 we have invested R15 million on programmes across the country and particularly in our three major regions: Gauteng, KwaZulu-Natal and the Western Cape. The total budget for FY15 increased by 15% from FY14 and was allocated towards the Group's focus areas.

The administration of these areas is guided through the CSR policy, with the budget managed by the CSR team and reported to the Social, Ethics and Transformation Committee on a quarterly basis.

CREATING SUSTAINABLE SOCIAL CAPITAL

Growthpoint CSI's impact statement is to be a contributor in areas with business footprint that ensures:

- children have access to quality education
- youth are upskilled to actively participate in the marketplace and to be value-adding citizens
- communities realise asset ownership that benefits social upliftment programmes
- NGOs have centralised facilities that enable local development
- staff engagement promotes awareness of Growthpoint's values of being socially responsible
- sustainable SMEs that create jobs in the country.

Growthpoint's approach to the performance of the social investment portfolio is material to value creation and stakeholder engagement plays a significant role in making this effective.

We consider stakeholder engagement to form part of our non-financial value that enhances business performance. Some of our key stakeholders include our staff, communities, NGOs, the government and industry bodies. We engage with the identified stakeholders through different and suitable platforms that include, but are not limited to; surveys, site visits, project status meetings, research and reports; and seminars and conferences. We are pleased to have participated in the development of the CSI Benchmarking Tool by NationBuilder. This was a collaborative effort by various corporates and NGOs to provide guidelines for implementing CSI in the South African context.

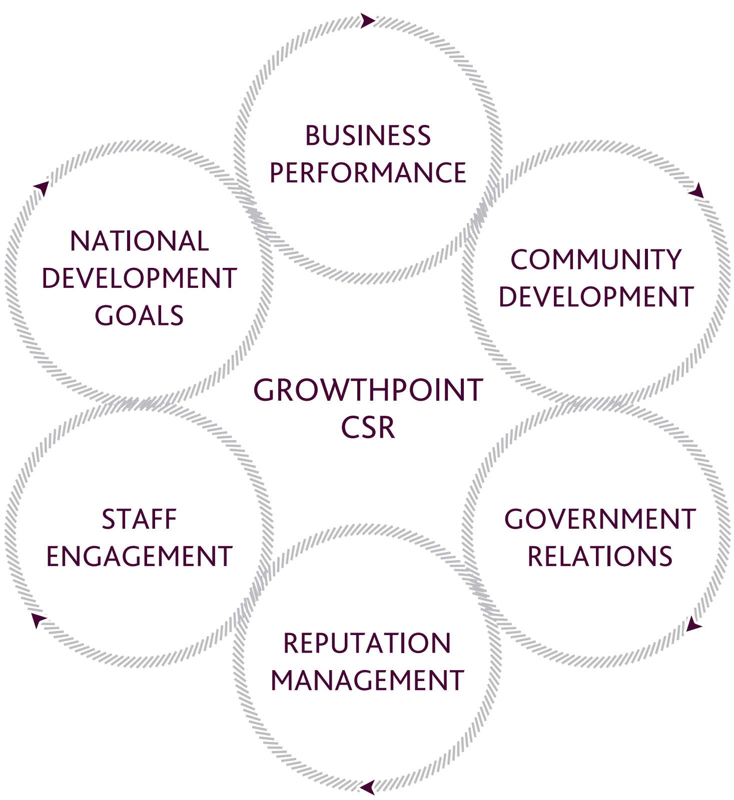
FY15 SOCIAL INVESTMENT RESULTS

Our approach towards long-term value creation has presented an opportunity for us to focus on social impact measurement. Although not all our programmes have rigorous impact assessment tools, there is a high level of monitoring and evaluation. We acknowledge that social impact is not achieved in isolation and cannot be expected over a short period of time due to the complex nature of social development, thus our focus on the introduction of the Theory of Change in our work. Challenges and successes of this approach will be shared in our short case report for Growsmart.

"When the communities we work in succeed, we know that we are working strongly as partners towards sustainable development, and this means healthy success for our business too. Growthpoint believes in the future of South Africa and drives effort towards creating it"

SHAWN THEUNISSEN, HEAD OF CORPORATE SOCIAL RESPONSIBILITY

Factors influencing CSR at Growthpoint



ENTERPRISE DEVELOPMENT

Value created

SMEs on the programme have secured R122 million worth of contracts across various sectors. This means that the average turnover and profitability improved for most businesses, allowing for economic empowerment of not only the businesses, but the households that benefit from this activity.

ENTERPRISE DEVELOPMENT

PROPERTY POINT

This is our enterprise development programme that has been effectively achieving consistent success for seven years. As a ground-breaking programme that was initiated with the intention to transform the property sector's supply chain, the programme continues to promote collaboration for greater impact. In 2015 we welcomed the opportunity to partner with one of our industry peers, Attacq, for their enterprise development initiatives. In line with the programme objectives, we worked with black-owned SMEs within property services to support them as emerging suppliers. This has resulted in:

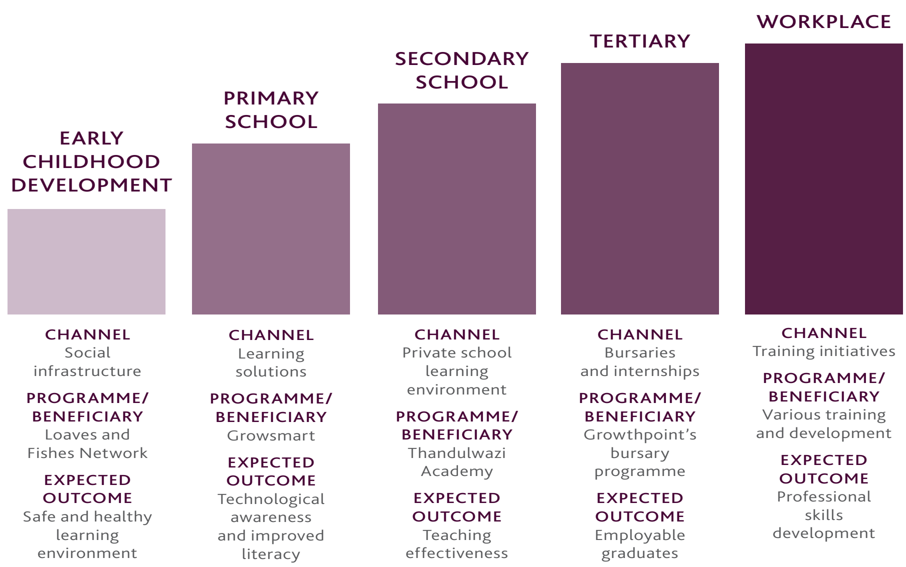
Programme impact analysis

	FY14	FY15	Cumulative to date
Contracts accessed through Growthpoint Properties supply chain by beneficiary companies	R24,3 million	R93,7 million	R186,0 million
Value of contracts awarded to Property Point beneficiary companies, excluding Growthpoint	R24,3 million	R27,8 million	R119,9 million
Total number of full time equivalent jobs created by beneficiary companies	113	237	1 141

EDUCATION

The priority of quality education remains prevalent in South Africa's journey towards economic stability. At Growthpoint we adopt a longitudinal approach to providing access to quality education. Our programmes provide touchpoints for the improvement of standards within the areas that we operate. Through various channels we are able to influence the factors that contribute to the provision of quality education. We work with partner organisations to facilitate comprehensive programmes needed at every educational level.

Growthpoint's value chain for education



GROWSMART

A five year review

Upon inception of the Growsmart programme our objective was to create awareness about literacy in the targeted Western Cape primary schools. We are pleased to report that there has been positive feedback about the role that the programme has played in facilitating learner involvement.

Input	Throughput	Output	Direct outcome	Indirect outcome
Financial	R12,5 million	70 000 learners reached School upgrades worth R3,5 million Bursaries for six learners	Better learning facilities for 15 schools	Promotion of leadership and accountability within the schools
Human	Programme coordination from launch to final competition	Annual National Assessment result	Increased focus on literacy improvement	Increased teacher and parent involvement in the learner's education
Material	Mentoring	Newsletter	Increased awareness of literacy	Dependency on the Growsmart newspaper as a method of promoting engagement

Towards impact . . . a monitoring and evaluation case

During FY14 we conducted a critical assessment of our education flagship programme, Growsmart. Our observations indicated that we had previously been focusing on input and output reporting with minimal focus on the outcome as well as impact realised from the investment in the programme. Working together with the Western Cape Department of Education, we facilitated workshops that presented a five year review of the programme. The assessment included questions around the literacy problem and Growsmart's role in addressing it. After much deliberation, the problem was identified to still exist in the targeted communities, therefore, the impact of the programme may not have been as great as previously considered. Our interventions needed supplementary inputs that would preferably be sourced with other partner organisations. The revised objective statement for the programme was concluded to be about enhancing the literacy, learning abilities and experience of participating learners of the programme. Indicators were then decided upon and monitoring and evaluation techniques formulated – we will report on the findings in the next financial year.

As part of our increasing awareness on refining the effectiveness of inputs in our programmes, we partnered with iSchool Africa for the iPad Learning Lab and also launched a story writing competition. The winning Growsmart school for the 2014 competition, Primrose Park Primary, is our first school to be exposed to the digital solution of learning as part of our efforts to equip the teachers and learners with tools that will enhance learning experiences.

In addition, we have also identified two schools, one in KwaZulu-Natal and the other in Gauteng, that will be part of our iPad Learning programme. We will report on the results in FY16. These initiatives have resulted from the lessons learnt and successes of the Growthpoint project.

Our efforts towards social responsibility are internationally benchmarked

THANDULWAZI MATHS AND SCIENCE ACADEMY

"The achievements and progress made by the Thandulwazi Maths & Science Academy over the last year would not have been possible without Growthpoint's significant and generous support and its commitment to providing access to and quality education for all."

BEV JOHNSON, ST STITHIANS FOUNDATION DIRECTOR

Our continued support towards Thandulwazi demonstrates our belief in the future of our youth. We contributed R250 000 towards various skills development programmes facilitated in Gauteng. Growthpoint's focus on quality education in this sphere provides emphasis on teaching quality and is achieved through the Teacher-Intern programme. We have funded an intern for the past two years and look forward to his graduation and qualification as a teacher in Early Childhood Development phase.

EDUCATIONAL BURSARIES

"This bursary has provided me endless opportunities and is putting me one step ahead as I am exposed to the best in the industry. I am now working towards my dream of influencing [the property] industry."

MTHUNZI NHLAPO, 2ND YEAR BSC. PROPERTY STUDIES STUDENT AT UNIVERSITY OF WITWATERSRAND

Our bursary programme enables the development of professionals within the property sector. We have an internal bursary programme that supports students at tertiary level. We also work with the South African Property Owners Association in identifying deserving students for a bursary. The support has been predominantly for students studying at accredited universities in Gauteng. We are however looking at expanding our geographical footprint. Our total contribution for FY15 towards bursaries amounted to R400 000.

SOCIAL INFRASTRUCTURE DEVELOPMENT

Social infrastructure development remains core in our social investment as it is linked with our primary business. Types of projects within this focus area allow us to engage with our suppliers and to make use of our internal expertise to deliver spaces for communities to thrive. In the previous reporting period we communicated our R1,7 million investment into the Loaves and Fishes Network. The completion of the development of Phakamani and Khanya Educare centres in Newlands has enabled the facilitation of access to quality education for the children in the rural areas of East London. The project has also created the necessary structure to help support parent and community participation in the caring, nurturing and wellbeing of the beneficiaries.

COTLANDS

Cotlands Early Learning Playgroups offer high impact stimulation sessions to children where new concepts are introduced, explored and discovered through play. Our contribution of R250 000 was towards the sponsorship of a playgroup in, Hlabisa KwaZulu-Natal. The programme's output will be reviewed annually.

RENTAL SUBSIDIES

As part of Growthpoint's CSI strategy we provide rental subsidies to registered NGOs. We have built relations with various NGOs through this form of funding and appreciate the avenue through which we can positively change the lives of communities that these NGOs service. During FY15 we supported Opera Africa, Field Band Foundation, Education Africa, Stop Hunger Now and Tomorrow Trust. These NGOs rely on the subsidy as an anchor to their day-to-day business and it is important to us to see these organisations advance their efforts towards sustainable development.

Name of organisation	Focus area
Opera Africa	Youth development through arts and culture
Field Band Foundation	Youth development though arts and culture
Education Africa	Education
Stop Hunger Now	Food security
Tomorrow Trust	Poverty eradication through education

COMMUNITY WELFARE

Taking care of the basic needs of the community is essential in delivering comprehensive social development programmes. We will be launching a more active staff engagement programme in FY16. The staff volunteerism and engagement programme, called Growthpoint Gives (also known as Gsquared), allows staff to participate in various organised projects. As part of our greater good towards the community welfare we have committed 6 700 hours of volunteerism. This campaign was inspired by Mandela Day. For FY16 each employee will be allowed up to eight hours towards volunteerism, and collectively we aim to reach a target of 6 700 hours.

Rental subsidies offer direct strategic business and social benefits while reducing property vacancies. We enabled NGOs to impact over 10 400 benificiaries.

For the past four years we have met and exceeded the targeted procurement spend on B-BBEE suppliers with R2,7 billion being spent in FY15.

SUSTAINABLE TRANSFORMATION

"Growthpoint has a deep understanding of transformation. The social investment programmes are directly linked to the business and the needs of the community."

PORTIA TAU-SEKATI, CEO OF PROPERTY SECTOR CHARTER

In the FY14 we reported that our B-BBEE score was under review due to the conversion of the business to a Real Estate Investment Trust. A few challenges were identified that would impact the sector's B-BBEE scoring and diminish the progress made by various sector players towards transformation. We therefore requested the SA REIT Association and Property Sector Charter Council to review the factors contributing to the scorecard. The result of the previous period B-BBEE rating was a Level 6. We have however been able to put measures in place such as improvement in our skills development and economic development scores. Our improved ranking for the reporting period is a Level 3 under the Property Sector Charter.

We do not know the full extent of the impact of the Revised Property Sector Charter on our score card, but are working together with various stakeholders on material matters that contribute to transformation.

GROWTHPOINT'S B-BBEE RATING HISTORY

Year	B-BBEE Level
2009	Level 5
2010	Level 3
2011	Level 3
2012	Level 4
2013	Level 5
2014	Level 6
2015	Level 3

GLOBAL RESPONSIBLE CITIZENSHIP

Accountability is important to us and we constantly advocate our conduct in line with the principles set out in the Organisation for Economic Cooperation and Development as well as the United Nations Global Compact framework.

Growthpoint has for the fifth consecutive time been included in the JSE Socially Responsible Investment Index (SRI) receiving best performer scores within the Environmental and Climate Change elements. We also received an inclusion in the Dow Jones Sustainability Index (DJSI) and the Global Real Estate Sustainability Benchmark (GRESB).

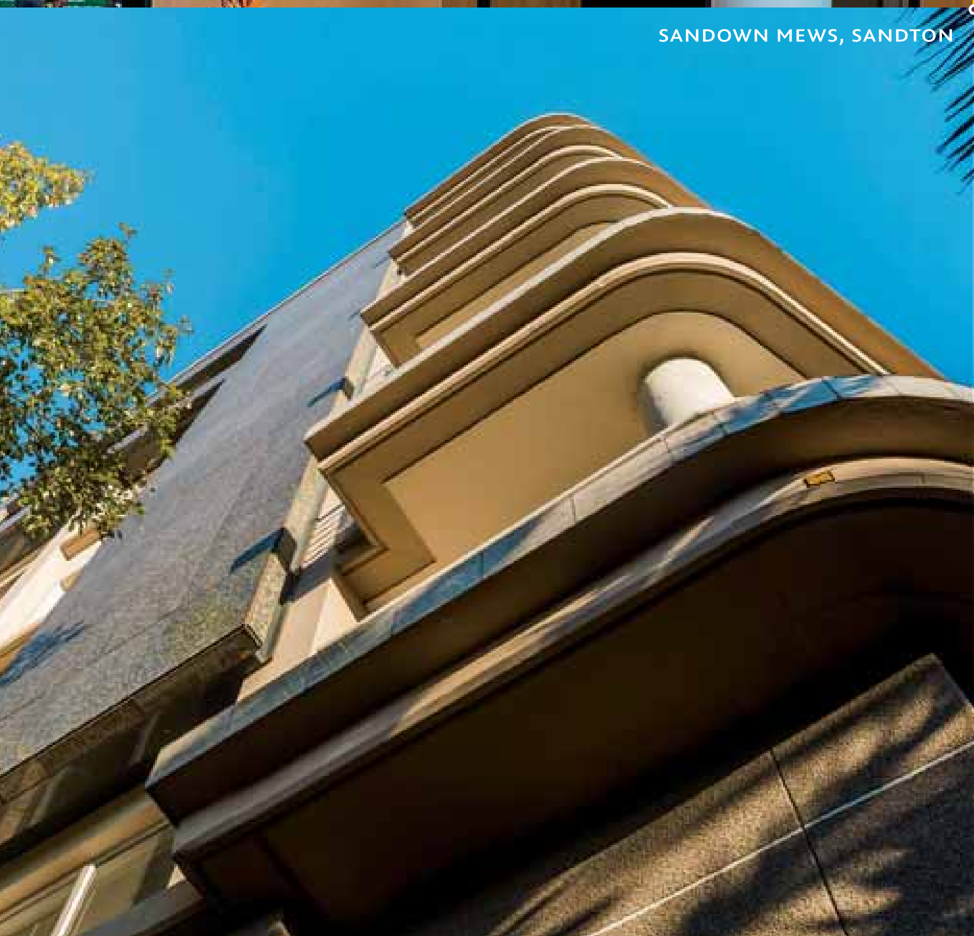
In FY15 we have faced no issues of non-compliance, fines or prosecution through our engagement in community support projects.

DELOITTE, DURBAN

Governance metrics rated by MSCI at 8.5/10 placing Growthpoint in the highest scoring range for global companies

CORPORATE GOVERNANCE AND RISK MANAGEMENT

SANDOWN MEWS, SANDTON



CORPORATE GOVERNANCE

PHILOSOPHY

Governance at Growthpoint meets with or exceeds the provisions and principles of the King III Report and Code, which are also followed for purposes of annual reporting. In addition to the King III principles, specific, meritorious corporate governance criteria employed by Growthpoint's institutional investors are also considered and applied as required. These include the Code for Responsible Investment in South Africa (CRISA).

As part of Growthpoint's and the Board's commitment to sound governance, the directors endeavour to ensure that the business is conducted with integrity and accountability, as per the Code of Ethics incorporated in the Board Charter. This entails on-going improvement of structures, policies and practices implemented to enhance corporate governance in the company's best interests and for the ultimate benefit of all stakeholders.

The company has remained compliant with the Companies Act 2008, as amended (the Act). The Board Charter as well as the Terms of Reference of Board committees are aligned with the provisions of the Act, as are Growthpoint's own statutes and those of its subsidiaries.

ROLAND KRABBENHÖFT
Company Secretary

2015 CORPORATE GOVERNANCE ASSESSMENT

The company has completed its annual governance self-assessment by applying an accredited governance assessment tool, with a very satisfactory outcome (Overall rating: AAA – highest accreditation), as reflected in the tables that follow:

The Board is guided in all matters by the Board Charter which sets out its responsibility

KING III GOVERNANCE REGISTER AT: 25 AUGUST 2015

AAA	Highest application	AA	High application	BB	Notable application	B	Moderate application	C	Application to be improved	L	Low application

	Growthpoint Properties Limited – 1987/004988/06	IoDSA GAI score	Applied/ partially applied/ not applied
+	Chapter 1: Ethical leadership and corporate citizenship	AAA	Applied
+	Chapter 2: Boards and directors	AAA	Applied
+	Chapter 3: Audit committees	AAA	Applied
+	Chapter 4: The governance of risk	AAA	Applied
+	Chapter 5: The governance of information technology	AAA	Applied
+	Chapter 6: Compliance with laws, rules, codes and standards	AAA	Applied
+	Chapter 7: Internal audit	AAA	Applied
+	Chapter 8: Governing stakeholder relationships	AAA	Applied
+	Chapter 9: Integrated reporting and disclosure	AAA	Applied
	Overall score	AAA	

	Growthpoint Properties Limited – 1987/004988/06	Fully complied/ review
+	JSE Corporate Governance Listing Requirement	Fully complied

Governance element	Brief summary of the application of King III principles
1. Ethical leadership and corporate citizenship	The Board: • provides effective supervision and leadership based on ethical imperatives • directs strategy and operations for sustainable business • annually reviews Group strategy • ensures Growthpoint is a responsible corporate citizen • ensures company ethics are managed effectively, under the auspices of the Social, Ethics and Transformation Committee in terms of the Act • tracks measurements and key performance indicators for effective corporate social responsibility, green initiatives and programmes dealing with environmental sustainability • monitors ethical risks and opportunities

Governance element	Brief summary of the application of King III principles
2. Boards and directors	The Board: • ensures that it acts in the best interests of the company • acts as the focal point for, and custodian of, corporate governance and the governance of risk including information technology risk • recognises that strategy, risk, performance and sustainability are inseparable • endeavours to ensure that the Audit Committee and the internal audit function remain effective and independent • ensures that Growthpoint complies with applicable laws and considers adherence to non-binding rules, codes and standards • ensures that the roles of Board Chairman and the company's Chief Executive Officer are separated • maintains a balance of power, with a majority of independent non-executive directors • ensures the Chairman is an independent, non-executive director whose role is defined in the Chairman's Charter • annually elects the Chairman of the Board and committees (save for the Audit Committee whose members and Chairman are elected at annual general meetings) and would also deal with the succession of the Deputy Chairman if necessary • appoints the Chief Executive Officer • includes a Financial Director in a full-time, executive capacity, in accordance with the JSE Listings Requirements • implements and periodically reviews an effective succession plan for senior management via the Remuneration Committee, which process is monitored by the Risk Management Committee • works within an established framework for effective delegation of authority • appoints directors by involving the whole Board, on recommendation of the Nomination Committee, through a formal process governed by the Nomination Committee's Terms of Reference and by the company's MOI (the removal of a director without shareholder approval, in terms of section 71(3) of the Act, is incorporated into the company's MOI) • ensures bespoke induction and development of new directors • is assisted by a competent, suitably qualified and experienced Company Secretary who is not a director and who maintains an arm's-length relationship with the Board (formal assessment performed by the Board in June 2015) • performs self-evaluation of the Board and its committees annually, with formal feedback. Directors are not individually assessed but the Board and committee self-assessment gives members the opportunity to comment on the performance and contribution of their colleagues • annually assesses and has, in May/June 2015, assessed the independence (or not) of every non-executive director including those with tenures exceeding nine years • delegates to well-structured, appropriately constituted committees without abdicating its own responsibilities • applies the governance framework to Group subsidiaries and their boards • ensures, on the Remuneration Committee's recommendations (based on expert outside opinion) that directors and executives are remunerated fairly and responsibly • ensures that remuneration of the directors is disclosed fully and individually • obtains approval from the shareholders at each AGM for non-executive directors' fees in respect of the ensuing financial year • asks shareholders at the AGM for approval of Growthpoint's remuneration policy (currently a non-binding vote in South Africa)
3. Audit committees	The Audit Committee: • is effective and independent, and ensures that its members, including the Chairman, are suitably skilled and experienced non-executive directors • oversees the Group's integrated reporting and reviews and disclosure of sustainability issues • satisfies itself annually of the expertise, resources and experience of the company's finance function and of the Financial Director's suitability • oversees the internal audit function, receives internal audit reports at each of its quarterly meetings and approves the annual internal audit plans • plays an integral role in the Group's overall risk management process • specifically oversees financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting, and IT risk as it relates to financial reporting • recommends the appointment of the external auditor and oversees external audits • approves and implements a policy for non-audit services provided by the external auditor • engages external specialists on material sustainability and integrated reporting aspects • reports quarterly to the Board and annually to shareholders • annually assesses its effectiveness as a committee

Governance element	Brief summary of the application of King III principles
4. The governance of risk	The Board is responsible for the governance of risk, which it manages through an independent Risk Management Committee. This Committee also monitors the company's compliance with the qualifying REIT criteria laid down by the JSE's Listings Requirements (Section 13), which it may delegate to the Audit Committee. The governance of risk is covered later in this report
5. The governance of information technology (IT)	• The Board is responsible for the governance of IT risk via the Risk Management Committee, and for governance of financial reporting risk via the Audit Committee • The Chief Information Officer, who attends meetings of both the Risk Management and Audit committees, and is an Exco member, is responsible for the IT governance framework • The external auditors periodically assess IT governance against King III • IT strategy is part of the Group's strategic plan and business processes • The Board tracks and evaluates material IT investments and expenditure to ensure IT infrastructure is managed efficiently • IT forms an integral part of the company's risk management and IT internal audits are performed periodically by qualified and experienced outside parties
6. Compliance with laws, rules, codes and standards	The Board: • ensures that the company complies with applicable laws and considers adherence to non-binding rules and codes • makes compliance a standing item on the Risk Management Committee agenda • recognises that compliance is an ethical imperative • acknowledges that compliance risk is an integral part of Growthpoint's risk management process • ensures effective compliance frameworks and processes are in place • ensures that compliance officers are well qualified, and have ongoing interaction with the Risk Management Committee and/or executive management on compliance matters • has a working knowledge of applicable laws, rules, codes and standards, as well as the potential impact on the company and its business
7. Internal audit	• The Board, via the Audit Committee, ensures that internal audits are effective and risk based • The Internal Audit Charter is approved and periodically reviewed by the Audit Committee • The Head of Internal Audit and Risk Management reports to the Audit Committee quarterly, on the design and operating effectiveness of the company's internal controls • Internal Audit is strategically positioned to achieve its goals • The internal audit function is appropriately resourced for the complexity and volume of work required • The Head of Internal Audit and Risk Management has a standing invitation to attend Executive Management Committee (Exco) meetings
8. Governing stakeholder relationships and dispute resolution	• The company has a formal investor relations policy and an Investor Relations Officer • The Board recognises that stakeholder perceptions can affect the company's reputation and seeks to ensure the equitable treatment of all stakeholders • Management proactively deals with stakeholder relationships by balancing various stakeholder interests appropriately and in the company's best interests • The Board ensures that disputes are resolved as effectively, efficiently and expeditiously as possible • Where necessary, resolution of both internal and external disputes relies on the Association of Arbitrators of SA. Employees involved in any such process will be assisted by the company's legal advisors • Communication processes and policy for interaction with the media and stakeholders are approved by the Board
9. Integrated reporting and disclosure	• The Board is responsible for the integrity of the company's integrated report, with the assistance of the Audit Committee • Annual sustainability reporting and disclosure is overseen by the Audit Committee • Compliance with the Global Reporting Initiative, as well as the formal guidelines on reporting by the Integrated Reporting Committee of South Africa (IRC), is assessed internally and externally

The full register of the company's application of the King III Principles can be found on the company's website.

THE BOARD OF DIRECTORS

During the year under review and as at the date of issue of this report, Growthpoint had a unitary board comprising 14 directors in total: three executive directors and 11 non-executive directors, nine of whom are and were throughout the past financial year, independent.

The Board's role is to provide strategic direction and leadership, to promote shareholder value and enhance the sustainability of the business, to the benefit of the company and all its stakeholders. To ensure they act with independence and integrity, directors are required to abide by Growthpoint's Code of Ethics and policies promoting ethical behaviour.

The directors annually declare their financial interests, as per the Act. Directors' interests in the company's shares in issue on 30 June 2015 are set out in the directors' report to the annual financial statements (AFS).

The majority of the non-executive directors are independent. In line with the King III principles, non-executive directors who, directly or indirectly, have an interest in Growhtpoint's BEE structure, as well as those with related-party interests, are not regarded as independent.

The business experience of each of the executive and non-executive directors enables them individually, and as a board, to evaluate strategy, assess the company's performance and at all times to act in Growthpoint's best interests.

Non-executive directors have unrestricted access to company information and meet the management without the presence of executive directors. To help them fulfil their responsibilities effectively, non-executive directors may also seek independent professional advice, which is paid for by the company. The Audit Committee provides, as a standing item on the agenda of regular meetings, for combined or separate closed sessions with management, external auditors and the internal auditor to be held after every meeting as and when necessary.

The King III Report recommends that the independence of non-executive directors serving more than nine years be assessed. The Board has, during May/June 2015, reviewed the status of all of the non-executive directors, in terms of the JSE-applied definition of independence as contained in the King III Report, including the following directors with tenures exceeding nine years who have been assessed as indicated below:

Name of director	Year of appointment	Number of years in service	Status
Mzoli Diliza*	2001	14 years	Not independent
Peter Fechter	2003	12 years	Independent
John Hayward	2001	14 years	Independent
Hugh Herman	1995	20 years	Independent
Francois Marais	2003	12 years	Independent
Herman Mashaba	2006	9 years	Independent
Ragavan Moonsamy	2005	10 years	Independent
Frederick Visser	2001	14 years	Independent

* BEE partnership

GROWTHPOINT PROPERTIES AUSTRALIA LIMITED (GOZ)

GOZ reports to Growthpoint's Risk Management Committee annually on the applicability of the King III principles to its governance policy, as well as additional parameters required by Australian law. GOZ's governance policy conforms with or exceeds the major principles of the King III Code.

Growthpoint directors hold positions on GOZ's Board and committees, as follows:

Board: LN Sasse, EK de Klerk and JF Marais

Audit, Risk and Compliance Committee: EK de Klerk

Nomination, Remuneration and HR Committee: LN Sasse (Chairman) and JF Marais

RE-ELECTION OF DIRECTORS AND NEW APPOINTMENTS

Directors who retire by rotation or otherwise at AGMs are those longest in office and those appointed by the Board since the last AGM. Retiring directors are named in the directors' report and AGM Notice included with the Notice and Proxy of Annual General Meeting and Summarised Financial Statements. The Board, through the Nomination Committee, recommends (or not), as the case might be, retiring non-executive directors for re-election or election at the AGM.

Appointments of new directors are handled by the full Board, on the recommendation of the Nomination Committee. New directors are adequately informed about Growthpoint's business and policies, as well as meeting dates and procedures. All directors receive the Board Charter during induction and once a year for review at the appointed Board meeting.

One-third or nearest that number of the non-executive directors are subject to retirement by rotation and re-election by shareholders at the AGM each year.

Executive directors are, in terms of Growthpoint's MOI, not subject to retirement by rotation at the AGM. This is in line with King III recommended best practice, and supported by the JSE, for South African listed companies.

ATTENDANCE AT MEETINGS

The Board meets quarterly and on an ad-hoc basis, if required. The quorum requirements of Growthpoint's MOI are always considered when scheduled, ad-hoc or special meetings are convened. Due regard is given to recusal of directors where conflicts of interest or related-party positions exist or could arise.

Details of attendance at Board and committee meetings in FY15 are set out below. Board members are encouraged to serve on at least two Board committees.

Four scheduled Board meetings were held during FY15. In all cases in FY15 where directors or committee members were unable to attend a meeting, the Board or respective committee accepted their justified leave of absence.

Attendance at meetings

Director	Board	Audit	Risk Management	Property	Social, Ethics and Transformation	Remuneration	Nomination
JF Marais	4/4	1/6*	3/4*			5/5	1/1
EK de Klerk	4/4	4/6		4/4	4/4	5/5	0/1
MG Diliza	3/4			4/4	4/4		1/1
PH Fechter	4/4	6/6		4/4			1/1
LA Finlay	4/4	6/6			4/4		0/1
JC Hayward	4/4	6/6	4/4				1/1
HS Herman	4/4			4/4		5/5	1/1
HSP Mashaba	4/4					5/5	
SP Mngconkola	4/4		4/4		3/4		
R Moonsamy	4/4			4/4	4/4		
NBP Nkabinde	4/4		4/4		4/4		
LN Sasse	4/4	1/6*	4/4	4/4		5/5	1/1
CG Steyn**	2/2	4/4		2/2			
FJ Visser	4/4		4/4			4/5	
G Völkel	4/4	6/6	4/4	4/4	4/4		

*By invitation

** Retired 18 November 2014

DEALINGS IN THE COMPANY'S SHARES

In terms of both Group policy and JSE Listings Requirements, directors of both the Group and its major subsidiaries, in addition to the Company Secretary, must obtain prior written clearance from the CEO and/or Chairman if they intend to deal in Growthpoint shares, whether directly or indirectly. This policy also applies to Exco members, directors of major subsidiaries and other members of senior management.

Directors and employees who are privy to price-sensitive information may not deal, directly or indirectly, in Growthpoint's shares until such information is made public.

Closed periods are imposed on directors and staff in relation to interim and annual financial results and, from time to time during specific corporate actions.

DIRECTORS' REMUNERATION

Directors' remuneration is subject to annual review by the Remuneration Committee (RemCo), and subsequent approval by the Board of the proposed fees to be submitted for approval at the AGM. The fees for FY15 were approved at the AGM held on 18 November 2014.

The most recent review on non-executive directors' remuneration included benchmarking by professional consultants. The RemCo proposals for FY16 were approved by the Board on 25 August 2015. These recommendations will be presented at the AGM to be held on 17 November 2015. At the same time, shareholders will be asked to approve, by way of a non-binding vote, the company's overall remuneration policy for the coming year. The Remuneration report containing this information is included in the Key Matters section of this report.

Directors' remuneration is disclosed in the AFS in line with JSE Listings Requirements. The key performance areas by which directors and management are measured are also described in the Remuneration report.

THE CHAIRMAN

The roles of the Chairman and CEO are separate and they operate independently of each other.

The Chairman, Mr JF Marais, is an independent, non-executive director. His responsibilities are contained in, but are not limited to, the Chairman's Charter. They include:

- providing overall leadership of the Board and its committees
- leading and managing the business of the Board, without limiting the Board's collective responsibility
- serving as the link between the Board and management of Growthpoint and, with the Remco, assessing the performance of the CEO at least once a year
- assessing, in liaison with the CEO, the performance of the other executive directors at least annually.

BOARD RESPONSIBILITIES AND ACCOUNTABILITY

The Board is guided in all matters by the Board Charter which sets out its responsibilities (available on the company's website or from the Company Secretary).

These include:

- governing, directing and monitoring the performance of the business as a going concern
- approving the company's strategic objectives
- ensuring effective management of the company
- managing risks to the business, mainly through the Risk Management and Audit committees
- providing direction to management
- presiding over material business decisions
- documenting the Board's Terms of Reference, purpose, responsibilities and authority
- governance matters such as Board membership, meeting procedures and ethical conduct.

The Board (either itself or through the Nomination Committee) periodically reviews its composition relative to skills, expertise and experience needed to provide strategic direction and leadership, and representivity in terms of gender and race.

The non-executive directors are independent of management and are free from relationships that could affect their judgement as directors. The Board is accountable to the company, but is always cognisant of stakeholder expectations and interests. In its decision-making, the Board adopts an inclusive approach to governance.

In June/July 2015, the Board, along with the Audit, Property, Risk Management and Social, Ethics and Transformation committees, conducted a formal self-assessment process. The overall outcome was positive, and feedback was provided to the Board and the respective committees at meetings held in August 2015.

THE COMPANY SECRETARY

The Company Secretary, Mr RA Krabbenhöft, was formally evaluated by the directors in June 2015 and has been found to be suitably competent, experienced and qualified for his position. The evaluation followed the format suggested in King III. The Company Secretary holds a Fellowship with Chartered Secretaries Southern Africa (1993) and the Chartered Institute of Business Management (1993) and a Diploma in Corporate Governance (RAU – 1997), and has been involved as a Company Secretary and Group Company Secretary of JSE-listed companies since 1987. He is not a director of the company but a full-time employee and maintains an arm's length relationship with the Board and the directors of the company.

CODE OF ETHICS AND BUSINESS CONDUCT

The Code of Ethics aims to ensure that Growthpoint conducts its business in line with the highest ethical standards. The code in particular seeks to ensure compliance with relevant legislation and regulation, in a manner that is beyond reproach. The Code is available to employees and other stakeholders, as are Growthpoint's mission and value statements. Both the Code of Ethics and Growthpoint's mission and value statements are posted on the company website.

THE COMPANY'S CODE OF ETHICS IS AS FOLLOWS

The Board of Growthpoint commits itself to ensure, as far as it lies within its power to do so, that the company and its agents conduct the business according to the highest ethical standard and, in particular:

- comply with all laws of the country that affect the company
- comply with the rules of the JSE Limited

- not act in any way that may be regarded as harmful business practice
- act in the best interests at all times of all the stakeholders
- are transparent in disclosing all material information that may influence investors and potential investors
- conduct the business as a responsible corporate citizen, having regard for the impact the business may have on the public and the environment
- trade in securities of the company only in open periods and with the prior written permission of the Chairman and/or CEO
- not trade in competition with the company
- not hold positions that give rise to a conflict of interests and, should any potentially conflicting situations arise, to make full, prior written disclosure to the Board and abstain from participating in any discussion or voting on the matter, unless the Board consents thereto.

POLICIES PROMOTING ETHICAL CONDUCT

Growthpoint has various policies in place to promote and safeguard ethical behaviour and integrity among management and employees.

These policies include:

- the company's mission and value statements
- employee integrity, to encourage employee compliance with policies and standards of best practice
- guidelines regarding gifts, entertainment and inducements
- whistle-blowing and protected disclosures, to encourage employees to raise concerns about workplace malpractice without fear of vicitmisation or reprisal
- substance abuse and sexual harassment, forbidding these practices in the organisation.

The directors abide by a written Code of Ethics that forms part of the Board Charter.

COMPLIANCE FRAMEWORK

Statutory and regulatory compliance is a standing item on every agenda for the Risk Management Committee and is addressed by the Head of Internal Audit and Risk Management in quarterly reports to the committee. Compliance with accounting standards and financial reporting requirements is overseen by the Audit Committee. Compliance officers are appointed throughout Group operations based on their expertise. The Board receives feedback quarterly from the Chairmen of both the Audit and Risk Management committees, in addition to the minutes of the preceding Audit and Risk Management Committee meetings.

Compliance with the Code of Ethics is monitored directly and indirectly. The Group has in place a formal mandatory authorisation process for dealings in the company's shares, formal procedure for both acceptance and granting of gifts and inducements, disclosure of conflicts of interest, as well as formal levels of authority and delegated signing authorities for business transactions.

During FY15, Growthpoint had no incidents of major non-compliance, fines or prosecutions linked, for example, to anti-competitive practices or other governance and economic issues, or non-compliance with its Code of Ethics.

INTERNAL AUDIT

The internal audit function, with the exception of internal audit for information technology, is provided in-house by the Head of Internal Audit and Risk Management. Its scope includes:

- meeting with the Audit Committee to agree an annual audit plan
- preparing an annual audit strategy for approval by the Audit Committee
- attending meetings of, and reporting to, the Audit Committee
- meeting with the external auditors to plan and promote their use of internal audit's work
- carrying out internal audit work, including the testing of controls, in line with the approved internal audit plan.

IT internal audit services are provided by suitably qualified and experienced outside parties, in consultation with the Head of Internal Audit and Risk Management and the Chief Information Officer. The Head of Internal Audit and Risk Management has unrestricted access to the Chairmen of the Audit and Risk Management committees.

EXTERNAL AUDIT

KPMG Inc. acts as external auditor for Growthpoint and its subsidiaries. The independence of the external auditor is reviewed every year by the Audit Committee with the auditors. Furthermore, the external auditors attend all Audit Committee and Risk Management Committee meetings and have unrestricted access to the Chairmen of both committees.

BOARD COMMITTEES

Committees established by the Board assist the Board in the discharge of its duties.

Board committees have unrestricted access to company information and any resources required to help them fulfil their responsibilities, including professional advice which is paid for by the company.

Every Board committee has Board-approved Terms of Reference, relevant extracts of which are included in this report. The Terms of Reference of every Board committee are periodically reviewed and are aligned, to the extent possible, with the King III Report and Code, the JSE Listings Requirements where applicable and the Act.

The Board determines and amends, as necessary, the scope and responsibilities of the committees, as well as the appointment of new committee members. The Board and its committees conduct annual self-assessments which are coordinated by the respective Chairpersons. Formal feedback is given to each committee and the Board.

To promote sound corporate governance and optimise the sharing of information, the CEO, Financial Director and other executive directors are present at selected Board committee meetings, by standing invitation. The Company Secretary attends all Board committee meetings.

CHAIRMEN'S COMMITTEE

A Chairmen's Committee comprising the Board's Chairman (as Committee Chairman) and the Chairmen of the Board's committees meets on an ad-hoc basis and serves as a forum for:

- Chairmen of the committees to raise matters which they or their committees feel need to be raised with the Board
- executive management to raise matters or emerging issues
- discussion of aspects of governance that might require attention from time to time.

The committee will also consider best approaches to matters, which will enable the Board's Chairman to take guidance from senior directors.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, including the Chairman of the Risk Management Committee. The Managing Director, Financial Director, external auditor, Financial Manager, Head of Internal Audit and Risk Management and Chief Information Officer are present at meetings, by standing invitation.

The committee maintains an effective working relationship with the Board, management and other Board committees, notably the Risk Management Committee, whose minutes are noted at Audit Committee meetings. This ensures that risk management controls and the status of specific risk issues dealt with by the Risk Management Committee are noted.

The committee has five scheduled meetings a year with one meeting dedicated to the review of the company's IAR and one to the AFS.

To assist the Board in its supervisory and governance responsibilities, the committee ensures that:

- adequate processes are in place to safeguard the company's assets
- adequate accounting records are maintained
- design-effectiveness of internal controls is regularly reviewed and effective systems of internal control are maintained
- an open channel of communication is maintained between directors, management and accounting staff, as well as both internal and external auditors
- financial information is reviewed at least quarterly
- AFS are reviewed, prior to recommendation to the Board for approval
- an external auditor is appointed at all times to determine the scope for each external audit.

The committee reviews and sets the auditor's fees for annual audits.

The committee is satisfied that the external auditor is independent and that the FY15 audit has been carried out without any restriction of the audit's scope.

The committee satisfies itself annually of the expertise, resources and experience of the company's finance function and of the Financial Director's suitability.

The report of the Audit Committee to shareholders is presented in the AFS.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises four independent non-executive directors, including one member of the Audit Committee. The CEO, Financial Director, Head of Internal Audit and Risk Management, Head of Human Resources, Chief Information Officer and external auditor are present at meetings, by standing invitation.

The committee, which meets at least quarterly, oversees management compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework relative to risks identified.

The Risk Management Committee is assisted by Internal Audit and Risk Management for its reviews of risk management controls and procedures. The Risk Management Committee reports quarterly to the Board.

The main objective of the committee is to protect the quality, integrity and reliability of the Group's risk management by:

- assisting the Board in matters of corporate accountability and associated risks
- ensuring risk policies and strategies are effectively managed
- monitoring external developments that could affect corporate accountability
- reviewing and assessing the integrity of risk control systems
- defining risk management policies and the risk management function, as well as the scope of Enterprise Risk Management (ERM)
- ensuring independent and objective oversight and review of information provided by management on corporate accountability and associated risks.

PROPERTY COMMITTEE

The Property Committee comprises four non-executive directors. It assists the Board with decisions regarding Growthpoint's property portfolio, as well as review and approval of property budgets and valuations.

The CEO, Managing Director, Financial Director, Fund directors and the valuer are present at meetings, by standing invitation.

The committee schedules four meetings a year. Its role is to:

- consider and decide on proposed acquisitions and disposals in terms of the levels of authority
- consider and decide on proposed capital expenditure
- periodically review due diligence processes for acquisitions
- review and make recommendations to the Board regarding Growthpoint's annual budgets, including capital expenditure budgets
- provide a high-level review of annual property valuations prior to their submission to the Board and Audit Committee
- periodically review and assess the company's approach to investment in physical property assets and letting enterprises.

REMUNERATION COMMITTEE

The Remuneration Committee consists of the Board's Chairman, Deputy Chairman and two independent non-executive directors. The CEO, Managing Director and the Head of Human Resources attend meetings by invitation.

The committee, which meets at least quarterly, assists the Board by ensuring that:

- a formal and transparent procedure for executive and senior management remuneration is established and maintained
- remuneration for executive directors, senior management and staff (including incentives, grants and other benefits) is set in order to attract and retain people of the required calibre.

The committee furthermore helps determine the key components of remuneration, in conjunction with performance review criteria for executive directors and senior management. To this end, the committee:

- determines specific remuneration packages for executive directors of the company taking into account information from comparable companies
- periodically reviews the terms and conditions of executive directors' service agreements
- determines criteria for measuring the performance of executive directors
- approves proposed allocations to eligible participants in the company's staff incentive scheme

- establishes remuneration credibility with shareholders and other stakeholders
- makes recommendations to the Board regarding the remuneration of non-executive directors, which is also benchmarked from time to time
- coordinates its activities with the Chairman of the Board and CEO, and consults them both in formulating remuneration policy and when determining specific remuneration packages
- reviews and approves succession plans for executive management, which activity is monitored by the Risk Management Committee.

NOMINATION COMMITTEE

The Nomination Committee consists of the members of the Chairmen's Committee and is chaired by the Board's Chairman.

The committee is responsible for:

- making recommendations to the Board on non-executive and executive director appointments as well as the Board's composition as a whole, after identifying and screening candidates for Board approval and appointment
- reviewing, and making recommendations on, the Board's structure, size, and the balance between executive and non-executive directors
- succession planning for the Chairman.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

This committee's scope includes the statutory duties of a social and ethics committee in accordance with the Act.

The committee comprises five non-executive directors. The Managing Director, Financial Director, Head of Human Resources, Head of Corporate Social Responsibility, National Facilities Head and National Developments Head attend meetings of the committee.

The committee meets at least four times a year. Besides the statutory duties of this committee, it also evaluates, monitors and makes recommendations to the Board regarding:

- broad-based black economic empowerment initiatives and opportunities
- enterprise development and related training initiatives
- the company's B-BBEE equity ownership arrangements, funding structures and, from time to time, potential new B-BBEE equity ownership participants
- corporate social responsibility and investment and respective annual budgets
- the preferential procurement spend
- Property Sector Transformation Charter compliance
- employment equity
- periodic reviews of Growthpoint's transformation philosophy and strategy
- environmental, social and governance matters, including carbon emissions and climate change.

EXECUTIVE MANAGEMENT COMMITTEE (EXCO)

Exco comprises the executive directors, Fund directors, Head of Human Resources, Head of Marketing, the Heads of the Company's regional offices, the Chief Information Officer, the Corporate Treasurer, the Head of Corporate Social Responsibility and the Head of Investor Relations. The CEO chairs the committee and the Company Secretary and Assistant Company Secretary attend all meetings. The committee meets monthly and reviews operations, quarterly results (actual vs. budget and projections), company policy and strategic issues. A sub-committee of Exco (Stratco) also reviews the Group's strategy and budgets before these are submitted to the Board and its responsible committees for approval.

DEAL FORUM

The Deal Forum comprises the Exco members and is chaired by the CEO. Its primary purpose is to discuss, consider and, if appropriate, approve:

- potential acquisitions or disposals from R20 million upwards
- all developments or substantial redevelopments
- due diligence reports for proposed transactions
- completed deals as necessary.

The Deal Forum makes recommendations to the Property Committee and/or the Board regarding proposed acquisitions and disposals of physical property assets and letting enterprises that exceed its level of authority.

INVESTOR RELATIONS AND ACCESS TO INFORMATION

The Board is committed to transparency and disclosure of relevant information to all stakeholders.

Such disclosure includes communicating information on:

- company strategy and performance
- Board practice
- The company's Code of Ethics
- Growthpoint's indirect impacts
- Business value and risk management.

In all communication to stakeholders, the emphasis is on timeliness, objectivity, honesty, relevance and balance. Communication is undertaken primarily through the following channels:

- The Growthpoint website, the IAR and AFS
- Presentations and roadshows to clients and investment analysts on interim and annual results
- Regular dialogue with institutional investors, analysts and the media. Particular care is taken to release price sensitive information to all shareholders at the same time, as per JSE Listings Requirements
- AGMs and other general meetings, which allow shareholders to engage with the Board directly. All resolutions at the AGM are put to the vote, and the results are published on the JSE's news service, SENS. A copy of the minutes of shareholders' meetings is also lodged with the JSE.

No requests for information in terms of the Promotion of Access to Information Act, 2000 were received by Growthpoint during FY15. A detailed description of our stakeholder communication is available in the Organisational Overview section of this report.

RISK MANAGEMENT

Enterprise Risk Management (ERM) can be defined as a process effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.*

** Committee of Sponsoring Organisations (COSO) Enterprise Risk Management – Integrated Framework.*

RISK MANAGEMENT STRUCTURE

BOARD OF DIRECTORS

RISK MANAGEMENT COMMITTEE

EXECUTIVE MANAGEMENT

Internal Audit and Risk Management

Fund Management

PROPERTY SECTORS

SECTOR BUSINESS UNITS (SBUs)

RISK STRATEGY

The Board has overall responsibility for the adoption, oversight and reporting of Growthpoint's risk management framework. The Board is assisted in this by the Risk Management Committee, which meets quarterly. Growthpoint's ERM framework encompasses four distinct categories:

- Strategic risk
- Operations risk
- Reporting risk
- Compliance risk.

STRATEGIC RISK

Risk is an event that could inhibit an organisation's ability to achieve its strategic objectives. The manner in which the Board and management choose to respond to such strategic risks establishes the organisation's risk management philosophy and culture.

The risk philosophy and culture adopted is influenced by Growthpoint's vision, mission, objectives and values, which likewise define the company's risk appetite (the extent of risk that the Board and management are willing to accept in pursuit of value) and risk tolerance (the acceptable level of deviation from that risk).

Strategic, as well as potential operational risks are identified annually by Growthpoint's Chief Executive Officer in consultation with certain members of executive management.

Nonetheless, given that strategic risk assessment is an ongoing process throughout the financial year, the Risk Management Committee is able to add additional risks, reassess existing risks, or remove risks as required.

A key outcome of this process is that an appropriate response is determined for each strategic risk.

The strategic risks identified for FY15 are reflected within the Key Risks and Opportunities section of the report, as are management's responses thereto.

OPERATIONS RISK

The operational risks are identified in the same manner as the strategic risks. However, due to the nature of the operational risks, they are managed in a more intense manner.

The key operational risks identified are assessed in terms of their probability, as well as their impact on the organisation.

Strategies are pinpointed to mitigate the impact of the risks, if and when they arise. Risk management strategies focus on one of four approaches:

- Control
- Transfer
- Tolerate
- Terminate.

Where management opts to control an operational risk, the relevant control is identified, as is the person accountable, the monitoring frequency and the key performance indicator.

Risk information needs to be processed and communicated in a timely manner, to ensure an appropriate response. At Growthpoint, property information is generated monthly by key business processes and is accessible at numerous levels: from data on individual buildings, to sector business units, and sectors. This excludes the V&A Waterfront and GOZ, who each have their own risk management approach. Fund-related information is generated by the Group finance function either monthly or quarterly.

A pivotal role of Growthpoint's Risk Management Committee is to ensure that the controls implemented by management are effective. While executive management identifies the metrics used to monitor such controls, it is the internal audit and risk management function that collates the results and presents a quarterly report to the Risk Management Committee.

Furthermore, Internal Audit assists management in assessing whether or not systems of internal control are adequate and effective.

The key operational risks identified for FY15 are reflected within the Key Risks and Opportunities section of the report, as are the appropriate mitigation strategies and the relevant performance measures.

REPORTING RISK

Reporting risk is the risk that financial-related information is unintentionally altered, or deliberately manipulated.

Executive and financial management have established systems of internal control to provide reasonable assurance of the validity, accuracy, completeness and timely accumulation of financial data. Such internal controls are subject to independent assessment by Internal Audit when performing regular business process reviews. These reviews typically assess the adequacy and effectiveness of controls pertaining to financial data at general ledger and management reporting level.

Reliance is placed on external auditors to ensure the fair presentation of the financial information at a statutory reporting level. In addition, controls in the form of analytical reviews and reconciliations to sources independent of the financial system are performed by the Group finance function. These controls are subject to review and assessment by Internal Audit.

COMPLIANCE RISK

Primary legislation affecting Growthpoint is identified and documented by the company secretarial function in conjunction with the in-house legal team. The purpose of the exercise is to determine responsibility for the legislation that impacts on Growthpoint operations.

Where necessary, or if prescribed by legislation, Compliance Officers are appointed to oversee adherence to the relevant Acts.

Growthpoint appoints employees to positions based on their expertise and experience. Employees are expected to keep abreast of legislation and compliance requirements that affect their particular area of responsibility.

Take the example of Growthpoint's Risk Information Management System (RIMS), developed because of the property focus of the company's operation. The software program encompasses the following legislation:

- Building regulations
- Occupational Health and Safety/ Compensation for Occupational Injuries and Diseases Acts
- Fire compliance.

Facilities personnel complete an electronic checklist for each building, each quarter. The results thereof can be analysed on a building, sector business unit, sector and/or geographic basis. This readily facilitates the identification of common issues that require management's attention.

Compliance with the aforementioned legislation is the responsibility of a dedicated Risk Officer who:

- performs independent visits to buildings on a regular basis

STEFFEN NIZETICH
Head of Internal Audit and Risk Management

- liaises with tenants when conducting building inspections
- liaises with both facilities and property personnel
- liaises with insurers
- initiates training interventions, where required.

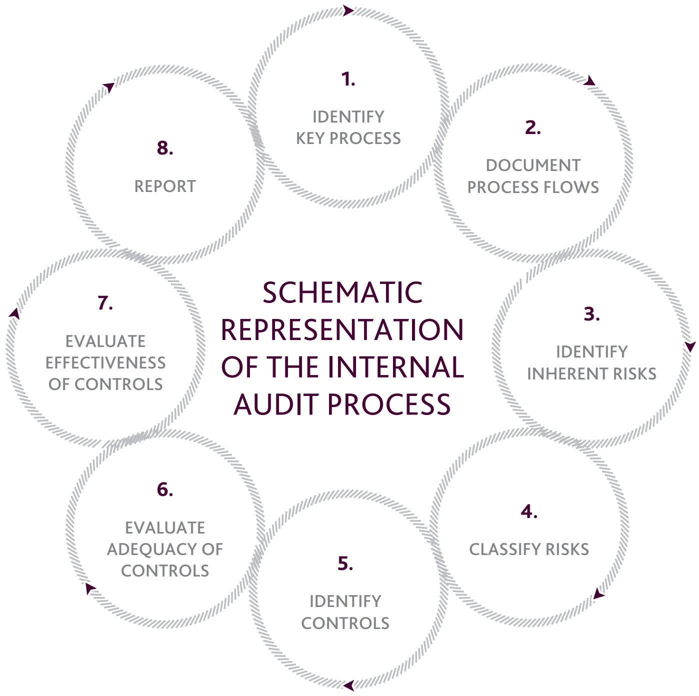
The work of the Risk Officer is complemented by Growthpoint's insurers, an independent external party, who undertake inspections of buildings on a regular basis to ensure that the insurable cover is commensurate with the insurable risk that they have underwritten.

Other examples of how Growthpoint actively manages compliance issues include:

- The in-house Legal Department is expected to remain abreast of new and/or amended legislation and, where applicable bring such legislation to the attention of the Risk Management Committee and the Board
- The Company Secretary is responsible for compliance with the Companies Act and JSE Listings Requirements.

INTERNAL AUDIT

Growthpoint's policy is to provide and support an internal audit function that acts as an independent, objective assurance and consulting activity. The activity assists the organisation to accomplish its objectives through a systematic, disciplined approach that enables it to evaluate and improve the effectiveness of risk management, control and governance processes.



The internal audit function is provided in-house and is the responsibility of the Head of Internal Audit and Risk Management.

AUTHORITY

The internal audit function derives its authority from the Audit Committee to whom it reports on a quarterly basis. The committee is guided by its Terms of Reference. The objectives, authority and responsibility of the internal audit function are governed by a formal Internal Audit Charter. The personnel of the internal audit function are authorised to review all areas of the operations and have complete and unrestricted access to all activities, records, property and personnel. Furthermore, the Head of Internal Audit and Risk Management has unrestricted access to the Chairman of the Audit Committee, as well as committee members in the absence of management at quarterly meetings, if required.

RESPONSIBILITIES

The responsibilities of the internal audit function include:

- submitting an annual internal audit plan to the Audit Committee that indicates the extent and frequency of the work to be conducted, which enables the committee to establish whether or not internal audit resources as well as the allocation thereof are appropriate to its requirements
- conducting reviews of the key business processes to ensure the:
  - reliability and integrity of financial and operational information
  - adherence to policies, plans, procedures, laws, regulations and contracts
  - safeguarding of assets
  - economic and efficient employment of resources
  - achievement of established objectives and goals
- reporting the results of reviews, together with opinions and recommendations to management of sufficient authority to ensure that appropriate action is taken when required
- quarterly reporting to the Audit Committee on:
  - the adequacy or design effectiveness and the operating effectiveness of the systems of internal control
  - internal audit findings, recommendations and management's action plans
  - the progress against the internal audit plan and reasons for deviations
- coordinating audit efforts with those of the external auditor
- overseeing the performance and reporting of information technology-related internal audit reviews, which are outsourced to external parties who have the requisite technical proficiency and experience to conduct such reviews
- addressing the matters brought to the attention of the organisation, through the Tip-offs Anonymous Helpline operated by Deloitte, and reporting the nature of the incidents and the resultant actions, if required, by executive management to the Audit Committee.

INTERNAL AUDIT PROCESSES

The scope of the internal audit activity and the assignments planned for the ensuing financial year are presented, discussed and approved at the last Audit Committee meeting of the financial year. The internal audit plan is based on an assessment of Growthpoint's key areas of operational risk with regard to its current operations and the key risks as identified and assessed as part of the risk management process.

The internal audit plan is, however, subject to change during the financial year depending on:

- unforeseen circumstances within the organisation
- any specific requirements of executive management
- any specific requirements of the Audit Committee.

The establishment and maintenance of systems of internal control necessary to provide the directors of Growthpoint with reasonable assurance that business objectives are attained rests with both executive and operational management. Internal Audit's role is to assist management in establishing whether or not the systems of internal control are both adequate and effective. Adequacy is defined as whether or not the key controls address the related significant inherent risks, whereas effectiveness is defined as whether or not the key controls are operating as intended.

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