INTEGRATED REPORT
FOR THE YEAR ENDED 31 AUGUST 2013

Maximising shareholder value

OCTODEC
INVESTMENTS LIMITED

Octodec Investments Limited is a Real Estate Investment Trust ("REIT") listed on the JSE under "Financials – Real Estate Holdings" with a market capitalisation of R2,1 billion.

ABOUT THIS INTEGRATED REPORT

SCOPE AND BOUNDARY

Octodec's integrated report to stakeholders covers the period 1 September 2012 to 31 August 2013. It includes all of the group's operations.

Integrated reporting allows for a more informed assessment of a company's long-term viability. It shows the interconnections between strategy, financial performance and the social, environmental and economic context in which our company operates.

This report was prepared in accordance with best practice, and applying the principles of the:

- King Report on Governance for South Africa, 2009 ("King III");
- JSE Listings Requirements; and
- Companies Act, 71 of 2008, as amended ("Companies Act").

The financial information provided in the annual financial statements commencing on page 39 has been prepared under the supervision of Mr AK Stein CA(SA), in his capacity as group financial director, in line with International Financial Reporting Standards ("IFRS"). Financial information included elsewhere in this report has been extracted from the figures included in the annual financial statements.

The directors take responsibility for the integrated report with the auditors having provided assurance in respect of the annual financial statements. It has been recommended by the audit committee and approved by the board of Octodec Investments Limited.

CONTENTS

HIGHLIGHTS

Improvement of the quality of the property portfolio

Contribution to the renewal of the inner cities of Johannesburg and Pretoria

Annual distribution increased by **14,8%** per linked unit

Increase in net asset value by 18,7% to **2 233** cents per linked unit

Investment assets of **R4 billion**

Fixed interest rates in respect of **54,9%** of the aggregate amount of loans

Reduction in weighted average cost of debt to **8,4%** per annum

Obtained **REIT** status effective from 1 September 2013

GROUP PROFILE

Octodec Investments Limited ("Octodec") is a Real Estate Investment Trust listed in the "Real Estate Holding and Development" sector on the Johannesburg Stock Exchange ("JSE"). Octodec derives its revenue from rentals received from property investments and income received from its investments in Premium Properties Limited ("Premium") and IPS Investments Proprietary Limited ("IPS") respectively.

The property portfolio comprises:

- retail;
- office;
- industrial; and
- residential properties.

KEY FACTS

Number of properties	111
Total lettable area	582 230 m^2
Total value of investment portfolio	R3 972 billion
Market capitalisation	R2,1 billion
Administrator and manager of the property portfolio	City Property Administration Proprietary Limited ("City Property")

Our policy is to invest in:

- areas of high growth;
- properties with turnaround potential or redevelopment prospects; and
- properties situated in Johannesburg, Pretoria and surrounds that offer strong cash flows for long-term sustainability, capital appreciation and growth in income distributions for our linked unitholders.

The portfolio consists predominantly of shopping centres as well as multi-tenanted buildings situated in Johannesburg and Pretoria. Octodec has made solid progress in growing its property portfolio in the central business district ("CBD") of Johannesburg, and in delivering on the strategy of upgrading and redeveloping properties to improve the quality of its portfolio. Key features of our strategy over the last few years have been to make use of prudent levels of gearing and our proactive approach to managing assets. This has assisted in enhanced value creation and the growth of distributions to linked unitholders.

WOODMEAD VALUE MART

Johannesburg Waterval Crescent, Woodmead Value Mart

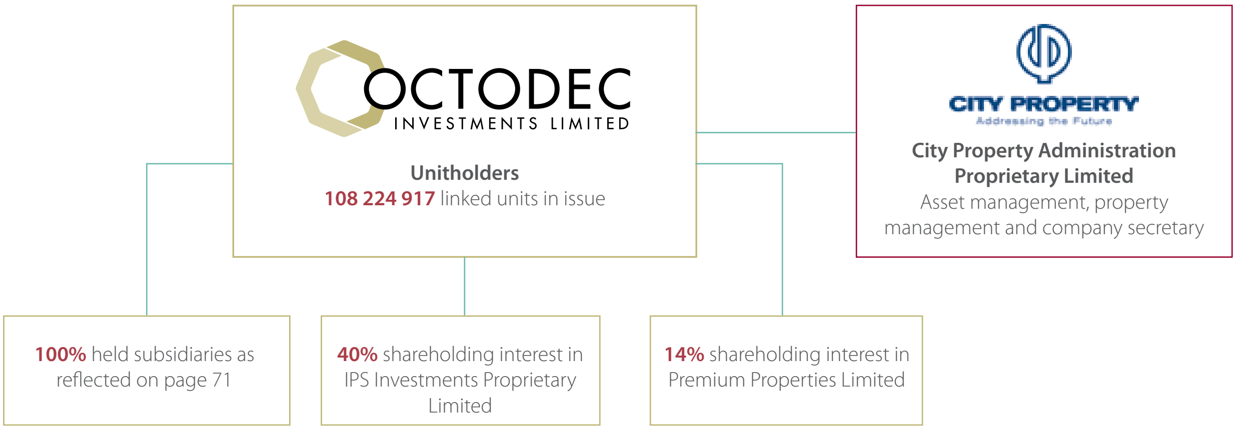
STRATEGIC OBJECTIVES

Our primary strategic objective is to maximise the return on investments to provide unitholders with above-average sustainable returns and growing distributions.

Our plan to achieve this strategy is to:

- Grow a diverse property portfolio in Gauteng – concentrating on selected geographic areas. This includes the Johannesburg and Pretoria central business districts ("CBDs") and surrounding areas.
- Select markets with a diverse economic base and a deep pool of prospective tenants.
- Maintain a varied exposure to the retail, office, industrial and residential sectors.
- Concentrate on properties that are designed to meet the demands of today's tenants and to manage those properties to become the landlord of choice for existing and prospective tenants.
- Acquire assets selectively to increase our presence in existing and new areas which create opportunities to improve returns through capital improvements, changes in management focus and improved letting.
- In choosing property locations, paying particular attention to, among others, transport and commuting patterns, physical environment, adjacency to established business centres and proximity to sources of business growth.
- Focus on the quality of our property portfolio through refurbishments, upgrades and redevelopments of specific properties.
- Enhance our capital structure through access to a variety of sources of capital and to manage our debt maturity and interest rate exposures proactively.
- Leverage on the experience and skills of our board and the management team of City Property to develop, redevelop and upgrade our properties selectively.
- Reduce vacancies and manage lease expiries and arrears.
- Pursue high standards of corporate citizenship and sustainable development with a focus on training, corporate social responsibility and minimising the environmental impact of operations.
- Continue contributing to the renewal of the inner cities of Johannesburg and Pretoria.

CORPORATE AND GROUP STRUCTURE



Octodec's assets and properties are managed by City Property, which is owned by the Wapnick family, who have a significant interest in Octodec. This has resulted in an alignment of interests which is beneficial to Octodec unitholders.

City Property has a dedicated and experienced executive management team who are responsible for the property and asset management of Octodec's property portfolio. The latest management agreement with City Property was entered into and approved by unitholders in January 2011 for the period 1 July 2011 to 30 June 2018. It was amended and approved by unitholders on 17 May 2013.

CODE OF ETHICS

Octodec is committed to the highest ethical standards of business conduct. Our value system dictates that all employees maintain high standards of integrity and ethics when dealing with suppliers, tenants, business partners, government, other stakeholders and society at large.

The group does not tolerate any form of corruption, unlawfulness or unethical business practices. It advocates confidentiality regarding employee and group information.

The board recognises that good corporate governance is vital to Octodec's sustainable growth. The directors are aware of the requirements of the Companies Act and King III and comply with the Companies Act and unless otherwise indicated the King III requirements. The group's corporate governance structures and procedures and its code of conduct and ethics are detailed in the corporate governance report set out on pages 34 to 38 of this integrated report.

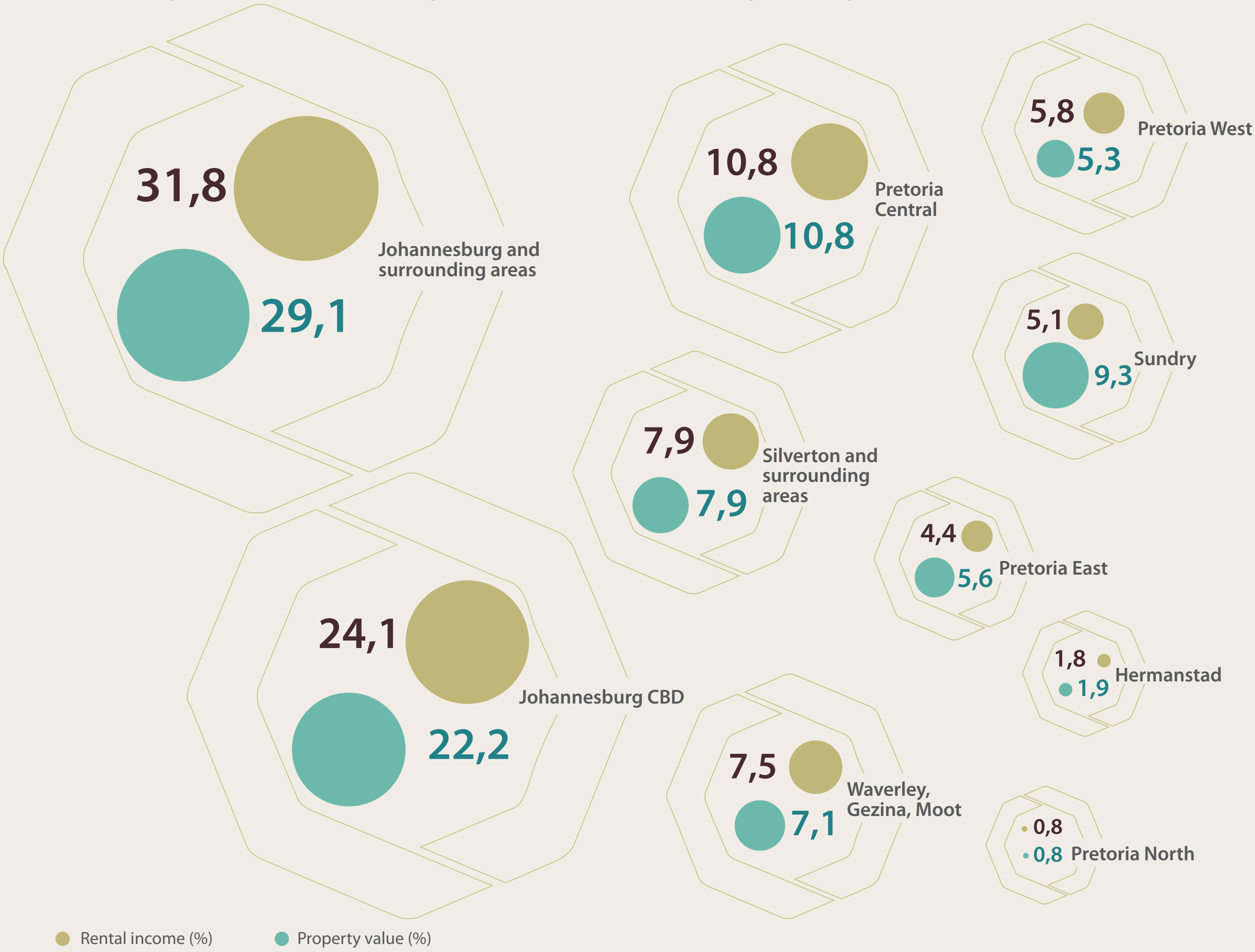
We strive to deliver continuous, sustainable growth to unitholders by the ongoing pursuit of operational efficiencies and a consistent focus on quality growth, proactive property management and prudent acquisitions which enable continued value creation for unitholders.

RENTMEESTER OFFICE PARK

Val-de-Grace, Pretoria, 74 Watermeyer Street

PROPERTY PORTFOLIO ANALYSIS

The following information is intended to give the reader an overview of the group at a glance.



GEOGRAPHICAL SPREAD

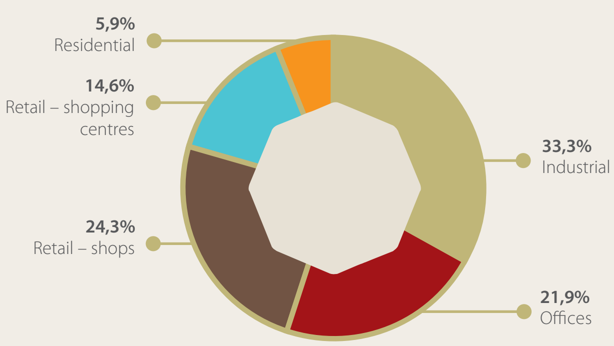
(For details refer to pages 72 – 77)

Location	Rental income R'000	Rental income % of total portfolio	Property value R'000	Property value % of total portfolio	Gross lettable area m²	Gross lettable area % of total portfolio	Site area m²	Site area % of total portfolio
Johannesburg and surrounding areas	115 453	31,8	946 828	29,1	108 034	18,6	166 554	19,4
Johannesburg CBD	87 418	24,1	724 539	22,2	168 359	28,9	45 732	5,3
Pretoria Central	39 111	10,8	351 904	10,8	67 532	11,6	101 420	11,8
Silverton and surrounding areas	28 678	7,9	256 200	7,9	70 291	12,1	162 531	18,9
Waverley, Gezina, Moot	27 159	7,5	232 598	7,1	39 053	6,7	100 453	11,7
Pretoria West	20 964	5,8	171 719	5,3	58 583	10,1	112 311	13,1
Sundry	18 605	5,1	302 542	9,3	27 452	4,7	57 812	6,7
Pretoria East	15 906	4,4	180 784	5,6	14 393	2,5	38 764	4,5
Hermanstad	6 590	1,8	61 630	1,9	22 048	3,8	59 443	6,9
Pretoria North	3 217	0,8	28 042	0,8	6 485	1,0	15 312	1,7
Total	**363 101**	**100,0**	**3 256 786**	**100,0**	**582 230**	**100,0**	**860 332**	**100,0**

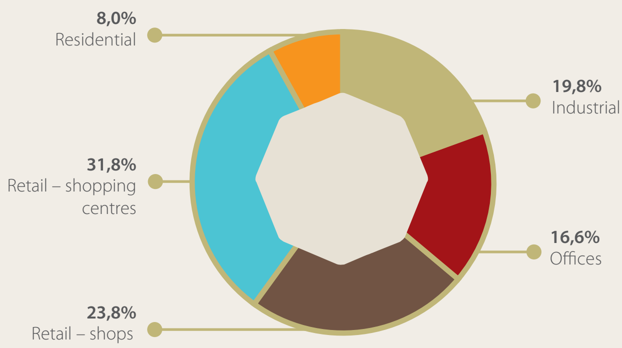
SECTORAL INFORMATION

Sector	Gross lettable area m²	Gross lettable area % of total portfolio	Rental income R'000	Rental income % of total portfolio
Industrial	193 725	33,3	71 721	19,8
Offices	127 485	21,9	60 338	16,6
Retail – shops	141 355	24,3	86 572	23,8
Retail – shopping centres	85 168	14,6	115 295	31,8
Residential	34 497	5,9	29 175	8,0
Total	**582 230**	**100,0**	**363 101**	**100,0**

Total gross lettable area (%)



Total gross rental income (%)

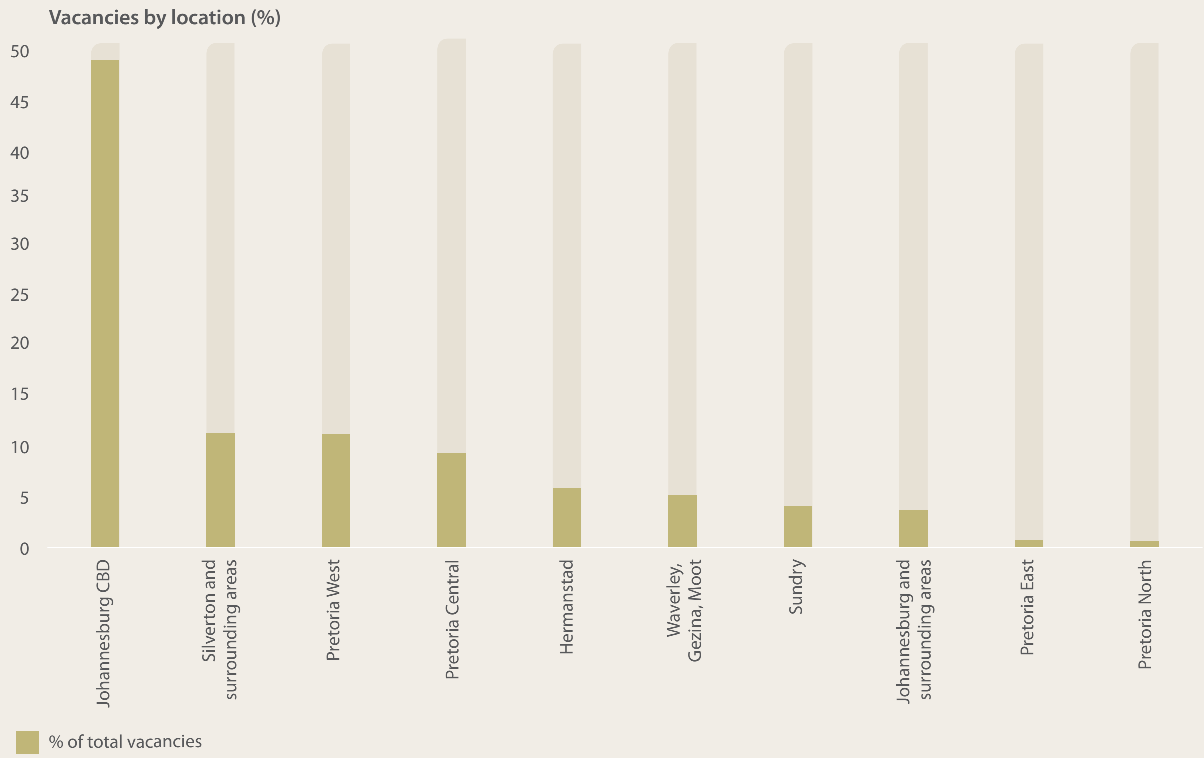


PROPERTY PORTFOLIO ANALYSIS *CONTINUED*

VACANCIES BY LOCATION

Location	m²	% of total vacancies	% of total gross lettable area	% of total portfolio properties held for re-development and projects under development	*Core vacancies (% of total portfolio)
Johannesburg CBD	38 169	48,0	6,6	(4,4)	2,2
Silverton and surrounding areas	8 952	11,3	1,5	–	1,5
Pretoria West	8 890	11,2	1,5	–	1,5
Pretoria Central	7 393	9,3	1,3	(0,8)	0,5
Hermanstad	4 701	5,9	0,8	–	0,8
Waverley, Gezina, Moot	4 150	5,2	0,7	–	0,7
Sundry	3 261	4,1	0,5	–	0,5
Johannesburg and surrounding areas	2 967	3,7	0,5	–	0,5
Pretoria East	595	0,7	0,1	–	0,1
Pretoria North	474	0,6	0,1	–	0,1
Total	**79 552**	**100,0**	**13,6**	**(5,2)**	**8,4**

* *Core vacancies are total vacant space less vacant areas planned for redevelopment and current projects under development.*

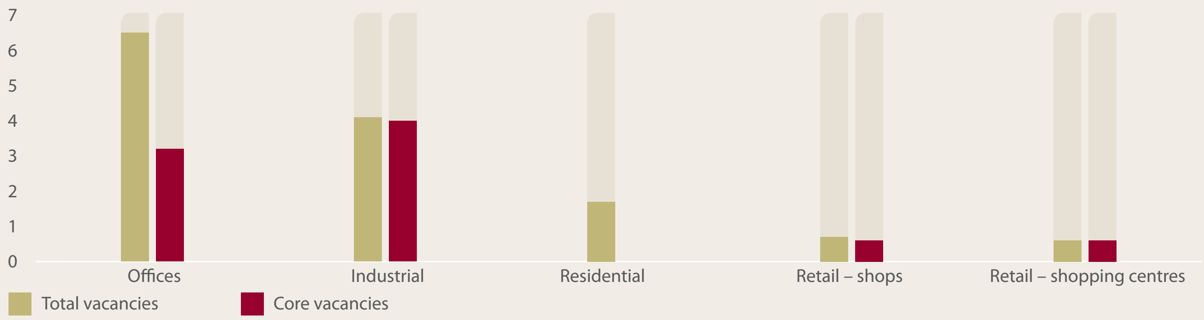


VACANCIES BY SECTOR

Sector	m²	% of total vacancies	% of total gross lettable area	% of total portfolio properties held for re-development and projects under development	*Core vacancies (% of total portfolio)
Offices	37 749	47,5	6,5	(3,3)	3,2
Industrial	23 853	30,0	4,1	(0,1)	4,0
Residential	10 154	12,8	1,7	(1,7)	–
Retail – shops	4 125	5,2	0,7	(0,1)	0,6
Retail – shopping centres	3 671	4,5	0,6	–	0,6
Total	**79 552**	**100,0**	**13,6**	**(5,2)**	**8,4**

* *Core vacancies are total vacant space less vacant areas planned for redevelopment and current projects under development.*

Vacancies (%)



LEASE EXPIRY PROFILE – GLA m²

Year	Gross lettable area m²	%	Monthly contractual rental R'000	%
Monthly commercial and residential	98 022	16,9	5 006	16,6
Vacancies	79 552	13,6	–	–
2014	142 519	24,5	9 830	32,6
2015	126 583	21,7	6 197	20,6
2016	62 831	10,8	4 459	14,8
2017	23 186	4,0	1 457	4,8
2018 and later	49 537	8,5	3 208	10,6
Total	**582 230**	**100,0**	**30 157**	**100,0**

Lease expiry profile – GLA m²

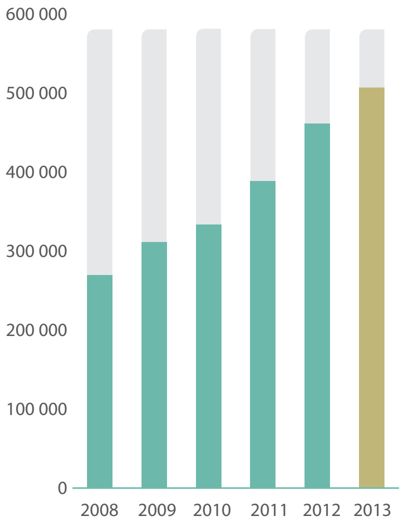
FINANCIAL PERFORMANCE

SALIENT FINANCIAL FEATURES

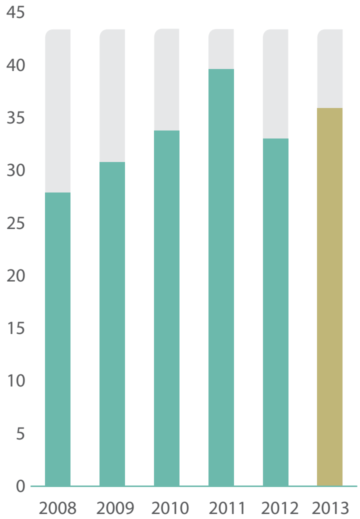
	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Investment properties and operating lease assets	**3 214 696**	2 878 921	2 416 173	2 259 476	2 040 266	2 084 666
Linked unitholders' funds	**2 417 008**	2 036 590	1 605 981	1 514 779	1 391 251	1 409 880
Long-term borrowings	**965 686**	827 123	962 119	754 635	659 632	640 105
Rental income (rental, IPS management fee and recoveries) – earned on contractual basis*	**505 732**	457 452	384 345	333 498	311 447	269 535
Net property income – earned on contractual basis*	**225 622**	211 303	177 063	168 139	168 328	154 742
Interest received (investment income and from associate)	**36 417**	31 463	29 806	28 060	23 956	22 778
Interest paid						
Secured and other loans	**110 638**	127 387	100 004	90 457	80 132	66 624
Linked unitholders	**169 718**	134 447	114 890	116 131	114 533	108 943
Profit on sale of investment properties	**15**	666	464	–	1 534	–
Dividends paid	**779**	598	580	580	545	500
Net operating profit to property investments (%)	**7,0**	7,3	7,3	7,4	9,3	7,4
Net operating profit to rental income (%)	**44,6**	46,2	46,1	50,4	59,5	57,4
Return on linked unitholders' funds (%)	**7,0**	6,6	7,2	7,7	8,2	7,9
Linked units in issue ('000)	**108 225**	108 225	89 297	89 297	89 297	89 297
Distribution per linked unit (cents)	**157,6**	137,3	129,3	130,7	128,9	122,6
Net asset value per linked unit (cents)	**2 233**	1 882	1 798	1 840	1 687	1 579
Market price per linked unit year-end (cents)	**1 966**	1 902	1 595	1 754	1 290	1 580
Market capitalisation year-end	**2 127 702**	2 058 438	1 424 295	1 566 278	1 151 937	1 410 893

* *Excludes the straight-lining of lease rental.*

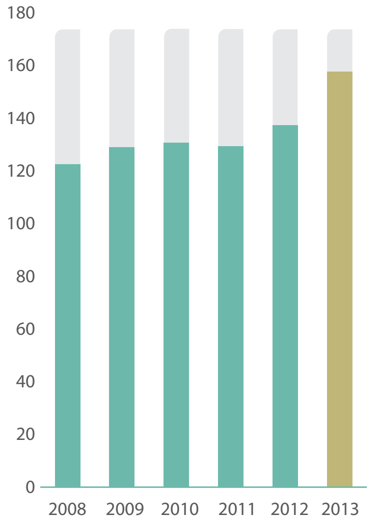
Revenue trend (R'000)



Gearing trend (%)



Distribution trend (cents per linked unit)



JSE TRADING STATISTICS

	2013	2012	2011	2010	2009	2008
Unit price – high (cents)	**2 600**	1 950	2 045	1 850	1 588	2 146
Unit price – low (cents)	**1 739**	1 000	1 400	1 285	1 110	1 140
Unit price – at year-end (cents)	**1 966**	1 902	1 595	1 754	1 290	1 580
Volume of units traded during the year	**18 161 411**	41 767 306	19 800 655	27 461 902	18 718 902	20 499 624
Units traded to weighted average units in issue (%)	**16,8**	46,5	22,2	30,8	21,0	23,0
Total returns						
Opening unit price (cents)	**1 902**	1 595	1 754	1 290	1 580	1 805
Income return (cents)	**157,6**	137,3	129,3	130,7	128,9	122,6
Capital return/(loss) (cents)	**64,0**	307,0	(159,0)	464,0	(290,0)	(225,0)
Total return (cents)	**221,6**	444,3	(29,7)	594,7	(161,1)	(102,4)
Return: Opening unit price (%)	**11,7**	27,9	(1,7)	46,1	(10,2)	(5,7)

DISTRIBUTABLE EARNINGS

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Revenue – earned on contractual basis*	**505 732**	457 452	384 345	333 498	311 447	269 535
Net rental income from properties – earned on contractual basis*	**225 622**	211 303	177 063	168 140	166 731	154 742
Investment income	**55 984**	44 756	38 601	33 581	29 189	23 426
Interest received from accrued distribution	**–**	6 814	–	–	–	–
Income before finance costs	**281 606**	262 873	215 664	201 721	195 920	178 168
Finance costs	**(110 638)**	(127 387)	(100 004)	(84 395)	(80 132)	(66 624)
Income before taxation	**170 968**	135 486	115 660	117 326	115 788	111 544
Taxation	**(314)**	(352)	(175)	(512)	(667)	(1 550)
Unitholders distributable earnings	**170 654**	135 134	115 485	116 814	115 121	109 994
Distributable earnings per linked unit – weighted (cents)	**157,68**	150,37	129,33	130,82	128,92	123,18
Distribution per linked unit (cents)						
Interest	**156,82**	136,62	128,66	130,05	128,26	122,00
Dividends	**0,78**	0,68	0,64	0,65	0,64	0,60
	157,60	137,30	129,30	130,70	128,90	122,60
Growth in distribution (%)	**14,8**	6,2	(1,1)	1,4	5,1	15,4

* *Excludes the straight-lining of lease rental.*

OUR TOP 10 PROPERTIES BY VALUE

KILLARNEY MALL
Killarney, Johannesburg
34 – 54 Fourth Street and Riviera Road

Retail – Shopping Centre

Value as at 31 August 2013:
R547,3 million

Size:
48 022 m^2

Number of tenants:
166

Average net rentals:
R110,99/m^2

Major tenants:
- Pick n Pay: **5 052 m^2**
- Woolworths: **4 885 m^2**
- Edgars: **4 128 m^2**
- Killarney Toyota: **4 096 m^2**
- Killarney CineCentre: **1 546 m^2**
- Standard Bank: **981 m^2**
- Truworths: **845 m^2**
- Clicks: **842 m^2**
- FirstRand Bank Limited: **723 m^2**

WOODMEAD MART
Woodmead, Johannesburg
Waterval Crescent

Retail – Shopping Centre

Value as at 31 August 2013:
R207,9 million

Size:
18 130 m^2

Number of tenants:
30

Average net rentals:
R91,36/m^2

Major tenants:
- The Flower Spot: **3 227 m^2**
- Tile Africa: **2 276 m^2**
- Hi-Fi Corporation: **2 033 m^2**
- Incredible Connection: **1 659 m^2**
- Furniture City Woodmead: **1 521 m^2**
- Direct deals: **763 m^2**
- Nike South Africa: **752 m^2**
- Billabong: **658 m^2**
- JAM clothing: **523 m^2**

ELARDUSPARK SHOPPING CENTRE
Elardus Park, Pretoria East
837 Barnard Street

Retail – Shopping Centre

Value as at 31 August 2013:
R145,9 million

Size:
11 726 m^2

Number of tenants:
48

Average net rentals:
R122,94/m^2

Major tenants:
- Elarduspark Spar: **2 038 m^2**
- Designer Physique: **1 129 m^2**
- Fruit & Veg City: **751 m^2**
- Elarduspark Meat World: **721 m^2**
- Mix and Match Fabrics: **458 m^2**
- PEP Stores: **981 m^2**
- Tele-tech: **633 m^2**

INNER COURT
Johannesburg CBD
88 Eloff Street

Retail – Shops and Offices

Value as at 31 August 2013:
R168,5 million

Size:
23 509 m^2

Number of tenants:
8

Average net rentals:
R68,08/m^2

Major tenants:
- National Prosecuting Authority: **11 534 m^2**
- Jet Eloff Street: **9 688 m^2**
- The Lawyer's Voice: **475 m^2**
- Sheet Street: **456 m^2**
- Nando's: **403 m^2**

THE TANNERY INDUSTRIAL PARK
Silverton, Pretoria
309 Derdepoort Road

Industrial

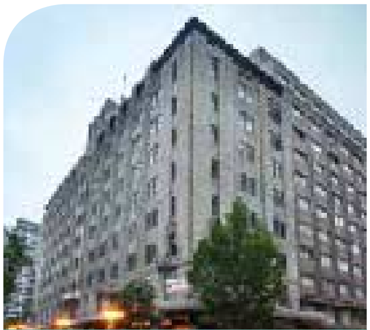
Value as at 31 August 2013:
R152,2 million

Size:
39 563 m^2

Number of tenants:
87

Average net rentals:
R42,42/m^2

Major tenants:
- GEM Manufacturers: **2 020 m^2**
- Flextech Manufacturing: **2 124 m^2**
- Macht Mulen: **1 138 m^2**
- SN Printers: **1 111 m^2**
- No Limits: **1 107 m^2**



CASTLE MANSIONS
Johannesburg CBD
170 Jeppe Street

Retail – Shops and Residential

Value as at 31 August 2013:
R118,6 million

Size:
15 138 m^2

Number of tenants:
175

Average net rentals:
R104,69/m^2

Major tenants:
- PEP Stores: **4 278 m^2**
- John Craig: **434 m^2**
- Residential units: **177**

RENTMEESTER OFFICE PARK
Val de Grace, Pretoria
74 Watermeyer Street

Offices

Value as at 31 August 2013:
R138,5 million

Size:
12 184 m^2

Number of tenants:
4

Average net rentals:
R94,82/m^2

Major tenants:
- Special Investing Unit: **9 053 m^2**
- Bakwena Platinum Corridor Concessionaire: **1 463 m^2**
- Council for Debt Collectors: **982 m^2**

WAVERLEY PLAZA
Waverley, Pretoria
1120 Hertzog Street

Retail – Shopping Centre

Value as at 31 August 2013:
R128,3 million

Size:
11 870 m^2

Number of tenants:
50

Average net rentals:
R119,85/m^2

Major tenants:
- Pick n Pay: **2 749 m^2**
- Waverley Plaza Car Wash: **647 m^2**
- Clicks: **570 m^2**
- Pharmacentre Waverley: **470 m^2**
- Cappuccino's Café and Pizzeria: **440 m^2**
- Absa: **410 m^2**

SILDALE PARK
Silverton, Pretoria, Cnr Asetileen and Conveyor roads and Voorhamer Street

Industrial mini-units

Value as at 31 August 2013:
R89,3 million

Size:
22 392 m^2

Number of tenants:
47

Average net rentals:
R39,05/m^2

Major tenants:
- Sterlings: **1 811 m^2**
- Department of Arts and Culture: **1 653 m^2**
- On the Dot Distribution: **1 174 m^2**
- Edge: **1 111 m^2**
- SMI Industrial: **1 101 m^2**

PERSEQUOR PARK
Persequor Park, Pretoria
18, 30 and 38 De Havilland Crescent

Office park

Value as at 31 August 2013:
R77,3 million

Size:
8 004 m^2

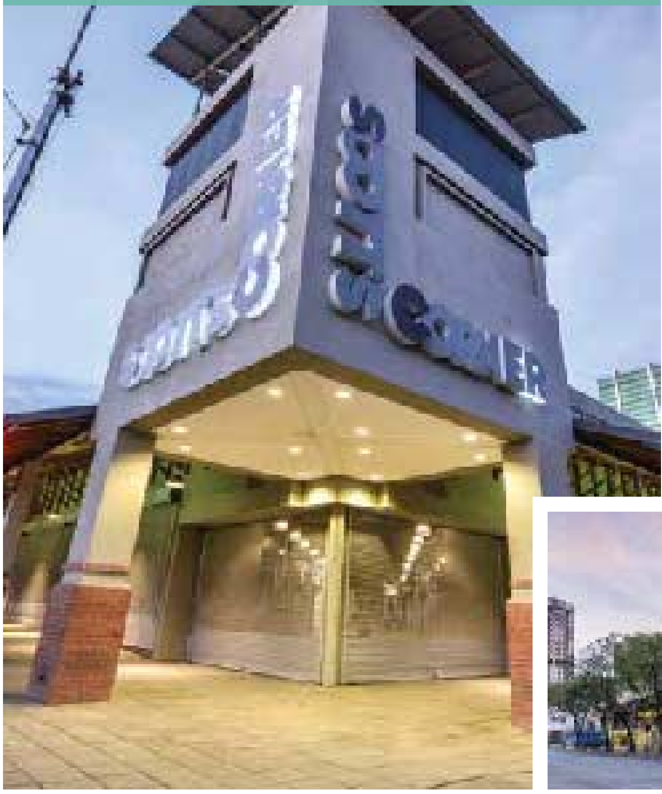
Number of tenants:
6

Average net rentals:
R97,41/m^2

Major tenant:
- Department of Public Works: **7 217 m^2**

SCOTT'S CORNER

Cnr Lilian Ngoyi (Van Der Walt) and Bloed streets Pretoria



Successful development situated in a desirable retail node

Market value:

R27,6 million

Size:

4 807 m^2

THE PROPERTY:

Scott's Corner is situated on the corner of Lilian Ngoyi (Van Der Walt) and Bloed streets, Pretoria. The total upgrade cost of the project amounts to R37,9 million.

THE OPPORTUNITY:

The property is situated in a desirable retail node. During January 2012 the demolition of the existing Scott's Corner started, and construction of a new commercial retail development commenced. The main contractor started in April 2012. Occupation of the retail stores commenced in March 2013 with the opening of a new Cambridge Store, part of the Massmart Group. Cambridge has signed a lease for a 10-year period.

THE OUTLOOK:

The annual rental income is projected to increase by R4 million per annum after the successful letting of this project. The fully let projected yield is 7% per annum. Cambridge, KFC, Rage, Capitec Bank and Pep Cell are some of the retail tenants.

The upgrade is in line with our strategy to improve our properties and will contribute to sustainable growth in earnings.

CASTLE MANSIONS
170 Jeppe Street

Another successful redevelopment of 177 residential units

THE PROPERTY:
Castle Mansions is situated on the corner of Kerk and Joubert streets, Johannesburg CBD. The property consists of the Kerk Street and Castle Mansions buildings which were acquired in November 2010 and August 2010 for an amount of R31 million and R40,7 million respectively. The total upgrade cost of the project amounts to R30,5 million.

THE OPPORTUNITY:
The opportunity presented itself to upgrade three levels of mothballed residential units at the Kerk Street property, to link the Kerk Street and Castle Mansions buildings and to use Castle Mansions' access for both buildings. During May 2012 the upgrade of the residential units commenced. Occupation of the residential units started in January 2013. The first floor of Castle Mansions is being converted to residential and the residential section is currently undergoing an upgrade.

THE OUTLOOK:
The annual rental income is projected to increase by R4,5 million per annum after the successful letting of this project. The fully let projected yield is 9,6% per annum. The completed project has transformed the interior of the building, and the residential component consisting of 177 new residential units.

The upgrade is in line with our strategy to improve our properties and will contribute to sustainable growth in earnings.

Market value:
R118,6 million

Size:
15 138 m^2

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

S Wapnick

Chairman

Qualification: BA LLB (cum laude)

Date of appointment: 4 October 1994
Chairman of nominations committee
Member of risk, and social, ethics and remuneration committees

Sharon (50) is also the chairman of Premium and holds various other directorships of unlisted companies including IPS. She has considerable experience in the property industry, as well as in legal-related property matters. Sharon is a senior partner of Tugendhaft Wapnick Banchetti & Partners.

MZ Pollack

Qualification: CA(SA)

Date of appointment: 4 October 1994
Member of audit, risk, social, ethics and remuneration, and nominations committees

Myron (66) has considerable experience in the property industry and serves on the boards of Premium and IPS.

LEAD INDEPENDENT DIRECTOR

DP Cohen

Qualification: AEP (Unisa)

Date of appointment: 1 October 2009
Member of audit, risk, social, ethics and remuneration, and nominations committees

Derek (62) is the lead independent director of Octodec and also serves on boards of other companies, including Premium and IPS. He has many years of experience in banking and finance. He provides consultancy services with a specific focus on mergers, acquisitions and corporate finance-related issues.

INDEPENDENT NON-EXECUTIVE DIRECTORS

GH Kemp

Qualification: MSc (Mining Engineering), DPLR, MDP

Date of appointment: 1 October 2013
Member of audit, risk, social, ethics and remuneration and nominations committees

Gerard (58) is currently the chief executive officer of Kaouat Iron Limited, a division of Transafrika Resources. He is the former chief executive officer of Pamodzi Resources Fund and prior to that director of business development (resources) at Rand Merchant Bank (RMB), head of investment banking and head of equities research at BoE Merchant Bank and BoE Securities, respectively. Gerard is also an independent non-executive director of Premium, IPS, Village Main Reef Limited and Keaton Energy Holdings Limited.

PJ Strydom

Qualification: CA(SA)

Date of appointment: 6 February 2012
Chairman of audit, risk, and social, ethics and remuneration committees
Member of nominations committee

Pieter (65) has 43 years of experience in external auditing, special investigations and all disciplines of risk management and serves on the boards of other companies, including Premium, IPS and Old Mutual Nigeria Life Assurance Company Limited.

EXECUTIVE DIRECTORS

JP Wapnick

Managing director

Qualification: BCom

Date of appointment: 2 October 1998
Member of risk committee

Jeffrey (53) is responsible for the effective management of the group, with a strong emphasis on the upgrades and development of properties. He is also the managing director of Premium and holds various other directorships of unlisted companies, including IPS and City Property, where he is the managing director. He has a wealth of experience in the property industry.

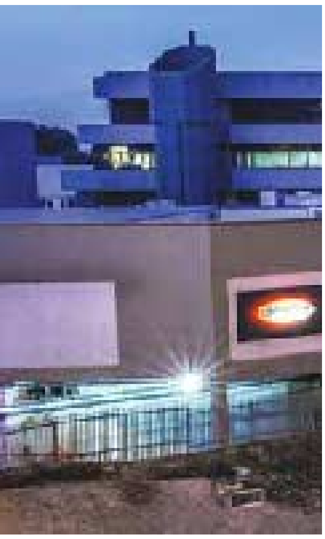
AK Stein

Financial director

Qualification: CA(SA)

Date of appointment: 1 July 2009
Member of risk committee

Anthony (46) is also the financial director of Premium and responsible for the overall financial management of City Property. He joined City Property in March 2003. He is also the treasurer of the SA REIT Association. He has considerable experience in finance and in a listed-company environment as well as in the property industry.



WAVERLEY PLAZA

Waverley, Pretoria, 1120 Hertzog Street

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

INTRODUCTION

Octodec had an exceptional year, growing distributions and its market capitalisation at a rate that has exceeded the average for the property sector. Octodec continues to focus on its strategic objectives of acquiring properties in Gauteng with a focus on the Pretoria and Johannesburg central business districts (CBDs) and their surrounding areas, and to benefit from the successful unlocking of value through redevelopment and refurbishment of its properties. Underpinning this successful year were a number of important achievements, including:

- raising total distributions for the year by 14,8% to 157,60 cents per linked unit;
- increasing rental income as a result of increased demand for CBD rental space as well as a relatively strong performance from its shopping centres;
- significant improvement in the profits of IPS, the associate company in which Octodec has a 40% interest;
- successfully completing a number of refurbishments and redevelopment programmes, to extract value from the underlying property portfolio; and
- reducing the weighted average cost of finance to 8,4% per annum.

The 2013 financial year was a challenging year for the economy as a whole. The South African economy has continued to grow, but at a slower rate than expected. This together with renewed domestic labour issues and new global concerns have clouded the prospects for the local economy.

Consumer inflation is expected to be higher than previously thought. This is especially the case for 2014 as the adverse impact of the weaker rand is likely to be more persistent.

The combination of upside inflation pressure and downside GDP growth highlights the difficult balancing act that the South African Reserve Bank has to perform. The future of interest rate levels in the next 12 months is uncertain.

CORPORATE GOVERNANCE AND SUSTAINABILITY

The integrated report provides information on the financial and non-financial aspects of our business.

Octodec is committed to the highest level of corporate governance, integrity and ethics. The group strives to provide a structure that works for the benefit of all stakeholders by ensuring that we adhere to acceptable ethical standards, best practices and legislative requirements.

We remain fully committed to an open and disciplined governance process and believe that we have complied in all material respects with the requirements set out in the King III report.

DISTRIBUTION TO UNITHOLDERS

Rental income received less the aggregate of operating costs and interest on debt is distributed to unitholders twice a year.

The group has a policy not to distribute capital profits. Octodec has again rewarded unitholders by declaring a total distribution of 157,60 cents per linked unit (compared to the 137,30 cents in 2012), made up of an interim distribution of 78,70 cents and a final distribution of 78,90 cents per linked unit. This represents an increase of 14,8% on the amount paid in the previous financial year. The interim and final distributions were paid on 20 May 2013 and 18 November 2013 respectively.

FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

The performance of our property portfolio continues to be relatively strong even in an environment of tough trading conditions and subdued consumer confidence. Our entrenched strategy of unlocking the value of the portfolio through developments and upgrades is proving successful.

Revenue, excluding the straight-line lease adjustment, and net rental income increased by 10,6% and 7,2% respectively, compared with the previous comparable period. The core portfolio representing those properties held for the previous comparable year with no major development activity, reflects rental income growth of 6,7%.

Property expenses net of recoveries increased to 33,8% (2012: 33,1%) of rental income largely due to an increase in utility expenses, which were partially offset by recoveries from tenants. Despite rapidly escalating charges in respect of assessment rate and utility charges, the cost recovery percentage from tenants was above our expectations. These escalating charges have impacted the total occupancy cost of tenants. Provisions and write-offs of bad debts were at acceptable levels of 0,9% (2012: 1,1%) of total tenant income. We do not expect any significant deterioration in bad debt write-offs in the coming year.

Major contributors to the growth in rental income were the residential and CBD retail properties.

A substantial savings in finance costs was achieved due to the rights issue that was undertaken in the previous financial period. The proceeds of R300 million in respect thereof were initially utilised to reduce debt.

The investment income received from IPS and Premium, excluding profits and losses of a capital nature, amounted to R24,7 million and R29,7 million, respectively.

These investments remain a strong contributor towards the overall results and growth prospects of Octodec. The income received from IPS represents an increase of 41,4% on the prior period. The improved occupancy levels achieved during the period at Craig's Place and the mixed-use developments of Kempton Place and Tali's Place, as well as a reduction of the cost of finance, contributed to the growth achieved by IPS.

CONVERSION TO A REAL ESTATE INVESTMENT TRUST

Following the introduction of REIT legislation in South Africa, Octodec was granted real estate investment trust (REIT) status on 1 September 2013. The capital structure, whereby the linked units will be converted to an all equity structure, will be implemented in due course.

Under the new REIT legislation capital gains on Octodec's investment property and its investments in Premium and IPS will no longer be subject to capital gains taxation in respect of the disposal thereof. Accordingly, no provision is to be made for deferred taxation and this resulted in a reversal of the group's deferred taxation liability amounting to R230,6 million at 1 September 2012.

STATEMENT OF FINANCIAL POSITION

Total investment assets increased by 11,4% to R4 billion at 31 August 2013. This increase is mainly due to acquisitions, development expenditure, the revaluation of the portfolio and the increase in the value of the company's investment in IPS. The directors' valuation of the investment properties amounted to R3,3 billion, reflecting a 4,2% increase in value.

The group's gearing equated to 35,9% of the value of its investment assets as at 31 August 2013.

The net asset value per linked unit was R22,33. This equates to an increase of 18,7% on the R18,82 reported at 31 August 2012. The substantial increase was as a result of the elimination of deferred taxation on the fair value adjustment to investment property, following the conversion of Octodec to a REIT on 1 September 2013 as well as the increase in the valuation of the investment portfolio.

TRANSACTION SUBSEQUENT TO THE FINANCIAL YEAR-END

Pursuant to the introduction of the REIT legislation, Octodec and Premium are considering a possible merger. In anticipation of a merger, and in order to simplify existing corporate structures, City Property agreed to dispose of its investment in IPS. The Wapnick family, being the shareholders of City Property, would like to maintain their investment indirectly in IPS and as such, have agreed to the specific repurchase agreement subject to the subscription agreement.

As announced on SENS on 30 October 2013, Octodec, Premium, IPS and City Property entered into an agreement dated 28 October 2013, relating to the specific repurchase by IPS of City Property's shares in IPS for a cash consideration of R127 541 584 and the repayment of City Property's shareholder's loan in IPS of R48 075 800 (the specific repurchase).

Following the specific repurchase, Octodec's and Premium's shareholding in IPS will increase to 50% each. Pursuant to the specific repurchase, Octodec has entered into an agreement, dated 28 October 2013 with City Property (the specific issue) in terms of which Octodec will issue 9 122 981 linked units to City Property in exchange for a cash consideration of R175 617 384. The linked units will be issued at a price of R19,25 per linked unit, which represents the 30-day VWAP of Octodec linked units for the 30 trading days ended 25 October 2013. The specific issue is subject to the fulfilment of the conditions precedent as detailed in the SENS announcement. The transaction is not expected to have a material dilutionary impact on the distribution per linked unit.

PROSPECTS

We will continue our efforts to expand Octodec's portfolio, redevelop our properties and focus on our core markets in the Pretoria and Johannesburg CBDs and surrounding areas. An important part of our successful growth is the development of properties and the renovation or redevelopment of existing properties. The projects completed in the 2013 financial year and those earmarked for completion in the 2014 financial year, which are well underway, will deliver further value to our shareholders in future.

Our strong financial position enables us to take advantage of new investment opportunities as and when they arise. We believe that maintaining our strategy and focus will enable us to continue producing increases in distributions.

Unless something unforeseen occurs, we are forecasting an increase in distributions per linked unit for the 2014 financial year to be at least in line with the sector average of between 6,5% and 7,5%.

CHANGES TO THE BOARD

Mr MJ Holmes retired from the board of Octodec as a non-executive director with effect from 1 September 2012. We express our appreciation and gratitude to Mr Holmes for his guidance and his contribution to the company over the years. We thank him most sincerely for his commitment, dedication and untiring effects. We wish Mr Holmes all the best in his retirement.

Mr GH Kemp was appointed to the board on 1 October 2013. He has many years' experience in the financial services sector and brings a wealth of knowledge and experience to the board in areas of corporate finance, labour relations and black economic empowerment. We welcome Mr Kemp to the board and look forward to his valued contribution.

CLOSING

Our sincere appreciation is offered to our fellow directors for their contribution and guidance over the past year. We would also like to thank City Property, its management and staff for all their hard work and dedication.

We acknowledge our investors, who have shared in our vision, recognised the benefits of a long-term view, and supported Octodec in pursuing its strategy.

We look forward to successfully delivering sustainable performance in 2014 and growing long-term value for our shareholders.

PORTFOLIO REVIEW

Octodec invests in the retail, office and industrial sectors and has a growing residential portfolio. Octodec is a value investor focused on niche inner-city properties largely in the Johannesburg and Pretoria CBDs. It also has a 40% investment in its associate IPS Investments Proprietary Limited and a 14% interest in Premium Properties Limited. It has a large shopping centre portfolio situated in Gauteng. Over the past year, Octodec has enhanced the quality of the portfolio through selective acquisitions of properties in Pretoria and Johannesburg, redevelopments and upgrades.

RETAIL – SHOPPING CENTRES

	2013	2012
Rental income (R'000)	**115 295**	108 741
As a percentage of total property portfolio rental income (%)	**31,8**	32,6
Gross lettable area (m^2)	**85 168**	84 088
Vacancies (m^2)	**3 671**	1 316
Vacancies as a percentage of sector GLA	**4,3**	1,6

The shopping centres include five high-quality shopping malls, namely Killarney Mall, Woodmead Value Mart, Waverley Plaza, Elarduspark and Gezina City, which delivered secure, escalating income streams underpinned by strong anchor and national tenants. The growth in rental income was at 6%.

The performance of Killarney Mall, the company's flagship shopping centre, was extremely pleasing. The vacancies during the financial period were at an average of 2%. Leases with the likes of Totalsports, Del Forno, Wakaberry, Sheet Street, Polly Potters and Marlee Bling were concluded. In addition, Pick n Pay, Clicks, Mr Price and Woolworths have undergone refurbishments and upgrades.

RETAIL – SHOPS

	2013	2012
Rental income (R'000)	**86 572**	74 348
As a percentage of total property portfolio rental income (%)	**23,8**	22,3
Gross lettable area (m^2)	**141 355**	139 016
Vacancies (m^2)	**4 125**	13 709
Vacancies as a percentage of sector GLA	**2,9**	9,9
Core vacancies as a percentage of sector GLA	**2,5**	2,5

CBD retail tenants consist of those that occupy mainly ground floors of buildings, including fast food, FMCG and national food and fashion retailers. Other retail tenants are small business owners selling clothes and durables, as well as providing various services.

The improvement in the operating fundamentals of our CBD's high street retail properties continued on its impressive upward trend. National tenants are prepared to pay higher rentals to occupy strategic, well-located retail premises in the Johannesburg and Pretoria CBDs. Octodec capitalised on these favourable market conditions to produce strong rental growth while maintaining good occupancy levels. One of the advantages for these high street retailers as opposed to shopping centres, is that the cost of occupation is much lower as there are no common area charges in respect of utility costs associated with occupation.

A number of well-known, high-quality national food and clothing retailers such as Cambridge, Nando's, KFC, Rage and Mr Price, attracted by the significant growth they achieve in the CBDs have returned to the CBDs which they abandoned many years ago.

INDUSTRIAL

	2013	2012
Rental income (R'000)	**71 721**	67 014
As a percentage of total property portfolio rental income (%)	**19,8**	20,1
Gross lettable area (m^2)	**193 725**	198 806
Vacancies (m^2)	**23 853**	16 528
Vacancies as a percentage of sector GLA	**12,3**	8,3
Core vacancies as a percentage of sector GLA	**12,0**	8,3

The financial period saw limited improvement in the industrial rental market generally resulting in increased vacancies. One of the objectives during the year was to improve the quality of the portfolio to attract tenants. Rentals achieved were generally reduced to attract tenants. A proactive letting strategy was implemented and this is starting to show promising results.

OFFICES

	2013	2012
Rental income (R'000)	**60 338**	60 247
As a percentage of total property portfolio rental income (%)	**16,6**	18,1
Gross lettable area (m^2)	**127 485**	115 949
Vacancies (m^2)	**37 749**	39 042
Vacancies as a percentage of sector GLA	**29,6**	33,7
Core vacancies as a percentage of sector GLA	**14,6**	12,7

The office portfolio consists of properties that are well located in nodes attractive to corporates, government and smaller tenants.

The financial period saw limited improvement in the office sector. We are largely dependent on the local economy, and job growth in particular, for the letting of these premises.

RESIDENTIAL

	2013	2012
Rental income (R'000)	**29 175**	23 090
As a percentage of total property portfolio rental income (%)	**8,0**	6,9
Gross lettable area (m^2)	**34 498**	30 104
Vacancies (m^2)	**10 154**	2 691
Vacancies as a percentage of sector GLA	**29,4**	8,9
Core vacancies as a percentage of sector GLA	**–**	3,8

Demand remains strong for residential accommodation across the portfolio. Over the last few years the supply of new residential accommodation was severely limited, resulting in demand outweighing supply. The 2013 results recorded a 10,2% increase in core residential rental income with occupancy levels during the period of close to 100%. This excludes the properties being upgraded. Octodec owns a portfolio of 14 residential properties consisting of a total of 865 units situated in high-growth areas. Our properties are of a high quality, well located and highly attractive to a growing emerging middle class.

INVESTMENTS IN IPS AND PREMIUM

Octodec's investments in IPS and Premium continued to provide acceptable returns. Further details are as follows:

Investment	Shareholding %	Value at 31 August 2013 R million	Share of profit (excluding capital profit) R million	Increase in profit %
Premium	14,2	365,8	29,7	11,6
IPS	40	347,3	24,7	41,4

IPS's growth was positively impacted by the occupancy levels achieved during the period at Craig's Place and the mixed-use developments of Kempton Place and Tali's Place, as well as a reduction in the cost of finance.

PROJECTS

Various properties were under construction during the year at a cost incurred during the year of R66,2 million. Further information on projects with a total cost in excess of R5 million is as follows:

Property	Details	Gross lettable area of property	Total cost since inception of project	Projected initial fully let yield %	Completion date
Castle Mansions (previously comprised Castle Mansions and Kerk Street): mixed-use residential property – Johannesburg CBD	The upgrade of Castle Mansions and Kerk Street residential section. The first floor of Castle Mansions will also be converted to residential. The properties were linked to create a single property with a single entrance for residential	15 138 m^2 including 177 residential units	R20,9 million to 31 August 2013 and an additional R9,6 million to completion	Marginal yield of 9,6%	Kerk Street residential units – November 2012 – Castle Mansions residential units – December 2013
Essenby: mixed-use residential property – Johannesburg CBD	Upgrade of the residential units and common area	7 345 m^2 including 116 residential units	R2,9 million to 31 August 2013 and an additional R13,1 million to completion	Marginal yield of 5,7%	March 2014
Medical City: mixed-use – Johannesburg CBD)	Conversion of offices into college, including accommodation	7 901 m^2	R3,4 million to 31 August 2013 and an additional R24,5 million to completion	Marginal yield of 8,15%	November 2013
Scott's Corner: retail – Pretoria CBD	Retail development anchored by Cambridge, part of the Walmart Group	4 807 m^2	R37,9 million to 31 August 2013	Marginal yield of 7,0%	March 2013
Time Place: mixed-use Pretoria CBD	Upgrade of the residential component	5 330 m^2 including 144 residential units	R4,6 million to 31 August 2013 and an additional R5,1 million to completion	Marginal yield of 6,0%	September 2013

Octodec is currently in the planning stages of the redevelopment of Bosman Place, which is situated in the Johannesburg CBD. The property consists of a retail component and 9 779 m^2 of vacant offices. The offices will be converted into 225 residential units at a cost of approximately R80 million. The initial yield is expected to be 8,4%.

PORTFOLIO REVIEW *CONTINUED*

ACQUISITIONS

Octodec actively evaluates opportunities to extend its track record of sustainable distribution growth. Octodec acquired and transferred five properties in the 2013 financial year for an aggregate purchase price of R141,01 million.

Name of property	Address	Description	Rentable m²	Purchase price including costs R million	Initial yield %	Date of transfer
Odeon Forum	83 Louis Street, Menlyn, Pretoria	Offices	2 667	34, 86	9,09	31 July 2013
Prime Cure House	128 Oak Avenue, Highveld Park, Centurion, Pretoria	Offices	2 689	28,81	10,91*	31 July 2013
Persequor Park:		Offices	8 004	77,34	10,12	31 July 2013
• Dynamech Office Park	18 de Havilland Crescent, Persequor Park, Pretoria					
• De Havilland Forum	30 De Havilland Crescent, Persequor Park, Pretoria					
• Planburo Consillium	38 De Havilland Crescent, Persequor Park, Pretoria					

* *Currently vacant, this yield assumes a fully let building*

We disposed of one small property that did not meet Octodec's strategic criteria, Eloff Street Mini-units, for an amount of R6,65 million.

VACANCIES AND LETTING

Vacancies in the Octodec portfolio at 31 August 2013, including properties held for redevelopment, amounted to 13,6% of total lettable area. Core vacancies (that is, excluding vacant areas planned for redevelopment, current projects and properties that are mothballed) as at 31 August 2013 were at 8,4% of total lettable area. Details of these vacancies, with reference to the sectoral spread, are set out on page 11.

Despite difficult trading conditions most of the properties remained fully let. As anticipated, a number of properties under development, or those which were recently upgraded, for example Scott's Corner, had vacancies. In recent years certain properties, for example Bosman Place and Medical City, were acquired with large vacancies and where little or no consideration was paid in respect of the vacant space which offered redevelopment opportunities. The redevelopment of Medical City and Bosman Place is currently in progress as detailed in this report.

Major vacancies in the portfolio at year-end include the following:

- Bosman Building (15 809 m^2) – 9 779 m^2 of vacant space is to be converted into residential accommodation
- Medical City (7 901 m^2) – 5 100 m^2 of vacant space is to be converted into a college with residential accommodation for students
- Works@Registry (10 395 m^2) – 5 565 m^2 of the vacant space is being explored for a residential conversion opportunity
- Prime Cure House (2 689 m^2) – 2 689 m^2 of office space is vacant

Residential vacancies relate to properties where tenants were vacated to allow for the upgrade of the units and common areas. These are at Essenby, Castle Mansions and Time Place.

DIRECTORS' VALUATION

It is the group's policy to perform a directors' valuation of all the properties twice yearly. This resulted in a R131,5 million revaluation gain for 2013, representing an increase of 4,2%. The weighted average capitalisation rate of the portfolio of properties was 9,6% compared to 9,4% in 2012. Independent property revaluations on one-third (by value) of the properties in the investment property portfolio were undertaken by registered valuers, Gert van Zyl Valuers and Amanda de Wet Attorneys, during 2013. The external valuers valuation was 2,1% more than the directors' valuation.

BORROWINGS AND INTEREST

Octodec's financial gearing at the end of the 2013 financial year was at 35,9% of the total value of its investment portfolio (2012: 33,0%). Our policy is to manage the debt funding risk by fixing the majority of our interest rate exposure to mitigate against interest rate fluctuations. The group had interest rate hedging in place for the year ended 31 August 2013 in respect of 54,9% of total borrowings, which were hedged by way of fixed interest rate loans or interest rate swaps, with maturity dates ranging from November 2013 to August 2018.
The weighted average annual cost of borrowings was 8,4% per annum at year-end (2012: 9,4%). The group has the capacity to increase borrowings to fund expansion opportunities.

DAN’S PLACE
Johannesburg CBD, 165 Jeppe Street

STAKEHOLDER ENGAGEMENT

Octodec acknowledges its responsibility to protect the interests of all stakeholders. Our stakeholders include:

- Analysts
- Banks
- Communities
- Employees
- Financial institutions
- Government and regulators
- Investors
- Special interest groups such as industry associations
- Suppliers
- Tenants
- Unitholders

We believe that mutual trust and understanding is important for proper stakeholder communication. As a result, we use specific means of communication for each stakeholder group.

The accountability to stakeholders is of primary importance. As such, our philosophy encapsulates integrity, fair dealing, accountability, objectivity and transparency.

We are aware that we cannot achieve our strategic objectives in isolation and that stakeholder engagement is crucial to our ongoing success in delivering on strategic objectives. The group operates within a complex environment which is impacted by a combination of economic trends, and the influence of the broad spectrum of stakeholders who interact with the group and its operations daily.

The reputation of the group is based on stakeholder perception; therefore, stakeholder issues are considered and dealt with appropriately. Positive stakeholder engagement and responsiveness is the driving force behind our actions.

The table below shows our material stakeholders, their importance and relevance to the group, and the method of communication.

STAKEHOLDER GROUP	IMPORTANCE AND/OR RELEVANCE	METHOD OF COMMUNICATION
Unitholders and investors	• A few unitholders own a significant portion of the issued share capital. We aim to ensure positive stakeholder engagement and provide regular updates on relevant information • Octodec's objective is to provide unitholders with a growing and sustainable distribution per linked unit	• Site visits • Annual and interim reports • Annual general meeting • Media announcements • Stock Exchange News Service ("SENS") • Results meetings • Ongoing communication with analysts and fund managers • Road shows • Website updates • Compliant and transparent reporting • Upholding high standards of ethical behaviour
Banks and financiers	• Ability to service debt • Ability to refinance maturing facilities • Adherence to financial covenants • Appreciation that costs of financing reduce distributable income • Acceptable loan to value ratios should be maintained • Solvency and liquidity to be constantly reviewed	• Report to financial stakeholders • Regular cash flow and solvency forecasts • Close monitoring of key financial ratios • Interest rate risk is mitigated through interest rate swaps and fixed interest rates • Ongoing negotiations with bankers and financiers to offer better rates and conditions • Consideration of alternative sources of capital by board of directors and corporate advisors

STAKEHOLDER GROUP	IMPORTANCE AND/OR RELEVANCE	METHOD OF COMMUNICATION
Property and asset management company	• Enforce strict compliance of City Property's management agreement as it governs the day-to-day operations • City Property is an integral part of the business • City Property has input into strategy development • Regular updates on every facet of the business are provided by City Property, including vacancies, leasing, arrears, maintenance and repairs and lease expiry reports • Future business opportunities are identified and focused on • Standard of service should be of the highest level • Management fees must be paid timeously	• Regular meetings conducted to update relevant role players • Performance appraisals are conducted to determine if targets are met
Tenants	• Terms and conditions of lease agreements • Safe and secure environment • Complementary mix of tenants • Provide excellent customer service • Offer affordable/best value product • Continuous review to ensure that tenants' needs are met • High-quality buildings • Location of property • Endeavour to meet demands of tenants	• Ongoing communication with and reporting to tenants • Managing director meetings with top tenants
Suppliers	• Our suppliers are essential to our success and the following performance deliverables are essential: – Pricing – Quality – Reliability • Equal opportunities as a driver • Fair tender processes	• Specific initiatives in place to enhance our supplier relationships, including: – Focus on quality, cost and service – Supplier performance is monitored regularly • Tenders are awarded based on price and quality
Government and local authorities	• Government impacts the group in many ways, directly and indirectly (e.g. taxes, legislation, tenants)	• Engaging with government at national, provincial, council and local levels • Regulatory submissions
Communities	• The group operates in many communities • It is imperative that we maintain good links with our communities	• Constructive and transparent engagement • Energy-saving tips
Employees (City Property and Octodec)	• Concerns of health and safety, fair working conditions and career development opportunities • Adherence to a code of conduct • Professional development of staff • Conduct annual performance reviews • Market-related remuneration • Increased accountability and ownership by staff to project our brand • Delivery of high-quality services to our tenants	• Engaging with employees by a variety of means: – Direct communication – Performance and development reviews – Octodec's website – City Property intranet and monthly newsletters – Emails and general publications – Staff presentations • Induction programme for new employees • Monthly publication of City Property's *City Slicker* available to staff

RISK MANAGEMENT

The ultimate responsibility for the governance of risk, including the tolerance and amelioration of risk, resides with the board of directors. A formal process of risk management has been implemented and a comprehensive risk register is in place to assist the board in setting risk limits and tolerance levels. Octodec focuses its attention on analysing the risks which may impact its ability to deliver on its strategy in a sustainable manner.

Risk management is critical to the ongoing success of the group. The group identifies risks that could adversely affect it. These risks could be related to, among others:

- Projects and project execution
- Health and safety
- The environment
- The economy
- Commerce
- Talent management

The board of directors delegated to the risk committee the responsibility to design, implement and monitor the risk management plan to ensure that Octodec's risks are appropriately managed.

Octodec has identified its major risks from the perspective of its stakeholders who are impacted by or who may affect Octodec's ability to deliver on its strategy. The analysis of these material stakeholder groups is set out in the table on pages 26 and 27.

The major business risks, which are managed through the group's risk management and control process, are summarised in the table below:

RISK CATEGORY	RISK DESCRIPTION (POTENTIAL)	CONTROL PROCESSES TO MITIGATE RISK
Economic	• Slowdown of the South African economy • Turbulent world economy and uncertainty about the long-term recovery from the global economic downturn • Interest rate movement • Inability to access capital	• Diversification of portfolio • Maintaining loan to value ratios at below 40% • Management of loan maturity profile • Financing at fixed interest rates and entering into interest rate swap agreements to maintain an interest rate hedged position of between 50% and 60% of total interest-bearing borrowings • Diversification of funding sources among shareholder funds, bank borrowings and other financial institutions • Diversification of types of borrowings
Skills and talent	• Inability to source appropriate skilled resources • High staff turnover	• Succession planning and staff retention plans introduced across the group by City Property • Offering market-related salaries and benefits • Motivating employees
Reputation	• Damage to reputation impacts long-term growth and sustainability	• Behave in an ethical and fair manner with all stakeholders • Positive stakeholder engagement • Building on established relationships • Greater responsiveness to our target market • Continuous enhancement of our brand
Acquisition of properties/property market	• Newly acquired properties might impact financial performance • Experiencing increased competition to acquire good-quality and well-located properties	• Robust acquisition screening process in place • Invest the necessary capital to ensure that its buildings are well maintained • Ensuring a sectoral spread to satisfy demand • Acquiring buildings at yield-enhancing rates
Tenant default	• Inability of tenants to pay rent and operating costs reduces distributable income • Negative cash flow	• Credit control, assessment and regular monitoring and engagement • Tenant arrears are closely monitored • Credit control measures are in place to curb bad debt • Rent is tailored to make it more affordable for tenants

RISK CATEGORY	RISK DESCRIPTION (POTENTIAL)	CONTROL PROCESSES TO MITIGATE RISK
Damage to property	• Negative impact on financial performance and net asset value	• Regular monitoring and adequate insurance cover • Installation of CCTV cameras and implementing other security measures • Regular interaction between property and building managers with tenants • Regular site visits and inspection • Backup plans for utilities and engagement with municipality
Municipal service delivery	• Service delivery is deteriorating • Incorrect and estimated billing is produced; therefore, actual utilities recovered from tenants are mismatched by inaccurate billings • Difficulty in obtaining clearance certificates which delays occupancy dates	• Octodec has installed prepaid meters in most of its residential units • Continue implementing prepaid electricity • Employed the services of third-party meter readers – this ensures correct billing and recovery from tenants • Continue exploring ways to optimise and streamline the use of electricity
Cost escalations such as utilities, assessment rates and labour-related costs	• Impact of cost increases on tenants' ability to service rental liabilities, increasing lease default risk • Increased assessment rates and high electricity tariffs have a major impact on tenants • Cash flow is affected negatively	• Measures to reduce consumption and recover costs from tenants • Encouraging and educating tenants on ways of reducing consumption resulting in savings • Tenants' consumption is monitored closely to detect abnormalities in usage
Liquidity and refinancing	• Insufficient cash resources to meet interest or capital payments on due dates • Inability to refinance borrowings on expiry • Increase in finance costs due to interest paid on additional debt raised to finance acquisitions	• Engage with banks and spread the maturity dates of loans • Cash flow management • Diversifying sources of funding • Negotiating better interest rates and conditions on borrowings • Ensure facilities are available to meet debt obligations
Interest rates (Octodec's debt)	• Increase in interest rates will have a negative impact on financial results • Economic conditions remain tough	• Access sources of funding at lower cost while maintaining appropriate gearing levels • Interest rates – the company's policy is to hedge between 50% and 60% on its interest rate risk through fixed interest rates and swap contracts
Vacancies	• Negative impact on revenue streams, resulting in failure to meet budgets and deteriorating building values • Tenants have difficulty in absorbing the increasing costs of occupancy • Expenses are incurred regardless of whether the property is tenanted • Increased vandalism of vacant properties	• Emphasis on retention of tenants on lease expiries • Continued engagement with tenants • Willingness to negotiate lease terms to retain tenants • Tenants' concerns are addressed by property managers • Buildings are well maintained to attract prospective tenants • Providing quality, yet affordable accommodation • Increased security and vigilance at properties

OUR ENVIRONMENT

The board is aware of the impact its operations may have on the environment, local communities and tenants. The directors acknowledge that socially and environmentally sustainable practices are equally as important as financial reporting. The board is committed to sustainable transformation as a business imperative to ensure that the group makes a positive contribution to the South African economy, its stakeholders, the environment and the communities within which it operates.

PROPERTY PORTFOLIO

The existing portfolio is continuously enhanced by upgrading and redeveloping our properties where necessary. We aim to increase our exposure in our core markets by further acquisitions in the Pretoria and Johannesburg CBDs and surrounding areas. Properties need to meet a set of criteria to be considered for acquisition. Factors that are taken into account include the following considerations:

- Potential to unlock value by the redevelopment and/or retenanting of the property
- Offers strategic value to existing property portfolio
- Properties that are situated in a prime location, with easy access to major transportation, food outlets and shopping facilities

All proposed acquisitions are formally presented to the board for approval pursuant to a due diligence exercise and thorough investigation.

Certain of the initiatives that were in place during the financial year were:

- an ongoing programme of maintaining our properties;
- an ongoing programme of enhancing our existing properties through redevelopment and upgrades; and
- a greater focus on tenant satisfaction and meeting tenants' expectations.

One of the key objectives through which we achieve our strategy, is the continuous maintenance of our properties. Although this results in higher maintenance costs, it has a long-term sustainable effect not only for the specific property and its tenants, but also for the immediate environment. This process also helps to ensure that our tenants are operating in an environment that remains acceptable to them, their customers and their needs.

We aim to improve efficiency through engaging the City Property procurement, technical, maintenance and repairs departments, improving turnaround times to resolve issues and maintaining tight cost control.

ECONOMIC IMPACT

Octodec provides employment to approximately 120 people, most of whom are building managers and caretakers. City Property employs the executive management and support staff for the operations of the group. These include those in property management, finance, strategic, human resources and legal and compliance departments.

Additionally, Octodec indirectly contributes to wealth creation and skills development of the South African economy by providing employment opportunities. The group's extensive procurement of services and products also has a positive impact on the domestic economies.

The group has assisted in the creation of new local jobs by the implementation of its strategy to upgrade and redevelop previously underutilised properties.

ENVIRONMENTAL IMPACT

The group remains mindful of the relevant environmental, and health and safety legislation to ensure that it manages all aspects of its environmental impact and, in doing so, ensures sustainability.

Octodec is committed to taking preventative measures to protect the environment and lower its carbon footprint. A dedicated senior executive management team member at City Property is responsible for environmental management.

Octodec is constantly introducing ways in which its activities can be beneficial to the environment through its philosophy of being a responsible corporate citizen.

City Property's energy management team was formally introduced in the first quarter of 2011 and has a well-established presence in the operations and strategic direction of Octodec. The energy management team's mission is to direct, control and coordinate energy optimisation efforts using:

- Eskom funding where feasible;
- energy service companies; and
- available technologies,

to achieve sustainable benefits for the owners and tenants while maintaining operational standards. The team stays close to various industry players to ensure that Octodec is at the forefront of advances in the industry.

Octodec is represented on the South African Property Owners Association (SAPOA) sustainability forum where such matters as Eskom and municipal tariff increases and sustainable recoveries are addressed with relevant statutory and governmental bodies. Various initiatives are in place aimed at reducing the environmental impact of especially water and electricity use. It is part of our environmental responsibility to reduce the consumption of electricity and water. Educating tenants on consumption reduction, and complex council tariffs pose both opportunities and challenges.

Examples of some of our initiatives include the following:

- A programme to reduce common area costs by replacing ageing lighting technology with energy-efficient lighting
- Installing occupancy sensors
- Installing remote meters to ensure that energy consumption is managed in real time
- In-depth surveys of energy consumption patterns, existing lighting, metering, heating, ventilation and air conditioning ("HVAC") and operating hours of various buildings are underway (several projects have already been approved by Eskom)
- Tariff simulation exercises to ensure that properties are on the most financially beneficial tariffs
- New projects have to comply with the national standards for energy efficiency in buildings
- The use of heat pumps in new residential projects as an alternative to geysers (solar water heating systems can also be used but the pattern of water usage precludes their use)

Various energy-efficient measures have been incorporated into the building designs. These cover architectural and electrical aspects of the new projects.

The current economic climate, environmental considerations and the energy crises necessitate an emphasis on energy management.

A well-considered programme can result in direct financial benefit for our property portfolio and tenants alike. The increasing cost of energy and the risk of supply interruptions are of concern for the commercial property industry as a whole.

Eskom's challenges have led to significant increases in energy costs placing pressure on landlords and tenants alike. For this reason, City Property has a dedicated in-house electrical engineer reviewing current and best practices.

The following processes and initiatives are in place for the portfolio as a whole:

- An embedded energy management programme that monitors energy spend, efficiency and operational sustainability.
- Ongoing education of employees and management team regarding best practice.
- Due consideration is given to our electrical and architectural designs by the relevant professional teams in new developments and residential conversions to ensure compliance with national standards.

Management has actively engaged with Eskom to explore various options available within Eskom's integrated demand management programme and have found the Standard Product funding option and Standard Offer funding option to be the most beneficial options for Octodec's portfolio. These funding options are currently being pursued with Eskom with a number of projects already approved under the Standard Product funding option.

A number of other initiatives are underway with various stakeholders. These include the following:

- We actively educate our tenants on energy conservation and understanding tariffs.
- Excessive increases in consumption are monitored. State-of-the-art remote metering technology is used to actively manage a property's consumption.
- Employees and tenants are encouraged to switch off lights and air conditioning when not in use. Tenant requests for power supply during the tenant installation phase are vetted to ensure the appropriate supply is provided.
- Check meters are installed at various properties as control measures for council meter readings.
- Where feasible, time switches are installed to manage common area consumption.
- A water conservation programme that monitors the consumption of water to measure water wastages, enables early detection of system defects that can be rectified to minimise potential losses and a detrimental impact on the environment.
- In our new developments and residential conversions new initiatives are being investigated and implemented to reduce and monitor water consumption.

HEALTH AND SAFETY

Octodec supports the ethos of a safe environment and remains committed to ensuring we have a healthy and safe environment for our buildings' occupants. We endeavour to provide facilities that protect and preserve human lives and the assets of the company. City Property has appointed professionals with extensive technical expertise and experience to ensure health and safety obligations are fulfilled.

We strive to provide safe, clean, secure premises for our tenants, and our aim is to ensure these premises become and remain 100% occupied.

The company is committed to a safe, healthy and hygienic work environment in compliance with the Occupational Health and Safety Act, 85 of 1993 ("OHSA"). It has policies in place which govern health and safety at all our premises and takes every precaution within this framework to provide a safe and healthy environment.

CORPORATE SOCIAL RESPONSIBILITY

Octodec has a corporate social investment policy and has allocated an amount in the budget to assist in improving the lives of disadvantaged children in the Pretoria and Johannesburg areas. The expenditure is funded by an annual contribution from Octodec and others to the City Property's Antz@Work programme.

During October 2012 a "let's fix it" project was completed at Nkanyezi Stimulation Centre. This daycare for children with multiple disabilities is situated in the Orlando West area of Soweto. In partnership with City Property's contractors, this centre was renovated and provided with items such as educational toys, bedding and stationery.

Contractors are approached to volunteer their time, skills and material for "let's fix it" projects.

In Johannesburg, the Julius Sebolai Primary School in Braamfischer received 100 stationery hampers, as well as many stationery items donated by Killarney Mall Shoppers during a stationery drive at the mall on 29 November 2012.

In January 2013, 400 needy learners from the following Pretoria schools received hampers with stationery and groceries:

- Derdepoort Primary School
- Hermanstad Primary School
- Moretele Primary School
- Tuine Primary School
- Oost-Eind Primary School
- Voortrekker Eeufees Primary School

In June 2013, 500 needy learners from most of these schools received food hampers to assist them through the winter school holidays.

The City Property's Antz@Work programme is a deliberate, focused and progressive programme that:

- is guided by a policy framework;
- has clear focus areas; and
- receives corporate funding.

We support staff who show personal commitment to social responsibility. Staff open their hearts and share their time to assist with projects. Octodec's business growth has always been intertwined with the growth of the community in which it operates.

OUR ENVIRONMENT *CONTINUED*

Socioeconomic initiatives and donations are focused on areas that are relevant to our business and strategy.

TRANSFORMATION AND BLACK ECONOMIC EMPOWERMENT ("BEE")

Octodec has noted the requirements of the recent Property Sector Charter which was gazetted on 1 June 2012 and the Department of Trade and Industry's Codes of Good Practice and is giving due consideration to the implementation thereof.

We realise that BEE is an important factor in the sustainability of the business. We are committed to developing and supporting black enterprises by supporting BEE policy. Our BEE procurement policy includes procurement of goods and services required for the daily running of the group's properties, including routine maintenance, refurbishment projects and future expansions. Our objective is to promote local small businesses and in particular entrepreneurship in previously disadvantaged communities.

We strive to maximise purchases in the following areas:

- BEE
- Small, medium and micro enterprises ("SMME")
- Local business

The primary task of the procurement function remains unchanged, namely to find reliable and cost-effective suppliers. Our procurement programme will always be commercially oriented avoiding the use of non-value-adding suppliers.

SOCIAL IMPACT

THE COMMUNITY

Octodec is one of the larger property owners in the Johannesburg and Pretoria CBDs. It plays an important role in the ongoing regeneration of these CBDs. We have a responsibility to assist in the continual upliftment of these CBDs.

Octodec continues improving the quality of its properties and offers desirable residential accommodation that is of a high quality, secure, affordable and located close to major public transportation and other amenities. The ongoing development programme has contributed to creating an attractive environment for economic sectors to thrive in the inner city and encourages sustainable growth.

The CBDs are showing significant evidence of inner-city renewal. In recent years business sentiment and perceptions of these areas has improved. The company's objective is to continue stimulating and supporting area-based economic development initiatives in the CBD. This is in line with its strategy to address urban decay and rejuvenate the CBDs.

As one of the company's main objectives, the state and appearance of our buildings is important to attract investment and tenants.

The company has undertaken a number of projects to upgrade and redevelop buildings in the inner-city property portfolio. Buildings are refurbished, transformed to the company's image and turned into viable and productive economic assets. These projects have also included several improvements to existing residential properties to cater for the requirements of our different tenants.

In past years, certain parts of the Johannesburg city centre have gone through a period of stagnation and degeneration. Initiatives have been adopted to reverse these trends and to transform these areas into safe and attractive places to work and live.

A number of projects are currently either nearing, or are in the process of completion and will continue contributing to the transformation of the CBD areas. The upgrade and redevelopment initiatives have achieved an aesthetically improved urban environment and this is attracting a stream of residential and retail investors.

Our goal is to create viable, sustainable districts that stimulate the growth of small and medium-sized enterprises and provide the demand for the housing of the people who work in these enterprises and their families.

TRAINING AND DEVELOPMENT OF EMPLOYEES

Octodec has a limited number of employees having contracted out the property and asset management of its affairs to City Property.

The dedication and focus of our building staff and the personnel of City Property contribute to the company's success.

City Property employs the executive management and support staff for the operations, including property management, finance, strategic, human resources and compliance. Most of Octodec's building staff are managed by City Property. The cost of its building staff is allocated to Octodec. City Property employs formidable teams and passionate individuals at every level and we appreciate their contributions. In return, we continue to assist in creating an environment that develops their full potential in a safe and healthy workplace that challenges, stimulates, recognises and rewards their input.

Staff are our most important asset as they assist in ensuring that the company remains competitive, its service levels remain high and its business is conducted in an ethical and, ultimately, profitable manner. We believe in teamwork and success through a climate of respect and equality. City Property and Octodec's commitment to their employees spans across a variety of sustainability issues, including employment equity (EE), health and safety, basic human rights, HIV/Aids and skills development.

City Property, guided by prevailing legislation, has an elected employment equity, skills and HIV/Aids committee, attending to the relevant matters.

City Property and Octodec are committed to the development and career advancement of their people through such measures as leadership development and training. A comprehensive approach is undertaken to grow and nurture the talent of our building staff by providing maintenance and repair training courses, and communication skills and training courses to enhance our customer-friendly approach.

Every staff member has a vital role to play to ensure that we maintain a high standard, and all of them strive to produce work of a high quality.

Training and development is an ongoing priority. The focus is on empowering all staff with the knowledge and skills they need to develop personally and help the company grow for the benefit of all.

The training department of City Property assesses the group's training needs and addresses them promptly and effectively. The focus and priority is to ensure customer service and people skills, while relationships continue being developed, honed, strengthened and maintained. On-the-job training is provided by management coaching or mentoring colleagues. Along with this, we aim to provide training to ensure all practical and technical skills are at the required standard to ensure optimum productivity.

An intense training programme, assessed by City Property, is in place for all new property managers along with other new initiatives and training workshops that are planned and occur throughout the year.

EMPLOYMENT EQUITY

The group has a limited number of employees, having contracted out the management of the affairs of the group to City Property. As a result, it has neither worker participation nor employment equity programmes. However, it encourages and supports such practices.

ENGAGEMENT AND COMMUNICATION WITH EMPLOYEES

We understand the importance of engaging with our employees and make use of a range of communication tools to reach different employee groups within the business:

- Direct communication with all staff
- Performance and development reviews
- Newsletter and general communications
- Intranet
- Monthly *City Slicker* publication
- Group-wide briefings and presentations
- Participation in various forums and initiatives

TENANTS

Tenant retention and satisfaction through effective management practices and maintenance routines is a key strategy for the company, and improving such practices into the future will ensure the continued success of the company. We understand that the success of our tenants is closely aligned with our own. We continuously invest in upgrading our properties, thereby providing a better environment for our tenants.

A strategic business objective of improving the quality of the portfolio's assets, along with efficient operations, aims to ensure that Octodec has excellent relationships with its tenants as a key stakeholder group. We engage at senior levels and on a regular basis with our top tenants across the retail, industrial and office sectors. This includes, but is not limited to, executive engagements, where they align growth strategies and business objectives.

City Property has a number of systems and resources in place to assist in improving the relationships with tenants, including:

- a key accounts team tasked to ensure that Octodec is the leader in the management of national and larger accounts;
- a customer service call centre tasked to ensure that tenant queries are properly dealt with; and
- a team that focuses on tenant installations, thereby assisting the tenants to achieve their business objectives.

Octodec has 2 316 tenants, which include 865 residential tenants. The 10 largest tenants by monthly rental income represent 17,1% of total monthly rental income.

CORPORATE GOVERNANCE

APPLICATION OF KING III WITHIN OCTODEC INVESTMENTS LIMITED

The JSE has included certain aspects of the King Report on Governance for South Africa ("King III") in its Listings Requirements. The board has adopted the recommendations on good corporate governance contained in the King III Report, as well as the King Code of Governance Principles for South Africa. The King III principles and recommendations have been implemented across Octodec Investments Limited ("Octodec"). A full report of our compliance with each of the King III principles is available on the Octodec website, www.octodec.co.za.

MEMORANDUM OF INCORPORATION

On 1 May 2011, South Africa's Companies Act, 71 of 2008 (as amended) ("the Act") came into force – replacing the Companies Act, 61 of 1973. Although already compliant with most of the terms of the Act prior to it coming into force, during 2012 we took additional actions to ensure full conformance with the Act and the amended JSE Listings Requirements, including implementation of our new memorandum of incorporation ("MOI") (which replaces our previous memorandum and articles of association). These were approved at our annual general meeting ("AGM") on Friday, 1 February 2013. We are in the process of ensuring all the MOI's of our subsidiary companies are similarly aligned. This process will be completed shortly.

BOARD OF DIRECTORS

The board is the highest governing authority of the company. The board charter articulates the objectives and responsibilities of the board (see below). Likewise, each of the board committees operates in accordance with written terms of reference, which are regularly reviewed by the board. The board takes ultimate responsibility for Octodec's adherence to sound corporate governance standards and sees to it that all business decisions and judgements are made with reasonable care, skill and diligence. The board is committed to the highest principles of effective governance set out in King III. The board further accepts its responsibility to ensure the integrity of the integrated report. Controls are in place to verify and safeguard its integrity.

The board and committee structure of Octodec is as follows:

Board			
Audit committee	Risk committee	Social, ethics and remuneration committee	Nominations committee

There was one change to the composition of the board during the year under review. On 1 September 2012, Mr MJ Holmes retired and resigned as a director of the board. On 1 October 2013, Mr GH Kemp was appointed as an independent non-executive director. The board's composition is now aligned with best practice and the requirements of King III.

The board reviewed the previously approved board charter to align it with the recommendations of King III. The board charter compels directors to promote the vision of Octodec, while upholding sound principles of corporate governance. The board charter sets out the primary functions of the board as:

- retaining full and effective control of the group;
- reviewing and approving corporate strategy;
- approving and overseeing major capital expenditure, acquisitions and disposals;
- reviewing and approving annual budgets and business plans;
- monitoring operational performance and management;
- determining the group's purpose and values;
- ensuring that the group complies with sound codes of business behaviour;
- ensuring that appropriate control systems are in place for the proper management of risk, financial control and compliance with all laws and regulations;
- ensuring proper succession planning for executive management;
- regularly identifying and monitoring key risk areas and the management thereof; and
- overseeing Octodec's disclosure and communication process.

The role of non-executive directors, who are independent of management, is to protect linked unitholders' interests, including those of minority linked unitholders. They are also intended to ensure that individual directors or groups of directors are subject to appropriate scrutiny in their decision-making.

To avoid conflict of interest and in compliance with section 75 of the Act, board members must disclose their interest in material contracts involving the group. In addition, board members must recuse themselves from deliberations or the decision-making process relating to any matter in which such member may have a personal financial interest.

The daily management of the group's affairs is the responsibility of the managing director. In addition to the annual work plan, an approvals framework is also in place, setting out the respective responsibilities and levels of authority of the board and executive management. The board is kept informed of all developments at the company, primarily through the executive directors.

The board meets as often as circumstances dictate, but at least four times a year. It aims to ensure that its structure, size, composition and effectiveness and its committees are maintained at levels that are appropriate in the context of the group's strategy. During 2013, it convened seven times.

Summary attendance table of board and board committee meetings during the financial year ended 31 August 2013

	Board	Audit	Risk	Social, ethics and remuneration	Nominations
Number of meetings per year	**7**	**4**	**2**	–	–
S Wapnick	7	4#	2	–	–
DP Cohen	7	4	2	–	–
MZ Pollack	7	4	2	–	–
AK Stein	7	4#	2	–	–
PJ Strydom	7	4	2	–	–
JP Wapnick	7	4#	2	–	–

By standing invitation

BOARD APPOINTMENT AND INDUCTION

In terms of the MOI, the number of directors shall not be less than four and not more than 12. At the date of issuing the integrated report the board comprised two non-executive directors, two executive directors and three independent non-executive directors, who are free from any business or other relationships which could materially interfere with the exercise of their independent judgement. Advised by the nominations committee, the board ensures that the election of independent directors falls on reputable persons of well-known competence and experience, who are willing to devote a sufficient part of their time to Octodec. Procedures for appointment to the board include background and reference checks. Appointments to the board are made in a formal and transparent manner and are a matter for deliberation by the nominations committee.

Details of the directors in office as on 31 August 2013 appear on page 18 of this report.

There are no fixed-term contracts for directors, and the directors receive formal appointment letters. The appointment of new directors is confirmed by the linked unitholders at the first AGM following their appointment. Any new appointees to the board undergo a formal induction programme with the objective of maximising their understanding of the group and enabling them to provide input and make well-informed decisions from inception. All directors are expected to remain informed and updated on how to best discharge their responsibilities as directors of Octodec including keeping abreast of relevant changes and trends in economic, political, social, financial and legal climates and governance practices. City Property Administration Proprietary Limited ("City Property") provides training for directors, when required, and arranges property site visits.

ROTATION AND RETIREMENT FROM THE BOARD

In terms of the company's new MOI, and in order to facilitate continuity of the board, one-third of the non-executive directors are subject to retirement by rotation and re-election by linked unitholders at the AGM each year. Directors retiring are those that have been in office longest since their last re-election and include directors appointed since the last AGM. The board, assisted by the nominations committee, recommends the eligibility of retiring directors (subject to availability and their contribution to the business) for re-appointment. The director retiring by rotation at the forthcoming AGM is Mr MZ Pollack. In addition, linked unitholders are required to confirm the appointment of Mr GH Kemp as director in terms of the JSE Listings Requirements. All directors, excluding the executive directors, are subject to retirement and re-election by linked unitholders.

PERFORMANCE MONITORING

The chairman is appointed on an annual basis by the board, with the assistance of the nominations committee after a rigorous review of the chairman's performance. The managing director and chairman's roles are separate. In line with, the recommendations of King III, the board carries out a rigorous evaluation of the independence of directors who have served on the board for nine years or more. The nominations committee will in future assess the independence of non-executive directors annually.

In addition, a comprehensive annual work plan was developed to help ensure the board discharged its duties in a structured manner. The work plans were approved by the board and board committees in 2013.

In line with the recommendations of King III, in 2013 a detailed self-assessment of the performance of the board and its committees was conducted and the results thereof were considered in order to identify areas for improvement. The assessments found the structures and processes governing the board and its committees were well established and functioning satisfactorily. It also found that the board had fulfilled its role and responsibilities and had discharged its responsibility to the company, linked unitholders and other stakeholders in an exemplary manner. Action plans have been developed for the potential areas identified for improvement.

The directors carried out an informal evaluation to establish whether they satisfy the objective independence criteria of King III. Messrs PJ Strydom and Mr DP Cohen are independent according to the King III definition. Ms S Wapnick is not considered independent in terms of the King III definition by virtue of the fact that she has a representative shareholding in excess of 5%. Mr MZ Pollack is likewise not considered independent in terms of the King III definition by virtue of his material shareholding. In the circumstances and as per the recommendations of King III, the board appointed Mr DP Cohen as lead independent director on 13 December 2011.

REMUNERATION

As the executive directors are paid by City Property, no executive remuneration is paid by Octodec, other than directors' and committee membership fees. Directors' remuneration is subject to the recommendation made by the board and approval by linked unitholders from time to time at the AGM in accordance with the Act. The current remuneration which is recommended by the board, and approved by linked unitholders is set out on page 44 of the report of the directors. Independent external studies and industry comparisons are used to ensure that the board and committee members are fairly remunerated. No non-executive or executive directors hold service contracts. The board fees are reviewed in September of each year.

REMUNERATION PHILOSOPHY

Octodec and City Property are committed to ensuring that they pay market-related remuneration and carry out fair labour practices, in order to ensure that they attract and retain suitably qualified staff.

COMPANY SECRETARY

The company secretary is appointed and removed by the board. All directors have access to the advice and services of the company secretary who is responsible to the board for ensuring compliance with procedures and applicable statutes and regulations. The company secretary administers corporate governance within the group and provides counsel and guidance to the board of their powers and the proper discharging of their duties and responsibilities. All directors may liaise with the company secretary on agenda items for board meetings.

The certificate required to be signed in terms of section 88 of the Act appears on page 39 of the annual financial statements. City Property is the appointed company secretary and was represented by Ms Benita Schutte (CIS) who resigned on 22 February 2013. Ms Elize Greeff (Blur LLB) was appointed as her replacement on 3 June 2013. Ms Greeff has nearly 18 years' experience as a company secretary and corporate lawyer and will be actively involved in assisting the board in its governance initiatives. As is required in terms of the JSE Listings Requirements the board is satisfied that the representatives of City Property are appropriately qualified, competent and experienced to fulfil this function and that Ms Schutte and Ms Greeff maintained an arm's length relationship with the board of directors during the year under review. The contact details of the company secretary are disclosed on page 88.

BOARD COMMITTEES

The board has established a number of standing committees with delegated authority from the board. Each committee has agreed terms of reference as approved by the board that address issues such as composition, duties, responsibilities and scope of authority. On 22 October 2013, a separate nominations committee was formed for Octodec as the board, as a whole, no longer carries out the function of recommending nominations to the board. In addition, the social and ethics committee was reconstituted to incorporate the new remuneration committee.

Although the board delegates certain functions to these committees, it retains ultimate responsibility for their activities. The managing director and financial director are permanent invitees to each committee meeting. The chairman of the board has a standing invitation to attend all audit committee meetings. With the exception of the nominations committee, each board committee is chaired by an independent non-executive director.

Committees operate in accordance with board-approved terms of reference, as well as annual work plans, which are reviewed and updated on a regular basis to align them further with best practice. The board appoints the chairmen and the members of these committees. In addition, the committees are required to evaluate their effectiveness and performance on an annual basis and to report the respective findings to the board for consideration.

AUDIT COMMITTEE

At the time of publishing this integrated report, the composition of the audit committee was as follows:

- Mr PJ Strydom (chairman)
- Mr DP Cohen
- Mr GH Kemp
- Mr MZ Pollack

During the financial year the audit committee comprised two independent non-executive directors and one non-executive director. Following the retirement of Mr MJ Holmes on 1 September 2012, only two of the three directors were regarded as independent in terms of the King III definition. The third director, Mr MZ Pollack, who is not regarded as independent in terms of the King III definition, nonetheless has the necessary knowledge, skills and experience to effectively contribute to committee deliberations. Following the recent appointment of Mr GH Kemp as an additional independent director and member of the audit committee, the board is satisfied that the majority of members as proposed for approval by linked unitholders meet the definition of non-executive directors, acting independently, as defined in the Act. The relevant resolution for the appointment of the audit committee as required by the Act is set out in the notice of the AGM as contained in this report.

The audit committee has updated, formal board-approved terms of reference, which are intended to ensure compliance with both governance recommendations and statutory requirements. The board is satisfied that the committee has complied with these terms and with its legal and regulatory responsibilities as set out in the Act, King III and the JSE Listings Requirements.

The board believes that the members collectively possess the knowledge and experience to exercise oversight over Octodec's financial management, internal and external auditors, the quality of Octodec's financial controls, the preparation and evaluation of Octodec's financial statements and financial reporting. The board has established and maintains internal controls and procedures, which are reviewed on a regular basis. These are designed to manage the risk of business failures and to provide reasonable assurance against such failures, but this is not a guarantee that such risks are eliminated.

It is the duty of this committee, among other things, to monitor and review:

- the effectiveness of the internal audit function;
- audit findings, audit reports and the appointment of external auditors;
- reports of both internal and external auditors;
- the evaluation of the performance of the financial director;
- the governance of information technology (IT) and the effectiveness of the company's information systems;
- quarterly and annual financial and operational reports, the annual financial statements and all other widely distributed documents;
- accounting policies of the group and proposed revisions;
- compliance with applicable legislation, requirements of appropriate regulatory authorities;
- the integrity of the integrated report by ensuring that its content is reliable and recommending it to the board for approval;
- policies and procedures for preventing and detecting fraud; and
- performing any other functions as may be determined by the board.

The committee is responsible for facilitating the relationship with the external auditors and for monitoring the non-audit services provided by the external auditors. The external auditors have direct access to the chairman of the committee and attend all meetings of the committee ensuring that auditors are able to maintain their independence. The chairman of the committee is expected to attend the AGM in order to answer any questions that linked unitholders may have relevant to the committee's areas of responsibility. The committee is responsible for recommending the appointment of a firm of external auditors to the board who in turn will recommend the appointment to the linked unitholders. The committee is also responsible for determining that the designated appointee has the necessary experience, qualifications and skills and that the audit fee is adequate. The audit committee is satisfied that the external auditors, the respective audit partner and the outsourced internal audit department, KPMG, observed the highest level of business and professional ethics and independence. Rotation of the engagement partner responsible for the external audit happens every five years.

Committee members have unlimited access to all information, documents and explanations required for the discharge of their duties. This authority has been extended to internal and external auditors.

The committee has, in addition to its other duties, also satisfied itself as to the appropriateness of the experience and expertise of the financial director as required in terms of the JSE Listings Requirements.

The board is satisfied that the committee has been equipped to properly fulfil its duties going forward.

The statutory report of the committee as required by the Act can be found on page 41 of this integrated report.

RISK COMMITTEE

At the time of publishing the integrated report, the composition of the risk committee was as follows:

- Mr PJ Strydom (chairman)
- Mr DP Cohen
- Mr GH Kemp
- Mr P Kruger (chief risk officer)
- Mr MZ Pollack
- Mr AK Stein
- Mr JP Wapnick
- Ms S Wapnick

The role of the committee is to assist the board in ensuring that the group has implemented an effective policy and plan for risk management that will enhance the group's ability to achieve its strategic objectives. It is responsible for reviewing the group's risk exposure and the control systems, ensuring that risk policies and strategies are effectively managed. The committee is responsible for overseeing the development, effective implementation and annual review of the risk management plan and making recommendations to the board regarding the risk tolerance levels.

The newly appointed chief risk officer, Mr P Kruger, a director of City Property with many years' experience, with the assistance of the internal auditors, assists the committee in identifying risk areas, mitigating risks and implementing a risk management plan.

The committee has its own terms of reference outlining its purpose, composition, responsibilities and authority, which were reviewed and updated by the board during the year. In addition, a risk management policy and framework has been adopted during the year to provide an integrated framework so that risk management efforts within and throughout Octodec are optimised. This aims to:

- provide a policy and framework within which Octodec management can operate to proactively embed the enterprise-wide risk management process;
- inculcate an appropriate risk management culture within Octodec;
- optimise the enterprises' risk management efforts; and
- ensure that risk management arrangements are based on generally accepted risk management practices that enhance value for all stakeholders.

SOCIAL, ETHICS AND REMUNERATION COMMITTEE

At the time of publishing this integrated report, the composition of the social, ethics and remuneration committee was as follows:

- Mr PJ Strydom (chairman)
- Mr DP Cohen
- Mr GH Kemp
- Mr MZ Pollack
- Ms S Wapnick

The committee had its first meeting on 17 September 2013. The terms of reference of the committee have been approved by the board and the committee will schedule its meetings and operate going forward based on an agreed work plan. It is the responsibility of this committee, to ensure, among other things, that:

- the company discharges its statutory duties in respect of section 72 of the Act dealing with the structure and composition of board committees;
- the company upholds the goals of the Organisation of Economic Co-operation and Development ("OECD") recommendations regarding corruption;
- the company complies with the Employment Equity Act, 55 of 1998 (as amended), and the Broad-based Black Economic Empowerment Act, 53 of 2003 (as amended);
- the company's directors and staff comply with the company's code of ethics;

CORPORATE GOVERNANCE *CONTINUED*

- the company practices labour and employment policies that comply with the terms of the International Labour Organization ("ILO") protocol on decent work and working conditions;
- the company ensures the continued training and skills development of its employees; and
- the company performs its responsibilities in respect of social and ethics matters in line with relevant policies, and that these policies are reviewed on an annual basis, or as required.

In addition to the above, the committee is responsible to the extent applicable for assisting the board in formulating remuneration and other employment policies as well as the remuneration philosophy of Octodec. Details of directors' fees and shareholding are contained on page 44 of this integrated report.

THE NOMINATIONS COMMITTEE

At the time of publishing this integrated report, the composition of the newly established nominations committee was as follows:

- Ms S Wapnick (chairman)
- Mr DP Cohen
- Mr GH Kemp
- Mr MZ Pollack
- Mr PJ Strydom

The committee's recently adopted terms of reference ensure that, for board appointments, a rigorous, fair and open nomination and appointment process is established which will promote meritocracy in the boardroom and support strong corporate performance. The committee leads that process and makes recommendations to the board.

RESPONSIBILITY FOR THE AUDITED ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are required by the Companies Act, 71 of 2008 ("Companies Act") to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of the consolidated and separate financial statements of Octodec Investments Limited as at the end of the financial year and the results of their operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Companies Act. The group's external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Reporting Financial Standards and incorporate disclosure in line with the accounting policies of the group. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates and have been audited in compliance with section 29(1) of the Companies Act.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment.

The directors are of the opinion, based on the information and explanations given by management and results of internal audits, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 3 December 2014 and, in the light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 39 to 70, which have been prepared on the going concern basis, were approved by the board of directors on 3 December 2013 and were signed on their behalf by:

S Wapnick
Chairman

JP Wapnick
Managing director

3 December 2013
Pretoria

CERTIFICATION BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that Octodec Investments Limited has lodged with the Companies and Intellectual Property Commission of South Africa all the returns required of a public company by the Companies Act and that all such returns appear to be true, correct and up to date.

Elize Greeff
City Property Administration Proprietary Limited
Company secretary

3 December 2013
Pretoria

INDEPENDENT AUDITOR'S REPORT

TO THE LINKED UNITHOLDERS OF OCTODEC INVESTMENTS LIMITED

We have audited the consolidated and separate annual financial statements of Octodec Investments Limited set out on pages 46 to 70, which comprise the statements of financial position as at 31 August 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Octodec Investments Limited as at 31 August 2013, and its consolidated and separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 August 2013, we have read the report of the directors, the audit committee's report and the certification by company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: M Ajoodha
Partner

3 December 2013

National Executive: LL Bam Chief Executive, AE Swiegers Chief Operating Officer, GM Pinnock Audit, DL Kennedy Risk Advisory, NB Kader Tax, TP Pillay Consulting, K Black Clients & Industries, JK Mazzocco Talent & Transformation, CR Beukman Finance, M Jordan Strategy, S Gwala Special Projects, TJ Brown Chairman of the Board, MJ Comber Deputy Chairman of the Board

Office Managing Partner: X Botha

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

AUDIT COMMITTEE'S REPORT

BACKGROUND

The audit committee ("the committee") is pleased to present this report on its activities during the financial year ended 31 August 2013.

The committee was established in line with the requirements of the Companies Act. The committee reports that it has adopted its terms of reference and that it has discharged all its responsibilities during the financial year under review, in compliance therewith. The audit committee is an independent statutory committee appointed by the shareholders. Further duties are delegated to the audit committee by the board of directors of the company. This report includes both these sets of duties and responsibilities.

TERMS OF REFERENCE

The committee has adopted formal terms of reference that have been approved by the board of directors. The committee has conducted its affairs and discharged its duties in compliance with its terms of reference. The terms of reference are available on request from the company secretary.

OBJECTIVE AND SCOPE

The main purpose of the committee is to review and report back to the board on all financial matters of the group. The audit committee further assists the board in discharging its duties relating to safeguarding of assets, the operation of adequate systems, control and reporting processes and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards, to provide a forum for discussing business risk and control issues, for developing recommendations for consideration by the board, oversee the activities of internal and external audit and to perform duties that are attributed to it by the Companies Act.

The committee has evaluated the group and company annual financial statements for the year ended 31 August 2013 and based on the information provided to the committee, considers that it complies in all material respects with the requirements of the various acts governing disclosure and reporting in the annual financial statements.

The committee is satisfied that an adequate system of internal control is in place to reduce significant risks faced by the group to an acceptable level, and that these controls have been effective throughout the period under review. The system is designed to manage, rather than eliminate, the risk of failure and to maximise the opportunities to achieve business objectives. This can provide only reasonable, but not absolute, assurance.

The committee received confirmation from the internal auditors KPMG that based on the scope of work, the approach followed and the results of the reviews including the remedial action plans that had been agreed upon by management, nothing had come to the attention of KPMG that would suggest that the prevailing systems of internal controls and the risk management activities throughout the company for the period ended 31 August 2013 were not in all material aspects satisfactory.

MEMBERSHIP

The committee comprises Messrs PJ Strydom (chairman), MZ Pollack, DP Cohen and GH Kemp. Mr GH Kemp was appointed to the committee on 1 October 2013. The majority of the members of the committee are independent non-executive directors.

The chairman of the board, managing director, financial director, internal auditors and external auditors are present at meetings, by standing invitation. Separate meetings are scheduled with the internal and external auditors to allow open discussion without the presence of management.

The internal and external auditors have unrestricted access to the audit committee, which ensures that their independence is in no way impaired.

EXTERNAL AUDIT

The committee has evaluated the independence of the external auditors and is satisfied that the external auditors have remained independent as defined by the Companies Act.

Both audit and non-audit services performed by the external auditors were reviewed and pre-approved. There is a formal procedure that governs the process whereby the auditor is considered for non-audit services, and each engagement letter for such work is reviewed by the committee.

The committee, in consultation with executive management, agreed to an audit fee for the 2013 financial year. The fee is considered appropriate for the work that was done. Audit fees are disclosed in note 19 to the financial statements.

Meetings were held with the external and internal auditors and no matters of material concern were raised.

The committee reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2014 financial year, and Mr M Ajoodha as the designated lead auditor. This will be his third year as auditor of the company and group.

FINANCIAL DIRECTOR

As required in terms of the JSE Listings Requirements, the committee has satisfied itself that the company's financial director, Mr AK Stein, has the appropriate expertise and experience to meet the responsibilities of his position and confirmed his suitability for appointment as financial director in terms of the JSE Listings Requirements.

COMMITTEE ACTIVITIES

In the financial year ended 31 August 2013, and in addition to the duties set out in the committee's terms of reference, a summary of which is provided in the corporate governance section of this integrated report, the committee carried out its functions as follows:

- Nominated the appointment of Deloitte & Touche, with the designated partner being Mr M Ajoodha, as the registered independent auditor after satisfying itself, through enquiry, that Deloitte & Touche is independent.
- Determined the fees to be paid to Deloitte & Touche and its terms of engagement.
- Ensured that the appointment of Deloitte & Touche complied with the Companies Act and any other legislation relating to the appointment of auditors.

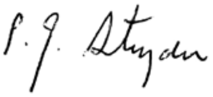
AUDIT COMMITTEE'S REPORT *CONTINUED*

- Reviewed the external audit reports and management comments.
- Considered and satisfied itself that other services provided by the auditors were insignificant and did not have any impact on their independence.
- Assessed the work done by the internal auditors so as to ensure their independence and effectiveness.
- Reviewed the internal audit and risk management reports, and, where relevant, made recommendations to the board.
- Reviewed the accounting practices and internal financial controls of the group.
- Reviewed the documented assessment as prepared by management of the going-concern status of the group.
- Considered and satisfied itself of the appropriateness of the experience and expertise of the financial director.

RECOMMENDATION OF ANNUAL FINANCIAL STATEMENTS

The committee evaluated the annual financial statements for the year ended 31 August 2013 and considered that they comply in all material aspects with the requirements of the Companies Act and International Financial Reporting Standards. The committee has therefore recommended the financial statements for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

Deloitte & Touche, the external auditors, have provided unitholders with an independent opinion on whether the annual financial statements for the year ended 31 August 2013 fairly present, in all material respects, the financial results for the year and the position of the company and the group at 31 August 2013.



PJ Strydom
Chairman
Audit committee

3 December 2013

REPORT OF THE DIRECTORS

as at 31 August 2013

TO THE LINKED UNITHOLDERS OF OCTODEC INVESTMENTS LIMITED

The directors have pleasure in submitting their report for the year ended 31 August 2013.

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements were prepared under the supervision of Mr AK Stein CA(SA), in his capacity as group financial director in accordance with International Financial Reporting Standards and the Companies Act.

NATURE OF BUSINESS

Octodec Investments Limited is a REIT listed on the JSE under the "Financials – Real Estate Holdings" sector, investing in retail, commercial, industrial and residential properties and deriving income from the rental of its properties and its investments.

SHARE CAPITAL AND DEBENTURES

The authorised share capital comprises 150 000 000 linked units of 1 cent each.

At 31 August 2013 there were 108 224 917 (2012: 108 224 917) linked units in issue, each comprising one ordinary share of 1 cent and one unsecured variable rate debenture of 209 cents. The ordinary share and debentures trade as linked units on the JSE.

In terms of the debenture trust deed, the interest payable on the debenture component of the linked unit is always 200 times greater than the dividend payable per ordinary share.

EVENTS AFTER THE REPORTING DATE

Octodec, Premium, IPS and City Property have entered into an agreement dated 28 October 2013, relating to the specific repurchase by IPS of City Property's shares in IPS for a cash consideration of R127,5 million and the repayment of City Property's shareholders loan in IPS of R48,1 million (the "specific repurchase").

Currently, Octodec and Premium each hold 40% of the issued share capital of IPS and City Property holds the remaining 20%. Following the specific repurchase, Octodec's and Premium's shareholdings in IPS will increase to 50% each.

Pursuant to the specific repurchase, Octodec has entered into an agreement dated 28 October 2013 with City Property in terms of which Octodec will issue 9 122 981 linked units to City Property in exchange for the equivalent cash consideration of R175,6 million equating to R19,25 per Octodec linked unit (the "specific issue").

The specific issue is subject to the fulfilment of the conditions precedent detailed in the SENS announcement dated 30 October 2013 and will be approved at the general meeting on 6 December 2013. The transaction is not expected to have a material impact on distributions per linked unit.

REIT LEGISLATION

Octodec's application for REIT status was approved by the JSE. Accordingly, Octodec qualified as a REIT from the commencement of its next financial year, being 1 September 2013. In determining the aggregate capital gain or capital loss of a REIT or a controlled property company for purposes of the Income Tax Act, 58 of 1962, any capital gain or capital loss determined in respect of: the disposal of immovable property; a share in a REIT; or a share in a controlled property company, must be disregarded. This resulted in a reversal of the group's deferred taxation liability amounting to R230,6 million at 31 August 2013.

NON-CURRENT ASSETS

There were no major changes during the year to the nature of the non-current assets or to the policy relating to the use thereof.

BORROWING POWERS

In terms of Octodec's MOI the directors are authorised to borrow funds up to an amount not exceeding 66,67% of the directors' valuation of the consolidated property portfolio.

SUBSIDIARIES

The company's interests in property-owning subsidiaries are fully set out on page 71.

MANAGEMENT CONTRACT AND ADMINISTRATION

The group's investment properties continue to be managed (in terms of an agreement) by City Property Administration Proprietary Limited, the entire share capital of which is effectively owned by the Wapnick family.

SUMMARY OF RESULTS FOR THE YEAR

	GROUP	
	2013 R'000	2012 R'000
Operating profit	**226 560**	215 254
Fair value adjustment of investment properties	**131 501**	163 509
Fair value adjustment of interest rate derivatives	**35 214**	(14 910)
Amortisation of debenture premium	**21 054**	10 906
Profit on sale of investment properties	**15**	666
Investment and other income	**77 781**	52 947
Profit from ordinary activities before finance costs	**492 125**	428 372
Finance costs (excluding debenture interest)	**(110 638)**	(127 387)
Profit before debenture interest	**381 487**	300 985
Debenture interest	**(169 718)**	(127 633)
Profit before taxation	**211 769**	173 352
Taxation	**171 690**	(63 413)
Profit for the year	**383 459**	109 939
Other comprehensive income for the year	**18 792**	41 550
Total comprehensive income for the year attributable to linked unitholders	**402 251**	151 489

DISTRIBUTION TO UNITHOLDERS (CENTS)

	Dividend		Interest		Total	
	2013	2012	**2013**	2012	**2013**	2012
Interim	**0,39**	0,35	**78,31**	70,85	**78,70**	71,20
Final	**0,39**	0,33	**78,51**	65,77	**78,90**	66,10
	0,78	0,68	**156,82**	136,62	**157,60**	137,30

DIRECTORS' REMUNERATION (RAND)

	2013 Total	2012 Total
S Wapnick (Chairman)	**500 000**	220 000
S Wapnick (Chairman 2012)	**73 333**	–
DP Cohen (Lead independent director)	**260 000**	220 000
MJ Holmes (retired 1 September 2012)	**–**	220 000
MZ Pollack	**260 000**	220 000
AK Stein	**260 000**	220 000
PJ Strydom	**260 000**	124 540
A Wapnick	**–**	18 333
JP Wapnick	**260 000**	220 000
	1 873 333	1 462 873

There are no service contracts in place with the directors of Octodec. The proportionate salaries paid by City Property for Messrs JP Wapnick and AK Stein, the executive directors of Octodec, and Ms S Wapnick, the non-executive chairman, who are employed by City Property are set out below. These amounts are based on an approximation of the time spent on Octodec in relation to their employment at City Property for the year ended 31 August 2013.

	2013			2012		
	Salary	**Pension fund contri-butions**	**Total**	Salary	Pension fund contrl-butions	Total
AK Stein	**944 440**	**23 876**	**968 316**	557 761	14 769	572 530
JP Wapnick	**1 963 478**	**–**	**1 963 478**	1 309 025	–	1 309 025
S Wapnick	**99 840**	**–**	**99 840**	96 000	–	96 000
	3 007 758	**23 876**	**3 031 634**	1 962 786	14 769	1 977 555

DIRECTORS' SHAREHOLDING

The beneficial and non-beneficial interest held by the directors in the company at 31 August 2013 amounted to:

	2013				
	Direct beneficial	**Indirect beneficial**	**Indirect non-beneficial**	**Total**	**%**
MJ Holmes	**689**	**80 000**	**35 000**	**115 689**	**0,1**
MZ Pollack	**280 333**	**–**	**694 533**	**974 866**	**0,9**
AK Stein	**77 565**	**155 435**	**72 718**	**305 718**	**0,3**
JP Wapnick	**20 000**	**4 177 477**	**8 011 809**	**12 209 286**	**11,3**
S Wapnick	**19 920**	**4 177 477**	**8 059 829**	**12 257 226**	**11,3**
	398 507	**8 590 389**	**16 873 889**	**25 862 785**	**23,9**

	2012				
	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total	%
MJ Holmes	689	80 000	35 000	115 689	0,1
MZ Pollack	280 333	–	694 533	974 866	0,9
AK Stein	77 565	145 435	72 718	295 718	0,3
JP Wapnick	20 000	4 082 477	8 011 809	12 114 286	11,2
S Wapnick	19 920	4 082 477	8 059 829	12 162 226	11,2
	398 507	8 390 389	16 873 889	25 662 785	23,7

CHANGES IN DIRECTORS' SHAREHOLDING AFTER YEAR-END

There were no changes to directors' shareholdings from year-end to the date of this report. Linked unitholders are referred to the "specific issue" mentioned under "Events after the reporting date", where, pursuant to the general meeting to be held on 6 December 2013, both Mr JP Wapnick and Ms S Wapnick will increase their indirect shareholdings in the company.

VALUATION OF PORTFOLIO

Octodec's property portfolio was valued by the directors in an amount of R3 257 billion (2012: R2 917 billion). Each year one-third of the properties (by value) is valued on a rotational basis by independent external valuers. The valuation of one-third of the portfolio by external valuers Van Zyl Valuers and Amanda de Wet was 2,1% more (2012: 0,78% less) than the directors' valuation. The directors are confident, taking all factors into account, that their valuation represents fair value.

NET ASSET VALUE

The net asset value per linked unit is 2 233 cents (2012: 1 882 cents). After adding back the provision for deferred taxation of R14,9 million (2012: R215,9 million), the net asset value is 2 247 cents (2012: 2 081 cents) per linked unit. The closing price per linked unit at 31 August 2013 was 1 966 cents (2012: 1 902 cents).

CORPORATE GOVERNANCE

The board endorses the contents of the King Report on Governance for South Africa ("King III").

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office and resolutions proposing their reappointment will be submitted at the AGM.

COMPANY SECRETARY

City Property Administration Proprietary Limited

CPA House	PO Box 15
101 Du Toit Street	Pretoria, 0001
Pretoria, 0002	

STATEMENTS OF FINANCIAL POSITION
as at 31 August 2013

		GROUP		COMPANY	
	Notes	**2013 R'000**	2012 R'000	**2013 R'000**	2012 R'000
ASSETS					
Non-current assets		**3 971 862**	3 565 859	**2 354 960**	2 055 672
Investment properties	2	**3 168 970**	2 834 133	**819 377**	753 793
Operating lease assets	3	**45 726**	44 788	**13 295**	11 186
Plant and equipment	4	**6 525**	9 882	**174**	237
Lease costs capitalised	5	**35 565**	28 159	**2 523**	1 305
Derivative financial instruments	14	**1 993**	–	**2 200**	–
Listed investment	6	**365 819**	375 981	**365 819**	375 981
Investment in subsidiaries	7	**–**	–	**1 055 422**	870 802
Investment in associate	8	**347 264**	272 916	**96 150**	42 368
Current assets		**50 982**	41 161	**21 367**	20 878
Accounts receivable	9	**50 423**	40 585	**20 840**	20 507
Taxation receivable		**–**	184	**35**	–
Cash and cash equivalents		**559**	392	**492**	371
Total assets		**4 022 844**	3 607 020	**2 376 327**	2 076 550
EQUITY AND LIABILITIES					
Share capital and reserves		**1 796 757**	1 395 285	**794 983**	626 322
Share capital and premium	10	**123 699**	102 645	**123 699**	102 645
Non-distributable reserves	11	**1 635 501**	1 236 372	**674 815**	514 022
Distributable reserves		**37 557**	56 268	**(3 531)**	9 655
Non-current liabilities		**1 590 905**	1 717 544	**1 069 839**	1 185 029
Debenture capital and premium	12	**620 251**	641 305	**620 251**	641 305
Long-term borrowings	13	**955 717**	827 123	**449 588**	418 411
Derivative financial instruments	14	**–**	33 221	**–**	32 487
Deferred taxation	15	**14 937**	215 895	**–**	92 826
Current liabilities		**635 182**	494 191	**511 505**	265 199
Accounts payable	16	**78 558**	74 093	**29 912**	46 723
Bank overdraft	17	**13 322**	32 483	**13 322**	32 483
Short-term borrowings	13	**458 304**	316 435	**383 304**	114 756
Taxation liability		**31**	–	**–**	57
Linked unitholders for distribution		**84 967**	71 180	**84 967**	71 180
Total equity and liabilities		**4 022 844**	3 607 020	**2 376 327**	2 076 550

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 August 2013

	Notes	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Revenue	18	**506 670**	461 403	**133 726**	128 605
Property operating costs		**(254 820)**	(223 401)	**(57 720)**	(51 227)
Net property income		**251 850**	238 002	**76 006**	77 378
Administrative expenses		**(25 290)**	(22 748)	**(935)**	(1 644)
Operating profit	19	**226 560**	215 254	**75 071**	75 734
Amortisation of debenture premium		**21 054**	10 906	**21 054**	10 906
Fair value adjustment of investment properties		**131 501**	163 509	**34 191**	53 948
Fair value adjustment of interest rate derivatives		**35 214**	(14 910)	**34 686**	(15 132)
Profit from operations		**414 329**	374 759	**165 002**	125 456
Profit/(loss) on sale of investment properties		**15**	666	**–**	(50)
Income from investments	20	**31 254**	27 741	**30 180**	27 251
Income from associate	21	**46 527**	25 206	**25 963**	3 722
Income from subsidiaries	22	**–**	–	**90 437**	80 541
Profit from ordinary activities before finance costs		**492 125**	428 372	**311 582**	236 920
Finance costs	23	**(280 356)**	(255 020)	**(225 019)**	(194 438)
Profit before taxation		**211 769**	173 352	**86 563**	42 482
Taxation	24	**171 690**	(63 413)	**64 085**	(18 480)
Profit for the year		**383 459**	109 939	**150 648**	24 002
Other comprehensive income for the year		**18 792**	41 550	**18 792**	41 550
Total comprehensive income for the year attributable to linked unitholders		**402 251**	151 489	**169 440**	65 552

	Notes	2013 Cents	2012 Cents
Earnings per share	26	**354,3**	122,3
Diluted earnings per share	26	**354,3**	101,6
Earnings per linked unit	26	**511,1**	264,4
Diluted earnings per linked unit	26	**511,1**	219,5

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 August 2013

	Share capital and premium R'000	Non-distri-butable reserves R'000	Distri-butable reserves R'000	Total R'000
GROUP				
Balance as at 1 September 2011	90 302	1 106 314	46 341	1 242 957
Issue of new units	1 437			1 437
Total comprehensive income for the year	–	–	151 489	151 489
Reallocation of deemed debenture premium	10 906	–	(10 906)	–
Dividends paid	–	–	(598)	(598)
Adjustment to valuation of listed investment, net of deferred tax at capital gains tax rate	–	41 550	(41 550)	–
Profit on sale of investment properties	–	666	(666)	–
Transfer to non-distributable reserves				
Fair value adjustments				
– Investment properties, net of deferred tax	–	90 386	(90 386)	–
– Associate, net of deferred tax	–	8 191	(8 191)	–
– Interest rate derivatives, net of deferred tax	–	(10 735)	10 735	–
Balance as at 31 August 2012	**102 645**	**1 236 372**	**56 268**	**1 395 285**
Total comprehensive income for the year	**–**	**–**	**402 251**	**402 251**
Reallocation of deemed debenture premium	**21 054**	**–**	**(21 054)**	**–**
Dividends paid	**–**	**–**	**(779)**	**(779)**
Adjustment to valuation of listed investment	**–**	**18 792**	**(18 792)**	**–**
Profit on sale of investment properties	**–**	**15**	**(15)**	**–**
Transfer to non-distributable reserves				
Fair value adjustments				
– Investment properties	**–**	**333 171**	**(333 171)**	**–**
– Associate	**–**	**21 797**	**(21 797)**	**–**
– Interest rate derivatives, net of deferred tax	**–**	**25 354**	**(25 354)**	**–**
Balance as at 31 August 2013	**123 699**	**1 635 501**	**37 557**	**1 796 757**
COMPANY				
Balance as at 1 September 2011	90 302	455 926	13 703	559 931
Issue of new units	1 437			1 437
Total comprehensive income for the year	–	–	65 552	65 552
Reallocation of deemed debenture premium	10 906	–	(10 906)	–
Dividends paid			(598)	(598)
Adjustment to valuation of listed investment, net of deferred tax at capital gains tax rate	–	41 550	(41 550)	–
Profit on sale of investment properties	–	(50)	50	–
Transfer to non-distributable reserves				
Fair value adjustments				
– Investment properties, net of deferred tax	–	27 491	(27 491)	–
– Interest rate derivatives, net of deferred tax	–	(10 895)	10 895	–
Balance as at 31 August 2012	**102 645**	**514 022**	**9 655**	**626 322**
Total comprehensive income for the year	**–**	**–**	**169 440**	**169 440**
Reallocation of deemed debenture premium	**21 054**	**–**	**(21 054)**	**–**
Dividends paid			**(779)**	**(779)**
Adjustment to valuation of listed investment	**–**	**18 792**	**(18 792)**	**–**
Transfer to non-distributable reserves				
Dividends received from subsidiaries		**7 135**	**(7 135)**	**–**
Fair value adjustments				
– Investment properties	**–**	**109 892**	**(109 892)**	**–**
– Interest rate derivatives, net of deferred tax	**–**	**24 974**	**(24 974)**	**–**
Balance as at 31 August 2013	**123 699**	**674 815**	**(3 531)**	**794 983**

STATEMENT OF CASH FLOWS
for the year ended 31 August 2013

	Notes	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Cash generated from/(utilised in) operating activities					
Cash generated from operations	27	**232 308**	231 417	**57 975**	95 097
Investment income		**57 217**	31 463	**146 580**	111 514
Finance costs		**(110 638)**	(127 387)	**(55 301)**	(66 805)
Debenture interest	28	**(155 931)**	(113 586)	**(155 931)**	(113 586)
Taxation (paid)/refund	29	**(99)**	(536)	**122**	–
Dividends paid		**(779)**	(598)	**(779)**	(598)
Net cash generated from/(utilised in) operating activities		**22 078**	20 773	**(7 334)**	25 622
Cash utilised in investing activities					
Acquisition of investment properties, plant and equipment		**(209 971)**	(299 232)	**(31 393)**	(17 526)
– New acquisitions		**(141 028)**	(216 015)	**–**	–
– Additional developments		**(68 943)**	(83 217)	**(31 393)**	(17 526)
Lease costs		**(16 108)**	(5 795)	**(3 312)**	(228)
Proceeds on disposal of investment properties		**6 650**	4 610	**–**	2 695
Increase in listed investments		**–**	(8 951)	**–**	(8 951)
Investment in and amounts advanced to subsidiaries		**–**	–	**(184 620)**	(227 775)
(Increase)/decrease in investments and loans to associates		**(53 784)**	456	**(53 784)**	456
Net cash utilised in investing activities		**(273 213)**	(308 912)	**(273 109)**	(251 329)
Cash generated from financing activities					
Issue of new units		**–**	290 624	**–**	290 624
Increase/(decrease) in long-term borrowings		**128 594**	(116 685)	**31 177**	6 836
Increase/(decrease) in short-term borrowings		**141 869**	104 906	**268 548**	(80 939)
Net cash generated from financing activities		**270 463**	278 845	**299 725**	216 521
Net increase/(decrease) in cash and cash equivalents		**19 328**	(9 294)	**19 282**	(9 186)
Cash and cash equivalents at the beginning of the year		**(32 091)**	(22 797)	**(32 112)**	(22 926)
Cash and cash equivalents at the end of the year	30	**(12 763)**	(32 091)	**(12 830)**	(32 112)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2013

1. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act, 71 of 2008, and are presented in rand thousands. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment property and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. The accounting policies adopted and methods of computation are consistent with those applied in the financial statements of the previous year.

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain the benefits of its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Certain subsidiaries are share block companies and as a result all income and expenses accrue directly to the holding company.

1.2 Reserves

Realised profits on the disposal of investment properties, although legally distributable, are transferred to a non-distributable reserve, as it is the group's policy to regard such profits as not being available for distribution. Gains and losses on revaluation of investment property are similarly transferred to a non-distributable reserve.

1.3 Investment properties

Investment properties are recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Subsequent expenditure relating to investment property that has been recognised is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the enterprise. All other subsequent expenditure is expensed in the period in which it is incurred.

Leasehold property comprising buildings erected on land secured by means of long-term land leases are classified as investment property. Operating lease payments, which are based on a percentage of rental income, are charged to the income statement as incurred.

Fair value

At the reporting date all investment property is measured at fair value as determined by the directors. Independent valuations are obtained on a rotational basis to determine the reasonableness of the directors' valuations, ensuring that every property is valued every three years. This is a JSE Listings Requirement. The directors value the entire property portfolio on an annual basis. These fair values of property exclude accrued operating lease income. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises and is transferred to a non-distributable reserve.

1.4 Plant and equipment

Plant and equipment are stated at cost less depreciation and any accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Subsequent expenditure relating to an item of plant and equipment that has already been recognised is added to the carrying amount of the asset to the extent that it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise.

The residual value and the useful life of each asset are reviewed at each financial year-end. Each part of an item of plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is provided on all plant and equipment to write down the cost, less estimated residual value, by equal instalments over the shorter of the lease term or their useful lives at a rate of 20% per annum.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statements of comprehensive income.

1.5 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings; and
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1. ACCOUNTING POLICIES *CONTINUED*

1.6 Investments in subsidiaries

Investments in subsidiaries are stated in the company's financial statements at cost, less any impairment losses.

1.7 Investment in associates

An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In the group financial statements, an investment in an associate is accounted for using the equity method, except when the asset is classified as held-for-sale. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the profits or losses of the investee after acquisition date. The use of the equity method is discontinued from the date the company ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in the associate.

Profits and losses resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate. In the company's financial statements, an investment in an associate is carried at cost less any impairment losses.

1.8 Impairment

At each reporting date the group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Financial instruments

Initial recognition and measurement

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the group becomes a party to the transaction. Initial measurement is at cost, which includes transaction costs.

Subsequent to initial recognition, these instruments are measured as follows:

Listed investments

Listed investments are initially recorded at cost and subsequently measured at fair value. Gains and losses arising from a change in fair value are recognised as non-distributable income in the statement of comprehensive income through the statement of changes in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Trade and other receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Interest income is recognised by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities

Interest-bearing loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges are accounted for on an annual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Debenture capital

Debenture capital is recorded at the proceeds received net of direct issue costs. Subsequently, the debenture premium is amortised over a period of 25 years from date of issue.

Derecognition of financial instruments

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled or they expire.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
for the year ended 31 August 2013

1. ACCOUNTING POLICIES *CONTINUED*

1.9 Financial instruments *continued*

Derivatives

Derivative financial instruments are recognised initially at fair value and reported subsequently at fair value in the statements of financial position. Changes in fair value are recognised in profit or loss.

1.10 Taxation

Current tax assets and liabilities

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit/(loss) for the period, except to the extent that the tax arises from a business combination.

Current and deferred taxes are recognised in other comprehensive income, if the tax relates to items that are credited or charged in the same or a different period to other comprehensive income.

1.11 Revenue recognition

Rental income

Revenue comprises revenue from rental income and related recoveries and excludes value added taxation. The income is recognised on the straight-line basis over the lease term. Turnover-based rental is recognised when it is due in terms of the lease agreement.

Income from investments

Interests are recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends are recognised on the shareholder's right to receive payment.

1.12 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

1.13 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event which will probably result in an outflow of economic benefits that can be reasonably estimated. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1. ACCOUNTING POLICIES *CONTINUED*

1.14 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, and are believed to be reasonable under the circumstances. Areas in which estimates and judgements are made include the following:

Investment property

In the application of the accounting policies, which are described in note 1.3, management is required to make judgements, estimates and assumptions about the fair value of investment properties that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The fair value of investment properties is obtained from the company's property managers, City Property and determined on an open-market basis taking into account the expected rental that a particular building will generate. An appropriate discount rate or valuation multiple is used that reflects the risk associated with the particular building.

Plant and equipment

Asset impairments

The company evaluates its non-current assets for impairment annually whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Judgements regarding the existence of impairment indicators are based on market conditions and operational performance of the business. Future events could cause management to conclude that impairment indicators exist.

Residual values

The company is required to measure the residual value of an item of property, plant and equipment. An estimate is made of the amount it would receive currently for the asset if the asset was already of the age and condition expected at the end of its useful life. IAS 16 requires residual values (if material) to be estimated first at the date of acquisition and thereafter to be reviewed at each reporting date. If these change from the prior period, the depreciation charge is adjusted prospectively.

Useful life

The useful life of an asset is the period over which the company expects to use the asset, and not necessarily the asset's economic life. Useful lives of assets are reviewed annually. If these change from the prior period, the depreciation charge is adjusted prospectively.
The company uses the following indicators to determine useful lives:

- expected usage of assets;
- expected physical wear and tear; and
- technical or commercial obsolescence.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, with gains or losses being recognised in profit or loss. An estimate is made for credit losses based on a review of all outstanding amounts at year-end.

Derivatives

The fair values of interest rate swaps are determined based on judgements, estimates and assumptions made by the management of the company.

Provisions

Provisions are required to be recorded when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Best estimates, being the amount that the company would rationally pay to settle the obligation, are recognised as provisions at the reporting date.

1.15 Segmental reporting

The group earns revenue in the form of property rentals and recoveries from tenants. On a primary basis the group is organised into five major operating segments:

- Industrial
- Office
- Retail – shops
- Retail – shopping centres
- Residential

Segment results include revenue and expenses that can be allocated on a reasonable basis to that segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to a segment on a reasonable basis.

Segment assets and liabilities do not include deferred income taxes.

It is the company's investment philosophy to invest predominantly in properties in the Gauteng area, therefore the company can only report on a primary segment basis.

1. ACCOUNTING POLICIES *CONTINUED*

1.16 Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the aggregate fair value of the underlying assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of cost of the acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill and is tested for impairment on an annual basis.

If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, attributable goodwill is included in the determination of the profit or loss on disposal.

1.17 New standards and interpretations

1.17.1 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 September 2013 or later periods:

		Effective for financial years commencing on or after
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
2010 Annual Improvements Project:		
Amendments to IFRS 7	Financial Instruments: Additional Disclosures	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Application guidance amendments relating to the offsetting of financial assets and financial liabilities	1 January 2014
May 2012 Improvements Project:		
IAS 1	Presentation of Financial Statements	1 January 2013
IAS 16	Property, Plant and Equipment	1 January 2013
IAS 32	Financial Instruments: Presentation	1 January 2013
IAS 34	Interim Financial Reporting	1 January 2013
IAS 36	Impairment of Assets	1 January 2014

It is unlikely that the standards and amendments will have a material impact on the group's annual financial statements.

1.18 Compound instruments

Linked units are classified as compound instruments, consisting of a liability component and an equity component. At the date of issue, the liability component is recognised at fair value. Subsequent to initial recognition the liability component is recognised at amortised cost. The premium relating to the liability component is amortised over the period to the maturity date of the debenture.

1.19 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessor

Contractual rental income is recognised on a straight-line basis over the period of the lease term.

An adjustment is made to contractual rental income earned to bring to account in the current period the difference between the rental income that the company is currently entitled to and the rental for the period calculated on a smoothed straight-line basis.

Income for leases is disclosed under revenue in the statement of comprehensive income.

Lease costs capitalised

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. These include tenant installation costs and commission paid in respect of the securing of leases.

		GROUP		COMPANY	
		2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
2.	**INVESTMENT PROPERTIES**				
	Fair value				
	Carrying value	**2 834 133**	2 375 336	**753 793**	685 064
	Movement during the year:	**334 837**	458 797	**65 584**	68 729
	Acquisitions and subsequent expenditure	**209 971**	299 232	**31 393**	17 526
	Disposals	**(6 635)**	(3 944)	**–**	(2 745)
	Fair value adjustment	**131 501**	163 509	**34 191**	53 948
		3 168 970	2 834 133	**819 377**	753 793

A register of investment properties is maintained at the company's registered office, which may be inspected by linked unitholders or their duly authorised agents. The fair value of the group's investment property at 31 August 2013 was arrived at on the basis of a valuation carried out as at that date by taking into account prevailing market rentals, occupation levels and capitalisation rates. The range of annual capitalisation rates applied to the property portfolio is between 6,7% (2012: 6,7%) and 14% (2012: 14%) with a weighted annual average of 9,57% (2012: 9,63%). The investment properties are valued bi-annually and the valuations are determined by the directors.

A 1% decrease in the capitalisation rates would increase the property valuation by R376 million and a 1% increase in the capitalisation rates would decrease the property valuation by R300 million.

On an annual basis, independent valuations are obtained for one-third of the properties in the portfolio. Van Zyl Valuers and Amanda de Wet are registered valuers in terms of section 19 of the Property Valuers Profession Act, 47 of 2000, and have extensive experience in commercial property valuations. The valuers' valuation was 2,1% more (2012: 0,78% less) than the directors' valuation. The directors are confident, taking all factors into account, that their valuations represent fair market value.

The group has encumbered certain of its investment properties to secure mortgage loan facilities as set out in note 13. All the group's investment properties are leased out under operating leases.

Woodmead Value Mart is situated on leasehold land. The lease commenced in January 1995. The term of the lease is 40 years and is renewable for a further 40 years at the election of Woodmead Value Mart Proprietary Limited.

A schedule of investment properties owned by the group is set out on pages 72 to 77.

		GROUP		COMPANY	
		2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
3.	**OPERATING LEASE ASSETS**				
	Opening balance – straight-lining	**44 788**	40 837	**11 186**	9 839
	Arising during the year	**938**	3 951	**2 109**	1 347
		45 726	44 788	**13 295**	11 186
4.	**PLANT AND EQUIPMENT**				
	Cost	**24 500**	25 334	**824**	1 189
	Disposals	**–**	(834)	**–**	(365)
		24 500	24 500	**824**	824
	Accumulated depreciation	**(14 618)**	(11 937)	**(587)**	(948)
	Disposals	**–**	834	**–**	365
		(14 618)	(11 103)	**(587)**	(583)
	Opening carrying value	**9 882**	13 397	**237**	241
	Movement during the year:				
	Depreciation charge net of disposals	**(3 357)**	(3 515)	**(63)**	(4)
	Cost	**24 500**	24 500	**824**	824
	Accumulated depreciation	**(17 975)**	(14 618)	**(650)**	(587)
	Closing carrying value	**6 525**	9 882	**174**	237
5.	**LEASE COSTS CAPITALISED**				
	Opening balance	**28 159**	31 396	**1 305**	1 915
	Additions	**16 108**	5 795	**3 312**	228
	Amortisation	**(8 702)**	(9 032)	**(2 094)**	(838)
		35 565	28 159	**2 523**	1 305

		GROUP		COMPANY	
		2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
6.	**LISTED INVESTMENT**				
	Premium Properties Limited				
	22 247 115 (2012: 22 247 115) linked units at cost	**220 313**	220 313	**220 313**	220 313
	Fair value adjustment	**145 506**	155 668	**145 506**	155 668
		365 819	375 981	**365 819**	375 981
	Market valuation at 31 August 2013	**365 819**	375 981	**365 819**	375 981

Fair market value represents the listed market price as at 31 August 2013 less income accrued for dividends and interest. Of the linked units 17 423 667 (2012: 17 423 667) have been pledged to secure banking facilities granted to the group (see note 13).

				COMPANY 2013 R'000	COMPANY 2012 R'000
7.	**INVESTMENT IN SUBSIDIARIES**				
	Shares at cost			**33 069**	33 091
	Net amounts due by subsidiaries			**1 022 353**	837 711
	Amounts due by subsidiaries			**1 023 247**	848 799
	Amounts owed to subsidiaries			**(34)**	(9 389)
	Impairment			**(860)**	(1 699)
				1 055 422	870 802

A schedule of the company's interest in subsidiaries is fully set out on page 71.

The aggregate net profits after tax of the subsidiaries amounts to R213 087 381 (2012: R67 679 287). The group has pledged and ceded the shares and loan accounts of certain of its subsidiary companies to secure banking facilities granted to the group (see note 13).

		GROUP		COMPANY	
		2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
8.	**INVESTMENT IN ASSOCIATE**				
	Equity accounted				
	Cost of investment	**1**	1	**1**	1
	Loans to associate	**96 149**	42 367	**96 149**	42 367
	Reserves since acquisition	**251 114**	230 548	**–**	–
		347 264	272 916	**96 150**	42 368
	Directors' valuation	**347 264**	272 916	**96 150**	42 368
	Summarised financial information of associate (100%) as at 31 August 2013				
	Assets				
	Non-current	**1 700 277**	1 413 257		
	Investment properties	**1 471 896**	1 275 466		
	Operating lease assets	**10 590**	8 927		
	Plant and equipment	**1 518**	1 802		
	Lease costs capitalised	**8 457**	3 020		
	Investment in joint ventures	**207 816**	124 042		
	Current	**5 442**	5 597		
		1 705 719	1 418 854		
	Equity and liabilities				
	Equity capital and reserves	**627 783**	576 373		
	Share capital	**2**	2		
	Non-distributable reserves	**602 319**	545 551		
	Retained income	**25 462**	30 820		
	Non-current liabilities	**1 020 423**	813 960		
	Shareholder loan accounts	**240 379**	105 917		
	Mortgage bonds	**628 278**	566 058		
	Derivative financial instruments	**2 545**	15 936		
	Deferred taxation	**149 221**	126 049		
	Current liabilities	**57 513**	28 521		
		1 705 719	1 418 854		
	Results of operations – 12 months ended 31 August 2013				
	Rental income	**158 557**	141 539		
	Net income before interest	**109 746**	97 640		
	Interest	**(43 396)**	(50 828)		
	Taxation	**(530)**	(279)		
	Distributable profit for the period	**65 820**	46 533		

8. **INVESTMENT IN ASSOCIATE** *CONTINUED*

Details of the group's associate are as follows:

Name of associate:	IPS Investments Proprietary Limited
Place of incorporation:	Republic of South Africa
Proportion of ownership and voting power held:	40%
Principal activity:	Property investment company, deriving income from rentals and income from joint ventures
Financial year-end:	28 February

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
9. ACCOUNTS RECEIVABLE	**6 867**	5 770	**1 799**	1 260
Trade receivables	**12 349**	11 802	**4 011**	1 881
Less: Provision for bad debts	**(5 482)**	(6 032)	**(2 212)**	(621)
Dividend and debenture interest receivable from listed investment	**14 607**	12 888	**14 607**	12 888
Sundry receivables	**28 949**	21 927	**4 434**	6 359
	50 423	40 585	**20 840**	20 507

All trade and other receivables are short-term in nature. The carrying amount of trade receivables is considered a reasonable approximation of fair value. Interest is charged at prime plus 2% on arrear balances if appropriate. The group has provided fully for all receivables over 90 days, the balance of which is assessed on an individual basis.

Before accepting any new tenant, the group uses an internal credit scoring system to assess the potential tenant's credit quality.

Included in the group's trade receivable balance are tenant balances with a carrying amount of R6 866 940 (2012: R5 769 627), which are past due at reporting date and not provided for as there has not been significant change in the credit quality and the amounts are still considered recoverable.

All of the group's trade and other receivables have been reviewed for impairment. Certain trade receivables were found to be impaired and a provision of R5 481 884 (2012: R6 032 726) has been recorded accordingly.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
The age analysis of trade receivables outstanding is as follows:				
30 days or less	**4 907**	4 232	**1 220**	976
More than 30 days less than 60 days	**1 728**	1 486	**579**	193
More than 60 days less than 90 days	**232**	52	**–**	91
	6 867	5 770	**1 799**	1 260
Reconciliation of provision for bad debts				
Opening balance	**6 032**	3 917	**621**	892
Additional provisions for the year	**4 882**	4 939	**2 006**	503
Provisions reversed during the year	**(5 432)**	(2 824)	**(415)**	(774)
	5 482	6 032	**2 212**	621
10. SHARE CAPITAL AND PREMIUM				
Authorised				
150 000 000 (2012: 150 000 000) shares of one cent each	**1 500**	1 500	**1 500**	1 500
Issued				
108 224 917 (2012: 108 224 917) shares of one cent each	**1 081**	1 081	**1 081**	1 081
Opening balance	**1 081**	892	**1 081**	892
Rights issue	**–**	189	**–**	189
Share premium	**122 618**	101 564	**122 618**	101 564
Opening balance	**101 564**	89 410	**101 564**	89 410
Premium on new issue	**–**	1 261	**–**	1 261
Rights issue costs	**–**	(13)	**–**	(13)
Transfer from retained earnings	**21 054**	10 906	**21 054**	10 906
	123 699	102 645	**123 699**	102 645

The unissued ordinary shares are under the control of the directors subject to the conditions of the company's memorandum of incorporation and the requirements of the JSE Limited. This authority remains in force until the company's next annual general meeting.

		GROUP		COMPANY	
		2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
11.	**NON-DISTRIBUTABLE RESERVES**				
	Surplus on disposal of investment properties	**11 835**	11 820	**8 210**	8 210
	Fair value adjustments of investment property	**1 254 611**	921 440	**509 494**	399 602
	Fair value adjustments of interest rate derivatives	**2 087**	(23 267)	**1 583**	(23 391)
	Associate reserves	**218 575**	196 778	**–**	–
	Fair value adjustments of listed investment	**145 499**	126 707	**145 499**	126 707
	Acquisition of loan at a discount	**2 894**	2 894	**2 894**	2 894
	Dividends received from subsidiaries and associate	**–**	–	**7 135**	–
		1 635 501	1 236 372	**674 815**	514 022
12.	**DEBENTURE CAPITAL AND PREMIUM**				
	Debenture capital				
	108 224 917 (2012: 108 224 917) unsecured variable rate debentures of R2,09 each	**226 189**	226 189	**226 189**	226 189
	Opening balance	**226 189**	186 631	**226 189**	186 631
	Rights issue	**–**	39 558	**–**	39 558
	Debenture capital premium	**394 062**	415 116	**394 062**	415 116
	At issue date	**263 869**	263 869	**263 869**	263 869
	Premium on new issue	**249 629**	252 178	**249 629**	252 178
	Rights issue costs	**–**	(2 549)	**–**	(2 549)
	Amortised premium	**(98 382)**	(87 476)	**(98 382)**	(87 476)
	Current year amortisation	**(21 054)**	(10 906)	**(21 054)**	(10 906)
		620 251	641 305	**620 251**	641 305

In terms of the debenture trust deed, the aggregate interest entitlement of every debenture linked to each ordinary share in respect of any financial year shall be 200 times the dividend declared on each ordinary share for the same period. The aggregate dividend entitlement shall not be less than 85% of the company's profit after taxation, available for distribution. The interest is payable twice a year. Each debenture is linked to a share of the company and is treated as a single linked unit for trading on the JSE and income distribution purposes. The debentures are redeemable, in terms of the trust deed, after 25 years of issue, the first of which was issued in 1990.

The board is considering a possible merger of Octodec and Premium and as part of that merger there will be the elimination of the debentures by the effective conversion of the linked units to share capital. Unitholders will be notified of the developments in that regard once the board has made a decision, with a view in order to allow unitholders to consider and vote on the proposal.

		GROUP		COMPANY	
		2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
13.	**BORROWINGS**				
13.1	**Loans at book value**				
	Secured loans				
	(a) Nedbank Limited	**1 388**	1 389	**1 388**	1 389
	The loan expiry date is February 2016. Interest is charged at 2,15% below the prime overdraft rate. The loan is secured by the pledge and cession of shares and loan accounts of certain subsidiaries as well as mortgage bonds over certain properties.				
	(b) Nedbank Limited	**250 000**	250 000	**–**	–
	The loan expiry dates are between November 2013 and October 2018. R100 million of the loan bears interest at a fixed rate of 12,06% per annum until May 2018. Of the total loan, R75 million bears interest at a fixed rate of 11,92% per annum until November 2013. The balance of R75 million of the loan bears interest at a fixed rate of 11,72% per annum until October 2018. The loans are secured by a mortgage bond over Erven 364-366, 392-394, 669 and 673 Killarney.				
	(c) Nedbank Limited	**43 516**	4 662	**43 516**	4 662
	The loan expiry date is February 2016. Interest is charged at 1,65% below the prime overdraft rate. The loan is secured by a pledge and cession of shares in Premium Properties Limited and the shares of certain subsidiaries.				
	(d) Nedbank Limited	**–**	5 714	**–**	–
	The loan expiry date is August 2015. Interest is charged at 2,15% below the prime overdraft rate. The loan is secured by a mortgage bond over portions 3, 4, 7, 8 and 13 of Erf 212 Silvertondale Extension 1.				
	(e) Nedbank Limited	**62 785**	5 131	**62 785**	5 131
	The loan expiry date is February 2016. Interest is charged at 1,65% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.				

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
13. BORROWINGS *CONTINUED*				
13.1 Loans at book value *continued*				
(f) Nedbank Limited The loan expiry date is February 2016. Interest is charged at 1,65% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.	**11 249**	11 256	**11 249**	11 256
(g) Nedbank Limited The loan expiry date is February 2016. Interest is charged at 1% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.	**69 002**	69 002	**69 002**	69 002
(h) Nedbank Limited The loan expiry date is December 2015. Interest is charged at JIBAR plus 146 bps. The loan is secured by a mortgage bond over Erf 5255 Johannesburg and Erf 1265 Marshalltown.	**52 949**	53 250	**–**	–
(i) Nedbank Limited The loan expiry date is August 2015. Interest is charged at 1,65% below the prime overdraft rate. The loan is secured by a mortgage bond over Erf 212 portions 7 and 8 Silvertondale Extension 1.	**82**	6 102	**–**	–
(j) Nedbank Limited The loan expiry date is February 2016. Interest is charged at 1,65% below the prime overdraft rate. The loan is secured by a mortgage bond over Erven 97, 98, 99, 412 and 413 Johannesburg.	**11 800**	11 798	**11 800**	11 798
(k) Nedbank Limited The loan expiry date was September 2013 and was renegotiated to expire in August 2018. Interest is charged at 2,15% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.	**91 788**	102 756	**91 788**	102 756
(l) Nedbank Limited The loan expiry date is June 2019. Interest is charged at 2% below the prime overdraft rate. The loan is secured by a mortgage bond over Erf 212 Silverton.	**28 770**	32 583	**–**	–
(m) Nedbank Limited The loan expiry date is March 2015. Interest is charged at 1% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.	**39 994**	39 996	**39 994**	39 996
(n) Nedbank Limited The loan expiry date is December 2015. Interest is charged at 1% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.	**99 243**	99 565	**–**	–
(o) Nedbank Limited The loan expiry date is December 2013. Interest is charged at 1,15% below the prime overdraft rate. The loan is secured by bonds over various properties.	**47 943**	47 945	**47 943**	47 945
(p) Nedbank Limited The loan expiry date is May 2016. Interest is charged at 1,3% below the prime overdraft rate. The loan is secured by bonds over various properties.	**59 995**	59 998	**59 995**	59 998
(q) Nedbank Limited The loan expiry date is January 2015. Interest is charged at 1,5% below the prime overdraft rate. The loan is secured by a mortgage bond over Erf 1385 Silverton.	**137 991**	146 496	**–**	–
(r) Standard Bank of South Africa Limited The loan expiry date is October 2013. Interest is charged at 1,75% below the prime overdraft rate. The loan is secured by a mortgage bond over Erven 4846 – 4848 Johannesburg.	**12 071**	12 000	**12 071**	12 000
(s) Standard Bank of South Africa Limited The loan expiry date is November 2013. Interest is charged at JIBAR plus 213 bps. The loan is secured by a mortgage bond over Erven 923 – 927 Johannesburg.	**12 790**	12 785	**12 790**	12 785
(t) Standard Bank of South Africa Limited The loan expiry date is November 2013. Interest is charged at JIBAR plus 173 bps. The loan is secured by a mortgage bond over Erven 3509 and 3039 Pretoria.	**40 015**	40 000	**40 015**	40 000
(u) Standard Bank of South Africa Limited The loan expiry date is December 2013. Interest is charged at JIBAR plus 213 bps. The loan is secured by mortgage bonds over various properties.	**86 933**	86 899	**86 933**	86 899

		GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
13.	**BORROWINGS** *CONTINUED*				
13.1	**Loans at book value** *continued*				
	(v) Standard Bank of South Africa Limited	**22 209**	22 200	**22 209**	22 200
	The loan expiry date is April 2014. Interest is charged at JIBAR plus 246 bps The loan is secured by mortgage bonds over Erf 4848 Johannesburg.				
	(w) Investec Bank Limited	**141 572**	4 280	**141 572**	4 280
	The loan expiry date is March 2014. Interest is charged at 1% below the prime overdraft rate. The loan is secured by suretyships of certain subsidiaries as well as mortgage bonds over various properties and pledge and cession of shares in Woodmead Mart Proprietary Limited.				
	(x) Investec Bank Limited	**–**	1 933	**–**	–
	The loan expired in September 2012 and was repaid.				
	(y) Investec Bank Limited	**57 745**	1 070	**57 745**	1 070
	The loan expiry date is July 2014. Interest is charged at 1,06% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.				
	(z) Absa Bank Limited	**12 094**	14 748	**–**	–
	The loan expiry date is April 2017. Of the total loan, R8,3 million bears interest at 1,5% below the prime overdraft rate, R2,5 million at 0,58% above the prime overdraft rate and the balance of R1,3 million at 4,25% below the prime overdraft rate. The loan is secured by a mortgage bond over sections 1 – 3 of Erf 5187 Johannesburg.				
	Unsecured loan				
	Vendor liability	**20 097**	–	**20 097**	–
	The loan expiry date is August 2015. Interest is charged at 6%.				
		1 414 021	1 143 558	**832 892**	533 167
	Repayable as follows:				
	One to two years	**187 877**	290 180	**50 122**	215 179
	Two to five years	**664 070**	329 360	**399 466**	203 232
	More than five years	**103 770**	207 583	**–**	–
		955 717	827 123	**449 588**	418 411
	Within one year	**458 304**	316 435	**383 304**	114 756
		1 414 021	1 143 558	**832 892**	533 167

The weighted average annual cost of borrowings taking the interest rate swaps into account was 8,4% (2012: 9,41%), which was 0,1% below the prime overdraft rate at year-end. Octodec's total hedged borrowings, after taking the effect of the interest rate swap agreements into account, were at 54,9% (2012: 66,3%) at an average annual interest rate of 9,7% (2012: 10,63%). The remaining loans were financed through variable interest rate borrowings at a weighted average annual interest rate of 6,8% (2012: 7,0%).

		GROUP 2013 Book value R'000	GROUP 2013 Fair value R'000	GROUP 2012 Book value R'000	GROUP 2012 Fair value R'000
13.2	**Fair value of long-term loans**				
	Loans at fixed interest rates				
	Nedbank Limited	**250 000**	**266 870**	303 250	337 196
	Standard Bank of South Africa Limited	**–**	**–**	40 000	41 483
	Vendor liability	**20 097**	**20 097**	–	–
	Loans at variable interest rates				
	Nedbank Limited	**758 495**	**758 495**	644 393	644 393
	Standard Bank of South Africa Limited	**174 018**	**174 018**	133 884	133 884
	Investec Bank Limited	**199 317**	**199 317**	7 283	7 283
	Absa Bank Limited	**12 094**	**12 094**	14 748	14 748
		1 414 021	**1 430 891**	1 143 558	1 178 987

Assumptions used in determining fair value of fixed interest loans

The average annual interest rate used to discount the cash flows on the fixed interest loans was 8,87% (2012: 7,81%) based on the quoted swap rate at year-end for the loans with similar maturities. The average credit risk margin used was 0,9% (2012: 1,68%) based on the group's most recent fixed rate loan agreements with Nedbank Limited.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
14. DERIVATIVE FINANCIAL INSTRUMENTS				
Net fair values of derivative assets/(liabilities) at the reporting date	**1 993**	(33 221)	**2 200**	(32 487)

Interest rate swaps

The notional principal amount of the outstanding contracts for the group at year-end was R515 million (2012: R415 million) and for the company R500 million (2012: R400 million).

The fair values of the interest rate swaps are determined on a mark-to-market valuation and by discounting estimated future cash flows based on the terms and maturity of each contract and using the market interest rate indicated on the SA swap curve, which represents a benchmark interest rate curve for all JIBAR-related transactions in the market.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
15. DEFERRED TAXATION				
The deferred tax liability arises from the following temporary differences:				
Tax losses created	**(19 700)**	(34 106)	**(4 390)**	(6 168)
Allowances	**34 079**	16 138	**3 774**	303
Fair value adjustments				
Investment properties	**–**	214 211	**–**	78 833
Interest rate derivatives	**558**	(9 302)	**616**	(9 096)
Listed investments	**–**	28 954	**–**	28 954
	14 937	215 895	**–**	92 826
The movement for the year was as follows:				
Opening balance	**215 895**	137 744	**92 826**	59 256
Charges to statement of comprehensive income				
Tax loss (reversed)/created	**14 406**	(13 457)	**1 778**	(4 002)
Allowances	**17 941**	7 569	**3 471**	68
Charge to statements of comprehensive income/non-distributable reserves				
Fair value adjustments	**(233 305)**	84 039	**(98 075)**	37 504
Investment property	**–**	73 124	**–**	26 651
Interest rate derivatives	**9 860**	(4 175)	**9 712**	(4 237)
Listed investments	**–**	15 090	**–**	15 090
REIT adjustment (investment property and listed investments)	**(243 165)**	–	**(107 787)**	–
	14 937	215 895	**–**	92 826
16. ACCOUNTS PAYABLE				
Trade payables	**21 408**	21 994	**11 107**	11 520
Repairs and maintenance – work in progress	**5 100**	3 739	**2 177**	1 596
Commission and collection fees payable	**968**	1 163	**959**	1 155
Other payables	**51 082**	47 197	**15 669**	32 452
	78 558	74 093	**29 912**	46 723

Accounts payable approximates fair value. The group has financial policies in place to ensure that all payables are paid within this credit framework. Amounts are settled within payment terms to ensure that no interest is payable.

17. BANK OVERDRAFT

The group's overdraft is unsecured and bears interest at the prime overdraft rate. An overdraft facility of R20 000 000 (2012: R20 000 000) has been arranged and is reviewable on an annual basis.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
18. REVENUE				
Rental income	**363 101**	333 440	**92 795**	87 132
Straight-line lease adjustment	**938**	3 951	**2 109**	1 347
Recoveries and other income	**141 033**	122 414	**32 472**	31 838
Rental income and recoveries	**505 072**	459 805	**127 376**	120 317
Management fees – IPS Investments Proprietary Limited	**1 598**	1 598	**6 350**	8 288
	506 670	461 403	**133 726**	128 605

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2013

		GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
19.	**OPERATING PROFIT**				
	Net rental income from properties is arrived at after taking the following items into account:				
	Auditors' remuneration				
	Audit fee	**1 838**	1 737	**1 838**	1 737
	Depreciation and amortisation				
	Plant and equipment	**3 357**	3 515	**63**	4
	Lease costs	**8 702**	9 032	**2 094**	838
	Fees for services				
	Administration fees	**16 384**	13 404	**16 384**	13 404
	Collections fees	**29 819**	26 673	**7 491**	6 899
	Commissions	**4 359**	4 567	**1 522**	1 247
	Reversal of provision for losses in subsidiaries	**–**	–	**(839)**	(3 372)
	Operating lease payment – leasehold property	**4 637**	4 168	**–**	–
	Staff costs	**6 502**	6 133	**1 390**	1 330
	Directors' emoluments	**1 873**	1 462	**1 873**	1 462
	Repairs and maintenance	**19 810**	16 842	**7 085**	5 555
	Tenant installations	**9 083**	8 179	**926**	355
20.	**INCOME FROM INVESTMENTS**				
	Interest received				
	Listed investment – Premium Properties Limited	**29 670**	26 588	**29 795**	26 588
	Other	**1 584**	1 153	**385**	663
		31 254	27 741	**30 180**	27 251
21.	**INCOME FROM ASSOCIATE – IPS INVESTMENTS PROPRIETARY LIMITED**				
	Interest received	**5 163**	3 722	**5 163**	3 722
	Dividends received	**20 800**	–	**20 800**	–
	Equity accounted earnings	**20 564**	21 484	**–**	–
	Share of earnings	**19 567**	13 293	**–**	–
	Share of revaluation reserve	**997**	8 191	**–**	–
		46 527	25 206	**25 963**	3 722
	Interest was received at an average annual rate of 9% (2012: 9%).				
22.	**INCOME FROM SUBSIDIARIES**				
	Dividends received	**–**	–	**10 619**	–
	Interest received	**–**	–	**79 818**	80 541
		–	–	**90 437**	80 541
23.	**FINANCE COSTS**				
	Interest on debentures	**169 718**	127 633	**169 718**	127 633
	Gross amount paid	**169 718**	134 447	**169 718**	134 447
	Accrued distribution interest	**–**	(6 814)	**–**	(6 814)
	Interest rate derivatives	**11 306**	8 883	**10 827**	8 443
	Loans and bank overdraft	**101 155**	120 317	**45 897**	58 489
	Less: interest capitalised	**(1 823)**	(1 813)	**(1 423)**	(127)
		280 356	255 020	**225 019**	194 438

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
24. TAXATION				
South African normal taxation				
Current	**(314)**	(352)	**214**	–
Deferred taxation				
Fair value adjustments	**(9 860)**	(68 949)	**(9 712)**	(22 414)
Fair value adjustments – REIT adjustment	**214 211**	–	**78 832**	–
Allowances	**(17 941)**	(7 569)	**(3 471)**	(68)
Tax losses (reversed)/created	**(14 406)**	13 457	**(1 778)**	4 002
	171 690	(63 413)	**64 085**	(18 480)
Reconciliation between effective tax rate and applicable tax rate	**%**	%	**%**	%
South African normal rate of taxation	**28,0**	28,0	**28,0**	28,0
Exempt income	**(30,2)**	(5,4)	**(14,9)**	–
Rate adjustment (CGT inclusion percentage)	**–**	20,6	**–**	21,5
Provisions and allowances	**(2,6)**	0,6	**0,4**	(3,5)
REIT adjustment	**(95,2)**	–	**(87,5)**	–
Tax losses	**18,9**	(7,2)	**–**	(2,5)
Effective tax rate	**(81,1)**	36,6	**(74,0)**	43,5

Octodec's application for REIT status was approved by the JSE. Accordingly, Octodec qualified as a REIT from the commencement of its next financial year, being 1 September 2013. In determining the aggregate capital gain or capital loss of a REIT or a controlled property company for purposes of the Income Tax Act, 58 of 1962, any capital gain or capital loss in respect of: the disposal of immovable property; a share in a REIT; or a share in a controlled property company, must be disregarded. This resulted in a reversal of the group's deferred taxation liability amounting to R230,6 million at 31 August 2013.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
25. MINIMUM FUTURE RENTALS RECEIVABLE				
Non-cancellable rental lease agreements				
Less than one year	**287 444**	274 378	**83 751**	75 262
Later than one year and not later than five years	**451 080**	406 271	**133 461**	115 425
Later than five years	**57 503**	59 052	**35 092**	21 356
	796 027	739 701	**252 304**	212 043

Rental receivable represents contractual rental income excluding other recoveries for leases in existence at year-end.

26. EARNINGS PER LINKED UNIT (CENTS)

The calculation of basic earnings per linked unit are based on net income attributable to linked unitholders and the number of linked units in issue during the year. The weighted number of linked units in issue for the year under review was 108 224 917 (2012: 89 866 330).

	GROUP	
	2013 R'000	2012 R'000
Earnings – net profit after taxation	**383 459**	109 939
Adjusted for:		
Amortisation of deemed debenture premium	**(21 054)**	(10 906)
Profit on sale of investment properties	**(15)**	(666)
Fair value adjustments		
Associate	**(21 797)**	(8 191)
Investment properties	**(131 501)**	(163 509)
Deferred taxation	**(201 670)**	73 123
Headline earnings/(loss) before debenture interest	**7 422**	(210)
Debenture interest	**169 718**	127 633
Headline earnings	**177 140**	127 423
	Cents	Cents
Basic earnings per share	**354,3**	122,3
Diluted earnings per share	**354,3**	101,6
Headline earnings/(loss) per share	**6,9**	(0,2)
Basic earnings per linked unit	**511,1**	264,4
Diluted earnings per linked unit	**511,1**	219,5
Headline earnings per linked unit	**163,7**	141,8

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
for the year ended 31 August 2013

		GROUP		COMPANY	
		2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
27.	**CASH GENERATED FROM OPERATIONS**				
	Profit before taxation:	**211 769**	173 352	**86 563**	42 482
	Adjusted for:				
	Straight-lining lease adjustment	**(938)**	(3 951)	**(2 109)**	(1 347)
	Debenture interest	**169 718**	127 633	**169 718**	127 633
	Fair value adjustment of investment properties	**(131 501)**	(163 509)	**(34 191)**	(53 948)
	Fair value adjustment of interest rate derivatives	**(35 214)**	14 910	**(34 686)**	15 132
	Profit on disposal of investment properties	**(15)**	(666)		50
	Finance costs	**110 638**	127 387	**55 301**	66 805
	Amortisation of deemed debenture premium	**(21 054)**	(10 906)	**(21 054)**	(10 906)
	Income from investments and associate	**(77 781)**	(52 947)	**(146 580)**	(111 514)
	Depreciation and amortisation	**12 059**	12 547	**2 157**	842
	Operating income before working capital changes	**237 681**	223 850	**75 119**	75 229
	(Increase)/decrease in accounts receivable	**(9 838)**	1 085	**(333)**	(2 449)
	Increase/(decrease) in accounts payable	**4 465**	6 482	**(16 811)**	22 317
		232 308	231 417	**57 975**	95 097
28.	**DEBENTURE INTEREST**				
	Amounts unpaid at the beginning of the year	**71 180**	57 133	**71 180**	57 133
	Amounts charged to the statements of comprehensive income	**169 718**	127 633	**169 718**	127 633
	Amounts unpaid at the end of the year	**(84 967)**	(71 180)	**(84 967)**	(71 180)
		155 931	113 586	**155 931**	113 586
29.	**TAXATION PAID**				
	Amounts unpaid at the beginning of the year	**(184)**	–	**57**	57
	Amounts charged to the statements of comprehensive income	**314**	352	**(214)**	–
	Amounts unpaid at the end of the year	**(31)**	184	**35**	(57)
		99	536	**(122)**	–
30.	**CASH AND CASH EQUIVALENTS**				
	Cash and cash equivalents included in the statements of cash flows comprise the following amounts:				
	Cash at bank	**559**	392	**492**	371
	Bank overdraft	**(13 322)**	(32 483)	**(13 322)**	(32 483)
		(12 763)	(32 091)	**(12 830)**	(32 112)

31. CONTINGENCIES

The company has issued a guarantee of R7 953 201 in favour of Tshwane Metropolitan Municipality for the provision of certain services to its subsidiaries.

The company has issued a guarantee of R662 000 in favour of City Power – Johannesburg for the provision of certain services to its subsidiaries.

The company has given a surety to Nedbank Property Finance, which at year-end amounted to R224 200 000, in favour of its associate company, IPS Investments Proprietary Limited.

32. COMMITMENTS

32.1 Capital expenditure

An amount of R56 631 379 (2012: R44 657 149) has been committed by the group in respect of capital expenditure relating to the improvement and acquisition of certain properties. These developments will be financed by way of existing facilities.

		GROUP	
		2013 R'000	2012 R'000
32.2	**Operating lease commitments**		
	Within one year	**4 608**	4 488
	Two to five years	**18 432**	17 952
	More than five years	**82 944**	85 272
		105 984	107 712

The land leases above relate to Woodmead Value Mart and will be funded from the proceeds of rental income. These commitments have been determined based on a fixed percentage of current rental income, assuming no escalations and excluding any option period.

33. RETIREMENT BENEFITS

The group has no arrangement whereby benefits are provided for employees on or after termination of service.

34. FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, bank overdrafts, listed investments, interest rate swaps, accounts receivable and payable, and loans to and from subsidiaries. In respect of all financial instruments listed above, the carrying value approximates fair value.

34.1 Capital management

The company's policy is to maintain an adequate capital base so as to maintain creditor confidence and to sustain future development of the business. The capital comprises shareholders' equity, including capital and reserves. The level of distributions paid is determined with reference to the liquidity and solvency of the company as well as consideration of budgets and forecasts. There were no changes in the company's approach to capital management during the year.

Consistent with others in the industry, the group monitors capital on the basis of the loan to value ratio. This ratio is calculated as net debt divided by total investments. Net debt is calculated as total borrowings (as detailed in note 13) plus bank overdraft less cash and cash equivalents. Non-current assets as shown on the face of the statements of financial position equals total investments.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Total borrowings (note 13)	**1 414 021**	1 143 558	**832 892**	533 167
Bank overdraft	**13 322**	32 483	**13 322**	32 483
Less: Cash and cash equivalents	**(559)**	(392)	**(492)**	(371)
Net debt	**1 426 784**	1 175 649	**845 722**	565 279
Total non-current assets	**3 971 862**	3 565 859	**2 354 960**	2 055 672
Loan to value ratio	**35,9%**	33,0%	**35,9%**	27,5%

Financial covenants

The following financial covenants shall apply in respect of the consolidated financial position of the group.

Nedbank Group Limited

- An interest cover ratio of at least 1,75 times net income prior to servicing debentures
- The total debt of the group shall not exceed an aggregate of 50% of the property investments as per the statement of financial position

Standard Bank of South Africa Limited

- The loan to value shall not exceed 55%
- The group's overall debt shall not exceed 50% of total assets
- The ratio of earnings before net interest payable, taxation and any non-cash items in respect of the investment properties to gross interest payable in respect of the loan facility, shall not be less than 1,85 times
- The ratio of earnings before net interest payable, taxation and any non-cash items to gross interest payable, shall not be less than 1,85 times

34.2 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The company only deposits cash with major banks with high-quality credit standings and limits exposure to any one counterparty. Trade receivables consist of a large spread of tenants. The group monitors the financial position of its tenants on an ongoing basis. Provision is made for both specific and general bad debts and at year-end the board does not consider there to be any material credit risk exposure. The carrying amount of financial assets represents the maximum credit exposure.

34.3 Interest risk

At 31 August 2013, the group had borrowings of R1 414 021 000 (2012: R1 143 558 000) at various negotiated rates. The weighted average interest rate for 2013 was approximately 8,4% per annum (2012: 9,41% per annum) and 54,9% (2012: 66,3%) of borrowings at year-end are fixed. Interest rate trends are constantly monitored and appropriate steps taken to ensure the group's exposure to interest movements is limited. The policy is to minimise interest rate cash flow risk exposure on long-term financing by entering into fixed interest rate contracts as well as swap rate contracts.

Calculations of the fair values for the interest rate swaps are obtained from the applicable banks. These fair values for interest rate swaps are determined based on a mark-to-market valuation by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

At 31 August 2013, Octodec was exposed to changes to market interest rates through bank borrowings. These borrowings were 45,1% (2012: 33,7%) of total borrowings. A breakdown of the borrowings is detailed in note 13.

The group analyses its interest rate exposure on a dynamic basis and calculates the impact on profit and loss of a defined interest rate shift by using different scenarios. The scenarios are calculated only for liabilities that represent the major interest-bearing positions and the impact on post-tax profit. A 0,5% shift would represent a maximum increase or decrease in profit of R2 264 128 (2012: R1 387 107) per annum. The calculations are made monthly to verify that the maximum loss potential is within acceptable limits.

		GROUP		COMPANY	
		Nominal amount R'000	Interest rate per annum %	Nominal amount R'000	Interest rate per annum %
34.	**FINANCIAL RISK MANAGEMENT** *CONTINUED*				
34.3	**Interest risk** *continued*				
	Fixed rate borrowings expiry				
	November 2013	75 000	11,92	–	–
	May 2018	100 000	12,06	–	–
	October 2018	75 000	11,72	–	–
		250 000	11,92	–	–
	Interest rate derivative maturity				
	January 2014	15 000	11,99	–	–
	August 2017	200 000	8,96	200 000	8,96
	September 2017	50 000	9,31	50 000	9,31
	January 2018	50 000	9,43	50 000	9,43
	April 2018	100 000	5,68	100 000	5,68
	May 2018	50 000	10,13	50 000	10,13
	August 2018	50 000	9,40	50 000	9,40
	Total hedged borrowings	765 000	9,72	500 000	8,55
	Variable rate borrowings (net)	649 021	6,80	332 892	7,00
	Variable rate borrowings	1 164 021	–	832 892	–
	Less: Interest rate derivative contracts	(515 000)	–	(500 000)	–
	Total gearing	1 414 021	8,40	832 892	8,00

Cash flow interest rate risk

Financial instrument	**Floating interest rate/ interest payable on borrowings per annum R'000**	**Fixed interest rate/ interest payable on borrowings per annum R'000**	**Total R'000**
Current interest rate	4,25 – 9,08%	11,72 – 12,06%	
Due in less than one year	88 332	33 784	122 116
Due in one to two years	89 554	31 770	121 324
Due in two to three years	90 115	31 770	121 885
Due in three to four years	90 610	31 432	122 042
Due in four to five years	93 136	20 078	113 214
Due in six to eight years	311 460	733	312 193

34.4 Liquidity risk

The company's risk to liquidity is the availability of funds and facilities to cover future commitments. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet funding requirements.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Borrowings	448 335	197 846	664 070	103 770
Trade and other payables	78 558	–	–	–
Bank overdraft	13 322	–	–	–
Taxation liability	31	–	–	–
Distribution to unitholders	84 967	–	–	–

34. **FINANCIAL RISK MANAGEMENT** *CONTINUED*

34.5 **Fair value hierarchy**

The fair value hierarchy reflects the significance of the input used in making fair value measurements. The level within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2013				
Financial assets				
Listed investment	**365 819**	**–**	**–**	**365 819**
Derivative – interest rate swap	**–**	**1 993**	**–**	**1 993**
Cash and cash equivalents	**559**	**–**	**–**	**559**
	366 378	**1 993**		**368 371**
Financial liabilities				
Bank overdraft	**13 322**	**–**	**–**	**13 322**
	13 322	**–**	**–**	**13 322**
2012				
Financial assets				
Listed investment	375 981	–	–	375 981
Cash and cash equivalents	392	–	–	392
	376 373			376 373
Financial liabilities				
Derivative – interest rate swap	–	33 221	–	33 221
Bank overdraft	32 483	–	–	32 483
	32 483	33 221	–	65 704

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
34.6 Categories of financial instruments				
Financial assets				
Cash and bank balances	**559**	392	**492**	371
Fair value through profit or loss (FVTPL)				
Held for trading – Interest rate derivatives	**1 993**	–	**2 200**	–
Loans and receivables				
Accounts receivable	**50 423**	40 585	**20 840**	20 507
Available-for-sale financial assets				
Listed investment	**365 819**	375 981	**365 819**	375 981
Financial liabilities				
Cash and bank balances	**13 322**	32 483	**13 322**	32 483
Fair value through profit or loss (FVTPL)				
Held for trading – Interest rate derivatives	**–**	33 221	**–**	32 487
Loans and other financial liabilities at amortised cost				
Accounts payable	**78 558**	74 093	**29 912**	46 723
Linked unitholders for distribution	**84 967**	71 180	**84 967**	71 180
Debenture capital and premium	**620 251**	641 305	**620 251**	641 305
Long-term borrowings	**955 717**	827 123	**449 588**	418 411
Short-term borrowings	**458 304**	316 435	**383 304**	114 756

35. RELATED-PARTY TRANSACTIONS

Parties are considered to be related parties if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Related parties where control existed during the year are as follows:
Directors: DP Cohen; MZ Pollack; AK Stein; PJ Strydom; JP Wapnick; S Wapnick
Company: City Property Administration Proprietary Limited

Related parties where control did not exist during the year are as follows:
Entities: IPS Investments Proprietary Limited (see notes 8, 18 and 21)
Premium Properties Limited (see notes 6 and 20)
Tugendhaft Wapnick Banchetti & Partners

Related parties with whom the group transacted during the year:

35.1 City Property Administration Proprietary Limited

Relationship:
A company which manages the group's property and unlisted investment portfolios and over which significant influence is exercised by Mr JP Wapnick.

Pricing policy:
- Fixed percentage of collections made.
- Percentage of property acquisitions and property sales.
- Fixed percentage of the aggregate of the group's average market capitalisation and total indebtedness to banks and other financial institutions in respect of mortgage bond loans and other unsecured loans.

Management fee:		0,5% of the average market capitalisation (based on daily closing price) plus secured loans
Collection fee:		
	Commercial:	5% plus VAT of gross receipts
	Residential:	7,5% plus VAT of gross receipts
	Offices:	7,5% plus VAT of gross receipts for lettable units smaller than 500m^2 and the remainder at 5% plus VAT of gross receipts
Major repairs and renovations:		5% plus VAT of cost between R30 000 and R10 million and 3% of cost above R10 million
Properties disposed of:		Institute of Estate Agents recommended tariff and in excess of R6,0 million by agreement between parties
Letting fee:		
	Commercial:	50% plus VAT of the SAPOA tariff in respect of new commercial leases and R1 000 plus VAT or 50% plus VAT of the first month's rental, whichever is the lesser in respect of existing leases
	Residential:	R1 000 plus VAT in respect of new residential leases
Acquisition of properties:		3% plus VAT of cost and if in excess of R10 million by agreement between parties
New construction and development:		By agreement between parties, but not less than 3% of the cost

		GROUP		COMPANY	
		2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
35.	**RELATED-PARTY TRANSACTIONS** *CONTINUED*				
35.1	**City Property Administration Proprietary Limited** *continued*				
	The following related-party transactions took place in the group during the year under review:				
	Type of transactions:				
	Income				
	Rent received	**3 818**	3 207	**–**	–
	Expenditure				
	Administration fees	**16 384**	13 404	**16 384**	13 404
	Collection fees	**29 819**	26 673	**7 491**	6 921
	Commissions paid	**3 744**	3 633	**1 508**	1 247
	Investment property				
	Commissions paid on sale and purchase of investment property and major improvements	**4 906**	5 814	**1 080**	403
	Accounts payable				
	Creditor	**968**	1 163	**959**	1 155
35.2	**Tugendhaft Wapnick Banchetti & Partners**				
	Relationship:				
	A firm of attorneys that renders legal services and over which significant influence is exercised by S Wapnick.				
	Pricing policy:				
	– Market related				
	Expenditure				
	Professional fee	**659**	548	**38**	29

35.3 Related-party transactions with subsidiaries have been disclosed in notes 7, 19 and 22.

35.4 Details of directors' remuneration are set out on page 44.

36. SEGMENTAL REPORTING

The group earns revenue in the form of property rentals. On a primary basis the group is organised into five major operating segments:

- Office
- Retail – Shops
- Retail – Shopping centres
- Industrial
- Residential

	2013		2012	
	R'000	**%**	R'000	%
Rental income by sector:				
Offices	**60 338**	**16,6**	60 247	18,1
Retail – Shops	**86 572**	**23,8**	74 348	22,3
Retail – Shopping centres	**115 295**	**31,8**	108 741	32,6
Industrial	**71 721**	**19,8**	67 014	20,1
Residential	**29 175**	**8,0**	23 090	6,9
Total rental income	**363 101**	**100,0**	333 440	100,0
Recoveries and other income	**143 569**		127 963	
Revenue	**506 670**		461 403	

Further segmental results cannot be allocated on a reasonable basis due to the "mixed use" of certain of the properties. It is the company's policy to invest predominantly in properties situated in the Gauteng area, therefore the company has not reported on a geographical basis.

37. SUBSEQUENT EVENTS

Refer to the notice of events after the reporting date mentioned in the report of the directors on page 43.

SCHEDULE OF INTEREST IN SUBSIDIARIES

for the year ended 31 August 2013

Subsidiary name Proprietary Limited	Cost of shares 2013 R	Cost of shares 2012 R	Amounts owing by/(to) subsidiaries 2013 R	Amounts owing by/(to) subsidiaries 2012 R
Airoterp Share Block	**100**	100	**(100)**	(100)
Alert Investments Share Block	**600**	600	**(600)**	(600)
Anke Properties	**1 000**	1 000	**18 753 305**	17 939 879
Carine Properties Share Block	**107 875**	107 875	**(300)**	(200)
Cold Air Investments Share Block	**1 000**	1 000	**(1 000)**	(1 000)
Dirk du Toit Share Block*	**100**	100	**(100)**	(100)
Dusku Investments Share Block	**803 933**	803 933	**(100)**	(100)
Elarduspark Shopping Centre	**7 362 821**	7 362 821	**(1 000)**	(463 708)
Erf 181 Hermanstad Share Block	**100**	100	**(100)**	(100)
Erf 651 Pretoria North Share Block	**1 000**	1 000	**(1 000)**	(1 000)
Erf 809 Share Block*	**95**	95	**(95)**	(95)
Fawn Properties Share Block	**200**	200	**(200)**	(200)
FrederikaStraat Beleggings Share Block	**100**	100	**(100)**	(100)
Gezfarm Properties Share Block	**1 000**	1 000	**(1 000)**	(145 375)
Goleda Properties Share Block	**200**	200	**(200)**	(200)
Hannyhof Share Block	**1 000**	1 000	**(1 000)**	(1 000)
Hardwood Properties Share Block	**3**	3	**(3)**	(3)
Henwoods (Pretoria) Development Company Share Block*	**1 000**	1 000	**(1 000)**	(1 000)
Heracle Share Block	**753 047**	753 047	**(8 442)**	(8 442)
Indacom Properties Share Block*	**16**	16	**(16)**	(16)
Janvoel Properties Share Block	**1 000**	1 000	**(1 000)**	(1 000)
Karkap Properties Share Block	**100**	100	**(100)**	(100)
Killarney Mall Properties	**2 392 153**	2 392 153	**233 137 598**	246 457 416
Landkirk Properties	**–**	20 800	**–**	(1 106 619)
Lasmitch Properties Share Block	**1 000**	1 000	**(1 000)**	(1 000)
Lutbridge Investment Share Block	**70**	70	**(70)**	(70)
Metromitch Share Block	**100**	100	**(100)**	(100)
Middlepip Share Block	**1 000**	1 000	**(1 000)**	(1 000)
Mitchpap Share Block*	**200**	200	**(200)**	(200)
Muntstreet Properties Share Block*	**1 000**	1 000	**(1 000)**	(1 000)
Nedwest Centre Share Block	**4 000**	4 000	**(4 000)**	(4 000)
Octbos Properties*	**–**	100		(7 641 206)
Octprop Properties	**100**	100	**24 629 432**	22 153 858
Panag Investments Share Block	**200**	200	**(200)**	(200)
Potproes Properties Share Block	**3 086 426**	3 086 426	**(1 000)**	(1 000)
Presmooi*	**523 031**	523 031	**433 024 948**	261 150 232
Pretboy Share Block	**100**	100	**(100)**	(100)
Pretvin Share Block	**4 000**	4 000	**(4 000)**	(4 000)
Pretwade Share Block	**2**	2	**(2)**	(2)
Prinsben Properties Share Block*	**1 000**	1 000	**(1 000)**	(1 000)
Prinstruben Share Block	**1 000**	1 000	**(1 000)**	(1 000)
Ramreg Properties	**1**	1	**4 439 206**	4 375 549
Rovon Investments Share Block*	**316 642**	316 642	**(4)**	(5)
Rumpro Investments Share Block	**1 713 213**	1 713 213	**(120)**	(120)
SKD Beleggings (Skof Vyf) Share Block	**100**	100	**(100)**	(100)
Soutwest Properties	**–**	1 000		1 579 303
Steynscor Share Block	**18**	18	**(18)**	(18)
Swemvoor Share Block	**100**	100	**(100)**	(100)
Talkar Properties Share Block	**100**	100	**(100)**	(100)
Tribeca Properties	**11 752 737**	11 752 737	**13 520 808**	6 941 256
Tronap Investments Share Block	**100**	100	**(100)**	(100)
Tuel Share Block	**300**	300	**(300)**	(300)
Viskin Share Block	**1 000**	1 000	**(1 000)**	(1 000)
Waverley Plaza Properties	**794 399**	794 399	**140 404 642**	130 570 219
Woodmead Mart	**3 438 345**	3 438 345	**154 477 378**	155 931 970
	33 068 727	33 090 627	**1 022 353 347**	837 710 903

** Ceded shares securing long-term borrowings (note 13).*

SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE GROUP

for the year ended 31 August 2013

Property name	Address	% of portfolio	2013 Property value** R'000	2012 Property value** R'000
Pretoria Central				
Centre Forum	89 Lilian Ngoyi (Van Der Walt) Street	1,8	**57 140**	55 889
CPA House*	Cnr Du Toit, Johannes Ramokhoase (Proes) and Madiba streets	1,6	**51 670**	44 494
Dusku	Cnr Du Toit and Francis Baard (Schoeman) streets	0,1	**1 240**	1 243
Indacom	130 Struben Street	0,5	**15 800**	15 000
	116 Struben Street			
	117 Bloed Street			
Letari Building	276 Johannes Ramokhoase (Proes) Street	0,3	**8 480**	7 873
McCarthy Church Street*	Church/Madiba (Vermeulen) Street	1,0	**32 150**	28 274
Potproes*	37 Pretorius Street	0,9	**28 960**	25 867
	233 Kgosi Mampuru (Potgieter) Street			
	237 Kgosi Mampuru (Potgieter) Street			
	Cnr Kgosi Mampuru (Potgieter) and Johannes Ramokhoase streets			
Prinsben	349 Sisulu (Prinsloo) Street	0,2	**7 799**	7 847
Prinstruben	360 Struben Street	0,2	**7 013**	6 695
Provincial House	Cnr Lilian Ngoyi (Van Der Walt) and Brown streets	0,2	**8 040**	8 043
Scott's Corner*	Cnr Lilian Ngoyi (Van Der Walt) and Bloed streets	0,8	**27 580**	27 226
Sharp Centre	13 Pretorius Street	0,1	**3 442**	4 005
SKD	70 Visagie Street	0,3	**9 540**	8 779
	87 Visagie Street			
	78 Visagie Street			
Steynscor*	35 Lilian Ngoyi (Van Der Walt) Street	1,3	**42 990**	29 774
Time Place	153 Pretorius Street	1,1	**37 190**	37 238
Tuel	501 Paul Kruger Street	0,1	**4 810**	5 315
Valcourt	336 Struben Street	0,2	**6 680**	6 390
Viskin	18 Visagie Street	0,1	**1 380**	1 387
		10,8	**351 904**	**321 339**
Pretoria West				
Airoterp	302 E'skia Mphahlele (DF Malan) Drive (West)	0,1	**3 820**	3 552
Dirk du Toit	323 Charlotte Maxeke (Mitchell) Street	0,3	**8 710**	7 954
	325 and 327 Charlotte Maxeke (Mitchell) Street			
Goleda Properties	523 Carl Street	0,7	**22 980**	22 581
	529 Carl Street			
	536 Charlotte Maxeke (Mitchell) Street			
	546 Charlotte Maxeke (Mitchell) Street			
	40 Rose-Etta Street			
Henwoods	403 Charlotte Maxeke (Mitchell) Street	0,4	**13 320**	12 519
Lasmitch Properties	120 Charlotte Maxeke (Mitchell) Street	0,2	**6 960**	6 955
Lutbridge Properties	535 Church Street	0,4	**12 590**	12 284
	541 Church Street			
Metromitch*	563 Carl Street	0,9	**28 790**	29 465
	552 Charlotte Maxeke (Mitchell) Street			
	582 Charlotte Maxeke (Mitchell) Street			
	564 Charlotte Maxeke (Mitchell) Street			
Mitchpap	Cnr Charlotte Maxeke (Mitchell) and Ketjen streets	0,4	**13 030**	13 563
Nedwest Centre*	360 Charlotte Maxeke (Mitchell) Street	0,9	**30 780**	31 721
Panag Investments	395 Charlotte Maxeke (Mitchell) Street	0,2	**5 470**	6 044
Rovon Investments	73 Rose-Etta Street	0,5	**15 539**	14 708
Soutwest Properties	71 Von Wielligh Street	0,3	**9 730**	9 729
		5,3	**171 719**	**171 075**

* *Properties securing long-term borrowings (notes 2 and 13).*

** *Including plant and equipment, operating lease assets and lease costs capitalised.*

Description of buildings	Rental income R'000	Site area m²	GLA m²	Property value per GLA	Vacancy %
Shops and offices	7 210	8 922	7 086	8 064	2,4
Shops, offices and parking	5 698	5 104	6 773	7 629	2,4
Motor showroom	158	334	351	3 533	–
Shops and warehouses	864	3 245	2 593	2 570	–
Warehouses	530	1 907	2 346		–
Shops	558	1 512	1 210		–
Shops, offices and warehouses	944	2 561	3 281	2 585	16,3
Motor dealerships	3 052	6 461	3 199	10 050	–
Shops, workshop and motor showroom	991	5 439	2 005	2 936	–
Motor showroom	99	638	333		–
Workshop and warehouse	323	1 914	1 000		–
Filling station, shops and workshops	2 241	22 208	6 525		4,7
Shops	913	2 552	1 826	4 271	8,4
Shops	1 064	2 552	1 884	3 722	–
Shops and offices	1 155	1 060	2 939	2 736	65,7
Shops	1 275	10 208	4 807	5 737	5,7
Shops and offices	468	2 552	2 012	1 711	40,0
Shops and warehouse	488	2 339	1 276	2 245	–
Offices	551	3 737	1 381		–
Shops and warehouse	372	1 886	1 592		–
Shops and offices	3 707	5 104	3 796	11 325	12,3
Shops and 144 flats	4 978	1 429	5 330	6 977	48,1
Shops	346	740	1 112	4 326	1,7
Shops and offices	970	3 480	2 562	2 607	–
Workshop	156	3 536	313	4 409	–
	39 111	**101 420**	**67 532**	**5 211**	**10,9**
Shops	481	2 332	1 361	2 807	–
Workshop	356	1 152	1 141	2 994	–
Shop and workshop	719	2 856	1 768		–
Warehouse	633	4 283	3 842	2 064	–
Workshops and warehouse	376	1 428	1 568		–
Filling station	199	2 855	518		–
Filling station, shops, factories and 10 flats	1 103	3 847	3 625		56,9
Shops, showroom and workshops	559	2 674	1 583		–
Factories	1 519	5 710	3 446	3 865	7,5
Warehouse and showroom	792	2 855	1 859	3 744	–
Shops and warehouse	178	1 428	1 318	2 074	79,4
Shops, filling station and warehouse	1 427	5 710	4 751		16,9
Shops, showroom and warehouse	587	2 855	2 842	2 829	15,9
Shops, showroom, warehouse and 36 flats	2 207	3 765	3 032		13,7
Shops and warehouses	471	3 827	1 648		–
Shops and warehouse	545	2 855	2 654		26,8
Shops and warehouses	1 655	5 710	4 592	2 838	6,4
Shops, filling station, warehouses and workshops	3 871	40 740	9 337	3 297	16,4
Shops and workshops	562	2 855	1 878	2 913	59,4
Shops, workshops and warehouses	1 752	9 719	3 855	4 031	5,2
Warehouses and workshops	972	2 855	1 965	4 952	–
	20 964	**112 311**	**58 583**	**2 931**	**15,2**

SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE GROUP *CONTINUED*

for the year ended 31 August 2013

Property name	Address	% of portfolio	2013 Property value** R'000	2012 Property value** R'000
Waverley, Gezina, Mayville				
Fawn	702 Paul Kruger Street	0,4	**13 640**	14 101
	789 Paul Kruger Street			
FrederikaStraat	606 Frederika Street	0,2	**7 400**	7 001
Gezina City Shopping Centre*	593 Nico Smith (Michael Brink) Street	2,1	**68 790**	51 902
Karkap Properties	595 Frederika Street	0,1	**4 790**	4 786
Swemvoor	545 Steve Biko (Voortrekker) Street	0,3	**8 820**	7 987
	537 Steve Biko (Voortrekker) Street			
Troymona	1146 Hertzog Street	0,0	**908**	807
	764, 32nd Avenue/777, 34th Avenue			
Waverley Plaza Shopping Centre*	1120 Hertzog Street	3,9	**128 250**	118 635
		7,1	**232 598**	**205 219**
Hermanstad				
Erf One Eight One*	629 Kruger Street	0,9	**30 720**	30 684
Hannyhof Centre	387 Van Der Hoff Road	0,2	**6 290**	5 881
	Corner Van Der Hoff, Elsa and Hanny streets			
Hardwood	720 Rood Street	0,1	**1 960**	1 704
Pretboy	578 Attie Street	0,1	**2 080**	2 208
Talkar	386 Taljaard Street	0,6	**20 580**	14 529
		1,9	**61 630**	**55 006**
Silverton and surrounding				
Janvoel	266 Stormvoel Road	0,2	**5 500**	5 510
Muntstreet	329 and 331 Mundt Street	0,3	**9 180**	8 523
Sildale Park*	Cnr Asetileen, Conveyor and Voorhamer streets	2,7	**89 280**	84 551
The Tannery Industrial Park	309 Derdepoort Road	4,7	**152 240**	155 409
		7,9	**256 200**	**253 993**
Pretoria North				
Erf Agt Nul Nege	Cnr Gerrit Maritz and Danie Theron streets	0,2	**7 240**	7 219
Erf Six Five One	319 Koos de la Rey Street	0,1	**4 060**	4 311
North Place	284 Eufees Street	0,3	**10 242**	8 891
Ramreg	590 Gerrit Maritz Street	0,1	**390**	408
Tronap Investments	457 Gerrit Maritz Street	0,2	**6 110**	3 935
		0,9	**28 042**	**24 764**
Pretoria East				
Elarduspark Shopping Centre*	837 Barnard Street	4,5	**145 920**	141 240
Odeon Forum	83 Lois Street	1,1	**34 864**	–
		5,6	**180 784**	**141 240**
Sundry				
FNB Centurion	2023 Johan Heyns (Hendrik Verwoerd) Drive	0,9	**30 200**	26 801
Landkirk	568 Bonita Crescent	0,1	**2 590**	2 323
Persequor Park	18, 30 and 38 De Havilland Crescent	2,4	**77 343**	–
Prime Cure House	128 Oak Avenue	0,8	**28 819**	–
Rentmeester Office Park*	74 Watermeyer Street	4,3	**138 490**	130 158
Tiny Town	700 Church Street	0,8	**25 100**	21 872
	694 Church Street			
	191 Blackwood Street			
		9,3	**302 542**	**181 154**

** Properties securing long-term borrowings (notes 2 and 13).*

*** Including plant and equipment, operating lease assets and lease costs capitalised.*

Description of buildings	Rental income R'000	Site area m²	GLA m²	Property value per GLA	Vacancy %
Shops and motor valet	175	1 991	685	2 605	–
Shops	1 282	7 560	4 552		5,2
Shops	807	2 552	1 591	4 651	16,5
Shopping centre	7 567	43 153	16 203	4 246	16,5
Shops	606	2 552	1 163	4 119	–
Shops and offices	873	2 552	2 378	3 169	–
Showroom	247	1 584	405		–
House	132	1 018	206		–
House		1 276			
Shopping centre	15 470	36 215	11 870	10 805	8,3
	27 159	**100 453**	**39 053**	**5 956**	**10,6**
Factories, workshops and warehouses	3 622	30 610	12 554	2 447	35,1
Shops	508	3 750	1 177	3 653	–
Shops	263	1 983	545		–
Warehouse	302	5 239	1 150	1 704	–
Factories	302	5 102	926	2 246	–
Factories, workshops and warehouses	1 593	12 759	5 696	3 613	5,1
	6 590	**59 443**	**22 048**	**2 795**	**21,3**
Shops	738	4 461	1 760	3 125	–
Factories	1 402	12 243	6 576	1 396	26,4
Industrial Park	9 275	63 120	22 392	3 987	5,5
Industrial Park	17 263	82 707	39 563	3 848	15,2
	28 678	**162 531**	**70 291**	**3 645**	**12,7**
Shops	871	2 552	1 757	4 121	22,9
Factories	524	2 552	1 320	3 076	–
Shops and 19 flats	1 291	3 828	1 818	5 634	3,9
Shops and offices	59	3 828	103	3 786	–
Shops	472	2 552	1 487	4 109	–
	3 217	**15 312**	**6 485**	**4 324**	**7,3**
Shopping centre	15 541	31 976	11 726	12 445	5,1
Offices	365	6 788	2 667	13 072	–
	15 906	**38 764**	**14 393**	**12 561**	**4,1**
Shops	3 109	3 300	1 874	16 115	1,4
Warehouse	313	2 334	1 265	2 047	–
Offices	804	16 526	8 004	9 662	3,0
Offices	–	4 622	2 689	10 717	100,0
Offices	13 021	19 215	12 184	11 367	1,8
14 Cottages	1 253	5 108	1 333	14 459	6,4
Vacant land		5 378			
House	105	1 329	103		
	18 605	**57 812**	**27 452**	**11 021**	**11,9**

SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE GROUP *CONTINUED*

for the year ended 31 August 2013

Property name	Address	% of portfolio	2013 Property value** R'000	2012 Property value** R'000
Johannesburg and surrounding				
CCMA Place	Cnr Woburn and Rothsay avenues, Benoni	0,7	**22 330**	19 594
John Street*	18 – 20 John Street	1,5	**47 660**	43 075
Killarney Mall*	34 – 54 Fourth Street and Riviera Road, Killarney	16,8	**547 311**	517 344
Kyalami Crescent*	Kyalami Business Park, Kyalami	1,5	**49 770**	49 817
McCarthy Midrand*	New Road	1,3	**43 550**	39 705
Pretwade	Strauss Crescent, Germiston	0,2	**6 845**	6 141
Selby 515*	15 Prop Street, Selby	0,7	**21 500**	19 061
Woodmead Value Mart*	Waterval Crescent, Woodmead	6,4	**207 862**	187 799
		29,1	**946 828**	**882 536**
Johannesburg CBD				
Anderson Place	9 Harrison Street	1,0	**33 570**	30 110
Bosman Building*	99 Eloff Street	1,3	**42 280**	43 035
Castle Mansions	170 Jeppe Street	3,6	**118 589**	83 730
Dan's Place*	165 Jeppe Street	1,8	**57 160**	58 806
Elephant House*	107 Albertina Sisulu (Market) Street	0,7	**23 650**	22 584
Eloff Ext Mini Units	Cnr Roper and New Centre streets	–	**–**	6 739
Essenby	175 Jeppe Street	1,2	**37 570**	36 939
Fine Art Court	103 Pritchard Street	0,2	**6 780**	6 858
Fine Art House	105 Pritchard Street	0,2	**5 640**	4 802
Inner Court*	88 Eloff Street	5,2	**168 460**	165 330
Klamson House*	151 Commissioner Street	1,1	**36 500**	34 649
Medical City*	106 Eloff Street	0,6	**20 820**	17 296
Medical Towers	179 Jeppe Street	0,5	**16 730**	16 322
Presmooi	Cnr President, Mooi and Pritchard streets	0,3	**10 610**	9 899
Raschers	70 Loveday Street	0,2	**5 280**	6 126
Record House	86 Eloff Street	0,4	**13 510**	13 896
Reliance Centre*	107 Heidelberg Road	0,6	**18 000**	17 976
Shoprite – Eloff Street	Cnr Von Brandis, Eloff and Pritchard streets	1,2	**39 910**	41 016
Temple Court	169 Jeppe Street	0,5	**17 330**	14 533
Union Club	Cnr Bree and Joubert streets	1,0	**33 820**	31 707
Works @ Registry*	64 Troye Street	0,6	**18 330**	18 283
		22,2	**724 539**	**680 636**
Total		100,0	**3 256 786**	**2 916 962**

* *Properties securing long-term borrowings (notes 2 and 13).*

** *Including plant and equipment, operating lease assets and lease costs capitalised.*

Description of buildings	Rental income R'000	Site area m²	GLA m²	Property value per GLA	Vacancy %
Shops and offices	2 991	1 785	4 100	5 446	–
Warehouses	5 546	14 782	14 216	3 353	–
Shopping centre	68 303	57 603	48 022	11 397	1,7
Warehouses and mini factories	4 876	21 967	9 717	5 122	13,7
Motor dealerships	4 206	9 173	3 692	11 796	–
Workshops	989	6 719	3 380	2 025	12,5
Factories	2 693	12 270	6 777	3 172	6,0
Value Mart Shopping Centre	25 849	42 255	18 130	11 465	–
	115 453	**166 554**	**108 034**	**8 764**	**2,7**
Shops and offices	4 016	992	5 441	6 170	–
Shops and offices	5 923	2 234	15 809	2 674	61,9
Shops and 177 flats	12 112	2 481	15 138	7 834	26,7
Shops and 150 flats	7 849	1 242	8 155	7 009	13,8
Offices	1 701	991	4 794	4 933	46,7
Factories and mini warehouses	62	4 460	–	–	–
Shops and 116 flats	5 165	3 023	7 345	5 115	48,0
Shops and 35 flats	1 493	250	1 447	4 686	–
Shops and offices	95	499	3 210	1 757	77,9
Shops and offices	21 673	3 735	23 509	7 166	3,4
Shops and offices	3 545	993	6 553	5 570	39,0
Shops and offices	2 680	979	7 901	2 635	–
Shops and offices	2 933	992	5 509	3 037	48,3
Shops and offices	1 531	2 975	3 538	2 999	1,7
Shops	418	890	888	5 946	4,6
Shops and 41 flats	2 174	249	1 676	8 061	–
Offices and warehouses	2 305	11 397	6 967	2 584	10,2
Shops and offices	2 799	3 971	34 224	1 166	–
Shops and 45 flats	1 822	248	2 240	7 737	–
Shops and 72 flats	4 590	1 142	3 620	9 343	0,8
Shops and offices	2 532	1 989	10 395	1 763	77,9
	87 418	**45 732**	**168 359**	**4 304**	**22,7**
	363 101	**860 332**	**582 230**	**5 594**	**13,6**

SCHEDULE OF INVESTMENT PROPERTIES OWNED BY IPS INVESTMENTS PROPRIETARY LIMITED

as at 31 August 2013

Property name	Address	Description of buildings	Aug 2013 Property value R'000	GLA m²	Vacancy %	% Held by IPS
Arcadia						
Craig's Place	45 Steve Biko (Beatrix) Street	154 flats	60 340	5 003	2,4	100
Nedbank Plaza	175 Steve Biko (Beatrix) Street	144 flats, offices and shops	185 550	23 275	10,0	100
			245 890	**28 278**		
Pretoria Central						
Callaway	133 Church Street (West)	Shop and warehouse	6 160	1 777	32,5	100
Centre Place	267 Church Street	234 flats and shops	148 800	11 921	13,9	100
City Corner (1)	215 Bosman Street	Shops	1 800	558	–	100
City Corner (2)	149 Church Street (West)	Shops	5 440	257	–	100
City Corner (3)	143 Church Street (West)	Shops	5 670	641	–	100
City Towers	227 Lilian Ngoyi (Van Der Walt) Street	Shop and offices	19 190	2 871	19,8	100
Jeff's Place	137 Francis Baard (Schoeman) Street	Residential development	109 660	–	100,0	100
Navy House	Cnr Madiba (Vermeulen) and Lilian Ngoyi (Van Der Walt) streets	Shops and offices	38 730	6 712	44,7	100
Tom's Place	227 Minnaar Street	320 flats	125 180	9 984	2,6	100
			460 630	**34 721**		
Hatfield						
Blagil	1117 Church Street	House	1 240	161	–	100
Talland (2)	1251 Francis Baard (Schoeman) Street	Shop	6 140	570	–	100
			7 380	**731**		
Sunnyside						
Karelia Flats	135 Steve Biko (Mears) Street	48 flats	13 350	1 356	–	100
Les Nize Flats	507 Leyds Street	55 flats	15 060	2 475	1,1	100
Selmar	436 Leyds Street	19 flats	8 150	1 540	6,5	100
Unity Heights	285 Robert Sobukwe (Esselen) Street	24 flats	16 660	2 322	2,1	100
			53 220	**7 693**		
Pretoria, other						
Lenchen Centre	9 Jakaranda Street, Hennopspark Ext 7	Shops	31 880	3 330	6,0	100
Lenchen Park	22 Jakaranda Street, Hennopspark Ext 40	Shops	30 440	5 743	14,2	100
Imbuia	180 Inner Crescent, Kwaggasrand	11 flats	3 480	935	9,1	100
Jakaranda	180 Inner Crescent, Kwaggasrand	33 flats	9 920	2 442	12,1	100
Kiaat	180 Inner Crescent, Kwaggasrand	40 flats	11 890	2 960	10,0	100
Mimosa	180 Inner Crescent, Kwaggasrand	18 flats	6 270	1 530	–	100
Syringa	180 Inner Crescent, Kwaggasrand	40 flats	12 890	3 169	–	100
Grariv	680 Lievaart Street, Proclamation Hill Ext 1	2 flats	680	270	–	100
Andpot	1005 Kruger Avenue, Lyttelton Manor Ext 4	Warehouses	5 370	1 638	–	100
			112 820	**22 017**		
Johannesburg						
119 Market Street	119 Market Street	Shops	5 350	1 639	57,1	100
121 Market Street	121 Market Street	Shops	2 840	613	–	100
Works@Main	195 Main Road and Corner Nugget streets	Shops and offices	6 830	5 061	11,3	100
Kings City Parkade	Cnr Bree and Eloff streets	Shops	52 400	17 026	–	100
Mr Price	Cnr Market and Von Brandis street	Shops and offices	28 640	3 082	11,5	100
Ricci's Place	Cnr Rissik, Commissioner and Joubert streets	281 flats and shops	104 910	11 003	8,2	100
Splendid Place	118 Pritchard Street	150 flats and shops	54 130	8 356	0,6	100
Tali's Place	Cnr Goud Street and Market street	337 flats and shops	123 790	17 321	10,9	100
Wits Technikon	Cnr De Villiers, Eloff and Plein streets	Colleges	32 980	16 937	–	100
Erand Gardens	George Street, Erand Gardens	Offices	36 710	2 663	–	100
Education Centre	Cnr Plain, Hoek and Bree streets, Jhb	Shops and offices	26 890	11 397	77,7	100
Bram Fischer Towers	20 Albert Street, Marshalltown	Shops and offices	61 600	10 969	39,3	100
CPA Place	19 Loveday Street, Marshalltown	107 flats, offices and shops	36 940	4 626	–	100
Howard House	23 Loveday Street, Marshalltown	Shops and offices	8 800	1 379	11,5	100
			582 810	**112 072**		

Property name	Address	Description of buildings	Aug 2013 Property value R’000	GLA m^2	Vacancy %	% Held by IPS
Johannesburg, other						
Druthon Centre	48 Voortrekker Road, New Redruth, Alberton	Shops and offices	16 890	3 374	3,9	100%
Springs Industrial Park	166 Watt Road, Springs	Warehouses	12 821	9 049	36,5	100%
			29 711	**12 423**		
Total excluding joint ventures			**1 492 461**	**217 935**		
Kempton Place	12 Pretoria Road, Kempton Park	Shops, offices and 469 flats	267 360	30 314	16,2	50%
Blaauw Village	283 Ben Viljoen Street, Pretoria North	Shops	40 060	6 804	9,1	50%
Gerlan	348 Steve Biko (Voortrekker) Road, Gezina	Showroom	60 037	5 174	–	50%
Vuselela Investments:						
Plaza Place	Cnr Rissik and Jeppe streets, Johannesburg	Shops and 214 flats	59 800	10 395	–	50%
Royal Place	Cnr Kerk and Eloff streets, Johannesburg	Shops, offices and 155 flats	105 353	15 858	13,1	50%
Steyns Place	274 Schoeman Street, Pretoria	Shops and 381 flats	133 086	17 989	1,3	50%
Vuselela Place	Cnr Loveday and Bree streets, Johannesburg	Shops, offices and 193 flats	55 836	9 043	0,5	50%
			721 532	**95 577**		
Total including joint ventures			**2 213 993**	**313 512**		

LINKED UNITHOLDERS' ANALYSIS
for the year ended 31 August 2013

UNITHOLDERS' CLASSIFICATION	Number of unitholders	%	Number of units	%
1 – 1 000 shares	261	15,16	127 308	0,12
1 001 – 10 000 shares	935	54,30	3 935 222	3,64
10 001 – 100 000 shares	418	24,27	12 743 546	11,78
100 001 – 1 000 000 shares	85	4,94	30 518 137	28,20
1 000 001 shares and over	23	1,34	60 900 704	56,27
	1 722	**100,00**	**108 224 917**	**100,00**
UNITHOLDERS' PROFILE				
Banks	7	0,41	841 009	0,78
Close corporations	39	2,26	5 869 039	5,42
Endowment funds	49	2,85	2 551 543	2,36
Individuals	1199	69,63	10 966 790	10,13
Insurance companies	14	0,81	5 085 296	4,70
Investment companies	5	0,29	43 669	0,04
Medical scheme	1	0,06	2 900	0,00
Mutual funds	57	3,31	28 631 321	26,46
Nominees and trusts	199	11,56	16 332 261	15,09
Other corporations	11	0,64	343 000	0,32
Private companies	89	5,17	28 464 451	26,30
Public companies	4	0,23	460 140	0,43
Retirement funds	48	2,79	8 633 498	7,98
	1 722	**100,00**	**108 224 917**	**100,00**
PUBLIC/NON-PUBLIC UNITHOLDERS				
Non-public shareholders				
– Directors and family	33	1,92	39 970 853	36,93
Public shareholders	1 689	98,08	68 254 064	63,07
	1 722	**100,00**	**108 224 917**	**100,00**
BENEFICIAL UNITHOLDERS HOLDING 3% OR MORE				
Directors and family			39 970 853	36,93
STANLIB			14 596 797	13,49
Old Mutual			4 325 692	4,00
Investment Solutions			3 554 036	3,28

SHARE TRADING ANALYSIS

2012/2013	Highest (cents)	Lowest (cents)	Volume traded (units)	Volume traded (rand)
September 2012	2 125	1 800	780 916	14 933 937
October	2 002	1 739	3 093 189	59 524 344
November	1 950	1 775	959 726	17 924 887
December	2 100	1 950	1 915 348	38 920 761
January	2 130	1 900	1 239 432	24 551 606
February	2 010	1 815	843 988	16 510 769
March	2 479	1 970	650 689	13 420 661
April	2 600	2 086	1 270 493	30 129 762
May	2 489	1 935	4 361 149	105 954 771
June	2 350	1 900	609 009	12 712 642
July	2 075	1 850	1 466 636	30 505 394
August 2013	2 590	2 000	970 836	19 394 705

NOTICE OF ANNUAL GENERAL MEETING

Octodec Investments Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1956/002868/06)
ISIN: ZAE000005104
Share code: OCT
("Octodec"or "the company")

Notice is hereby given in terms of section 62(1) of the Companies Act, 71 of 2008, as amended ("the Act"), of the 21st annual general meeting of linked unitholders of Octodec on Friday, 7 February 2014, at 11:30 that will be held at CPA House, 101 Du Toit Street, Pretoria, to consider and, if deemed fit, to approve, with or without modification, the ordinary and special resolutions listed below in the manner required by the Act, as read with the Listings Requirements of the JSE Limited ("JSE Listings Requirements").

All references in this notice of annual general meeting ("AGM") (including all of the ordinary and special resolutions contained herein) to the company's memorandum of incorporation ("MOI") refer to provisions of that portion of the company's MOI that was previously called the company's articles of association.

In terms of section 64(1)(a) of the Act, a linked unitholders' meeting may not begin until a quorum is present at the meeting to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting.

Kindly note that in terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS
The consolidated audited annual financial statements of the company and its subsidiaries, incorporating the reports of the auditors, the audit committee and the directors for the year ended 28 February 2013, will be presented to linked unitholders as required in terms of section 30(3)(d) of the Act.

REPORT OF THE SOCIAL, ETHICS AND REMUNERATION COMMITTEE
In accordance with regulation 43(5)(c), issued in terms of the Act, the chairman of the social, ethics and remuneration committee will present a verbal report to linked unitholders at the AGM.

RESOLUTIONS FOR CONSIDERATION AND APPROVAL
Special resolution 1 – To approve financial assistance to related and inter-related companies
To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"Resolved by way of special resolution as required in terms of sections 44 and/or 45(2) of the Act, and the MOI, as a general approval, that the board of the company may, from time to time, authorise the company to provide financial assistance to all related and inter-related companies within the Octodec group of companies at such times and on such terms and conditions as the directors in their sole discretion of the company may determine and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted AGM of the company."

Special resolution 2 – To authorise the company and/or its subsidiaries to acquire its linked units
To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"Resolved that the company and/or any of its subsidiaries be and are hereby authorised by way of a general approval as contemplated in section 48 of the Act, and the JSE Listings Requirements, to acquire the issued securities of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine but subject to the MOI of the company, the provisions of the Act and the JSE Listings Requirements, where applicable, and provided that:

a) the repurchase of securities is implemented through the order book of the JSE trading system, without any prior understanding or arrangement between the company and the counterparties;
b) this general authority shall only be valid until the company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
c) the company is authorised thereto by its MOI;
d) the general repurchase by the company is limited to a maximum of 5% (five percent) in aggregate of the company's issued capital in any one financial year;
e) the general repurchase by the subsidiaries of the company is limited to a maximum of 5% (five percent) in aggregate of the company's issued share capital in any one financial year;
f) the repurchase is not made at a price greater than 5% (five percent) above the weighted average of the market value of the securities for five business days immediately preceding the date on which the transaction was effected;
g) the repurchase does not take place during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
h) the company publishes an announcement after it or its subsidiaries have cumulatively acquired 3% (three percent) of the number of securities in issue at the time that the linked unitholders' authority for the repurchase is granted and for each 3% (three percent) in aggregate of the initial number acquired thereafter;
i) it reasonably appears that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution as contemplated in section 46(1)(b) of the Act;

j) the board of the company, by resolution, has acknowledged that it has applied the solvency and liquidity test, as set out in section 4 of the Act, and has reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the repurchase, as contemplated in section 46(1)(c) of the Act;
k) the company and the group are in a position to repay their debts in the ordinary course of business for a period of 12 (twelve) months after the date of such repurchase;
l) the assets of the company and the group being fairly valued, are in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of such repurchase;
m) the capital and reserves of the company and the group are adequate for a period of 12 (twelve) months after the date of such repurchase;
n) the available working capital is adequate to continue the operations of the company and the group for a period of 12 (twelve) months after the date of such repurchase;
o) before entering the market to proceed with the repurchase, the company's sponsor has complied with its responsibilities contained in schedule 25 of the JSE Listings Requirements; and
p) the company appoints only one agent to effect any repurchase on its behalf."

Special resolution 3 – Approval of directors' remuneration for the period 1 September 2013 to 31 August 2014
To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"Resolved, as a special resolution:
- that the company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in sections 66(8) and 66(9) of the Act; and
- that the remuneration structure and amounts as set out below, be and are hereby approved until such time as rescinded or amended by linked unitholders by way of a special resolution:

	12 months to 31 Aug 2014	12 months to 31 Aug 2013
Board chairman (S Wapnick)	**550 000**	**500 000**
Independent non-executive directors (DP Cohen, PJ Strydom)	**286 000**	**260 000**
Non-executive director (MZ Pollack)	**286 000**	**260 000**
Independent non-executive director (GH Kemp) (effective from 1 October 2013)	**262 167**	**–**
Executive directors (AK Stein, JP Wapnick)	**286 000**	**260 000**

Ordinary resolution 1 – Re-election of directors
To elect by way of separate resolutions, directors in the place of those retiring in accordance with the company's MOI. The director retiring is Mr MZ Pollack, who being eligible offers himself for re-election.

Ordinary resolution 1.1 – Re-election of Mr MZ Pollack
"Resolved that Mr MZ Pollack be and is hereby re-elected as a director of the company."

An abridged curriculum vitae of Mr MZ Pollack is set out on page 18 of the integrated report of which this notice forms part.

Ordinary resolution 1.2 – Confirmation of appointment of Mr GH Kemp
To confirm the appointment of Mr GH Kemp as a director, who was appointed as a director of the company on 1 October 2013.

An abridged curriculum vitae of Mr GH Kemp is set out on page 18 of the integrated report of which this notice forms part.

Ordinary resolution 2 – To place the unissued linked units under the directors' control
To authorise the directors, as required by the company's MOI and subject to the provisions of section 41 of the Act, to allot and issue, at their discretion the unissued but authorised linked units in the share capital of the company to subscribe for the unissued linked units issued in the issued share capital of the company, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by the JSE Limited and are subject to the JSE Listings Requirements which authority shall endure until the next AGM of the company.

Ordinary resolution 3 – To approve the issue linked units for cash
To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

"Resolved that, subject to not less than 75% of the linked unitholders present in person or by proxy and entitled to vote at the AGM at which this ordinary resolution is to be considered, voting in favour thereof, in terms of the JSE Listings Requirements, the mandate given to the directors of the company that they are authorised by way of a general authority to issue all or any of the authorised but unissued shares, together with debentures linked thereto ("linked units"), in the capital of the company for cash as they in their discretion deem fit, be renewed subject to the following conditions and limitations:
a) This authority shall not extend beyond the later of the date of the next AGM of the company or the date of expiry of 15 (fifteen) months from the date of this AGM;

b) Issues in terms of this authority will not exceed 5% (five percent) in the aggregate of the number of linked units in the company's issued share capital in any one financial year. The number of linked units to be issued shall be based on the number of linked units in issue at the date of application, less any linked units issued by the company during the current financial year, provided that any linked units to be issued for cash pursuant to an acquisition (concluded up to the date of application) may be included as though they were linked units in issue at the date of application.
c) A paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within any one financial year, 5% (five percent) or more of the number of linked units in issue prior to such issue.
d) In determining the price at which an issue of linked units will be made in terms of this authority, the maximum discount permitted will be 5% (five percent) of the weighted average traded price of such linked units, as determined over a 30-day period to the date that the price of the issue is determined.
e) Any such issue will only be made to public linked unitholders as defined by the JSE, and not related parties.
f) The linked units which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue."

Ordinary resolution 4 – To approve the re-appointment of members of the audit committee
To approve, by way of separate resolutions, the appointment of the following non-executive directors as members of the audit committee:
4.1 Mr PJ Strydom
4.2 Mr DP Cohen
4.3 Mr GH Kemp
4.4 Mr MZ Pollack

Ordinary resolution 5 – To approve the re-appointment of auditors
To re-appoint, on recommendation of the current audit committee, Deloitte & Touche as independent auditors of the company, the designated auditor, Mr M Ajoodha, meeting the requirements of section 90(2) of the Act until conclusion of the next AGM.

Ordinary resolution 6 – To approve the remuneration philosophy
To endorse, by way of a non-binding advisory vote, the remuneration philosophy of the company as set out on page 36 of the integrated report of which this notice forms part.

Ordinary resolution 7 – To provide signing authority
To authorise any one director or the company secretary to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the AGM at which this ordinary resolution will be considered and approved.

To transact such other business as may be transacted at an AGM

Other disclosure in terms of section 11.26 of the JSE Listings Requirements
The following additional information, some of which may appear elsewhere in the integrated report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:
- Directors and management – page 18
- Major beneficial linked unitholders – page 80
- Directors' interest in securities – page 44
- Share capital of the company – page 57

Litigation statement
The directors of the company whose names appear on page 18 of the integrated report of which this notice forms part are not, to the best of their knowledge or belief, aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had in the recent past (being at least the previous 12 months) a material effect on the group's financial position.

Directors' responsibility statement
The directors in office whose names appear on page 18 of the integrated report collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

Material changes
Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs of the financial position of the company and its subsidiaries since the company's financial year-end and the date of signature of the integrated report.

Electronic participation
Should any linked unitholder of the company wish to participate electronically in the AGM, that linked unitholder shall be obliged to make application in writing (including details as to how the linked unitholder or its representative can be contacted) to so participate, to the transfer secretaries at the applicable address set out below at least 5 (five) business days prior to the AGM. Linked unitholders who wish to participate in the meeting by dialling in must note that they will not be able to vote electronically. Should such linked unitholders wish to have their votes counted at the meeting, they are welcome to cast their votes via representation at the meeting either by proxy or by letter of representation, as provided for in this notice of AGM. The costs of accessing any means of electronic participation provided by the company will be borne by the linked unitholder so accessing the electronic participation. The company cannot be held liable for any loss, damage, penalty or claim arising in any way from the use of the telecommunication facility, whether or not as a result of any act or omission on the part of the company or anyone else.

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

Record date

In terms of section 59(1)(a) and (b) of the Act, the board of the company has set the record date for the purpose of determining which linked unitholders are entitled to:

- receive notice of the AGM (being the date on which a linked unitholder must be registered in the company's securities register in order to receive notice of the AGM) as Friday, 3 January 2014;
- participate in and vote at the AGM (being the date on which a unitholder must be registered in the company's securities register in order to participate in and vote at the AGM) as Friday, 31 January 2014; and
- the last day to trade in the company's linked units in order to be recorded on the securities register of the company in order to be able to attend, participate and vote at the AGM is Friday, 24 January 2014.

Voting

For the purpose of resolutions proposed in terms of the JSE Listings Requirements wherein any votes are to be excluded from that resolution, any proxy given by a holder of securities to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution.

On a show of hands, every Octodec member who is present in person, by proxy or represented at the AGM shall have one vote (irrespective of the number of Octodec linked units held) and, on a poll, every Octodec member shall have for each linked unit held in that proportion of the total votes in the company which the aggregate amount of the nominal value of that linked unit held by such member bears to the aggregate of the nominal value of all the linked units issued by the company.

The percentage of voting rights that will, in terms of section 62(3)(c) of the Act, be required for the resolutions to be adopted is 75% in respect of the special resolutions and more than 50% in respect of the ordinary resolutions.

Proxies

An Octodec member entitled to attend and vote at the AGM may appoint one or more persons as its proxy to attend, speak and vote in its stead. A proxy need not be a linked unitholder of the company. Linked unitholders and proxies of unitholders are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the AGM as required in terms of section 63(1) of the Act. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

A form of proxy is attached for the convenience of certificated linked unitholders and "own name" dematerialised linked unitholders who are unable to attend the AGM, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by Octodec's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), not later than 11:30 on Wednesday, 5 February 2014. Section 63(1) of the Act requires that meeting participants provide satisfactory identification. Linked unitholders' rights regarding proxies in terms of section 58 of the Act are as follows:

(1) At any time, a linked unitholder of a company may appoint any individual, including an individual who is not a linked unitholder of that company, as a proxy to:
   (a) participate in, and speak and vote at, a linked unitholders' meeting on behalf of the linked unitholder; or
   (b) give or withhold written consent on behalf of the linked unitholder to a decision contemplated in section 60.

(2) A proxy appointment:
   (a) must be in writing, dated and signed by the linked unitholder; and
   (b) remains valid for:
      (i) one year after the date on which it was signed; or
      (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).

(3) Except to the extent that the memorandum of incorporation of a company provides otherwise:
   (a) a linked unitholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the linked unitholder;
   (b) a proxy may delegate the proxy's authority to act on behalf of the linked unitholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
   (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the linked unitholder at a linked unitholders' meeting.

(4) Irrespective of the form of instrument used to appoint a proxy:
   (a) the appointment is suspended at any time and to the extent that the linked unitholder chooses to act directly and in person in the exercise of any rights as a linked unitholder;
   (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
   (c) if the appointment is revocable, a linked unitholder may revoke the proxy appointment by:
      (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
      (ii) delivering a copy of the revocation instrument to the proxy, and to the company.

(5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the linked unitholder as of the later of:
   (a) the date stated in the revocation instrument, if any; or
   (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).

(6) A proxy is entitled to exercise, or abstain from exercising, any voting right of the linked unitholder without direction, except to the extent that the instrument appointing the proxy otherwise provides.

If you are a certificated or "own name" dematerialised linked unitholder and unable to attend the AGM of linked unitholders to be held on Friday, 7 February 2013, at 11:30 at the registered office of the company, CPA House, 101 Du Toit Street, Pretoria, and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions therein.

If you have dematerialised your linked units with a Central Securities Depository Participant ("CSDP") or broker other than "own name" registered dematerialised linked units, you must instruct your CSDP or broker as to how you wish to vote in this regard. This must be done in terms of the custody agreement entered into between you and the CSDP or broker.

By order of the board

City Property Administration Proprietary Limited
Company secretary

3 December 2013
Pretoria

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

Presentation of annual financial statements

At the AGM, the directors must present the annual financial statements for the year ended 31 August 2013 to linked unitholders, together with the reports of the directors, the audit committee and the auditors. These are contained within the integrated report.

Special resolution 1 – Financial assistance to related and inter-related companies

Section 45(2) of the Act authorises the board to authorise the company to provide direct or indirect financial assistance to a related or inter-related company, subject to subsections (3) and (4) of section 45 of the Act and unless otherwise provided in the company's MOI. In terms of section 45(3) of the Act, a special resolution of linked unitholders is required in these instances. The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well-known practice, details of which are also set out in the notes to the annual financial statements.

Special resolution 2 – To authorise the company and/or its subsidiaries to acquire its linked units

The reason for and effect of the resolution is to authorise the company and its subsidiaries, by way of general approval, to acquire its own issued securities, on terms and conditions and in amounts to be determined by the directors of the company, subject to certain statutory provisions and the JSE Listings Requirements. Section 48 of the Act authorises the board of directors of a company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings Requirements require the linked unitholders of the company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by linked unitholders present or represented by proxy at the AGM for special resolution number 2 to become effective.

Special resolution 3 – Directors' remuneration

In terms of section 66(8) and section 66(9) of the Act, companies may pay remuneration to directors for their services as directors, unless otherwise provided by the MOI, and on approval of linked unitholders by way of a special resolution. During the financial year, the board made use of surveys of fees paid to non-executive directors as disclosed by JSE-listed companies in order to assist with the benchmarking of non-executive director fees. In addition to the benchmark alignment, the following reasons are particularly relevant to substantiate the remuneration and the increase:

- The board's remuneration philosophy to attract and retain suitably qualified and independent-minded directors.
- The mandate of the board, which mandate includes acquisitions, disposals, developments, finance and the function of the nominations committee.
- The increasing workload and responsibilities of the board, audit and risk committee members due to the requirements of King III and the Act. The remuneration committee's mandate also includes the duties of the social and ethics committee, as prescribed by the Act.

Accordingly, the reason for and effect of special resolution 3 is to pre-approve the remuneration and fees payable to the directors as required in terms of sections 66(8) and 66(9) of the Act.

Ordinary resolution 1.1 – Rotation of directors

In accordance with the company's MOI, one-third of the directors is required to retire at each AGM and may offer themselves for re-election. In addition, any person appointed to the board of directors following the previous AGM is similarly required to retire and is eligible for re-election at the next AGM.

The following director is eligible for re-election:

Mr MZ Pollack

Myron (66) has considerable experience in the property industry and serves on the boards of Octodec Investments Limited and IPS Investments Proprietary Limited.

Brief biographical details of Mr Pollack and the remaining members of the board are contained on page 18 of the integrated report of which this notice forms part.

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

Ordinary resolution 1.2 – Confirmation of appointment of director
Mr GH Kemp was appointed as a director by the board of directors with effect from 1 October 2013. The appointment of Mr GH Kemp thus needs to be approved and confirmed by linked unitholders as provided for in the JSE Listings Requirements.

Ordinary resolutions 2 and 3 – Placement and issue of shares for cash
In terms of the Act, directors are authorised to allot and issue the authorised but unissued linked units of the company, unless otherwise provided in the company's MOI or in instances as listed in section 41 of the Act. The JSE requires that the MOI should provide that linked unitholders in a general meeting may authorise the directors to issue unissued securities as the directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and is subject to the JSE Listings Requirements. The directors confirm that there is no specific intention to issue any linked units, as at the date of this notice.

Also, in terms of the JSE Listings Requirements, the authority to issue linked units for cash as set out in ordinary resolution 3 requires the approval of a 75% majority of the votes cast by linked unitholders present or represented by proxy at the AGM for ordinary resolution 3 to become effective.

Ordinary resolutions 4.1 – 4.4 – Appointment of audit committee
In terms of section 94(2) of the Act, a public company must at each AGM elect an audit committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Act. Regulation 42 to the Act specifies that one-third of the members of the audit committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The board of directors of the company is satisfied that the proposed members of the audit committee meet all relevant requirements.

Ordinary resolution 5 – Re-appointment of auditors
Deloitte & Touche has indicated its willingness to continue in office and ordinary resolution 5 proposes the re-appointment of that firm as the company's auditors with effect from 1 September 2013. Section 90(3) of the Act requires the designated auditor to meet the criteria as set out in section 90(2) of the Act.

The board of directors of the company is satisfied that both Deloitte & Touche and the designated auditor meet all of the relevant requirements.

Ordinary resolution 6 – Remuneration philosophy
The King Report on Governance for South Africa, 2009, recommends that the remuneration philosophy of the company be submitted to linked unitholders for consideration and for an advisory, non-binding vote to provide linked unitholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the company.

Ordinary resolution 7 – Signing authority
Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the AGM. It is proposed that the company secretary and/or director be authorised accordingly.

General
Linked unitholders and proxies attending the AGM on behalf of linked unitholders are reminded that section 63(1) of the Act requires that reasonably satisfactory identification be presented in order for such linked unitholder or proxy to be allowed to attend or participate in the meeting. This could be in the form of an original or certified copy of an identity document, driver's licence or passport.

GLOSSARY

"AGM"	Annual general meeting
"broker"	Any person registered as a "broking member (equities)" in terms of the Rules and Related Legislation of the JSE made in accordance with the provisions of the Securities Services Act, 36 of 2004
"CBD"	Central business district
"certificated Octodec linked unit(s)"	Octodec linked unit(s), represented by a linked unit certificate(s) or other physical document(s) of title, which have not been surrendered for dematerialisation in terms of the requirements of Strate
"certificated Octodec linked unitholders"	Octodec linked unitholder(s) holding certificated Octodec linked unit(s)
"CGT"	Capital gains tax
"City Property"	City Property Administration Proprietary Limited
"Companies Act"	Companies Act of South Africa, 71 of 2008, as amended
"CSDP"	A Central Securities Depository Participant, appointed by individual Octodec linked unitholder(s) for the purpose of and in regard to dematerialisation in terms of the Securities Services Act, 36 of 2004
"debentures"	Unsecured, variable rate debentures of 209 cents each
"dematerialisation"	The process by which Octodec linked unit(s) held by certificated Octodec linked unitholder(s) are converted or held in electronic form as dematerialised Octodec linked unit(s) and recorded in the subregister of Octodec linked unitholder(s) maintained by a CSDP
"dematerialised Octodec linked unit(s)"	Octodec linked unit(s) which have been dematerialised through a CSDP or broker and are held on the subregister of Octodec linked unitholder(s) administrated by CSDPs in electronic form
"GLA"	Gross lettable area
"group"	Octodec and its subsidiaries
"IFRS"	International Financial Reporting Standards
"IPS"	IPS Investments Proprietary Limited
"JHB"	Johannesburg
"JSE"	Johannesburg Stock Exchange
"linked unitholder(s)" or "unitholder(s)"	Collectively, certificated Octodec linked unitholder(s), dematerialised Octodec linked unitholder(s) and own name dematerialised Octodec linked unitholder(s)
"linked unit(s)"	Octodec share(s) irrevocably linked to Octodec debentures in the ratio of one Octodec share to one Octodec debenture, trading as linked units on the JSE
"Octodec" or "the company"	Octodec Investments Limited
"own name dematerialised linked unitholder(s)"	Those Octodec linked unitholder(s) that have dematerialised their Octodec linked unit(s) through a CSDP and have instructed the CSDP to hold their linked unit(s) in their own name on the subregister maintained by the CSDP and forming part of the Octodec linked unit register
"Premium"	Premium Properties Limited
"PTA"	Pretoria
"REIT"	The Taxation Laws Amendment Act, 22 of 2012, containing a section 25BB Real Estate Investment Trusts tax dispensation
"SAPOA"	South African Property Owners Association
"SENS"	Stock Exchange News Service
"STC"	Secondary tax on companies
"the board" or "the directors"	Board of directors
"VWAP"	Volume weighted average price

ADMINISTRATION

Octodec Investments Limited
Incorporated in the Republic of South Africa
Registration number: 1956/002868/06
Share code: OCT
ISIN: ZAE 000005104

Auditors
Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)
Riverwalk Office Park, Block B, 41 Matroosberg Road
Ashlea Gardens X6, Pretoria 0081
PO Box 11007
Hatfield 0028

Secretary
City Property Administration Proprietary Limited
CPA House
101 Du Toit Street
Pretoria 0002

Sponsor
Nedbank Capital
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Business address
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Pretoria 0001
Tel: 012 319 8781
E-mail: octodec@cityprop.co.za
Website: www.octodec.co.za

Trustees for debenture holders
O Tugendhaft
Tugendhaft Wapnick Banchetti & Partners
PO Box 786728
Sandton 2146
Tel: 011 291 5000

Bankers
Nedbank
(A division of Nedcor Bank Limited)
PO Box 1144
Johannesburg 2000

Transfer secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street
Marshalltown 2001
PO Box 61051
Marshalltown 2107

UNITHOLDERS' DIARY

Financial year-end	31 August 2013
Announcement of final dividend and debenture interest distribution	23 October 2013
Payment of dividend and debenture interest	18 November 2013
Annual general meeting	7 February 2014
Publication of interim results and announcement of interim dividend and debenture interest distribution	April 2014
Payment of interim dividend and debenture interest	May 2014

FORM OF PROXY

Octodec Investments Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1956/002868/06)
ISIN: ZAE 000005104 Share code: OCT ("Octodec" or "the company")

For use by certificated linked unitholders or dematerialised linked unitholders with "own name" registration of Octodec ("linked unitholders") at the 21st annual general meeting of Octodec to be held on Friday, 7 February 2014, at 11:30 ("AGM") at CPA House, 101 Du Toit Street, Pretoria.

If linked unitholders have dematerialised their linked units with a Central Securities Depository Participant ("CSDP") or broker, other than with "own name" registration, they must instruct the CSDP or broker concerned to provide them with the necessary letter of representation to attend the general meeting or the linked unitholder concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the custody agreement entered into between the linked unitholder and the CSDP or broker concerned.

I/We

(Name/s in block letters)

of (address)

being the registered holder/s of linked units in Octodec, appoint (see note 1)

1. or failing him/her,

2. or failing him/her,

3. the chairman of the AGM

as my/our proxy to act for me/us and on my/our behalf at the AGM which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the linked units registered in my/our name/s, in accordance with the following instructions (see note 2).

		Number of votes (1 vote per linked unit)		
		In favour of	Against	Abstain
1.	Special resolution 1: To approve financial assistance to related and inter-related companies			
2.	Special resolution 2: To authorise the company and/or its subsidiaries to acquire its linked units			
3.	Special resolution 3: Approval of directors' remuneration for the period 1 September 2013 to 31 August 2014			
4.	Ordinary resolution 1.1: To re-elect the director required to retire in terms of the memorandum of incorporation: Mr MZ Pollack			
5.	Ordinary resolution 1.2: To confirm the appointment of Mr GH Kemp as director by the board of directors			
6.	Ordinary resolution 2: To place the unissued linked units under the directors' control			
7.	Ordinary resolution 3: To approve the issue of linked units for cash			
8.	Ordinary resolution 4.1 – 4.4: To approve the re-appointment of members of the audit committee: • Mr PJ Strydom • Mr DP Cohen • Mr GH Kemp • Mr MZ Pollack			
9.	Ordinary resolution 5: To approve the re-appointment of auditors			
10.	Ordinary resolution 6: To approve the remuneration philosophy by way of a non-binding advisory vote			
11.	Ordinary resolution 7: To provide signing authority			

A proxy need not be a linked unitholder.
A linked unitholder who has dematerialised his/her shares, other than a linked unitholder which has dematerialised his/her shares with "own name" registration, should contact his/her CSDP or broker in the manner and time stipulated in his/her agreement with the CSDP or broker, in order to furnish his/her CSDP or broker with his/her voting instructions or to obtain the necessary letter of authority to attend the AGM, in the event that he/she wishes to attend the AGM.

On a show of hands, every linked unitholder present in person or represented by proxy and entitled to vote shall have only one vote, irrespective of the number of shares such linked unitholder holds. On a poll, every linked unitholder present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by such linked unitholder bears to the aggregate amount of the nominal value of all shares issued by the company.

A proxy may not delegate his/her authority to act on his/her behalf to another person. (See note 11).

This proxy form will lapse and cease to be of force and effect immediately after the AGM of the company and any adjournment(s) thereof, unless it is revoked earlier (as to which see notes 15 and 16).

Signed at this day of 2014

Assisted by me, where applicable (name and signature)

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

NOTES TO THE FORM OF PROXY

Summary of linked unitholders' rights in respect of proxy appointments as set out in sections 56 and 58 of the Act and notes to the form of proxy

1. Each person entitled to exercise any voting rights at the AGM may appoint a proxy or proxies to attend, speak, vote or abstain from voting in place of that holder.
2. A proxy need not be a linked unitholder.
3. A proxy appointment must be in writing, dated and signed by the person appointing a proxy.
4. A proxy may not delegate his/her authority to act on his/her behalf to another person.
5. This proxy form will lapse and cease to be of force and effect immediately after the AGM of the company and any adjournment(s) thereof, unless it is revoked earlier.
6. A linked unitholder who has dematerialised his/her shares, other than a linked unitholder which has dematerialised his/her shares with "own name" registration, would contact his/her CSDP or broker in the manner and time stipulated in his/her agreement with the CSDP or broker, in order to furnish his/her CSDP or broker with his/her voting instructions or to obtain the necessary letter of authority to attend the AGM, in the event that he/she wishes to attend the AGM.
7. On a show of hands, every linked unitholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such linked unitholder holds. On a poll, every linked unitholder present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by such linked unitholder bears to the aggregate amount of the nominal value of all shares issued by the company.
8. Section 56 grants voting rights to holders of beneficial interests in certain circumstances, namely if the beneficial interest includes the right to vote on the matter, and the person's name is on the company's register of disclosures as the holder of a beneficial interest. A person who has a beneficial interest in any securities that are entitled to be voted on by him/her, may demand a proxy appointment from the registered holder of those securities, to the extent of that person's beneficial interest, by delivering such a demand to the registered holder, in writing, or as required by the applicable requirements of a central securities depository.
9. Forms of proxy must be delivered to the company before a proxy may exercise any voting rights at the AGM by returning them to Computershare Investor Services Proprietary Limited at the following address: Ground Floor, 70 Marshall Street, Johannesburg, to be received on or before 11:30 on Wednesday, 5 February 2014. Forms can be posted or hand delivered.
10. A person entitled to vote may insert the name of a proxy or the name of an alternative proxy of the holder's choice in the space provided, with or without deleting the chairman of the AGM. Any such deletion must be initialled. The person whose name stands first on the form of proxy and who is present at the AGM shall be entitled to act as proxy to the exclusion of the person whose name follows as an alternative. In the event that no names are indicated, the proxy shall be exercised by the chairman of the AGM.
11. An "X" in the appropriate box indicates that all your voting rights are exercisable by that holder. If no instructions are provided in the form of proxy in accordance with the above, then the proxy shall be entitled to vote or abstain from voting at the AGM, as the proxy deems fit in respect of all your voting rights exercisable thereat, but if the proxy is the chairman, failure to provide instructions to the proxy in accordance with the above will be deemed to authorise the proxy to vote only in favour of the resolution.
12. You or your proxy are not obliged to exercise all your voting rights exercisable, but the total of the voting rights cast may not exceed the total of the voting rights exercisable by you.
13. Your authorisation to the proxy, including the chairman of the AGM, to vote on your behalf, shall be deemed to include the authority to vote on procedural matters at the AGM.
14. The completion and lodging of this form of proxy will not preclude you from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, in which case the appointment of any proxy will be suspended to the extent that you choose to act in person in the exercise of your voting rights at the AGM.
15. Documentary evidence establishing the authority of a person attending the AGM on your behalf in a representative capacity or signing this form of proxy in a representative capacity must be attached in this form.
16. The company will accept an original and valid identity document, driver's licence or passport as satisfactory identification.
17. Any insertions, deletions or alteration to this form must be initialled by the signatory(ies).
18. The appointment of a proxy is revocable unless you expressly state otherwise in the form of proxy.
19. You may revoke the proxy appointment by: (i) cancelling it in writing, or making a later, inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the company at its premises or at Ground Floor, 70 Marshall Street, Johannesburg for the attention of Computershare Investor Services Proprietary Limited, to be received before the replacement proxy exercises any of your rights at the AGM.
20. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on your behalf at the later of (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument is delivered as required in note 19 above.
21. If this form of proxy has been delivered to the company in accordance with note 9 then, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the holder of the voting rights must be delivered by the company to:
    a. the holder; or
    b. the proxy, if the holder has:
        i. directed the company to do so, in writing; and
        ii. has paid any reasonable fee charged by the company for doing so.
22. In terms of section 56 of the Act, the registered holder of any shares in which any person has a beneficial interest, must deliver to each such person a notice of any meeting of the company at which those shares may be voted on, within two business days after receiving such a notice from the company.

OCTODEC
INVESTMENTS LIMITED

www.octodec.co.za