URBAN RENEWAL

Octodec

INVESTMENTS LIMITED

INTEGRATED REPORT 2014

OCTODEC IS A REAL ESTATE INVESTMENT TRUST (REIT)

CONTENTS

NAVIGATIONAL ICONS

This icon indicates where particular information has been cross-referenced

This icon indicates that further information can be found online. This is always followed by a URL

FIND THIS REPORT ONLINE:
WWW.OCTODEC.CO.ZA

OCTODEC IS ONE OF THE LARGEST LANDOWNERS IN THE PRETORIA AND JOHANNESBURG CBDs. THE ENLARGED GROUP HAS A TOTAL INVESTMENT PORTFOLIO OF R10,9 BILLION COMPRISING A DIVERSE RANGE OF MULTI-TENANTED AND MULTI-SECTOR PROPERTIES.

ABOUT THIS REPORT

This integrated report reflects the performance of Octodec Investments Limited (Octodec) for the financial year from 1 September 2013 to 31 August 2014 and sets the tone for Octodec following the merger with Premium Properties Limited (Premium) and IPS Investments Proprietary Limited (IPS) effective 1 September 2014.

We would like all our stakeholders to find value in reading this report and to be able to understand the unique and sustainable ways in which Octodec's portfolio and management have been able to and will continue to create value.

The content of this report is the outcome of a process that included a range of stakeholder inputs. We are reporting on issues we believe are material to the business – those matters that affect our ability to extract value from our properties and buildings. Our materiality process is described on page 13. The structure of the report has evolved from previous reports and more extensive data has been included as a result of the materiality process.

The nature of our relationship with the management company City Property Administration Proprietary Limited (City Property) means that we think of City Property as part of Octodec. This is particularly relevant where we report on non-financial information where we have endeavoured to be specific about this boundary. We therefore refer to three entities in this report:

- Octodec (the entity listed as such on the JSE)
- the enlarged Octodec (the entity that was created by the merger as set out on page 6)
- City Property (the property and asset manager and administration company)

All of the Octodec properties and operations are located in Gauteng.

This integrated report is premised on the following and aims to meet the requirements of:

- King Report on Governance and the King Code of Governance Principles for South Africa (King III)
- International Financial Reporting Standards (IFRS)
- The Companies Act, 71 of 2008, as amended (the Act)
- JSE Listings Requirements
- We also considered the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines

We encourage users of this report to visit the website www.octodec.co.za where we publish a range of additional data online. It is indicated in this report where specific information is only available online.

Feedback on this report or requests for further information can be directed to the company secretary, Elize Greeff, at elizeg@cityprop.co.za or telephone 012 357 1564.

ASSURANCE AND APPROVAL

On 3 December 2014 the report was considered, refined and approved by the Octodec board of directors who is satisfied that the necessary controls are in place to verify and safeguard the integrity of the report. The annual financial statements information on pages 94 to 123 were assured by Deloitte & Touche.

HIGHLIGHTS

GROWTH IN DISTRIBUTION

WE SUCCESSFULLY CONCLUDED THE MERGER WITH PREMIUM TO FORM THE ENLARGED OCTODEC

TOTAL INVESTMENTS OF OCTODEC AND THE ENLARGED OCTODEC OF **R4,6 BILLION** AND **R10,9 BILLION** RESPECTIVELY

6 MAJOR DEVELOPMENTS IN PROGRESS IN THE ENLARGED OCTODEC GROUP

2 MAJOR DEVELOPMENTS

COMPLETED IN OCTODEC DURING THE REPORTING PERIOD

ALL-IN WEIGHTED AVERAGE COST OF DEBT AT

8,7%

PER ANNUM

OBTAINED REAL ESTATE INVESTMENT TRUST STATUS

(REIT)

EFFECTIVE FROM 1 SEPTEMBER 2013

DISTRIBUTION UP BY

11,5% TO **175,70 cents**

PER SHARE

WHO WE WERE IN 2014

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 R2,5 billion at 31 August 2014. Octodec's property portfolio comprised 108 properties with a total GLA of 580 627 m^2 and a value of R3,5 billion. Octodec was incorporated on 4 November 1956 and listed on the JSE in 1990. It is one of the largest owners of properties in the Pretoria and Johannesburg central business districts (CBDs) and surrounding areas. The company has a long history of unlocking value by redeveloping and refurbishing underutilised properties – notably the conversion from CBD office into residential and mixed-use properties. Octodec's property portfolio has historically had a larger exposure to retail assets as a result of its investments in Killarney Mall, Elardus Park Shopping Centre, Waverley Plaza Shopping Centre, Gezina City Shopping Centre and Woodmead Value Mart. It derives revenue from rentals and up to 31 August 2014 income from its 14% investment in Premium and 50% investment in IPS.

14%

PREMIUM PROPERTIES LIMITED

Prior to the merger Premium was a REIT listed in "Financials – Real Estate Holdings" sector of the JSE with a market capitalisation of R2,9 billion at 31 August 2014. Premium's property portfolio comprised 167 properties with a total GLA of 761 822 m^2 and a value of R4,7 billion.

50% | 50%

IPS

Prior to the merger IPS was a private property company of which the shares were held equally by Premium and Octodec. IPS' property portfolio comprised 53 properties with a total GLA of 321 070 m^2 and a value of R2,5 billion (including the value of its share in joint ventures).

City Property

The asset management and property management functions for Octodec, Premium and IPS are contracted to City Property, a private company that is wholly owned by the Wapnick family, who are also significant shareholders in Octodec. City Property has more than 40 years' property management experience. It has a seven-year management contract with Octodec, Premium and IPS (effective 1 July 2011).

Refer to page 16 for more information on our engagement with City Property.

THE ENLARGED GROUP OF THE FUTURE

In recent years, the profiles of the Octodec, Premium and IPS property portfolios have become increasingly similar. The companies focused on multi-tenanted development opportunities in the Johannesburg and Pretoria CBDs. In addition, the two companies had similar governance, management and service structures – effectively mirroring each other as listed entities. The simplification of the group structure became feasible with the capital gains tax exemption introduced by REIT legislation. Octodec converted to a REIT on 1 September 2013 and Premium on 1 March 2014.

Following the approval of a Scheme of Arrangement by Octodec and Premium linked unitholders on 31 July 2014 and the subsequent approval of the merger by the JSE and the Competition Tribunal and other regulatory authorities, Octodec acquired all the issued Premium linked units that it did not already own. Premium delisted on 22 September 2014 and the enlarged group started trading as Octodec from 1 September 2014. Full details of the transactions and approvals preceding the merger are contained in a circular to shareholders dated 1 July 2014, a copy of which is available on the Octodec website.

In the short term, we expect to see the following benefits from the merger:

- The enlarged asset base allows Octodec to undertake larger projects which previously were not possible
- Octodec now has the most significant residential portfolio of any REIT listed on the JSE
- Octodec has a market capitalisation in excess of R5,4 billion and has been included in the FTSE/JSE SA Listed Property Index (15 September 2014)
- Interest from a wider group of investors, including tracker funds, which may result in increased liquidity and trading volumes with upside potential for the Octodec share price
- Lower funding costs and an improved credit rating, including the re-rating of the DMTN Programme (see the financial director's review for detail)
- Improved access to debt and equity capital markets
- Cost savings from operating efficiencies as well as a reduction in the administrative costs of operating one listed company as opposed to two

Due to the integrated nature of Octodec and Premium's common governance and management structures, no additional risks related to the merger have been identified. The implementation of the merger has been seamless in the operational management of the properties.

The merger does not pose the usual integration challenges related to systems, culture and policy alignment, which means that the expected benefits will be achieved almost immediately.

KEY FACTS

PORTFOLIO SUMMARY

OCTODEC: Octodec's property portfolio consists predominantly of shopping centres (such as Killarney Mall and Woodmead Value Mart) as well as multi-tenanted buildings situated in Johannesburg and Pretoria.

ENLARGED OCTODEC: The enlarged portfolio includes large shopping centres, a substantial amount of inner city retail and residential properties (blocks of flats), a number of industrial properties both large and small, a number of office buildings and limited vacant land. The majority of the portfolio consists of inner city retail, office and residential buildings mostly located in Pretoria with a smaller percentage in the Johannesburg CBD.

PORTFOLIO SECTORS

(rental income %)

OFFICE
OCTODEC: 18,5%
ENLARGED OCTODEC: 19,8%

RETAIL: SHOPS
OCTODEC: 24,1%
ENLARGED OCTODEC: 31,7%

RETAIL: SHOPPING CENTRES
OCTODEC: 31,3%
ENLARGED OCTODEC: 10,6%

INDUSTRIAL
OCTODEC: 18,6%
ENLARGED OCTODEC: 11,0%

RESIDENTIAL
OCTODEC: Residential 7,5%
ENLARGED OCTODEC: Residential 26,9%

NUMBER OF PROPERTIES

OCTODEC: 108
ENLARGED OCTODEC: 328

TOTAL LETTABLE AREA

OCTODEC: 580 627 m²
ENLARGED OCTODEC: 1 663 518 m²

MARKET CAPITALISATION

OCTODEC: R2,5 billion
ENLARGED OCTODEC: R5,4 billion

TOTAL VALUE OF INVESTMENT PORTFOLIO

OCTODEC: R4,6 billion
ENLARGED OCTODEC: R10,9 billion

NUMBER OF TENANTS

	OCTODEC:		ENLARGED OCTODEC:
Residential:	848	Residential:	8 634
Commercial:	1 664	Commercial:	4 386
Total:	2 512	Total	13 020

NUMBER OF EMPLOYEES

OCTODEC: 77
ENLARGED OCTODEC: 260

OUR OPERATING ENVIRONMENT

The South African listed property sector has a market capitalisation of R343 billion. A total of 28 South African REITs were listed on the JSE main board as at 31 August 2014 as well as four international REITs.

The JSE adopted the REIT structure in May 2013. This aligned the sector with global best practice and gave it more international exposure opportunities. For a company to be a REIT, it must receive at least 75% of its income as rental income and distribute at least 75% of its total distributable profits as a distribution, by no later than six months after its financial year-end. REITs are unique in their focus on investment in property assets and the payment of distributable income to shareholders as taxable dividends.

During the past few years, the sector has delivered strong results, mostly on the back of declining interest rates and strong property fundamentals. Investors have been prepared to pay a small premium to have exposure to property that yields above average income returns, steady capital growth, and with the risk mitigation of a broad spread of assets.

South African REITs have shown high resilience in earnings throughout the long-term global financial crisis and a weak local economy. Distribution growth has accelerated in the past 12 months to October 2014 to between 8 and 9%. The performance by certain REITs has been even more impressive, accounting for their premium ratings.

South African REITs have the advantage of the lower risk and high yield features of bonds, and also the growth element of general equities. Sector distribution growth prospects have improved in the last 24 months with earnings being underpinned by strong property fundamentals.

Recently, corporate results have been under pressure due to an upward turn in the interest rate cycle, a low growth economy, rising utility costs and persistent low levels of business confidence.

Property portfolios were recently hardest hit by increasing operating costs, which have grown at a rate in excess of consumer price inflation. The largest contributors to the increase in operating costs were utility costs and municipal rates and taxes.

The property sector is regarded as being the most active on the JSE, with mergers and acquisitions dating back as far as 10 years ago.

THE ENLARGED OCTODEC BUSINESS MODEL

The property mantra of "location, location, location" remains at the core of any investment decision in this sector – assuming that the understanding of "location" is accurate, and that the investor recognises that ideal locations may shift over a period. Consider for example the business and retail migration from the Johannesburg CBD to the northern suburbs of Johannesburg including Sandton, as well as the migration from the Pretoria CBD to the eastern suburbs of Pretoria, including Menlyn.

The astute and short-term orientated property investor is able to predict these shifts and adjust a high return portfolio accordingly. The long-term property investor, however, is able to influence these migration cycles over the long term to the advantage of a portfolio with focus and scale.

Property investment, in essence, is a long-term business driven by a cycle of investment and active property management. The sector offers stable growth through economic cycles and is typically more resilient in challenging periods. This results in more predictable earnings for the shareholder and a longer planning horizon for the property owner.

Octodec started acquiring an extensive property portfolio in the Pretoria CBD in the early 1990s and a decade later in the Johannesburg CBD when institutional property owners were keen to sell their CBD properties and follow corporates and retailers to what were then considered to be more attractive areas.

Today, these properties offer scale and location that enable Octodec to create value by means of a unique and sustainable approach. Our tenant profile is diverse – as is our sector offering. Octodec's most significant sustainability risk is its concentration in the inner cities of Johannesburg and Pretoria, which we mitigate through our inner city renewal drive (see material issue on page 18).

Octodec's property development projects are outsourced and managed by a specialist team from City Property. They source suppliers and service providers that can deliver on Octodec's requirements in terms of aesthetics and operational efficiencies. Residential development specifications, for example, are set out in a manual that contains the accumulated experience and intelligence collected by the project management team since the first residential project in November 1998. These specifications are continuously updated according to market trends such as parking ratios or the need for recreational areas. Newer developments include features such as public art and play areas, with continuous innovation planned for future projects.

Our portfolio: Details of the Octodec portfolio, as well as key facts about the enlarged group portfolio, are set out on pages 62 to 69.

Our target market: We contract with more than 13 000 tenants on a monthly basis through City Property. Our tenants are diverse – from individuals renting small apartments to government departments, national retailers and small entrepreneurs occupying upmarket malls or high street shops, as well as industrialists seeking opportunities closer to the major metropolitan areas.

Our partnerships: We have long relationships spanning many decades with our providers of capital (banks and investors) as well as with City Property, our contractors, service providers and tenants. Read more about these in our material issues section from page 14.

Our stakeholders: Octodec's primary stakeholders include our shareholders, banks and financiers, City Property, tenants, suppliers, government and local authorities as well as communities and employees. The material issues section elaborates on these relationships, how we engage and respond to issues and how our stakeholders influence our sustainability approach. For further details refer to www.octodec.co.za.

Our sustainable property management approach:

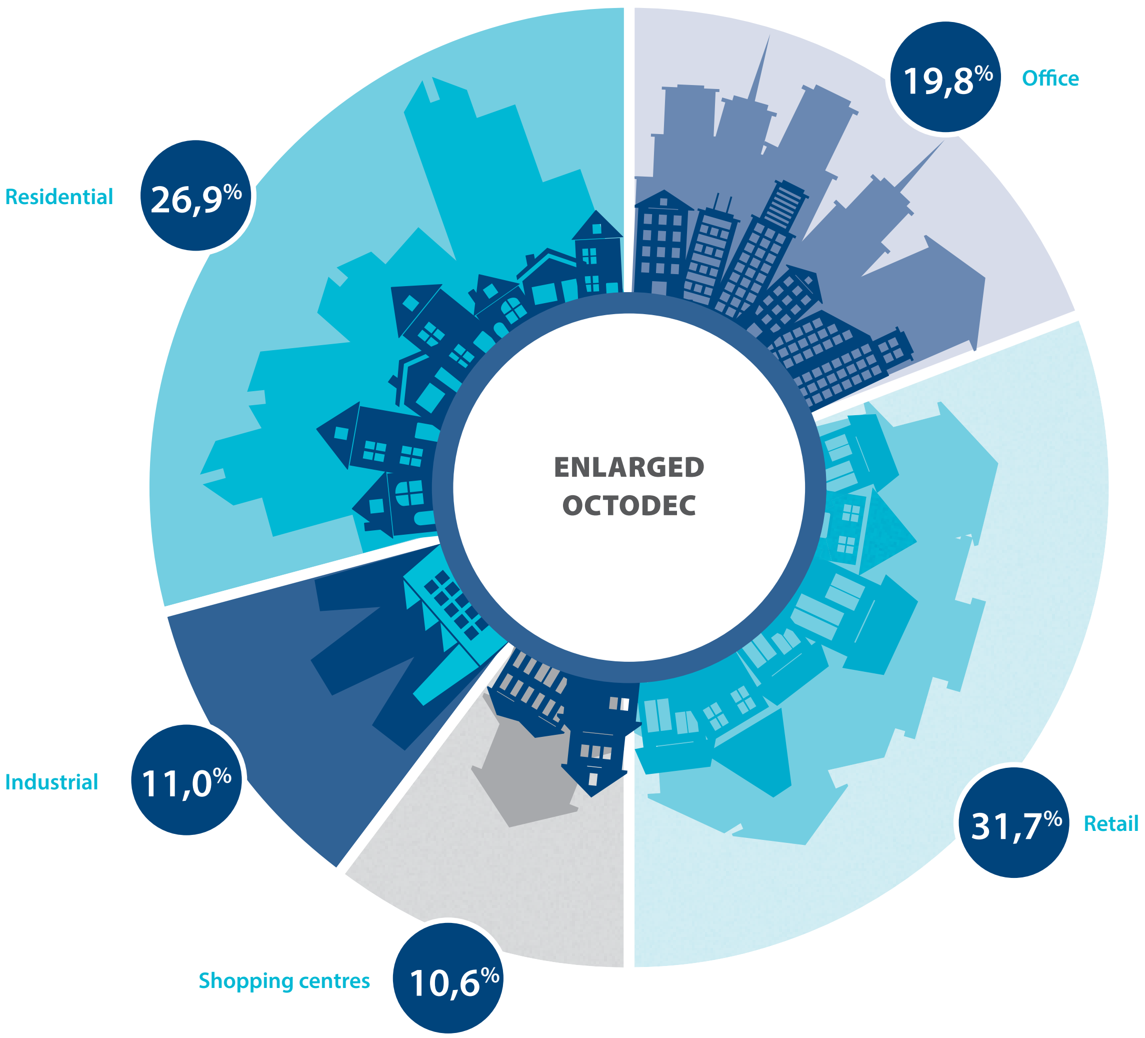
- Specific geographic focus – with the emphasis on the Pretoria and Johannesburg CBDs
- Ability to drive and create inner city renewal
- Hands-on management style – walking the streets and knowing our buildings
- We invest beyond the walls and boundaries of the property – extending our footprint to upgrade pavements and common municipal areas
- In-depth understanding of changing market and tenants' needs
- Rigorous focus on cost efficiency
- Robust systems to operate in the inner city property market

Our scalability: City Property has the property administration and management capability to handle significant volumes of tenants, new developments and buildings. Its technology infrastructure and systems are geared for volume growth – the biggest challenge is to proactively scale our contractor and service provider networks. For this reason we have regular supplier meetings and evaluations, and continue to source new suppliers that meet our criteria.

Our value-add: We create a quality urban environment for those who live, work, shop, eat and play in the city.

Our opportunity: Due to the size of our landholdings in the Pretoria and Johannesburg CBDs we have a significant potential for redevelopment, upgrading and assembly – bulking up existing structures and applying our network of professionals and suppliers to explore future development options for currently underutilised properties.

RENTAL INCOME CONTRIBUTION



THE BUILDING MANAGER HOLDS THE KEY

Most of the buildings in the Octodec portfolio have a building manager living on site who is contactable 24 hours a day to handle tenant queries. Building managers are employed directly by Octodec but report to the City Property manager for the relevant property. The building manager is one of the key elements of our business model as he/she is responsible for cleaning, security, general maintenance, handling of problems and addressing the needs of tenants.

These dedicated individuals take their responsibilities seriously. They do daily inspections of the building, monitor vacancies and look after their building, their street and their tenants. In addition, they work strictly according to a building staff code of conduct, which sets out guidelines for how to treat company information, company property, how to dress and how to interact appropriately with tenants.

The building manager's contact details are displayed at the reception of every building, and he/she wears a name tag, making him/her easy to identify and approach. He/she takes responsibility for the inspection book at the reception or security desk of each building, where tenants can log any problems to be addressed.

Due to the key role that building managers play, Octodec has invested significantly in their training. The City Sesla Training Academy is used to train building managers in all technical as well as behavioural aspects of their jobs.

Octodec employed 26 building managers in the financial year, whereas the enlarged group employs 102 building managers.

OCTODEC'S MATERIAL ISSUES

Anything that affects our ability to extract value from our properties and buildings is regarded as material to Octodec. The question is the likelihood of this happening, or the size of the impact. A diverse team from Octodec and City Property took time to think about this collectively, and to debate the issues from varying internal and external perspectives. We took a short to medium-term view to rank our top material issues. Interviews were conducted with the Octodec and City Property leadership to determine how these issues affect the group and how they are being measured in terms of opportunity, challenge and action taken.

We believe that the material issues address our interaction with and value creation of our properties through the 'six capitals'. The board approved the material issues as elaborated below.

OUR RELATIONSHIP WITH OUR MANAGEMENT COMPANY

URBAN RENEWAL
INNER CITY REJUVENATION

INCREASING REGULATION

UNIQUE UNDERSTANDING
SPECIALIST SKILLS
FOR OUR MARKET

PERFORMANCE

INTEREST RATE RISKS

COUNCIL – GOOD RELATIONSHIPS TO ENSURE SERVICE DELIVERY

RISING ELECTRICITY COSTS AND CONTINUITY OF SUPPLY

SAFETY AND SECURITY

BUILDING DIGNITY

PRACTICAL REPAIRS AND MAINTENANCE

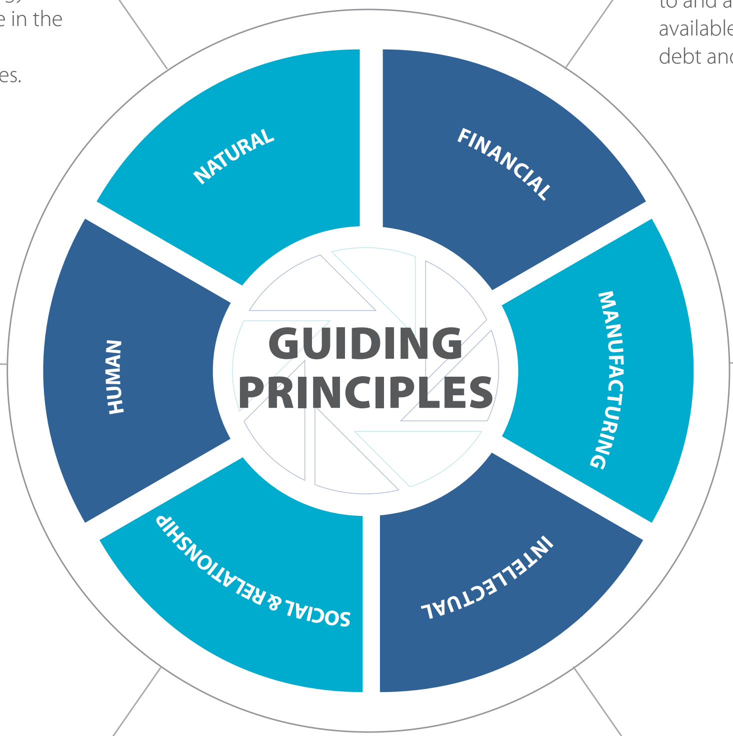
TECHNOLOGY PLATFORM AND SCALABILITY

CREATING AND ENGAGING WITH CARING COMMUNITIES

WHAT DO WE MEAN BY THE SIX CAPITALS?

Natural capital encompasses resources such as water, energy and building material that we use in the development, operation and maintenance of our properties.

Financial capital relates to access to and accumulation of funds available to Octodec, including debt and equity finance.



Human capital describes the skills and experience vested in our stakeholders that enable us to create value for society.

Manufacturing capital constitutes the properties, infrastructure and systems that enable us to offer facilities and accommodation to rent.

Social and relationship capital relates to those key and long-term relationships that we have cultivated with tenants, suppliers, employees, government and business partners in support of our business model.

Intellectual capital is the combination of intangible elements (for example the unique nature of our property portfolio) that constitute a facility and service offering and provide our competitive advantage.

OCTODEC'S MATERIAL ISSUES

OUR RELATIONSHIP WITH CITY PROPERTY AS OUR MOST SIGNIFICANT STAKEHOLDER AND EXTERNAL MANAGEMENT COMPANY

WHY IS IT IMPORTANT TO OCTODEC?

City Property administers the 328 properties in the enlarged Octodec portfolio. The administration services include leases and contracting, maintenance and repairs, credit control, security, refurbishments, key accounts, utility and energy management, accounting and treasury. The 425 people working for City Property are the face of Octodec in most of our stakeholders' minds and therefore determine our reputation to a large extent.

Octodec's core competencies (see page 37) are dependent on the relationship with City Property. The effectiveness and sustainability of our entire business model therefore relies on this relationship.

City Property has the skills required to administer properties that range from office blocks and warehouses to residential apartments and an upmarket mall such as Killarney Mall.

As our management company, it is at the core of all the relationships that enable Octodec to grow sustainably. It contracts with and manages our suppliers and service providers, which range from banks and insurance companies to contractors and professionals.

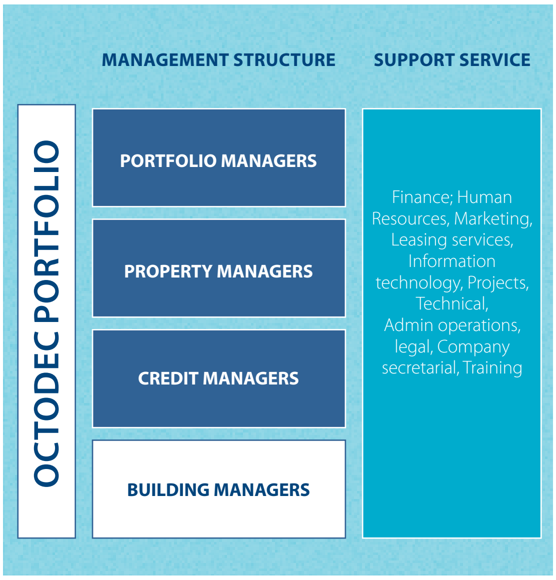
City Property also delivers management and governance services to Octodec which is a listed company, with responsibilities such as IT governance, company secretarial and risk management implementation which it executes under the Octodec board's directive.

WHAT ARE WE DOING ABOUT IT?

Octodec has a management contract with City Property for a period of seven years effective from 1 July 2011. The details are more fully disclosed on page 120 of the annual financial statements.

The contract offers both parties a long-term planning and investment view, thereby creating stability and building expertise in the operational teams. This is further cemented by the pivotal role of the Wapnick family and their substantial shareholding in the group and City Property, which ensures the expectations of both parties to the contract are balanced and that the long-term vision of the two companies remains aligned.

City Property has been operating since 1968 and is 100% owned by the Wapnick family. It employs a senior team of qualified professionals in various fields of expertise including property management, financial management, company secretarial, legal, human resources management, marketing and information technology (IT) who lead City Property with a strong hands-on management style.



City Property manages the Octodec portfolio through the following structure:

Building managers and, in larger properties, the centre management team, are the only people servicing the Octodec portfolio that are directly employed by and paid for by Octodec. They have unrestricted access to all of City Property's support services, which include training courses that range from ethics to first aid.

HOW DO WE MEASURE WHAT WE DO?

We have a service level agreement that is managed according to an annual budget. We also monitor stakeholder feedback (see the City Property website for examples of stakeholder feedback).

OUR RELATIONSHIP WITH CITY PROPERTY AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Social and relationship capital • Intellectual capital	The relationship with City Property and the strategic alignment between the interests of Octodec and City Property enable us to grow our social and relationship capital by expanding our network of tenants and suppliers, and increasing the awareness of our brand and reputation

MORE INFORMATION ABOUT THIS

- Octodec and City Property websites
- Chairman's report 52
- Managing director's report 56
- Financial review 70
- Octodec's business model 10

OCTODEC'S MATERIAL ISSUES

URBAN RENEWAL

WHY IS IT IMPORTANT TO OCTODEC?

Pretoria and Johannesburg are among South Africa's most prominent cities – homes to commerce, industry, trade, arts, government and diversity. These two cities have to a large extent shaped how South Africans create and ascribe meaning to their worlds.

In the last 20 years both cities experienced an exit of the then "establishment", followed by an inflow of the new emerging middle-class.

Institutions, corporates, government and major retailers moved out of the city centres towards what were then considered to be more attractive and "newer" areas.

No longer popular, safe or attractive destinations, the two inner cities soon suffered from neglect, resulting in underutilised and stressed buildings in areas characterised by high levels of vandalism and crime.

The renewal of these two city centres has been a commitment and passion for a number of South African visionaries – some of them property owners and entrepreneurs. These individual efforts have over the past five years started to reach scale and gain momentum towards a true renewal.

As with any such movement, renewal is a slow, phased, and participatory process that ranges from the individual to groups of public and private stakeholders. Visible outcomes of this process have been a growing number of inner city heritage projects, a younger generation of students and traders relocating to the centres, the redevelopment of previous industrial sites, the move towards green buildings and initiatives that stimulate the economy through enterprise and community orientated urban projects.

With this renewal, the demographics of the inner city tenant, employee, student and shopper have changed, forcing property owners and retailers to rethink their offering. Consider the new urban shoppers who have different needs from their suburban counterparts. National retailers reopening stores in the CBDs have, for example, to reconsider their merchandise, offering inner city buyers smaller and more compact merchandise. They place much higher value on the convenience of delivery and the ability to shop at all hours of the day and night.

Their needs in terms of ownership, transport, parking and children are different to what they previously were.

Government has shown support for inner city renewal initiatives by creating an urban development zone (UDZ) tax incentive. Since the UDZ tax incentive was implemented in Johannesburg in 2004, the city has seen significant inflows of private sector investment with large numbers of jobs created through the process.

Following the merger with Premium Properties Limited, Octodec is one of the largest landowners in the Pretoria and Johannesburg CBDs. The enlarged Octodec portfolio comprises 668 972 m^2 of gross lettable area in the Pretoria and Johannesburg CBDs, which constitutes 40,2% of the total portfolio. In total 40,5% of Octodec's total rental income is derived from these areas.

WHAT ARE WE DOING ABOUT IT?

Inner city renewal is the cornerstone of Octodec's business model and our top strategic objective. Octodec was one of the first property developers to commit itself to the development and re-development of the Pretoria and Johannesburg CBDs.

Inner city renewal is also driven by our values, which state that we "dare to pave the way" and "paint our cities with passion".

Octodec is using a multi-stakeholder approach to holistically drive inner city renewal. Through the redevelopment and refurbishing of buildings in the inner city, it is attracting quality tenants that create demand for residential, retail, hospitality, entertainment and a range of other services. It is addressing the needs of a changing tenant market by increasing security, creating recreational areas within residential blocks and by offering additional parking.

The R155,7 million that had been invested by Octodec in strategic property projects in 2014 were all inner city focused with a strong residential drive (read more about these in the managing director's report on page 56).

Octodec is engaging with other role players (see relationship with council on page 25) to address mutual infrastructure challenges and has supported the launch of the Capital Collective during the past year to stimulate conversation and collaboration about the future of the Pretoria CBD. These initiatives bring people together who want to invest, share ideas, sponsor or support new initiatives in the city.

Initiatives include the launching of the Market @ 012 Central, regular Open-Mic sessions that encourage stakeholders to share ideas, active participation in the Cool Capital Biennale, investment in art and culture (such as sculpture competitions), and rooftop cinema, as well as a host of other events that are serving to renew interest in the CBDs.

INNER CITY RENEWAL AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Social and relationship capital • Manufacturing capital	Our initiatives to attract stakeholders into the CBDs are increasing our pool of tenants, thereby growing our social and relationship capital. Urban renewal results in the improved quality of our manufacturing capital, thus creating value for all stakeholders.

HOW DO WE MEASURE WHAT WE DO?

- The enlarged group has spent in excess of R1 billion on inner city upgrades and development of properties over the last five years.

MORE INFORMATION ABOUT THIS

- Managing director's report 56
- Octodec's business model 10
- The Octodec strategy 34

OCTODEC'S MATERIAL ISSUES

INCREASING REGULATION

WHY IS IT IMPORTANT TO OCTODEC?

South Africa is a highly regulated environment. We are committed to being law abiding corporate citizens and deal with this in the following ways:

- By remaining informed on current and changing legislation we are able to be proactive in anticipating change
- We attempt to avoid lengthy litigation and endeavour to obtain a commercial solution

WHAT ARE WE DOING ABOUT IT?

To assist us with compliance, we have recently acquired software that enables us to keep up to date with any new legislative requirements. This is the start of a more formalised compliance function within the group.

We are also moving away from litigation as a first resort: we are proactively acting as mediators, engaging with tenants as soon as any problems arise to maintain the relationships but find the best solution as speedily as possible.

We continuously review and update our leases and other contracts to ensure that they remain aligned to legislation. This includes, for example, preparation for the implementation of the Protection of Personal Information Act No 4 of 2013 where we have already amended agreements that require new disclosure approvals.

During the past year the regulations for the Removal of Adverse Credit Information and Information Relating to Paid Up Judgments was passed. This had an impact on how we profile prospective and existing tenants to ensure that we have a sound credit vetting process.

HOW DO WE MEASURE WHAT WE DO?

The number of legal matters relating to tenants in occupation (for the enlarged Octodec) has decreased from 19 at the end of August 2013 to 15 in 2014. This excludes ex-tenants.

INCREASING REGULATION AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Intellectual capital • Social and relationship capital • Financial capital	Increasing regulation causes increased cost for Octodec, thereby reducing financial capital, and also brings more complexity to our relationships with our stakeholders, thereby reducing social and relationship capital.

MORE INFORMATION ABOUT THIS

Governance report ⇨ 76

UNIQUE UNDERSTANDING/SPECIALIST SKILLS FOR OUR MARKET

WHAT ARE WE DOING ABOUT IT?

Internal promotion and succession planning are the key enablers to ensure that City Property has a sustainable skills pool to deliver on its Octodec contract. City Property focuses mainly on experiential learning given by internal mentors. Initiatives during 2014 included the following:

- **Technical Training (two weeks):** practical training, with our in-house maintenance team. Learning and applying all basic maintenance of a building (six building managers attended)
- **Ethics Hotline (half-day):** training all employees on the "whistle-blowing" concept, and how we are managing it through an independent service provider (202 employees attended)
- **Service Principle (two days):** sessions included customer service, safety awareness, code of conduct for building staff and team-building (drumming) (68 building managers attended)
- Legal training on leasing and collections given to all our property managers as well as industrial relations and labour skills (attended by all property managers)
- MDA property software and computer skills training is ongoing (attended by all property managers)
- Understanding small businesses and credit risk assessment (attended by all property managers)
- Exposure to technical in-house training, project management and tenant installations (attended by all property managers)
- Energy and utility management (attended by all property managers)

A training manual has been drawn up and a portfolio of evidence is retained by City Property. Training is enterprise-wide and focus is given to the training of our building managers. The programme which has been run for the past two years ranges from "Tea and Talk outs", where portfolio managers and management listen to the concerns raised by building managers, to soft skills training and specific technical training.

The City Sesla Training Academy serves as the training facility to ensure best practice is defined and adopted enterprise-wide. Professional employees are encouraged to attend their respective Continuing Professional Development (CPD) courses to remain accredited and engaged in their employed area of expertise.

MORE INFORMATION ABOUT THIS

- City Property website

WHY IS IT IMPORTANT TO OCTODEC?

The enlarged Octodec Group and City Property together, employ 685 people who manage 328 multi-tenanted properties in the inner cities of Pretoria, Johannesburg and surrounding areas. Although the turnover in middle to senior management is fairly low, the growing business demands additional capacity.

A broad range of business skills and market knowledge is required to effectively service our market. Octodec needs to concurrently understand high end shopping centre dynamics (for example tenant mix and traffic flow) and CBD street level trading requirements. Octodec also needs to understand what national retailers require in the CBD as well as the shopping and accommodation requirements of students or a small family seeking an apartment lifestyle in the CBD.

In addition to these skills, Octodec requires that its employees adhere to its values, behave according to the code of conduct and subscribe to the sustainability orientation of the business.

HOW DO WE MEASURE WHAT WE DO?

The enlarged Octodec's employee demographics for 2014:

Black females	45	Black males	188	**TOTAL 260**
Coloured females	1	Coloured males	2	
Indian females	2	Indian males	2	
White females	7	White males	13	

Our training priorities for 2015 are:

- Service principles and customer service: image and dress code, presentation, body language and building lasting relationships.
- Contractors and lifts maintenance sessions
- Cleaning and maintenance
- Finance – saving and budgeting
- Basic computer skills
- Safety and security
- HIV/AIDS awareness and counselling
- One- on-one coaching
- Practical repairs and maintenance
- Procedures, processes and operational training
- Customer service refresher

Property managers will receive all of the above as well as customised programmes (legal, computer, business, technical, etc).

SPECIAL SKILLS AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Human capital	We increase human capital through skills development and training initiatives and by increasing employment opportunities in Octodec. This has the benefit of creating an internal pool of skills that offer sustainable succession options.

OCTODEC'S MATERIAL ISSUES

PERFORMANCE

WHY IS IT IMPORTANT TO OCTODEC?

Octodec was incorporated on 4 November 1956 as a private company. Since listing on the JSE in 1990, Octodec has been a consistent performer with a strong and sustainable track record. Our financial performance is evaluated by measuring our ability to increase annual distributions and our net asset value as well as our ability to improve and maintain our credit rating.

Investors and analysts track our performance through the Octodec share price, growth in distributions, the quality of our portfolio and their understanding of our strategy. Comparisons are also made to the performance of other REITs.

Shareholders expect dividends and capital appreciation whereas our other stakeholders measure performance through the value that we create for them in the areas in which Octodec impacts on their lives.

WHAT ARE WE DOING ABOUT IT?

Octodec has a board-approved strategy that sets out the group's objectives and targets. Progress on the implementation of the strategy, which includes financial performance against annual targets, is monitored by the board, its committees and the Octodec executive management. The annual budget process sets milestones and the relevant controls and reports fall within the mandate of the audit committee.

We report twice a year to our stakeholders (at interim and year-end) with bi-annual trading updates and regular news items on our website.

In areas where we identify risk, challenges or incidents that could potentially impact our ability to perform, we are able to react and respond rapidly due to a hands-on management style.

HOW DO WE MEASURE WHAT WE DO?

Salient financial features	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Investment properties and operating lease assets	3 471 507	3 214 696	2 878 921	2 416 173	2 259 476	2 040 266
Shareholders/linked unitholders' funds	2 889 449	2 417 008	2 036 590	1 605 981	1 514 779	1 391 251
Long-term borrowings	1 263 932	955 717	827 123	962 119	754 635	659 632
Revenue (rental, IPS management fee and recoveries) – earned on contractual basis*	540 359	505 732	457 452	384 345	333 498	311 447
Net property income – earned on contractual basis*	249 992	225 622	211 303	177 063	168 139	168 328
Interest received (investment income and from associate)	73 951	36 417	31 463	29 806	28 060	23 956
Interest paid						
Secured and other loans	125 665	110 638	127 387	100 004	90 457	80 132
Shareholders/Linked unitholders	103 454	169 718	134 447	114 890	116 131	114 533
Profit on sale of investment properties	44	15	666	464	–	1 534
Dividends paid	103 148	779	598	580	580	545
Net operating profit to property investments (%)	7,2	7,0	7,3	7,3	7,4	9,3
Net operating profit to rental income (%)	46,3	44,6	46,2	46,1	50,4	59,5
Return on linked unitholders' funds (%)	7,2	7,0	6,6	7,2	7,7	8,2
Shares/linked units in issue ('000)	117 348	108 225	108 225	89 297	89 297	89 297
Distribution per share/linked unit (cents)	175,7	157,6	137,3	129,3	130,7	128,9
Growth in distribution per share/linked unit (%)	11,5	14,8	6,2	(1,1)	1,4	5,1
Net asset value per share/linked unit (cents)	2 462	2 233	1 882	1 798	1 840	1 687
Market price per share/linked unit year-end (cents)	2 106	1 966	1 902	1 595	1 754	1 290
Market capitalisation year-end ('000)	2 471 347	2 127 702	2 058 438	1 424 295	1 566 278	1 151 937

** Excludes the straight-lining of lease rental*

PERFORMANCE AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Financial capital • Manufacturing capital • Intellectual capital • Social and relationship capital • Human capital	Our financial performance over the long term has created value for a range of stakeholders, including dividends to shareholders, taxes to government, remuneration to employees, income to suppliers and contractors and interest income to banks.

MORE INFORMATION ABOUT THIS

- Managing director's report 56
- Financial review 70

OCTODEC'S MATERIAL ISSUES

INTEREST RATE RISKS

WHY IS IT IMPORTANT TO OCTODEC?

Interest rate risk relates to Octodec's financial exposure to adverse movements in interest rates. Accepting this risk is a normal part of the property business and can be an important source of profitability and shareholder value. However, excessive levels of interest rate risk can pose a significant threat to our long-term earnings potential and capital base. Accordingly, effective risk management that maintains our interest rate exposure at prudent levels is essential to Octodec's sustainability.

We are aware of the changing global and local economic environment and the consequent impact on interest rates. In recent months we have seen a local environment of rising interest rates. Rising interest rates result in volatility in the income available for distribution due to increased payments on loans as well as refinancing at higher borrowing costs. Further rising interest rates impact the required forward yield for the acquisition and development of properties. It is important to reduce our exposure to interest rates by fixing interest rates over periods matching loan expiries.

WHAT ARE WE DOING ABOUT IT?

Octodec has a policy of fixing interest rates on at least 60% of its total outstanding debt, by the utilisation of interest rate swap contracts and fixed rate loans.

The following policies have been adopted:

- Hedging of at least 60% of borrowings to interest rate movements
- A ratio of secured liabilities to fair value of investment properties of less than 40%
- An interest cover ratio of more than 2 times

INTEREST RATE RISKS AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Financial capital	The upward interest rate cycle increases our cost of borrowing (reducing financial capital) and also increases the cost of doing business for our tenants.

HOW DO WE MEASURE WHAT WE DO?

- At the year-end, 66,1% (2013: 54,9%) of debt was hedged.
- Loan to value ratio of 33,8% (2013: 35.9%)
- Interest cover ratio of 2 times (2013: 2 times)

MORE INFORMATION ABOUT THIS

Financial review page 70.

COUNCIL – GOOD RELATIONSHIPS TO ENSURE SERVICE DELIVERY

WHY IS IT IMPORTANT TO OCTODEC?

Octodec is one of the largest property owners in the CBDs of the inner cities of Pretoria and Johannesburg. We rely on the council to supply water, electricity and infrastructure that enable us to lease buildings to tenants in areas where they live, shop, eat, work and play. As one of the biggest clients of the council, we know that we can make a contribution to the long-term planning of the inner city – and are in full support of the Tshwane Vision 2055 to create a city that is liveable, resilient, and inclusive. The City of Tshwane is also one of our growing tenants.

WHAT ARE WE DOING ABOUT IT?

We had the opportunity to participate in a City of Tshwane event previously, during which personal interaction with the Mayor created recognition on both sides that we need to establish communication between the Mayor's office on the one hand, and business owners and investors in the CBD on the other hand. The council has promoted the creation of a platform to communicate serious issues – especially those that might hinder investment – and resolve those as a priority. We really believe that we are now making progress with the development of this critical stakeholder relationship.

Octodec also participated in a number of initiatives that are underway in Johannesburg and which have yielded positive results.

An example of this is JPOMA (Johannesburg Property Owners and Managers Association) of which we are a founding member. One of JPOMA's successful initiatives was the introduction of separate municipal tariffs for residential accommodation in mixed use buildings. This resulted in substantial savings for the enlarged Octodec group in excess of R4 million per annum.

HOW DO WE MEASURE WHAT WE DO?

We have regular meetings with designated representatives from the City of Tshwane and our proactive approach to resolving issues is met with a willingness to cooperate by the council.

We are also in the process of establishing rate rebates for property developers in the Pretoria CBD.

COUNCIL RELATIONSHIP AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Social and relationship capital • Financial capital	Our improved relationship with council, especially in Pretoria, has increased our social and relationship capital, due to our improved ability to offer a quality service to our tenants. It also impacts on financial capital through municipal rates, taxes and rebates.

MORE INFORMATION ABOUT THIS

- City of Tshwane website

OCTODEC'S MATERIAL ISSUES

RISING ELECTRICITY COSTS AND CONTINUITY IN SUPPLY OF POWER

WHY IS IT IMPORTANT TO OCTODEC?

With the energy supply constraints experienced by South Africa and the resultant escalating costs it has become critical for all users of electricity to analyse their consumption and to implement measures to use electricity sparingly and effectively.

Even though approximately 90% of our tenants have prepaid electricity meters installed, Octodec is still directly exposed to rising electricity costs associated with common areas and services, such as air-conditioners and lighting in shopping malls and passageways. We are often also confronted with challenges associated with late or incorrect council billing.

Rising electricity costs are directly impacting on the profitability and sustainability of our tenants, particularly in the commercial components of the portfolio. In many cases, utility costs are now exceeding rental payments. To remain competitive and ensure a sustainable rental income growth, Octodec has had to address the cost burden on tenants – one of our strategic risks (see page 39).

The National Energy Regulator of South Africa (Nersa) has allowed Eskom to raise tariffs by an average of 8% per annum for the next five years from April 2014.

WHAT ARE WE DOING ABOUT IT?

City Property created an in-house energy management team. The team directs, controls and coordinates energy optimisation efforts using Eskom funding where feasible, energy service companies and available technology to achieve sustainable benefits for the owners and tenants while maintaining operational standards.

The team stays close to various industry players to ensure that we are at the forefront of advances in the industry and can effectively advise all stakeholders on energy efficient measures and how best to reduce consumption. The team regularly engages with Eskom, the various municipalities, the SAPOA sustainability committee and JPOMA to discuss matters relevant to energy management.

Several projects are currently underway for the retrofitting of energy efficient lighting and occupancy sensors in common areas. With the support of the Eskom Standard Project Funding Programme, the enlarged Octodec has replaced more than 18 573 inefficient lamps in the past year. Generators also receive priority maintenance.

Heat pumps are used in our new residential projects as an alternative to geysers. Council accounts are analysed to ensure that each property is on the most cost-effective tariff based on the consumption patterns of the occupants of the property. Expert and independent utility management companies are employed to ensure that council readings and tenant meter readings are accurate.

HOW DO WE MEASURE WHAT WE DO?

A summary of portfolio savings on energy for the year to September 2014:

IPS	**R1 161 736**
Octodec	**R5 331 215**
Premium	**R2 511 800**

At Killarney Mall the savings for the past three years have an accumulated rand value of more than R8 million:

	Jan – Dec 2012	Jan – Dec 2013	Jan – Sept 2014	Total
kWhs saved	2 170 114	2 855 401	3 303 659	**8 329 210**
kVA saved	1 043	3 582	3 103	**7 728**
Value	R1 741 550	R2 892 767	R3 710 706	**R8 345 021**

The most significant savings at Killarney Mall were achieved with energy efficient lighting and PermaFrost technology. PermaFrost is a liquid that is added to cooling systems to enhance the overall performance of any air-conditioning and refrigeration system without modifications to the system itself.

We are putting the necessary measurement systems and processes in place to be in a position to measure our carbon footprint by the end of next year.

RISING ELECTRICITY COSTS AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Financial capital • Natural capital • Social and relationship capital	Rising electricity costs impact on the sustainability of Octodec's and our tenants' business and reduce financial capital. Our initiatives to reduce electricity usage are mitigating the impact that rising costs have on the sustainability of natural capital.

MORE INFORMATION ABOUT THIS

- City Property website

OCTODEC'S MATERIAL ISSUES

SAFETY AND SECURITY

WHY IS IT IMPORTANT TO OCTODEC?

A safe and secure working, living, eating, shopping and social environment is not only a priority in attracting and retaining tenants, but also a property owner concern. Vacant premises are vulnerable to vandalism, crime and the decay of the neighbourhood – all having an immediate negative impact on the fair market value of a property. Vacancies can also result in building hijackings, especially in the inner cities.

Octodec's approach to building dignity and its drive towards inner city renewal are both closely linked to providing safe and secure environments. By building a concentration of properties in an area, security measures become easier and more effective to manage and control.

Rising insurance premiums and security requirements have a cost impact for Octodec, which has to be managed proactively.

HOW DO WE MEASURE WHAT WE DO?

Continuous transparent reporting to the executive management team .

SAFETY AND SECURITY RISKS AND THE SIX CAPITALS

Which capitals are relevant to this issue	Our impact and the outcome
• Social and relationship capital • Financial capital	Through our safety and security initiatives we increase social and relationship capital as our stakeholders trust us to look after their assets and to improve their quality of life. This capital is further enhanced through relationships with the SAPS and other forums. Financial capital is reduced to some extent where our properties are afforded more costly finishes and monitoring equipment to ensure safety.

WHAT ARE WE DOING ABOUT IT?

Our approach to safety and security is based on preventing, reducing and mitigating risks. The on-site presence of the building manager is a first line security measure for all our buildings. Most of our buildings have security desks or a control room from where security cameras and access can be monitored and controlled.

Shops, especially in the CBD areas, are fitted with shutters which can be brought down in case of any potentially dangerous situation. This has become a standard feature for Octodec's retail offerings, even though it constitutes a more expensive finish. All shop fitting, refurbishment and design elements for buildings take security requirements into account. We find that tenants in general are willing to pay more for improved security.

Prominent signage at our buildings encourages tenants to use 'Crime Line' to report any incidents or illegal activity anonymously. Posters in common areas clearly communicate that illegal activities such as drugs or prostitution or cash collections will not be tolerated on the premises. City Property is a member of a security forum in cooperation with the South African Police Service.

Octodec is adequately insured in case of theft, vandalism and other incidents that might result in harm to our tenants or damage to our properties.

MORE INFORMATION ABOUT THIS

- City Property website

BUILDING DIGNITY

WHY IS IT IMPORTANT TO OCTODEC?

Octodec not only has a commercial vision for each of its properties – we also have a social vision, as we improve the value of each building by creating a dignified offering in all its forms. This attracts quality tenants, which in turn provides improved rental income streams.

By creating dignified spaces we also send out a message to the users of that space about our expectations – how we would like our tenants to treat buildings and our employees to manage and maintain our buildings.

Our building dignity approach also impacts on our investment decisions as well as the valuation of our properties, which in turn determines the net asset value – all impacting our ability to grow distributions and capital value for our shareholders.

Octodec does not make acquisitions purely based on a financing model, but also considers every opportunity in terms of location (the availability of the tenant pool, transport, trade activity and vicinity to our other properties and management offices) and beneficiation value to be unlocked. Building dignity is a core element of creating value – which we do best by applying our expertise in servicing all our buildings.

WHAT ARE WE DOING ABOUT IT?

The fundamental value of building dignity underpins all our property decisions. Octodec often takes care of spaces, streets and pavements beyond our property boundaries. This is particularly relevant in public areas, through which our commercial tenants attract customers. Our tenant installation team works with smaller commercial tenants on shopfitting options, estimates, costings and building dynamics to assist them to establish a sustainable business. Our architects and project managers plan, develop and design to create dignity – often selecting an option that might not be the cheapest, but which supports a sustainable value system.

Building dignity further means that everything about a building must be in working condition – see our material issues about ongoing maintenance in this regard.

Through building dignity we are improving our reputation and mitigating the risks of damage to buildings and vacancies.

HOW DO WE MEASURE WHAT WE DO?

We measure building dignity in three ways:

- Our ability to attract tenants (vacancies)
- Our ability to increase rentals
- The improved quality of our portfolio

See the enlarged Octodec's vacancy profile on page 43.

See the financial director's review on page 70 for commentary on our rental income stream.

See the managing director's report on page 56.

BUILDING DIGNITY AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Social and relationship capital • Intellectual capital • Manufacturing capital • Financial capital	Our approach to building dignity increases social and relationship capital, expanding this through our values and property management approach. It also firmly positions Octodec as providers of quality properties and services, thereby building brand and reputation in the property sector. It requires capital commitment in the short term but creates value over the long term through capital appreciation of our properties and increasing rental income potential (indirectly growing manufacturing capital).

MORE INFORMATION ABOUT THIS

- The Octodec strategy page 34.
- City Property website

OCTODEC'S MATERIAL ISSUES

PRACTICAL REPAIRS AND MAINTENANCE

WHY IS IT IMPORTANT TO OCTODEC?

Any building in the portfolio that is neglected becomes a risk – not only to its owners and tenants, but also to the character of the surrounding buildings and streets. A neglected building attracts vandalism and crime – and undermines a value system of building dignity (see material issue on page 29).

A structured and ongoing maintenance plan is the most important element to building dignity, retaining quality tenants, improving the quality of the portfolio and securing growing rental income streams. The potential of property damage impacting asset value is one of Octodec's strategic risks.

A structured maintenance plan is the most cost-effective way to maintain the value of an asset. It also serves as a proactive measure to reduce security, fire and safety incidents which could lead to injury and damage.

WHAT ARE WE DOING ABOUT IT?

The City Property technical and maintenance teams look after the welfare and dignity of the portfolio's buildings in collaboration with the Octodec building managers.

Each City Property portfolio has a technical manager who is responsible for managing the network of service providers that are contracted to do corrective, planned as well as emergency maintenance.

Office and residential buildings generally require a major upgrade every 12 years, whereas shopping malls require a major refurbishment of all or part of the mall every six to seven years. The inner city retail environment, however, requires less major infrastructure maintenance compared to shopping malls.

A daily response system is in place for urgent and smaller repairs, initiated by the building manager via the responsible property manager. These receive immediate attention and are covered by the City Property administration fee.

The network of contractors and service providers that deliver maintenance services to Octodec continues to grow with the growth in the portfolio and strategic projects every year. New contractors are continuously sourced based on a strict set of criteria that includes, amongst others, number of years in business, number of permanent employees, qualifications of employees, B-BBEE credentials, occupational health and safety measures and number of vehicles.

The technical and maintenance team regularly arrange info-seminars about new technologies and products to which portfolio managers are invited, to keep abreast of new trends, especially of those having a positive environmental impact.

Effective maintenance also prevents health and safety incidents. Octodec is committed to creating a safe environment by providing and maintaining facilities that protect and preserve human lives.

HOW DO WE MEASURE WHAT WE DO?

- When a project is submitted City Property has to respond within eight working days (including site inspection, determination of works requirements, scope preparation and tender invitation)
- Tender adjudication has to be done within two days
- Health and safety incidents are monitored in line with the Occupational Health and Safety Act, 85 of 1993

MORE INFORMATION ABOUT THIS

- City Property website

MAINTENANCE RISKS AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Manufacturing capital • Social and relationship capital • Financial capital	We continue to increase manufacturing capital through the quality of our portfolio, which is directly related to our ability to maintain, improve, redevelop and refurbish our properties. This indirectly increases social and relationship capital). It reduces financial capital in the short term, but mitigates the risk of neglect, vandalism, etc over the long term – thereby increasing financial capital over the long term.

TECHNOLOGY PLATFORM AND SCALABILITY

WHY IS IT IMPORTANT TO OCTODEC?

Through its management contract with City Property, the enlarged Octodec serves 13 020 tenants annually. This requires an information technology infrastructure that can profile and manage tenants. This includes lease applications, negotiation and conclusion of leases, credit control and renewals of leases.

A property management system has to be able to capture, maintain and report on extensive and inter-related data that enables all decision makers (from the board to the portfolio and property manager) to make informed decisions about the business.

Technology is also important from a business owner perspective, especially in managing significant costs, such as utilities. We have to continuously ensure that we receive correct meter readings and billing statements.

WHAT ARE WE DOING ABOUT IT?

City Property uses an enterprise-wide property management system that is aligned to the company's statutory and financial reporting requirements. The system enables us to do rent collection, space management, lease management, facilities or maintenance management, customer relationship management, budgets and asset management. The current system was implemented in 2006 and has been refined and customised to integrate with most of our other systems.

In all our information technology decisions we make sure that we are able to scale up to handle large volumes of transactions. We are also able to do data mining, which assists us in profiling tenants and establishing trends in their identities and requirements. In terms of customer relationship management, we are able to send SMS notifications, emails and will soon activate online applications. This forms part of the contact centre upgrade launched during the year and to be activated in May 2015.

We launched several other IT upgrade initiatives during the year. An example of this is our goal to establish a paperless environment. City Property has also started replacing its internal telephone network and servers to be able to transition to a voice over IP (VoIP) system.

To ensure the accuracy and integrity of utility data, we use dedicated employees in Pretoria and Johannesburg who engage with Council. We are working towards a more automated payment system, for utilities payments based on optical character recognition, that will enable us to import and load bulk payments that are currently processed manually.

Information technology in the Octodec group is governed by its IT governance policy. This policy is supplemented by related policies such as acceptable IT use, information confidentiality, systems and user support, system availability, security, virus protection, business continuity plans and backup and disaster recovery plans. IT risks are incorporated in the risk register and are considered by the audit and risk committees.

HOW DO WE MEASURE WHAT WE DO?

Deloitte & Touche completed a full IT audit this year, with specific focus on controls and security. No significant issues were raised.

TECHNOLOGY AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Manufacturing capital • Intellectual capital	City Property has a track record of being able to manage and administer the complexity of large volumes of multi-tenanted properties, which also increases our intellectual capital. The audit committee regularly monitors the IT governance structures.

MORE INFORMATION ABOUT THIS

- City Property website
- Governance report 76

OCTODEC'S MATERIAL ISSUES

CREATING AND ENGAGING WITH CARING COMMUNITIES

WHY IS IT IMPORTANT TO OCTODEC?

Urban renewal is at the core of Octodec's business model (see material issue on page 38) and is our top strategic objective (see page 18) – relating directly to the transformation of the communities where most of our properties are located. Our approach to building dignity supports a community-based approach, with the benefits of a more secure and attractive environment. This results in an improvement of the quality of our portfolio.

A healthy, safe, growing and empowered community encourages growth in our potential pool of tenants. This results in a sustainable business demand for the products and services of our retail, office and industrial tenants.

Enterprise and socio-economic development initiatives are important elements of B-BBEE, and this is therefore an increasingly important management focus area.

WHAT ARE WE DOING ABOUT IT?

The formal engagement with our communities was initiated by City Property employees in 2011 and developed around the concept of Antz@Work – synonymous with the idea of unselfish and diligent collaborative efforts towards the greater benefit for all our stakeholders. Antz@Work is in the process of registering as a non-profit organisation conducting corporate social investment initiatives for City Property and Octodec.

During the past year, Octodec drafted a corporate social investment (CSI) policy to formalise and formulate broad objectives, policies and procedures to define how to identify projects. It also gives structure to the management and implementation of CSI projects.

Our CSI initiatives aim *inter alia* to leverage off the Octodec and City Property stakeholder network to encourage wider participation, attract responsible and skilled employees who willingly participate, live our values and enhance the group's reputation as a caring corporate citizen.

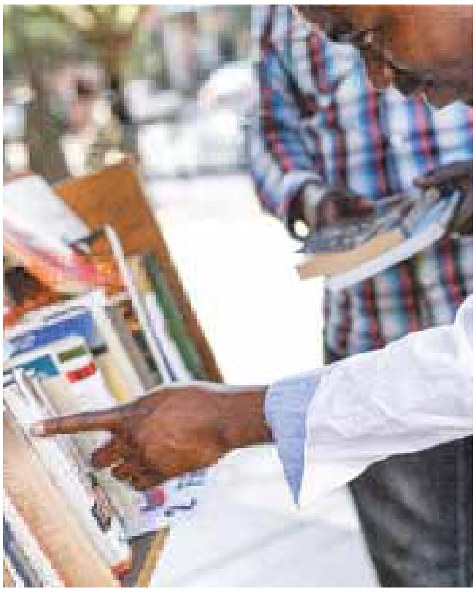
The policy identified the CBDs of Johannesburg and Pretoria and surrounding communities as geographic areas of focus. Preference is given to projects where we can apply our specialist skills and knowledge rather than making cash contributions. Projects that are aimed at disadvantaged communities within the areas where the group operates, supporting disadvantaged children and encouraging education are prioritised and consideration is given to developing sporting facilities and programmes within these urban areas.

Organisations and projects are supported where there is an established track record that shows sustainability as well as evidence of good internal controls. Preference is given to organisations that are registered as non-profit organisations with the Department of Social Development's Non Profit Organisations Directorate and have section 18(A) tax exemption status.

CSI is headed by an executive of City Property, with a CSI committee managing the programme on a day-to-day basis. Their responsibilities include an evaluation and impact analysis process that applies to all selected projects. From a governance perspective, CSI is monitored by the social, ethics & remuneration committee.

Examples of current projects include:

- The winter 2014 food and stationery drive which involved the distribution of food hampers at the start of the winter school holidays to assist children who normally depend on school soup kitchens for a meal. 2014 was the second year that school children benefited from close to 600 food hampers during winter and 500 stationery hampers to kick-start their school year
- Our team of City Property cyclists participated in the Momentum 94.7 Cycle Challenge in aid of the Jacaranda Children's Home, collecting in excess of R45 000 which was used to buy sports equipment such as fishing gear, a trampoline, board games, netballs, soccer balls and cycling equipment
- In Johannesburg, an old age home and frail care centre, Frederic's Place in Coronationville, hosted City Property employees for a day-long visit to dance and sing and play card and board games and bingo,. The centre was also provided with equipment such as a hi-fi system, a food processor, vegetable peelers, tea pots, heavy-duty hair clippers, irons and a sewing machine



COMMUNITY RISKS AND THE SIX CAPITALS

Capitals relevant to this issue	Our impact and the outcome
• Social and relationship capital	Our communities range from tenants to disadvantaged people living in the metropolitan areas in which we operate. We increase our social and relationship capital by investing in infrastructure that serves these communities and by contributing to a wide range of projects that support upliftment and empowerment. Our investment predominantly takes the form of voluntary work.

HOW DO WE MEASURE WHAT WE DO?
CSI project evaluation and impact measurements.

MORE INFORMATION ABOUT THIS
- City Property website

THE OCTODEC STRATEGY

PURPOSE STATEMENT

OCTODEC IS A PROPERTY OWNER WITH INVESTMENTS IN THE RESIDENTIAL, COMMERCIAL, INDUSTRIAL AND RETAIL MARKET SEGMENTS OF THE PRETORIA AND JOHANNESBURG CBDs AND SURROUNDING AREAS. OCTODEC OFFERS LIVING, WORKING, SOCIAL, EATING AND SHOPPING SPACES AIMED AT AN EMERGING MIDDLE CLASS, GOVERNMENT, RETAILERS AND SMALL ENTREPRENEURS.

STRATEGY

Octodec's strategy has been to acquire properties at relatively low prices with turnaround or redevelopment potential. These have been gentrified through refurbishment and where viable converted into retail and/or residential accommodation. The focus is on selecting locations with a diverse economic base and a deep pool of prospective tenants.

In choosing property locations, we pay particular attention to transport and commuting patterns, adjacency to established business centres, proximity to sources of business growth and the physical environment.

Prior to the merger, Octodec and Premium were both diversified across property classes: Premium had focused more on residential developments and office accommodation, while Octodec's portfolio includes shopping centres and a greater proportion of industrial properties. In addition, Premium had a higher concentration of properties in the Pretoria CBD and surrounds, whereas Octodec has a greater representation in Johannesburg. In many cases Premium and Octodec's properties are adjacent to each other.

In future, the enlarged group will continue to focus on increasing its residential portfolio, which is typically characterised by low vacancies and an acceptable growth rate in rentals. This sector is expected to outperform commercial and industrial properties, given the latent demand for quality residential space and the increased spending power in this market. Our residential focus is supported by the expertise within City Property, which has developed robust systems for managing the complexities of inner city properties and a large tenant base.

OUR CORE COMPETENCIES

- Property investment insight and expertise
- Long-term portfolio investment and management alignment through the City Property relationship
- Access to reliable and scalable property management and administration expertise
- Financial sustainability and resources
- Key long-term relationships with multiple stakeholders

OUR VALUES

- **HONESTY AND INTEGRITY – OUR FOUNDATION**
- **QUALITY IS OUR CORNERSTONE**
- **CEMENT RELATIONSHIPS**
- **DARE TO PAVE THE WAY**
- **PAINT OUR CITIES WITH PASSION**
- **MAKE IT HAPPEN!**

THE OCTODEC STRATEGY

OUR STRATEGIC OBJECTIVES

Our objective	How we measure this	Progress in 2014
To actively promote urban renewal in the Pretoria and Johannesburg CBDs	Increasing demand for our premises in the CBD	• R155,7 million investment in strategic projects in the inner cities • Support of inner city events and promotion of Octodec properties for events
To optimise our offering based on changing tenant requirements	Reduced vacancies and increasing rentals	• A reduction in total vacancies by 0,4% to 13,2% of total lettable area
To provide shareholders with above-average and sustainable returns	Growth in distribution	• +11,5% to 175,70 cents per share
To enhance our capital structure and to manage debt maturity and interest rate exposure	Weighted annual average cost of debt, loan to value ratio, interest cover ratio and percentage of loans hedged	• All-in weighted average annual cost of debt at 8,7% per annum • 66,1% (2013: 54,9%) of debt was hedged • Loan to value ratio of 33,7% (2013: 35,9%) • Interest cover ratio of 2 times (2013: 2 times)

STRATEGIC RISKS

Risk description	Control processes to mitigate risks
Slowdown of the South African economy and continued uncertainty about long-term global economic recovery	• Diversification of portfolio to meet changing tenant demographics and requirements • Maintaining loan to value ratios at below 40%
Upward interest rate cycle	• Financing at fixed interest rates and entering into interest rate swap agreements to maintain an interest rate hedged position of above 60% of total interest-bearing borrowings
Ability to access capital	• Diversification of funding sources between shareholder funds, bank borrowings and other financial institutions • Diversification of types of borrowings
Long-term impact of damage to reputation	• Sustainable relationship and contracting with City Property as main stakeholder • Behave in an ethical, positive and fair manner with all stakeholders • Building on established relationships • Greater responsiveness to our target market • Continuous enhancement of our offering
Increased competition for the acquisition of good quality and well-located properties	• Robust development and acquisition pipeline and due diligence process in place
Tenant default due to inability to pay rent	• Credit control, assessment and regular monitoring and engagement • Key account management and tenant advisory services • Tenant arrears are closely monitored • Credit control measures are in place to curb bad debt • Tailored rental packages
Property damage impacting net asset value	• Regular monitoring and adequate insurance cover • Installation of CCTV cameras and other security measures • Regular interaction between property and building managers and tenants • Regular site visits and inspections • Backup plans for utilities and active engagement with councils
Municipal service delivery deteriorating	• Most of the portfolios are on prepaid meters for water and electricity • External independent third-party meter readers to ensure correct billing and recovery from tenants • Continuous energy management and optimisation initiatives
Cost escalation in utilities and tariffs	• Measures to reduce consumption and recover costs from tenants • Encouraging and educating tenants on ways of reducing consumption • Tenants' consumption is monitored closely to detect abnormalities in usage • Active involvement in lobbying through SAPAO, NERSA and JPOMA
Vacancies resulting in lower income and deteriorating building values	• 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

The responsibility for the governance of risk, including the tolerance and mitigation of risk, lies with Octodec's board (see the corporate governance report on page 76). A formal process of risk management is in place, with both bottom-up and top-down interventions. A comprehensive risk register is in place to assist the board and executive in managing risks.

The table above summarises the most significant strategic risks to the enlarged group – those factors that might prevent us from creating value in the short, medium and long term.

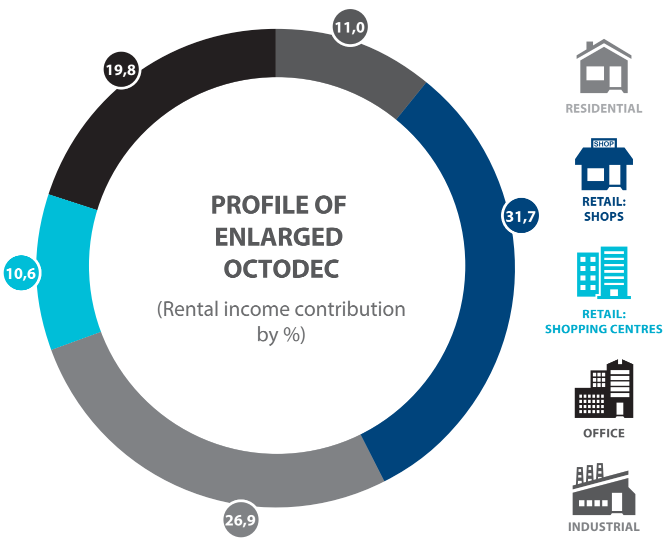
THE OCTODEC
PROPERTY PORTFOLIO
ANALYSIS

The information below refers to Octodec as at 31 August 2014, unless specifically indicated as referring to the enlarged Octodec.

SECTORAL INFORMATION

Octodec has a diversified portfolio of multi-tenanted properties and aims to constantly improve the quality of its portfolio through upgrades and redevelopments.

Sector	Octodec				The enlarged Octodec			
	Gross lettable area		Rental income		Gross lettable area		Rental income	
	m²	% of total portfolio	R'000	% of total portfolio	m²	% of total portfolio	R'000	% of total portfolio
Industrial	189 812	32,7	73 470	18,6	290 481	17,5	127 894	11,0
Offices	128 299	22,1	72 943	18,5	479 225	28,8	231 090	19,8
Retail – shops	140 262	24,2	95 360	24,1	459 606	27,6	368 804	31,7
Retail – shopping centres	89 543	15,4	123 607	31,3	89 543	5,4	123 607	10,6
Residential	32 711	5,6	29 678	7,5	344 663	20,7	313 026	26,9
Total	**580 627**	**100,0**	**395 058**	**100,0**	**1 663 518**	**100,0**	**1 164 421**	**100,0**



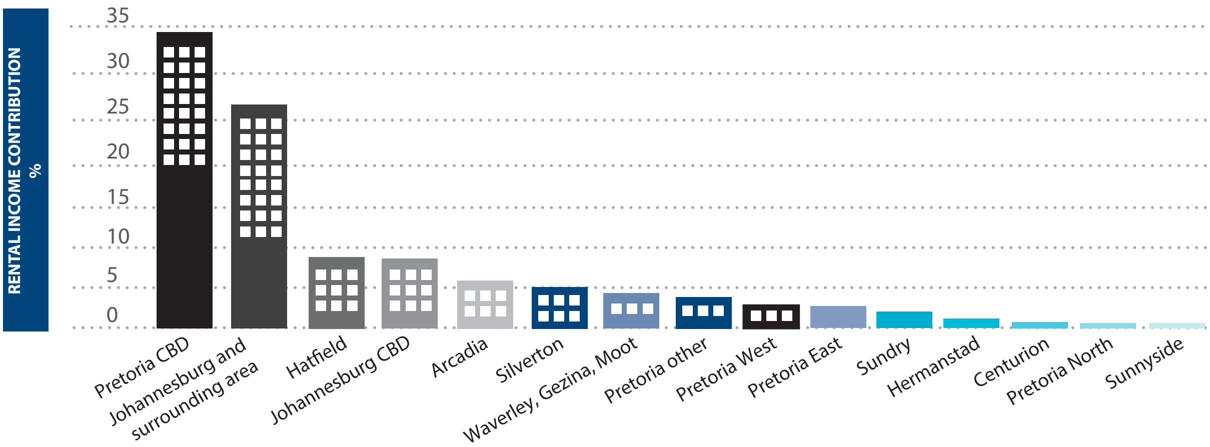
Enlarged Octodec	Shopping centre types
Killarney Mall and Woodmead Mart	Small regional shopping centre 25 000 – 50 000 m²
Gezina City and Waverley Plaza	Community shopping centre 12 000 – 25 000 m²
Elardus Park Shopping Centre	Neighbourhood shopping centre 5 000 – 12 000 m²

GEOGRAPHICAL SPREAD

Octodec invests in areas of high growth where we identify properties with turnaround potential or redevelopment prospects. Our geographic focus is on properties situated in Johannesburg, Pretoria and surrounding areas. Our investment criteria include whether there is the potential to generate sustainable strong cash flows, capital appreciation and growth in income distributions for our shareholders.

	Rental income		Property value		Gross lettable area		Site area	
Location	R'000	% of total portfolio	R'000	% of total portfolio	m^2	% of total portfolio	m^2	% of total portfolio
Johannesburg and surrounding areas	122 969	31,1	989 720	28,2	106 957	18,4	166 554	19,6
Johannesburg CBD	89 651	22,7	844 466	24,1	166 993	28,8	41 272	4,8
Pretoria CBD	43 100	10,9	383 030	10,9	67 173	11,6	101 292	11,9
Silverton and surrounding areas	29 441	7,5	253 120	7,2	70 413	12,1	162 531	19,2
Waverley, Gezina, Moot	29 072	7,4	245 522	7,0	38 756	6,7	98 869	11,6
Sundry	28 502	7,2	299 247	8,5	27 409	4,7	57 812	6,8
Pretoria West	21 232	5,4	183 910	5,2	58 982	10,2	112 373	13,1
Pretoria East	20 512	5.2	202 160	5,8	14 393	2,5	38 764	4,5
Hermanstad	6 894	1,7	79 190	2,3	23 138	4,0	59 443	6,9
Pretoria North	3 685	0,9	28 000	0,8	6 413	1,0	14 036	1,6
Total 2014	**395 058**	**100,0**	**3 508 365**	**100,0**	**580 627**	**100,0**	**852 946**	**100,0**
Total 2013	**363 101**	**100,0**	**3 256 786**	**100,0**	**582 230**	**100,0**	**860 332**	**100,0**

GEOGRAPHICAL PROFILE OF ENLARGED OCTODEC



THE OCTODEC PROPERTY PORTFOLIO ANALYSIS

VACANCY PROFILE – OCTODEC

The total vacancies of the Octodec property portfolio, based on total gross lettable area (GLA), is 13,2% and for the enlarged Octodec at 16,7%. "Core vacancies" consist of vacant premises available for immediate letting. This excludes planned redevelopments, current projects under development as well as mothballed space. The vacancy profile below is for total vacancies and core vacancies, reflected as percentages of total GLA and the sectoral GLA respectively.

Location	m^2	% of total vacancies	% of total gross lettable area	% of total portfolio properties held for redevelopment and projects under development	Core vacancies (% of total portfolio)
Johannesburg and surrounding areas	4 197	5,4	0,7	–	0,7
Johannesburg CBD	38 442	49,7	6,5	(2,9)	3,6
Pretoria CBD	10 627	13,7	1,8	(0,7)	1,1
Silverton and surrounding areas	10 337	13,4	1,8	–	1,8
Waverley, Gezina, Moot	2 022	2,6	0,3	–	0,3
Sundry	260	0,3	0,1	–	0,1
Pretoria West	9 562	12,4	1,6	(0,5)	1,1
Pretoria East	1 080	1,4	0,2	–	0,2
Hermanstad	225	0,3	0,1	–	0,1
Pretoria North	634	0,8	0,1	–	0,1
Total 2014	**77 386**	**100,0**	**13,2**	**(4,1)**	**9,1**
Total 2013	**79 552**	**100,0**	**13,6**	**(5,2)**	**8,4**

Sector	m^2	% of total vacancies	% of total gross lettable area	% of total portfolio properties held for redevelopment and projects under development	Core vacancies (% of total portfolio
Industrial	23 379	30,2	4,0	(0,4)	3,6
Offices	36 722	47,5	6,3	(3,2)	3,1
Retail – shops	10 559	13,6	1,8	(0,5)	1,3
Retail – shopping centres	1 421	1,8	0,2	–	0,2
Residential	5 305	6,9	0,9	–	0,9
Total 2014	**77 386**	**100,0**	**13,2**	**(4,1)**	**9,1**
Total 2013	**79 552**	**100,0**	**13,6**	**(5,2)**	**8,4**

VACANCY PROFILE – ENLARGED OCTODEC GROUP

Location	m²	% of total vacancies	% of total gross lettable area	% of total portfolio properties held for redevelopment and projects under development	Core vacancies (% of total portfolio)
Arcadia	8 712	3,1	0,5	(0,3)	0,2
Centurion	34	–	–	–	–
Hatfield	2 194	0,8	0,1	–	0,1
Johannesburg CBD	38 443	13,8	2,3	(1,2)	1,1
Silverton and surrounding areas	22 645	8,1	1,4	(0,6)	0,8
Pretoria West	14 941	5,4	0,9	(0,1)	0,8
Pretoria CBD	105 384	37,8	6,3	(1,2)	5,1
Hermanstad	1 232	0,4	0,1	–	0,1
Waverley, Gezina, Moot	4 403	1,6	0,3	–	0,3
Sundry	5 051	1,8	0,3	–	0,3
Johannesburg and surrounding areas	67 305	24,2	4,0	(1,8)	2,2
Pretoria East	1 080	0,4	0,1	–	0,1
Pretoria North	1 624	0,6	0,1	–	0,1
Pretoria Other	5 122	1,9	0,3	–	0,3
Sunnyside	328	0,1	–	–	–
Total 2014	**278 498**	**100,0**	**16,7**	**(5,2)**	**11,5**

Sector	m²	% of total vacancies	% of total gross lettable area	% of total portfolio properties held for redevelopment and projects under development	Core vacancies (% of total portfolio)
Industrial	39 743	14,3	2,4	(0,3)	2,1
Offices	140 707	50,5	8,5	(2,5)	6,0
Retail – shops	65 470	23,5	3,8	(1,5)	2,3
Retail – shopping centres	1 421	0,5	0,1	–	0,1
Residential	31 157	11,2	1,9	(0,9)	1,0
Total 2014	**278 498**	**100,0**	**16,7**	**(5,2)**	**11,5**

THE OCTODEC PROPERTY PORTFOLIO ANALYSIS

LEASE EXPIRY PROFILE – ENLARGED OCTODEC GROUP

The portfolio contains long and short-term leases with the majority of short-term leases providing for a month to month arrangement at expiry. The residential leases are short term in nature. Lease management is done through City Property's portfolio managers as well as key account managers for key tenants. The emphasis is on retention of tenants as leases expire, supported by an auto renewal system launched for residential properties during the year.

Year	Gross lettable area m²	%	Monthly contractual rental R'000	%
Monthly commercial and residential	437 181	26,3	17 056	16,5
Vacancies	278 498	16,7	–	–
2015	334 077	20,1	40 294	38,9
2016	234 427	14,1	18 859	18,2
2017	171 257	10,3	12 882	12,4
2018	79 257	4,8	6 260	6,1
2019 and later	128 821	7,7	8 170	7,9
Total	**1 663 518**	**100,0**	**103 521**	**100,0**

RENTAL ESCALATIONS

The weighted average rental escalation per sector is set out in the table below.

	Octodec	Enlarged Octodec
Sector	Escalation %	Escalation %
Industrial	8,1	5,0
Offices	6,3	8,3
Retail	5,2	7,5
Shopping centres	4,2	4,2
Residential	9,3	7,6

TOP 10 PROPERTIES
BY VALUE – ENLARGED OCTODEC GROUP

THE FIELDS

Hatfield, Pretoria
1066 Burnett Street, Hatfield

HOTEL | SHOPS | OFFICES | 765 FLATS

Directors' valuation as at 31 August 2014	**R702,8 million**
Size	**53 656 m²**
Number of tenants	**794**

MAJOR TENANTS

City Lodge	9 709 m²
DTi	6 569 m²
Spar	1 381 m²
Umzoxolo Conference Centre	942 m²
Absa Bank	524 m²
Spur	431 m²
KFC	330 m²

KILLARNEY MALL

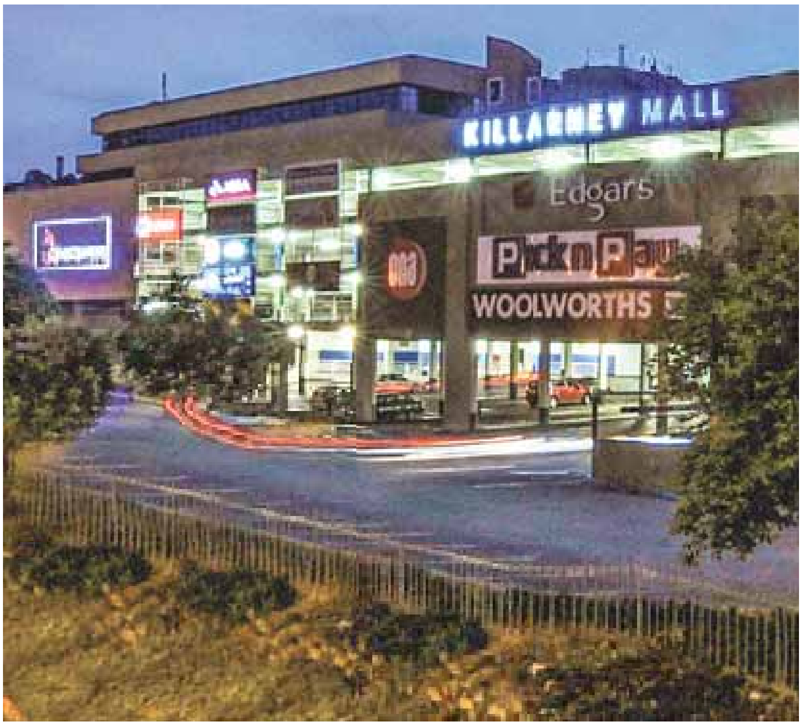
Killarney, Johannesburg
34 – 35 Fourth Street & Riviera Road, Killarney

SHOPPING MALL
SHOPPING CENTRE

Directors' valuation as at 31 August 2014	**R588,5 million**
Size	**46 939 m²**
Number of tenants	**159**

MAJOR TENANTS

Pick n Pay	5 239 m²
Woolworths	4 885 m²
Edgars	4 128 m²
Killarney Toyota	4 096 m²
Killarney Cinecentre	1 546 m²
Standard Bank	981 m²
Truworths	845 m²
Clicks	842 m²
FirstRand Bank Limited	723 m²
Ackermans	718 m²



KEMPTON PLACE

Kempton Park
12 Pretoria Road, Kempton Park

SHOPS | OFFICES | 465 FLATS

Directors' valuation as at 31 August 2014	**R270,9 million**
Size	**32 006 m²**
Number of tenants	**499**
MAJOR TENANTS	
Shoprite	2 809 m²
MSC College	1055 m²

WOODMEAD MART

Woodmead, Johannesburg
Waterval Crescent, Woodmead

SHOPPING MALL
SHOPPING CENTRE

Directors' valuation as at 31 August 2014	**R220,4 million**
Size	**18 135 m²**
Number of tenants	**33**
MAJOR TENANTS	
The Flower Spot	3 227 m²
Tile Africa	2 276 m²
Hi-Fi Corporation	2 041 m²
Furniture City Woodmead	1 521 m²
Outlet Store	977 m²
Direct Deals	763 m²
Nike South Africa	752 m²
Incredible Connection	680 m²
Billabong	658 m²
JAM Clothing	523 m²

TOP 10 PROPERTIES BY VALUE

CENTRE WALK

Pretoria, CBD
266 Pretorius Street, Pretoria

SHOPS | OFFICES

Directors' valuation as at 31 August 2014	**R211,0 million**
Size	**25 654 m^2**
Number of tenants	**30**

MAJOR TENANTS

Department of Justice	4 115 m^2
Department of Public Works	3 510 m^2
Pick n Pay Retailers (Pty) Ltd	2 150 m^2
Department of Home Affairs	1 170 m^2
PQ Clothing	505 m^2
Pepkor Retail	404 m^2
KFC	323 m^2

NEDBANK PLAZA

Pretoria, Arcadia
361 Steve Biko (Beatrix) Street, Pretoria

SHOPS | OFFICES | 144 FLATS

Directors' valuation as at 31 August 2014	**R199,6 million**
Size	**23 159 m^2**
Number of tenants	**185**

MAJOR TENANTS

Metropolitan Health Group	5 873 m^2
Bradlows	992 m^2
Arcadia Post Office	992 m^2
Nedbank Arcadia	850 m^2
Q Store	761 m^2

LOUIS PASTEUR MEDICAL CENTRE

Pretoria CBD
374 Francis Baard (Schoeman) Street, Pretoria

SHOPS | OFFICES | HOSPITAL

Directors' valuation as at 31 August 2014	**R191,4 million**
Size	**32 334 m^2**
Number of tenants	**91**

MAJOR TENANTS

Louis Pasteur Private Hospital	24 277 m^2
Cure Day Clinics	740 m^2

STEYN'S PLACE

Pretoria CBD
274 Francis Baard (Schoeman) Street, Pretoria

SHOPS | 381 FLATS

Value as at 31 August 2014	**R168,3 million**
Size	**15 586 m²**
Number of tenants	**406**
MAJOR TENANTS	
Metropolitan Life Limited	350 m²

INNER COURT

Johannesburg CBD
88 Eloff Street, Johannesburg

SHOPS | OFFICES

Directors' valuation as at 31 August 2014	**R167,0 million**
Size	**23 509 m²**
Number of tenants	**8**
MAJOR TENANTS	
National Prosecuting Authority	11 534 m²
Jet Eloff Street	9 688 m²
Sheet Street	459 m²
Nando's	403 m²

JEFF'S PLACE

Pretoria CBD
137 Francis Baard (Schoeman) Street, Pretoria

384 FLATS

Directors' valuation as at 31 August 2014	**R160,7 million**
Size	**14 771m²**
Number of tenants	**229**

INITIAL FULLY LET YIELD
9,2%

FEATURED PROPERTY: JEFF'S PLACE

THE PROPERTY

Jeff's Place is situated close to the recently refurbished offices of the Department of Home Affairs and the Magistrate's Court in Pretoria and is owned by IPS – now part of the enlarged Octodec.

THE OPPORTUNITY

The site on which Jeff's Place was built consisted of a parking lot and derelict flats formerly known as Marchie Mansions. We identified an opportunity for a mixed offering aimed at singles, young professionals and families. Accordingly, the inner courtyard with landscaped astro turf, trees and a jungle gym became a recreational feature of the development. The development reflects the quality standard which has become a hallmark of our CBD developments.

Construction commenced in 2012 on the 384 unit residential building, with bachelor and one and two bedroom units. Two levels of parking with a total of 270 parking bays were also constructed. As at the date of this report 70% of the residential units have been occupied and 243 parking bays have been let.

The U-shaped development is connected with open walkways between the wings. On the interior the flats are all fitted with a breakfast nook counter top and mosaic detail in the kitchen and bathroom. The units boast large windows to provide sufficient light and a view of the Courtyard.

The bedrooms and living areas are carpeted whereas the kitchens, bathrooms and all common areas are tiled.

Energy conscious design features include heat pumps, prepaid electricity meters and light sensors.

THE OUTLOOK

Jeff's Place, named after Octodec's managing director, Jeffrey Wapnick, is a further enhancement of the "Places" brand which has become entrenched in the Pretoria and Johannesburg CBDs. We believe that the market is starting to recognise the offering associated with "Places" and we will be expanding our offering under this brand.

Sharon Wapnick

CHAIRMAN'S REPORT

THE MERGER

Undoubtedly, our highlight for 2014 was the creation of a single listed vehicle for our portfolios, dominated by inner city properties in Pretoria and Johannesburg.

The merger of sister funds Octodec and Premium (who each hold 50% in IPS), first contemplated by the late Mr Alec Wapnick, the founder of this group, both a property doyen and a great visionary, brings to fruition and reality a dream that was conceived many years ago. It was made possible by the progressive changes to our income tax legislation and the introduction of the REIT legislation last year. From the moment we decided that it made good commercial sense to merge Octodec and Premium, the wisdom of our decision was never in doubt, our only challenge was how to do it.

The main obstacle to a merger historically was that Capital Gains Tax (CGT) would become payable whichever way we tried to put the companies or their assets together.

Fortunately, and after a long and arduous process, the Income Tax Act was amended which enabled us to convert Octodec and Premium to Real Estate Investment Trusts (REITs), mitigating the CGT liabilities.

This smoothed the way to the corporate actions that were undertaken over a period of approximately twelve months to ultimately achieve the merger.

The noteworthy steps taken in this journey included:

- The IPS share buy back from City Property of its 20% interest in IPS in December 2013 leaving Premium and Octodec each with 50% of IPS
- The prompt conversion of Octodec and Premium to REITs on 1 September 2013 and 1 March 2014 respectively, being the earliest possible dates to do this
- The independent valuation of 320 properties, including the consideration of thousands of leases
- The assembly and appointment of the necessary professionals
- The selection and appointment of three new independent directors for each of Octodec and Premium to form sub-committees to respectively consider the transaction and, if deemed fit, to propose the transaction
- The preparation of the detailed Competition Commission submission
- The obtaining of the legal opinions necessarily required;
- The preparation of many sets of accounts, forecasts and schedules, most of which were directed towards establishing the perfect, fairest swap ratio
- The conclusion of the transaction agreements between Octodec and Premium
- The preparation of the various circulars for Octodec and Premium unitholders
- The shareholders' overwhelming approval for the conversion from linked units to a simple all equity capital structure at Octodec debenture and Octodec shareholder meetings on 31 July 2014
- The unanimous vote in favour of the merger from our Octodec and Premium shareholders on 31 July 2014
- The approval of the transaction by the regulatory authorities, the Competition Commission and finally the Competition Tribunal on 3 September 2014

The implementation of the merger has been seamless due to the retention of the same board of directors, management company, and importantly, the identical cultural fit between Octodec and Premium.

The combined entity, which has a property portfolio valued at almost R11 billion, will create more operating efficiencies and streamline administration. Some relatively modest costs savings are anticipated to be achieved.

We expect that with our stronger and bigger balance sheet, the value of the merged entity will be greater than the sum of its parts, with greater access to debt on more favourable terms

"OUR SINCERE APPRECIATION IS OFFERED TO OUR FELLOW DIRECTORS FOR THEIR CONTRIBUTION AND GUIDANCE OVER THE PAST YEAR"

CHAIRMAN'S REPORT

and increased liquidity in its shares, which we hope will lead to re-rating of Octodec's shares.

PERFORMANCE

I am also pleased to report that despite the considerable additional work and time required in achieving the merger, management never took its eye off the business ball. During the year we successfully completed a number of property projects and developments, details of which are set out in the managing director's report on page 76 of this integrated report. We commendably added to the pipeline of exciting projects for the future.

Our financial performance was also impressive, exceeding forecasts with strong growth in earnings. The total distribution per linked unit of 175.70 cents per linked unit represented an increase of 11.5% on that paid in the prior twelve month period.

In addition, the performance of our shopping centres, the flagship being Killarney Mall, in a difficult and challenging business environment, was pleasing. For more details of this and our office and industrial properties I refer you to page 40 of the integrated report.

PROSPECTS

City Property remains crucial to our continuing success, being the most important stakeholder and partner to Octodec and its business model. We are confident that the capacity and experience of City Property will continue to allow us to manage additional acquisitions, developments and leverage economies of scale. Due to the long-term nature of the relationship, City Property also has a longer horizon and scope to make investments in aspects such as IT, infrastructure and encourage the development of specialist skills required for our business. This, in turn, further entrenches the competitive advantage of a portfolio which has in City Property a manager well versed in the complexities of managing residential properties, inner city developments, shopping centres, offices, industrial properties and multi-tenanted buildings.

Although our operating environment is expected to remain tough in the forthcoming year, and we will have to deal with weak economic conditions and various challenges that are out of our control, such as rising interest rates, possible labour unrest, high unemployment, service delivery issues, inefficiency at local government level increasing costs of consumption, and the reduction in the disposable income of our tenants, we remain bullish on the viability of inner cities and intend to grow our exposure to the inner city residential market. Demand for our units priced below R5 000 per month outstrips supply. Currently about a quarter of our portfolio's income is derived from rental accommodation.

The residential property sector is not for the faint hearted. Through the management of thousands of tenants over many years, however, we have built our expertise in the development of residential accommodation, tenant profiling, the conclusion of leases, collections and other vital administrative systems.

Complementary to this is our inner city retail portfolio. CBDs have droves of feet and their numbers are growing. We are delighted that national retailers are returning to high street shopping environments to capitalise on these revived markets as they see new and desirable potential customers now inhabiting areas previously abandoned and discarded by these retailers. There is more demand for retail space than there has been in the last 20 years.

With a combined portfolio valued at almost R11 billion and with more than 8 634 residential units on offer, Octodec will continue to pursue its strategic objectives of creating a quality urban environment to attract and retain people to live, work, shop, eat and play in the city.

In the coming year, the board will also refine its risk management process and will endeavour to make progress towards meeting the requirements of broad-based black economic empowerment. There are a number of exciting projects in the pipeline (as set out in the managing director's report) which will further transform the social and economic landscapes of the CBDs of Pretoria and Johannesburg and should result in sustainable performance.

GOVERNANCE

Good governance is vital to our commitment to grow in a sustainable way and to ensure that we, at all levels of the business, conduct business ethically, transparently and in the best interests of all stakeholders. The fact that we received a unanimous approval from both the Octodec and Premium linked unitholders at the general meetings to approve the merger is a recognition by our constituency that the terms of the merger were perfectly pitched. It bears testament to the tremendous diligence, care and vigour that was exercised by the respective boards in this enormous exercise.

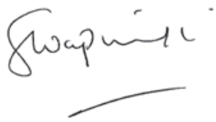
We have made good progress in refining areas of governance. During the year a chief risk officer was appointed. Full details of our corporate governance are set out in this report.

BOARD CHANGES

During the past year we welcomed Gerard Kemp to the board as an independent non-executive director. Gerard serves on the audit, investment, risk, social, ethics & remuneration and nominations committees. He brings a wealth of knowledge and experience to the board, especially in corporate finance, black economic empowerment and labour relations. We also appointed Michael Holmes, David Rose and Ian Stern as independent directors to form a sub-committee for the purposes of considering and proposing the merger transaction. Their appointments were from 13 May 2014 to 3 September 2014.

ACKNOWLEDGEMENTS

I would like to extend my heartfelt thanks and appreciation to my fellow directors for their guidance and support during the year. The merger would not have been possible without the conviction and commitment of the board, the wisdom, sterling efforts, judgement and insight of the independent members of the sub-committees, and the hard work of our executive team who ensured that the proposal was unanimously approved by shareholders. I also want to extend the board's appreciation to the City Property management team and all of its and Octodec's employees, who remained dedicated to delivering quality service to our tenants and other stakeholders throughout this year's busy and productive corporate and portfolio enhancement activity.



Sharon Wapnick

Jeffrey Wapnick

MANAGING DIRECTOR'S REPORT

Our enthusiasm for all aspects of life in Gauteng's CBDs is never ending. Every time I walk the streets of Johannesburg and Pretoria's CBD I am inspired by individuals who do small things to make this a better, more beautiful, safer, cleaner and happier city. These are regular people who rent flats, work for government, run their own business or study somewhere in the city. Somehow we all share a vision for a vibrant and welcoming city.

During 2014 Octodec was involved in the following property projects:

- The upgrade of Time Place, a residential property which is situated in the Pretoria CBD, was completed in September last year. The total cost of the project was R11,1 million with features including one of the most advanced and modern biometric access systems. The "Places" brand is now well-established and known nationwide in its particular residential market segment
- The redevelopment of Medical City and the Bosman Place in the Johannesburg CBD, which will form a modern townscape on opposite sides of the Eloff and Bree streets intersection. Medical City has been converted into a tailor-made home for Jeppe College, which operates an educational facility, whereas the previous parking levels have been converted into retail and storage space. The total cost of the project was R39,7 million and occupation was from November 2013
- The redevelopment of Bosman Place is progressing well with an estimated completion date of March 2015. The redeveloped property will consist of a retail component and 225 residential units, the latter at a cost of approximately R116,0 million. The fully let initial yield is expected to be 8,2%

The Premium portfolio, which now forms part of the enlarged Octodec, also saw a number of projects commencing in the past few months:

- The redevelopment of the mixed-use property, Silver Place, situated in Silverton, Pretoria. The first phase consisted of the revamp of the residential section as well as the construction of an additional 82 units, and was completed in early 2013. The second phase, which is expected to be completed in early 2015, consists of the redevelopment of the retail component. The total cost of the retail project is R39,7 million and is expected to be completed at a fully let yield of 8% per annum. Confirmed retail tenants include SPAR, Beds From Heaven, Bradlows, Russells, Nando's and Nedbank.
- The development of a greenfield mixed-use property, 1 on Mutual, situated in the Pretoria CBD. This project comprises 154 residential units, ground floor retail space as well as parking. The total cost of the project is R140,1 million and is expected to be completed in early 2016 with a fully let yield of 8% per annum. As part of our commitment to embrace the city's legacy, the red-brick Volksbank heritage building will be included in the development

IPS also completed a flagship property during the past year:

- Jeff's Place, a greenfield residential development situated in the Pretoria CBD, was completed in March 2014. The total cost of the project was R148,2 million and it is anticipated that this will yield an initial return of 9,2% once fully let. The development is unique in its offering for young families and the inclusion of parking bays (see detail in the feature on page 51).

OCTODEC'S STRATEGY HAS BEEN TO ACQUIRE PROPERTIES WITH TURNAROUND OR REDEVELOPMENT POTENTIAL AT RELATIVELY LOW PRICES, WHICH HAVE BEEN GENTRIFIED THROUGH REFURBISHMENT AND WHERE VIABLE CONVERTED INTO RETAIL AND RESIDENTIAL SPACE. THE FOCUS IS ON SELECTING LOCATIONS WITH A DIVERSE ECONOMIC BASE AND A DEEP POOL OF PROSPECTIVE TENANTS

MANAGING DIRECTOR'S REPORT

PERFORMANCE SUMMARY

Despite subdued economic conditions, the South African property sector continues to deliver respectable growth. Octodec once again outperformed most of its counterparts during the year, showing double digit distribution growth compared to the previous period. This was achieved despite low gross domestic product growth and even lower consumer and business confidence levels – profiled against an upward turn in the interest rate cycle.

Other factors that impacted Octodec's performance during the year include escalating rates and taxes, which we have been able to recover from tenants to some extent. Our tenants are particularly burdened by rising utility costs – this puts the profitability and sustainability of our smaller entrepreneurs and manufacturing tenants under serious pressure.

We continue to support, advise and respond to our tenants' concerns. We have improved our customer care facilities to enable even better service levels to our tenants throughout their lifecycle with us: from applying for a rental to troubleshooting and monthly payment options. We have, for example, introduced a new auto renewal service to enable tenants to renew their residential leases quickly and easily by using our customer care centre facilities or approaching their building manager.

Our key account management team serves our priority clients, who tend to have different service expectations and requirements – for example the banks, government, parastatals and cellphone companies. We continuously engage with them to optimise their current lease structure and proactively plan expansions.

One of our measures of success is the level of vacancies of our different portfolios. We reduced the overall vacancies (which include properties held for redevelopment) from 13,6% in 2013 to 13,2%. Our lease expiry profile for the next five years remains stable.

THE MERGED ENTITY

Investors have been pushing for a simplified listed structure for many years. IPS, in particular, seems to have been little understood. With the merger we have now established a single entity with a single vision, management and governance structure.

In anticipation of the merger, we have purposefully created additional long-term management capacity: as a result, we have been able to reduce the number of properties that each of our City Property people are looking after, especially those in senior positions. The new positions created by the additional portfolios that have been created, have all been filled through internal promotion.

DRIVING THE REBIRTH OF THE CBD

At Octodec we have recognised the need for greater communication and cooperation to drive urban renewal (see our material issues on page 18). We have therefore introduced various initiatives aimed at accelerating the rejuvenation and growth of the Pretoria CBD through a combination of public and private efforts.

The Cool Capital Biennale was well supported by Octodec through the use of our buildings in the Pretoria CBD, which were brought to life through fashion shows, music concerts, poetry readings, historical walks and gallery crawls. These events were all well-attended with a noticeable increase in interest in such events, both by residents living in the CBD, as well as those living in the east but who yearn to return to the CBD to experience the urban edge that appears to be lacking in the suburban areas. The mix of cultures at these events is a true indication of the melting pot that one so often hears of in our country.

Other initiatives that aim to help build the brand of Pretoria in support of the City of Tshwane's Vision 2055: Remaking South Africa's Capital City, include support of arts and culture through competitions that promote creativity, "Open-Mic" sessions which take place regularly and which create opportunities for face-to-face sharing and networking between primary stakeholders such as government, City Council, property owners, developers, institutions, entrepreneurs, retailers, artists and the public.

In October 2014 the first inner city market in Pretoria, market@012 Central, took place in an old warehouse near the State Theatre.

We are excited about the momentum that has already been created and believe that it will become an essential element in the sustainable development of our inner city portfolio.

FUTURE FOCUS

Octodec is well-positioned to capitalise on the increasing demand for inner city housing – a megatrend that results from continued urbanisation (driven by rural unemployment), a growing student population and government's expanding demand for rental space. All the people that are converging on the inner cities need accommodation that offers quality at an affordable price (below R5 000 per month). More than 26% of the enlarged Octodec's rental income is currently derived from residential units and we expect this to grow significantly. The residential sector will always provide a defensive position in challenging economic conditions as people need shelter as one of their first basic needs. The resilience of this sector, the match with our current offering and expertise as well as the potential for further development that exists in our landholding, makes this sector our priority focus in the short to medium term.

OUTLOOK

We believe in the virtuous cycle that is created by better buildings attracting better calibre tenants attracting higher quality retail. To best position Octodec to deliver on these tenants' expectations we are investing in market intelligence – to enable us to proactively develop what the market wants (for example in the more upmarket model for 1 on Mutual), and to have the necessary expertise to support our offering.

We have to recognise the risks inherent in our country and industry. If a culture of non-payment becomes entrenched and acceptable (as per e-tolls), our rental income will be at risk. The quality of our properties will always be under threat of increasing crime and reduced service delivery. We are proactively managing these risks.

We expect interest rates to continue their upward cycle, which will affect Octodec's ability to grow its distributions in the short to medium term. Octodec will nevertheless continue with selective redevelopments and upgrades as well as a proactive letting strategy. The enlarged Octodec's strong balance sheet means that we are in a position to evaluate a number of redevelopment opportunities for existing properties. Barring unforeseen events, current indications are that the dividend growth for the next twelve month period should be between 7% and 9%.

The following developments will be completed in the forecast period:

Property	Details	Gross lettable area of property m^2	Total cost since inception of project Rmillion	Projected initial fully let yield %	Completion date
Bosman Place	Office conversion to 225 residential units	16 809	116,0	8,2	March 2015
City Place	Upgrade of street facing shops and flat internal upgrade	14 539	18,1	7,0	December 2014
Silver Place	Redevelopment of retail component	27 174	39,7	8,0	early 2015

Other areas of focus for the next year include our improving relationship with the Tshwane City Council, building scale and capability in social media, continuous development of our middle and senior management as well as improving our ability to measure B-BBEE. We have several projects aimed at improving our customer relations and services that will be launched in the next year.

We shall continue our "tea and talkouts" with our building managers to build capacity, skills and trust. They are first in line for appreciation about a job well done during the year. I also want to thank our tenants for their support and the employees at City Property for their commitment to the projects that we undertake: this is reflected in the quality that is produced and thereafter maintained.

Jeffrey Wapnick

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. Over the past year, Octodec has continued to enhance the quality of the portfolio through selective redevelopments and upgrades and acquisitions of properties in Pretoria and Johannesburg.

RETAIL – SHOPPING CENTRES

	Octodec 2014	Octodec 2013	Enlarged Octodec 2014
Rental income (R'000)	123 607	115 295	**123 607**
As a percentage of total property portfolio rental income (%)	31,3	31,8	**10,6**
Gross lettable area (m^2)	89 543	89 267	**89 543**
Vacancies (m^2)	1 421	3 671	**1 421**
Vacancies as a percentage of sector GLA	1,6	4,1	**1,6**

Octodec's shopping centre portfolio includes five high-quality shopping malls, with the flagship being Killarney Mall in Johannesburg, this houses three floors of office suites as well as a medical mews, over and above its extensive upmarket retail offering. Octodec holds the leasehold rights to Woodmead Value Mart, which has a strong "value for money" offering, and owns Elarduspark Shopping Centre in Pretoria East, Waverley Plaza in Waverley, Pretoria and Gezina City in Gezina, Pretoria. These continue to deliver secure, escalating income streams underpinned by strong anchor and national tenants. Killarney Mall performed particularly well during the year with vacancies maintained at below 2% of gross lettable area.

Our focus for the shopping centres has been on energy management to reduce the costs associated with common areas, as well as improving the profile of tenants.

The reduction in vacancies was mainly due to an existing tenant at Gezina City taking up 2 250 m^2 of additional space.

RETAIL – SHOPS

	Octodec		Enlarged Octodec
	2014	2013	2014
Rental income (R'000)	95 360	86 572	**368 804**
As a percentage of total property portfolio rental income (%)	24,1	23,8	**31,7**
Gross lettable area (m^2)	140 262	141 355	**459 606**
Vacancies (m^2)	10 559	4 125	**65 470**
Vacancies as a percentage of sector GLA	7,5	2,9	**14,2**
Core vacancies as a percentage of sector GLA	5,4	2,5	**8,9**

In the CBD areas we have high street retail offerings on the ground floors of buildings, in walkways, and in arcades where we have invested in upgrades to contemporary retail standards. This has contributed to the renewed interest from national retailers in the CBD with many of the big brands in fast food, fast moving consumer goods (FMCG), fashion and food again represented. CBD retail offers more growth opportunities than traditional malls, and has the added benefit of lower tenant costs (for example less common area cleaning or air-conditioning required). With more residential interest in the CBD, shopping footfall is increasing, further supported by lower transport costs into the city compared to outlying malls.

Examples of retail shops in the Octodec portfolio include Inner Court and Castle Mansions, both in the Johannesburg CBD.

Octodec has developed specialist skills to support retailers in the CBD, especially through shop fitting advice and upgrading services. This ensures their sustainability and attracts additional tenants and customers.

The main contributors to the increased vacant space are from properties outside of the CBDs as well as recently upgraded properties. Significant progress has been made in letting these vacant units as at the date of this report.

PORTFOLIO REVIEW




INDUSTRIAL

	Octodec		Enlarged Octodec
	2014	2013	2014
Rental income (R'000)	73 470	71 721	**127 894**
As a percentage of total property portfolio rental income (%)	18,6	19,8	**11,0**
Gross lettable area (m^2)	189 812	189 626	**290 481**
Vacancies (m^2)	23 379	23 853	**39 743**
Vacancies as a percentage of sector GLA	12,3	12,6	**13,7**
Core vacancies as a percentage of sector GLA	11,1	12,4	**12,2**

Our industrial offering includes warehouses, mini-factories, workshops and industrial parks such as The Tannery and Sildale in Silverton, Pretoria. There has been a slight reduction in vacancies and we continue to proactively engage with tenants to ensure retention.

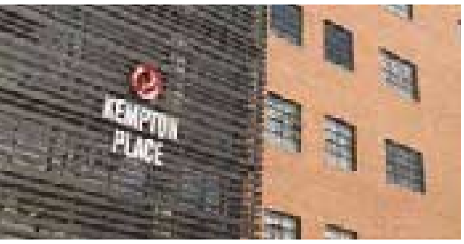
This is the only sector which was directly impacted by the mining strikes during the year: industrial tenants who supply to the mines have been reducing lease periods to minimise their exposure. Our future opportunity in this sector is to customise premises according to specific tenant requirements.

OFFICES

	Octodec		Enlarged Octodec
	2014	2013	2014
Rental income (R'000)	72 943	60 338	**231 090**
As a percentage of total property portfolio rental income (%)	18,5	16,6	**19,8**
Gross lettable area (m^2)	128 299	127 485	**479 225**
Vacancies (m^2)	36 722	37 749	**140 707**
Vacancies as a percentage of sector GLA	28,6	29,6	**29,4**
Core vacancies as a percentage of sector GLA	14,0	14,6	**20,4**

We have two types of offices: the first which is suited to and tenanted by government and larger corporates. Examples of these include the Rentmeester and Persequor office parks in Pretoria. The second type constitutes offices with smaller pockets of office space ranging from 30 m^2 to 500 m^2. These cater for the needs of various professionals as well as small business enterprises. We have been applying the techniques which contributed to our success in the residential market to the office market, and have supplied the market with products according to developing requirements. This includes an increasing number of newly qualified graduates who are moving into the inner cities to apply their recently acquired trade and professional skills and qualifications. We have developed the "Towers" offering specifically for this market, catering, for example, to the need for "walk in" customers. This project has not yet reached its full potential and we continue to actively promote small business in the CBD. Government, recognising the advantage in above average quality accommodation as well as a reliable management service for our buildings, is a growing tenant for Octodec in the Pretoria CBD. The office market, especially in Pretoria, is becoming more competitive – a welcome development as it increases the quality of the offering and attracts more tenants into our areas of focus.

PORTFOLIO
REVIEW



RESIDENTIAL

	Octodec		Enlarged Octodec
	2014	**2013**	**2014**
Rental income (R'000)	29 678	29 175	**313 026**
As a percentage of total property portfolio rental income (%)	7,5	8,0	**26,9**
Gross lettable area (m^2)	32 711	34 497	**344 663**
Vacancies (m^2)	5 305	10 154	**31 157**
Vacancies as a percentage of sector GLA	16,2	29,4	**9,0**
Core vacancies as a percentage of sector GLA	5,4	–	**4,7**

The demand for residential units in the city centres continues to outstrip supply. Octodec initiated its inner city renewal model in 1998 with the first conversion of a building into residential units aligned to a new urban tenant profile. Since the beginning, our approach has been to create residential units of a high standard at affordable prices (currently below R5 000 per month). More recently we have acquired software to improve our ability to analyse demand, match opportunities, track performance and profile our ideal target market. Market insights guide us, for example to improve our planning in terms of developing units for a growing demand for upmarket, north-facing accommodation and parking bays.

During the past year we completed Jeff's Place as a new urban family model (see detail on page 50). A further innovation for the residential portfolio will be 1 on Mutual, a new mixed-use development off Church Square in Pretoria. It will be our first foray into creating upmarket and modern apartments in the city centre, tapping into higher earning tenant segments. It is anticipated that we will receive a 20% premium on our existing rental charge of residential units.

The residential vacancies consist, as anticipated, of vacant units at Essenby, Time Place, Castle Mansions and Jeff's Place which were upgraded during the year.

VACANCIES

Vacancies in the Octodec portfolio at 31 August 2014, including properties held for redevelopment, amounted to 13,2% (2013: 13,6%) of total lettable area. Details of these vacancies are set out in the table below:

31 August 2014	Total lettable area m^2	Total vacancies %	Properties held for redevelopment %	Core vacancies %
Offices	128 299	6,3	(3,2)	3,1
Retail – Shops	140 262	1,8	(0,5)	1,3
Retail – Shopping centres	89 543	0,2	–	0,2
Industrial	189 812	4,0	(0,4)	3,6
Residential	32 711	0,9	–	0,9
Total	**580 627**	**13,2**	**(4,1)**	**9,1**

31 August 2013	Total lettable area m^2	Total vacancies %	Properties held for redevelopment %	Core vacancies %
Offices	127 485	6,5	(3,3)	3,2
Retail – Shops	141 355	0,7	(0,1)	0,6
Retail – Shopping centres	89 267	0,6	–	0,6
Industrial	189 626	4,1	(0,1)	4,0
Residential	34 497	1,7	(1,7)	–
Total	**582 230**	**13,6**	**(5,2)**	**8,4**

Most of the properties remained fully let. As anticipated, a number of properties under development or those which were recently upgraded, had vacancies.

In recent years certain properties, for example Bosman Building, were acquired by Octodec with large vacancies and where little or no consideration was paid in respect of the vacant space which offered redevelopment opportunities. As the opportunities arise, the value of these vacancies is being realised.

FINANCIAL DIRECTOR'S REVIEW

CAPITAL STRUCTURE AND REIT

Following the introduction of REIT legislation in South Africa last year, Octodec was granted REIT status with effect from 1 September 2013. The capital structure of Octodec, whereby the linked units were converted to an all-equity structure, was approved at a shareholders and debenture holders meeting on 31 July 2014.

Under the new REIT legislation, capital gains on disposal of any property of the group will no longer be subject to taxation.

MERGER WITH PREMIUM

Following the introduction of the REIT legislation, in anticipation of a merger between Premium and Octodec, and to simplify the corporate structure, Premium, Octodec, IPS and City Property entered into an agreement dated 28 October 2013, relating to the specific repurchase by IPS of City Property's share in IPS for a cash consideration of R127,5 million and the repayment of City Property's loan in IPS of R48,1 million (the specific repurchase). Following the specific repurchase, Premium and Octodec's shareholding in IPS was increased to 50% each. The IPS transaction was approved by Octodec linked unit holders on 6 December 2013. The proceeds of the specific repurchase were used by City Property to acquire 9 122 981 linked units in Octodec.

With effect from 1 September 2014, Octodec acquired all of the issued Premium linked units that it did not already own. The merger between Octodec and Premium was implemented by way of a Scheme of Arrangement in terms of section 114(1)(d) of the Act, (the scheme). In terms of the scheme, Octodec acquired Premium linked units for which each Premium unit holder received 88,5 Octodec shares for every 100 Premium linked units held. Premium became a wholly owned subsidiary of Octodec and was delisted from the JSE effective 1 September 2014.

REVIEW OF RESULTS

Trading conditions and consumer confidence remained subdued during the financial period. The property portfolio continued to deliver strong growth in earnings. Rental income increased following a number of successful upgrades of properties and a proactive approach to letting. The total distribution per share/linked unit for the twelve months of 175,70 cents per linked unit (2013: 157,60 cents) represents an increase of 11,5% on that paid in the comparative twelve-month period.

Rental income and net rental income increased by 7,2% and 11,5% respectively compared to the prior comparative twelve-month period.

Distributable earnings	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Revenue – earned on contractual basis*	**540 359**	505 732	457 452	384 345	333 498	311 447
Net rental income from properties – earned on contractual basis*	**249 992**	225 622	211 303	177 063	168 140	166 731
Investment income	**81 807**	55 984	44 756	38 601	33 581	29 189
Interest received from accrued distribution	**–**	–	6 814	–	–	–
Income before finance costs	**331 799**	281 606	262 873	215 664	201 721	195 920
Finance costs	**(125 665)**	(110 638)	(127 387)	(100 004)	(84 395)	(80 132)
Income before taxation	**206 134**	170 968	135 486	115 660	117 326	115 788
Taxation	**92**	(314)	(352)	(175)	(512)	(667)
Shareholders/Unit holders distributable earnings	**206 226**	170 654	135 134	115 485	116 814	115 121
Distributable earnings per share/linked unit – weighted (cents)	**179,64**	157,68	150,37	129,33	130,82	128,92
Distribution per share/linked unit (cents)						
Interest	**87,54**	156,82	136,62	128,66	130,05	128,26
Dividends	**88,16**	0,78	0,68	0,64	0,65	0,64
	175,70	157,60	137,30	129,30	130,70	128,90
Growth in distribution (%)	**11,5**	14,8	6,2	(1,1)	1,4	5,1

** Excludes the straight-lining of lease rental*

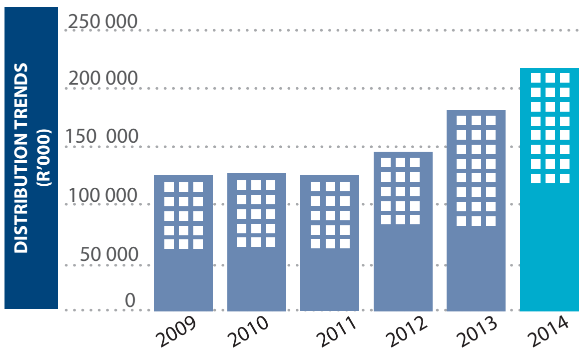
The increase in revenue was mainly due to contractual escalations, improved letting and an increase in the recovery of utility and assessment rate charges. The reporting period saw limited improvement in the office and industrial rental markets and a slight decrease in vacancies. One of the primary objectives continued to be the improvement of the quality of the properties to attract new tenants.

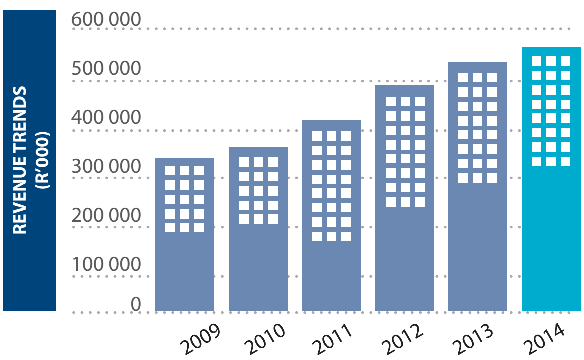
Despite rapidly escalating utility charges, the percentage of cost recovery in respect of electricity charges improved during the year due to improved efficiencies and increased focus on energy management initiatives (see our material issue on page 26 for more details). Bad debt write-offs and provisions during the period were at 1% (2013: 0,9%) of total tenant income. Arrears and doubtful debt provisions remain at acceptable levels and no significant deterioration is anticipated.

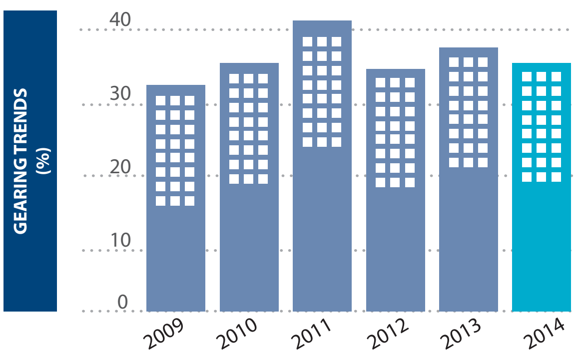
BORROWINGS

Octodec's ratio of loans to value of its investment portfolio at year-end was 33,7% against 35,9% at 31 August 2013.

Interest rates in respect of 66,1% of borrowings at 31 August 2014 have been hedged, maturing at various dates in 2017 and 2018. The all-in average weighted interest rate of borrowings is 8,7% per annum. Details of borrowings are set out in the table on the following page:







FINANCIAL DIRECTOR'S REVIEW

Borrowings as at 31 August 2014	Amount R'000	Average weighted interest rate per annum %
Fixed rate borrowings	175 000	11,91
Floating rate borrowings	1 376 763	7,50
Total borrowings	**1 551 763**	**8,00**
Loan to value ratio	33,7%	
Weighted average cost of borrowings – all-in cost including swaps	8,7%	
Average length of fixed rate loans/swaps	3,4 years	

Interest rate swap expiries	Amount R'000	Average margin over/(below) variable rate per annum %
February 2017	150 000	1,60
August 2017	200 000	1,86
September 2017	50 000	1,56
January 2018	50 000	1,68
April 2018	100 000	(0,40)
May 2018	50 000	2,38
July 2018	200 000	1,43
August 2018	50 000	1,65
Total swaps	**850 000**	**1,44**
Fixed rate borrowings (April – October 2018)	175 000	
Total swaps and fixed rate loans	**1 025 000**	
% hedged	66,1	

Borrowings at 1 September 2014 – enlarged Octodec Group	31 August 2014 R'000	Average weighted interest rate per annum %
Fixed rate borrowings	411 980	11,94
Floating rate borrowings	4 031 555	7,42
Total borrowings	**4 443 535**	**7,84**
Loan to value ratio	39,5%	
Weighted average cost of borrowings – all-in cost including swaps	8,7%	
Average length of fixed rate loans/swaps	3,2 years	
Unutilised banking facilities in place	744 000	

Interest rate swap expiries	Amount R'000	Average margin over/(below) variable rate per annum %
February 2017	650 000	1,86
May – June 2017	150 000	1,54
July – September 2017	550 000	1,39
January 2018	150 000	1,68
April – May 2018	250 000	0,40
July – August 2018	550 000	1,61
Total swaps	**2 300 000**	**1,51**
Fixed rate borrowings (April – November 2018)	411 980	
Total swaps and fixed rate loans	**2 711 980**	
% hedged	61,0	

Subsequent to year-end, further interest rate swap contracts were entered into for an amount of R500 million. The all-in weighted average interest rate is 7% per annum for a period of four years. This is at a margin of 0,91% above the three-month JIBAR rate.

REVALUATION OF PROPERTY PORTFOLIO

It is the group's policy to perform directors' valuations of all the properties at the six month interim reporting period and at year-end. The valuations are based on the income capitalisation method which is consistent with the basis used in prior years. The internal valuation of the portfolio of R3,5 billion represents an increase in the valuation amounting to R125,1 million or 3,6% for the twelve month period ended 31 August 2014.

The combined valuation of the properties of the enlarged Octodec group as at 31 August 2014 amounts to R10,9 billion.

FINANCIAL DIRECTOR'S REVIEW

Anthony Stein

NET ASSET VALUE

Net asset value (NAV) increased by 10,3% to 2 462 cents per share. The increase was mainly as a result of the increase in the NAV of IPS as well as the increase in the fair value of the investment properties.

CAPITAL EXPENDITURE

The enlarged Octodec group has capital commitments in an amount of R670 million relating to various redevelopments and acquisitions of properties. Unutilised banking facilities are in place to fund these capital commitments. Details of the total cost of the larger developments and acquisitions are set out below:

Property	Location	Details	Total cost R'million	Completion date	Fully let yield %
Centre Forum	Pretoria CBD	Greenfield – 400 residential units, retail and parking	324,9	Late 2016	8,0
1 On Mutual	Pretoria CBD	Greenfield – 154 residential units, retail and parking	140,1	Early 2016	8,0
Bosman Place	Johannesburg CBD	Office conversion to 225 residential units	116,0	March 2015	8,2
Silver Place	Silverton, Pretoria	Redevelopment of retail component	39,7	Early 2015	8,0
Reinsurance House	Johannesburg CBD	Purchase of vacant office block	20,0	Details of the conversion of the office block to residential not yet finalised.	Not yet finalised

DIVIDENDS/DISTRIBUTIONS

The total distribution per share/linked unit for the twelve months of 175,70 cents per share/linked unit (2013: 157,60 cents) represents an increase of 11,5% on that paid in the comparative twelve month period. The interim and final distributions were 88,6 cents and 87,1 cents per share/linked unit respectively.

We refer shareholders to the announcements on SENS dated 8 August and 28 October 2014 for the full details regarding the special distribution. The special distribution was estimated to be 86,84 cents per share based on the forecast distributable earnings of Octodec. The final amount of the special distribution of 87,1 cents per share is based on the reviewed provisional consolidated financial statements of Octodec for the year ending 31 August 2014. The special distribution is payable to shareholders that were recorded in Octodec's register on Friday, 29 August 2014, which date is prior to the effective date of the Scheme. The payment date of the special distribution was 17 November 2014.

All rental income received by the group, less operating costs, administration costs and interest on debt, is distributed bi-annually. The group does not distribute capital profits.

DOMESTIC MEDIUM TERM NOTE (DMTN) PROGRAMME

Following the recent merger with Premium, Octodec has exposure to the bond market through its subsidiary Premium, which launched a R1 billion DMTN programme in 2012. The enlarged Octodec has a much larger and stronger balance sheet and Premium will therefore be able to increase the size of its bond issue. As at 31 August 2014 Premium's debt capital market (DCM) issuance was at R925 million, or 21% of the borrowings of the enlarged Octodec group. In August 2014, Global Credit Ratings long and short national scale ratings of Premium were maintained at A – (ZA) and A1– (ZA) respectively. Octodec is considering increasing the size of the bond programme from R1 billion to R3 billion as this would allow the group to increase its issuance in the debt capital market.

OUTLOOK AND FORECAST

Domestic economic indicators over the financial period and the past few months suggest that confidence and activity remain generally weak. The stress on the mining and manufacturing sectors persisted as the decline in total output not only worsened but also became more widespread. The consumers' credit health continued to deteriorate, and while the pace thereof may have eased recently, the slowdown in income growth has had a negative impact on consumers' ability to service outstanding debt. The ratio of household debt to disposable income has steadily declined from the high levels recorded in 2008/09, but the continued moderation in disposable income growth will weigh on the consumer's ability to service outstanding debt.

Gross domestic product (GDP) growth forecast for 2014 has been downgraded, with the International Monetary Fund (IMF) revising its growth forecast for the country down to 1,4% for 2014 from 1,7% previously. The National Treasury downgraded its forecast to 1,4% from 2,7% previously.

Inflation surprised on the downside in September this year, with the headline figure dipping to 5,9% from 6,4% in August, brought about by softer food inflation and a sharp drop in fuel prices.

If the rand holds relatively steady, inflation is expected to end the year just below the Reserve Bank's upper 6% limit. This softer trend is forecast to continue into the first half of 2015. Given that the Reserve Bank's Monetary Policy Committee has repeatedly indicated that future interest rate moves will be 'highly data dependent', there is perhaps more cause to temporarily pause its tightening cycle in interest rates.

Notwithstanding the weak economy and possible increases in interest rates the outlook remains relatively positive for Octodec.

The enlarged Octodec's forecast financial information for the 12 months ended 31 August 2015 is presented in Annexure 6 of the circular to shareholders dated 1 July 2014. The forecast shows distributable earnings of 187,4 cents per share. This must be read in conjunction with the assumptions set out therein together with the independent reporting accountants' report which is presented in Annexure 7 to the circular. The circular is available on the Octodec website. The most recent forecasted results reflect distributable earnings of 188,0 cents to 191,5 cents per share which represents an increase on the prior year of between 7% and 9%. A summary of the forecast financial information extracted from the circular is set out below. The financial information is aimed at disclosing the basis on which the forecast distribution was calculated. The financial information excludes adjustments for straight-line lease income, interest rate derivatives and other capital reserves as these are not taken into account for purposes of calculating the distribution.

Forecast 12 months ending 31 August 2015	R'000
Revenue	1 612 239
Operating costs	(745 722)
Net property income	866 517
Administrative costs	(70 161)
Operating profit	796 356
Investment income	14 754
– Interest received	2 656
– Associate	12 098
Operating profit before finance costs	811 110
Finance costs	(368 140)
Distributable earnings for the year	442 970
Shares in issue ('000)	236 403
Fully diluted distributable earnings (cents)	187,4

CORPORATE GOVERNANCE

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 investment, risk, social, ethics & remuneration committees

Sharon (51) holds various other directorships of unlisted companies including Premium, IPS and City Property. She has considerable experience in the property industry, as well as in legal-related property matters. Sharon is an attorney and a senior partner of Tugendhaft Wapnick Banchetti & Partners.

MZ Pollack
Qualification: CA(SA)
Date of appointment: 4 October 1994

Member of audit, investment, risk, social, ethics & 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, investment, risk, social, ethics & remuneration and nominations committees

Derek (63) 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, investment, risk, social, ethics & remuneration, and nominations committees

Gerard (60) 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 & remuneration and a member of the nominations committee

Pieter (67) has 45 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 upgrade and development of properties. He holds various other directorships of unlisted companies, including Premium, 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 (47) is also the financial director of Premium and IPS and is the chief financial officer 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.

Independent sub-committee

An independent sub-committee comprising the Octodec independent directors was formed for the purpose of considering and proposing the offer for the scheme shares effected by way of the Scheme of Arrangement in terms of section 114(1)(d) of the Act.

The following independent directors were appointed from 13 May 2014 to 3 September 2014:

MJ Holmes
Mike (76) is a chartered accountant and has over 50 years of banking and corporate finance experience. He previously served on the board of both Octodec and Premium from 1994 to 2012.

DL Rose
David (71) has over 30 years' experience in accounting, auditing, tax and management consultancy. After completing his chartered accountancy articles at Fisher Hoffman Levenberg in 1965, he stayed on with the partnership to become a partner in 1970. He was the managing partner of the Johannesburg office of Fisher Hoffman Sithole, and the chairman of the practice from 1991 to 1998. David has served as non-executive director for various JSE and AltX listed companies, and has also served on various board committees.

IH Stern
Ian (65) worked for three companies listed on the JSE until 1982, before joining the Ozz group of companies as its financial director. Ozz Limited was successfully listed on the JSE on 5 September 1984. In March 2003 Ozz Limited was sold to a consortium comprising Ethos Private Equity Fund IV, RMB Corvest Limited and Kagiso Ventures Proprietary Limited. Ian continued his role as financial director for a year after the buy-out before leaving to pursue other interests. Ian was appointed chairman of the board of KayDav Group Limited on 5 October 2007.

CORPORATE GOVERNANCE

CODE OF ETHICS

Octodec is committed to the highest ethical standards of business conduct. Our values (see page 37) demand 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.

APPLICATION OF KING III WITHIN OCTODEC

The board takes responsibility for the holistic application of the principles contained in King III without diluting Octodec's focus on sustainable performance. Where the board has deemed that recommended practices are not in the best interests of Octodec, this report follows King III in explaining the reasons for an alternative approach to and application of governance. While there has been no change in the areas where King III has not been applied, the board believes that acceptable processes are applied to support the spirit of the principle. A full report of our compliance with each of the King III principles is available on the Octodec website, www.octodec.co.za.

The following table sets out the principles where we do not comply fully, with a progress report or explanation:

Principle	Explanation
Shareholders should approve the company's remuneration policy	The remuneration philosophy of Octodec will be presented to shareholders to pass a non-binding advisory vote at Octodec's next annual general meeting. It is contained on page 83 of the integrated report
The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	A formal process to formulate a combined assurance plan has recently commenced
The board should determine the levels of risk tolerance	A recently developed risk management policy and plan has been considered by the risk committee and adopted by the board. Although certain responsibilities are delegated to committees, the board acknowledges that it is not discharged from its obligations regarding these matters
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Management is accountable to integrating risk management into the daily activities of Octodec and a suitably experienced chief risk officer has recently been appointed
The board should ensure that risk assessments are performed on a continual basis	A formal risk management process is currently being embedded in the group's annual business planning cycle and a formalised approach needs to be followed in evaluating risks and developing appropriate mitigation strategies
Compliance risk should form an integral part of the company's risk management process	Legislative and regulatory compliance is monitored by senior executive staff of City Property. An analysis of current and pending relevant legislation is currently under way and will in future be presented at each meeting of the board, audit, risk and the social, ethics & remuneration committees. Through Octodec's risk management framework, the risk management function identifies, assesses and responds to compliance risks
The board should delegate to management the implementation of an effective compliance framework and processes	Legislative and regulatory compliance is monitored by senior executive staff of City Property. An analysis of current and pending relevant legislation will shortly be presented at each meeting of the board, audit, risk and the social, ethics & remuneration committees and an effective compliance framework, yet to be drafted, would provide the board with assurances on the effectiveness of the controls and compliance with laws, rules, codes and standards
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Internal audit forms an integral part of the combined assurance model as one of many assurance providers. The annual assessment of the audit committee on the effectiveness of internal controls has been completed. The assessment of risk management remains outstanding
The board should delegate to management to proactively deal with stakeholder relationships	Although stakeholder relationships are proactively managed on an ongoing basis, a formal process has not yet been established to manage relationships with stakeholder groups
Sustainability reporting and disclosure should be independently assured	No independent assurance has been obtained in regard to the sustainability aspects of the integrated report. The integrated report has been approved by the audit committee and the board

MEMORANDUM OF INCORPORATION

Various amendments to Octodec's memorandum of incorporation (MOI) were tabled and adopted at the general meeting of shareholders held on 31 July 2014. The main purpose of these amendments was to give effect to the various special resolutions which were passed at the general meetings held on 31 July 2014 and notably, to make provision for compliance by the company with the provisions of section 25BB of the Income Tax Act and the requirements set by the JSE for the company to qualify as a REIT.

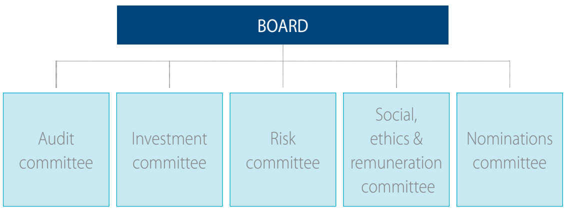
BOARD OF DIRECTORS

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.

Board governance structure

The diagram below illustrates the distribution of responsibilities among the different governance parties within the Octodec group. This is the mechanism through which the group monitors the implementation of strategy, policies and performance.



There were a few changes to the composition of the board during the year under review.

On 1 October 2013, Gerard 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.

Further to the joint cautionary announcement released on the Stock Exchange News Service (SENS) on 7 April 2014, relating to the proposed merger of Premium and Octodec (the proposed merger), shareholders were advised that Mike Holmes, David Rose and Ian Stern had been appointed to the Octodec board as independent non-executive directors with effect from 13 May 2014, to form an independent sub-committee which had been established for the purpose of considering the proposed merger. Their appointment to the Octodec board was for the period 13 May 2014 until the effective date of the transaction. Shareholders are referred to the announcement dated 4 September 2014 in which Octodec shareholders were informed that the transaction had been approved by the Competition Tribunal on 3 September 2014, and that all the conditions precedent relating to the transaction had been fulfilled. Mike Holmes, David Rose and Ian Stern's appointments came to an end with effect from 3 September 2014. The board of Octodec thanks them most sincerely for serving on the board and independent sub-committee and for their contributions to the successful conclusion of the transaction.

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
- Overseeing Octodec's disclosure and communication process

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

To avoid conflicts 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.

CORPORATE GOVERNANCE

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 2014, it convened 10 times.

Summary attendance table of board and board committee meetings during the financial year ended 31 August 2014

Director	Board	Strategy	Independent sub-committee	Audit	Risk	Social, ethics & remuneration	Nominations
S Wapnick	10	1		4#	2	2	1
DP Cohen	10	1		4	2	2	1
MJ Holmes***	5		1				
GH Kemp*	10	1		4	1	1	
MZ Pollack**	9	1		3	2	2	1
DL Rose***	5		1				
AK Stein	10	1		4#	2	2#	1#
IH Stern***	5		1				
PJ Strydom	10	1		4	2	2	1
JP Wapnick	10	1		4#	2	2#	1#

\# *By standing invitation*

* *Appointment effective from 1 October 2013*

** *Tendered apologies for the audit committee meeting held on 25 June 2014 and the board meeting held on 27 June 2014*

*** *Appointment effective from 13 May 2014 to 3 September 2014*

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 at 31 August 2014 appear on page 78 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 shareholders at the first general meeting 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 provides training for directors, when required, and arranges property site visits.

Rotation and retirement from the board

In terms of the company's MOI, and to facilitate continuity of the board, one-third of the non-executive directors are subject to retirement by rotation and re-election by shareholders 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 reappointment. The directors retiring by rotation at the forthcoming AGM are Sharon Wapnick, Derek Cohen and Pieter Strydom. All directors, excluding the executive directors, are subject to retirement and re-election by shareholders.

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 roles of the managing director and chairman 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 2014.

In line with the recommendations of King III, a detailed self-assessment of the performance of the board and its committees was conducted in 2014 and the results thereof were considered 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 roles and responsibilities and had discharged its responsibility to the company, shareholders 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. Pieter Strydom, Derek Cohen and Gerard Kemp are independent according to the King III definition. Sharon 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%. In the circumstances and as per the recommendations of King III, the board appointed Derek Cohen as lead independent director on 13 December 2011. Myron Pollack is also not considered independent in terms of the King III definition by virtue of his material shareholding.

REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

The board has considered the King III recommendation that non-executive directors' fees should comprise a base fee and an attendance fee per meeting. It is the board's continuing belief that the fees paid to non-executives should recognise the responsibilities of the directors to provide input on an ongoing basis throughout the year and not just confined to attendance at meetings.

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 shareholders from time to time at the AGM in accordance with the Act.

Disclosure of remuneration

The retainer and the meeting fee is subject to review every year by the social, ethics & remuneration committee as well as the Octodec board and is presented to shareholders for approval. Directors are not entitled to receive any remuneration or company benefits (including pension schemes or share arrangements) other than the retainer and meeting fees. Non-executive directors only receive remuneration that is due to them as members of the board. Directors serving as members on board sub-committees receive additional remuneration. This aligns with prevailing best practice.

Details of directors' fees and remuneration are fully disclosed in note 36 to the financial statements. The social, ethics & remuneration committee recommends no change to either the annual fee structure or fees for the period 1 September 2015 to 31 August 2016 which details are set out on page 136 in the notice of the AGM forming part of this report.

Remuneration of executive directors in their capabilities as executive members of the management team is fully disclosed in note 36 to the financial statements.

Our social, ethics & remuneration committee meets half-yearly and its mandate includes:

- Ensuring alignment of the remuneration strategy and policy with the group's business strategy, and desired culture, shareholders' interests and commercial well-being
- Determining remuneration packages needed to attract, retain and motivate high performing executives without paying more than is necessary for this purpose
- Ensuring that remuneration levels relative to other comparable companies are pitched at the desired level taking relative performance into account
- Ensuring adequacy of retirement and healthcare funding for senior executives
- Communicating remuneration policies and strategic goals and objectives to all stakeholders

Independent external studies and industry comparisons are used to ensure that the board and committee members are fairly remunerated.

CORPORATE GOVERNANCE

Remuneration, strategy and development process

Octodec's remuneration policy, approach, retention policy and incentive schemes were aligned with our business objectives through a consultative process. Our primary remuneration philosophy is to employ and retain high-calibre, high-performing individuals who subscribe to our shared values and the culture of our company. Our key aim is to motivate our employees and align their behaviour with our business objectives and our shared values.

Retention policy

Our retention policy provides mechanisms that allow us to identify the type of potential employees we need to attract in terms of the skills we require and the type of employees we need to retain. The policy assists us to proactively identify retention risks at supervisory level and above, and ensures that critical resources are remunerated at market levels.

COMPANY SECRETARY

The board is cognisant of the duties of the company secretary and has access to the advice and services of the company secretary who ensures that board procedures and relevant regulations are fully adhered to.

The company secretary is not a director of the company, but the directors have unlimited access to the advice and services of the company secretary.

City Property is the appointed company secretary and is represented by Elize Greeff (Blur, LLB). Elize has more than 19 years' experience as a company secretary and corporate lawyer and is 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 representative of City Property is appropriately qualified, competent and experienced to fulfil this function. As City Property is a related party and manages the group's property and unlisted investment portfolios and over which influence is exercised by Jeffrey Wapnick, an arm's length relationship between City Property and the board of directors during the year under review has not been established. The contact details of the company secretary are disclosed on page 142. The company secretary acts as secretary for the board committees and the subsidiaries of the group.

The certificate required to be signed in terms of section 88 of the Act appears on page 87 of the annual financial statements.

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 addresses 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. On 27 June 2014 the new investment committee was established. In addition, the social, ethics & remuneration 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 and investment 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 their 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:

- Pieter Strydom (chairman)
- Derek Cohen
- Gerard Kemp
- Myron Pollack

During most of the financial year, the audit committee comprised three independent non-executive directors and one non-executive director. Following the appointment of Gerard Kemp as an additional independent director and member of the audit committee on 1 October 2013, the board is satisfied that the majority of members as proposed for approval by shareholders 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, and 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 interim and annual financial statements and all other widely distributed documents
- Accounting policies of the group and proposed revisions
- Compliance with applicable legislation, and 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
- 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 shareholders 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 shareholders. 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, observe 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 89 of this integrated report.

Risk committee

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

- Pieter Strydom (chairman)
- Derek Cohen
- Gerard Kemp
- Peter Kruger (chief risk officer)
- Myron Pollack
- Anthony Stein
- Jeffrey Wapnick
- Sharon 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 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, Peter 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
- Ensure that risk management arrangements are based on generally accepted risk management practices that enhance value for all stakeholders

CORPORATE GOVERNANCE

Social, ethics & remuneration committee

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

- Pieter Strydom (chairman)
- Derek Cohen
- Gerard Kemp
- Myron Pollack
- Sharon Wapnick

The committee had its first and second meetings on 17 September 2013 and 4 February 2014, respectively. 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 Cooperation 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
- The company practises labour and employment policies that comply with the terms of the International Labour Organisation (ILO) protocol on decent work and working conditions
- The company ensures the continued training and skills development of its employees
- 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

Nominations committee

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

- Sharon Wapnick (chairman)
- Derek Cohen
- Gerard Kemp
- Myron Pollack
- Pieter 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.

Investment committee

A separate investment committee was formed on 27 June 2014 as the mandate of the entire board previously included acquisitions, disposals, developments and finance. The main responsibility and duty of the committee is to ensure that investments, disposals, acquisitions, major upgrades, developments are in line with the company's overall strategy:

- Derek Cohen
- Gerard Kemp
- Myron Pollack
- Pieter Strydom
- Sharon Wapnick

RESPONSIBILITY FOR THE AUDITED ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are required by the 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 Financial Reporting 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 and company's cash flow forecast for the year to 31 October 2015 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 87 to 123, which have been prepared on the going concern basis, were approved by the board of directors on 26 November 2014 and were signed on their behalf by:

S Wapnick	**JP Wapnick**
Chairman	*Managing director*

3 December 2014
Pretoria

PREPARATION OF 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.

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 No 71 of 2008, as amended, 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 2014
Pretoria

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF OCTODEC INVESTMENTS LIMITED

We have audited the consolidated and separate financial statements of Octodec Investments Limited set out on pages 94 to 123, which comprise the statements of financial position as at 31 August 2014, 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 2014, and its consolidated and separate financial performance and its consolidated and separate 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 2014, 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 2014

AUDIT COMMITTEE REPORT

BACKGROUND

The audit committee is pleased to present this report on its activities during the financial year ended 31 August 2014.

The committee was established in line with the requirements of the 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. It provides a forum for discussing business risk and control issues for developing recommendations for consideration by the board, overseeing the activities of internal and external audit, and performs duties that are attributed to it by the Act.

The committee has evaluated the group's and company's annual financial statements for the year ended 31 August 2014 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 2014 were not in all material aspects satisfactory.

MEMBERSHIP

The committee comprises Pieter Strydom (chairman), Derek Cohen, Gerard Kemp and Myron Pollack. Gerard Kemp was appointed to the committee on 1 October 2013. Three of the four 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 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 the nature of each non-audit engagement is reviewed by the committee.

The committee, in consultation with executive management, agreed to an audit fee for the 2014 financial year. The fee is considered appropriate for the work that was done. Audit fees are disclosed in note 20 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 2015 financial year, and Patrick Kleb as the designated lead auditor. He will replace Minnesh Ajoodha and this will be his first 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, Anthony Stein, has the appropriate expertise and experience to meet the responsibilities of this position and confirmed his suitability for appointment as financial director in terms of the JSE Listings Requirements.

AUDIT COMMITTEE REPORT *CONTINUED*

COMMITTEE ACTIVITIES

In the financial year ended 31 August 2014, 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 Minnesh 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 Act and any other legislation relating to the appointment of auditors;
- Reviewed the external audit reports and management letters;
- Considered and satisfied itself that other services provided by the external auditors were not significant 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; and
- 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 2014 and considered that they comply in all material aspects with the requirements of the Act and International Financial Reporting Standards. The committee 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 shareholders with an independent opinion on page 88 on whether the annual financial statements for the year ended 31 August 2014 fairly present, in all material respects, the financial results for the year and the position of the company and the group at 31 August 2014.

P.J. Strydom

Pieter Strydom
Chairman
Audit committee

3 December 2014

REPORT OF THE DIRECTORS
as at 31 August 2014

TO THE SHAREHOLDERS OF OCTODEC INVESTMENTS LIMITED
The directors have pleasure in submitting their report for the year ended 31 August 2014.

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
The authorised share capital comprises 500 000 000 shares of no par value (2013: 150 000 000 units of 1 cent each).

On 6 December 2013, 9 122 981 linked units were issued to City Property pursuant to the purchase by IPS of City Property's shares in IPS for a cash consideration of R127,5 million and the repayment of City Property's loan in IPS of R48,1 million.

The increase in the authorised share capital as well as the conversion of the par value shares to ordinary shares of no par value was approved on 31 July 2014.

The conversion of all linked units to shares was approved at a general meeting of shareholders and debenture holders on 31 July 2014.

At 31 August 2014 there were 117 347 898 shares (2013: 108 224 917 units) in issue, each comprising one ordinary share of no par value (2013: 1 unit of 1 cent each).

EVENTS AFTER THE REPORTING DATE
There have been no subsequent events that require reporting other than the acquisition of all the linked units in Premium Properties Limited that the group did not already own effective 1 September 2014 and the issue of 119 055 519 shares as consideration for the linked units purchased.

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, except for the acquisition of an additional 10% shareholding in the associate IPS Investments Proprietary Limited on 6 December 2013.

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 133.

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

	OCTODEC GROUP	
	2014 R'000	2013 R'000
Operating profit	**247 426**	226 560
Fair value adjustment of investment properties	**125 101**	131 501
Fair value adjustment of interest rate derivatives	**(15 790)**	35 214
Amortisation of debenture premium	**25 006**	21 054
Profit on sale of investment properties	**44**	15
Investment and other income	**225 594**	77 781
Profit from ordinary activities before finance costs	**607 381**	492 125
Finance costs (excluding debenture interest)	**(125 665)**	(110 638)
Profit before debenture interest	**481 716**	381 487
Debenture interest	**(103 454)**	(169 718)
Profit before taxation	**378 262**	211 769
Taxation	**7 926**	171 690
Profit for the year	**386 188**	383 459
Other comprehensive income for the year	**39 879**	18 792
Total comprehensive income for the year attributable to shareholders/linked unitholders	**426 067**	402 251

DISTRIBUTION TO SHAREHOLDERS/UNITHOLDERS (CENTS)

	DIVIDEND		INTEREST		TOTAL	
	2014	2013	**2014**	2013	**2014**	2013
Interim	**0,44**	0,39	**88,16**	78,31	**88,60**	78,70
Final	**87,10**	0,39	**–**	78,51	**87,10**	78,90
	87,54	0,78	**88,16**	156,82	**175,70**	157,60

REPORT OF THE DIRECTORS *CONTINUED*

as at 31 August 2014

DIRECTORS' REMUNERATION (RAND)

	TOTAL 2014	2013
S Wapnick (Chairman)	**550 000**	500 000
S Wapnick (Chairman 2012)	**–**	73 333
DP Cohen (Lead independent director)	**286 000**	260 000
GH Kemp (Appointed 1 October 2013)	**262 167**	–
MZ Pollack	**286 000**	260 000
AK Stein	**286 000**	260 000
PJ Strydom	**286 000**	260 000
JP Wapnick	**286 000**	260 000
MJ Holmes	**189 030**	–
DL Rose	**189 030**	–
I Stern	**189 030**	–
	2 809 257	1 873 333

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's business in relation to their employment at City Property for the year ended 31 August 2014.

	2014 Salary	2014 Pension fund contributions	2014 Total	2013 Salary	2013 Pension fund contributions	2013 Total
AK Stein	**1 272 910**	**22 611**	**1 295 521**	944 440	23 876	968 316
JP Wapnick	**1 963 477**	**–**	**1 963 477**	1 963 478	–	1 963 478
S Wapnick	**157 140**	**–**	**157 140**	99 840	–	99 840
	3 393 527	**22 611**	**3 416 138**	3 007 758	23 876	3 031 634

DIRECTORS' SHAREHOLDING

The beneficial and non-beneficial interest held by the directors in the company at 31 August 2014 amounted to:

2014	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total	%
MJ Holmes	**689**	**80 000**	**35 000**	**115 689**	**0,1**
MZ Pollack	**330 333**	**–**	**694 533**	**1 024 866**	**0,9**
AK Stein	**97 565**	**190 435**	**72 718**	**360 718**	**0,3**
JP Wapnick	**20 000**	**6 701 439**	**12 573 299**	**19 294 738**	**16,4**
S Wapnick	**19 920**	**6 701 439**	**8 059 829**	**14 781 188**	**12,6**
	468 507	**13 673 313**	**21 435 379**	**35 577 199**	**30,3**

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

CHANGES IN DIRECTORS' SHAREHOLDING AFTER YEAR-END

There have been no changes in directors' shareholding from reporting date to signing of the annual financial statements other than the issue of 119 055 519 shares relating to the purchase of all linked units of Premium Properties Limited that the group did not already own. Premium unitholders received 88,5 Octodec shares for every 100 Premium linked units held. The shares issued to the directors are as follows:

	Direct beneficial	Indirect beneficial	Total
MJ Holmes	885	131 378	132 263
MZ Pollack	137 254	1 356 049	1 493 303
AK Stein	74 719	117 609	192 328
JP Wapnick	15 930	13 552 251	13 568 181
S Wapnick	17 063	12 899 957	12 917 020
	245 851	28 057 244	28 303 095

VALUATION OF PORTFOLIO

Octodec's property portfolio was valued by the directors in an amount of R3,508 billion (2013: R3,257 billion) as at 31 August 2014. In anticipation of the merger between Octodec Investments Limited and Premium Properties Limited, independent valuations were obtained for all of the properties in the portfolio by independent external valuers on 28 February 2014.

The valuation of the portfolio by external valuers Van Zyl Valuers and Amanda de Wet as at 28 February 2014 was 1,94% less (2013: 2,1% more) 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 share is 2 462 cents (2013: 2 233 cents per linked unit). After adding back the provision for deferred taxation of R7,1 million (2013: R14,9 million), the net asset value is 2 468 cents (2013: 2 247 cents) per share/linked unit. The closing price per share/linked unit at 31 August 2014 was 2 106 cents (2013: 1 966 cents).

CORPORATE GOVERNANCE

The board endorses the contents of King III.

AUDITORS

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

COMPANY SECRETARY

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

PO Box 15
Pretoria, 0001

STATEMENT OF FINANCIAL POSITION

as at 31 August 2014

		GROUP		COMPANY	
	Notes	2014 R'000	2013 R'000	2014 R'000	2013 R'000
ASSETS					
Non-current assets		**4 588 352**	3 971 862	**2 743 468**	2 354 960
Investment properties	2	**3 428 348**	3 168 970	**891 679**	819 377
Operating lease assets	3	**43 159**	45 726	**12 500**	13 295
Plant and equipment	4	**3 677**	6 525	**120**	174
Lease costs capitalised	5	**33 181**	35 565	**2 442**	2 523
Derivative financial instruments	15	**–**	1 993	**–**	2 200
Listed investment	6	**405 698**	365 819	**405 698**	365 819
Investment in subsidiaries	7	**–**	–	**1 134 321**	1 055 422
Investment in associate	8	**674 289**	347 264	**296 708**	96 150
Current assets		**67 378**	50 982	**35 355**	21 367
Trade and other receivables	9	**62 510**	50 423	**30 474**	20 840
Taxation receivable		**–**	–	**34**	35
Cash and cash equivalents	10	**4 868**	559	**4 847**	492
Total assets		**4 655 730**	4 022 844	**2 778 823**	2 376 327
EQUITY AND LIABILITIES					
Share capital and reserves		**2 889 449**	1 796 757	**1 683 176**	794 983
Stated capital	11	**918 478**	123 699	**918 478**	123 699
Non-distributable reserves	12	**1 928 522**	1 635 501	**753 135**	674 815
Distributable reserves		**42 449**	37 557	**11 563**	(3 531)
Non-current liabilities		**1 284 832**	1 590 905	**700 530**	1 069 839
Debenture capital and premium	13	**–**	620 251	**–**	620 251
Long-term borrowings	14	**1 263 932**	955 717	**686 733**	449 588
Derivative financial instruments	15	**13 797**	–	**13 797**	–
Deferred taxation	16	**7 103**	14 937	**–**	–
Current liabilities		**481 449**	635 182	**395 117**	511 505
Trade and other payables	17	**91 359**	78 558	**26 242**	29 912
Bank overdraft	18	**–**	13 322	**–**	13 322
Short-term borrowings	14	**287 831**	458 304	**266 665**	383 304
Taxation liability		**49**	31	**–**	–
Shareholders/linked unitholders for distribution	29	**102 210**	84 967	**102 210**	84 967
Total equity and liabilities		**4 655 730**	4 022 844	**2 778 823**	2 376 327

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 August 2014

	Notes	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Revenue	19	**537 792**	506 670	**137 974**	133 726
Property operating costs		**(261 498)**	(254 820)	**(64 905)**	(57 720)
Net property income		**276 294**	251 850	**73 069**	76 006
Administrative expenses		**(28 868)**	(25 290)	**(26 086)**	(935)
Operating profit	20	**247 426**	226 560	**46 983**	75 071
Amortisation of debenture premium		**25 006**	21 054	**25 006**	21 054
Fair value adjustment of investment properties		**125 101**	131 501	**54 393**	34 191
Fair value adjustment of interest rate derivatives		**(15 790)**	35 214	**(15 996)**	34 686
Profit from operations		**381 743**	414 329	**110 386**	165 002
Profit on sale of investment properties		**44**	15	**44**	–
Income from investments	21	**39 001**	31 254	**37 668**	30 180
Income from associate	22	**186 593**	46 527	**60 123**	25 963
Income from subsidiaries	23	**–**	–	**152 366**	90 437
Profit from ordinary activities before finance costs		**607 381**	492 125	**360 587**	311 582
Finance costs	24	**(229 119)**	(280 356)	**(178 990)**	(225 019)
Profit before taxation		**378 262**	211 769	**181 597**	86 563
Taxation	25	**7 926**	171 690	**92**	64 085
Profit for the year		**386 188**	383 459	**181 689**	150 648
Other comprehensive income:					
Items that will not be reclassified to profit and loss:					
Gains on financial assets at fair value through other comprehensive income	6	**39 879**	18 792	**39 879**	18 792
Total items that will not be reclassified to profit or loss		**39 879**	18 792	**39 879**	18 792
Total comprehensive income for the year attributable to shareholders/linked unitholders		**426 067**	402 251	**221 568**	169 440

		Cents	Cents
Basic and diluted earnings per share	27	**336,4**	354,3
Basic and diluted earnings per linked unit	27	**–**	511,1

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2014

	Stated capital R'000	Non-distributable reserves R'000	Distributable reserves R'000	Total R'000
GROUP				
Balance as at 1 September 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)
Profit on sale of investment properties	–	15	(15)	–
Transfer to non-distributable reserves				
Fair value adjustments				
– Investment properties, net of deferred tax	–	333 171	(333 171)	–
– Associate, net of deferred tax	–	21 797	(21 797)	–
– Adjustment to valuation of listed investment, net of deferred tax at capital gains tax rate	–	18 792	(18 792)	–
– 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
Total comprehensive income for the year	**–**	**–**	**426 067**	**426 067**
Issue of new linked units	**863**	**–**	**–**	**863**
Reallocation of debenture premium to stated capital	**768 910**	**–**	**–**	**768 910**
Reallocation of deemed debenture premium	**25 006**	**–**	**(25 006)**	**–**
Dividends paid	**–**	**–**	**(103 148)**	**(103 148)**
Profit on sale of investment properties	**–**	**44**	**(44)**	**–**
Transfer to non-distributable reserves				
Fair value adjustments				
– Investment properties	**–**	**125 101**	**(125 101)**	**–**
– Associate	**–**	**143 787**	**(143 787)**	**–**
– Adjustment to valuation of listed investment	**–**	**39 879**	**(39 879)**	**–**
– Interest rate derivatives, net of deferred tax	**–**	**(15 790)**	**15 790**	**–**
Balance as at 31 August 2014	**918 478**	**1 928 522**	**42 449**	**2 889 449**
COMPANY				
Balance as at 1 September 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)
Transfer to non-distributable reserves				
Dividends received	–	7 135	(7 135)	–
Fair value adjustments				
– Investment properties, net of deferred tax	–	109 892	(109 892)	–
– Adjustment to valuation of listed investment, net of deferred tax at capital gains tax rate	–	18 792	(18 792)	–
– 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**
Total comprehensive income for the year	**–**	**–**	**221 568**	**221 568**
Issue of new linked units	**863**	**–**	**–**	**863**
Reallocation of deemed debenture premium	**25 006**	**–**	**(25 006)**	**–**
Transfer of debenture premium to stated capital	**768 910**	**–**	**–**	**768 910**
Dividends paid	**–**	**–**	**(103 148)**	**(103 148)**
Profit on sale of investment properties	**–**	**44**	**(44)**	**–**
Transfer to non-distributable reserves				
Fair value adjustments				
– Investment properties	**–**	**54 393**	**(54 393)**	**–**
– Adjustment to valuation of listed investment	**–**	**39 879**	**(39 879)**	**–**
– Interest rate derivatives, net of deferred tax	**–**	**(15 996)**	**15 996**	**–**
Balance as at 31 August 2014	**918 478**	**753 135**	**11 563**	**1 683 176**

STATEMENT OF CASH FLOWS

for the year ended 31 August 2014

	Notes	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Cash generated from/(utilised in) operating activities					
Cash generated from operations	28	**256 717**	232 308	**36 544**	57 975
Investment income		**99 125**	57 217	**249 270**	146 580
Finance costs		**(125 665)**	(110 638)	**(75 536)**	(55 301)
Debenture interest	29	**(188 421)**	(155 931)	**(188 421)**	(155 931)
Taxation paid/(received)	30	**110**	(99)	**93**	122
Dividends paid	29	**(938)**	(779)	**(938)**	(779)
Net cash generated from/(utilised in) operating activities		**40 928**	22 078	**21 012**	(7 334)
Cash utilised in investing activities					
Acquisition of investment properties, plant and equipment		**(136 427)**	(209 971)	**(20 059)**	(31 393)
– New acquisitions		**–**	(141 028)	**–**	–
– Additional developments		**(136 427)**	(68 943)	**(20 059)**	(31 393)
Lease costs		**(776)**	(16 108)	**(1 047)**	(3 312)
Proceeds on disposal of investment properties		**2 194**	6 650	**2 194**	–
Investment in and amounts advanced to subsidiaries		**–**	–	**(78 899)**	(184 620)
(Increase) in investments and loans to associates		**(200 558)**	(53 784)	**(200 558)**	(53 784)
Net cash utilised in investing activities		**(335 567)**	(273 213)	**(298 369)**	(273 109)
Cash generated from financing activities					
Issue of new linked units		**174 528**	–	**174 528**	–
Increase in long-term borrowings		**308 215**	128 594	**237 145**	31 177
Increase/(decrease) in short-term borrowings		**(170 473)**	141 869	**(116 639)**	268 548
Net cash generated from financing activities		**312 270**	270 463	**295 034**	299 725
Net increase in cash and cash equivalents		**17 631**	19 328	**17 677**	19 282
Cash and cash equivalents at the beginning of the year		**(12 763)**	(32 091)	**(12 830)**	(32 112)
Cash and cash equivalents at the end of the year	31	**4 868**	(12 763)	**4 847**	(12 830)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2014

1. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act No 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 annual financial statements incorporate the annual financial statements of the group and all investees which are controlled by the group.

The group has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

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, listed investments and on interest rate derivatives are similarly transferred to a non-distributable reserve as are reserves from associates.

1.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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 is classified as investment property. Operating lease payments, which are based on a percentage of rental income, are charged to the statement of profit and loss 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 a bi-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 in the statement of changes in equity.

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 profit and loss.

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.

1.6 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 other comprehensive income in the statement of profit and loss and other comprehensive income and transferred to non-distributable reserves in the statement of changes in equity until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in non-distributable reserves is included in the net profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

1. ACCOUNTING POLICIES *CONTINUED*

1.9 Financial instruments *(continued)*

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.

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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, 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.

1. ACCOUNTING POLICIES *CONTINUED*

1.10 Taxation *(continued)*

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 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.

1.13 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 determined by the directors after obtaining information 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. (Refer to note 2 for details)

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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

1. ACCOUNTING POLICIES *CONTINUED*

1.13 Critical estimates and judgements *(continued)*

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.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Management is required to make judgements and assumptions about the fair value of investment properties that are not readily apparent from other sources. The 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 determined taking into account the expected future rental that a particular building will generate capitalised at an appropriate yield that reflects the risk associated with the particular building.

1.14 Segmental reporting

Determination and presentation of operating segments

The group determines and presents operating segments based on information that is provided internally to the chief operating decision-maker, namely the chief financial officer.

Segment results that are reported to the chief operating decision-maker include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

On a primary basis the operations are organised into five major operating segments

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

The chief operating decision-maker however assesses each investment property on an individual basis in making decisions about its performance. Any capital expenditure relating to investment property will be accounted for as under note 1.3. (Investment properties) and will be shown separately under note 2 (Investment properties) of the financial statements.

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

1.15 Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not effected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

If the cost of the acquisition is less than the fair value of the net asset value of the subsidiary, the difference is recognised directly in the statement of profit and loss. 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. ACCOUNTING POLICIES *CONTINUED*

1.16 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.

1.17 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.

1.18 New standards and interpretations

1.18.1 Standards and interpretations adopted

		Effective for financial years commencing on or after
IFRS 3	Business Combinations	1 July 2014
IFRS 7	Financial Instruments: Additional Disclosures	1 January 2013
IFRS 8	Operating Segments	1 July 2014
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
IFRS 13	Fair Value Measurement	1 July 2014
IAS 1	Presentation of Financial Statements	1 January 2013
IAS 16	Property, Plant and Equipment	1 January 2013
IAS 19	Employee Benefits	1 January 2013
IAS 24	Related-party Disclosures	1 July 2014
IAS 27	Separate Financial Statements	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
IAS 32	Financial Instruments: Presentation	1 January 2013
IAS 34	Interim Financial Reporting	1 January 2013
IAS 36	Impairment of Assets	1 January 2014

1.18.2 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 2014 or later periods.

		Effective for financial years commencing on or after
IFRS 3	Business Combinations	1 July 2014
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
IFRS 7	Financial Instruments: Disclosures	1 January 2015 and 1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2014 and 1 January 2016
IFRS 11	Joint Arrangements	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16	Property, Plant and Equipment	1 July 2014 and 1 January 2016
IAS 27	Separate Financial Statements	1 January 2014 and 1 January 2016
IAS 28	Investments in Associates and Joint Ventures	1 January 2016
IAS 34	Interim Financial Reporting	1 January 2016
IAS 36	Impairment of Assets	1 January 2014
IAS 38	Intangible Assets	1 July 2014 and 1 January 2016
IAS 39	Financial Instruments: Recognition and Measurement	1 January 2015
IAS 40	Investment property	1 July 2014

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
2. INVESTMENT PROPERTIES				
Fair value				
Opening gross carrying value	**3 168 970**	2 834 133	**819 377**	753 793
Movement during the year:	**259 378**	334 837	**72 302**	65 584
Acquisitions and subsequent expenditure	**136 427**	209 971	**20 059**	31 393
Disposals	**(2 150)**	(6 635)	**(2 150)**	–
Fair value adjustment	**125 101**	131 501	**54 393**	34 191
	3 428 348	3 168 970	**891 679**	819 377

A register of investment properties is maintained at the company's registered office, which may be inspected by shareholders or their duly authorised agents.

Fair value information

The fair value of the group's investment property as at 31 August 2014 was arrived at on the basis of a valuation technique using a net income capitalisation method, carried out 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% (2013: 6,7%) and 14% (2013: 14%) with a weighted annual average of 9,3% (2013: 9,6%).

The other key input used in the valuation calculation is the long-term net operating income margin of which the expense ratio, is the significant unobservable input. The range of the expense ratios used, was from 5,8% to 57,4% with a weighted average of 24%.

Relationship of unobservable inputs to fair value

An increase of 1% in the capitalisation rate, while holding all other variables constant, would result in a decrease in the carrying amount of investment property by R344 million. A decrease of 1% in the capitalisation rate, while holding all other variables constant, would result in an increase in the carrying amount of investment property of R418 million.

An increase of 1% in the weighted average of the expense ratios used to calculate the long-term net operating income margin, while holding all other variables constant, would result in a decrease in the carrying amount of investment property of R27 million. A decrease of 1% in the weighted average of the expense ratio used to calculate the long-term net operating income margin, while holding all other variables constant, would result in an increase in the carrying amount of investment property of R67 million.

Fair value hierarchy

The fair value hierarchy reflects the significance of the inputs 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 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 are 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)

Investment properties have been categorised as a Level 3 and there have been no significant transfers made between Level 1, 2 or 3 during the year under review.

The investment properties are valued bi-annually and the valuations are determined by the directors.

In anticipation of the merger between Octodec Investments Limited and Premium Properties Limited, independent valuations were obtained for all 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 (Act 47 of 2000) and have extensive experience in commercial property valuations. The valuers' valuation at 28 February 2014 was 1,94% less (31 August 2013: 2,1% more) than the directors' valuation. The directors are confident, taking all factors into account, that their valuations represent fair market value.

None of the investment properties were externally valued at 31 August 2014.

The group has encumbered certain of its investment properties to secure mortgage loan facilities as set out in note 14. 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 124 to 129.

		GROUP		COMPANY	
		2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
3.	**OPERATING LEASE ASSETS**				
	Opening balance – straight-lining	**45 726**	44 788	**13 295**	11 186
	Net movement during the year	**(2 567)**	938	**(795)**	2 109
		43 159	45 726	**12 500**	13 295
4.	**PLANT AND EQUIPMENT**				
	Cost	**24 500**	24 500	**824**	824
	Accumulated depreciation	**(17 975)**	(14 618)	**(650)**	(587)
	Opening carrying value	**6 525**	9 882	**174**	237
	Movement during the year:				
	Depreciation charge net of disposals	**(2 848)**	(3 357)	**(54)**	(63)
	Cost	**24 500**	24 500	**824**	824
	Accumulated depreciation	**(20 823)**	(17 975)	**(704)**	(650)
	Closing carrying value	**3 677**	6 525	**120**	174
5.	**LEASE COSTS CAPITALISED**				
	Opening balance	**35 565**	28 159	**2 523**	1 305
	Additions	**776**	16 108	**1 047**	3 312
	Amortisation	**(3 160)**	(8 702)	**(1 128)**	(2 094)
		33 181	35 565	**2 442**	2 523
6.	**LISTED INVESTMENT**				
	Premium Properties Limited				
	22 247 115 linked units at cost (2013: 22 247 115 linked units at cost)	**220 313**	220 313	**220 313**	220 313
	Fair value adjustment	**185 385**	145 506	**185 385**	145 506
		405 698	365 819	**405 698**	365 819
	Market valuation at 31 August 2014	**405 698**	365 819	**405 698**	365 819

As Octodec Investment Limited owns 14% of total shareholding in Premium Properties Limited and is unable to direct the relevant activities of the investee, no significant influence is held over Premium Properties Limited. Premium Properties Limited is a property investment company deriving income from rentals of various properties in retail, commercial, industrial and residential sectors.

17 423 667 linked units (2013: 17 423 667 linked units) have been pledged to secure banking facilities granted to the group (see note 14).

Fair value information

The fair value of the listed investment is calculated using the quoted bid price in an active market and the measurement is categorised as a Level 1 in fair value hierarchy per definition in note 2. There have been no significant transfers between Level 1, 2 or 3 during the year under review.

The quoted bid price used to perform the calculation was R19,05 per linked unit (2013: R17,10) less income accrued for dividends and interest of R18 109 152 (2013: R14 607 455).

		COMPANY	
		2014 R'000	2013 R'000
7.	**INVESTMENT IN SUBSIDIARIES**		
	Shares at cost	**33 069**	33 069
	Net amounts due by subsidiaries	**1 101 252**	1 022 353
	Amounts due by subsidiaries	**1 102 741**	1 023 247
	Amounts owed to subsidiaries	**(1 075)**	(34)
	Impairment	**(414)**	(860)
		1 134 321	1 055 422

A schedule of the company's interest in subsidiaries is fully set out on page 133.

The aggregate net profits after tax of subsidiaries amounts to R160 571 866 (2013: R213 087 381). 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 14).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*
for the year ended 31 August 2014

		GROUP		COMPANY	
		2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
8.	**INVESTMENT IN ASSOCIATE**				
	Equity accounted				
	Cost of investment	**1**	1	**1**	1
	Loans to associate	**296 707**	96 149	**296 707**	96 149
	Reserves since acquisition	**377 581**	251 114	**–**	–
		674 289	347 264	**296 708**	96 150

Summarised financial information of associate (100%) as at 31 August 2014

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

	GROUP	
	2014 R'000	2013 R'000
Assets		
Non-current	**2 202 954**	1 700 277
Investment properties	**2 033 708**	1 471 896
Operating lease assets	**11 428**	10 590
Plant and equipment	**1 312**	1 518
Lease costs capitalised	**6 562**	8 457
Investment in joint ventures	**149 944**	207 816
Current	**30 010**	5 442
Accounts receivable	**12 734**	5 436
Bank balances and cash	**17 276**	6
	2 232 964	1 705 719
Equity and liabilities		
Equity capital and reserves	**755 162**	627 783
Share capital	**2**	2
Non-distributable reserves	**748 660**	602 319
Distributable reserves	**6 500**	25 462
Non-current liabilities	**1 365 658**	1 020 423
Shareholder loan accounts	**593 415**	240 379
Mortgage bonds	**718 075**	628 278
Derivative financial instruments	**4 906**	2 545
Deferred taxation	**49 262**	149 221
Current liabilities	**112 144**	57 513
Accounts payable	**45 029**	43 693
Bank overdraft	**15 635**	13 820
Short-term borrowings	**51 480**	–
	2 232 964	1 705 719
Results of operations – 12 months ended 31 August 2014		
Rental income	**206 761**	158 557
Net income before interest	**135 725**	109 746
Interest	**(45 228)**	(43 396)
Taxation	**–**	(530)
Distributable profit for the period	**90 497**	65 820

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:	50% (2013: 40%)
Principal activity:	Property investment company, deriving income from rentals and income from joint ventures
Financial year-end:	31 August (2013: 28 February)

Investment in associate is accounted for using the equity method.

As a result of a share buy back by the associate the effective interest of Octodec increased from 40% to 50% on 6 December 2013.

		GROUP	
		2014 R'000	2013 R'000
8.	**INVESTMENT IN ASSOCIATE** *CONTINUED*		
	Reconciliation of the above summarised financial information to carrying amount of the interest in associate		
	Net assets of the associate	**755 162**	**627 783**
	Loan to associate	**593 415**	**240 379**
		1 348 577	**868 162**
	Proportion of the group's interest in the associate	**50%**	**40%**
	Carrying amount of the group's interest in associate	**674 289**	**347 264**

		GROUP		COMPANY	
		2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
9.	**TRADE AND OTHER RECEIVABLES**				
	Net trade receivables	**7 078**	6 867	**1 266**	1 799
	Trade receivables	**12 429**	12 349	**2 584**	4 011
	Less: Provision for impairment	**(5 351)**	(5 482)	**(1 318)**	(2 212)
	Debenture interest receivable from listed investment	**18 109**	14 607	**18 109**	14 607
	Sundry debtors – Municipality	**14 705**	–	**6 613**	–
	Payments in advance	**6 010**	–	**4 272**	–
	Sundry receivables	**16 608**	28 949	**214**	4 434
		62 510	50 423	**30 474**	20 840

All trade and other receivables are short term in nature. The carrying amount of trade receivables is considered a reasonable approximation of fair value. Trade and other receivables have been categorised as a Level 2 and there have been no significant transfers made between Level 1, 2 or 3 during the year under review. Interest is charged at prime plus 4% (2013:2%) on arrear balances if appropriate.

The group has provided fully for all receivables over 90 days and the balance 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 R7 078 525 (2013: R6 866 940) ((company: R1 265 938) (2013: R1 799 405)), 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 350 696 (2013: R5 481 884) ((company R1 318 154 (2013: R2 212 204)) has been recorded accordingly.

		GROUP		COMPANY	
		2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
	The age analysis of trade receivables outstanding and not provided for is as follows				
	30 days or less	**5 475**	4 907	**872**	1 220
	More than 30 days and less than 60 days	**1 252**	1 728	**331**	579
	More than 60 days and less than 90 days	**351**	232	**63**	–
		7 078	6 867	**1 266**	1 799
	Reconciliation of provision for impairment of trade and other receivables				
	Opening balance	**5 482**	6 032	**2 212**	621
	Additional provisions for the year	**8 254**	4 882	**2 284**	2 006
	Amounts written off as uncollectable	**2 474**	666	**1 033**	64
	Provisions reversed during the year	**(10 859)**	(6 098)	**(4 211)**	(479)
		5 351	5 482	**1 318**	2 212
10.	**CASH AND CASH EQUIVALENTS**				
	Cash and cash equivalents consist of:				
	Cash on hand and bank balances	**1 081**	559	**1 060**	492
	Cash and cash equivalents held by the entity that are not available for use by the group:				
	Tenant deposits	**3 787**	–	**3 787**	–
		4 868	559	**4 847**	492

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

		GROUP		COMPANY	
		2014 R'000	2013 R'000	2014 R'000	2013 R'000
11.	**STATED CAPITAL**				
	Authorised				
	500 000 000 ordinary shares of no par value (2013: 150 000 000 shares of one cent each)	**500 000**	1 500	500 000	1 500
	Issued				
	117 347 898 ordinary shares of no par value (2013: 108 224 917 units of one cent each)	**1 171**	1 081	1 171	1 081
	Opening balance	**1 081**	1 081	1 081	1 081
	Issue of 9 122 981 ordinary shares of no par value	**90**	–	90	–
	Share premium	**917 307**	122 618	917 307	122 618
	Opening balance	**122 618**	101 564	122 618	101 564
	Transfer of debenture capital premium to stated capital	**768 910**		768 910	
	Premium on new issue	**778**	–	778	–
	New issue costs	**(5)**	–	(5)	–
	Transfer from distributable reserves	**25 006**	21 054	25 006	21 054
		918 478	123 699	918 478	123 699

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. All shares are fully paid.

During the year, the ordinary shares were converted to shares of no par value and the number of shares that the company authorised to issue increased from 150 million to 500 million ordinary shares.

During the year the linked units forming part of debenture capital and debenture premium were converted to stated capital (see note 13).

		GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
12.	**NON-DISTRIBUTABLE RESERVES**				
	Surplus on disposal of investment properties	**11 879**	11 835	**8 254**	8 210
	Fair value adjustments of investment property	**1 379 712**	1 254 611	**563 887**	509 494
	Fair value adjustments of interest rate derivatives	**(13 703)**	2 087	**(14 413)**	1 583
	Associate reserves	**362 362**	218 575	**–**	–
	Fair value adjustments of listed investment	**185 378**	145 499	**185 378**	145 499
	Acquisition of loan at a discount	**2 894**	2 894	**2 894**	2 894
	Dividends received from subsidiaries and associate	**–**	–	**7 135**	7 135
		1 928 522	1 635 501	**753 135**	674 815
13.	**DEBENTURE CAPITAL AND PREMIUM**				
	Debenture capital				
	(2013: 108 224 917) unsecured variable rate debentures of R2,09 each	**245 256**	226 189	**245 256**	226 189
	Opening balance	**226 189**	226 189	**226 189**	226 189
	New issue	**19 067**	–	**19 067**	–
	Debenture capital premium	**523 654**	394 062	**523 654**	394 062
	At issue date	**263 869**	263 869	**263 869**	263 869
	Premium on new issue	**404 227**	249 629	**404 227**	249 629
	Amortised premium	**(119 436)**	(98 382)	**(119 436)**	(98 382)
	Current year amortisation	**(25 006)**	(21 054)	**(25 006)**	(21 054)
	Transfer of debenture capital and premium to stated capital	**(768 910)**	–	**(768 910)**	–
		–	620 251	**–**	620 251

Until conversion on 31 July 2014: 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 capital structure of Octodec, whereby the linked units were converted to an all-equity structure, was approved at the meetings of shareholders and debenture holders on 31 July 2014.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
14. BORROWINGS				
14.1 Loans at amortised cost				
Secured loans				
(a) Nedbank Limited	**1 387**	1 388	**1 387**	1 388
The loan expiry date is February 2016. Interest is charged at 2,15% below the prime overdraft rate. The loan is secured by a pledge and cession of shares and loan accounts of certain subsidiaries as well as mortgage bonds over certain properties.				
(b) Nedbank Limited	**249 990**	250 000	**–**	–
The loan expiry dates are between May 2018 and October 2018. R100 million of the loan bears Interest at a fixed rate of 12,06% per annum until May 2018. R75 million of the loan bears interest at a fixed rate of 11,72% per annum until October 2018. The balance of R74.5 million of the loan bears interest at a variable rate of 1,79% below the prime overdraft rate per annum until October 2018. The loans are secured by mortgage bonds over various properties.				
(c) Nedbank Limited	**44 735**	43 516	**44 735**	43 516
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	**64 805**	62 785	**64 805**	62 785
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, a pledge and cession of shares in Premium Properties Limited and the shares of certain subsidiaries as well as their suretyships.				
(e) Nedbank Limited	**11 262**	11 249	**11 262**	11 249
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.				
(f) Nedbank Limited	**69 000**	69 002	**69 000**	69 002
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.				
(g) Nedbank Limited	**53 241**	52 949	**–**	–
The loan expiry date is December 2015. Interest is charged at JIBAR plus 159 basis points. The loan is secured by mortgage bonds over various properties.				
(h) Nedbank Limited	**13 534**	82	**–**	–
The loan expiry date is August 2015. Interest is charged at 1,65% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.				
(i) Nedbank Limited	**11 782**	11 800	**11 782**	11 800
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 and a cession of shares of certain subsidiaries as well as their suretyships.				
(j) Nedbank Limited	**–**	91 788	**–**	91 788
The loan was consolidated into a new loan agreement in September 2013. Interest was charged at 2,15% below the prime overdraft rate. The loan was secured by mortgage bonds over various properties.				
(k) Nedbank Limited	**27 727**	28 770	**–**	–
The loan expiry date is June 2019. Interest is charged at 2% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.				

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
14. BORROWINGS *CONTINUED*				
14.1 Loans at amortised cost *(continued)*				
(l) 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.	**39 993**	39 994	**39 993**	39 994
(m) 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 and a pledge and cession of shares in Premium Properties Limited and the shares of certain subsidiaries.	**99 558**	99 243	**–**	–
(n) Nedbank Limited The loan was consolidated into a new loan agreement in November 2013. Interest was charged at 1,15% below the prime overdraft rate. The loan was secured by bonds over various properties.	**–**	47 943	**–**	47 943
(o) 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 mortgage bonds over various properties, a pledge and cession of shares in Premium Properties Limited and the shares of certain subsidiaries and suretyships.	**59 994**	59 995	**59 994**	59 995
(p) Nedbank Limited The loan expiry date is December 2015. Interest is charged at JIBAR plus 161 basis points. The loan is secured by mortgage bonds over various properties, a pledge and cession of shares in Premium Properties Limited and the shares of certain subsidiaries and suretyships.	**137 987**	137 991	**–**	–
(q) Nedbank Limited The loan expiry date is September 2018. Interest is charged at 1,77% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties, a pledge and cession of shares in Premium Properties Limited and the shares of certain subsidiaries and suretyships.	**192 072**	–	**192 072**	–
(r) Nedbank Limited The loan expiry date is December 2018. Interest is charged at 1,65% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties, a pledge and cession of shares in Premium Properties Limited and the shares of certain subsidiaries and suretyships.	**50 699**	–	**50 699**	–
(s) Nedbank Limited The loan expiry date is August 2015. Interest is charged at 2,15% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.	**7 632**	–	**–**	–
(t) Standard Bank of South Africa Limited The loan was consolidated into a new loan in May 2014. Interest was charged at 1,75% below the prime overdraft rate. The loan was secured by a mortgage bond over various properties.	**–**	12 071	**–**	12 071
(u) Standard Bank of South Africa Limited The loan was consolidated into a new loan in May 2014. Interest was charged at JIBAR plus 213 basis points. The loan was secured by a mortgage bond over various properties.	**–**	12 790	**–**	12 790
(v) Standard Bank of South Africa Limited The loan expiry date is October 2016. Interest is charged at 1,7% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties and guarantees from various subsidiaries.	**118 957**	40 015	**118 957**	40 015
(w) Standard Bank of South Africa Limited The loan expiry date is October 2016. Interest is charged at 1,45% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties and guarantees from various subsidiaries.	**62 040**	86 933	**62 040**	86 933
(x) Standard Bank of South Africa Limited The loan was consolidated into a new loan in June 2014. Interest was charged at JIBAR plus 246 basis points. The loan was secured by mortgage bonds over various properties.	**–**	22 209	**–**	22 209

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
14. BORROWINGS *CONTINUED*				
14.1 Loans at amortised cost *(continued)*				
(y) Investec Bank Limited The loan expiry date is 30 November 2014. Interest is charged at 1% below the prime overdraft rate. The loan is secured by suretyships of certain subsidiaries, mortgage bonds over various properties and pledge and cession of shares in Woodmead Value Mart Proprietary Limited.	**168 874**	141 572	**168 874**	141 572
(z) Investec Bank Limited The loan expiry date is 30 November 2014. Interest is charged at 1,06% below the prime overdraft rate. The loan is secured by suretyships of certain subsidiaries, mortgage bonds over various properties and a pledge and cession of shares in Woodmead Value Mart Proprietary Limited.	**57 798**	57 745	**57 798**	57 745
(aa) ABSA Bank Limited The loan expiry date is April 2017. R6,2 million of the loan bears interest at 1,5% below the prime overdraft rate, R1,9 million at 0,58% above the prime overdraft rate and the balance of R586 000 at 4,25% below the prime overdraft rate. The loan is secured by mortgage bonds over various properties.	**8 696**	12 094	**–**	–
Unsecured loan				
Vendor liability The loan expiry date was August 2015, but the loan was repaid in June 2014. Interest was charged at 6%.	**–**	20 097	**–**	20 097
	1 551 763	1 414 021	**953 398**	832 892
Repayable as follows:				
One to two years	**553 751**	187 877	**443 962**	50 122
Two to five years	**710 181**	664 070	**242 771**	399 466
More than five years	**–**	103 770	**–**	–
	1 263 932	955 717	**686 733**	449 588
Within one year	**287 831**	458 304	**266 665**	383 304
	1 551 763	1 414 021	**953 398**	832 892

The weighted average annual cost of borrowings taking the interest rate swaps into account was 8,7% (2013: 8,4%), which was 0,55% 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 66,1% (2013: 54,9%).

	2014 Book value R'000	2014 Fair value R'000	2013 Book value R'000	2013 Fair value R'000
14.2 Fair value of long-term loans				
Group				
Loans at fixed interest rates				
Nedbank Limited	**175 000**	**191 177**	250 000	266 870
Vendor liability	**–**	**–**	20 097	20 097
Loans at variable interest rates				
Nedbank Limited	**960 398**	**960 398**	758 495	758 495
Standard Bank of South Africa Limited	**180 997**	**180 997**	174 018	174 018
Investec Bank Limited	**226 672**	**226 672**	199 317	199 317
ABSA Bank Limited	**8 696**	**8 696**	12 094	12 094
	1 551 763	**1 567 940**	1 414 021	1 430 891
Company				
Loans at fixed interest rates				
Vendor liability	**–**	**–**	20 097	20 097
Loans at variable interest rates				
Nedbank Limited	**545 729**	**545 729**	439 460	439 460
Standard Bank of South Africa Limited	**180 997**	**180 997**	174 018	174 018
Investec Bank Limited	**226 672**	**226 672**	199 317	199 317
	953 398	**953 398**	832 892	832 892

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

14. BORROWINGS *CONTINUED*

14.2 Fair value of long-term loans *continued*

Fair value information

The valuation technique used to calculate the fair values of the fixed interest rate loans, was the discounted cashflow method.

Key inputs

The average annual discount rate used to discount the cash flows on the fixed interest loans was 9,05% (2013: 8,87%) based on the quoted swap rate at year-end for the loans with similar maturities. The average credit risk margin used was 1,34% (2013: 0,9%) based on the group's most recent fixed rate loan agreements with Nedbank Limited.

Fair value hierarchy

Long-term loans have been categorised as a Level 2 and there have been no significant transfers made between Level 1, 2 or 3 during the year under review.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
15. DERIVATIVE FINANCIAL INSTRUMENTS				
Net fair values of derivative (liabilities)/assets at the reporting date	**(13 797)**	1 993	**(13 797)**	2 200

Interest rate swaps

The notional principal amount of the outstanding contracts for the group at year-end was R850 million (2013: R515 million) and for the company R850 million (2013: R500 million).

Fair value information

The fair values of the interest rate swaps are determined on a mark-to-market valuation calculated by the various financial institutions with whom the swaps are held and then discounting the estimated future cashflows based on the terms and maturity of each contract and using the market interest rate indicated on the SA swap curve.

Definition of the 'interest rate curve": The interest rate curve is the SA swap curve which represents a benchmark interest rate curve for all JIBAR-related transactions in the market. JIBAR itself is a benchmark short-term interest rate and, as such, the swap curve gives a representation of future expectations of JIBAR. It is constructed using both short-dated financial instruments such as forward rate agreements, as well as longer-dated instruments such as swaps, where the movements in the curve are reflected through price changes of the underlying instruments.

Fair value hierarchy

Derivative financial investments have been categorised as a Level 2 and there have been no significant transfers made between Level 1, 2 or 3 during the year under review (refer to note 2 for definition of levels).

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
16. DEFERRED TAXATION				
The deferred tax liability arises from the following temporary differences:				
Tax losses created	**(12 100)**	(19 700)	**(3 774)**	(4 390)
Allowances	**19 203**	34 079	**3 774**	3 774
Fair value adjustments				
Interest rate derivatives	**–**	558	**–**	616
	7 103	14 937	**–**	–
The movement for the year was as follows:				
Opening balance	**14 937**	215 895	**–**	92 826
Charges to statement of comprehensive income/non-distributable reserves				
Tax loss created	**7 600**	14 406	**616**	1 778
Allowances	**(14 876)**	17 941	**–**	3 471
Fair value adjustments	**(558)**	(233 305)	**(616)**	(98 075)
Interest rate derivatives	**(558)**	9 860	**(616)**	9 712
REIT adjustment – listed investment	**–**	(28 954)	**–**	(28 955)
REIT adjustment – investment property	**–**	(214 211)	**–**	(78 832)
	7 103	14 937	**–**	–

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
17. TRADE AND OTHER PAYABLES				
Trade payables	**20 138**	21 408	**6 924**	11 107
Repairs and maintenance – work in progress	**5 993**	5 100	**2 763**	2 177
Commission and collection fees payable	**2 580**	968	**1 193**	959
Other payables	**62 648**	51 082	**15 362**	15 669
	91 359	78 558	**26 242**	29 912

The carrying amount of trade and other payables approximates their fair values. Trade and other payables have been categorised as a Level 2 and there have been no significant transfers made between Level 1, 2 or 3 during the year under review. 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.

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
18. BANK OVERDRAFT				
Bank overdraft	**–**	(13 322)	**–**	(13 322)

The group's overdraft is unsecured and bears interest at the prime overdraft rate. An overdraft facility of R20 000 000 (2013: R20 000 000) has been arranged and is reviewable on an annual basis.

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
19. REVENUE				
Rental income	**395 058**	363 101	**99 946**	92 795
Straight-line lease adjustment	**(2 567)**	938	**(796)**	2 109
Recoveries and other income	**145 301**	141 033	**38 824**	32 472
Rental income and recoveries	**537 792**	505 072	**137 974**	127 376
Management fees	**–**	1 598	**–**	6 350
	537 792	506 670	**137 974**	133 726
20. OPERATING PROFIT				
Net rental income from properties is arrived at after taking the following items into account:				
Auditors' remuneration				
Audit fee	**1 966**	1 838	**1 966**	1 838
Depreciation and amortisation				
Plant and equipment	**2 848**	3 357	**54**	63
Lease costs	**3 160**	8 702	**1 128**	2 094
Fees for services				
Administration fees	**18 882**	16 384	**18 882**	16 384
Collections fees	**32 168**	29 819	**8 150**	7 491
Commissions	**5 313**	4 359	**1 592**	1 522
Other				
Reversal of provision for losses in subsidiaries	**–**	–	**(414)**	(839)
Operating lease payment – leasehold property	**4 878**	4 637	**85**	–
Staff costs	**7 934**	6 502	**2 191**	1 390
Directors' emoluments	**2 242**	1 873	**2 242**	1 873
Total emoluments paid	**2 809**	1 873	**2 809**	1 873
Less: Capitalised to merger costs	**(567)**	–	**(567)**	–
Repairs and maintenance	**23 982**	19 810	**11 197**	7 085
Tenant installations	**6 078**	9 083	**32**	926
21. INCOME FROM INVESTMENTS				
Interest received				
Listed investment – Premium Properties Limited	**37 028**	29 670	**37 028**	29 795
Other	**1 973**	1 584	**640**	385
	39 001	31 254	**37 668**	30 180

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

		GROUP		COMPANY	
		2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
22.	**INCOME FROM ASSOCIATE**				
	IPS Investments Proprietary Limited				
	Management fees	**887**	–	**887**	–
	Interest received	**17 562**	5 163	**17 562**	5 163
	Dividends received	**41 674**	20 800	**41 674**	20 800
	Equity accounted earnings	**126 470**	20 564	**–**	–
	Share of earnings	**(17 317)**	19 567	**–**	–
	Share of revaluation reserve	**143 787**	997	**–**	–
		186 593	46 527	**60 123**	25 963
	Interest was received at an average annual rate of 7% (2013: 9%).				
23.	**INCOME FROM SUBSIDIARIES**				
	Dividends received	**–**	–	**82 128**	10 619
	Interest received	**–**	–	**70 238**	79 818
		–	–	**152 366**	90 437
24.	**FINANCE COSTS**				
	Interest on debentures	**103 454**	169 718	**103 454**	169 718
	Interest rate derivatives	**11 326**	11 306	**11 132**	10 827
	Loans and bank overdraft	**116 227**	101 155	**64 404**	45 897
	Less: Interest capitalised	**(1 888)**	(1 823)	**–**	(1 423)
		229 119	280 356	**178 990**	225 019
25.	**TAXATION**				
	South African normal taxation				
	Current	**(92)**	(314)	**(92)**	214
	Deferred taxation				
	Fair value adjustments – interest rate derivatives	**(558)**	(9 860)	**(616)**	(9 712)
	REIT adjustment – investment property	**–**	214 211	**–**	78 832
	Allowances	**(14 876)**	(17 941)	**–**	(3 471)
	Tax losses created	**7 600**	(14 406)	**616**	(1 778)
		(7 926)	171 690	**(92)**	64 085
	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	**(19,2)**	(30,2)	**(9,9)**	(14,9)
	Provisions and allowances	**(10,8)**	(2,6)	**(18,1)**	0,4
	Permanent differences	**–**	(95,2)	**–**	(87,5)
	Tax losses	**–**	18,9	**–**	
	Effective tax rate	**(2)**	(81,1)	**0**	(74,0)
26.	**MINIMUM FUTURE RENTALS RECEIVABLE**				
	Non-cancellable rental lease agreements				
	Less than one year	**289 468**	287 444	**141 703**	83 751
	Later than one year and not later than five years	**417 068**	451 080	**195 479**	133 461
	Later than five years	**71 738**	57 503	**65 130**	35 092
		778 274	796 027	**402 312**	252 304

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

27. EARNINGS PER SHARE/LINKED UNIT (CENTS)

The calculation of basic earnings per share/linked unit are based on net income attributable to shareholders/linked unitholders and the number of shares/linked units in issue during the year. The weighted number of shares/linked units in issue for the year under review was 114 798 462 (2013: 108 224 917).

	GROUP	
	2014 R'000	2013 R'000
Earnings – net profit after taxation	**386 188**	383 459
Adjusted for:		
Amortisation of deemed debenture premium	**(25 006)**	(21 054)
Profit on sale of investment properties	**(44)**	(15)
Fair value adjustments		
Associate	**(143 787)**	(21 797)
Investment properties	**(125 101)**	(131 501)
Deferred taxation	**–**	(201 670)
Headline earnings before debenture interest	**92 250**	7 422
Debenture interest	**103 454**	169 718
Headline earnings	**195 704**	177 140
	Cents	Cents
Basic and diluted earnings per share	**336,4**	354,3
Headline earnings per share	**170,5**	6,9
Basic and diluted earnings per linked unit	**–**	511,1
Headline earnings per linked unit	**–**	163,7

		GROUP		COMPANY	
		2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
28.	**CASH GENERATED FROM OPERATIONS**				
	Profit before taxation:	**378 262**	211 769	**181 597**	86 563
	Adjusted for:				
	Straight-lining lease adjustment	**2 567**	(938)	**795**	(2 109)
	Debenture interest	**103 454**	169 718	**103 454**	169 718
	Fair value adjustment of investment properties	**(125 101)**	(131 501)	**(54 393)**	(34 191)
	Fair value adjustment of interest rate derivatives	**15 790**	(35 214)	**15 996**	(34 686)
	Profit on disposal of investment properties	**(44)**	(15)	**(44)**	–
	Finance costs	**125 665**	110 638	**75 536**	55 301
	Amortisation of deemed debenture premium	**(25 006)**	(21 054)	**(25 006)**	(21 054)
	Income from investments and associate	**(225 594)**	(77 781)	**(249 270)**	(146 580)
	Depreciation and amortisation	**6 009**	12 059	**1 182**	2 157
	Operating income before working capital changes	**256 002**	237 681	**49 847**	75 119
	Increase in trade and other receivables	**(12 087)**	(9 838)	**(9 633)**	(333)
	Increase/(decrease) in trade and other payables	**12 802**	4 465	**(3 670)**	(16 811)
		256 717	232 308	**36 544**	57 975
29.1	**DEBENTURE INTEREST PAID**				
	Amounts unpaid at the beginning of the year	**84 967**	71 180	**84 967**	71 180
	Amounts charged to the statement of profit and loss and other comprehensive income	**103 454**	169 718	**103 454**	169 718
	Amounts unpaid at the end of the year	**–**	(84 967)	**–**	(84 967)
		188 421	155 931	**188 421**	155 931
29.2	**DISTRIBUTIONS PAID**				
	Amounts unpaid at the beginning of the year	**–**	–	**–**	–
	Amounts charged to the statement of profit and loss and other comprehensive income	**103 148**	779	**103 148**	779
	Amounts unpaid at the end of the year	**(102 210)**	–	**(102 210)**	–
		938	779	**938**	779
30.	**TAXATION PAID**				
	Amounts unpaid/(receivable) at the beginning of the year	**31**	(184)	**(35)**	57
	Amounts charged to the statement of comprehensive income	**(92)**	314	**(92)**	(214)
	Amounts (receivable)/unpaid at the end of the year	**(49)**	(31)	**34**	35
		(110)	99	**(93)**	(122)
31.	**CASH AND CASH EQUIVALENTS**				
	Cash at bank	**1 081**	559	**1 060**	492
	Tenant deposits	**3 787**	–	**3 787**	–
	Bank overdraft	**–**	(13 322)	**–**	(13 322)
		4 868	(12 763)	**4 847**	(12 830)

32. 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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

33. COMMITMENTS

33.1 Capital expenditure

The enlarged Octodec group has commitments of R669 895 227 (2013 Octodec: R56 631 379) in respect of capital expenditure relating to the redevelopment and acquisition of certain properties. These developments will be financed by way of existing bank facilities.

	GROUP	
	2014 R'000	2013 R'000
33.2 Operating lease commitments		
Within one year	**4 776**	4 608
Two to five years	**19 104**	18 432
More than five years	**85 968**	82 944
	109 848	105 984

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 periods.

34. RETIREMENT BENEFITS

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

35. FINANCIAL RISK MANAGEMENT

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

35.1 Capital management

The group'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 group as well as consideration of budgets and forecasts. There were no changes in the group's approach to capital management during the year.

Consistent with others in the industry, the group monitors gearing 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 14) 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	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Total borrowings (note 14)	**1 551 763**	1 414 021	**953 398**	832 892
Bank overdraft	**–**	13 322	**–**	13 322
Less: Cash and cash equivalents	**(4 868)**	(559)	**(4 847)**	(492)
Net debt	**1 546 895**	1 426 784	**948 551**	845 722
Total non-current assets	**4 588 352**	3 971 862	**2 743 468**	2 354 960
Loan to value ratio	**33,7%**	35,9%	**34,6%**	35,9%

Financial covenants

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

Nedbank 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 SA Limited

- The loan to value ratio 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 loan facilities, shall not be less than 2,0 times
- The ratio of earnings before net interest payable, taxation and any non-cash items to gross interest payable, shall not be less than 1,80 times

Investec Bank Limited

- The loan to value ratio shall not exceed 67%

ABSA Bank Limited

- The loan to value ratio shall not exceed 65%
- Formal valuations to be done every three years
- Rental arrears not to exceed 3% of gross annual income
- Vacancies and bad debts shall not exceed 5% of the gross annual income

The group complied with all financial covenants at year-end.

35. FINANCIAL RISK MANAGEMENT *CONTINUED*

35.2 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 standing and limits exposure to any one counter-party. 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 did not consider there to be any material credit risk exposure. The carrying amount of financial assets represents the maximum credit exposure.

35.3 Interest risk

At 31 August 2014 the group had borrowings of R1 551 763 000 (2013: R1 414 021 000) at various interest rates. The all-in weighted average cost of borrowings, including the cost of interest rate swaps, was at 8,7% per annum at 31 August 2014 (2013: 8,4% per annum) and 66,1% (2013: 54,9%) of borrowings at year-end were fixed. Interest rate trends are constantly monitored and appropriate steps taken to ensure the group's exposure to interest movements is managed. The policy is to reduce interest rate 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 2014, Octodec was exposed to changes to interest rates through bank borrowings. These borrowings were 33,9% (2013: 45,1%) of total borrowings. A breakdown of the borrowings is detailed in note 14.

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 obligations and the impact on post-tax profit. A 0,5% shift in interest rates would represent a maximum increase or decrease of R1 896 345 (2013: R2 264 128) in post-tax profits per annum. The calculations are done monthly to verify that the maximum loss potential is within limits.

	GROUP		COMPANY	
	Nominal amount R'000	All-in weighted average interest rate per annum %	Nominal amount R'000	All-in weighted average interest rate per annum %
Fixed rate borrowings expiry				
May 2018	100 000	12,06	–	–
October 2018	75 000	11,72	–	–
	175 000	11,91		
Variable rate borrowings before interest rate derivatives	1 376 763	7,50	953 398	7,40
Total borrowings	1 551 763	8,00	953 398	7,40

	GROUP		COMPANY	
	Amount R'000	Average all-in margin over/(below) variable rate per annum %	Amount R'000	Average all-in margin over/(below) variable rate per annum %
Interest rate derivatives maturity				
February 2017	150 000	1,60	150 000	1,60
August 2017	200 000	1,86	200 000	1,86
September 2017	50 000	1,56	50 000	1,56
January 2018	50 000	1,68	50 000	1,68
April 2018	100 000	(0,40)	100 000	(0,40)
May 2018	50 000	2,38	50 000	2,38
July 2018	200 000	1,43	200 000	1,43
August 2018	50 000	1,65	50 000	1,65
Total interest rate derivatives	850 000	1,44	850 000	1,44
Fixed rate borrowings	175 000		–	
Total fixed rate loans and interest rate derivatives	1 025 000		850 000	

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

	GROUP 2014		
	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
35. FINANCIAL RISK MANAGEMENT *CONTINUED*			
35.4 Cash flow interest rate risk			
Financial instrument			
Current interest rate	5% – 9,83%	11,72% – 12,06%	
Due in less than one year	106 485	34 320	140 805
Due in one to two years	112 518	34 320	146 838
Due in two to three years	114 378	32 405	146 783
Due in three to four years	117 599	16 751	134 350
Due in four to five years	133 306	–	133 306
Due in six to eight years	400 839	–	400 839

35.5 Liquidity risk

The group's risk to liquidity is reduced as a result of the funds available 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 balance sheet to the contractual maturity date. The amounts disclosed are the undiscounted cash flows.

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
Group 2014				
Borrowings	287 831	553 751	710 181	–
Trade and other payables	91 359	–	–	–
Taxation liability	49	–	–	–
Distribution to shareholders	102 210	–	–	–
Company 2014				
Borrowings	266 665	443 962	242 771	–
Trade and other payables	26 242	–	–	–
Distribution to shareholders	102 210	–	–	–
Group 2013				
Borrowings	458 304	187 877	664 070	103 770
Trade and other payables	78 558	–	–	–
Bank overdraft	13 322	–	–	–
Taxation liability	31	–	–	–
Distribution to unitholders	84 967	–	–	–
Company 2013				
Borrowings	383 304	50 122	399 466	–
Trade and other payables	29 912	–	–	–
Bank overdraft	13 322	–	–	–
Distribution to unitholders	84 967	–	–	–

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
35.6 Categories of financial instruments				
Financial assets				
Cash and bank balances	**4 868**	559	**4 847**	492
Fair value through profit or loss (FVTPL)				
Held for trading – Interest rate derivatives	**–**	1 993	**–**	2 200
Loans and receivables				
Trade and other receivables, excluding VAT	**62 510**	48 454	**30 474**	20 840
Available-for-sale financial assets				
Listed investment	**405 698**	365 819	**405 698**	365 819
Financial liabilities				
Cash and bank balances	**–**	13 322	**–**	13 322
Fair value through profit or loss (FVTPL)				
Held for trading – Interest rate derivatives	**13 797**	–	**13 797**	–
Loans and other financial liabilities at amortised cost				
Trade and other payables, excluding VAT	**89 836**	78 558	**25 323**	29 912
Shareholders/linked unitholders for distribution	**102 210**	84 967	**102 210**	84 967
Debenture capital and premium	**–**	620 251	**–**	620 251
Long-term borrowings	**1 263 932**	955 717	**686 733**	449 588
Short-term borrowings	**287 831**	458 304	**266 665**	383 304

36. RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to Octodec.

A person or a close member of that person's family is related to Octodec:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity.

Related parties where control existed during the year are as follows:

Directors: S Wapnick; DP Cohen; MJ Holmes; GH Kemp; MZ Pollack; DL Rose; AK Stein; I Stern PJ Strydom; JP 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, 19 and 22)
Premium Properties Limited (see notes 6 and 21)
Tugendhaft Wapnick Banchetti and Partners

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

36. RELATED PARTY TRANSACTIONS *CONTINUED*

36.1 City Property Administration Proprietary Limited

Related parties with whom the group transacted during the year:

Relationship:

A company which manages the group's property and unlisted investment portfolios and over which significant influence is exercised by 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	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
The following related party transactions took place in the group during the year under review:				
Type of transactions:				
Income				
Rent received	**5 023**	3 818	**–**	–
Expenditure				
Administration fees	**18 882**	16 384	**18 882**	16 384
Collection fees	**32 168**	29 819	**8 150**	7 491
Commissions paid	**4 392**	3 744	**1 470**	1 508
Investment property				
Commissions paid on sale and purchase of investment property and major improvements	**2 703**	4 906	**628**	1 080
Trade and other payables				
Creditor	**2 580**	968	**1 193**	959

36.2 Tugendhaft Wapnick Banchetti and Partners

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Relationship:				
A firm of attorneys which renders legal services and over which significant influence is exercised by S Wapnick				
Pricing policy:				
– Market related				
Expenditure				
Professional fee	**367**	659	**360**	38

36.3 Related party transactions with subsidiaries have been disclosed in notes 7, 20 and 23.

		GROUP	
		2014 R'000	2013 R'000
36.4	**Directors' remuneration**		
	S Wapnick (Chairman)	**550**	500
	S Wapnick (Chairman 2012)	**–**	73
	DP Cohen (Lead independent director)	**286**	260
	GH Kemp (Appointed 1 October 2013)	**262**	–
	MZ Pollack	**286**	260
	AK Stein	**286**	260
	PJ Strydom	**286**	260
	JP Wapnick	**286**	260
	MJ Holmes	**189**	–
	D Rose	**189**	–
	IH Stern	**189**	–
		2 809	1 873

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 2014.

	2014			2013		
	Salary R'000	**Pension fund contri-butions R'000**	**Total R'000**	Salary R'000	Pension fund contri-butions R'000	Total R'000
AK Stein	**1 273**	**23**	**1 296**	944	24	968
JP Wapnick	**1 963**	**–**	**1 963**	1 963	–	1 963
S Wapnick	**157**	**–**	**157**	100	–	100
	3 393	**23**	**3 416**	3 007	24	3 031

37. 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

	2014 R'000	**%**	2013 R'000	%
Rental income by sector:				
Offices	**72 943**	**18,5**	60 338	16,6
Retail	**95 360**	**24,1**	86 572	23,8
Shopping centres	**123 607**	**31,3**	115 295	31,8
Industrial	**73 470**	**18,6**	71 721	19,8
Residential	**29 678**	**7,5**	29 175	8,0
Total rental income	**395 058**	**100,0**	363 101	100,0
Recoveries and other income	**145 301**		143 569	
Revenue	**540 359**		506 670	

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.

38. EVENTS AFTER REPORTING DATE

There have been no subsequent events that require reporting other than the acquisition of all the linked units in Premium Properties Limited that the group did not already own and the issue of 119 055 519 Octodec shares as consideration .

Premium unitholders received 88,5 Octodec shares for every 100 Premium linked units held. Premium became a wholly owned subsidiary of Octodec and was delisted from the JSE effective from 1 September 2014.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

for the year ended 31 August 2014

39. BUSINESS COMBINATIONS OCCURRING AFTER THE END OF THE REPORTING PERIOD

39.1 Premium Properties Limited

With effect from 1 September 2014, Octodec acquired all of the issued Premium linked units that it did not already own, increasing its shareholding to 100%. The merger between Octodec and Premium was implemented by way of a scheme of arrangement in terms of section 114(1)(d) of the Companies Act of South Africa (the scheme). In terms of the scheme, Octodec acquired Premium linked units for which each Premium unitholder received 88,5 Octodec shares for every 100 Premium linked units held. Premium became a wholly owned subsidiary of Octodec and was delisted from the JSE effective 1 September 2014.

Fair value of assets acquired and liabilities recognised at the date of acquisition

	R'000
Non-current assets	
Investment properties	4 860 152
Plant and equipment	6 106
Operating lease assets	55 255
Lease costs capitalised	17 637
Investment in IPS	671 155
Current assets	
Trade and other receivables	36 381
Cash and cash equivalents	121 648
Non-current liabilities	
Interest-bearing borrowings	(1 164 948)
Derivative financial instruments	(16 896)
Deferred taxation	(6 460)
Current liabilities	
Non-interest-bearing borrowings	(138 859)
Interest-bearing borrowings	(973 508)
Linked unitholders for distribution	(127 143)
Total identifiable net assets	3 340 520
Fair value of equity interest held before the business combination	(405 698)
Gain on bargain purchase	(331 831)
Acquisition date fair value of consideration paid	2 602 991

Acquisition date fair value of consideration paid	
Equity – 119 055 519 ordinary shares in group	2 602 991

The acquisition date fair value of the consideration paid was calculated utilising a share price of R22 on 1 September 2014 and after deducting acquisition costs of R16,230 million.

Net cash inflow on acquisition	
Cash and cash equivalents acquired	121 648
Cash consideration paid	–
Net cash inflow on acquisition	121 648

39. BUSINESS COMBINATIONS OCCURRING AFTER THE END OF THE REPORTING PERIOD *CONTINUED*

39.1 Premium Properties Limited *continued*

Equity issued as part of consideration paid

The number of shares, being 119 055 519 ordinary shares, issued as part of the consideration for the business combination was calculated by utilising a swap ratio, which was determined based on the following:

a) the forecast distributions per Octodec linked unit and Premium linked unit for the twelve month period ending 31 August 2015;

b) the relative historic volume weighted average price (VWAP) of Octodec linked units and Premium linked units; and

c) the relative net asset values per Octodec linked unit and Premium linked unit calculated on a fair value basis as at 28 February 2014.

Merger related costs

The merger related costs are estimated at R16,230 million. These costs will be set off against stated capital in the year of the acquisition due to these costs being directly attributable to the issue of Octodec's own equity instruments.

Gain on acquisition

A gain of R331,8 million was recognised on acquisition and will be included as a gain on bargain purchase in profit and loss in the 2015 financial year.

39.2 IPS Investments Proprietary Limited (IPS)

With effect from 1 September 2014, Octodec acquired all of the issued Premium linked units that it did not already own, increasing its shareholding to 100%. This resulted in Octodec acquiring control of IPS. As the shareholding increased from 50% to 100%, IPS changed from an associate to a subsidiary.

Fair value of assets acquired and liabilities recognised at the date of acquisition

	R'000
Non-current assets	
Investment properties	2 033 708
Plant and equipment	1 312
Operating lease assets	11 428
Lease costs capitalised	6 562
Investment in joint venture	149 945
Current assets	
Trade and other receivables	12 734
Cash and cash equivalents	17 276
Non-current liabilities	
Interest-bearing borrowings	(724 343)
Derivative financial instruments	(4 906)
Deferred taxation	(49 262)
Current liabilities	
Non-interest-bearing borrowings	(45 029)
Interest-bearing borrowings	(51 480)
Bank overdraft	(15 635)
Total identifiable net assets	1 342 310
Fair value of equity interest held before the business combination	(671 155)
Acquisition date fair value of consideration paid	671 155
Acquisition date fair value of consideration paid	671 155
50% of IPS was acquired at the fair value of the total identifiable net assets.	
Net cash inflow on acquisition	
Cash and cash equivalents acquired	17 276
Bank overdraft	(15 635)
Cash consideration paid	–
Net cash inflow on acquisition	1 641

SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP

for the year ended 31 August 2014

Property name	Address	% of portfolio	2014 Property value** R'000	2013 Property value** R'000
Pretoria CBD				
Cambridge Retail*	288 Struben and Bloed Streets	0,8	**28 720**	27 580
Centre Forum	89 Lilian Ngoyi (Van der Walt) Street	1,3	**46 890**	57 140
CPA House*	Cnr Du Toit, Johannes Ramokhoase (Proes) and Madiba Streets	1,7	**60 980**	51 670
Dusku	Cnr Du Toit and Francis Baard (Schoeman) Street	0,0	**1 510**	1 240
Indacom	130 Struben Street	0,5	**16 230**	15 800
	116 Struben Street			
	117 Bloed Street			
Letari Building	276 Johannes Ramokhoase (Proes) Street	0,2	**8 420**	8 480
McCarthy Church Street*	Church/Madiba (Vermeulen) Street	1,0	**36 690**	32 150
Potproes*	37 Pretorius Street	0,9	**31 240**	28 960
	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	**8 050**	7 799
Prinstruben	360 Struben Street	0,2	**7 450**	7 013
Provincial House	Cnr Lilian Ngoyi (Van der Walt) and Brown Street	0,2	**7 600**	8 040
Sharp Centre	13 Pretorius Street	0,1	**3 880**	3 442
SKD	70 Visagie Street	0,3	**9 660**	9 540
	87 Visagie Street			
	78 Visagie Street			
Steynscor*	35 Lilian Ngoyi (Van der Walt) Street	1,4	**50 810**	42 990
Time Place	153 Pretorius Street	1,4	**50 080**	37 190
Tuel	501 Paul Kruger Street	0,2	**6 820**	4 810
Valcourt	336 Struben Street	0,2	**6 520**	6 680
Viskin	18 Visagie Street	0,0	**1 480**	1 380
		10,6	**383 030**	**351 904**
Pretoria West				
Airoterp	302 E'skia Mphahlele (DF Malan) Drive (West)	0,1	**3 590**	3 820
Dirk du Toit	323 Charlotte Maxeke (Mitchell) Street	0,3	**8 880**	8 710
	325 and 327 Charlotte Maxeke (Mitchell) Street			
Goleda Properties	523 Carl Street	0,7	**25 260**	22 980
	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	**14 430**	13 320
Lasmitch Properties	120 Charlotte Maxeke (Mitchell) Street	0,2	**8 340**	6 960
Lutbridge Properties	535 Church Street	0,4	**14 610**	12 590
	541 Church Street			
Metromitch*	563 Carl Street	0,9	**31 700**	28 790
	552 Charlotte Maxeke (Mitchell) Street			
	582 Charlotte Maxeke (Mitchell) Street			
	564 Charlotte Maxeke (Mitchell) Street			
Mitchpap	Cnr Charlotte Maxeke (Mitchell) and Ketjen Street	0,4	**14 410**	13 030
Nedwest Centre*	360 Charlotte Maxeke (Mitchell) Street	0,9	**30 740**	30 780
Panag Investments	395 Charlotte Maxeke (Mitchell) Street	0,2	**5 840**	5 470
Rovon Investments	73 Rose-Etta Street	0,5	**16 260**	15 539
Soutwest Properties	71 Von Wielligh Street	0,3	**9 850**	9 730
		5,3	**183 910**	**171 719**

Description of buildings	Rental income R’000	Site area m²	GLA m²	Property value per GLA R	Vacancy %
Shops	3 231	10 208	4 807	5 976	3,6
Shops and offices	6 686	8 922	7 086	6 617	31,2
Shops, offices and parking	6 129	5 104	8 150	7 482	10,6
Motor showroom	168	334	351	4 302	
Shops and warehouses	923	3 245	2 593	6 259	
Warehouses	572	1 907	2 346		
Shops	613	1 512	1 210		
Shops, offices and warehouses	893	2 561	3 281	2 566	50,7
Motor dealerships	3 288	6 461	3 199	11 469	
Shops, workshop and motor showroom	977	5 439	2 005	15 581	
Motor showroom	109	638	333		
Workshop and warehouse	414	1 914	1 000		
Filling station, shops and workshops	2 528	22 080	6 525		25,1
Shops	951	2 552	1 312	6 136	11,7
Shops	1 158	2 552	1 884	3 954	
Shops and offices	919	1 060	2 136	3 558	74,1
Shops and offices	553	2 552	2 012	1 928	30,9
Shops and warehouse	528	2 339	1 276	7 571	
Offices	586	3 737	1 381		
Shops and warehouse	390	1 886	1 592		
Shops and offices	5 224	5 104	3 813	13 325	2,5
Shops and 144 flats	4 533	1 429	4 913	10 192	12,0
Shops	697	740	1 093	6 240	
Shops and offices	860	3 480	2 562	2 545	40,1
Workshop	170	3 536	313	4 728	–
	43 100	**101 292**	**67 173**	**5 702**	**15,8**
Shops	529	2 332	1 361	2 638	
Workshop	386	1 152	1 141	7 783	
Shop and workshop	681	2 856	1 768		
Warehouse	423	4 283	3 842	6 575	72,2
Workshops and warehouse	340	1 428	1 568		16,6
Filling station	213	2 855	518		
Filling station, shops, factories and 10 flats	1 387	3 847	3 530		0,9
Shops, showroom and workshops	617	2 674	1 583		
Factories	1 639	5 710	3 446	4 187	7,5
Warehouse and showroom	847	2 855	1 859	4 486	
Shops and warehouse	329	1 428	1 319	11 077	
Shops, filling station and warehouse	1 430	5 710	4 745		
Shops, showroom and warehouse	608	2 855	2 842	11 154	25,1
Shops, showroom, warehouse and 36 flats	2 055	3 827	2 964		9,9
Shops and warehouses	291	3 827	1 648		
Shops and warehouse	595	2 855	2 654		39,1
Shops and warehouses	1 695	5 710	4 592	3 138	24,5
Shops, filling station, warehouses and workshops	3 637	40 740	9 904	3 104	27,1
Shops and workshops	422	2 855	1 878	3 110	20,4
Shops, workshops and warehouses	1 946	9 719	3 855	4 218	
Warehouses and workshops	1 162	2 855	1 965	5 013	
	21 232	**112 373**	**58 982**	**3 118**	**16,2**

SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP *CONTINUED*

for the year ended 31 August 2014

Property name	Address	% of portfolio	2014 Property value** R'000	2013 Property value** R'000
Waverley, Gezina, Mayville				
Fawn	702 Paul Kruger Street	0,4	**12 850**	13 640
	789 Paul Kruger Street			
Frederikastraat	606 Frederika Street	0,2	**7 200**	7 400
Gezina City Shopping Centre*	593 Nico Smith (Michael Brink) Street	2,3	**80 790**	68 790
Karkap Properties	595 Frederika Street	0,1	**4 700**	4 790
Swemvoor	545 Steve Biko (Voortrekker) Street	0,2	**6 510**	8 820
Troymona	1146 Hertzog Street	0,0	**972**	908
	764, 32nd Avenue/777, 34th Avenue			
Waverley Plaza Shopping Centre*	1120 Hertzog Street	3,8	**132 500**	128 250
		7,0	**245 522**	**232 598**
Hermanstad				
Erf One Eight One*	629 Kruger Street	0,8	**28 650**	30 720
Hannyhof Centre	387 Van der Hoff Road	0,2	**6 330**	6 290
	Corner Van der Hoff, Elsa and Hanny Streets			
Hardwood	720 Rood Street	0,1	**1 980**	1 960
Pretboy	578 Attie Street	0,1	**2 790**	2 080
Talkar	386 Taljaard Street	1,1	**39 440**	20 580
		2,3	**79 190**	**61 630**
Silverton and surrounding				
Janvoel	266 Stormvoel Road	0,1	**5 220**	5 500
Muntstreet	329 and 331 Mundt Street	0,2	**8 150**	9 180
Sildale Park*	Cnr Asetileen, Conveyor and Voorhamer Streets	2,6	**92 520**	89 280
The Tannery Industrial Park	309 Derdepoort Road	4,2	**147 230**	152 240
		7,1	**253 120**	**256 200**
Pretoria North				
Erf Agt Nul Nege	Cnr Gerrit Maritz and Danie Theron Streets	0,2	**6 850**	7 240
Erf Six Five One	319 Koos de la Rey Street	0,1	**4 120**	4 060
North Place	284 Eufees Street	0,3	**10 250**	10 242
Ramreg	590 Gerrit Maritz Street	0,0	**470**	390
Tronap Investments	457 Gerrit Maritz Street	0,2	**6 310**	6 110
		0,8	**28 000**	**28 042**
Pretoria East				
Elarduspark Shopping Centre*	837 Barnard Street	4,6	**160 610**	145 920
Odeon Forum	83 Lois Street	1,2	**41 550**	34 864
		5,8	**202 160**	180 784
Sundry				
FNB Centurion	2023 Johan Heyns (Hendrik Verwoerd) Drive	0,9	**31 910**	30 200
Landkirk	568 Bonita Crescent	0,1	**2 650**	2 590
Persequor Park	18, 30 and 38 De Havilland Crescent	2,3	**81 810**	77 343
Prime Cure House	128 Oak Avenue	0,7	**24 520**	28 819
Rentmeester Office Park*	74 Watermeyer Street	3,8	**132 140**	138 490
Tiny Town	700 Church Street	0,7	**26 217**	25 100
	694 Church Street			
	191 Blackwood Street			
		8,5	**299 247**	**302 542**

Description of buildings	Rental income R'000	Site area m²	GLA m²	Property value per GLA R	Vacancy %
Shops and motor valet	232	1 991	685	18 759	
Shops	1 599	7 560	4 552		3,6
Shops	631	2 552	1 591	4 525	18,0
Shopping centre	8 671	43 153	16 217	4 982	2,4
Shops	677	2 552	1 163	4 041	
Shops and offices	984	2 552	2 378	2 738	15,4
House	144	1 018	300	3 240	
House		1 276			
Shopping centre	16 134	36 215	11 870	11 163	6,9
	29 072	**98 869**	**38 756**	**6 335**	**5,2**
Factories, workshops and warehouses	3 395	30 610	12 554	2 282	
Shops	548	3 750	1 177	5 378	19,1
Shops	325	1 983	545		
Warehouse	288	5 239	1 150	1 722	
Factories	414	5 102	926	3 013	
Factories, workshops and warehouses	1 924	12 759	6 786	5 812	
	6 894	**59 443**	**23 138**	**3 423**	**1,0**
Shops	591	4 461	1 760	2 966	
Factories	967	12 243	6 576	1 239	49,7
Industrial park	9 943	63 120	22 392	4 132	6,3
Industrial park	17 940	82 707	39 685	3 710	14,3
	29 441	**162 531**	**70 413**	**3 595**	**14,7**
Shops	890	2 552	1 757	3 899	32,4
Factories	586	2 552	1 320	3 121	
Shops and 19 flats	1 374	3 828	1 699	6 031	3,7
Shops and offices	59	2 552	150	3 133	
Shops	776	2 552	1 487	4 243	
	3 685	**14 036**	**6 413**	**4 366**	**9,9**
Shopping centre	15 934	31 976	11 726	13 697	9,2
Offices	4 578	6 788	2 667	15 579	
	20 512	**38 764**	**14 393**	**14 046**	**7,5**
Shops	3 329	3 300	1 874	17 028	1,4
Warehouse	340	2 334	1 265	2 095	
Offices	8 628	16 526	8 014	10 208	
Offices	204	4 622	2 689	9 119	
Offices	14 514	19 215	12 084	10 935	1,2
14 cottages	1 366	5 108	1 333	19 667	6,4
Vacant land		5 378			
House	121	1 329	150		
	28 502	**57 812**	**27 409**	**10 918**	**0,9**

SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP *CONTINUED*

for the year ended 31 August 2014

Property name	Address	% of portfolio	2014 Property value** R'000	2013 Property value** R'000
Johannesburg and surrounding				
CCMA Place	Cnr Woburn and Rothsay Avenues, Benoni	0,6	**22 670**	22 330
John Street*	18 – 20 John Street	1,4	**48 250**	47 660
Killarney Mall*	34 – 54 Fourth Street and Riviera Road, Killarney	16,8	**588 550**	547 311
Kyalami Crescent*	Kyalami Business Park, Kyalami	1,3	**47 110**	49 770
McCarthy Midrand*	New Road, Midrand	1,0	**34 160**	43 550
Pretwade	Strauss Crescent, Germiston	0,2	**7 290**	6 845
Selby 515*	15 Prop Street, Selby	0,6	**21 290**	21 500
Woodmead Value Mart*	Waterval Crescent, Woodmead	6,3	**220 400**	207 862
		28,2	**989 720**	**946 828**
Johannesburg CBD				
Anderson Place	9 Harrison Street	0,9	**32 580**	33 570
Bosman Place*	99 Eloff Street	2,4	**83 086**	42 280
Castle Mansions	170 Jeppe Street	4,0	**139 830**	118 589
Dan's Place*	165 Jeppe Street	2,1	**72 370**	57 160
Elephant House*	107 Albertina Sisulu (Market) Street	0,6	**22 560**	23 650
Essenby	175 Jeppe Street	1,4	**50 540**	37 570
Fine Art Court	103 Pritchard Street	0,3	**9 140**	6 780
Fine Art House	105 Pritchard Street	0,1	**2 930**	5 640
Inner Court*	88 Eloff Street	4,8	**167 050**	168 460
Klamson House*	151 Commissioner Street	1,0	**35 750**	36 500
Medical City*	106 Eloff Street	1,2	**43 010**	20 820
Medical Towers	179 Jeppe Street	0,5	**18 450**	16 730
Presmooi	Cnr President, Mooi and Pritchard Streets	0,4	**13 400**	10 610
Raschers	70 Loveday Street	0,2	**5 480**	5 280
Record House	86 Eloff Street	0,4	**15 060**	13 510
Reliance Centre*	107 Heidelberg Road	0,5	**18 410**	18 000
Shoprite – Eloff Street	Cnr Von Brandis, Eloff and Pritchard Streets	1,1	**40 040**	39 910
Temple Court	169 Jeppe Street	0,5	**18 580**	17 330
Union Club	Cnr Bree and Joubert Streets	1,0	**33 810**	33 820
Works @ Registry*	64 Troye Street	0,6	**22 390**	18 330
		24,0	**844 466**	**724 539**
	**	100,0	**3 508 365**	**3 256 786**

* *Properties securing long-term borrowings (notes 2 and 14)*

** *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 R	Vacancy %
Shops and offices	3 281	1 785	4 101	5 529	1,9
Warehouses	5 536	14 782	14 216	3 394	10,7
Shopping centre	74 468	57 603	46 939	12 539	3,2
Warehouses and mini factories	5 166	21 967	9 717	4 848	7,0
Motor dealerships	4 184	9 173	3 692	9 252	
Workshops	1 098	6 719	3 380	2 157	12,5
Factories	2 469	12 270	6 777	3 142	
Value Mart shopping centre	26 767	42 255	18 135	12 153	
	122 969	**166 554**	**106 957**	**9 254**	**3,9**
Shops and offices	4 147	992	5 525	5 898	
Shops and offices	4 602	2 234	15 809	5 256	86,6
Shops and 177 flats	13 653	2 481	14 069	9 939	6,8
Shops and 150 flats	8 876	1 242	8 213	8 811	16,7
Offices	1 865	991	4 794	4 706	47,2
Shops and 116 flats	2 209	3 023	6 430	7 860	40,6
Shops and 35 flats	1 635	250	1 544	5 919	7,2
Shops and offices	431	499	3 210	913	77,9
Shops and offices	22 289	3 735	23 509	7 106	5,4
Shops and offices	3 026	993	6 571	5 441	41,1
Shops and college	4 088	979	8 015	5 366	
Shops and offices	3 071	992	5 509	3 349	46,6
Shops and offices	1 777	2 975	3 578	3 745	6,3
Shops	749	890	888	6 171	
Shops and 41 flats	2 396	249	1 534	9 815	3,6
Offices and warehouses	2 264	11 397	6 967	2 642	8,2
Shops and offices	2 872	3 971	34 224	1 170	
Shops and 45 flats	2 629	248	2 332	7 966	3,0
Shops and 72 flats	4 892	1 142	3 877	8 720	12,3
Shops and offices	2 180	1 989	10 395	2 154	67,4
	89 651	**41 272**	**166 993**	**5 057**	**23,0**
	395 058	**852 946**	**580 627**	**6 042**	**13,2**

LINKED SHAREHOLDERS' ANALYSIS

for the year ended 31 August 2014

	Number of shareholders	%	Number of shares	%
SHAREHOLDERS' CLASSIFICATION				
1 – 1 000 shares	301	16,48	162 473	0,14
1 001 – 10 000 shares	954	52,21	4 061 149	3,46
10 001 – 100 000 shares	452	24,74	14 005 139	11,93
100 001 – 1 000 000 shares	97	5,31	31 036 601	26,45
1 000 001 shares and over	23	1,26	68 082 536	58,02
	1 827	**100,00**	**117 347 898**	**100,00**
SHAREHOLDERS' PROFILE				
Banks	8	0,44	931 366	0,79
Close corporations	39	2,13	6 329 937	5,39
Endowment funds	50	2,74	2 507 564	2,14
Individuals	1 250	68,41	11 001 490	9,38
Insurance companies	15	0,82	3 577 257	3,05
Investment companies	4	0,22	45 837	0,04
Medical schemes	2	0,11	20 070	0,02
Mutual funds	63	3,45	24 963 056	21,27
Other corporations	11	0,60	133 810	0,11
Private companies	100	5,47	42 343 169	36,09
Public companies	4	0,22	261 140	0,22
Retirement funds	56	3,07	9 293 359	7,92
Trusts	225	12,32	15 939 843	13,58
	1 827	**100,00**	**117 347 898**	**100,00**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders				
– Directors and family	30	1,64	51 618 191	43,99
Public shareholders	1 797	98,36	65 729 707	56,01
	1 827	**100,00**	**117 347 898**	**100,00**
BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE				
Directors and family			51 618 191	43,99
STANLIB			7 135 458	6,08
Old Mutual			6 981 735	5,95
Government Employees Pension Fund			4 192 808	3,57

SHARE/LINKED UNITHOLDER TRADING ANALYSIS

2013/2014	Highest cents	Lowest cents	Volume traded units	Volume traded rands
September 2013	2 089	1 850	2 872 756	54 538 327
October	2 250	1 900	2 476 491	50 537 399
November	2 184	1 922	3 350 233	68 908 372
December	2 152	1 790	3 658 431	69 335 737
January 2014	1 994	1 701	7 297 343	132 949 388
February	1 905	1 730	5 283 717	97 379 772
March	1 939	1 721	4 386 725	79 981 421
April	2 055	1 901	2 990 300	59 007 148
May	2 349	2 000	1 417 919	30 884 765
June	2 234	2 110	1 702 280	36 936 023
July	2 250	2 099	2 920 399	63 443 032
August 2014	2 290	2 100	1 812 693	39 074 305

SCHEDULE OF INVESTMENT PROPERTIES OWNED BY IPS INVESTMENTS PROPRIETARY LIMITED

for the year ended 31 August 2014

Property name	Address	Description of buildings	Aug 2014 Property value R'000	GLA m²	Vacancy %	% held by IPS
Arcadia						
Craig's Place	45 Steve Biko (Beatrix) Street	154 flats	**62 460**	5 146	5,2	100
Nedbank Plaza	175 Steve Biko (Beatrix) Street	144 flats, office and shops	**199 650**	23 159	9,5	100
			262 110	28 305		
Pretoria CBD						
Callaway	133 Church Street (West)	Shop and warehouse	**6 790**	2 002	–	100
Centre Place	267 Church Street	234 flats and shops	**145 470**	10 963	22,3	100
City Corner (1)	215 Bosman Street	Shops	**2 450**	558	2,0	100
City Corner (2)	149 Church Street (West)	Shops	**6 930**	257	–	100
City Corner (3)	143 Church Street (West)	Shops	**6 860**	641	–	100
City Towers	227 Lilian Ngoyi (Van der Walt) Street	Shop and office	**20 240**	2 868	38,1	100
Jeff's Place	137 Francis Baard (Schoeman) Street	384 flats and parking	**160 700**	14 771	1,1	100
Navy House	Cnr Madiba (Vermeulen) and Lilian Ngoyi (Van der Walt) Streets	Shops and offices	**34 960**	6 712	43,0	100
Tom's Place	227 Minnaar Street	320 Flats	**128 240**	9 984	3,7	100
Steyns Place	274 Schoeman Street	Shops and 381 flats	**168 320**	15 586	6,9	50
			680 960	64 342		
Hatfield						
Blagil	1117 Church Street	House	**1 620**	161	–	100
Talland (2)	1251 Francis Baard (Schoeman) Street	Shop	**6 770**	570	–	100
			8 390	731		
Sunnyside						
Karelia Flats	135 Steve Biko (Mears) Street	48 flats	**13 320**	1 472	–	100
Les Nize Flats	507 Leyds Street	55 flats	**14 610**	1 475	5,4	100
Selmar	436 Leyds Street	19 flats	**7 450**	1 325	11,5	100
Unity Heights	285 Robert Sobukwe (Esselen) Street	24 flats	**17 170**	2 247	4,3	100
			52 550	6 519		
Pretoria, other						
Lenchen Centre	9 Jakaranda Street, Hennopspark Ext 7	Shops	**36 620**	3 330	–	100
Lenchen Park	22 Jakaranda Street, Hennopspark Ext 40	Shops	**31 710**	5 469	0,6	100
Imbuia	180 Inner Crescent, Kwaggasrand	11 flats	**3 470**	1 151	–	100
Jakaranda	180 Inner Crescent, Kwaggasrand	33 flats	**9 340**	1 762	3,0	100
Kiaat	180 Inner Crescent, Kwaggasrand	40 flats	**12 730**	3 104	7,5	100
Mimosa	180 Inner Crescent, Kwaggasrand	18 flats	**6 690**	1 883	16,7	100
Syringa	180 Inner Crescent, Kwaggasrand	40 flats	**13 040**	3 617	8,7	100
Grariv	680 Lievaart Street, Proclamation Hill Ext 1	2 flats	**620**	270	–	100
Andpot	1005 Kruger Avenue, Lyttelton Manor Ext 4	Warehouses	**6 630**	1 638	–	100
			120 850	22 224		

SCHEDULE OF INVESTMENT PROPERTIES OWNED BY IPS INVESTMENTS PROPRIETARY LIMITED *CONTINUED*

for the year ended 31 August 2014

Property name	Address	Description of buildings	Aug 2014 Property value R'000	GLA m^2	Vacancy %	% held by IPS
Johannesburg CBD						
119 Market Street	119 Market Street	Shops	**3 810**	1 639	100,0	100
121 Market Street	121 Market Street	Shops	**3 030**	613	–	100
Works@Main	195 Main Road and Corner Nugget Street	Shops and offices	**7 270**	5 061	21,0	100
Kings City Parkade	Cnr Bree and Eloff Streets	Shops and parking	**56 220**	17 026	–	100
Mr Price	Cnr Market and Von Brandis Street	Shops and offices	**31 470**	3 082	12,8	100
Ricci's Place	Cnr Rissik, Commissioner and Joubert Streets	281 flats and shops	**111 870**	11 050	12,0	100
Splendid Place	118 Pritchard Street	150 flats and shops	**59 580**	5 431	3,3	100
Tali's Place	Cnr Goud Street and Market Streets	337 Flats and shops	**130 050**	17 070	8,0	100
Wits Technikon	Cnr De Villiers, Eloff and Plein Streets	Colleges	**43 280**	16 937	–	100
Erand Gardens	George Street, Erand Gardens	Offices	**43 140**	2 663	–	100
Education Centre	Cnr Plain, Hoek and Bree Streets	Shops and offices	**31 950**	10 941	76,5	100
Bram Fischer Towers	20 Albert Street	Shops and offices	**50 680**	10 948	43,9	100
CPA Place	19 Loveday Street	107 Flats, offices and shops	**41 140**	4 431	1,1	100
Howard House	23 Loveday Street	Shops and offices	**11 170**	1 379	9,7	100
Plaza Place	Cnr Rissik and Jeppe Streets	Shops and 214 flats	**71 100**	8 062	5,7	100
Royal Place	Cnr Kerk and Eloff Streets	Shops, offices and 155 flats	**117 320**	14 585	21,8	100
Vuselela Place	Cnr Loveday and Bree Streets	Shops, offices and 193 flats	**70 780**	7 487	4,3	100
Somerset House	New Street/Fox Street Gandi Square	Shops, offices and 20 flats	**11 100**	2 606	8,2	100
London House	21 Loveday Street	Shops and offices	**15 900**	4 227	20,3	100
			910 860	145 238		
Johannesburg, other						
Druthon Centre	48 Voortrekker Road, New Redruth, Alberton	Shops and offices	**13 560**	3 276	24,9	100
Total excluding joint Ventures			**2 049 280**	270 635		
Kempton Place	12 Pretoria Road, Kempton Park	Shops, offices and 469 flats	**270 940**	32 006	15,0	50
Blaauw Village	283 Ben Viljoen Street, Pretoria North	Shops	**39 690**	6 804	11,2	50
Gerlan	348 Steve Biko (Voortrekker Road), Gezina	Motor showroom	**60 126**	5 174	–	50
The Brooklyn	123 Commissioner Street, Johannesburg	Shops and 154 flats	**39 500**	6 451	–	50
			410 256	50 435		
Total including joint Ventures			**2 459 536**	321 070		

SCHEDULE OF INTEREST IN SUBSIDIARIES

for the year ended 31 August 2014

Subsidiary name	Cost of shares 2014 R	Cost of shares 2013 R	Amounts owing by/(to) subsidiaries 2014 R	Amounts owing by/(to) subsidiaries 2013 R
Airoterp Share Block (Pty) Ltd	**100**	100	**(100)**	(100)
Alert Investments Share Block (Pty) Ltd	**600**	600	**(600)**	(600)
Anke Properties (Pty) Ltd	**1 000**	1 000	**(1 008 388)**	18 753 305
Carine Properties Share Block (Pty) Ltd	**107 875**	107 875	**(300)**	(300)
Cold Air Investments Share Block (Pty) Ltd	**1 000**	1 000	**(1 000)**	(1 000)
Dirk du Toit Share Block (Pty) Ltd*	**100**	100	**(100)**	(100)
Dusku Investments Share Block (Pty) Ltd	**803 933**	803 933	**(100)**	(100)
Elardus Park Shopping Centre Share Block (Pty) Ltd	**7 362 821**	7 362 821	**(1 341)**	(1 000)
Erf One Eight One Hermanstad Share Block (Pty) Ltd	**100**	100	**(100)**	(100)
Erf Six Five One Pretoria North Share Block (Pty) Ltd	**1 000**	1 000	**(1 000)**	(1 000)
Erf Agt Nul Nege Share Block (Pty) Ltd*	**95**	95	**(1 924)**	(95)
Fawn Properties Share Block (Pty) Ltd	**200**	200	**(200)**	(200)
Frederikastraat Beleggings Share Block (Pty) Ltd	**100**	100	**(100)**	(100)
Gezfarm Properties Share Block (Pty) Ltd	**1 000**	1 000	**(1 000)**	(1 000)
Goleda Properties Share Block (Pty) Ltd	**200**	200	**(5 190)**	(200)
Hannyhof Share Block (Pty) Ltd	**1 000**	1 000	**(1 995)**	(1 000)
Hardwood Properties Share Block (Pty) Ltd	**3**	3	**(3)**	(3)
Henwoods (Pretoria Development) Company Share Block (Pty) Ltd*	**1 000**	1 000	**(1 000)**	(1 000)
Heracle Share Block (Pty) Ltd	**753 047**	753 047	**(8 442)**	(8 442)
Indacom Properties Share Block (Pty) Ltd*	**16**	16	**(16)**	(16)
Janvoel Properties Share Block (Pty) Ltd	**1 000**	1 000	**(1 000)**	(1 000)
Karkap Properties Share Block (Pty) Ltd	**100**	100	**(876)**	(100)
Killarney Mall Properties (Pty) Ltd	**2 392 153**	2 392 153	**232 439 858**	233 137 598
Lasmitch Properties Share Block (Pty) Ltd	**1 000**	1 000	**12 285**	(1 000)
Lutbridge Investment Share Block (Pty) Ltd	**70**	70	**(13 510)**	(70)
Metromitch Share Block (Pty) Ltd	**100**	100	**(11 021)**	(100)
Middlepip Share Block (Pty) Ltd	**1 000**	1 000	**(1 000)**	(1 000)
Mitchpap Share Block (Pty) Ltd*	**200**	200	**(200)**	(200)
Muntstreet Properties Share Block (Pty) Ltd*	**1 000**	1 000	**(1 000)**	(1 000)
Nedwest Centre Share Block (Pty) Ltd	**4 000**	4 000	**(4 000)**	(4 000)
Octprop Properties (Pty) Ltd	**100**	100	**26 098 610**	24 629 432
Panag Investments Share Block (Pty) Ltd	**200**	200	**(200)**	(200)
Potproes Properties Share Block (Pty) Ltd	**3 086 426**	3 086 426	**(1 185)**	(1 000)
Presmooi (Pty) Ltd*	**523 031**	523 031	**503 112 312**	433 024 948
Pretboy Share Block (Pty) Ltd	**100**	100	**(100)**	(100)
Pretvin Share Block (Pty) Ltd	**4 000**	4 000	**(4 000)**	(4 000)
Pretwade Share Block (Pty) Ltd	**2**	2	**(2)**	(2)
Prinsben Properties Share Block (Pty) Ltd*	**1 000**	1 000	**(1 024)**	(1 000)
Prinstruben Share Block (Pty) Ltd	**1 000**	1 000	**(1 000)**	(1 000)
Ramreg Properties (Pty) Ltd	**1**	1	**4 388 283**	4 439 206
Rovon Investments Share Block (Pty) Ltd*	**316 642**	316 642	**(4)**	(4)
Rumpro Investments Share Block (Pty) Ltd	**1 713 213**	1 713 213	**(120)**	(120)
SKD Beleggings (Skof Vyf) Share Block (Pty) Ltd	**100**	100	**(153)**	(100)
Steynscor Share Block (Pty) Ltd	**18**	18	**(18)**	(18)
Swemvoor Share Block (Pty) Ltd	**100**	100	**(99)**	(100)
Talkar Properties Share Block (Pty) Ltd	**100**	100	**(100)**	(100)
Tribeca Properties (Pty) Ltd	**11 752 737**	11 752 737	**35 153 261**	13 520 808
Tronap Investments Share Block (Pty) Ltd	**100**	100	**(100)**	(100)
Tuel Share Block (Pty) Ltd	**300**	300	**(300)**	(300)
Viskin Share Block (Pty) Ltd	**1 000**	1 000	**(1 000)**	(1 000)
Waverley Plaza Properties (Pty) Ltd	**794 399**	794 399	**143 783 060**	140 404 642
Woodmead Mart (Pty) Ltd	**3 438 345**	3 438 345	**157 339 732**	154 477 378
	33 068 727	33 068 727	**1 101 252 490**	1 022 353 347

** Ceded shares securing long-term borrowings (note 14).*

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 share(s)/ linked unit(s)	Octodec share(s)/linked unit(s), represented by a share/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 shareholders/ linked unitholders	Octodec shareholder(s)/linked unitholder(s) holding certificated Octodec share(s)/ linked unit(s)
CGT	Capital gains tax
City Property	City Property Administration Proprietary Limited
Companies Act or Act	Companies Act of South Africa, 71 of 2008, as amended
CSDP"	A Central Securities Depository Participant, appointed by individual Octodec shareholder(s)/ 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 in existence up to 31 July 2014
dematerialisation	The process by which Octodec share(s)/linked unit(s) held by certificated Octodec shareholder(s)/linked unitholder(s) are converted or held in electronic form as dematerialised Octodec share(s)/linked unit(s) and recorded in the subregister of Octodec shareholder(s)/ linked unitholder(s) maintained by a CSDP
dematerialised Octodec share(s)/linked unit(s)	Octodec share(s)/linked unit(s) which have been dematerialised through a CSDP or broker and are held on the subregister of Octodec shareholder(s)/linked unitholder(s) administrated by CSDPs in electronic form
Enlarged Octodec	Octodec, Premium and IPS and their subsidiaries
GLA	Gross lettable area
group	Octodec and its subsidiaries
IFRS	International Financial Reporting Standards
IPS	IPS Investments Proprietary Limited
JHB	Johannesburg
JSE	JSE Limited
linked unitholder(s) or unitholder(s) or shareholder(s)	Collectively, certificated Octodec shareholder(s)/linked unitholder(s), dematerialised Octodec shareholder(s)/linked unitholder(s) and own name dematerialised Octodec shareholder(s)/ 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
MOI	Octodec's memorandum of incorporation
Octodec or the company	Octodec Investments Limited
own name dematerialised share(s)/inked 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	Real Estate Investment Trust as defined in section 1 of the Income Tax Act
SAPOA	South African Property Owners Association
SENS	Stock Exchange News Service
the board or the directors	Board of directors

NOTICE OF THE AGM

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

Notice is hereby given in terms of section 62(1) of the Companies Act, 71 of 2008, as amended (the Act), of the 22nd annual general meeting (AGM) of shareholders of Octodec on Friday, 6 February 2015, 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 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 memorandum and articles of association.

In terms of section 64(1)(a) of the Act, a shareholders' 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 31 August 2014, will be presented to shareholders as required in terms of section 30(3)(d) of the Act.

REPORT OF THE SOCIAL, ETHICS & REMUNERATION COMMITTEE

In accordance with regulation 43(5)(c), issued in terms of the Act, the chairman of the social, ethics & remuneration committee will present a verbal report to shareholders 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 of the company in their sole discretion 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 shares

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 to the JSE 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 shareholders' authority for the repurchase is granted and for each 3% (three percent) in aggregate of the initial number acquired thereafter;

NOTICE OF THE AGM *CONTINUED*

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; and

o) 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 2014 to 31 August 2015

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"Resolved that, in terms of section 66(9) of the Companies Act, the company be and is hereby authorised, by a separate vote in respect of each director for the committee meetings which they attend by invitation as set out in the integrated report to pay an attendance fee on the basis set out below, provided that the aforementioned authority shall be valid with effect from 1 September 2014 for a period of 12 months ending 31 August 2015, as follows:

	12 months to 31 August 2015
Fee per meeting	
Meeting fee for attendance at sub-committee meeting of the board	18 000
AK Stein	
JP Wapnick	
S Wapnick	

Special resolution 4 – Approval of directors' remuneration for the period 1 September 2015 to 31 August 2016

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"Resolved that, in terms of section 66(9) of the Companies Act, the company be and is hereby authorised, by a separate vote in respect of each director, to remunerate its directors for their services as directors (inclusive of the committees on which they serve, and attend by invitation as set out in the integrated report) and/or pay any fees related thereto on the basis and on any other basis as may be recommended by the social, ethics & remuneration committee and approved by the board of directors, provided that the aforementioned authority shall be valid with effect from 1 September 2015 for a period of 12 months ending 31 August 2016, as follows:

	12 months to 31 August 2016	12 months to 31 August 2015
Annual retainer		
Board chairman	600 000	600 000
Non-executive directors	250 000	250 000
Executive directors	250 000	250 000
Fee per meeting		
Board meeting (including annual general meeting)	15 000	15 000
Meeting fee for attendance at sub-committee meeting of the board	18 000	18 000
Chairman of sub-committee of the board	22 000	22 000"

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 directors retiring are Ms Sharon Wapnick, Messrs Derek Cohen and Pieter Strydom, who being eligible offer themselves for re-election.

Ordinary resolution 1.1 – Re-election of Ms Sharon Wapnick

"Resolved that Ms Sharon Wapnick be and is hereby re-elected as a director of the company." An abridged curriculum vitae of Ms Sharon Wapnick is set out on page 78 of the integrated report of which this notice forms part.

Ordinary resolution 1.2 – Re-election of Mr Derek Cohen

"Resolved that Mr Derek Cohen be and is hereby re-elected as a director of the company." An abridged curriculum vitae of Mr Derek Cohen is set out on page 78 of the integrated report of which this notice forms part.

Ordinary resolution 1.3 – Re-election of Mr Pieter Strydom

"Resolved that Mr Pieter Strydom be and is hereby re-elected as a director of the company." An abridged curriculum vitae of Mr Pieter Strydom is set out on page 78 of the integrated report of which this notice forms part.

Ordinary resolution 2 – To place the unissued shares 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 shares in the share capital of the company to subscribe for the unissued shares issued in the issued share capital of the company, subject to the following terms and conditions:

a) No more than 10% (ten percent) of the company's issued shares will be allotted and issued by the directors other than by way of a transaction that will be subject to shareholders' approval; and

b) The maximum discount at which shares will be issued and allotted is 5% (five percent) of the weighted average price on the JSE Limited of those shares over 30 days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares (collectively, "the company's undertaking") provided that such transaction(s) has/have been approved by the JSE Limited and is/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 of shares 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 shareholders 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 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, being an equivalent of 11 820 170 shares) in the aggregate of the number of shares in the company's issued share capital in any one financial year. The number of shares to be issued shall be based on the number of shares in issue at the date of this notice of AGM, less any shares issued in terms of this general authority by the company during the current financial year. In the event of a sub division or consolidation of issued shares during the period of this general authority, the general authority must be adjusted accordingly to represent the same allocation ratio.

c) A paid press announcement giving full details, including the intended use of funds, 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 shares in issue prior to such issue.

d) In determining the price at which an issue of shares 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 shares, 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 shareholders as defined by the JSE, and not related parties.

f) The shares 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 Pieter Strydom

4.2 Mr Derek Cohen

4.3 Mr Gerard Kemp

4.4 Mr Myron Pollack

Ordinary resolution 5 – To approve the re-appointment of auditors

To re-appoint, on the recommendation of the current audit committee, Deloitte & Touche as independent auditors of the company, the designated auditor, Mr Patrick Kleb, 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 83 of the integrated report of which this notice forms part.

Ordinary resolution 7 – Specific authority to issue shares to afford shareholders distribution reinvestment alternatives

"Resolved that, subject to the provisions of the Act and the Listings Requirements of the JSE Limited and the MOI the directors be and they are hereby authorised by way of a specific standing authority to issue ordinary shares of no par value (ordinary shares) as and when they deem appropriate, for the exclusive purpose of affording shareholders opportunities from time to time to elect to reinvest their distributions in new ordinary shares of Octodec, for which purpose such ordinary shares are hereby placed under the control of the directors."

Ordinary resolution 8 – 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.

NOTICE OF THE AGM *CONTINUED*

Other disclosures 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:

- Major beneficial shareholders – page 130
- Directors' interest in securities – page 92
- Share capital of the company – page 91

DIRECTORS' RESPONSIBILITY STATEMENT

The directors in office whose names appear on page 78 and 79 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 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

Octodec shareholders or their proxies may participate in (but not vote at) the AGM by way of a teleconference call. If they wish to do so, they must contact the Transfer Secretaries on +27 11 370 7873 or email proxy@computershare.co.za (Attention: Meetings Department) by no later than 11:30 on Friday, 30 January 2015 and identify themselves to the satisfaction of Computershare to obtain the dialling code and pin number. Shareholders participating in this manner will still have to appoint a proxy to vote on their behalf at the AGM of Octodec shareholders. Access by means of electronic communication will be at the expense of the Octodec shareholder.

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 shareholders 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, 2 January 2015; and
- 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, 30 January 2015.

The last day to trade in the company's shares 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, 23 January 2015.

VOTING

Voting will be conducted on every resolution proposed at the AGM of Octodec shareholders by way of a poll. Every Octodec shareholder shall therefore have that number of votes equal to the number of shares in Octodec held by him or her.

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 shareholder 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 shareholder of Octodec. Octodec shareholders are referred to the attached form of proxy in this regard.

If you are a certificated Octodec shareholder or a dematerialised Octodec shareholder with own name registration and are unable to attend the AGM and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions contained therein to be received by the Transfer Secretaries, Computershare Investor Services Proprietary Limited, at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by not later than 11:30 on Wednesday, 4 February 2015. If you have dematerialised your Octodec shares with a CSDP or broker, other than with own-name registration, you must arrange with them to provide you with the necessary letter of representation to attend the AGM or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker, in the manner and cut off time stipulated therein.

Additional proxy forms are obtainable from Octodec's company secretary, the company's website or the Transfer Secretaries and must be deposited at the Transfer Secretaries not less than 48 hours before the AGM.

By order of the board

Elize Greeff
City Property Administration Proprietary Limited
Company secretary

3 December 2014
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 2014 to shareholders, 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 shareholders 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 shares

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 shareholders of the company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the AGM for special resolution number 2 to become effective.

Special resolution 3 – Approval of directors' remuneration for the period 1 September 2014 to 31 August 2015

In the Circular addressed to linked unitholders dated 1 July 2014, Directors' remuneration will be varied as a consequence of the Proposed Transaction as follows:

Directors' fees payable to Octodec directors will be determined based on a retainer as well as a fee based on the number of board meetings, annual general meetings and sub-committee meetings attended. Directors will be paid a retainer per annum monthly in arrears in equal monthly instalments for services rendered as Octodec directors. In addition, to the retainer the Octodec directors shall be entitled to a fee per meeting for attendance of board meetings, the annual general meeting and board sub-committee meetings on which the director serves or is invited to attend. The fee shall only be payable if the meeting is attended by the director and the meeting is recorded on the board calendar. Payment for ad hoc meetings is subject to approval by the board chair.

Special resolution number 10: Directors' fees which was adopted by linked unitholders at the general meeting held on 31 July 2014, contained an omission in that it did not make provision for a meeting fee for the attendance by directors of board sub-committee meetings which they attend by invitation. This special resolution therefore serves to correctly align the Directors' remuneration structure with the details as contained in the above-mentioned Circular.

Special resolution 4 – Approval of directors' remuneration for the period 1 September 2015 to 31 August 2016

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 shareholders by way of a special resolution. During the financial year, the board made use of surveys of fees paid to directors as disclosed by JSE-listed companies in order to assist with the benchmarking of directors' fees. In addition to the benchmark alignment, the following reasons are particularly relevant to substantiate the remuneration:

- The board's remuneration philosophy to attract and retain suitably qualified and independent-minded directors; and
- The increasing responsibilities of the board, audit, investment, risk, social, ethics & remuneration, and nominations committee members and their workload.

The remuneration committee's mandate also includes the statutory 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 – 1.3 – Rotation of directors

In accordance with the company's MOI, one-third of the non-executive 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 directors are eligible for re-election: Ms Sharon Wapnick, Messrs Derek Cohen and Pieter Strydom.

Brief biographical details of Ms Sharon Wapnick, Messrs Derek Cohen and Pieter Strydom and the remaining members of the board are contained on page 78 of the integrated report of which this notice forms part.

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 shares 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 shareholders 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/are subject to the JSE Listings Requirements. The directors confirm that there is no specific intention to issue any shares as at the date of this notice.

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

ANNUAL GENERAL MEETING – EXPLANATORY NOTES
CONTINUED

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 2014. 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 shareholders for consideration and for an advisory, non-binding vote to provide shareholders 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 8 – Signing authority

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

GENERAL

Shareholders and proxies attending the AGM on behalf of shareholders are reminded that section 63(1) of the Act requires that reasonably satisfactory identification be presented in order for such shareholder 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.

SHAREHOLDER CALENDAR 2015

2014

Event	Date
Financial year-end	31 August
October annual results and announcement of special dividend	31 October
Final special dividend payment	17 November
Publication and posting of integrated report and notice of annual general meeting	17 December

2015

Event	Date
Annual general meeting	6 February
Interim results and announcement of interim dividend	May
Financial year-end	31 August
Annual results and announcement of final dividend	October
Final dividend payment	November
Publication and posting of integrated report and notice of annual general meeting	December

JSE trading statistics	2014	2013	2012	2011	2010	2009
Share/unit price – high (cents)	**2 349**	2 600	1 950	2 045	1 850	1 588
Share/unit price – low (cents)	**1 701**	1 739	1 000	1 400	1 285	1 110
Share/unit price – at year-end (cents)	**2 106**	1 966	1 902	1 595	1 754	1 290
Volume of shares/units traded during the year	**40 169 287**	18 161 411	41 767 306	19 800 655	27 461 902	18 718 902
Shares/units traded to weighted average shares/units in issue (%)	**35,0**	16,8	46,5	22,2	30,8	21,0
Total returns						
Opening share/unit price (cents)	**1 966**	1 902	1 595	1 754	1 290	1 580
Income return (cents)	**175,7**	157,6	137,3	129,3	130,7	128,9
Capital return/(loss) (cents)	**140,0**	64,0	307,0	(159,0)	464,0	(290,0)
Total return (cents)	**315,7**	221,6	444,3	(29,7)	594,7	(161,1)
Return: Opening share/unit price (%)	**16,06**	11,7	27,9	(1,7)	46,1	(10,2)

ADMINISTRATION

OCTODEC INVESTMENTS LIMITED
Incorporated in the Republic of South Africa
Registration number: 1956/002868/06
Share code: OCT
ISIN: ZAE000005104
REIT status approved

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

BUSINESS ADDRESS
CPA House
101 Du Toit Street
Pretoria 0002

POSTAL ADDRESS
PO Box 15
Pretoria 0001

BANKERS
Nedbank
(A division of Nedcor Bank Limited)
P O Box 1144
Johannesburg 2000

Standard Bank of South Africa Limited
PO Box 7725
Johannesburg 2000

E-MAIL AND WEBSITE
info@octodec.co.za
www.octodec.co.za

INVESTOR RELATIONS
InvestorRelations@octodec.co.za

AUDITORS
Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)
PO Box 11007
Hatfield 0028

SPONSOR
Nedbank Capital
PO Box 1144
Johannesburg 2000

ATTORNEYS
Tugendhaft Wapnick Banchetti & Partners
PO Box 786728
Sandton 2146
Tel: 011 291 5000

TRANSFER SECRETARIES
Computershare Investor Services 2004 Proprietary Limited
70 Marshall Street
Marshalltown 2001
PO Box 61051
Marshalltown 2107

FORM OF PROXY

OCTODEC INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1956/002868/06)
ISIN: ZAE000005104
Share code: OCT
REIT status approved
(Octodec or the company)

The glossary commencing on page 134 of the integrated report to which this form of proxy is attached apply, *mutatis mutandis*, to this form of proxy.

This form of proxy is for the use by Octodec shareholders who hold certificated Octodec shares or who are registered as own-name in dematerialised form only.

If shareholders 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 shareholder 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.

For use by certificated Octodec shareholders and own-name dematerialised Octodec shareholders only, at the annual general meeting (AGM) of Octodec shareholders the company to be held at CPA House, 101 Du Toit Street, Pretoria, 0002 on Friday, 6 February 2015, commencing at 11:30, or at any adjournment thereof.

Any Octodec shareholders entitled to vote at the AGM may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

I/We

(name/s in block letters) of (address)

being the registered holder/s of shares 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 shares registered in my/our name/s, in accordance with the following instructions (see note 2).

		Number of votes (1 vote per share)		
		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 shares			
3.	Special resolution 3: Approval of directors' remuneration for the period 1 September 2014 to 31 August 2015			
	3.1 Mr Anthony Stein			
	3.2 Mr Jeffrey Wapnick			
	3.3 Ms Sharon Wapnick			
4.	Special resolution 4: Approval of directors' remuneration for the period 1 September 2015 to 31 August 2016			
	4.1 Ms Sharon Wapnick			
	4.2 Mr Derek Cohen			
	4.3 Mr Gerard Kemp			
	4.4 Mr Myron Pollack			
	4.5 Mr Anthony Stein			
	4.6 Mr Pieter Strydom			
	4.7 Mr Jeffrey Wapnick			
5.	Ordinary resolution 1.1 – 1.3: To re-elect the directors required to retire in terms of the memorandum of incorporation:			
	1.1 Ms Sharon Wapnick			
	1.2 Mr Derek Cohen			
	1.3 Mr Pieter Strydom			
6.	Ordinary resolution 2: To place the unissued shares under the directors' control			
7.	Ordinary resolution 3: To approve the issue of shares for cash			
8.	Ordinary resolution 4.1 – 4.4: To approve the re-appointment of members of the audit committee:			
	4.1 Mr Pieter Strydom			
	4.2 Mr Derek Cohen			
	4.3 Mr Gerard Kemp			
	4.4 Mr Myron 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: Specific authority to issue shares to afford shareholders distribution reinvestment alternatives			
12.	Ordinary resolution 8: To provide signing authority			

* Note: Please indicate with an "x" or the number of Octodec shares in the spaces above how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain in his/her discretion.

Signed at on 2015

Signature/s

Name in BLOCK LETTERS (full name if signing in a representative capacity) Assisted by (where applicable)

A proxy need not be a shareholder.

A proxy may not delegate his/her authority to act on his/her behalf to another person.

This proxy form will lapse and cease to be of force and effect immediately after the AGM of the company and any adjournments thereof, unless it is revoked earlier.

Please read the notes on the reverse side hereof.

NOTES

Summary of shareholders' 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. An Octodec shareholder entitled to attend and vote at the abovementioned meetings is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in his/her stead or abstain from voting. The proxy need not be a member of Octodec. An Octodec shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different Octodec shares held by the Octodec shareholder.
2. A proxy may delegate the proxy's authority to act on behalf of the Octodec shareholder to another person.
3. The completion and lodging of this form of proxy will not preclude the relevant Octodec shareholder from attending the annual general meeting of Octodec shareholders and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Octodec shareholder wish to do so. Accordingly, the appointment of a proxy in terms hereof is suspended at any time and to the extent that the Octodec shareholder chooses to act directly and in person in the exercise of any rights as an Octodec shareholder.
4. A proxy is entitled to exercise, or abstain from exercising, any voting right of the Octodec shareholder without direction, except to the extent that the voting instructions are set out in the relevant section of the proxy forms.
5. The appointment of a proxy shall remain valid until the end of the meeting contemplated in this appointment (including in respect of any adjournment or postponement of the AGM of Octodec shareholders), unless revoked in the manner contemplated in note 6 below.
6. An Octodec shareholder 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 Octodec. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Octodec shareholder as of the later of (i) the date stated in the revocation instrument, if any, or
   (ii) the date on which the revocation instrument was delivered to Octodec.
7. Please insert the number of Octodec shares, as the case may be, in the relevant spaces according to how you wish your votes to be cast.

   If you wish to cast your votes in respect of a lesser number of Octodec shares, as the case may be, exercisable by you, insert the number of Octodec shares, as the case may be, held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise and compel the chairman, if the chairman is an authorised proxy, to vote in favour of the resolutions, or to authorise any other proxy to vote for or against the resolutions or abstain from voting as he/she deems fit, in respect of all the Octodec shareholder's votes exercisable thereat. An Octodec shareholder or its/his/her proxy is not obliged to use all the votes exercisable by the Octodec shareholder or its/his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the Octodec shareholder or its/his/her proxy.
8. The record date to be entitled to attend, participate in and vote at the AGM of Octodec shareholders is by close of trading on Friday, 30 January 2015.

   To be valid, forms of proxy must be completed and returned to the Transfer Secretaries:

   Hand deliveries of forms of proxy to:

   Computershare Investor Services Proprietary Limited
   Ground Floor, 70 Marshall Street
   Johannesburg, 2001

   Postal deliveries of forms to:

   Computershare Investor Services Proprietary Limited
   PO Box 61051
   Marshalltown, 2107

   to be received by no later than 11:30 on Wednesday, 4 February 2015 (or 48 hours before any adjourned AGM of Octodec shareholders which date, if necessary, will be notified in the press and on SENS).
9. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
10. In the case of a joint holding, the first-named only is required to sign.
11. The authority of a person signing a proxy in a representative capacity must be attached to the form of proxy unless that authority has already been recorded by Octodec.
12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian as applicable, unless the relevant documents establishing capacity are produced or have been registered with the Transfer Secretaries.
13. If the instrument appointing a proxy or proxies has been delivered to Octodec, as long as that appointment remains in effect, any notice that is required by the Act or Octodec's MOI to be delivered by Octodec to the Octodec shareholder must be delivered by Octodec to (i) the Octodec shareholder or (ii) the proxy or proxies, if the Octodec shareholder has directed Octodec in writing to do so and paid any reasonable fee charged by Octodec for doing so.