

A collage of five circular images showing various urban renewal projects. The images include: a modern building facade with large windows; a historic building with ornate architectural details; a modern building with a glass facade; a modern building with a glass facade; and a modern building with a glass facade.

# URBAN RENEWAL





# We continue to unlock value through **urban renewal**

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**TOP 10  
PROPERTIES  
BY VALUE**



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**PORTFOLIO  
ANALYSIS**

FIND THIS REPORT ONLINE:

**WWW.OCTODEC.CO.ZA**



# Octodec is one of the single largest owners of property in the Tshwane and Johannesburg CBDs

## ABOUT THIS REPORT

This integrated report presents the financial and non-financial performance of Octodec Investments Limited (Octodec or the group) for the financial year 1 September 2014 to 31 August 2015. It is primarily aimed at analysts and investors, and has regard to the interests of all stakeholders. It broadly follows the same structure as the previous report.

The report is based on the outcome of a review following the materiality process initiated in 2014. This process defined those matters most material to Octodec and its ability to create value over the short, medium and long term. Octodec is committed to extracting sustainable value for all stakeholders from its property portfolio, which is located in Gauteng, South Africa. In developing the content of this report, Octodec was guided, *inter alia*, by the following:

- King Report on Governance and the King Code of Governance Principles for South Africa 2009 (King III)
- International Financial Reporting Standards (IFRS)
- The Companies Act, 71 of 2008, as amended
- JSE Listings Requirements
- International Integrated Reporting Council's (IIRC) integrated reporting <IR> Framework
- Income Tax Act, 58 of 1962, as amended.

In the 2014 integrated report, the six capitals were considered and addressed according to their impact and outcome per material issue. The six capitals (financial, manufacturing, intellectual, human, social and relationship, and natural capital) are the stores of value that enable Octodec's business activities. For 2015, a table containing details on the six capitals is available on Octodec's website,



[www.octodec.co.za](http://www.octodec.co.za)

Events that should be considered when reading this report and evaluating Octodec's performance:

- The merger between Octodec and Premium Properties effective 1 September 2014, creating the "enlarged Octodec"
- Acquisitions and transfers of investment properties to the value of R109,4 million
- Upgrades and developments of investment properties to the value of R367,5 million
- Development pipeline of R805,3 million

Readers of the report are encouraged to visit [www.octodec.co.za](http://www.octodec.co.za) for additional information. Feedback or requests for further information can be directed to the company secretary, Elize Greeff, at [elizeg@octodec.co.za](mailto:elizeg@octodec.co.za) or telephone 012 357 1564.

In this report, "new developments" refer to ventures creating new buildings where no existing building structures are present. "Mothballed buildings" refer to buildings that have been closed to preserve them for future development. "Upgrades" or "redevelopments" refer to improvements of existing buildings.

### NAVIGATIONAL ICONS

The following icons were applied throughout the report to improve usability and show the integration between the relevant elements of the report.



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

### ASSURANCE AND APPROVAL

The board approved this report on 25 November 2015 and is satisfied that the necessary controls are in place to verify and safeguard the integrity of the report. The annual financial statements on pages 76 to 111 were assured by Deloitte & Touche.

# BOARD OF DIRECTORS



## BOARD OF DIRECTORS

### Non-executive directors

#### Sharon Wapnick (52)

*BA LLB (cum laude)*

- Chairman
- Non-executive director
- Chairman of nominations and investment committees
- Member of risk, social, ethics, remuneration and transformation committees
- Areas of expertise: Legal, compliance and property
- Appointed to the board on 4 October 1994

#### Derek Cohen (64)

*AEP (Unisa)*

- Independent non-executive director
- Lead independent director
- Member of audit, investment, risk, social, ethics, remuneration and transformation, and nominations committees
- Areas of expertise: Banking, corporate finance, mergers and acquisitions
- Appointed to the board on 1 October 2009

#### Gerard Kemp (61)

*MSc (Mining Engineering) DPLR, MDP*

- Independent non-executive director
- Chairman of the social, ethics, remuneration and transformation committee
- Member of audit, investment, risk, and nominations committees
- Areas of expertise: Business leadership, business development (resources), investment banking, operations and mining
- Appointed to the board on 1 October 2013

#### Myron Pollack (68)

*CA(SA)*

- Non-executive director
- Member of audit, investment, risk, social, ethics, remuneration and transformation, and nominations committees
- Areas of expertise: Financial and property
- Appointed to the board on 4 October 1994

#### Pieter Strydom (67)

*MCom (cum laude), CA(SA)*

- Independent non-executive director
- Chairman of audit and risk committees
- Member of the social, ethics, remuneration and transformation, nominations and investment committees
- Areas of expertise: External auditing, special investigations, risk management and finance
- Appointed to the board on 6 February 2012

### Executive directors

#### Jeffrey Wapnick (55)

*BCom*

- Managing director
- Member of risk committee
- Areas of expertise: Property and operations
- Appointed to the board on 2 October 1998

#### Anthony Stein (48)

*CA(SA)*

- Financial director
- Member of risk committee
- Areas of expertise: Finance, treasury and property with specific emphasis on JSE-listed companies and REITs
- Appointed to the board on 1 July 2009



# 2015 HIGHLIGHTS

Total value of investment portfolio **increased** to **R11,6bn**

DMTN programme – **credit rating upgraded**

**Growth** in distribution of **7,7% per Octodec share**

**Development** pipeline of **R805,3m**



Size of bond programme increased from **R1bn to R3bn**



Read more about our performance in the chairman's and managing director's reports and the financial director's review on pages 16, 19 and 38.

## Total return

(capital growth and distribution) to shareholders of **24,13%**

## 4 Major developments

under construction during the year to a total value of

**R681,2m**

All-in weighted average cost of debt at

**8,9%**  
per annum

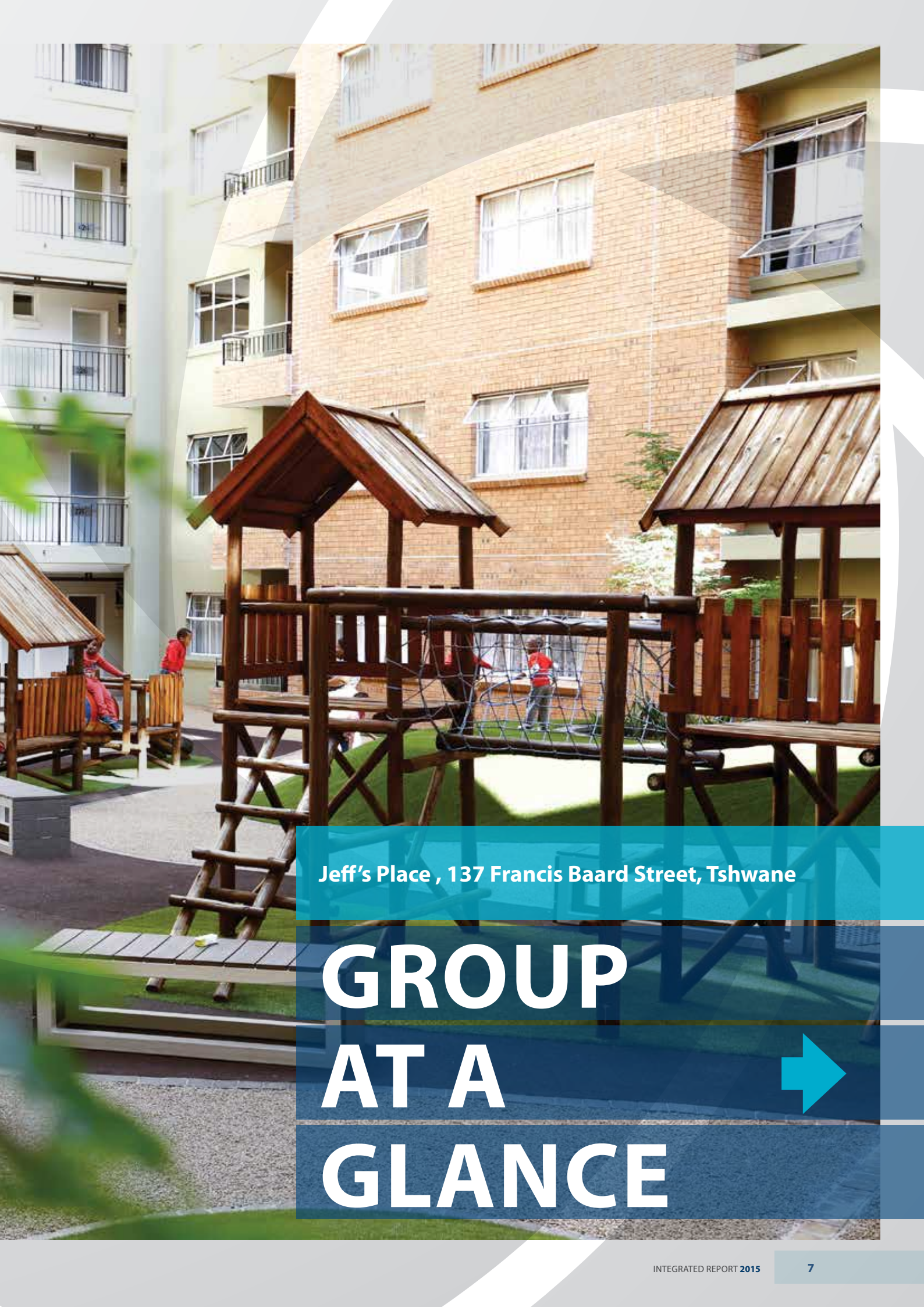
**R390m**

was raised through an accelerated bookbuild on 22 July 2015

**Urban renewal** gaining traction







Jeff's Place , 137 Francis Baard Street, Tshwane

# GROUP AT A GLANCE



# GROUP AT A GLANCE

Octodec Investments Limited is a real estate investment trust (REIT) listed on the JSE, with a market capitalisation of R6,1 billion at 31 August 2015.

The property portfolio comprises 330 diverse properties with a total gross lettable area (GLA) of 1 716 598 m<sup>2</sup> and a book value of R11,6 billion. Octodec is included in the two main JSE property indices and has the most significant residential property portfolio among the REITs listed on the JSE. 29,8% of Octodec's rental income is derived from its residential property portfolio.

Octodec listed on the JSE in 1990. It converted to a REIT on 1 September 2013 and, effective on the same date a year later, it acquired all the linked units of Premium Properties Limited (Premium) that it did not already own (the merger). Prior to the merger Octodec and Premium each held a 50% interest in IPS Investments Proprietary Limited (IPS). Octodec is one of the single largest owners of properties in the Tshwane and Johannesburg central business districts (CBDs) and surrounding areas.

The group has a history of unlocking value by redeveloping and refurbishing underperforming properties. The portfolio includes shopping centres, a substantial amount of inner city retail and residential properties (blocks of flats), a range of large and small industrial

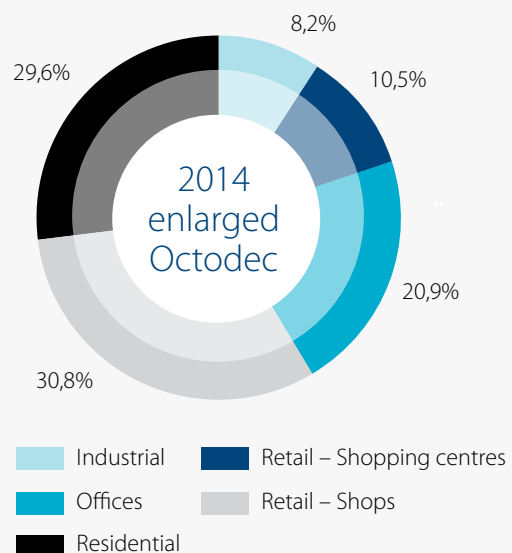
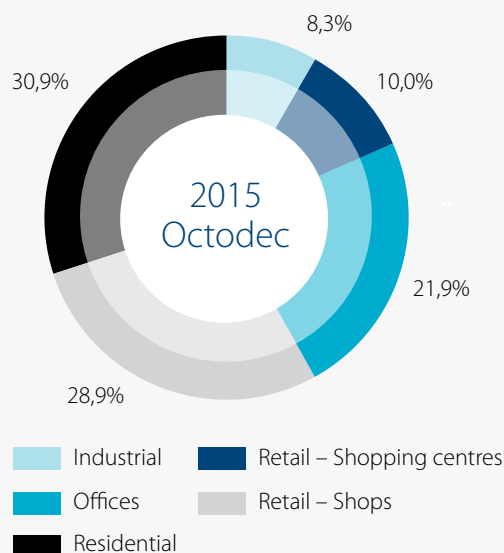
properties, a number of office buildings and limited vacant land. The majority of the portfolio consists of inner city retail, office and residential buildings mostly located in the Tshwane CBD and a smaller percentage in the Johannesburg CBD.

The asset and property management functions of Octodec are contracted to City Property Administration Proprietary Limited (City Property).

The rental and other income received from Octodec's property portfolio, including the distributable income received from equity-accounted investments, less net operating costs, interest on debt and normal taxation, is distributed to shareholders bi-annually. Octodec does not distribute capital profits.

## KEY FACTS

PORTFOLIO SECTOR PROFILE AS PERCENTAGE OF RENTAL INCOME



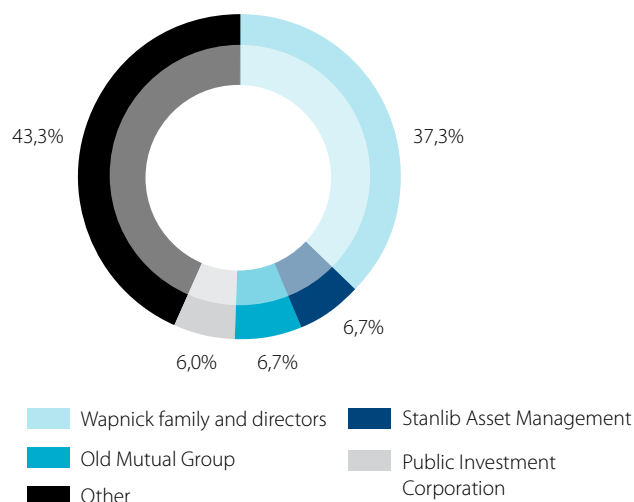
## KEY FACTS

continued

	2015	1 September 2014
Number of properties	330	328
Gross lettable area	1 716 598 m <sup>2</sup>	1 663 518 m <sup>2</sup>
Market capitalisation	R6,1 billion	R5,4 billion
Total value of investment portfolio	R11,6 billion	R10,9 billion
Net asset value per share	R27,69	R24,62
Number of tenants	13 906	13 020
Number of employees	242	260

## OWNERSHIP

TOP FOUR SHAREHOLDERS/FUND MANAGERS AS AT 31 AUGUST 2015



## GEOGRAPHICAL PROFILE

### Tshwane CBD

Within the Tshwane CBD, Octodec owns 125 properties with a GLA of 502 455 m<sup>2</sup> to the value of R4,0 billion.

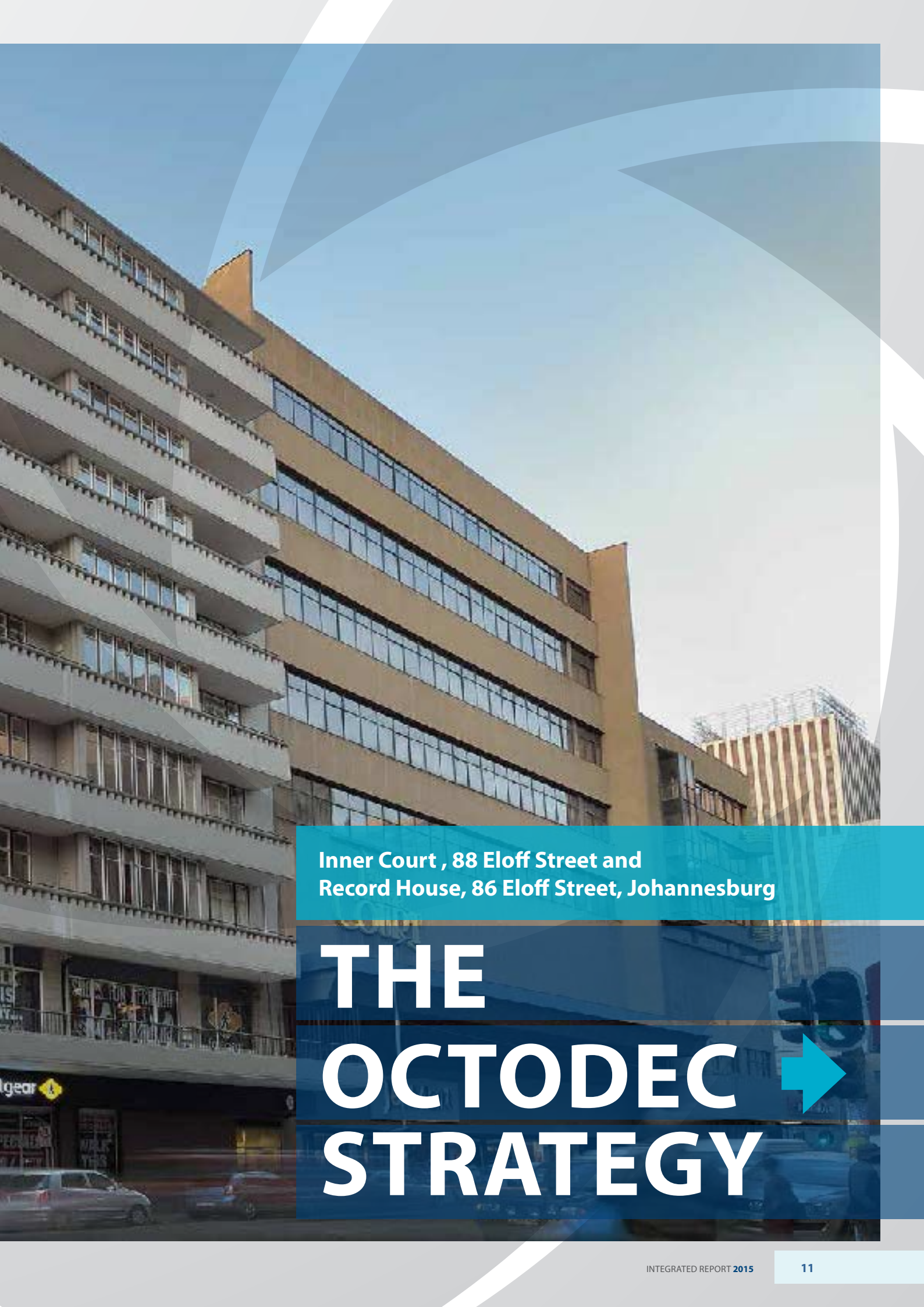
### Johannesburg CBD

Within the Johannesburg CBD, Octodec owns 56 properties with a GLA of 451 691 m<sup>2</sup> to the value of R2,5 billion.









Inner Court , 88 Eloff Street and  
Record House, 86 Eloff Street, Johannesburg

# THE OCTODEC STRATEGY



# THE OPERATING ENVIRONMENT

It is a global trend, as is the case in South Africa, that urbanisation is driving inner city transformation. This necessitates providing residential accommodation, retail, food outlets and 'walk-to-work' offices to create urban cores, spurring investment and development and improving the quality of living conditions in many cities.

At the same time, the South African millennial generation is creating change by introducing new requirements in property development. This includes expansion of technology applications in all property environments. Technology is pushing change in the use of space, locations and demand at an accelerated pace. It also brings significant shifts in retailing as retailers transform into omnichannel distributors with physical stores changing function and purpose.

These developments, with a strong drive for efficiency and effectiveness in service delivery and cost, will remain key determinants in property investment decisions.

In South Africa, the steady upward cycle in urban renewal improves the value of property and assists in achieving a sustainable and above average income return. The inner-city property market is becoming increasingly competitive, challenging the ability of new entrants to produce attractive returns.

## GENERAL SOUTH AFRICAN SECTOR OVERVIEW

The **retail sector**, driven by demand from national and international retailers, is expected to deliver relatively high returns in the short term. The cost of occupancy remains high, with smaller and older centres suffering from increasing vacancies and reversionary pressures on rentals. Growth in the aspirant lower to middle class consumer group is driving an increase in development in South African CBDs. High Street retail in the CBDs continues to show growth.

The **residential market** continues experiencing high demand. Densification is one of several key trends as households move to economic nodes located in proximity to public transport corridors to avoid traffic congestion and young professionals gravitate towards city centres.

Profitability in the **office market** remains concerning due to oversupply in certain key nodes. This is exacerbated by corporates consolidating into mega offices, leaving smaller and older office blocks with increasing vacancies.

Development activity in the sector remains concentrated, with strong CBD office nodes accounting for the bulk of new office development. According to the South African Property Owners Association (SAPOA), inner city vacancies remain lower than they were 10 years ago, partly due to structural changes in the market brought about by the conversion of offices into residential units.

The **industrial market** showed encouraging growth as wholesalers and retailers changed their distribution and warehousing models to improve margins and expand reach. The industrial sector's base rental continues growing above inflation in well-located areas, which provide quality offerings, but smaller industrial properties are starting to come under pressure.

## REIT PERFORMANCE

South African REITs continue showing high resilience in earnings growth. Average distribution growth for domestic REITs to November 2015 was between 7% and 8% per annum. This is above market expectations.

South African JSE-listed REITs continued to outperform other asset classes during the year, due to macro-economic factors rather than property fundamentals. Relatively low short-term bond yields and interest rates may not be sustainable. The performance of South African REITs will be determined by property fundamentals in the long term.

Property portfolios remain vulnerable to increasing operating costs, which continue growing in excess of consumer price inflation. The largest contributors to these increases are security and utility costs, and municipal rates and taxes.

# OCTODEC'S STRATEGY AND BUSINESS MODEL

## PURPOSE STATEMENT

Octodec is a property owner with investments in the residential, commercial, industrial and retail market segments of the Tshwane and Johannesburg CBDs and surrounding areas. Octodec offers living, working, socialising, eating and shopping spaces aimed at an emerging middle class, government, retailers and small entrepreneurs.

### CORE COMPETENCIES

- Property investment insight and expertise
- Long-term portfolio investment and management
- Access to reliable and scalable property management and administration expertise
- Financial sustainability and resources
- Key long-term relationships with multiple stakeholders
- Inner city proficiency

### BUSINESS 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!

# OCTODEC'S STRATEGY AND BUSINESS MODEL

## CONTINUED

### STRATEGY OVERVIEW

Octodec has a focused growth strategy that was debated and confirmed by the board during a strategic session that was held in January 2015. Historically, the company acquired properties with high turnaround or redevelopment potential at relatively low prices. After the merger the Octodec board reviewed the property portfolio and approved further upgrades and redevelopments of properties, acquisitions and a few minor disposals which were not core to the portfolio.

Investment decisions are premised on a range of criteria, including the strategic or complementary fit of the properties within the portfolio, current and future yields, the presence of a diverse economic base, a deep pool of prospective tenants, transport and commuting patterns, adjacency to established business centres and sources of business growth.

### STRATEGIC OBJECTIVE

### PROGRESS IN 2015

<b>1. Actively promote urban renewal in the CBDs</b>	<p>R265,0 million investment in projects in the inner cities and surrounding areas (2014: R155,7 million)</p> <p> Read more about urban renewal initiatives on page 47.</p>
<b>2. Enhancing the profitability of the existing portfolio:</b> <ul style="list-style-type: none"> <li>• Continuously improving the quality of the portfolio</li> <li>• Enhancing tenant profile</li> <li>• Developing well-located properties</li> <li>• Concentration of properties (easier to manage and extract value)</li> </ul>	<p>R367,5 million invested in improvement projects during the year</p> <p>Two new developments completed</p> <hr/> <p>6,7% increase in core rental income over the previous year</p> <p> Read more about Octodec's changing tenant profile in the chairman's report on page 16 and the managing director's report on page 19</p> <hr/> <p> Read more about Octodec's top 10 properties on page 26 and the property pipeline in the managing director's report on page 19 and financial director's review on page 38</p> <hr/> <p> Find more about the concentration of properties on page 9</p>
<b>3. Building a diversified portfolio in the Tshwane and Johannesburg CBDs and surrounding areas, exposed to the residential, office, retail and industrial sectors</b>	<p> Read more about Octodec's sector profile under group at a glance on page 6 and Octodec's property portfolio on page 24</p>
<b>4. Pursuing acquisitions that offer strategic value and sustainable yield-enhancing opportunities</b>	<p> Read more about acquisitions during the year in the managing director's report on page 19</p>
<b>5. Maintaining and growing distributions to shareholders</b>	<p>7,7% growth in distributions over previous year</p> <p> Read more in the financial director's review on page 38</p>
<b>6. Medium-term focus on growing residential portfolio</b>	<p>225 new residential units added during the year</p> <p>The residential component of Octodec's sectoral profile increased from 29,6% to 30,9% in 2015</p>

 Read more about the strategic risks that could potentially affect Octodec's ability to implement its strategic objectives in the risk report on page 63.

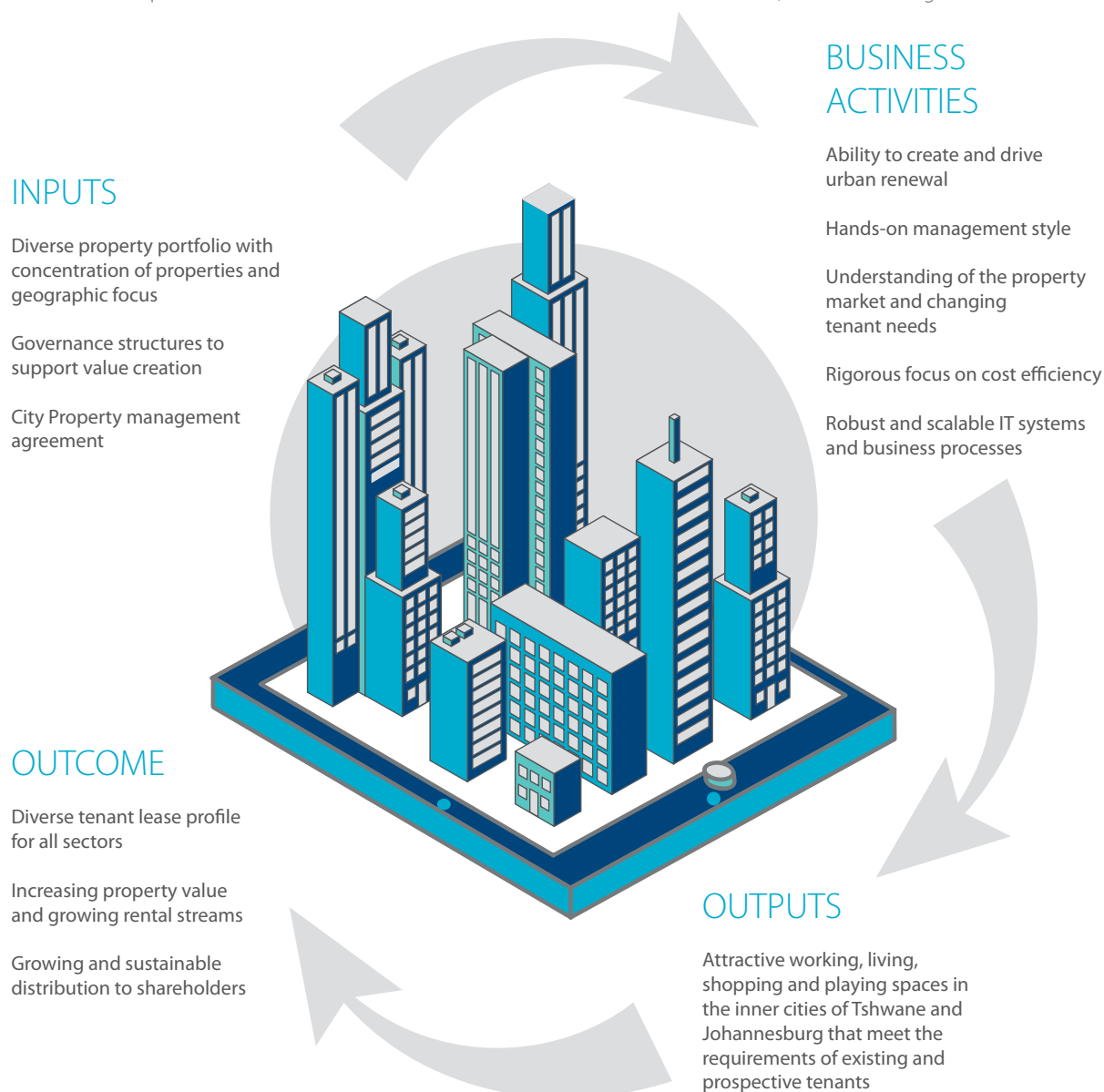


## THE OCTODEC BUSINESS MODEL

Octodec started acquiring its property portfolio in the Tshwane CBD in the early 1990s and a decade later in the Johannesburg CBD when institutional property owners relocated to newer areas – resulting in acquisitions by Octodec at relatively low prices.

Today, these properties offer scale and concentration that enable Octodec to create value through management efficiencies in its portfolio and the active management by City Property.

Octodec differentiates itself from other property companies through its business model that applies a specific set of inputs, business activities and outputs to create an outcome that offers value to its stakeholders over the short, medium and long term:



Property investment is a long-term business driven by a cycle of investment and active property management. Octodec's property portfolio offers stable and resilient growth through economic cycles. This results in more predictable earnings stream for shareholders and longer planning horizons.

Unlike other property companies, Octodec has the ability to collect from and administer a large number of tenants (a total of 13 906) in different sectors. This tenant spread allows the group to mitigate the risk of losing a single large tenant. Tenants are diverse, ranging from individuals renting small apartments to government departments, national retailers to small entrepreneurs occupying upmarket malls or high-street shops, and industrialists seeking opportunities closer to the major metropolitan areas.

The success of the business model relies on actively engaging with stakeholders. Octodec's primary stakeholders include shareholders, banks and financiers, City Property, tenants, suppliers, government and local authorities, communities and employees.

 Read more about these relationships in the material matters section starting on page 44.

Octodec acquires properties with development potential in the Tshwane and Johannesburg CBDs. Consequently the group has significant potential for redevelopment, upgrading, bulking up existing structures and applying its network of professionals and suppliers to explore future development options for currently underused or vacant properties.

 Read more about the pipeline of investments in the managing director's report on page 19.

# CHAIRMAN'S REPORT



Sharon Wapnick

# 'Octodec is now a more attractive investment with a larger, stronger balance sheet.'

The successful merger between Octodec and Premium, effective 1 September 2014, started the financial year on a high note. The hard work and effort by the board, the independent sub-committee (created to govern the merger process) and the City Property management team delivered an entity with more scale and efficiency, and one that has received a positive response from the market.

The board had been discussing and evaluating the creation of a single listed vehicle for many years. The change in South Africa's income tax legislation with the introduction of the REIT structure provided an opportunity to unlock shareholder value. The merger has been bedded down and Octodec now truly embodies the vision of its founder, Mr Alec Wapnick.

From a board perspective, the merger eased the added burden of duplication of oversight, governance and administration structures. Octodec is a more attractive investment as a result of the simplified group structure and the fact that the group now has a larger, stronger balance sheet, which has resulted in improved access to capital. This enables the group to take on bigger projects with higher yield opportunities.

One of the goals of the merger was to have the most significant residential portfolio in the listed REITs sector. This has been achieved. Just over 30% of our rental income is currently derived from the residential portfolio. In time we plan to grow this, bearing in mind that demand for residential accommodation outstrips supply and that this trend is expected to continue.

The attractiveness of the enlarged Octodec was confirmed by the success of the recent share issue by way of an equity bookbuild, which was the outcome of a considered capital raising investigation by the board and was substantially oversubscribed. The capital raised from the share issue has provided Octodec with a stronger financial position to undertake larger developments.

The demands of these corporate actions in the last 18 months did not detract from our core business: identifying and implementing portfolio improvement projects, ranging from acquisitions to refurbishments and a few minor non-core disposals of properties which no longer offer growth. As set out in the strategy, we continuously aim to improve the quality of the portfolio.

## PERFORMANCE

The increased scale and size of the portfolio presented new opportunities from the start of the financial year. Although it is essentially still the same company, with a similar geographic and sectoral focus, we now have the opportunity to apply our expertise to bigger developments such as the R347,4 million Centre Forum project in Tshwane.

The company's financial performance is ahead of market expectations, despite a challenging trading environment. Growth of 7,7% in distributions and the capital appreciation in the value of our property portfolio is largely attributed to the successful extraction of value from the property portfolio, our expertise and focus, close control and tight management of systems and procedures. Bad debts are at very low levels and credit control remains highly effective. Although we have experienced some vacancies, we have also seen some old tenants making way for exciting new ones.

The developments at our flagship shopping centre, Killarney Mall, have been particularly exciting. Dis-Chem took up the ground floor premises (over 2 000 m<sup>2</sup>) previously occupied by Edgars. The initial period of Dis-Chem's lease is 10 years. On 10 November 2015, Dis-Chem opened its biggest and best store at Killarney Mall, stocking everything, and providing all services, available at any other Dis-Chem store. Capitec also opened a 266 m<sup>2</sup> branch at Killarney Mall with their extended trading hours encouraging FNB to do the same. Their presence has been well received by tenants and customers and already an increase in foot count at the Mall is discernible. The common areas of the medical suites recently underwent a revamp at a cost of R432 000 and other valued tenants, such as @Home, Sorbet, Carrol Boyes and Vodacom, also revamped their stores.

It is pleasing to note that Octodec was placed in the 2015 Sunday Times Top 100 Companies Awards, which is based on shareholder returns over the past five years.

Our business model remains resilient due to the diverse nature of the portfolio. Read more about the sector performance on page 30.

## INNOVATION AND COMPETITIVE ADVANTAGE

A new generation of tenants is a strong driver in support of innovation. Octodec has demonstrated an innovative and unconventional design approach in several recent projects, including Jeff's Place, The Fields and 012central. The confluence in demand for working and living spaces means that we have created courtyard play and entertainment areas and integrated study and leisure areas. Read more about these urban renewal trends on page 47.

The ability to innovate, combined with extensive experience gained through Octodec's historical presence in the inner cities, provides the group with a unique competitive advantage. Through City Property it has access to the required skills and systems to manage a long-term pipeline of development properties. This includes the new 1 on Mutual development, which is strategically situated in Madiba Street, next to Church Square and across the road from the North Gauteng High Court,

## 'We continue to invest in further gentrification and urban renewal.'

where we are exploring a more upmarket offering than the rest of the residential properties in the Octodec portfolio.

Although we continue considering other geographical areas, the board recognises the success of an actively involved management approach, facilitated by City Property with an ease of reach, direct control and understanding of the current portfolio.

Octodec also invests in communities through projects that support enterprises that supply cleaning and security services and it assists the Hawkers' Association. In addition to cash donations, support takes the form of industrial and office space provided at no rental cost, the supply of uniforms and the design and installation of hawker stands.

### **GOOD CORPORATE GOVERNANCE AND RISK MANAGEMENT**

Good governance is vital for the company to grow in a sustainable way and to ensure that Octodec conducts business ethically, transparently and in the best interests of stakeholders.

Octodec has adopted a comprehensive, enterprise-wide approach to managing risk. This ensures that material risks are identified, assessed, evaluated and managed according to the board's risk tolerance levels.

Social and political activism and unrest is a concern as the country experiences a higher rate of incidents of activism and unrest. This is expected to continue in the period leading up to municipal elections in 2016. The safety and quality of our buildings and tenants are to a large extent addressed through increased security initiatives and good relationships with all stakeholders in the CBDs.

We welcome the increased interest from other property companies in the Johannesburg CBD. Competitors owning neighbouring properties with the same vision and similar commitment and capacity to invest in further gentrification and urban renewal, is an essential aspect of our strategy.

### **FUTURE FOCUS AREAS AND PROSPECTS**

Octodec continuously considers its impact on the environment and its communities and is becoming more responsible and forward-thinking about its legacy.

One of the board's most important focus areas for next year will be transformation and B-BBEE. Although Octodec is already supporting skills, supplier, economic and enterprise development in many ways, we recognise the necessity to develop a plan to formalise and measure progress towards improved compliance.

Octodec is now included in the SA Listed Property (J253) and Capped Property (J254) JSE property indices, which has ensured Octodec's ongoing investment appeal and further entrenches its reputation as an attractive investment.

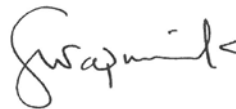
Although the operating environment is expected to remain challenging – characterised by a rising interest rate environment, labour, political and student unrest, high unemployment, service delivery issues and inefficient local government structures – we remain confident about the viability of our investments and inner city development in particular, and will continue to engage with our stakeholders in a way that promotes mutual sustainability.

The board is also comfortable that the capacity and experience of City Property will continue to allow us to create value by managing the scale of the existing property portfolio as well as additional acquisitions and developments.

### **APPRECIATION**

I would like to extend my sincere appreciation to my fellow board members and the executive management for their support and contributions during the past year. I believe that we have successfully embedded the new Octodec structure and ensured that the appropriate systems and controls have been put in place and are effective.

I also want to thank each of our employees, the City Property management team and their employees, all of whom remain dedicated to providing our tenants and other stakeholders with the highest level of quality service and who have contributed to the performance of our company.



**Sharon Wapnick**

25 November 2015



# MANAGING DIRECTOR'S REPORT



Jeffrey Wapnick

# MANAGING DIRECTOR'S REPORT CONTINUED

Octodec delivered strong results in the first year as an enlarged group. The merger with Premium Properties brought scale, efficiency, concentration and weight to an already uniquely diverse collection of properties.

Distributions increased by 7,7% in 2015. This was achieved despite lacklustre economic growth, rising interest rates and continued high levels of unemployment. Furthermore, property rates and taxes and utility costs have consistently increased at a faster rate than inflation over the past decade. These increases add further pressure to a challenging operating environment where property owners have to absorb increasing municipal costs against declining service delivery.

Electricity shortages have become one of the biggest factors constraining growth in the country. For property owners and tenants alike it is a costly risk to mitigate. Due to Octodec's focus on efficiency and cost management over the years, we can offer alternative sources of energy to our tenants. Read more about these initiatives on page 51.

It is gratifying that Octodec has delivered a solid 6,7% increase in core rental income streams given the economic environment – an indication that our business model is resilient and sustainable even under difficult conditions. We continue investing in maintaining and upgrading properties, despite the challenges working in congested inner city environments, having to involve a range of stakeholders and dealing with ageing infrastructure. Read more about how we build with dignity on page 50 and foster relationships with inner city stakeholders on page 49.

Vacancies have declined by 1,9%, with the most encouraging improvement in the industrial sector. Retail shopping centre vacancies are lowest at 0,7% of sector GLA.

## 2015 HIGHLIGHTS

- The acquisition and transfer of seven properties for a total of R109,4 million and the major development of four properties. Details of these are set out later in this report
- The successful conclusion of more than 20 lease renewals with government tenants in the Tshwane CBD resolved the untenable situation of managing expired leases on a monthly basis – some going back as far as 2003. We have been able to negotiate market-related rentals, recover annual escalations for the relevant periods and include an operating cost recovery. This ensures that government tenants will receive dedicated general maintenance services, including in some cases cleaning. Some renewals of government lease agreements for properties in the Johannesburg CBD are still outstanding and will be a priority in the new financial year

- The opening of a new Spar at Octodec's Silver Place (previously Eastway Centre) in Silverton has been successful beyond expectations. The redevelopment of this property started with a residential upgrade a few years ago, followed by an office conversion into more flats and an improved retail offering. Among others, a challenging process of sourcing an anchor retail tenant was concluded at the end of 2014 with a deal with a Spar franchisee. The new Spar opened on 23 July 2015 and has received overwhelming support, thereby serving as a catalyst for filling the remaining vacancies and creating potential further development opportunities
- We concluded an extensive residential service survey to identify, measure, meet and improve on tenant needs and requirements. The outcome will ensure that Octodec can offer tenants a product that is beyond or above what the rest of the market is offering. It also enables us to strengthen and differentiate our brand, focusing exclusively on the residential inner city market
- The urban renewal initiative, 012central in Tshwane, was launched in June 2015 as a way to attract new and more affluent groups to the city. Read more about our other urban renewal initiatives on page 47

## ACQUISITIONS

In line with Octodec's strategic objective of acquiring properties in the Johannesburg and Tshwane CBDs, a number of properties were acquired. Investments are considered on a case-by-case basis, with geographic location, proximity or adjacency to existing properties being one of the decisive factors. Opportunities are becoming scarcer due to increased interest and competition from funds and individual buyers in Octodec's focus nodes.

Furthermore, potential acquisitions are priced according to potential yields, which can deliver appropriate and sustainable returns to shareholders.

Octodec acquired eight properties summarised on page 21, to the value of R141,3 million, which include Reinsurance House in the Johannesburg CBD. Reinsurance House was transferred to Octodec in March 2015. This office block will be converted into residential units at a cost of approximately R68,3 million. The fully let initial annual yield is expected to be 8,5%.

## SUMMARY OF ACQUISITIONS

Name of property	Address	Description	Rentable m <sup>2</sup>	Purchase price including costs Rm	Initial yield %	Date of transfer
City Block	Corners Frederick, Eloff, Albert, Joubert Streets, Johannesburg CBD	Offices and shops for redevelopment	4 074	6,1	7,1	18 December 2014
Bosch Building	363 and 365 Johannes Ramokhoase Street, Tshwane CBD	Parking and/or Industrial – forms part of site assembly	–	8,1	6,0	3 March 2015
Silver Place House	Corner President and Brandwag Streets, Silverton	Land to be used for additional parking for Silver Place and storage  Existing residential house to be demolished	–	3,9	N/A	5 March 2015
Tshwane Midtown	356 Madiba Street, Tshwane CBD	Mothballed offices and shops for development	8 499	23,0	N/A	17 March 2015
Reinsurance House	Corner Sauer and Commissioner Streets, Johannesburg CBD	Mothballed offices and shops for conversion to residential	15 034	37,1	8,5 (on completion of development)	25 March 2015
Olivetti House	Corner Pretorius and Sophie de Bruyn, Tshwane	Offices	3 570	21,0	9,0	13 April 2015
Manhattan Flats	Kikuyu Road, Sunninghill Ext 164, Johannesburg	50% undivided share – land for residential development	–	10,2	9,5 (on completion of development)	13 May 2015
Van Riebeeck Medical Building	Corner Lilian Ngoyi (formerly Van der Walt) and Francis Baard (formerly Schoeman) Streets, Tshwane	Mothballed offices and shops for residential development	11 665	31,9	8,5 (on completion of development)	Expected transfer in February 2016
<b>Total</b>				<b>141,3</b>		

Octodec disposed of three non-core properties for a total consideration of R15,9 million during the year.

# MANAGING DIRECTOR'S REPORT **CONTINUED**

## JOINT VENTURES

Octodec concludes selective joint ventures with strategic partners who have extensive experience in property development. The group currently participates in three joint ventures, all of which are 50% held by Octodec. The details are:

- Blaauw Village: a small shopping centre situated in Tshwane North
- Kempton Place: mixed-use development situated in Kempton Park
- The Brooklyn: mixed-use development situated in Johannesburg CBD
- Gerlan: a McCarthy Toyota motor dealership situated in Tshwane

Octodec also entered into an agreement with Renprop Proprietary Limited and other strategic partners to develop The Manhattan, a residential block in Sunninghill, Johannesburg. The aim of this joint venture is to explore a different market segment, allowing Octodec to diversify and take advantage of yield-enhancing opportunities outside of the CBDs. Octodec's 50% undivided share in The Manhattan property was purchased for a total consideration of R10,2 million. The total development cost of the 180-unit residential development will amount to R157,5 million and is expected to be completed by late 2016. The fully let initial annual yield is expected to be 9,5%.

## DEVELOPMENT HIGHLIGHTS FOR 2015

Four major projects were under construction during the year. These projects will enhance the value of the portfolio and concurrently contribute to the upliftment of the CBDs.

- Octodec commenced with the redevelopment of Centre Forum in May 2015. The property is situated adjacent to the new Tshwane House municipal development in the Tshwane CBD. It is a new residential development that will house 400 residential units, ground floor retail and parking. The total cost of the project is R347,4 million and is expected to be completed in March 2017 at a fully let commencing annual yield of 8,1%
- The redevelopment of Frank's Place was completed in May 2015. The redeveloped property in the Johannesburg CBD consists of a retail component and residential units. The old offices were converted into 225 residential units at a cost of R130,1 million. The fully let initial annual yield is expected to be 8,1%
- The development of a new mixed-use property, 1 on Mutual, situated next to Church Square in the Tshwane CBD. This project consists of 142 residential units, ground floor retail space and parking. The total cost is R146,4 million and it is expected to be completed in April 2016 at a fully let initial annual yield of 7,6%
- The second phase of the redevelopment of the mixed-use property, Silver Place, was completed in Silverton Tshwane in July 2015. The project includes the redevelopment of the retail component. The total cost of the retail project is R57,3 million at a fully let annual yield of 8,3% commencing in February 2017

Octodec continuously considers a range of investment opportunities. Regular input on potential acquisitions and disposals, including research and specialist assessments, enables the board to make informed decisions about the commercial viability of each opportunity. Our foremost investment criteria are the requirements for strategic fit and sustained profitability.

## OCTODEC'S SUSTAINABLE APPROACH

Octodec operates a different model from other property companies: it contracts with a large number of individual tenants across a diverse portfolio, which includes residential, office, industrial and retail shops and shopping malls. This requires the administrative ability to handle high volumes, but also mitigates the risk of the loss of one single large tenant.

The administration of such a portfolio, especially given the unique inner city market and tenant dynamics, requires specialist skills and experience. This is provided through the relationship and asset management agreement with City Property that endures until 2018. Read more about the scope and nature of the current City Property management agreement on page 46.

We further enforce the principles of sustainability in determining rentals. Octodec profiles all tenants as it considers what tenants can afford, what is market related and what is appropriate in the specific location. Tenant retention is in most cases a more cost-effective and sustainable approach than short-term growth in rentals.

Octodec's sustainable approach is also evident in the changing design and architecture of its offerings. At The Fields in Hatfield, the group has created a singular student offering where the main focus is to provide a central facility to cater for a range of social and study requirements. As safety is a major concern for parents, we provide a space for studying, working, socialising and entertainment in one location. We follow the same approach in the newer city centre residential offerings, which include play areas for children and recreational areas for adults.

We are also considering a loyalty programme for tenants as an additional reward and retention mechanism.

## TRANSFORMATION

Octodec recognises the importance of transformation in South Africa and in the group. We have started a process, driven by the board and the social, ethics, remuneration and transformation committee, to develop an appropriate long-term strategy.

Our focus will be on the various elements of the property sector code. Supplier and skills development remain critical as the group requires unique skills and experience to build and develop inner city properties that have to be constantly improved and maintained as the portfolio grows.

## APPRECIATION

A big thank you to my co-directors and the wonderful staff at City Property. Without your commitment and loyalty none of this would be possible.



## 1 on Mutual under construction, Madiba Street, Tshwane



## 'New projects enhance the value of the portfolio and contribute to upliftment in the CBDs.'

### OUTLOOK

As at 1994, South Africa's property sector provided for a population of approximately 7 million people. In the past 20 years the scope and demand has jumped to more than 50 million people. Octodec is well positioned to meet the needs of a specific and growing segment of this market. The size and scale of our portfolio allows us flexibility to position redevelopments according to specific and shifting market needs for accommodation in the retail, industrial, residential and office sectors.

We believe that urban renewal in the cities of Tshwane and Johannesburg is at a tipping point – a cycle we have observed in many parts of the world – where the momentum brought about by congruent stakeholder interest and concentration of investment brings about true value creation and sustainable demand.

Octodec's strengthened financial position also enables us to take on bigger projects. A reassessment of the portfolio after the merger also highlighted where we can dispose of non-core smaller properties that no longer offer growth potential.

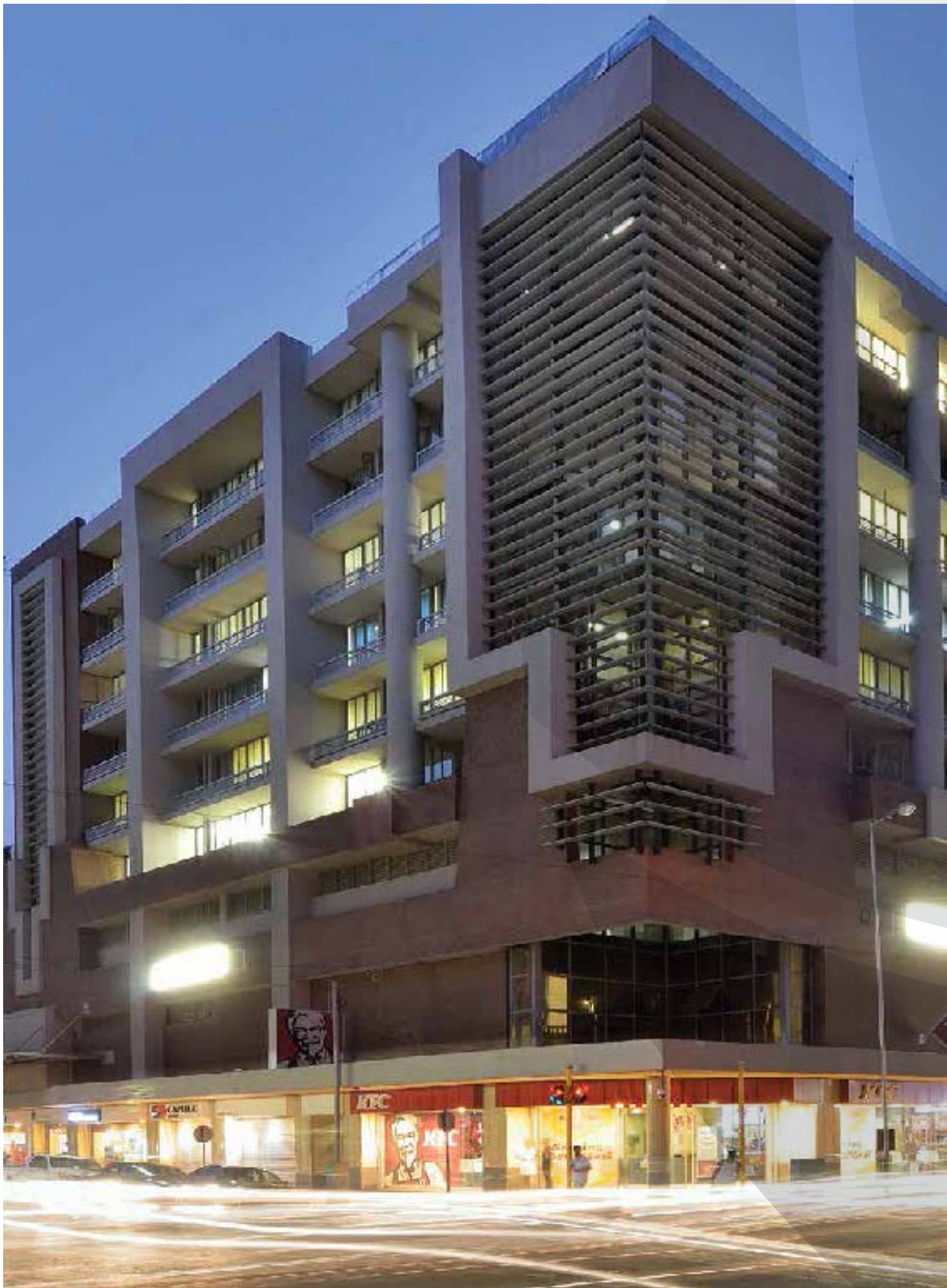
Octodec's offering in the CBDs is aimed at a younger, more adventurous generation of South Africans – we engage with them through different channels in innovative and creative ways, mainly driven by social media. It is an interactive process that will define what our new buildings will have on offer in the next 10 years. Octodec is already generating above average growth in property returns in the local market, and we are confident about prospective long-term growth.

The following major developments will be completed in the 2016 financial year:

Property	Location	Details	Total cost Rm	Completion date	Fully let initial yield %
1 on Mutual	Tshwane CBD	Mixed-use development	146,4	May 2016	7,6
The Manhattan	Sunninghill, Johannesburg	50% undivided share in residential development	157,5	August 2016	9,5

Jeffrey Wapnick

25 November 2015







Centre Walk, 266 Pretorius Street, Tshwane

# PORTFOLIO REVIEW



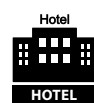
# TOP 10 PROPERTIES

## BY VALUE



### THE FIELDS

Hatfield, Tshwane  
1066 Burnett Street, Hatfield



765 flats  
1 118  
parking  
bays

Directors' valuation as at 31 August 2015

R727,8 million

Size

53 859 m<sup>2</sup>

Number of retail tenants

34

#### MAJOR TENANTS

City Lodge	9 709 m <sup>2</sup>	Spur	431 m <sup>2</sup>
SEDA	6 569 m <sup>2</sup>	Burger King	316 m <sup>2</sup>
Spar	1 381 m <sup>2</sup>	KFC	223 m <sup>2</sup>
Umzoxolo conference centre	735 m <sup>2</sup>		



### KILLARNEY MALL

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



Shopping centre with a large office  
component and medical suites

1 387 parking bays

Directors' valuation as at 31 August 2015

R608,9 million

Size

47 096 m<sup>2</sup>

Number of retail tenants


169

#### MAJOR TENANTS

Pick n Pay	5 052 m <sup>2</sup>	FirstRand Bank	873 m <sup>2</sup>
Woolworths	4 885 m <sup>2</sup>	Truworths	845 m <sup>2</sup>
Killarney Toyota	4 096 m <sup>2</sup>	Clicks	842 m <sup>2</sup>
Dis-Chem	2 082 m <sup>2</sup>	Ackermans	718 m <sup>2</sup>
Killarney Cinecentre	1 546 m <sup>2</sup>	Capitec	266 m <sup>2</sup>
Standard Bank	981 m <sup>2</sup>		




Octodec's top properties consist predominantly of shopping centres and larger mixed-use buildings in the CBDs of Tshwane and Johannesburg. The composition of the top 10 properties is expected to change in the short to medium term as new, larger-scale developments such as Centre Forum come on stream in 2017.

The top 10 properties by value account for 25,4% of the Octodec property portfolio (2014: 26,4%). The average tenant lease tenure is 28 months (excluding residential, where leases are contracted for a tenure of 12 months), with the shopping centres having an average lease tenure of 40 months.



## KEMPTON PLACE

Kempton Park, Johannesburg  
12 Pretoria Road, Kempton Park


 **SHOPS**
 **OFFICES**
 **FLATS**

469 flats  
399 parking bays

Directors' valuation as at 31 August 2015 **R291,5 million**  
 Size **32 214 m<sup>2</sup>**  
 Number of retail tenants **23**


**MAJOR TENANTS**

Shoprite	<b>2 809 m<sup>2</sup></b>
MSC College	<b>1 047 m<sup>2</sup></b>



## WOODMEAD VALUE MART

Woodmead, Johannesburg  
Waterval Crescent, Woodmead



Shopping centre  
17 parking bays

Directors' valuation as at 31 August 2015 **R248,4 million**  
 Size **18 093 m<sup>2</sup>**  
 Number of retail tenants **32**

**MAJOR TENANTS**

The Flower Spot	<b>3 227 m<sup>2</sup></b>	Direct Deals	<b>763 m<sup>2</sup></b>
Hi-Fi Corporation	<b>2 041 m<sup>2</sup></b>	Billabong	<b>658 m<sup>2</sup></b>
Tile Africa	<b>1 881 m<sup>2</sup></b>	Incredible Connection	<b>653 m<sup>2</sup></b>
Nike South Africa	<b>1 521 m<sup>2</sup></b>	JAM Clothing	<b>523 m<sup>2</sup></b>
Outlet Store	<b>977 m<sup>2</sup></b>		



## TOP 10 PROPERTIES BY VALUE CONTINUED



### CENTRE WALK

Tshwane, CBD  
266 Pretorius Street, Tshwane



257 parking bays

Directors' valuation as at 31 August 2015

R230,1 million

Size

25 669 m<sup>2</sup>

Number of retail tenants

26

#### MAJOR TENANTS

Department of Justice	4 115 m <sup>2</sup>	PQ Clothing	505 m <sup>2</sup>
Department of Public Works	3 510 m <sup>2</sup>	Pepkor Retail	404 m <sup>2</sup>
Pick n Pay	1 995 m <sup>2</sup>	KFC	323 m <sup>2</sup>
Department of Home Affairs	1 170 m <sup>2</sup>		



### NEDBANK PLAZA

Arcadia, Tshwane  
361 Steve Biko Street, Tshwane



144 flats

395 parking bays

Directors' valuation as at 31 August 2015

R209,7 million

Size

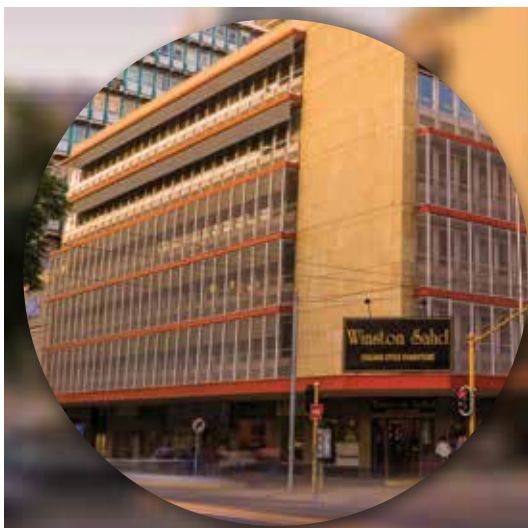
23 188 m<sup>2</sup>

Number of retail tenants

43

#### MAJOR TENANTS

Metropolitan Health Group	5 873 m <sup>2</sup>
Arcadia Post Office	994 m <sup>2</sup>
Bradlows	992 m <sup>2</sup>
Q Store	761 m <sup>2</sup>
Nedbank Arcadia	599 m <sup>2</sup>



### LOUIS PASTEUR MEDICAL CENTRE

Tshwane CBD  
374 Francis Baard Street, Tshwane



23 parking bays

Directors' valuation as at 31 August 2015

R192,5 million

Size

32 355 m<sup>2</sup>

Number of retail tenants

102

#### MAJOR TENANTS

Louis Pasteur Private Hospital	24 439 m <sup>2</sup>
Cure Day Clinics	740 m <sup>2</sup>



## STEYN'S PLACE

Tshwane CBD  
274 Francis Baard Street, Tshwane



SHOPS



FLATS

381 flats  
115 parking bays

Directors' valuation as at 31 August 2015

R177,2 million

Size

15 641 m<sup>2</sup>

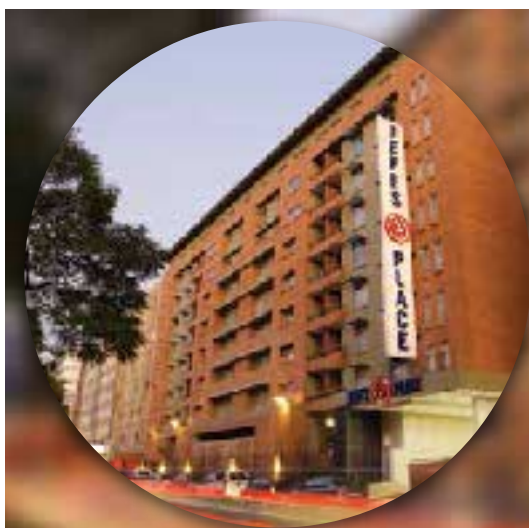
Number of retail tenants

25

### MAJOR TENANTS

Metropolitan Life Limited

350 m<sup>2</sup>



## JEFF'S PLACE

Tshwane CBD  
137 Francis Baard Street, Tshwane



FLATS

384 flats  
272 parking bays

Directors' valuation as at 31 August 2015

R167,5 million

Size

14 771 m<sup>2</sup>

Number of units

384



## ELARDUS PARK SHOPPING CENTRE

Elardus Park, Tshwane  
837 Barnard Street, Elardus Park



Shopping centre

Directors' valuation as at 31 August 2015

R167,1 million

Size

12 026 m<sup>2</sup>

Number of retail tenants

53

### MAJOR TENANTS

Elardus Spar 1 925 m<sup>2</sup>

Designer Physique 1 097 m<sup>2</sup>

Fruit & Veg City 751 m<sup>2</sup>

Elardus Park Shopping Centre  
Meat World 721 m<sup>2</sup>

# OCTODEC'S PROPERTY PORTFOLIO

## PORTFOLIO REVIEW

Octodec invests in the retail, office and industrial sectors and has a growing residential portfolio. The group considers value investments with a geographic focus on properties in the Johannesburg and Tshwane CBDs with redevelopment potential. Over the past year, Octodec has continued enhancing the quality of its portfolio through acquisitions, selective redevelopments, refurbishments and upgrades. These 2014 comparative amounts are for the enlarged Octodec.

 Read more about these in the managing director's report on page 19 and in the section on material matters from page 44.

### Retail – Shopping centres

	2015	2014
Rental income (R'000)	<b>132 385</b>	128 738
As a percentage of total property portfolio rental income (%)	<b>10,0</b>	10,5
Gross lettable area (m <sup>2</sup> )	<b>91 502</b>	89 543
Vacancies (m <sup>2</sup> )	<b>647</b>	1 421
Core vacancies as a percentage of sector GLA (%)	<b>0,7</b>	1,6

Octodec's shopping centre portfolio includes five high-quality shopping malls. The flagship, Killarney Mall in Johannesburg, offers three floors of office suites, a recently upgraded medical suites and an extensive upmarket retail offering. Octodec holds the leasehold rights to Woodmead Value Mart, which has a strong "value for money" offering, and owns Elardus Park Shopping Centre in Tshwane East, Waverley Plaza in Waverley, Tshwane, and Gezina City in Gezina, Tshwane. These continue delivering secure, escalating income streams underpinned by strong anchor and national tenants.

Weighted average rentals at 31 August 2015 at R140/m<sup>2</sup> (2014: R133/m<sup>2</sup>), representing growth of 5,3%.

### Retail – Shops

	2015	2014
Rental income (R'000)	<b>383 414</b>	376 770
As a percentage of total property portfolio rental income (%)	<b>28,9</b>	30,8
Gross lettable area (m <sup>2</sup> )	<b>467 628</b>	459 606
Vacancies (m <sup>2</sup> )	<b>58 119</b>	65 470
Vacancies as a percentage of sector GLA (%)	<b>12,4</b>	14,2
Core vacancies as a percentage of sector GLA (%)	<b>10,7</b>	8,9

In the CBDs of Tshwane and Johannesburg, Octodec offers quality high street retail opportunities on the ground floors of buildings, in walkways and in arcades where the group has invested in upgrades to contemporary retail standards. Increased demand from national retailers continues, with many of the well-known brands in fast food, fast-moving consumer goods, fashion, food and convenience returning to these areas. Growth opportunities in CBD retail exceed traditional malls and have the added benefit of lower tenant costs, including lower common area cleaning and air-conditioning requirements. With more residential interest in the CBD, shopping footfall is increasing, supported by convenient and lower-cost transport options compared to outlying malls.

Examples of ground floor inner city retail in the Octodec portfolio include Frank's Place, Inner Court and Castle Mansions, all of which are situated in the Johannesburg CBD. Major tenants range from Shoprite, Foschini and Pep to KFC.

Octodec provides specialist support to retailers in the CBD through shopfitting advice and installation services.

Weighted average rentals at 31 August 2015 at R88/m<sup>2</sup> (2014: R83/m<sup>2</sup>), representing 6% growth.

### Industrial

	2015	2014
Rental income (R'000)	<b>109 281</b>	100 169
As a percentage of total property portfolio rental income (%)	<b>8,3</b>	8,2
Gross lettable area (m <sup>2</sup> )	<b>315 192</b>	290 481
Vacancies (m <sup>2</sup> )	<b>29 347</b>	39 743
Vacancies as a percentage of sector GLA (%)	<b>9,3</b>	13,7
Core vacancies as a percentage of sector GLA (%)	<b>8,7</b>	12,2

Octodec's industrial offering includes warehouses, mini-factories, workshops and industrial parks, such as The Tannery and Sildale in Silverton, Tshwane. After an extensive review of this sector of the portfolio 18 months ago, the group invested in upgrades, particularly aimed at small businesses in certain nodes. This attracted new tenants with longer lease terms, for example Carlzeil and Nedwest in Tshwane West. Octodec will continue customising premises according to specific tenant requirements.

Weighted average rentals at 31 August 2015 at R36/m<sup>2</sup> (2014: R35/m<sup>2</sup>), representing growth of 2,5%. Vacancies continue to reduce with the ongoing focus on property upgrades.

#### Offices

	2015	2014
Rental income (R'000)	<b>290 502</b>	255 661
As a percentage of total property portfolio rental income (%)	<b>21,9</b>	20,9
Gross lettable area (m <sup>2</sup> )	<b>475 078</b>	479 225
Vacancies (m <sup>2</sup> )	<b>147 025</b>	140 707
Vacancies as a percentage of sector GLA (%)	<b>30,9</b>	29,4
Core vacancies as a percentage of sector GLA (%)	<b>12,5</b>	20,4

The office portfolio consists of two diverse offerings suited on the one hand to government and large corporates and on the other hand to tenants who require smaller and individualised pockets of office space. Examples in the first category include the Rentmeester and Persequor office parks in Tshwane. Smaller offerings cater for the needs of various professionals and small enterprises, meeting the increasing demand from newly qualified graduates who are starting out in the CBD. The Towers property brand and offering was developed specifically with this target market in mind as it is suitable for walk-in customers. This sector has not yet reached its full potential and will be a continued focus area.

Government is a growing tenant for Octodec as it recognises the advantages of location and quality and reliable management services associated with the group's portfolio. Government leases currently comprise 8% of total rental income.

Weighted average rentals at 31 August 2015 at R77/m<sup>2</sup> (2014: R70/m<sup>2</sup>), representing growth of 10%. During the period under review, a number of leases relating to government-tenanted buildings were renewed. The new rentals were increased to market-related rentals. With the conversion of certain additional offices into residential units, as well as the potential additional take-up of office space by government, vacancy levels are expected to decrease.

#### Residential

	2015	2014
Rental income (R'000)	<b>410 029</b>	362 934
As a percentage of total property portfolio rental income (%)	<b>30,9</b>	29,6
Gross lettable area (m <sup>2</sup> )	<b>367 198</b>	344 663
Vacancies (m <sup>2</sup> )	<b>19 398</b>	31 157
Vacancies as a percentage of sector GLA (%)	<b>5,3</b>	9,0
Core vacancies as a percentage of sector GLA (%)	<b>3,5</b>	4,7

The demand for residential units in the inner cities of Tshwane and Johannesburg continues outstripping supply. Octodec converted its first CBD property into residential units in 1998 to meet the demand for quality housing at affordable prices. Market insights, tenant feedback and urban renewal initiatives are some of the factors taken into account in Octodec's investment decisions and development specifications. Octodec aims to meet the growing demand for residential accommodation over the long term.

In addition to current residential developments such as 1 on Mutual in Tshwane, Reinsurance House and Frank's Place in Johannesburg, Octodec also entered into a joint venture, which includes Renprop Proprietary Limited and other strategic partners, to provide new residential units in Sunninghill, Johannesburg.

Average rentals achieved per unit during the past year:

- Bachelor apartment R3 200/month
- One-bedroom apartment R4 100/month
- Two-bedroom apartment R5 000/month

The growth in core residential rental income for the year is 6,0%.



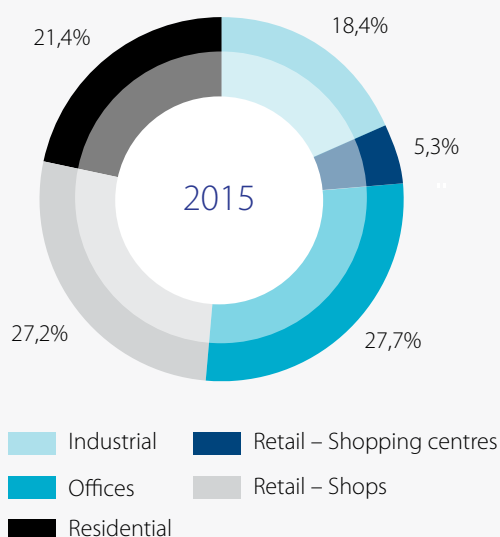
Read more about new development initiatives in the managing director's report on page 19 and about urban renewal on page 47.



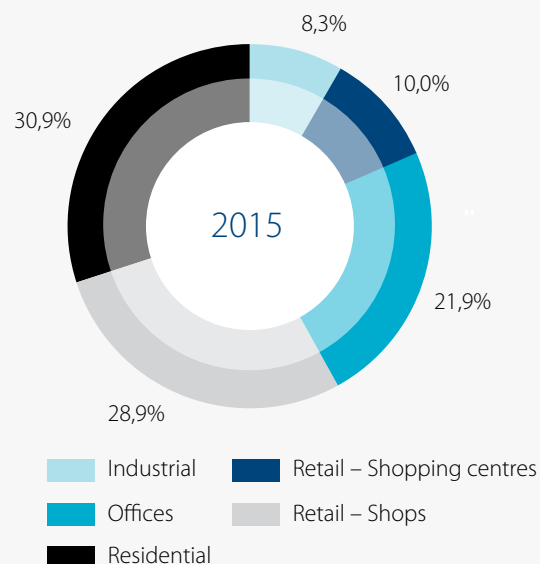
# PORTFOLIO ANALYSIS

## SECTORAL PROFILE

TOTAL GROSS LETTABLE AREA



TOTAL GROSS RENTAL INCOME

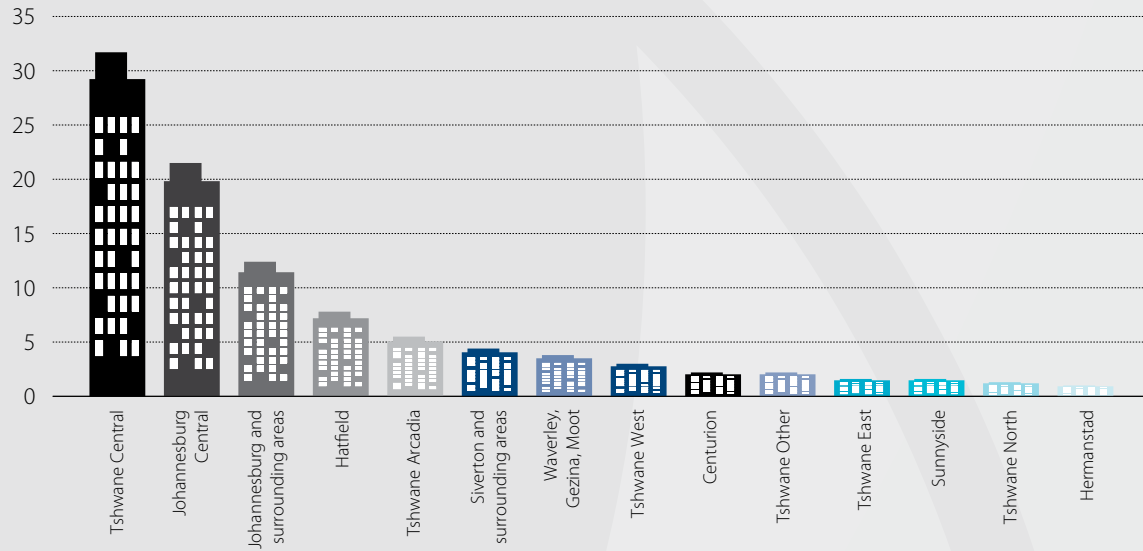


## GEOGRAPHICAL SPREAD

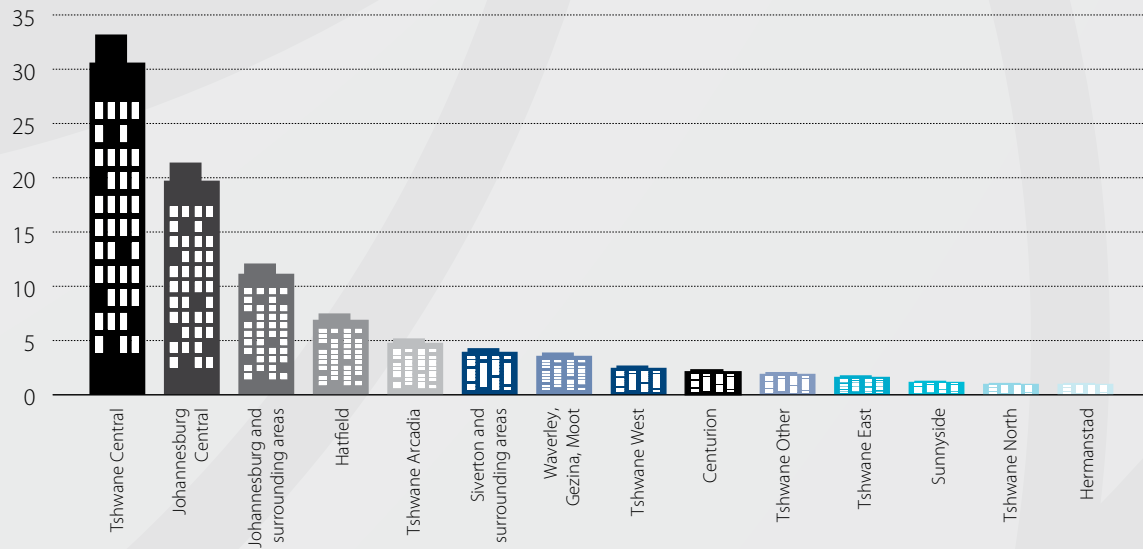
Location	Rental income		Property value		Gross lettable area		Site area	
	R'000	% of total portfolio	R'000	% of total portfolio	m²	% of total portfolio	m²	% of total portfolio
Tshwane Central	421 502	31,7	3 960 632	33,2	502 455	29,2	341 585	21,2
Johannesburg Central	284 563	21,5	2 542 669	21,4	451 691	26,2	105 592	6,6
Johannesburg and surrounding areas	163 958	12,4	1 435 936	12,1	148 486	8,7	215 399	13,4
Hatfield	102 816	7,8	892 500	7,5	70 208	4,1	45 486	2,8
Tshwane Arcadia	72 868	5,5	622 708	5,2	77 256	4,5	60 077	3,7
Silverton and surrounding areas	58 522	4,4	507 660	4,3	130 913	7,6	201 961	12,5
Waverley, Gezina, Moot	49 805	3,8	465 617	3,9	64 949	3,8	135 153	8,4
Tshwane West	39 523	3,0	322 705	2,7	107 510	6,3	236 155	14,7
Centurion	29 787	2,2	267 890	2,3	35 249	2,1	53 828	3,3
Tshwane Other	28 773	2,2	247 400	2,1	23 551	1,4	42 611	2,6
Tshwane East	21 844	1,6	216 020	1,8	15 147	0,9	8 664	0,5
Sunnyside	21 413	1,6	154 100	1,3	20 350	1,2	22 435	1,4
Tshwane North	17 301	1,3	133 050	1,1	26 202	1,5	57 293	3,6
Hermanstad	12 936	1,0	128 790	1,1	42 631	2,5	84 683	5,3
<b>Total 2015</b>	<b>1 325 611</b>	<b>100,0</b>	<b>11 897 677</b>	<b>100,0</b>	<b>1 716 598</b>	<b>100,0</b>	<b>1 610 922</b>	<b>100,0</b>
<b>Total 2014 (enlarged Octodec)</b>	<b>1 224 273</b>	<b>100,0</b>	<b>10 907 051</b>	<b>100,0</b>	<b>1 663 518</b>	<b>100,0</b>	<b>1 591 593</b>	<b>100,0</b>

The above information includes 100% of the joint ventures referred to on page 92 and not only the group's share of 50%.

#### GEOGRAPHIC ANALYSIS: RENTAL INCOME (%)



#### GEOGRAPHIC ANALYSIS: PROPERTY VALUE (%)



# PORTFOLIO ANALYSIS CONTINUED

## VACANCY PROFILE

Vacancies in the Octodec portfolio at 31 August 2015, including properties held for development, amounted to 14,8% (2014: 16,7%) of gross lettable area. Core vacancies are at 8,8% (2014: 11,5%) and relate to vacant premises available for immediate letting, excluding planned redevelopment, current projects under development and mothballed space.

Location	m <sup>2</sup>	% of total vacancies	% of location gross lettable area	% of total portfolio properties held for redevelopment	% of core vacancies
Johannesburg Central	120 997	47,4	26,8	(14,2)	12,6
Tshwane Central	81 660	32,1	16,3	(6,6)	9,7
Tshwane West	10 576	4,2	9,8	(1,7)	8,1
Silverton and surrounding areas	9 631	3,8	7,4	(0,8)	6,6
Johannesburg and surrounding areas	7 577	3,0	5,1	(2,8)	2,3
Tshwane Arcadia	6 848	2,7	8,9	–	8,9
Hatfield	5 321	2,1	7,6	–	7,6
Tshwane North	4 054	1,6	15,5	–	15,5
Hermanstad	3 848	1,5	9,0	–	9,0
Waverley, Gezina, Moot	2 023	0,8	3,1	–	3,1
Tshwane East	1 005	0,4	6,6	–	6,6
Sunnyside	516	0,2	2,5	–	2,5
Centurion	331	0,1	0,9	–	0,9
Tshwane Other	149	0,1	0,6	–	0,6
<b>Total 2015</b>	<b>254 536</b>	<b>100,0</b>	<b>14,8</b>	<b>(6,0)</b>	<b>8,8</b>
<b>Total 2014 (enlarged Octodec)</b>	<b>278 498</b>	<b>100,0</b>	<b>16,7</b>	<b>(5,2)</b>	<b>11,5</b>

The above information includes 100% of the joint ventures referred to on page 92 and not only the group's share of 50%.

## VACANCIES BY SECTOR

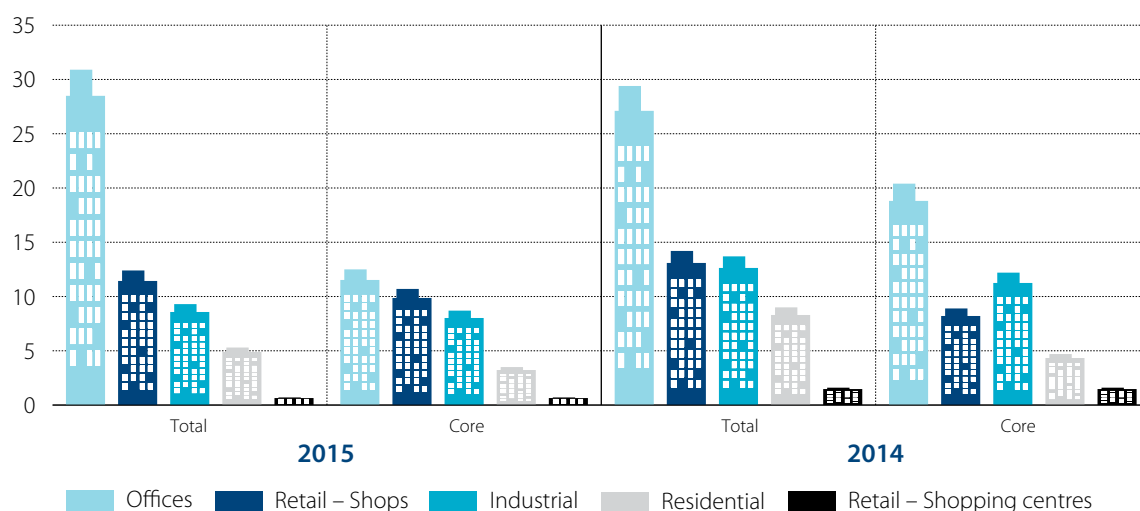
Sector	m <sup>2</sup>	% of total vacancies	% of sector gross lettable area	% of total portfolio properties held for redevelopment	% of core vacancies
Offices	147 025	57,9	30,9	(18,4)	12,5
Retail – Shops	58 119	22,8	12,4	(1,7)	10,7
Industrial	29 347	11,5	9,3	(0,6)	8,7
Residential	19 398	7,6	5,3	(1,8)	3,5
Retail – Shopping centres	647	0,2	0,7	–	0,7
<b>Total 2015</b>	<b>254 536</b>	<b>100,0</b>	<b>14,8</b>	<b>(6,0)</b>	<b>8,8</b>
<b>Total 2014 (enlarged Octodec)</b>	<b>278 498</b>	<b>100,0</b>	<b>16,7</b>	<b>(5,2)</b>	<b>11,5</b>

The above information includes 100% of the joint ventures referred to on page 92 and not only the group's share of 50%.

The conclusion of lease renewals with government had a positive impact on the office portfolio, which is expected to gain further momentum in the next year. The portfolio's office vacancy profile is continuously evaluated to identify potential future conversion opportunities where there is an increasing demand for residential properties.

New and redeveloped properties grow the rental income stream, but the impact of the phased uptake of units tends to affect results negatively in the short term. It takes between six and nine months for a residential development to achieve full occupancy levels, at which time yield-enhancing results for shareholders are delivered.

### VACANCY PROFILE (%)



### LEASE EXPIRY PROFILE

Year	Gross lettable area m <sup>2</sup>	%	Monthly contractual rental R	%
Monthly commercial	219 120	12,7	12 122 145	11,2
Residential	347 800	20,3	34 161 457	31,6
Vacancies	254 536	14,8	–	–
2016	306 937	17,9	19 153 760	17,7
2017	232 120	13,5	17 290 031	16,0
2018	160 146	9,3	11 662 854	10,8
2019	59 331	3,5	4 559 098	4,2
2020 and later	136 608	8,0	9 271 330	8,5
<b>Total</b>	<b>1 716 598</b>	<b>100,0</b>	<b>108 220 676</b>	<b>100,0</b>

Octodec's portfolio features a mix of short- to long-term leases with the majority of short-term leases providing for a month-to-month arrangement at expiry – typical of the residential market. Lease management is coordinated through City Property, with the emphasis on retention of tenants.

### RENTAL GROWTH (CORE – EXCLUDING RECENT ACQUISITIONS AND DEVELOPMENTS)

Sector	2015	2014
Offices	18,9	8,3
Retail – Shops	4,6	7,5
Retail – Shopping centres	2,9	4,2
Industrial	8,1	5,0
Residential	6,0	7,6

The rental growth above takes into account movements in occupancy levels, lease escalations, new rentals achieved on renewals or on securing new tenants, relating to the core portfolio. The growth achieved in the office sector was improved due to strong growth in government rental income. A number of renewals of office leases were successfully concluded.



# FEATURE PROPERTY FOR 2015: FRANK'S PLACE

Octodec has owned property in the Johannesburg CBD for the last decade and in the past few years completed a number of residential conversions and upgrades. These include Dan's Place, Temple Court and Castle Mansions. In addition to these residential upgrades, a number of office redevelopments and upgrades have been completed, including the new facility for Jeppe College and the newly renovated medical suites at the Lister Medical Centre. The group's latest offering, Frank's Place, is a further addition to its renewal initiative in Bree, Eloff and Jeppe Streets.

Frank's Place is a conversion of the old Bosman building at 99 Eloff Street. Frank's Place features new bachelor and one- and two-bedroom apartments with modern finishes. It adheres to Octodec's green approach at similar buildings with energy-conscious improvements such as heat pumps, LED lighting and sensors. Natural light is further enhanced by the original north-facing windows that have been retained. The apartment building offers covered parking and is conveniently located close to transport routes, schools and major retailers. In line with Octodec's "live/work and play" philosophy this building includes modern leisure spaces, for example sporting courts, comprising basketball and table tennis, a mini soccer field, braai facilities and a well-equipped children's play area.

The conversion from an office into a residential apartment block created 225 apartments and recreational space with an entertainment area and a netted ball court for tenants to use in their leisure time. The ground floor retail was upgraded with new shop fronts and roller shutters. The project was completed at the end of June 2015 and is expected to be fully occupied by May 2016. The proposed investment by government to create its own precinct in the Johannesburg CBD has inspired further interest and confidence in the area from a range of stakeholders. The R5 billion Kopanong Gauteng Government Precinct project was launched in July 2015 and aims to accelerate the rejuvenation of the inner city. This is evidence of the fast-paced growth in demand in the CBD, which is set to accelerate even further once the Kopanong initiative and further urban renewal is completed.





## Frank's Place, 99 Eloff Street, Johannesburg



# FINANCIAL DIRECTOR'S REPORT



Anthony Stein

# 'The full year distribution is ahead of the board's expectations and the merger forecast.'

Octodec creates value through a unique and defensive property portfolio, which delivered relatively impressive financial results for 2015. A full-year distribution of 189,2 cents per share was achieved – an increase of 7,7% on that paid in the comparative year. This is ahead of the board's expectations and the dividend of 187,4 cents per share which was forecasted in the merger circular dated 1 July 2014. In the determination of distributable earnings, Octodec may have elected to make an adjustment for the antecedent dividend arising as a result of the issue of new shares amounting to R390 million during the period for which the entity did not have use of the funds raised from the new share issue. In order to limit the dividend payment to only distributable earnings for the year, Octodec has elected not to add back the antecedent dividend when determining its distributable earnings. Had Octodec elected to add back the antecedent dividend, the distributable earnings would have increased by R11,8 million. Total revenue rose by 203,3% to R1,6 billion. The increase in revenue is mainly due to the merger, contractual escalations, improved letting and an increase in the recovery of utility and assessment rates charges.

The strong performance is underpinned by a range of factors:

- The residential portfolio continued performing ahead of expectation, with vacancies remaining at low levels
- Strong growth in rental income from government tenants
- Improvement in the overall vacancy levels, especially those of the industrial properties.
- Growth in rentals as a result of our strategic objectives to improve the quality of properties to attract new tenants
- Tight cost management, with the ratio of net property expenses (i.e. property expenses less recoveries) to rental income for the group maintained
- An improvement in the cost recovery percentage in respect of utility charges due to improved efficiencies and an increased focus on energy management initiatives
- A decrease in bad debt write-offs and provisions during the year amounting to 0,5% (2014: 1,0%) of total tenant income

## FINANCIAL PERFORMANCE

Net property income for the year increased to R896,9 million. The ratio of net property expenses (i.e. property expenses less recoveries) to rental income was well managed and remained at 31,0%. Rapid escalation in utility costs and the installation of generators to mitigate electricity supply challenges impacted operational costs. Distributable income for the year increased to R462,0 million, with fully diluted earnings per share increasing to 530,2 cents (2014: 329,1 cents), and total comprehensive income for the year attributable to equity holders increasing from R426,0 million to R1,4 billion.

Revenue and net rental income from properties increased to R1,6 billion and R896,9 million respectively.

Bad debt write-offs and provisions during the period were at 0,5% (2014: 1,0%) of total tenant income. Arrears and doubtful debt provisions remain at acceptable levels as a result of tight credit risk management and no significant deterioration is anticipated.

The net asset value (NAV) per share increased by 12,5% to R27,69 per share. The increase was mainly due to the growth in the fair value of the investment properties.

## FINANCING IN 2015

The group continues to explore financing alternatives to ensure that it has a mix of different funding sources in place, including banks and the corporate bond market.

Octodec successfully raised R390 million through an equity accelerated bookbuild that was significantly oversubscribed. Due to the strong demand, the amount of capital raised was increased from an initial R300 million requirement to R390 million by placing 15 918 367 shares with financial institutions at a price of R24,50 per share on 22 July 2015.

The capital raised will be used to partially fund the group's approved development pipeline of R805,3 million, entailing a number of major redevelopments and some smaller refurbishments and upgrades to properties. See the table on page 42 for details of existing pipeline developments and expected yields.

Octodec also increased the size of its bond programme from R1 billion to R3 billion in March 2015 and has access to further unutilised banking facilities amounting to R1,1 billion.

The group's ratio of loan to value in respect of properties at year-end was 37,3% as opposed to 39,5% on 1 September 2014. This is in line with the board's target of 35% – 40%.

Octodec is cognisant of the risks related to a rising interest rate market. To ensure that the cost of funding remains supportive of net property income (NPI) growth, the group hedged interest rates in respect of 94,2% (1 September 2014: 61,0%) of outstanding borrowings at year-end. These hedges mature at various dates in 2017, 2018 and 2019. During the year, Octodec took advantage of a temporary decrease in forward interest rates by entering into additional interest rate swap contracts of R1,25 billion for a four-year term. As a result, the July 2015 increase in the repo rate had a small impact on distribution growth for the 2015 financial year.



# FINANCIAL DIRECTOR'S REPORT CONTINUED

	Borrowings as at 31 August 2015		Borrowings as at 31 August 2014		Borrowings at 1 September 2014	
	Amount R'000	Average weighted interest rate per annum %	Amount R'000	Average weighted interest rate per annum %	Amount R'000	Average weighted interest rate per annum %
Fixed-rate borrowings	<b>577 776</b>	<b>10,59</b>	175 000	11,91	411 980	11,94
Floating rate borrowings	<b>3 803 097</b>	<b>7,73</b>	1 376 763	7,50	4 031 555	7,42
Total borrowings	<b>4 380 873</b>	<b>8,10</b>	1 551 763	8,00	4 443 535	7,84
Weighted average cost of borrowings (all-in cost including swaps)	<b>8,9%</b>		8,7%		8,7%	
Loan to value ratio	<b>37,3%</b>		33,7%		39,5%	
Average length of fixed-rate loans/swaps	<b>2,6 years</b>		3,4 years		3,2 years	

Interest rate swap expiry date	Amount R'000	Average margin over/(below) variable rate per annum %
February 2017	650 000	1,46
May 2017	50 000	2,12
June 2017	100 000	2,00
July 2017	100 000	1,59
August 2017	350 000	1,50
September 2017	100 000	1,31
January 2018	150 000	1,43
April 2018	200 000	(0,62)
May 2018	50 000	2,13
July 2018	400 000	1,34
August 2018	150 000	1,20
November 2018	500 000	0,70
January 2019	750 000	0,23
	<b>3 550 000</b>	<b>0,99</b>

## REVALUATION OF THE PORTFOLIO

The group performs a directors' valuation of properties at each interim reporting period and year-end. As in prior years, the valuations are based on the income capitalisation method. The internal valuation of the property portfolio of R11,4 billion represents an increase of R486,1 billion or 4,5% for the twelve-month period ended 31 August 2015.

In terms of JSE Listings Requirements, all the properties are valued at least once over a rolling three-year period by external independent valuation experts. Van Zyl Valuers CC, (Gert van Zyl), Amanda de Wet Consultants and Investors CC (Amanda de Wet) and Quadrant Properties Proprietary Limited (Peter Parfitt) are registered valuers in terms of Section 19 of the Property Valuers Profession Act, 47 of 2000, and have extensive experience in commercial property valuations. The valuers' valuation at 31 August 2015 of R5,7 billion, representing 47,8% of the portfolio by value, was 0,6% more (2014: 1,9% less) than the directors' valuation. The directors are confident, taking all factors into account, that their valuations represent fair market value.

## PERFORMANCE SUMMARY

	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Investment properties and operating lease assets	<b>11 380 104</b>	3 471 507	3 214 696	2 878 921	2 416 173	2 259 476
Shareholders'/linked unitholders' funds	<b>6 987 679</b>	2 889 449	2 417 008	2 036 590	1 605 981	1 514 779
Long-term borrowings	<b>2 917 174</b>	1 263 932	955 717	827 123	962 119	754 635
Rental income (rental, IPS management fee and recoveries) – earned on contractual basis*	<b>1 634 159</b>	540 359	505 732	457 452	384 345	333 498
Net property income – earned on contractual basis*	<b>819 032</b>	249 992	225 622	211 303	177 063	168 139
Interest received (investment income and from associate)	<b>5 953</b>	73 951	36 417	31 463	29 806	28 060
Interest paid						
– Secured and other loans	<b>376 491</b>	125 665	110 638	127 387	100 004	90 457
– Linked unitholders	<b>–</b>	103 454	169 718	134 447	114 890	116 131
Dividends paid	<b>228 839</b>	103 148	779	598	580	580
Profit/(loss) on sale of investment properties	<b>(61)</b>	44	15	666	464	–
Net operating profit to property investments (%)	<b>7,2</b>	7,2	7,0	7,3	7,3	7,4
Net operating profit to rental income (%)	<b>50,1</b>	46,3	44,6	46,2	46,1	50,4
– Expenses (net of recoveries) to rental income	<b>35,8</b>	36,7	37,7	36,6	38,7	35,5
Shares/linked units in issue ('000)	<b>252 322</b>	117 348	108 225	108 225	89 297	89 297
Distribution per share/linked unit (cents)	<b>189,20</b>	175,70	157,6	137,3	129,3	130,7
Growth in distribution per share/linked unit (%)	<b>7,7</b>	11,5	14,8	6,2	(1,1)	1,4
Net asset value per share/linked unit (cents)	<b>2 769</b>	2 462	2 233	1 882	1 798	1 840
Market price per share/linked unit year-end (cents)	<b>2 425</b>	2 106	1 966	1 902	1 595	1 754
Market capitalisation year-end ('000)	<b>6 118 803</b>	2 471 347	2 127 702	2 058 438	1 424 295	1 566 278

\* Excludes the straight-lining of lease rental

# FINANCIAL DIRECTOR'S REPORT CONTINUED

## CAPITAL EXPENDITURE OF THE DEVELOPMENT PIPELINE

Octodec had approved capital commitments in an amount of R805,3 million to be funded through loan facilities already in place. The larger investment requirements are set out below:

Property	Location	Details	Total development cost Rm	Total cost to completion at 31 August 2015 Rm	Completion date	Fully let yield %
1 on Mutual	Tshwane CBD	Mixed-use development	146,4	63,0	May 2016	7,6
The Manhattan	Sunninghill, Johannesburg	50% undivided share in residential development	157,5	140,0	August 2016	9,5
Centre Forum	Tshwane CBD	Mixed-use development	347,4	319,2	March 2017	8,1
Reinsurance House	Johannesburg CBD	Residential development	68,3	68,3	Late 2017	8,5

New and redeveloped properties grow the rental income stream, but the impact of the phased take up of units tends to affect results negatively in the short term. It takes between six and nine months for the residential developments to achieve full occupancy levels, at which time yield-enhancing results begin to positively influence returns.

## OUTLOOK AND FORECAST

Economic growth is likely to remain pedestrian, with weak consumer and business confidence and muted economic activity. Consumers' credit health is expected to continue deteriorating in the local economy. Electricity and water shortages will remain the biggest constraint on growth, and infrastructure challenges are becoming a major development limitation.

Growth in gross domestic product (GDP) is expected to be 1,5% for 2015 and 1,6% for 2016.

Octodec's operating environment has become even more challenging, and we expect this to continue. Despite this, with our proven strategies and a strong management team, we are well placed to continue delivering growing income returns and capital appreciation.

Current indications are that the growth in distributable income per share is expected to be between 6% and 8% for the 2016 financial year.



**Anthony Stein**

25 November 2015

# THE MERGER CONCLUSION

The merger was premised on a number of envisaged benefits to stakeholders. The following table tracks the progress on these benefits during the first year of the group's operations as a single, enlarged entity:



## EXPECTATION PRE-MERGER

The enlarged asset base will allow Octodec to undertake larger projects, which previously were not possible

Octodec will have the most significant residential portfolio of any REIT listed on the JSE

Octodec will have a market capitalisation in excess of R5,4 billion and will be 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 rerating of the DMTN programme

Improved access to debt and equity capital markets

Cost savings from operating efficiencies and a reduction in the administrative costs of operating one listed company as opposed to two

## PERFORMANCE POST-MERGER

The group's stronger financial position enabled it to undertake larger developments such as Centre Forum, consisting of up to 400 residential units. These developments will bring scale that will contribute to the renewal of the Tshwane and Johannesburg CBDs

The focus of these developments is largely in the residential sector, which has proven to be resilient in tougher economic conditions. Demand for quality accommodation continues to outstrip supply

Achieved – approximately 30% of Octodec's rental income is derived from residential properties

Octodec is now included in both of the main JSE property indexes: the SA Listed Property (J253) and Capped Property (J254). The market capitalisation at the date of finalising this report is at R6,1 billion

The group has seen support with the share price increasing, buy-in from new investors and strong support for the bookbuild

National scale ratings assigned to Octodec's DMTN programme upgraded to A(ZA) and A1(ZA) in the long term and short term respectively

Octodec successfully raised R390 million through an accelerated bookbuild that was significantly oversubscribed

On the back of a stronger balance sheet Octodec's banks provided the group with additional loan facilities without having to put in place additional mortgage bonds

Achieved a reduction in duplicated costs related to the running of two listed companies, including audit and other administrative fees





A photograph of a modern building with a brick facade and a balcony with greenery. The building is multi-storied, with a prominent brick wall on the right side. A balcony on the left side is covered with lush green plants. The sky is clear and blue. The image is used as a background for the report cover.

Kempton Place, 12 Pretoria Road, Kempton Park

# OCTODEC'S MATERIAL MATTERS

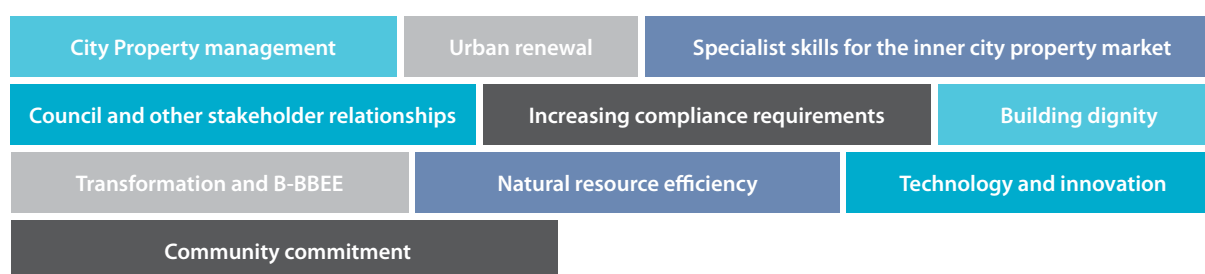


# MATERIAL MATTERS

Octodec regards material matters as any business aspects that might affect the group's ability to extract value from its property portfolio – with positive and negative aspects considered.

The first materiality determination process was initiated in 2014, with a review workshop in 2015. The workshop was attended by a diverse group of internal managers of City Property who debated and updated the list of factors given changing internal and external dynamics. The material matters were submitted to the board for approval at the start of the development process of this integrated report. The process took Octodec's purpose statement, strategic objectives, stakeholder feedback, risks and property trends in South Africa into account.

The following are reported on for 2015:



The material matters related to financial performance and liquidity, interest rates and financing are covered in the financial director's review from page 38. All other matters are discussed in the following pages with cross-references to other sections of the report.

## CITY PROPERTY MANAGEMENT

**Material matter:** City Property is the property and asset manager of Octodec's property portfolio

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** Shareholders, tenants, employees, councils, suppliers and community

**Opportunity:** The City Property relationship is important for the sustainability of Octodec's strategy

### Context

City Property is the exclusive managing agent of Octodec's property portfolio. Octodec concluded its seven-year management agreement with City Property in July 2011. City Property performs both the property and asset management of Octodec, using traditional and innovative methods suited to the environment in which Octodec operates.

City Property has more than 40 years' property management experience and a solid track record of administering property, including residential and multi-tenanted commercial properties, adopting an innovative management approach.

Key facts about City Property	
Number of employees	447
Number of properties under management	424
Number of administered tenants	16 582
Gross lettable area m <sup>2</sup> (commercial)	1 548 364
Number of residential units	11 843

The management agreement governs the fees payable to City Property and sets out the management services to be provided.

 Read more about the agreement under related-party transactions in the annual financial statements on page 107.

The sector spread of the Octodec portfolio requires property management expertise in retail, residential, industrial and office types of properties. City Property's head office is situated in Tshwane, with a satellite office in Johannesburg, directly serving the geographic focus areas of the Octodec portfolio.

### Value-add to Octodec

City Property's experience and long track record in the inner cities of Tshwane and Johannesburg ensure that Octodec has access to the required skills and experience to deliver the appropriate quality of service. City Property delivers conventional and innovative asset and property management services that include the following:

- **Asset management:** Strategic management and supervision implementation relating to acquisitions and disposals, upgrades, and renovations, treasury risk management, accounting and company secretarial services
- **Property management:** Leasing, billings, collections, payment of accounts and other expenses

In addition to the above, City Property offers a range of specialist services, which include account management, commercial and residential leasing and portfolio management, marketing and events management, information systems and process, credit control, repairs and maintenance, legal and customer services.

City Property continues to investigate opportunities to implement systems that improve efficiency in operations and processes without sacrificing quality and consistency. It has developed a culture of responsive customer service, including a newly established contact centre to deal with tenant queries and complaints. The contact centre provides for a variety of channels and ways of interacting with tenants, enabling City Property to provide a quick and effective service.



Read more about City Property on its website  
[www.cityproperty.co.za](http://www.cityproperty.co.za).

## URBAN RENEWAL

**Material matter:** Promoting urban renewal is Octodec's priority strategic objective

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** Shareholders, current and potential tenants, retail and small enterprise customers, council, communities, suppliers and employees

**Opportunity:** Attracting new consumer segments, tenants and investors into the inner cities

### Context

Octodec's first and foremost strategic objective is to promote urban renewal in the CBDs of Tshwane and Johannesburg. Most of the group's properties are concentrated in these areas, which remain the geographic focus for building a diversified portfolio.

In the last 20 years both CBDs experienced the outflow of corporates, major retailers and financial institutions followed by an inflow and investment by the new emerging middle class (including professionals and young families).

This affected the appeal, safety and dignity of buildings in the inner city. The commitment and investment of companies, such as Octodec, to the inner cities has slowly turned the cycle towards renewal again.

Government and city councils are expanding and investing in the Johannesburg and Tshwane CBDs.



Read more about this in the feature on Frank's Place on page 36 and in the managing director's report on page 19.

The demand for quality retail space in the CBDs is greater than the current available supply.

Residential vacancies in the Octodec portfolio are at 3,5% of GLA. Small businesses take up a significant portion of Octodec's office portfolio in the inner cities.

Octodec-driven initiatives that have contributed to the upsurge in CBD interest and the change in the perception of what the CBD has to offer include the following:

- 012central (385 Helen Joseph Street, Tshwane) opened in June 2015, showcasing the best in local food and design. The large historic shed-like venue attracts traders and visitors with events such as the boutique whisky tasting experience, the Whisky Live Showroom. 012central has recently secured permanent tenants to add to this attraction, including a craft beer outlet and an art studio.
- Cultural and private entertainment events such as the movies screened on the rooftop of Bank Towers, 190 Thabo Sehume Street, Tshwane.
- Visual improvement of the CBD through several art initiatives, including commissioning three outdoor sculptures and two murals by the internationally recognised urban artist, Rami Meiri. This was part of a project "Bringing colour back into the city" in partnership with the Tshwane University of Technology and involved 20 interior design students.
- New and current developments in the Tshwane CBD include Jeff's Place, Centre Forum and 1 on Mutual. In Johannesburg, Octodec completed the residential conversion of Frank's Place. These new CBD developments have introduced quality and contemporary architecture, thereby reviving the surrounding areas. This is driven by tenants' demands for improved quality accommodation.



Read more about these in the managing director's report on page 19 and the Frank's Place feature on page 36.



# MATERIAL MATTERS CONTINUED

These urban renewal initiatives successfully retain current, and attract potential, tenants and customers to the city centres. The number of enquiries about events and venues is an indication of rising interest in the inner cities.

Octodec takes a leading role in many of the urban renewal efforts and works with a variety of partners to improve the quality of the CBDs. This includes the collaborative contribution and involvement of the Johannesburg and Tshwane CBDs and Octodec's engagement with organisations such as the Johannesburg Property Owners and Managers Association (JPOMA).

An important perception to address in urban renewal is the safety aspect of inner cities. Octodec's approach to safety and security is based on preventing, reducing and mitigating risks. The on-site presence of a building manager at each property is a first line security measure, in addition to security desks or control rooms from where security cameras and access can be monitored and controlled.

In the short term, one of Octodec's areas of attention is on upgrading the Brown Street area in Tshwane where the company has properties that it has mothballed. Octodec has

hired private cleaners, put in place rubbish skips and installed spotlights on its buildings facing the street. These actions signal the company's intent to bring dignity to this area again.

 Read more about building dignity on page 50.

The urban renewal approach has an impact on the design of new developments as it shifts toward tenant requirements and changing demographics. This includes safe recreational spaces for children and adults in common areas within developments and the creative use of suitable materials such as steel, wood composite and artificial grass for these spaces. The materials are low in maintenance but still provide a contemporary, colourful, attractive and functional space. Examples of features installed in recreational areas include braais, pergolas, jungle gyms and various pieces of play equipment.

## SPECIALIST SKILLS FOR THE INNER CITY PROPERTY MARKET

**Material matter:** Ensuring access to skills that will enable the sustainable implementation of Octodec's strategy

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** Shareholders, employees and board members


**Opportunity:** Ensuring skills transfer and development for a pool of employees

### Context

As a property investment company with a specific purpose and focus, Octodec requires access to skills that can enable the implementation of its strategy. These skills relate to the ability to explore, negotiate, plan and execute large-scale developments. Octodec relies on key executives with an understanding of market and funding dynamics, potential tenant requirements, knowledge of building regulations, the ability to develop and manage complex budgets and apply organisational skills in the coordination of a range of operational requirements and contracts.


Octodec has to concurrently understand high-end shopping centre dynamics (for example, tenant mix and traffic flow), CBD street level trading requirements, national retail demands and the shopping and accommodation requirements of students or small families seeking an apartment lifestyle in the CBD.

Most of the specialist operational skills are available in City Property. Strategic skills are provided by the Octodec board, which offers the appropriate diversity, experience and knowledge to guide and monitor the implementation of strategy. Board members are encouraged to attend industry seminars and conferences.

 Read more about board composition and profiles on page 3.

Executives with property skills are difficult to attract. Succession planning and the creation of a talent pipeline for Octodec through City Property are priorities for the Octodec board.

For building management and general workers a basic skills set is required. Through its relationship with City Property, Octodec seeks to attract, develop and retain the best talent, including through employment equity initiatives, which also assist in providing a larger pool of candidates. A survey was done with our building managers to establish further training priorities. The feedback will be used to define future training initiatives. Training initiatives during the past year included HIV/Aids awareness and voluntary testing opportunities. The code of conduct for building managers was formalised and all managers were trained on the elements of the code. In the next year, financial wellness will be a focus area. Further skills gaps are identified through the performance management process, which involves evaluation of the building managers and general employees by the City Property portfolio managers. Performance ratings are linked to annual bonuses and increases.

 Read more about remuneration in the report on page 66.

## COUNCIL AND OTHER STAKEHOLDER RELATIONSHIPS

**Material matter:** The relationships between Octodec – as a significant property owner in the CBDs – and council as well as other stakeholders

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** Tenants, industry bodies and suppliers

**Opportunity:** Ensuring improved service provision and resolving operational issues, security and cleanliness

### Context

Octodec is a member of several property and industry forums, but has mandated City Property to build and maintain primary relationships with the councils in the areas where it owns properties. Octodec is one of the largest property owners in the inner cities of Tshwane and Johannesburg, where all project approvals and controls are executed by the respective councils. The councils are also the suppliers of water, electricity and infrastructure, which enable Octodec to lease buildings to tenants.

Representatives of Octodec attend all council events to which it is invited and engages actively. The approach is to find solutions to problems and to improve communication, for example, ensuring that all stakeholders are informed proactively of upcoming developments.

Successful relationships translate into quick resolution of issues and evidence of a broader understanding of Octodec's vision and requirements. Focus areas such as maintaining service levels and reducing costs for tenants are further supported

by Octodec's relationship with the central improvement districts (CIDs), which function as property owners' representative bodies. CIDs assist the councils with service provision, resolving operational issues, security and cleanliness. Octodec is one of the bigger contributors to the CIDs where it has property interests and maintains an active role in ensuring improved services.

In Johannesburg, City Property is an active member of JPOMA, which represents most Johannesburg inner city property investors and managing agents. JPOMA addresses matters of common interest to its members, including industry lobbying, council service delivery, energy efficiency, benchmarking, tenant rights, affordability and precinct upgrades. For Octodec the major points of council interaction relate to property classification and rates.

Octodec, through City Property, aims to align itself strategically with the Tshwane Vision 2055 in creating a city that is liveable, resilient and inclusive.

## INCREASING COMPLIANCE REQUIREMENTS

**Material matter:** The property sector in South Africa faces increasing compliance requirements

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** Board of directors, City Property, tenants, shareholders and employees

**Opportunity:** Ensuring full adherence and optimised operational legal support

### Context

Octodec operates within a highly regulated South African environment. Any non-compliance with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct might result in financial loss or reputational damage. Octodec is committed to being a responsible and law-abiding corporate citizen.

Although there has been no significant new legislation promulgated that affects Octodec directly, the company has made solid progress in ensuring that it identifies, prioritises, manages, monitors and reports on any compliance risks. The legal department of City Property has been mandated to assist Octodec in discharging its legal and regulatory responsibilities.

Compliance management software has been implemented and contains a core selection of legislation most relevant to Octodec. The software enables the business to identify and

prioritise the top 10 most relevant current, proposed and impending legislation. In each case controls have been developed to minimise risk.

Key compliance focus areas include, but are not limited to, the following:

- The Companies Act, 71 of 2008, as amended (read more about this in the governance report from page 56).
- The Consumer Protection Act, 68 of 2008, where further steps have been taken to reduce risks related to marketing practices.
- The Protection of Personal Information Act, 4 of 2013, which relates to Octodec's access to personal information of customers and suppliers.

# MATERIAL MATTERS CONTINUED

## INCREASING COMPLIANCE REQUIREMENTS CONTINUED

### Context continued

- The requirements of the Rental Housing Amendment Act, 35 of 2014, which Octodec continues to monitor
- The Occupational Health and Safety Act, 85 of 1993, and regulations, which resulted in Octodec seeking specialist advice
- SANS 10400:19900 – The Code of Practice for the application of the National Building Regulations, issued in terms of the National Building Regulations and Building Standards Act, 103 of 1997, governs all new building developments and major conversions

Octodec's business requires a strong legal support system beyond compliance. The legal team assists the business in a range of functional areas, from credit control to leasing

transactions, acquisitions and sales, labour-related matters, and projects and services.

Over the past few years, Octodec changed its litigation approach against tenants due to the ineffective court system and the cost of litigation. As a result, the number of legal matters relating to tenants in occupation continues to decrease. Where the responsible credit control approach is not successful, the legal team assists in resolving matters.

No litigation matters were reported that have far-reaching consequences, a high monetary value or are sensitive in nature and are likely to result in reputational damage.

## BUILDING DIGNITY

**Material matter:** The value of Octodec's property portfolio relies on building dignity

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** Shareholders, tenants, City Property and suppliers

**Opportunity:** Continuously improving the quality of the portfolio, thereby improving rental income streams

### Context


The value of Octodec's property portfolio relies on its ability to create an offering that attracts quality tenants, which in turn provides improved rental income streams and sustainable relationships with its tenants. Therefore, Octodec has a dual vision – commercial and social – in its efforts to improve the value of each property.

Buildings that offer dignity are recognised by features such as cleanliness, well-lit common areas, safety elements and pleasing aesthetics, which often extend beyond the boundaries of a single property. Such buildings require quality construction work, excellent customer care, hands-on management and energy-saving initiatives.

The positive consequences of a quality offering can be measured by lower vacancies, lower repairs and maintenance costs and increased rentals.

Octodec is focused on evaluating tenant profiles for properties that have been renovated and/or refurbished. Upgrades often result in tenants having to relocate, providing opportunities

to improve the quality of the tenant mix. Tenant selection criteria support the principles of creating and maintaining building dignity. This also relates to Octodec's ability to meet shifting tenant requirements, for example, by providing residential accommodation with parking, play areas and access control. In the case of smaller commercial tenants building dignity takes the form of shopfitting support (estimates, costings and design services) to assist them in establishing a sustainable business. Planning, developing and designing to create dignity often entails selecting a more costly option in the long-term interest of portfolio quality.

 Read more about our vacancy profile on page 34 and rental income performance per sector on page 32.

Excellent repair and maintenance services are essential for buildings with dignity. Octodec contracts with City Property to manage, innovate, oversee new developments and attend to the maintenance needs of the buildings in the portfolio.

## TRANSFORMATION AND B-BBEE

**Material matter:** Compliance and commitment to transformation and B-BBEE

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** Shareholders, City Property, employees, suppliers and communities

**Opportunity:** Achieving sustainable broad-based empowerment credentials and benefits for all stakeholders

### Context

As a landowner in the CBDs of Tshwane and Johannesburg, Octodec caters for an increasingly changing tenant base. Urbanisation has attracted a range of individual tenants, national retailers and government institutions to the city centres. Although Octodec has always supported transformation, the changing tenant profile and its expectations have now demanded a more formalised approach.

Octodec's approved transformation strategy is aligned with the draft Property Sector Code, which provides a framework and principles, establishes targets for each element and

outlines implementation processes. The group appointed a corporate advisory team to assist with the implementation of the formal transformation plan and B-BBEE strategy.

B-BBEE training interventions and workshops were held to define targets and budget requirements. Octodec's B-BBEE strategy is about transforming as meaningfully as possible within a reasonable timeframe. The plan is based on long-term considerations and the benefit to all stakeholders.

Octodec directly employs 242 people. The group's employee profile is set out below:

	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Gauteng economically active (%)	42,5	34,2	1,9	1,9	1,5	0,9	9,8	7,2
Octodec (%)	76	17	1	0	0	0	5	1

The majority of employees at Octodec are categorised as supervisory, semi-skilled and unskilled. While Octodec's black male employee profile is better than that of the national

demographic, the challenge is to achieve a more representative workforce overall and at each occupational level. Employee turnover remains below 10%.

## NATURAL RESOURCE EFFICIENCY

**Material matter:** Octodec's sustainable value creation relies on natural resource efficiency

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** City Property, tenants, shareholders, suppliers and employees

**Opportunity:** Creating cost and resource efficient business solutions that ensure sustainability

### Context

Rising electricity costs, supply challenges and problems surrounding water supply and quality are major concerns. The group's ability to use and offer access to these resources efficiently is a critical factor in attracting tenants and growing rental income streams sustainably.

Over the past 10 years, energy costs have risen steadily and have become a significant expense for Octodec and all categories of tenants. The group implemented efficiency initiatives to reduce use and consumption, including retrofitting energy-efficient lighting, using lower wattage fluorescents and motion-detecting lighting sensors.

Unfortunately not all buildings are suitable for energy-saving initiatives. Initiatives have accordingly been prioritised according to the current energy use, projected savings, tenant leases and mix of tenants per building.

The focus is on providing and managing alternative energy sources with the increase in load-shedding. Examples of these initiatives include:

- Installation of generators based on a model that assumes 10 hours of load-shedding per month. These include generators at Blaauw Village, Killarney Mall and Waverley Plaza



# MATERIAL MATTERS CONTINUED

## NATURAL RESOURCE EFFICIENCY CONTINUED

### Context continued

- Introduction of smart metering where tenants use Octodec's generators. Tariffs were structured to provide a support service that remains more cost-effective for tenants than buying their own generators. As this is part of an online prepaid metering system, it allows tenants to actively manage their use and optimises cash flow for Octodec as compared to the traditional council payment system
- Roll-out of prepaid electricity meters from residential units to commercial and industrial properties.
- Installation of special surge resistors at critical points to manage operational risk

Although the group has investigated battery storage and solar energy options, these have not yet been feasible, mostly due to the cost of associated infrastructure and payback periods. These options will be continuously evaluated for future application.

The need for air-conditioning in shopping malls and common areas constitutes a significant and costly energy requirement. Octodec started implementing PermaFrost technology last year, ensuring the efficient running of air-conditioning systems. It has consequently been able to reduce the amount of energy needed and the maintenance required for air-conditioning systems. Heat pumps are also used in residential buildings as an alternative to geysers and provide a saving of up to 60% in electricity.

Octodec is also investigating alternative ways of dealing with waste. The group piloted a water harvesting project at Kyalami Crescent – a development with a high irrigation requirement. With water harvesting, rain water run-off is collected in tanks for future use. The system requires the sinking of a borehole, a roof storm water collection system, a bank of reservoirs, a connection to the existing landscape and gardening irrigation system and a booster pump. The estimated cost of the venture requires a three-year payback timeframe,

but offers the long-term benefit of water conservation on a large scale and a future decrease in municipal water costs.

During the last three years Octodec has installed water storage tanks in selected buildings. These contain water provision for approximately a day and act as an emergency water source for tenants. This water is pumped from the council supply.

At Killarney Mall all borehole water is re-used for non-potable purposes, which in its current form requires a separate plumbing system and the additional cost of running a dual system. Borehole water is also used for irrigation purposes. Although these water initiatives demand high levels of upfront investment, they serve as pilot and efficiency-testing opportunities that will benefit from scale and optimisation when implemented on a larger scale to mitigate water risks for the business proactively.

Octodec is now also a proud member of the Green Building Council of South Africa. Membership enables the group to leverage its expertise in green building science to further enhance its buildings within the built environment. The Green Building Council provides access to knowledge and expertise that promotes design, construction and operational practices to reduce the property industry's impact on natural resources.

Future focus at Octodec will be on expanding its waste disposal and recycling initiatives. The social, ethics, remuneration and transformation committee, which oversees the major components related to natural resource efficiency at Octodec, has decided to defer the decision on implementing carbon footprint measurement systems and processes until 2016.



Read more about our electricity and water consumption improvements and measurements on the website: [www.cityproperty.co.za](http://www.cityproperty.co.za).

## TECHNOLOGY AND INNOVATION

**Material matter:** Technology and innovation are drivers for growth and efficiency

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** City Property, tenants, council and employees

**Opportunity:** Ensuring system improvements and creating new tenant engagement opportunities

### Context

The efficiency and scalability of the services that Octodec delivers to its tenants rely on technology platforms, their successful application and continuous innovation.

Through its agreement with City Property, Octodec serves 13 906 tenants annually. All individual accounts are profiled, contracted and managed. Octodec created an integrated telephone system between offices, allowing the group to implement a centralised contact centre with multi-channel

functionality. Whereas engagement with tenants previously relied on the call centre, communication now encompasses digital, mobile and social media platforms – all handled by the same group of people. The contact centre receives an average of 8 800 customer service and leasing enquiries per month. During 2015 the highest number of customer service enquiries related to repairs and maintenance, tenants' deposits and account queries.

## TECHNOLOGY AND INNOVATION CONTINUED

### Context continued


Network uptime for the Octodec IT system is at 99% and capacity has been improved by approximately 10 times following the transition to new fibre-optic cables.

City Property invested in licensing and analytic tools to enable dashboard reporting according to predetermined key performance indicators. Manual management has now shifted to digital capturing and visualisation of data, with quicker access to reports, thereby improving the speed and quality of decision-making.

The application of object character recognition software further assisted in improving the time and quality related to processing utility bills. This will be further improved by adapting the technology to Octodec's specific requirements for dealing with different council systems. The same technology was applied in legal documents to digitise all reports and contracts – reducing the need for storage space and enabling quick retrieval and search facilities.

Octodec is also improving its ability to control access to buildings remotely through a biometric and electronic tag

system. Security monitoring via a centralised network and control room reduces the need for security guards to be deployed at Octodec's buildings and provides the additional benefit of electronic recordings.

 Read more about these efficiencies on page 52 and Octodec's values on page 13.

Innovation also involves the shift from managing physical assets to intellectual and reputational assets. Octodec embraces all forms of digital technology and communication to improve engagement with and holistic marketing to tenants. These initiatives range from Twitter to self-service pay stations for residential tenants.

The governance of information technology forms part of the audit committee reporting cycle and requirements and is aligned with the internal audit programme. Reporting includes aspects of policy, security, investment and expenditure, management responsibilities in terms of disaster recovery, backups and data protection.

## COMMUNITY COMMITMENT

**Material matter:** Investing and engaging with Octodec's communities contribute to transformation, empowerment and sustainable growth

**Related risk:** Strategic and operational relating to financial performance, reputation, asset and property management

**Stakeholders affected:** City Property, tenants, community, suppliers and employees

**Opportunity:** Developing and empowering future tenants, suppliers and employees

### Context

The previously disadvantaged communities living in the areas where Octodec's properties are located are important stakeholders in driving urban renewal. They also constitute current and future pools of tenants, shoppers, entrepreneurs for small enterprises, students and government employees who create a sustainable demand for properties.

The following charity and socio-economic initiatives have been completed and funded by Octodec during the year:

Women and Men Against Child Abuse

Various initiatives to supply stationery at schools in Tshwane and Johannesburg and other initiatives

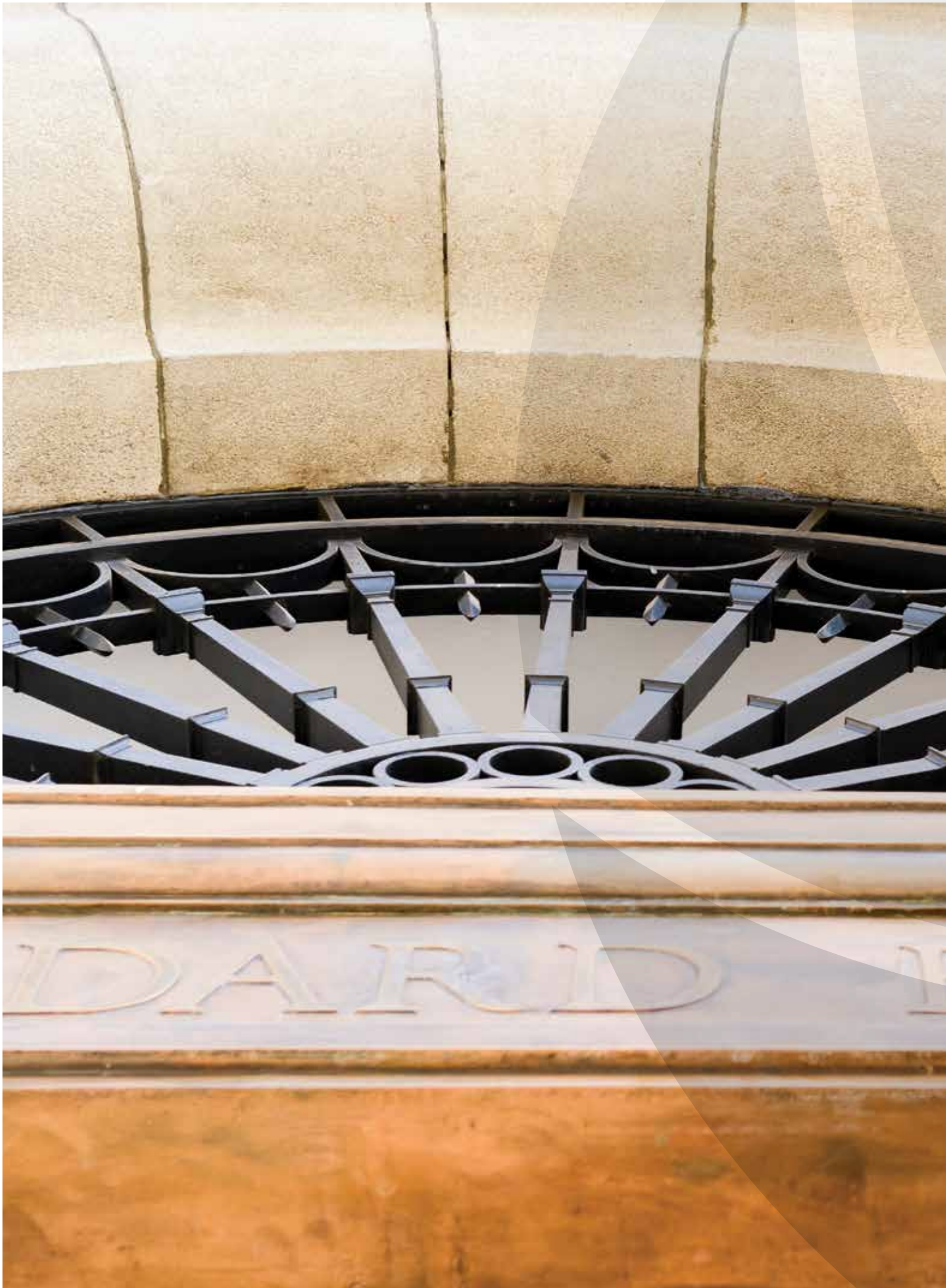
Brown Street, Tshwane (socio-economic initiative focusing on the upliftment of the CBD)

Octodec supports the development of healthy, safe, growing and empowered communities. Octodec's approach to inner city safety and security is based on preventing, reducing and mitigating these risks. The on-site presence of a building manager at all properties, in addition to security desks or control rooms from where security cameras and access can be monitored and controlled, is a first line security measure.

Achieving the strategic objective of urban renewal, and addressing and changing the perception that the CBDs of Tshwane and Johannesburg are unsafe, continues to be a priority. Through City Property, and in conjunction with the CID, Octodec approved a pilot security initiative whereby security guards will be placed in strategic positions within the Tshwane CBD in close proximity to one another to ensure visible guarding in the area. Twenty previously unemployed individuals have been trained and have obtained PSIRA accreditation to Grade C level and will be employed and supervised by an existing security service provider. The impact on the area is expected to be positive and will be monitored closely.

 Read more about safety initiatives and improvements in Brown Street under urban renewal on page 48.

As part of its B-BBEE strategy, the group is in the process of finalising its 2016 socio-economic development focus areas, resource allocation and plans to ensure that these add value to existing urban renewal and building dignity initiatives.







Standard Bank Chambers, 236 Paul Kruger Street, Tshwane

# CORPORATE GOVERNANCE





# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The value of good corporate governance is especially evident during periods of intense corporate activity. The merger was achieved in a smooth process with the unanimous support of shareholders. This indicated an overwhelming vote of confidence in the effective leadership and sustainable governance approach of the Octodec board. The board was supported in this process by an independent sub-committee consisting of independent non-executive directors Michael Holmes, David Rose and Ian Stern. The sub-committee was established for the sole purpose of considering the transaction. Their appointment to the Octodec board was for the period 13 May 2014 to 3 September 2014.

## Changes to the group structure

The structure of the group has changed significantly with the acquisition by Octodec of the entire issued Premium linked units that it did not already own. Premium delisted from the JSE on 22 September 2014.

Following the merger, the board continued reviewing its principle-based application of King III. The governance framework and processes will be enhanced and updated to ensure that the governance structure is appropriate for the group's operations. The board remains committed to acting in the best interests of the group over the long term.

## ETHICAL LEADERSHIP

Octodec is committed to the highest ethical standards of business conduct. The group's values define the required behaviour to successfully implement Octodec's strategy and is supported by the code of ethics and separate corporate policies such as policies on gifts, insider trading and conflict of interests.

 Read more about the Octodec strategy and values on page 13.

Octodec's business values 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 or any similar illegal behaviour. It advocates confidentiality regarding employee and group information.

The group has adopted a whistleblowing policy and continues to promote the anonymous fraud hotline independently run by KPMG. Ethical behaviour and the hotline details are promoted through various media, including through employee training, publicity material, messages on tenants' monthly statements and the call centre.

The board encourages an appropriate balance between advocating responsible, and discouraging malicious and frivolous, reporting. All whistleblowing reports are investigated and, if necessary, disciplinary, civil or criminal action is taken.

## APPLICATION OF KING III

The board takes responsibility for the holistic application of the principles contained in King III without diluting Octodec's focus on sustainable performance. The board is of the opinion that the group has applied all governance principles and is compliant with JSE Listings Requirements other than the issues referred to in the table below. Where the board has deemed that recommended practices are not in Octodec's best interests, it explains the reasons for an alternative approach to that application of governance.

 A full report of our compliance with each of the King III principles is available at [www.octodec.co.za](http://www.octodec.co.za).

The following table sets out the principles where the group does not comply fully, which is supported by a progress report or explanation:

Principle	Progress report/explanation
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 is underway and will be finalised during the 2016 financial year.
The board should determine the levels of risk tolerance	The existing risk management policy and plan was reviewed by the risk committee and proposed amendments were presented for approval/approved by the board at its meeting on 25 November 2015. The risk tolerance levels have not yet been finalised and have been identified as a key priority and focus area for 2016 to manage significant risks that could have a material impact on the business. Key risk metrics and measures have been developed with clearly defined risk indicators.
The board should delegate to management the implementation of an effective compliance framework and processes	Compliance risk forms an integral part of the group's risk management process. Legislative and regulatory compliance is monitored by senior executive employees of City Property. An analysis of current and pending relevant legislation is presented at each audit committee meeting and an annual compliance report is presented to the board. An effective compliance framework, to be presented for approval by the board during 2016, will provide the board with assurances on the effectiveness of the controls and compliance with laws, rules, codes and standards.

Principle	Progress report/explanation
Sustainability reporting and disclosure should be independently assured	No independent assurance was obtained for the sustainability aspects of this report. This report has been approved by the audit committee and board.

## MEMORANDUM OF INCORPORATION AND ANNUAL GENERAL MEETING

The new memoranda of incorporation of the major subsidiaries of the group were prepared and lodged with CIPC during August 2015.

All resolutions were passed by the requisite majority of shareholders at the annual general meeting (AGM) on 6 February 2015. As only 84,7% of the votes were cast in favour of ordinary resolution 6 for the approval of the remuneration philosophy, the board took cognisance of the outcome of the non-binding advisory vote by shareholders. The revised remuneration philosophy, strategy and policy can be found on page 66 of the integrated report.

## THE BOARD OF DIRECTORS

The board is the highest governing authority of the group and takes ultimate responsibility for Octodec's adherence to sound corporate governance standards. The board is tasked with directing, administering and controlling the affairs of the group and has a responsibility to manage the activities of the company and the group in a transparent, fair and responsible manner.

The board charter articulates the objectives and responsibilities of the board and was reviewed during the year. Amendments were made to the board charter, effective 28 November 2014, comprising the inclusion of the newly established investment committee.

## Board governance structure

The board mandates the appointed committees to support it in the execution of its duties. The audit, risk, investment, and the social, ethics, remuneration and transformation committees, as well as the nominations committee, carry out the oversight role of ensuring that the activities of the group are managed in the manner that is consistent with ethical leadership and values of the group. The board process is managed by the company secretary.

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, policy and performance.



These committees report to the board on their activities and how they carried out their responsibilities, in line with their delegated powers and authority. Each of the board committees operates in accordance with written terms of reference, which were reviewed and updated during the year. Significant changes include the following:

- Effective 30 April 2015, the audit committee's terms of reference include overseeing a quarterly legal and regulatory compliance report
- Effective 25 June 2015, the social, ethics, remuneration and transformation committee establishes, sets targets and monitors the implementation of the Octodec transformation strategy
- The terms of reference of the newly established investment committee were approved on 30 April 2015. The primary purpose of the committee is to consider investments, disposals, acquisitions, major upgrades, developments and redevelopments proposed by management and make such recommendations to the board as it considers appropriate. Previously, the board performed this function

The relevant annual work plans were updated to cater for the abovementioned changes.

# CORPORATE GOVERNANCE REPORT CONTINUED

## Board meeting attendance

The board meets as often as circumstances dictate, but at least four times a year. It aims to ensure that its structure, size, composition, effectiveness, and its committees are maintained at levels that are appropriate in the context of the group's strategy. The average overall attendance of board and committee meetings was 98,8% during the year.

Members	Attendance		
	Strategy	Board	AGM
Sharon Wapnick*	2/2	8/8	1/1
Derek Cohen	2/2	8/8	1/1
Gerard Kemp <sup>#</sup>	2/2	6/8	1/1
Myron Pollack	2/2	8/8	1/1
Pieter Strydom	2/2	8/8	1/1
Anthony Stein	2/2	8/8	1/1
Jeffrey Wapnick	2/2	8/8	1/1

\*Chairman

<sup>#</sup> Sick leave on 14 October 2014 and tendered apologies on 28 October 2014

## Some activities and focus areas in 2015:

- The successful completion and implementation of the merger
- The annual budget and business plan for the year ending 31 August 2015 were debated and approved
- Approved the half-year and year-end financial results and distributions to shareholders and JSE announcements
- Approved the 2014 integrated report and annual financial statements
- Approved non-executive directors' fees for tabling at the AGM
- Approved the re-election of directors who retired by rotation for tabling at the AGM
- A strategic risk assessment workshop was held to identify and assess, through a structured, facilitated process, the strategic risks that may prevent Octodec from achieving its strategic objectives. The workshop was also designed to assist executive management in the establishment of a risk management process as required by King III
- The board charter and all committees' terms of reference were reviewed and updated where necessary
- The board considered and approved the acquisition, developments and disposal of a number of properties
- Various capital raising options were considered, approved and implemented
- B-BBEE is one of Octodec's most significant strategic challenges. A transformation expert, experienced in implementing the changes required to comply with the codes, was appointed on a retainer basis. An Octodec B-BBEE policy/plan was approved by the board on 28 October 2015 for implementation
- Considered the declaration of directors' personal financial interests at each meeting


## BOARD COMPOSITION, APPOINTMENT AND INDUCTION

The board consists of seven members of whom five are non-executive and two executive directors. Three of the non-executive directors are independent. One director is female. The average length of service for executive directors is 11,5 years and 10,6 years for non-executive directors, with an overall average of 10,9 years. The average age is 59. The two prescribed officers are Jeffrey Wapnick and Anthony Stein.

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 and responsibilities of the managing director and chairman are separate and have been clearly defined. The chairman is responsible for providing overall leadership of the board and ensuring that the board receives accurate, timely and clear information to ensure that the directors can perform effectively. The managing director is responsible for the daily management of the group's affairs. In addition to the annual work plan, an approval framework is in place, which sets out the respective responsibilities and levels of authority of the board and executive management. The board is kept informed of all developments at the group, primarily through the executive directors. The role of non-executive directors, who are independent of management, is to protect 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 Companies Act, 71 of 2008, as amended (the Act), board members must disclose their interest in material contracts involving the group. In addition, board members recuse themselves from deliberations or decision-making processes relating to any matter in which such member may have a personal financial interest.

Appointments to the board are made in a formal and transparent manner and are a matter for deliberation by the nominations committee. Procedures for appointment to the board include background and reference checks.

 Details of the directors in office as at 31 August 2015 appear on page 3.

Advised by the nominations committee, the board ensures that the independent directors who are appointed, are reputable persons of well-known competence and experience who are willing to devote a sufficient part of their time to Octodec.

In line with the recommendations of King III, the board carries out an evaluation of the independence of directors. An internal evaluation of the independence of directors was undertaken for the non-executive directors at 31 August 2015, and the outcome was reviewed by the nominations committee on 14 October 2015. The directors previously 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 her 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.

There are no fixed-term contracts for directors and all new 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 to maximise their knowledge and understanding of the group, and enable them to provide input and make well-informed decisions from inception. They are provided with all the necessary documents to familiarise themselves with the group and issues that affect the board.

All directors are expected to remain informed and updated on how to best discharge their responsibilities as directors of Octodec. An ongoing programme focuses on creating an evolving understanding of the company. This includes site visits to existing properties, proposed acquisitions and developments under construction. It also entails keeping the board abreast of relevant changes and trends in the economic, political, social, financial and legal spheres and governance practices.

#### Board evaluation

In line with King III recommendations, a detailed self-assessment of the performance of the board and its committees was done by 31 August 2015, the outcome of which was reviewed by the nominations committee on 14 October 2015 and presented to the board on 28 October 2015. 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. Action plans have been developed for the following areas of improvement:

- The development and implementation of key strategic and operational performance indicators
- The risk management process has to be refined and embedded into the business
- The effective implementation of the B-BBEE plan as approved on 28 October will be closely monitored

#### ROTATION AND RETIREMENT FROM THE BOARD

In terms of the company's memorandum of incorporation (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 Gerard Kemp and Myron Pollack. All directors, excluding the executive directors, are subject to retirement and re-election by shareholders.

#### 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 or shareholder of the company, but the directors have unlimited access to her advice and services. The company secretary acts as secretary for the board committees and the subsidiaries of the group. The company secretary is responsible for the flow of information to the board and its committees complying with section 88 of the Act, and is actively involved in assisting the board in its governance initiatives.

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. As is required in terms of the JSE Listings Requirements, the board maintains the view that the company secretary is suitably qualified, competent and experienced to perform the role of the company secretary.

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 the company secretary and the board of directors during the year has not been established. Despite City Property being a related party, the company secretary still effectively performs the role as gatekeeper of good corporate governance and is enabled to effectively perform the duties of company secretary. The contact details of the company secretary are disclosed on page 140.

 The certificate required to be signed in terms of section 88 of the Act appears on page 69.

#### BOARD COMMITTEES

The board has established a number of standing committees with delegated authority from the board. Each committee has agreed terms of reference as approved by the board that address issues such as composition, duties, responsibilities and scope of authority. Each committee's terms of reference are reviewed annually by the board. 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 audit committee meetings. With the exception of the nominations and investment committees, each committee is chaired by an independent non-executive director. Committees operate in accordance with annual work plans, which are reviewed and updated regularly to align them further with best practice. The



# CORPORATE GOVERNANCE REPORT CONTINUED

board annually 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

The audit committee ensures that the group's financial standing is sound. It also ensures that the internal financial controls are adequate and effective. In addition, it approves the external audit fees, ensures that the internal audit function is effective and that the finance processes are effective. It further oversees IT governance and the effectiveness of the company's information systems.


Members	Attendance
Pieter Strydom*	5/5
Derek Cohen	5/5
Gerard Kemp	5/5
Myron Pollack	5/5
<b>Invitees</b>	
Anthony Stein	5/5
Jeffrey Wapnick	5/5
Sharon Wapnick	5/5

\*Chairman

## Some activities and focus areas in 2015:

- Reviewed and recommended the half-year results, annual financial statements and integrated report to the board for approval
- Approved the revised internal audit plan and budget for the year ending 31 August 2015
- Satisfied itself with the group's internal financial controls.
- Reviewed the internal audit charter
- Reviewed the competence and experience of the financial director and the finance function as required in terms of the JSE Listings Requirements
- Reviewed the accounting policies of the group
- Evaluated the independence of the external auditors
- Approved the engagement with the external auditor, scope of work and fees
- Reviewed the committee's existing terms of reference and the delegation of authority framework, and recommendations for approval were presented to the board.
- Approved the performance of audit-related, non-statutory audit services
- Considered the newly introduced quarterly compliance report and City Property's chief information officer's report.
- Reviewed, approved and updated the committee's annual work plan

The relevant resolution for the appointment of the audit committee, as required by the Act, is set out in the notice of annual general meeting as contained in this report.

 The statutory report of the committee, as required by the Act, can be found on page 71.

## Risk committee

The risk committee is tasked to ensure that all significant risks are identified, evaluated and effectively managed. It is responsible for reviewing the group's risk exposure and control systems, ensuring that risk policies and strategies are effectively managed and overseeing the development, implementation and annual review of the risk management plan and making recommendations to the board regarding the risk tolerance levels.

Members	Attendance
Pieter Strydom*	3/3
Derek Cohen	3/3
Gerard Kemp	3/3
Peter Kruger (chief risk officer)	3/3
Myron Pollack	3/3
Anthony Stein	3/3
Jeffrey Wapnick	3/3
Sharon Wapnick	3/3

\*Chairman

## Some activities and focus areas in 2015:

- Initiated an externally facilitated board workshop, which identified strategic risks
- Reviewed the committee's terms of reference and recommended the proposed amendments thereto to the board
- Reviewed the top priority strategic risks
- Reviewed the top operational risks
- Received updates on changes in regulatory landscape, including status reports on pending litigation matters and the impact on the business
- Reviewed the risk management policy and framework and recommended the proposed amendments thereto to the board
- Evaluated the insurance programme to ensure that it covers all the insurable risks
- Reviewed, approved and updated the committee's annual work plan

 The risk management report can be found on page 63.

### Social, ethics, remuneration and transformation committee


The social, ethics, remuneration and transformation committee fulfils the statutory duties as listed in section 72 and regulation 43 to the Act. In addition, it monitors the human resources strategies and policies of the group and makes recommendations on the remuneration policies and practices and the empowerment credentials of the group. It oversees the corporate social responsibility initiatives of the group and establishes, sets targets and monitors the implementation of the transformation strategy of the group ensuring consistency with good corporate citizenship, social development and transformation.

Members	Attendance
Pieter Strydom*	4/4
Derek Cohen	4/4
Gerard Kemp *	4/4
Myron Pollack	4/4
<b>Invitees</b>	
Anthony Stein	4/4
Jeffrey Wapnick	4/4
Sharon Wapnick	4/4

\* Chairman up to 28 October 2015, at which point Gerard Kemp took over the chairmanship of this committee

#### Some activities and focus areas in 2015:

- Considered the non-executive directors' remuneration structure for tabling at the AGM
- Considered the directors' remuneration policy, which was presented to and approved by the board
- Reviewed employment equity plans submitted to the Department of Labour and skills development plans in line with the Skills Development Act, 97 of 1998
- Reviewed Octodec's contributions and donations to social upliftment and charities
- Reviewed the activities of the social and ethics working committee, which focused mainly on good corporate citizenship, labour and employment; environmental, health and safety; consumer relationships and socio-economic development initiatives
- Reviewed the effectiveness of the whistleblowing hotline and the reports received
- Approved the remuneration philosophy and report for tabling at the AGM
- Reviewed the committee's terms of reference and the directors' remuneration policy and proposed amendments thereto to the board
- Reviewed, approved and updated the committee's annual work plan

 The remuneration report, inclusive of the remuneration philosophy strategy and policy, can be found on page 66.

#### Ad hoc sub-committee

This sub-committee was appointed to deal with the proposed revision of the management agreement, as proposed by City Property to the board on Friday, 4 September 2015. The board agreed that, given the complexity of the management agreement, it would be appropriate to constitute a sub-committee of non-executive and independent non-executive directors with a mandate to ensure that due process and effective oversight was carried out. The members on the duly constituted sub-committee are Derek Cohen, Gerard Kemp, Myron Pollack and Pieter Strydom. The sub-committee continues to have extensive engagement with management and independent financial and legal advisors throughout the process.

### Nominations committee

The committee, which was established on 22 October 2013, ensures that board appointments follow a rigorous, fair and open nomination and appointment process, which will promote meritocracy in the boardroom and support corporate performance. The committee leads the process and makes recommendations to the board.

The committee did not formally meet during the year. Its first meeting was held on 14 October 2015.

Members	Attendance
Sharon Wapnick*	–
Derek Cohen	–
Gerard Kemp	–
Myron Pollack	–
Pieter Strydom	–
<b>Invitees</b>	
Anthony Stein	–
Jeffrey Wapnick	–

\* Chairman

### Investment committee

The main responsibility and duty of the committee is to ensure that investments, disposals, acquisitions, major upgrades and developments are in line with the company's overall strategy.

Members	Attendance
Sharon Wapnick*	2/2
Derek Cohen	2/2
Gerard Kemp	2/2
Myron Pollack	2/2
Pieter Strydom	2/2
<b>Invitees</b>	
Anthony Stein	2/2
Jeffrey Wapnick	2/2

\* Chairman

#### Some activities and focus areas in 2015:

- Approved the sale of a number of properties
- Considered a number of acquisition and development and redevelopment proposals
- Considered progress reports on the major development and redevelopment projects of the group
- Reviewed the mid-year and final internal and external investment property valuations of the group
- Reviewed the committee's terms of reference and recommended the proposed amendments thereto, to the board
- Reviewed, approved and updated the committee's annual work plan



**Standard Bank Chambers, 236 Paul Kruger Street, Tshwane**

# RISK MANAGEMENT REPORT

The governance of risk within Octodec is ultimately the responsibility of the board, which has appointed the risk committee to assist in discharging this responsibility. The board, through the risk committee, sets the strategic direction for the process and system of risk management by authorising the risk management policy and framework.

The board is required to set the level of risk tolerance for the group in pursuit of its vision and in creating sustainable value by giving consideration to a number of factors, including the financial, economic, social and environmental impacts on stakeholders. Risk tolerance varies, depending on the specific category of risk.

Management is accountable to the board for designing, implementing and monitoring the process and system of risk management. This is embedded in overall group governance as part of the risk management policy and framework.

During 2015, Octodec adopted a comprehensive, enterprise-wide approach to managing risk to ensure that major risks are systematically identified, assessed, evaluated and managed in accordance with the yet to be set authorised level of risk tolerance. This process provides management with a group-wide overview of Octodec's risks and provides a basis for improved decision-making by management.

The chief risk officer is the custodian of the risk management policy and framework, and coordinates risk management activities throughout Octodec. In implementing the risk management policy and framework, the chief risk officer ensures that risk management is embedded in business activities and decision-making processes, and that Octodec follows a common framework for managing risk.

The chief risk officer engages with key stakeholders, including City Property, to identify key risks, and monitors the plans and processes to manage these risks. In conjunction with these stakeholders, the chief risk officer also consolidates and assesses key risks to define the major business risks affecting the group. Octodec assesses risks based on their potential influence on achieving strategic and business objectives. All the major business risks affecting Octodec have been categorised as either priority 1, priority 2, priority 3, priority 4 or priority 5.

The major business risks are managed at an executive level. Octodec's risk register, highlighting the priority risks, is formally reported to the risk committee, which meets twice a year. Quarterly, high-level feedback on the priority strategic risks is presented to the board.

The process and system of managing risk include the following:

- Strategic direction and objectives of the business
- Nature and extent of risks facing the business
- Extent and categories of risk regarded as acceptable for the business to tolerate
- Likelihood and impact of identified risks materialising
- Ability of the business to reduce the incidence and impact on the business if identified risks materialise
- Effectiveness of risk response plans

The audit committee is responsible for providing independent and objective assurance on the effectiveness of the systems of internal control, governance and risk management within Octodec. The audit committee has specific oversight over the internal audit function, financial risk management, compliance and information technology (IT) and the internal control environment.

The internal audit function is an integral component of the risk management process. It provides independent and objective assurance to the board, through the audit committee, on the effectiveness of the system of internal control and risk management, and provides recommendations for improvement where necessary. Octodec's internal control environment comprises the policies and control procedures adopted and implemented by management to provide reasonable assurance that risks are mitigated and that the business objectives are attained.

To the best of the board's knowledge and belief:

- The system and process of risk management in place appear to be appropriate for Octodec's business model
- A risk culture is a key component of Octodec's strategy
- The system and process of risk management operates appropriately to inform the board of major risks facing the group.

An ongoing process for identifying, evaluating and managing the major risks faced by Octodec has been in place for the year under review.



# RISK MANAGEMENT REPORT CONTINUED

The table below highlights the priority risks currently faced by Octodec together with the plans and processes to mitigate these risks. The overall risk profile of Octodec has not changed significantly during the year and the major business risks remain unchanged.

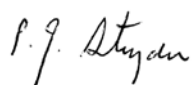
Risk description	How we addressed them
Power and water resources are under threat	<p>Continuously investigating and identifying alternative sources of power to complement the use of generator power</p> <p>Actively involved in lobbying through various forums and is a member of the Green Building Council of South Africa</p> <p>Maintaining relationships with water and power suppliers</p> <p>Monitoring consumption to detect abnormalities in usage</p> <p>Prepaid electricity meters have been installed in the majority of flats. Water meters have also been installed. The power consumption of commercial tenants is metered and read by independent meter readers</p> <p>Power consumption is monitored and managed per property to ensure tenant recoveries are optimised</p> <p>Generators have been installed at three commercial properties, namely Blaauw Village, Killarney Mall and Waverley Plaza, and the installation of generators at other buildings is being investigated</p> <p>Aligning the group with Green Professionals who possess the requisite skills and expertise in developing long-term sustainable green businesses</p>
B-BBEE non-compliance	<p>An advisory company specialising in empowerment has been appointed to assist in achieving an improved B-BBEE rating and a dedicated resource has been appointed to work closely with this company, to implement various initiatives to improve its compliance with B-BBEE legislation</p> <p>External qualifying black-owned suppliers are being appointed</p> <p>Transformation processes are being implemented throughout the organisation and employee information sessions facilitated by the managing director have been held. Changes in legislation are continuously monitored</p> <p>Octodec will actively continue to seek suitable B-BBEE shareholders, management and service providers</p> <p>Constantly monitoring the quality of service delivery and B-BBEE status of all suppliers</p>
Societal or political unrest	<p>On-site security, including CCTV cameras and security guards to ensure the safety of employees and tenants and to protect assets</p> <p>Adequacy of insurance to mitigate loss of assets is proactively monitored</p> <p>Good relationships with key stakeholders are maintained</p>
Ineffective IT systems	<p>The installation of IT systems is managed and maintained by a dedicated team and by suppliers with appropriate service level agreements</p> <p>The overall IT infrastructure is well maintained and continuously upgraded</p> <p>Physical access to servers and key documents is restricted</p> <p>The installation hardware is protected by a fire suppression system</p> <p>An off-site disaster recovery system continuously stores, backs up and mirror images the data</p>
Attraction, retention and competence of skills	<p>The payment of competitive remuneration packages, which are benchmarked annually</p> <p>A modern gym and canteen facility is provided at the City Property premises</p>
Exposure to the constantly changing macro-economic environment	<p>A functional treasury function is in place. Financing at fixed interest rates and interest rate swap contracts assist in maintaining an interest rate hedged position. The total loans hedged is currently at 94,2% of the total interest-bearing borrowings</p> <p>A loan to value ratio of below 40% is maintained (currently at 37,3%)</p> <p>The budgeting process is aligned to a dynamic zero-based budgeting model</p> <p>Stringent credit controls are in place in respect of tenant arrears. Supplier and prospective tenant vetting controls are in place</p> <p>The portfolio of assets is spread across various sectors with a diversified tenant base</p> <p>Borrowing and funding sources are diversified</p> <p>Sound treasury management financial policies have been implemented</p>

Risk description	How we addressed them
Acquisition/disposal or development of buildings	Robust due diligence exercises are performed on all potential investment or disposal opportunities Technical advice and the services of specialist consultants are obtained where appropriate In terms of the investment strategy, board approval is required on all acquisitions. Projects or major renovations and new developments exceeding R10 million require board approval. The board is kept informed of all projects or major renovations, upgrades, redevelopments and new developments below R10 million and exceeding R1 million. All disposals are approved by the board
Non-compliance with legislation	Compliance and changes to legislation and regulations are monitored by dedicated legal and company secretariat teams.
Ineffective stakeholder relationships	Mutual trust and understanding are important to proper stakeholder engagement. Frequent engagement with various stakeholder groups takes place on a continuous basis
Poor reputation	Defined corporate values and a code of ethics have been implemented A functional whistleblowing hotline, with an anonymous reporting ability, is managed by an independent external service provider A dedicated customer service department handles all tenant-related queries and enquiries timeously and treats customers with dignity Property managers engage continuously with tenants and on-site building employees, which effectively reduces potential incidents of an undesirable nature Properly maintained properties afford staff the appropriate platform to negotiate and interact with all current and prospective tenants
Geographic and sectorial concentration	Urban renewal initiatives assist in improving specific areas, encouraging surrounding property owners to upgrade and maintain their properties Cross-sector diversification allows for diversified revenue streams

The risk committee, supported by the chief risk officer, will continue enhancing the risk management policy and framework to ensure that Octodec increases stakeholder value by achieving its business objectives.

Key priorities and focus areas for the 2016 financial year are as follows:

- Continue inculcating the enterprise-wide risk management process
- The cost of risk response plans and processes relative to the benefit obtained will be considered and included in the respective risk registers
- Finalise risk tolerance levels and continue ensuring that the risk appetite inherent in the business model is appropriate
- Update the combined assurance model for the management of the major risks affecting the company
- Conduct a formal assessment of risk of fraud, which will form part of a comprehensive fraud risk management approach aimed at preventing, detecting and responding to fraud
- B-BBEE.



*Chairman of the risk committee*

On behalf of the board, which approved the report on 28 October 2015.

# REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

The remuneration report provides an overview of the remuneration philosophy, policy, practices and governance with particular focus on the remuneration of the executive and non-executive directors.

## REMUNERATION PHILOSOPHY AND POLICY

The board and the social, ethics, remuneration and transformation committee take cognisance of the responsibilities placed on directors by the Companies Act, 2008 (the Act) and corporate governance principles of King III. Consequently, a remuneration policy was adopted by the board on 24 June 2015. The key principles, which underpin the remuneration of directors of the company, are as follows:

- Remuneration should be sufficient to attract, motivate and retain talent to the board
- The remuneration payable to directors must be consistent with market-related best practice
- The quantum of directors' remuneration will, if required, be reviewed every year by the social, ethics, remuneration and transformation committee (in consultation with its remuneration advisors), who will make recommendations to the board on changes to director remuneration. Such changes are subject to approval by shareholders from time to time at the AGM in accordance with the Act
- The structure of directors' remuneration will, if required, be reviewed every year by the social, ethics, remuneration and transformation committee (in consultation with its remuneration advisors), who will make recommendations to the board on changes to director remuneration. Such changes are subject to approval by shareholders from time to time at the AGM in accordance with the Act

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 view 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.

## DISCLOSURE OF REMUNERATION

Disclosure of the remuneration of directors is governed by the JSE Listings Requirements, the Act, with additional recommendations from King III. In order to maintain its competitive edge, Octodec has applied the principles of King III that are appropriate to its business. There were no material changes during the year under review.

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 who serve as members on board sub-committees or attend these meetings by invitation receive additional remuneration.

## REMUNERATION PAID TO EXECUTIVE DIRECTORS

Octodec views its executive directors as prescribed officers as defined in terms of the Act. There are no service contracts in place with these directors. The proportionate salaries paid by City Property Administration Proprietary Limited (City Property) for Jeffrey Wapnick and Anthony Stein, the executive directors of Octodec, in their capacities as executive members of the management team, and Sharon Wapnick, the non-executive chairman, who are all employed by City Property, are fully disclosed in note 35 to the financial statements. 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 2015.

## EXECUTIVE DIRECTORS', NON-EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (RAND)

The table below provides details of the remuneration and fees of executive directors, non-executive directors and prescribed officers for the 12 months to August 2015.

	Annual retainer	Board and board committee meeting fees	Total
Sharon Wapnick (Chairman of the board, investment and nominations committees)	600 000	425 000	1 025 000
Derek Cohen (Lead independent director)	250 000	417 000	667 000
Gerard Kemp <sup>1</sup>	250 000	402 000	652 000
Myron Pollack	250 000	417 000	667 000
Pieter Strydom (Chairman of the audit, risk and social, ethics, remuneration and transformation committees <sup>2</sup> )	250 000	465 000	715 000
Anthony Stein <sup>3</sup>	250 000	417 000	667 000
Jeffrey Wapnick <sup>3</sup>	250 000	417 000	667 000
<b>TOTAL</b>	<b>2 100 000</b>	<b>2 960 000</b>	<b>5 060 000</b>

<sup>1</sup> Sick leave on 14 October 2014 and tendered apologies on 28 October 2014

<sup>2</sup> Chairman of the social, ethics, remuneration and transformation committee up to 28 October 2015, at which point Gerard Kemp took over the chairmanship of this committee

<sup>3</sup> Executive director and prescribed officer

During the preceding financial year, the board made use of independent external studies and industry comparisons of fees paid to directors as disclosed by JSE-listed companies in order to assist with the benchmarking of Octodec's directors' fees. In addition to the benchmark alignment, the following considerations are particularly relevant to substantiate the remuneration:

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

Directors did not receive an increase in their fees for the 12 months to 31 August 2016.

The social, ethics, remuneration and transformation committee recommends a change to the annual fee structure, to make provision for ad hoc sub-committees of the board and an increase of 6% to the directors' remuneration for the period 1 September 2016 to 31 August 2017, which is set out on page 133 in the notice of the AGM forming part of this report.

The social, ethics, remuneration and transformation committee meets half-yearly and its mandate relating to remuneration includes:

- Ensuring alignment of the remuneration strategy and policy with Octodec's group business strategy, desired culture, shareholders' interests and commercial well-being
- Ensuring that remuneration levels relative to other comparable companies are pitched at the desired level, taking relative performance into account
- Communicating remuneration policies and strategic goals and objectives to all stakeholders
- Ensuring compliance with all statutory and best practice requirements regarding labour and industrial relations management and to monitor findings by regulatory authorities as and when made and management's response thereto

#### **EMPLOYEES' REMUNERATION**

There are currently 242 cleaners, general workers, handymen and building managers employed by Octodec. In terms of the management agreement entered into between City Property and Octodec, all administrative and property management functions are handled by City Property. Accordingly, all other employees are employed by City Property and their remuneration is not disclosed in this report.

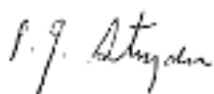
The payment structure of each of the Octodec employees is on a "cost to company" basis. Employees are paid in twelve equal monthly amounts, in arrears, less voluntary and statutory deductions. Salary packages are also structured in line with prevailing income tax legislation.

Salaries are reviewed annually and are in line with market and performance criteria. A discretionary bonus may be paid in November of each year, where an employee has met expectations in key performance areas.

All employees contribute towards a group pension/provident fund scheme.

#### **REMUNERATION STRATEGY AND RETENTION POLICY**

Octodec's remuneration strategy and retention policy are aligned with its objectives. The primary purpose of the remuneration philosophy is to attract and retain high-calibre, high-performing, suitably qualified and independent-minded directors and employees, remunerated at market levels and who subscribe to the shared values and the culture of Octodec.



**PJ Strydom**

*Chairman of the social, ethics, remuneration and transformation committee*

On behalf of the board, which approved the report on 28 October 2015



## 012central precinct, Tshwane



# RESPONSIBILITY FOR THE AUDITED ANNUAL FINANCIAL STATEMENTS

## DIRECTOR'S RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are required by the Companies Act, 71 of 2008, as amended (the 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 Act. The group's external auditors are engaged to express an independent opinion on the annual financial statements.

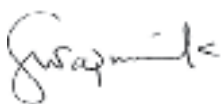
The annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate disclosure in line with the accounting policies of the group. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates and have been audited in compliance with section 29(1) of the 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 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 69 to 111, which have been prepared on the going concern basis, were approved by the board of directors on 25 November 2015 and were signed on their behalf by:



**S Wapnick**  
*Chairman*  
25 November 2015  
Tshwane



**JP Wapnick**  
*Managing director*

## 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.

## CERTIFICATION BY COMPANY SECRETARY

In terms of section 88(2)(e) of the 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 Act, 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*  
25 November 2015  
Tshwane

# 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 76 to 111, which comprise the statements of financial position as at 31 August 2015, 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 consolidated and separate 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.

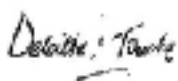
### Opinion

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 2015, and its consolidated and separate financial performance and 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 2015, we have read the report of the directors, the audit committee's report and the certification by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited 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**

*Registered Auditor*

*Per: P Kleb*

*Partner*

25 November 2015

National Executive: \*LL Bam Chief Executive \*AE Swiegers Chief Operating Officer \*GM Pinnock Audit  
\*N Sing Risk Advisory \*NB Kader Tax TP Pillay Consulting S Gwala BPaaS \*K Black Clients & Industries  
\*JK Mazzocco Talent & Transformation \*MJ Jarvis Finance \*M Jordan Strategy \*MJ Comber Reputation & Risk  
\*TJ Brown Chairman of the Board  
Office Managing Partner: \*X Botha

A full list of partners and directors is available on request \*Partner and Registered Auditor

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

Member of Deloitte Touche Tohmatsu Limited

# AUDIT COMMITTEE REPORT

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## BACKGROUND

The audit committee is pleased to present this report on its activities for the financial year ended 31 August 2015.

The committee was established in line with the requirements of the Act, adopted its terms of reference and has discharged all its responsibilities during the financial year, 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. This report addresses these sets of duties and responsibilities.

## TERMS OF REFERENCE

The committee adopted formal terms of reference which were approved by the board of directors (the board). The committee conducted its affairs and discharged its duties in compliance with the terms of reference which 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, oversees the activities of internal and external audit, and performs duties that are attributed to it by the Act.

The committee has evaluated the consolidated and company annual financial statements for the year ended 31 August 2015, and based on the information provided to the committee, considers that it complies in all material respects with the requirements of the various Acts and regulations 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 year ended 31 August 2015 were not in all material aspects satisfactory.

## MEMBERSHIP

The committee comprises Pieter Strydom MCom CA(SA) (chairman), Derek Cohen AEP, Gerard Kemp MSc (Mining Engineering), DPLR, MDP and Myron Pollack CA(SA). Three of the four members of the committee are independent non-executive directors.

The chairman of the board, managing director, financial director, internal auditors, external auditors and chief risk officer 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 2015 financial year. The fee is considered appropriate for the work that was done. Audit fees are disclosed in note 21 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 2016 financial year, and Patrick Kleb as the designated lead auditor. This will be his second 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

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## COMMITTEE ACTIVITIES

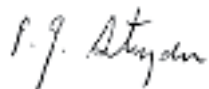
During the financial year ended 31 August 2015, the committee met five times. In addition to the duties set out in the committee's terms of reference, the committee carried out its functions as follows:

- Nominated the appointment of Deloitte & Touche, with the designated partner being Patrick Kleb, 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 existing internal audit charter and proposed no amendments thereto;
- Reviewed the internal audit and risk management reports and, where relevant, made recommendations to the board;
- Reviewed the quarterly compliance report and City Property Administration Proprietary Limited's chief information officer's report;
- 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 2015 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 70 on whether the annual financial statements for the year ended 31 August 2015 fairly present, in all material respects, the financial results for the year and the position of the company and the group at 31 August 2015.



**Pieter Strydom**

*Chairman of the audit committee*

25 November 2015

# REPORT OF THE DIRECTORS

as at 31 August 2015

## TO THE SHAREHOLDERS OF OCTODEC INVESTMENTS LIMITED

The directors have pleasure in submitting their report as at 31 August 2015.

## PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

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

## NATURE OF BUSINESS

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

## MERGER WITH PREMIUM PROPERTIES LIMITED

The merger between Octodec and Premium was implemented on 1 September 2014 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 all the issued Premium linked units that it did not already own. 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 on 22 September 2014.

Octodec's associate company IPS Investments Proprietary Limited (IPS), which was previously 50% held and accounted for using the equity method, is now 100% held as a result of the merger and was consolidated from 1 September 2014.

## SHARE CAPITAL

The authorised share capital comprises 500 000 000 shares of no par value (2014: 500 000 000 shares of no par value). At 31 August 2015 there were 252 321 784 shares (2014: 117 347 898 shares) in issue, each comprising one ordinary share of no par value.

## EVENTS AFTER THE REPORTING DATE

There have been no subsequent events that require reporting.

## NON-CURRENT ASSETS

Other than the merger described above there were no major changes during the year to the nature of the non-current assets nor to the policy relating to the use thereof.

## BORROWING POWERS

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

## SUBSIDIARIES

The company's interests in property-owning subsidiaries are fully set out on page 128.

## MANAGEMENT CONTRACT AND ADMINISTRATION

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

## SUMMARY OF RESULTS FOR THE YEAR

	ENLARGED OCTODEC 2015 R'000	OCTODEC 2014 R'000
Operating profit	823 962	247 426
Fair value adjustment of investment properties	486 054	125 101
Fair value adjustment of interest rate derivatives	49 255	(15 790)
Amortisation of debenture premium	–	25 006
Gain on bargain purchase	319 647	–
(Loss)/profit on sale of investment properties	(61)	44
Investment and other income	38 528	225 594
Profit from ordinary activities before finance costs and taxation	1 717 385	607 381
Finance costs (excluding debenture interest)	(376 491)	(125 665)
Profit before debenture interest and taxation	1 340 894	481 716
Debenture interest	–	(103 454)
Profit before taxation	1 340 894	378 262
Taxation	(3 166)	7 926
Profit for the year	1 337 728	386 188
Other comprehensive income for the year	–	39 879
Total comprehensive income for the year attributable to shareholders	1 337 728	426 067

# REPORT OF THE DIRECTORS CONTINUED

as at 31 August 2015

## DISTRIBUTION TO SHAREHOLDERS/UNITHOLDERS (CENTS)

	DIVIDEND		INTEREST		TOTAL	
	2015	2014	2015	2014	2015	2014
Interim	<b>96,80</b>	0,44	–	88,16	<b>96,80</b>	88,60
Final	<b>92,40</b>	87,10	–	–	<b>92,40</b>	87,10
	<b>189,20</b>	87,54	–	88,16	<b>189,20</b>	175,70

## DIRECTORS' REMUNERATION (RAND)

	ENLARGED OCTODEC 2015	OCTODEC 2014
S Wapnick (Chairman)	<b>1 025 000</b>	550 000
DP Cohen (Lead independent director)	<b>667 000</b>	286 000
GH Kemp	<b>652 000</b>	262 167
MZ Pollack	<b>667 000</b>	286 000
AK Stein	<b>667 000</b>	286 000
PJ Strydom	<b>715 000</b>	286 000
JP Wapnick	<b>667 000</b>	286 000
DL Rose	–	189 030
I Stern	–	189 030
MJ Holmes	–	189 030
	<b>5 060 000</b>	2 809 257

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 2015.

	ENLARGED OCTODEC 2015			OCTODEC 2014		
	Salary	Pension fund contributions	Total	Salary	Pension fund contributions	Total
AK Stein	<b>1 801 162</b>	<b>39 554</b>	<b>1 840 716</b>	1 272 910	22 611	1 295 521
JP Wapnick	<b>2 617 967</b>	–	<b>2 617 967</b>	1 963 477	–	1 963 477
S Wapnick	<b>203 520</b>	–	<b>203 520</b>	157 140	–	157 140
	<b>4 622 649</b>	<b>39 554</b>	<b>4 662 203</b>	3 393 527	22 611	3 416 138

## DIRECTORS' SHAREHOLDING

The beneficial and non-beneficial interest held by the directors in the company at 31 August 2015 amounted to:

	Direct beneficial	Indirect beneficial	2015 Indirect non- beneficial	Total	%
MZ Pollack	<b>467 587</b>	–	<b>2 125 127</b>	<b>2 592 714</b>	<b>1,0</b>
AK Stein	<b>172 284</b>	<b>236 713</b>	<b>144 049</b>	<b>553 046</b>	<b>0,2</b>
JP Wapnick	<b>35 930</b>	<b>16 523 419</b>	<b>17 801 371</b>	<b>34 360 720</b>	<b>13,6</b>
S Wapnick	<b>36 983</b>	<b>16 514 225</b>	<b>12 624 009</b>	<b>29 175 217</b>	<b>11,6</b>
	<b>712 784</b>	<b>33 274 357</b>	<b>32 694 556</b>	<b>66 681 697</b>	<b>26,4</b>

Octodec's shares issued to the directors on 1 September 2014 pursuant to the merger for their Premium linked units held were as follows:

	Direct beneficial	Indirect beneficial	Total
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
	244 966	27 925 866	28 170 832

## DIRECTORS' SHAREHOLDING CONTINUED

	Direct beneficial	Indirect beneficial	2014 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

## 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.

## VALUATION OF PORTFOLIO

Octodec's property portfolio was valued by the directors at an amount of R11,4 billion (2014: R3,5 billion) as at 31 August 2015.

Over a three-year cycle, all properties are valued on a rotational basis by independent external valuers. The valuation of R5,7 billion of the property portfolio was performed by external valuers: Van Zyl Valuers CC (Gert van Zyl), Amanda de Wet Consultants and Investors CC (Amanda de Wet) and Quadrant Properties Proprietary Limited (Peter Parfitt) as at 31 August 2015 and was 0,6% more (2014: 1,9% less) than the directors' portfolio 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 2 769 cents (2014: 2 462 cents). The closing price per share at 31 August 2015 was 2 425 cents (2014: 2 106 cents), representing a discount of 12,4% to the net asset value per share.

## CORPORATE GOVERNANCE

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

## AUDITORS

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

## COMPANY SECRETARY

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

PO Box 15  
Tshwane, 0001



# STATEMENTS OF FINANCIAL POSITION

as at 31 August 2015

	Notes	CONSOLIDATED		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>11 644 922</b>	4 588 352	<b>5 793 130</b>	2 743 468
Investment properties	2	<b>11 265 331</b>	3 428 348	<b>999 769</b>	891 679
Operating lease assets	3	<b>114 773</b>	43 159	<b>14 150</b>	12 500
Plant and equipment	4	<b>8 646</b>	3 677	<b>71</b>	120
Lease costs capitalised	5	<b>60 407</b>	33 181	<b>2 230</b>	2 442
Derivative financial instruments	16	<b>34 451</b>	–	<b>21 568</b>	–
Listed investment	6	–	405 698	–	405 698
Investment in subsidiaries	7	–	–	<b>4 755 342</b>	1 134 321
Investment in associate	8	–	674 289	–	296 708
Investment in joint venture	9	<b>161 314</b>	–	–	–
<b>Current assets</b>		<b>158 091</b>	67 378	<b>77 509</b>	35 355
Trade and other receivables	10	<b>102 822</b>	62 510	<b>14 199</b>	30 474
Taxation receivable		–	–	–	34
Cash and cash equivalents	11	<b>55 269</b>	4 868	<b>63 310</b>	4 847
<b>Total assets</b>		<b>11 803 013</b>	4 655 730	<b>5 870 639</b>	2 778 823
<b>EQUITY AND LIABILITIES</b>					
<b>Share capital and reserves</b>		<b>6 987 679</b>	2 889 449	<b>4 958 982</b>	1 683 176
Stated capital	12	<b>3 907 819</b>	918 478	<b>3 907 819</b>	918 478
Non-distributable reserves	13	<b>2 799 231</b>	1 928 522	<b>808 855</b>	753 135
Distributable reserves		<b>280 629</b>	42 449	<b>242 308</b>	11 563
<b>Non-current liabilities</b>		<b>3 012 937</b>	1 284 832	<b>691 023</b>	700 530
Long-term borrowings	15	<b>2 917 174</b>	1 263 932	<b>691 023</b>	686 733
Derivative financial instruments	16	<b>22 778</b>	13 797	–	13 797
Deferred taxation	17	<b>72 985</b>	7 103	–	–
<b>Current liabilities</b>		<b>1 802 397</b>	481 449	<b>220 634</b>	395 117
Trade and other payables	18	<b>335 216</b>	91 359	<b>39 678</b>	26 242
Short-term borrowings	15	<b>1 463 699</b>	287 831	<b>179 141</b>	266 665
Taxation liability		–	49	–	–
Shareholders for distribution	30.2	<b>3 482</b>	102 210	<b>1 815</b>	102 210
<b>Total equity and liabilities</b>		<b>11 803 013</b>	4 655 730	<b>5 870 639</b>	2 778 823

# STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 August 2015

	Notes	CONSOLIDATED		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>Revenue</b>	20	<b>1 639 089</b>	537 792	<b>150 228</b>	137 974
Property operating costs		<b>(742 212)</b>	(261 498)	<b>(67 006)</b>	(64 905)
<b>Net property income</b>		<b>896 877</b>	276 294	<b>83 222</b>	73 069
Administrative expenses		<b>(72 915)</b>	(28 868)	<b>(65 069)</b>	(26 086)
<b>Operating profit</b>	21	<b>823 962</b>	247 426	<b>18 153</b>	46 983
Amortisation of debenture premium		–	25 006	–	25 006
Gain on bargain purchase	38	<b>319 647</b>	–	–	–
Fair value adjustment of investment properties		<b>486 054</b>	125 101	<b>26 456</b>	54 393
Fair value adjustment of interest rate derivatives		<b>49 255</b>	(15 790)	<b>35 365</b>	(15 996)
<b>Profit from operations</b>		<b>1 678 918</b>	381 743	<b>79 974</b>	110 386
(Loss)/profit on sale of investment properties		<b>(61)</b>	44	<b>(61)</b>	44
Income from investments	22	<b>5 953</b>	39 001	<b>961</b>	37 668
Income from associate	23	–	186 593	–	60 123
Income from subsidiaries	24	–	–	<b>518 687</b>	152 366
Income from joint ventures	25	<b>32 575</b>	–	–	–
<b>Profit from ordinary activities before finance costs</b>		<b>1 717 385</b>	607 381	<b>599 561</b>	360 587
Finance costs	26	<b>(376 491)</b>	(229 119)	<b>(84 222)</b>	(178 990)
<b>Profit before taxation</b>		<b>1 340 894</b>	378 262	<b>515 339</b>	181 597
Taxation	27	<b>(3 166)</b>	7 926	<b>(35)</b>	92
<b>Profit for the year</b>		<b>1 337 728</b>	386 188	<b>515 304</b>	181 689
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified to profit and loss:</b>					
Gains on financial assets at fair value through other comprehensive income		–	39 879	–	39 879
Total items that will not be reclassified to profit or loss		–	39 879	–	39 879
<b>Total comprehensive income for the year attributable to shareholders</b>		<b>1 337 728</b>	426 067	<b>515 304</b>	221 568
		<b>Cents</b>	Cents		
<b>Basic earnings per share</b>	29	<b>561,7</b>	336,4		
<b>Diluted earnings per share</b>	29	<b>530,2</b>	336,4		

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 August 2015

	Stated capital R'000	Non- distributable reserves R'000	Distributable reserves R'000	Total R'000
<b>CONSOLIDATED</b>				
<b>Balance as at 1 September 2013</b>	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	–
<b>Balance as at 31 August 2014</b>	918 478	1 928 522	42 449	2 889 449
Total comprehensive income for the year	–	–	<b>1 337 728</b>	<b>1 337 728</b>
Issue of new shares	<b>2 989 341</b>	–	–	<b>2 989 341</b>
Dividends paid	–	–	<b>(228 839)</b>	<b>(228 839)</b>
Loss on sale of investment properties	–	<b>(61)</b>	<b>61</b>	–
Gain on bargain purchase	–	<b>319 647</b>	<b>(319 647)</b>	–
Transfer to non-distributable reserves	–	–	–	–
Fair value adjustments	–	–	–	–
– Investment properties	–	<b>486 054</b>	<b>(486 054)</b>	–
– Joint ventures	–	<b>19 082</b>	<b>(19 082)</b>	–
– Interest rate derivatives, net of deferred tax	–	<b>45 987</b>	<b>(45 987)</b>	–
<b>Balance as at 31 August 2015</b>	<b>3 907 819</b>	<b>2 799 231</b>	<b>280 629</b>	<b>6 987 679</b>
<b>COMPANY</b>				
<b>Balance as at 1 September 2013</b>	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)	–
Reallocation 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	–
<b>Balance as at 31 August 2014</b>	918 478	753 135	11 563	1 683 176
Total comprehensive income for the year	–	–	<b>515 304</b>	<b>515 304</b>
Issue of new shares	<b>2 989 341</b>	–	–	<b>2 989 341</b>
Dividends paid	–	–	<b>(228 839)</b>	<b>(228 839)</b>
Loss on sale of investment properties	–	<b>(61)</b>	<b>61</b>	–
Transfer to non-distributable reserves	–	–	–	–
Fair value adjustments	–	–	–	–
– Investment properties	–	<b>26 456</b>	<b>(26 456)</b>	–
– Interest rate derivatives, net of deferred tax	–	<b>29 325</b>	<b>(29 325)</b>	–
<b>Balance as at 31 August 2015</b>	<b>3 907 819</b>	<b>808 855</b>	<b>242 308</b>	<b>4 958 982</b>

# STATEMENTS OF CASH FLOWS

for the year ended 31 August 2015

	Notes	CONSOLIDATED		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>Cash generated from operating activities</b>					
Cash generated from operations	30	881 500	256 717	47 706	36 544
Investment income		5 953	99 125	519 648	249 270
Finance costs		(376 491)	(125 665)	(84 222)	(75 536)
Debenture interest	30.1	–	(188 421)	–	(188 421)
Dividends paid	30.2	(454 710)	(938)	(329 234)	(938)
Taxation (paid)/received	30.3	(34)	110	(1)	93
<b>Net cash generated from operating activities</b>		<b>56 218</b>	<b>40 928</b>	<b>153 897</b>	<b>21 012</b>
<b>Cash utilised in investing activities</b>					
Acquisition of investment properties, plant and equipment		(476 891)	(136 427)	(97 741)	(20 059)
– New acquisitions		(109 406)	–	(54 296)	–
– Additional developments		(367 485)	(136 427)	(43 445)	(20 059)
Lease costs		(25 550)	(776)	(1 231)	(1 047)
Proceeds on disposal of investment properties		16 046	2 194	16 046	2 194
Investment in and amounts advanced to subsidiaries		–	–	(317 080)	(78 899)
Cash inflow from business combination	38.3	135 904	–	–	–
Increase/(decrease) in investments and loans to joint ventures/associates		21 292	(200 558)	–	(200 558)
<b>Net cash utilised in investing activities</b>		<b>(329 199)</b>	<b>(335 567)</b>	<b>(400 006)</b>	<b>(298 369)</b>
<b>Cash generated from financing activities</b>					
Issue of shares/new linked units		387 806	174 528	387 806	174 528
(Decrease)/increase in long-term borrowings		(209 876)	308 215	4 290	237 145
Increase/(decrease) in short-term borrowings		145 452	(170 473)	(87 524)	(116 639)
<b>Net cash generated from financing activities</b>		<b>323 382</b>	<b>312 270</b>	<b>304 572</b>	<b>295 034</b>
<b>Net increase in cash and cash equivalents</b>		<b>50 401</b>	<b>17 631</b>	<b>58 463</b>	<b>17 677</b>
Cash and cash equivalents at the beginning of the year		4 868	(12 763)	4 847	(12 830)
<b>Cash and cash equivalents at the end of the year</b>	11	<b>55 269</b>	<b>4 868</b>	<b>63 310</b>	<b>4 847</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2015

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Basis of preparation

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Act, 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.

### 1.2 Basis of consolidation

#### 1.2.1 Accounting for business combinations

The group accounts for business combinations by applying the acquisition method as at the acquisition date and measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The group controls an entity when it has power over the entity, it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the group to the previous owners of the acquiree, and equity interests issued by the group. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred, except transaction costs associated with the issue of debt or equity interests, which are set off against stated capital in the year of the acquisition.

#### 1.2.2 Goodwill and gain on bargain purchase

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill arising on an acquisition of a business is carried at cost, as established at the date of acquisition of the business, less accumulated impairment losses, if any.

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.

On disposal of a subsidiary, attributable goodwill is included in the determination of the profit or loss on disposal.

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 as a gain on bargain purchase.

#### 1.2.3 Investments in subsidiaries

Subsidiaries are those entities controlled by the group. The financial results of subsidiaries' are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

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

A list of the group's subsidiaries is set out on page 128.

#### 1.2.4 Investments in associates and joint ventures

The group's interests in equity-accounted investees comprise interests in associates and joint ventures.

An associate is an entity over which the group has significant influence. 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.

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## 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 1.2 Basis of consolidation continued

#### 1.2.4 Investments in associates and joint ventures continued

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets held under the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control under the arrangement, which occurs only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and the other comprehensive income of equity-accounted investees, until the date on which the investment ceases to be an associate or joint venture or when the investment is classified as held for sale.

When the group transacts with an associate or joint venture of the group, profits and losses resulting from transactions with the associate or joint venture are recognised in the group's consolidated and company financial statements only to the extent of interests in the associate or joint venture that are not related to the group.

#### 1.2.5 Jointly controlled operations

A jointly controlled operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Jointly controlled operations are accounted for by including the group's share of the jointly controlled assets, liabilities, revenues and expenses on a line-by-line basis in the financial statements from the date that joint control commences until the date that joint control ceases. The group accounts for these assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When the group transacts with a joint operation in which a group entity is a joint operator, the group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the group's consolidated annual financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the group does not recognise its share of the gains and losses until it resells those assets to a third party.

### 1.3 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 net of deferred tax as applicable, are similarly transferred to a non-distributable reserve as are revaluation reserves by associates and joint ventures.

### 1.4 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 properties are initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Subsequent expenditure relating to investment properties that have been recognised are added to the carrying amount of the investment properties when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment properties, 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.

#### 1.4.1 Fair value

At the reporting date all investment properties are measured at fair value as determined by the directors. The investment committee considers the valuations to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of investment properties, the group uses market-observable data to the extent it is available. Independent valuations are obtained on a rotational basis to determine the reasonableness of the directors' portfolio valuation, ensuring that every property is valued every three years. This is a JSE Listings Requirement. The chief financial officer reports the investment committee's findings to the board of directors to explain the cause of fluctuations in the fair values of the investment properties.

Information about valuation techniques and inputs used in determining the fair value of the investment properties are disclosed in note 2. 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 1.5 Plant and equipment

Plant and equipment are recognised at cost less accumulated depreciation and 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 benefit, 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 based on the cost of the asset less its residual value and recognised on a straight-line basis, over the current estimated useful lives of the assets. The estimated useful lives of the assets for the current and comparative periods are:

- |                                      |             |
|--------------------------------------|-------------|
| • Furniture and fittings and carpets | 6 years     |
| • Security equipment                 | 5 – 6 years |
| • Lifts                              | 12 years    |
| • Air-conditioning equipment         | 6 years     |

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 statement of profit and loss and other comprehensive income.

### 1.6 Financial instruments

Financial assets and liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at cost. All transaction costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the cost value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments at fair value through profit or loss are expensed immediately in profit and loss.

#### 1.6.1 Financial assets

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined by management at the time of initial recognition.

#### 1.6.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'. Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments (including all fees, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, to the net carrying amount on initial recognition.

#### 1.6.3 Derecognition

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

#### 1.6.4 Listed investments

Listed investments are designated as available-for-sale financial assets and are initially recognised at cost plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented in a non-distributable reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

#### 1.6.5 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment. An estimate is made for credit losses based on a review of all outstanding amounts at year-end. Bad debts are written off to profit or loss during the year in which they are identified. Interest earned on trade receivables, cash and cash equivalents is recognised on an accrual basis using the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

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## 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 1.6 Financial instruments continued

#### 1.6.6 Debenture capital

Debenture capital relating to the 2014 year 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.

The capital structure, 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.

#### 1.6.7 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

#### 1.6.8 Derivative financial instruments

The group uses derivative financial instruments to manage its exposure to interest rate risk arising from its financing activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, as the hedge relationship is not designated as a hedge for accounting purposes, the derivatives are accounted for as trading instruments.

Derivative financial instruments 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 each reporting period. The resulting gain or loss is recognised in profit or loss.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

#### 1.6.9 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment for a portfolio of receivables includes the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the tolerance credit period of 60 days, as well as observable changes in local economic conditions that result in default on receivables.

#### 1.6.10 Fair value measurement

The group measures financial instruments, such as derivatives and certain investments and investment properties, at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed, should it be determined that the carrying value of these instruments does not reasonably approximate their fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on the above basis, except for share-based payment transactions that are within the scope of IFRS 2: Share-based Payment, leasing transactions that are within the scope of IAS: 17 Leases, and the measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2: Inventories or value in use in IAS 36: Impairment of Assets.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities; or
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 1.7 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 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.

### 1.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 1.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 1.9.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's current tax is calculated using tax rates that have been enacted by the end of the reporting period.

#### 1.9.2 Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting or taxable profit nor loss. In addition, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the period-end and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates, joint ventures and joint arrangements, except where the group is able to control the reversal of the temporary difference and that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates, joint ventures and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

No deferred tax was recognised on the fair value of investment property. Investment property will be realised through sale, and subsequent to the conversion to a REIT, capital gains tax is no longer applicable in terms of section 25BB of the Income Tax Act.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 1.9.3 Current and deferred tax expenses for the year

Current and deferred tax expenses are recognised in profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax expenses are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax expenses arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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## **1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

### **1.10. Revenue recognition**

#### **1.10.1 Rental income and recoveries**

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises revenue from rental income and related recoveries and excludes value added taxation. Rental 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. Recoveries are recognised on the accrual basis.

#### **1.10.2 Income from investments**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends are recognised when the shareholder's right to receive payment has been established and the amount of income can be measured reliably.

#### **1.11 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.

#### **1.12 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:

##### **1.12.1 Investment property**

In the application of the accounting policies which are described in note 1.4, 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. A capitalisation rate is used that reflects the risk associated with the particular buildings. (refer to note 2 for details).

##### **1.12.2 Plant and equipment asset impairments**

As described in 1.5 above, the group reviews the estimated useful life of the plant and equipment at the end of each reporting period. 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.

##### **1.12.3 Residual values**

The company is required to measure the residual value of an item of 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.

##### **1.12.4 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.
- Technical or commercial obsolescence.

##### **1.12.5 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.

##### **1.12.6 Derivatives**

The fair values of interest rate swaps are calculated based on the present value of future estimated cash flows, taking into account judgements, estimates and assumptions made by the management of the company.

##### **1.12.7 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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 1.12 Critical estimates and judgements continued

#### 1.12.8 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.

#### 1.12.9 Classification of The Manhattan as a joint operation

In order to determine whether the 50% interest in The Manhattan should be classified as a joint operation or a joint venture, an assessment was made of the rights and obligations of the joint arrangement. As the legal form of The Manhattan gives the parties rights to the assets, and the parties are liable for the obligations of the joint arrangement, it was concluded that the joint arrangement be classified as a joint operation.

#### 1.12.10 Deferred taxation

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date, in the form of future cash flows using a suitable growth rate. Refer to note 17 for more detail on deferred taxation.

#### 1.12.11 Business combination versus asset acquisition

The directors have assessed the properties acquired and have concluded that, in their view, these acquisitions are property acquisitions in terms of IAS 40 and are therefore accounted for in terms of that standard. In the opinion of the directors, these properties did not constitute a "business" as defined in terms of IFRS 3, as there were no adequate processes identified within these properties to warrant classification as a business.

#### 1.12.12 Classification of IPS as an associate in 2014

Both Octodec and Premium each had a 50% voting right in IPS. This led to an assessment as to whether joint control existed. Joint control exists when there is a contractual arrangement in place that gives both parties unanimous consent. We have assessed this and concluded that joint control did not exist since there was no contractual agreement in place that obliges both parties to unanimously consent. Although Octodec had a 14,2% shareholding in Premium, this translated to a 7,1% indirect shareholding in IPS. This was an insignificant shareholding that did not enable Octodec to significantly influence the decisions of Premium on IPS. It therefore did not lead to Octodec controlling IPS. As such, this indirect investment was accounted for under IAS 39 as part of the investment in Premium. As Octodec did not control or have joint control over IPS, it was concluded that it had significant influence over IPS. IPS was therefore accounted for as an associate in the financial statements of Octodec, since significant influence existed and equity accounting was employed.

### 1.13 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; and
- 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 1.4 (Investment properties) and will be shown separately under note 2 (Investment properties) of the financial statements.

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

### 1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

#### 1.14.1 The group as lessor – operating leases

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 to which the company is currently entitled and the rental for the period calculated on a smoothed straight-line basis.

Income from leases is disclosed under revenue in the statement of profit and loss and other comprehensive income.

## 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 1.14 Leases continued

#### 1.14.2 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.

### 1.15 Comparatives

In order to enhance the disclosure of the elements within the consolidated and company's financial statements, certain comparative figures have been re-presented in notes 10 and 18.

### 1.16 New standards and interpretations

#### 1.16.1 Standards and interpretations adopted

Standard	Amendment	Effective date
IFRS 3: Business Combinations	Amendments resulting from Annual Improvements 2010 – 2012 Cycle (accounting for contingent consideration)	Annual periods beginning on or after 1 July 2014
IFRS 3: Business Combinations	Amendments resulting from Annual Improvements 2011 – 2013 Cycle (scope exception for joint ventures)	Annual periods beginning on or after 1 July 2014
IFRS 7: Financial Instruments: Disclosures	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	Annual periods beginning on or after 1 January 2015
IFRS 10: Consolidated Financial Statements	Amendments for investment entities	Annual periods beginning on or after 1 January 2014
IAS 16: Property, Plant and Equipment	Amendments resulting from Annual Improvements 2010 – 2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	Annual periods beginning on or after 1 July 2014
IAS 36: Impairment of Assets	Amendments resulting from Recoverable Amount Disclosures	Annual periods beginning on or after 1 January 2014
IAS 38: Intangible Assets	Amendments resulting from Annual Improvements 2010 – 2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	Annual periods beginning on or after 1 July 2014
IAS 39: Financial Instruments: Recognition and Measurement	Amendments for novations of derivatives	Annual periods beginning on or after 1 January 2014
IAS 40: Investment Property	Amendments resulting from Annual Improvements 2011 – 2013 Cycle (interrelationship between IFRS 3 and IAS 40)	Annual periods beginning on or after 1 July 2014

#### 1.16.2 Standards and interpretations not yet effective

Standard	Amendment	Effective date
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2016
IFRS 7: Financial Instruments: Disclosures	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	Annual periods beginning on or after 1 January 2015
IFRS 7: Financial Instruments: Disclosures	Amendments resulting from September 2014 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2016
IFRS 9: Financial Instruments	Reissue of a complete standard with all the chapters incorporated	Annual periods beginning on or after 1 January 2018
IFRS 10: Consolidated Financial Statements	Amendments on sale or contribution of assets between an investor and its associate or joint venture	Annual periods beginning on or after 1 January 2016
IFRS 10: Consolidated Financial Statements	Amendments related to the application of the investment entities exceptions	Annual periods beginning on or after 1 January 2016
IFRS 11: Joint Arrangements	Amendment requiring the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3: Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3	Annual periods beginning on or after 1 January 2016
IFRS 12: Disclosure of Interests in Other Entities	Amendments related to the application of the investment entities exceptions	Annual periods beginning on or after 1 January 2016
IFRS 15: Revenue from Contracts with Customers	Original issue	Annual periods beginning on or after 1 January 2018
IFRS 15: Revenue from Contracts with Customers	Amendments to defer the effective date to 1 January 2018	Annual periods beginning on or after 1 January 2018
IAS 1: Presentation of Financial Statements	Amendments arising under the Disclosure Initiative	Annual periods beginning on or after 1 January 2016

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 1.16 New standards and interpretations continued

#### 1.16.2 Standards and interpretations not yet effective continued

Standard	Amendment	Effective date
IAS 16: Property, Plant and Equipment	Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)	Annual periods beginning on or after 1 January 2016
IAS 16: Property, Plant and Equipment	Amendments to include 'bearer plants' within the scope of IAS 16 rather than IAS 41	Annual periods beginning on or after 1 January 2016
IAS 19: Employee Benefits	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2016
IAS 27: Separate Financial Statements	Amendments relating to equity method in separate financial statements	Annual periods beginning on or after 1 January 2016
IAS 28: Investments in Associates and Joint Ventures	Amendments on sale or contribution of assets between an investor and its associate or joint venture	Annual periods beginning on or after 1 January 2016
IAS 28: Investments in Associates and Joint Ventures	Amendments related to the application of the investment entities exceptions	Annual periods beginning on or after 1 January 2016
IAS 34: Interim Financial Reporting	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2016
IAS 39: Financial Instruments: Recognition and Measurement	Amendments for novations of derivatives	Annual periods beginning on or after 1 January 2016

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>2. INVESTMENT PROPERTIES</b>				
<b>Fair value</b>				
Opening gross carrying value	<b>3 428 348</b>	3 168 970	<b>891 679</b>	819 377
Movement during the year:	<b>7 836 983</b>	259 378	<b>108 090</b>	72 302
Acquisitions	<b>109 406</b>	–	<b>54 296</b>	–
Upgrades and developments	<b>367 485</b>	136 427	<b>43 445</b>	20 059
Disposals	<b>(16 107)</b>	(2 150)	<b>(16 107)</b>	(2 150)
Additions through business combination	<b>6 890 145</b>	–	<b>–</b>	–
Fair value adjustment	<b>486 054</b>	125 101	<b>26 456</b>	54 393
	<b>11 265 331</b>	3 428 348	<b>999 769</b>	891 679

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 2015 was arrived at on the basis of a valuation technique using the 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 8,0% (2014: 6,7%) and 14,0% (2014: 14,0%) with a weighted annual average of 9,3% (2014: 9,3%).

The second 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. Expense ratios used ranged from 5,7% to 78,0% (2014: 5,8% to 57,4%) with a weighted average of 24,9% (2014: 24,0%).

The third key input used in the valuation calculation is the long-range vacancy factor. The expected long-range vacancy factor takes into account historic and future vacancy trends. The long-range vacancy factor indicates the expected vacancy to be applied over the long term and best approximates the actual experience. The long-range vacancy factors used ranged from 0,0% to 55,0% (2014: 0,0% to 50,0%) with a weighted average of 5,8% (2014: 5,4%).

In estimating the fair value of the properties, the highest and best use is taken into account.

There have been no changes in judgements or estimates of amounts or valuation techniques as reported in previous reporting periods.

#### Relationship of unobservable inputs to fair value

An increase of 1% in the capitalisation rate, while all other inputs remain constant, would result in a decrease in the carrying amount of investment property by R1,1 billion. A decrease of 1% in the capitalisation rate, while all other inputs remain constant, would result in an increase in the carrying amount of investment property of R1,4 billion.



## 2. INVESTMENT PROPERTIES CONTINUED

### Relationship of unobservable inputs to fair value continued

An increase of 1% in the weighted average of the expense ratios used to calculate the long-term net operating income margin, while all other inputs remain constant, would result in a decrease in the carrying amount of investment property by R149,8 million. A decrease of 1% in the weighted average of the expense ratio used to calculate the long-term net operating income margin, while all other inputs remain constant, would result in an increase in the carrying amount of investment property by R149,8 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 transfers made between Level 1, 2 or 3 during the year under review.

The investment properties are valued bi-annually and the portfolio valuation is determined by the directors.

Over a three-year cycle, all properties are valued on a rotational basis by independent external valuers.

Van Zyl Valuers CC (Gert van Zyl), Amanda de Wet Consultants and Investors CC (Amanda de Wet) and Quadrant Properties Proprietary Limited (Peter Parfitt) are registered valuers in terms of section 19 of the Property Valuers Profession Act, 47 of 2000 and have extensive experience in property valuations. The valuers' portfolio valuation at 31 August 2015 of R5,7 billion, representing 47,8% of the portfolio, was 0,6% more (2014: 1,9% less) than the directors' portfolio valuation. The directors are confident, taking all factors into account, that their valuations represent fair market value.

The group has encumbered certain of its investment properties to secure mortgage loan facilities as set out in note 15. 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 subsidiary of the group.

A schedule of investment properties owned by the group is set out on pages 112 to 127.

	CONSOLIDATED		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>3. OPERATING LEASE ASSETS</b>				
Opening balance – straight-lining	43 159	45 726	12 500	13 295
Net movement during the year	4 930	(2 567)	1 650	(795)
Additions through business combination	66 684	–	–	–
	<b>114 773</b>	43 159	<b>14 150</b>	12 500
<b>4. PLANT AND EQUIPMENT</b>				
Cost	24 500	24 500	824	824
Accumulated depreciation	(20 823)	(17 975)	(704)	(650)
Opening carrying value	3 677	6 525	120	174
Movement during the year:				
Additions through business combination	7 401	–	–	–
Depreciation charge net of disposals	(2 432)	(2 848)	(49)	(54)
Cost	31 901	24 500	824	824
Accumulated depreciation	(23 255)	(20 823)	(753)	(704)
Closing carrying value	8 646	3 677	71	120
<b>5. LEASE COSTS CAPITALISED</b>				
Opening balance	33 181	35 565	2 442	2 523
Additions	25 550	776	1 231	1 047
Additions through business combination	24 198	–	–	–
Amortisation	(22 522)	(3 160)	(1 443)	(1 128)
	<b>60 407</b>	33 181	<b>2 230</b>	2 442

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

	CONSOLIDATED		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
<b>6. LISTED INVESTMENT</b>				
Premium Properties Limited				
(2014: 22 247 115 shares at cost)	-	220 313	-	220 313
Fair value adjustment	-	185 385	-	185 385
	-	405 698	-	405 698
Market valuation at 31 August 2014	-	405 698	-	405 698

## 2015

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 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 (refer to note 38). Premium became a wholly owned subsidiary of Octodec and was delisted from the JSE on 22 September 2014.

## 2014

As Octodec only owned 14,2% of the total shareholding in Premium and was unable to direct the relevant activities of the investee, no significant influence was held over Premium.

17 423 667 Premium shares were pledged to secure banking facilities granted to the group (see note 15).

## 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 the fair value hierarchy per definition in note 2.

The quoted bid price used to perform the calculation was R19,05 per share less income accrued for dividends and interest of R18 109 152 at 31 August 2014.

	COMPANY	
	2015	2014
	R'000	R'000
<b>7. INVESTMENT IN SUBSIDIARIES</b>		
Shares at cost	<b>3 057 990</b>	33 069
Net amounts due by subsidiaries	<b>1 697 352</b>	1 101 252
Amounts due by subsidiaries	<b>1 860 668</b>	1 102 741
Amounts owed to subsidiaries	<b>(163 316)</b>	(1 075)
Impairment	-	(414)
	<b>4 755 342</b>	1 134 321

A schedule of the company's interest in subsidiaries is fully set out on page 128.

The aggregate net profits after tax of the subsidiaries amounts to R822,4 million (2014: R160,5 million). 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 15).

Shares at cost have increased due to the acquisition of Premium, which was previously accounted for as a listed investment (see notes 6 and 38).

	CONSOLIDATED		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
<b>8. INVESTMENT IN ASSOCIATE</b>				
<b>Equity accounted</b>				
Cost of investment	-	1	-	1
Loans to associate	-	296 707	-	296 707
Reserves since acquisition	-	377 581	-	-
	-	674 289	-	296 708

## 2015

With effect from 1 September 2014, Octodec acquired all of the issued Premium linked units that it did not already own, increasing its shareholding from 50% to 100%. This resulted in Octodec acquiring control of IPS Investments Proprietary Limited (IPS). IPS was previously accounted for as an associate.

## 8. INVESTMENT IN ASSOCIATE CONTINUED

### 2014

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.

### CONSOLIDATED

2014  
R'000

#### Assets

Non-current	2 202 954
Investment properties	2 033 708
Operating lease assets	11 428
Plant and equipment	1 312
Lease costs capitalised	6 562
Investment in joint ventures	149 944
Current	30 010
Trade and other receivables	12 734
Cash and cash equivalents	17 276
	2 232 964

#### Equity and liabilities

Equity capital and reserves	755 162
Share capital	2
Non-distributable reserves	748 660
Distributable reserves	6 500
Non-current liabilities	1 365 658
Shareholder loan accounts	593 415
Long-term borrowings	718 075
Derivative financial instruments	4 906
Deferred taxation	49 262
Current liabilities	112 144
Trade and other payables	45 029
Bank overdraft	15 635
Short-term borrowings	51 480
	2 232 964

#### Results of operations – for the year ended 31 August 2014

Revenue	206 761
Profit for the year	90 497
Other comprehensive income for the year	–
Total comprehensive income for the year	90 497
The above profit for the year includes the following:	
Depreciation and amortisation	(190)
Interest income	4 532
Interest expense	(45 228)

#### Details of the group's associate at 31 August 2014 are as follows:

Name of associate:	IPS Investments Proprietary Limited
Place of incorporation and principal place of business:	Republic of South Africa
Proportion of ownership and voting power held:	2014: 50%
Principal activity:	Property investment company, deriving income from rentals and income from joint ventures
Financial year-end:	31 August

Investment in associate is accounted for using the equity method.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 8. INVESTMENT IN ASSOCIATE CONTINUED

### 2014

Both Octodec and Premium each had a 50% voting right in IPS. This led to an assessment as to whether joint control existed. Joint control exists when there is a contractual arrangement in place that gives both parties unanimous consent. We have assessed this and concluded that joint control did not exist in 2014, as there was no contractual agreement in place that obliges both parties to unanimously consent.

Although Octodec had a 14,2% shareholding in Premium, this translated to a 7,1% indirect shareholding in IPS. This was an insignificant shareholding that did not enable Octodec to significantly influence the decisions of Premium on IPS. It therefore did not lead to Octodec controlling IPS in 2014. As such, this indirect investment was accounted for under IAS 39 as part of the investment in Premium.

As Octodec had neither control nor joint control over IPS, it can be concluded that it had significant influence over IPS. IPS was therefore accounted for as an associate in the 2014 financial statements of Octodec since significant influence existed and equity accounting was followed.

#### Reconciliation of the above summarised financial information to carrying amount of the interest in associate

	<b>CONSOLIDATED</b>	
	<b>2015</b>	2014
	<b>R'000</b>	R'000
Net assets of the associate	–	755 162
Loan to associate	–	593 415
	–	1 348 577
Proportion of the group's interest in the associate	–	50%
Carrying amount of the group's interest in the associate	–	674 289

## 9. INVESTMENT IN JOINT VENTURES

### Equity accounted

	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
Cost of investment	<b>1</b>	–	–	–
Loans to joint ventures	<b>127 178</b>	–	–	–
Additions through business combination	<b>11 784</b>	–	–	–
Reserves since acquisition	<b>22 351</b>	–	–	–
	<b>161 314</b>	–	–	–
Directors' portfolio valuation	<b>161 314</b>	–	–	–

			<b>Proportion of ownership interest/voting rights held by the group</b>	
<b>Name of joint venture</b>	<b>Principal activity</b>	<b>Place of incorporation and principal place of business</b>	<b>2015 %</b>	2014 %
Gerlan Properties Proprietary Limited	Property investment company, deriving income from rentals	Republic of South Africa	<b>50</b>	–
Jardtal Properties Proprietary Limited	Property investment company, deriving income from rentals	Republic of South Africa	<b>50</b>	–
Prensas Properties Proprietary Limited	Property investment company, deriving income from rentals	Republic of South Africa	<b>50</b>	–

All the above joint ventures are accounted for using the equity method in these consolidated financial statements. Octodec has the right to cast 50% of the voting rights at shareholder meetings for each of the above joint ventures. The financial year-end date of Gerlan Properties Proprietary Limited (Gerlan) is 30 June. This was the reporting date established when the company was incorporated, and a change of reporting date is not permitted as this is the same year-end as Bidvest Group Limited, the joint venture partner and manager of Gerlan. For the purposes of applying the equity method of accounting, the financial statements of Gerlan Properties Proprietary Limited for the year ended 30 June 2015 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 August 2015.

## 9. INVESTMENT IN JOINT VENTURES CONTINUED

### Equity accounted continued

The year-end of all the other joint ventures is 31 August.

### Summarised financial information of the joint ventures as at 31 August 2015

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

As the financial information for each joint venture was not individually material, when compared as a percentage to the group's total assets, a decision was made to disclose the financial information in aggregate.

	<b>CONSOLIDATED</b>
	<b>2015</b>
	<b>R'000</b>
<b>Aggregate information of joint ventures that are not individually material</b>	
<b>Assets</b>	
Non-current	<b>448 520</b>
Investment properties	<b>438 754</b>
Operating lease assets	<b>8 021</b>
Plant and equipment	<b>23</b>
Lease costs capitalised	<b>1 722</b>
Current	<b>3 094</b>
Trade and other receivables	<b>2 983</b>
Taxation	<b>108</b>
Cash and cash equivalents	<b>3</b>
	<b>451 614</b>
<b>Equity and liabilities</b>	
Equity capital and reserves	<b>68 271</b>
Share capital	<b>5 768</b>
Non-distributable reserves	<b>77 033</b>
Distributable reserves	<b>(14 530)</b>
Non-current liabilities	<b>371 589</b>
Shareholder loan accounts	<b>183 898</b>
Long-term borrowings	<b>178 723</b>
Deferred taxation	<b>8 968</b>
Current liabilities	<b>11 754</b>
Trade and other payables	<b>11 754</b>
	<b>451 614</b>
<b>Results of operations – 12 months ended 31 August 2015</b>	
Revenue	<b>62 933</b>
Profit for the year	<b>44 702</b>
Other comprehensive income for the year	<b>–</b>
Total comprehensive income for the year	<b>44 702</b>
The above profit for the year includes the following:	
Depreciation and amortisation	<b>100</b>
Interest income	<b>362</b>
Interest expense	<b>26 838</b>
Income tax expense	<b>771</b>
<b>Reconciliation of the above summarised financial information to carrying amount of the interest in joint ventures</b>	
Net assets of the joint ventures	<b>68 271</b>
Proportion of the group's interest in the joint ventures	<b>50%</b>
	<b>34 136</b>
Loans to joint ventures	<b>127 178</b>
Carrying amount of the group's interest in joint ventures	<b>161 314</b>



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 9. INVESTMENT IN JOINT VENTURES CONTINUED

### Commitments and contingencies of joint ventures

The group has signed sureties for R190,5 million for Jardtal Properties Proprietary Limited and R11 million for Prensas Properties Proprietary Limited for loan facilities provided by Nedbank Limited.

The group has commitments of R7,0 million in respect of capital expenditure relating to the upgrade of certain properties in the name of the joint ventures. These development costs will be funded by way of existing bank facilities.

	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
<b>10. TRADE AND OTHER RECEIVABLES</b>				
Net trade receivables	<b>24 656</b>	7 078	<b>1 254</b>	1 266
Trade receivables	<b>37 584</b>	12 429	<b>1 716</b>	2 584
Less: Provision for impairment	<b>(12 928)</b>	(5 351)	<b>(462)</b>	(1 318)
Debt interest receivable from listed investment	–	18 109	–	–
Sundry debtors – utility and assessment rate recoveries	<b>63 854</b>	14 705	<b>10 151</b>	6 613
Payments in advance	<b>8 936</b>	6 010	<b>1 929</b>	4 272
Sundry receivables	<b>5 376</b>	16 608	<b>865</b>	18 323
	<b>102 822</b>	62 510	<b>14 199</b>	30 474

All trade and other receivables are short-term in nature. The carrying amount of trade receivables is considered a reasonable approximation of the fair value. Trade and other receivables have been categorised as a Level 2 and there have been no transfers made between Level 1, 2 or 3 during the year under review. Interest is charged at prime plus 4% (2014: 4%) 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 R24,6 million (2014: R7,0 million) (company: R1,2 million (2014: R1,2 million)) 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 R12,9 million (2014: R5,3 million) (company R0,4 million (2014: R1,3 million)) has been recorded accordingly. The concentration of credit risk is limited due to the large and unrelated tenant base.

The age analysis of trade receivables outstanding and not provided for is as follows:

30 days or less	<b>22 780</b>	5 475	<b>1 198</b>	872
More than 30 days and less than 60 days	<b>1 421</b>	1 252	<b>44</b>	331
More than 60 days and less than 90 days	<b>455</b>	351	<b>12</b>	63
	<b>24 656</b>	7 078	<b>1 254</b>	1 266
Reconciliation of provision for impairment of trade and other receivables				
Opening balance	<b>5 351</b>	5 482	<b>1 318</b>	2 212
Additions through business combination	<b>8 649</b>	–	–	–
Additional provisions for the year	<b>11 839</b>	8 254	<b>353</b>	2 284
Amounts written off as uncollectable	<b>10 516</b>	2 474	<b>1 488</b>	1 033
Provisions reversed during the year	<b>(23 427)</b>	(10 859)	<b>(2 697)</b>	(4 211)
	<b>12 928</b>	5 351	<b>462</b>	1 318
<b>11. CASH AND CASH EQUIVALENTS</b>				
<b>Cash and cash equivalents consist of:</b>				
Cash on hand and bank balances	<b>21 044</b>	1 081	<b>29 085</b>	1 060
<b>Cash and cash equivalents held by the entity that are not available for use by the group:</b>				
Tenant deposits	<b>34 225</b>	3 787	<b>34 225</b>	3 787
	<b>55 269</b>	4 868	<b>63 310</b>	4 847

		CONSOLIDATED		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>12.</b>	<b>STATED CAPITAL</b>				
	<b>Authorised</b>				
	500 000 000 ordinary shares of no par value	<b>500 000</b>	500 000	<b>500 000</b>	500 000
	<b>Issued</b>				
	252 321 784 (2014: 117 347 898) ordinary shares of no par value	<b>3 907 819</b>	918 478	<b>3 907 819</b>	918 478
	Opening balance	<b>918 478</b>	123 699	<b>918 478</b>	123 699
	2015: Issue of 119 055 519 ordinary shares of no par value	<b>2 601 324</b>	–	<b>2 601 324</b>	–
	2015: Issue of 15 918 367 ordinary shares of no par value, in terms of a bookbuild	<b>388 017</b>	–	<b>388 017</b>	–
	2014: Issue of 9 122 981 ordinary shares of no par value	–	863	–	863
	Transfer of debenture capital premium to stated capital	–	768 910	–	768 910
	Transfer from distributable reserves	–	25 006	–	25 006
<b>13.</b>	<b>NON-DISTRIBUTABLE RESERVES</b>				
	Capital reserve	<b>14 712</b>	11 879	<b>11 087</b>	8 254
	Fair value adjustments of investment property	<b>1 865 766</b>	1 379 712	<b>590 343</b>	563 887
	Fair value adjustments of interest rate derivatives	<b>32 284</b>	(13 703)	<b>20 952</b>	(14 413)
	Joint venture/associate reserves	<b>19 082</b>	362 362	–	–
	Fair value adjustments of listed investment	–	185 378	–	185 378
	Acquisition of loan at a discount	–	2 894	–	2 894
	Additions through business combination	<b>867 387</b>	–	<b>192 512</b>	7 135
		<b>2 799 231</b>	1 928 522	<b>814 894</b>	753 135
<b>14.</b>	<b>DEBENTURE CAPITAL AND PREMIUM</b>				
	<b>Debenture capital</b>				
	Unsecured variable rate debentures of R2,09 each	–	245 256	–	245 256
	Opening balance	–	226 189	–	226 189
	New issue	–	19 067	–	19 067
	<b>Debenture capital premium</b>	–	523 654	–	523 654
	At issue date	–	263 869	–	263 869
	Premium on new issue	–	404 227	–	404 227
	Amortised premium	–	(119 436)	–	(119 436)
	Current year amortisation	–	(25 006)	–	(25 006)
	<b>Transfer of debenture capital and premium to stated capital</b>	–	(768 910)	–	(768 910)
		–	–	–	–

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 15. BORROWINGS

### 15.1 Loans at amortised cost

#### Secured loans

			CONSOLIDATED		COMPANY	
	Interest rate		2015	2014	2015	2014
	%	Expiry date	R'000	R'000	R'000	R'000
Nedbank Limited						
Loan 1	Prime less 2,15	9 September 2015	93 092	–	–	–
Loan 2	Prime less 2,15	9 September 2015	7 631	7 632	–	–
Loan 3	Prime less 1,65	9 September 2015	13 528	13 534	–	–
Loan 4	Prime less 1,00	9 September 2015	39 992	39 993	39 992	39 993
Loan 5	Prime less 2,15	1 September 2015	1 912	–	–	–
Loan 6	Prime less 1,00	2 November 2015	124 480	–	–	–
Loan 7	1-month JIBAR plus 1,55	1 December 2015	138 081	137 987	–	–
Loan 8	Prime less 2,15	1 December 2015	7 699	–	–	–
Loan 9	1-month JIBAR plus 1,53	1 December 2015	2 966	53 241	–	–
Loan 10	Prime less 1,00	1 December 2015	77 557	77 560	–	–
Loan 11	Prime less 1,00	1 December 2015	21 996	21 997	–	–
Loan 12	Prime less 1,65	1 February 2016	1 168	11 262	1 168	11 262
Loan 13	Prime less 1,65	1 February 2016	3 792	44 735	3 792	44 735
Loan 14	Prime less 1,65	1 February 2016	3 437	64 805	3 437	64 805
Loan 15	Prime less 1,65	1 February 2016	378	11 782	378	11 782
Loan 16	Prime less 1,00	1 February 2016	68 997	69 000	68 997	69 000
Loan 17	Prime less 2,15	1 February 2016	1 386	1 387	1 386	1 387
Loan 18	Prime less 1,30	3 May 2016	59 992	59 994	59 992	59 994
Loan 19	1-month JIBAR plus 1,64	1 June 2017	262 499	–	–	–
Loan 20	Prime less 1,63	2 May 2017	160 757	–	–	–
Loan 21	Prime less 1,77	1 June 2017	345 565	–	–	–
Loan 22	Prime less 1,67	1 June 2017	318 564	–	–	–
Loan 23	Prime less 2,15	1 August 2017	24 341	–	–	–
Loan 24	Prime less 2,15	2 October 2017	30 167	–	–	–
Loan 25	Fixed at 12,15	2 May 2018	160 000	–	–	–
Loan 26	Prime less 2,15	2 May 2018	25 552	–	–	–
Loan 27	Fixed at 12,06	2 May 2018	40 580	–	–	–
Loan 28	Fixed at 12,06	2 May 2018	100 000	100 000	–	–
Loan 29	Prime less 2,15	1 June 2018	30 000	–	–	–
Loan 30	Prime less 2,15	2 July 2018	790	–	–	–
Loan 31	Prime less 1,77	3 September 2018	226 361	192 072	226 361	192 072
Loan 32	Prime less 1,79	1 October 2018	74 988	74 990	–	–
Loan 33	Fixed at 11,72	1 October 2018	75 000	75 000	–	–
Loan 34	Fixed at 11,01	1 November 2018	36 400	–	–	–
Loan 35	Prime less 1,65	3 December 2018	50 697	50 699	50 697	50 699
Loan 36	Prime less 2,15	3 December 2018	16 369	–	–	–
Loan 37	Prime less 2,15	1 February 2019	4 738	–	–	–
Loan 38	Prime less 2,15	1 March 2019	31 148	–	–	–
Loan 39	Prime less 2,00	3 June 2019	27 726	27 727	–	–
Loan 40	Prime less 1,00	1 March 2022	34 385	–	–	–
Standard Bank of South Africa Limited						
Loan A	Prime less 1,92	15 August 2016	115 024	–	–	–
Loan B	Prime less 1,92	30 September 2016	88 898	–	–	–
Loan C	Prime less 1,75	31 October 2016	337 684	–	–	–
Loan D	Prime less 1,70	31 October 2016	118 909	118 957	118 909	118 957
Loan E	Prime less 1,45	31 October 2016	62 014	62 040	62 014	62 040
Loan F	3-month JIBAR plus 1,52	31 December 2017	233 042	–	233 042	–

## 15. BORROWINGS CONTINUED

### 15.1 Loans at amortised cost continued

#### Secured loans continued

			CONSOLIDATED		COMPANY	
	Interest rate %	Expiry date	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<i>Investec Bank Limited</i>						
Loan (a)	Prime less 1,00	30 November 2014	–	168 874	–	168 874
Loan (b)	Prime less 1,06	30 November 2014	–	57 798	–	57 798
<i>Absa Bank Limited</i>						
Loan (i)	Prime less 1,5		–	6 193	–	–
Loan (ii)	Prime plus 0,58		–	1 917	–	–
Loan (iii)	Prime less 4,25		–	586	–	–
			<b>3 700 282</b>	1 551 763	<b>870 165</b>	953 398
<b>Unsecured loans</b>						
<i>Domestic medium-term note programme (DMTN)</i>						
PMM 16 – issuance						
6 months	Fixed at 7,225	2 September 2015	<b>160 000</b>	–	–	–
PMM 17 – issuance						
12 months	3-month JIBAR plus 1,20	6 March 2016	<b>265 000</b>	–	–	–
PMM18 – issuance						
6 months	3-month JIBAR plus 0,90	4 November 2015	<b>194 000</b>	–	–	–
PMM19 – issuance						
12 months	3-month JIBAR plus 1,30	13 May 2016	<b>50 000</b>	–	–	–
Accrued interest			<b>11 591</b>	–	–	–
			<b>680 591</b>	–	–	–
Repayable as follows:						
One to two years			<b>1 719 231</b>	553 751	<b>180 922</b>	443 962
Two to five years			<b>1 163 558</b>	710 181	<b>510 101</b>	242 771
More than five years			<b>34 385</b>	–	–	–
			<b>2 917 174</b>	1 263 932	<b>691 023</b>	686 733
Within one year			<b>1 463 699</b>	287 831	<b>179 142</b>	266 665
			<b>4 380 873</b>	1 551 763	<b>870 165</b>	953 398

Loans 1 to 11 will be consolidated into a new loan agreement on expiry. The loan has already been approved by Nedbank Limited.

PMM 16 has since been partially refinanced by PMM 20 for R55 million maturing 2 March 2016 and PMM 21 for R95 million maturing 2 September 2016.

PMM 18 has since been partially refinanced by PMM 22 for R185 million maturing on 4 May 2016.

The facilities are secured by suretyships of certain subsidiaries, mortgage bonds over various properties and cession of shares in certain subsidiaries.

The loans to Investec Bank Limited were repaid in full in December 2014.

The loans to Absa Bank Limited were repaid in full in September 2014.

The weighted average annual cost of borrowings taking the interest rate swaps into account was 8,9% (2014: 8,7%), which was 0,6% 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 94,2% (2014: 66,1%).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

		CONSOLIDATED 2015		CONSOLIDATED 2014	
		Book value R'000	Fair value R'000	Book value R'000	Fair value R'000
15.	<b>BORROWINGS CONTINUED</b>				
15.2	<b>Fair value of long-term loans</b>				
	<i>Loans at fixed interest rates</i>				
	Nedbank Limited	411 980	435 279	175 000	191 177
	<i>Loans at variable interest rates</i>				
	Nedbank Limited	2 332 731	2 332 731	960 398	960 398
	Standard Bank of South Africa Limited	955 571	955 571	180 997	180 997
	Investec Bank Limited	–	–	226 672	226 672
	Absa Bank Limited	–	–	8 696	8 696
	Domestic medium-term note programme	680 591	680 591	–	–
		<b>4 380 873</b>	<b>4 404 172</b>	1 551 763	1 567 940
		COMPANY 2015		COMPANY 2014	
		Book value R'000	Fair value R'000	Book value R'000	Fair value R'000
	<i>Loans at variable interest rates</i>				
	Nedbank Limited	456 200	456 200	545 729	545 729
	Standard Bank of South Africa Limited	413 965	413 965	180 997	180 997
	Investec Bank Limited	–	–	226 672	226 672
		<b>870 165</b>	<b>870 165</b>	953 398	953 398

## Fair value information

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

## Key inputs

The average annual interest rate used to discount the cash flows on the fixed interest loans was 9,60% (2014: 9,05%), based on the quoted swap rate at year-end for loans with similar maturities. The average credit risk margin used was 1,25% (2014: 1,34%) 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 transfers made between Level 1, 2 or 3 during the year under review (refer to note 2 for definition of levels).

		CONSOLIDATED 2015		COMPANY 2015	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
16.	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>				
	Net fair values of derivative assets at the reporting date	34 451	–	21 568	–
	Net fair values of derivative liabilities at the reporting date	(22 778)	(13 797)	–	(13 797)

## Interest rate swaps

The notional principal amount of the outstanding contracts for the group at year-end was R3,6 billion (2014: R850 million) and for the company R2,1 billion (2014: R850 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 cash flows 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 South African swap curve that 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.



## 16. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

### Fair value hierarchy

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

	CONSOLIDATED		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
<b>17. DEFERRED TAXATION</b>				
The deferred tax liability arises from the following temporary differences:				
Tax losses available for set-off against future taxable income	(128 538)	(12 100)	(6 749)	(3 774)
Capital allowances	178 943	14 897	–	–
Wear and tear allowance	19 311	4 306	710	616
Fair value adjustments – interest rate derivatives	3 269	–	6 039	–
Other allowances	–	–	–	3 158
	<b>72 985</b>	<b>7 103</b>	<b>–</b>	<b>–</b>
<b>The movement for the year was as follows:</b>				
Opening balance	7 103	14 937	–	–
Additions through business combinations	62 701	–	–	–
Tax losses available for set-off against future taxable income	(17 608)	7 600	(2 975)	616
Wear and tear allowances	17 520	1 748	94	–
Fair value adjustments – interest rate derivatives	3 269	(558)	6 039	(616)
Other allowances	–	(16 624)	(3 158)	–
	<b>72 985</b>	<b>7 103</b>	<b>–</b>	<b>–</b>
Allowances relating to investment property can no longer be claimed and if a REIT sells investment property, the allowances claimed in previous years will be recouped and, as a result, a deferred tax liability was raised in this respect.				
In addition, deferred tax is no longer calculated on the straight-line rental income accrual, as the rental accrual will form part of the group's distribution in the future. Given the conversion to a REIT, such distributions are fully deductible for tax purposes and hence no tax liability will arise on straight-line rental income accruals.				
<b>18. TRADE AND OTHER PAYABLES</b>				
Trade payables	87 143	20 138	7 826	6 924
Tenant deposits	86 223	25 238	8 063	7 902
Sundry creditors – utilities and assessment rates	56 346	12 214	4 348	2 560
Repairs and maintenance – work in progress	13 453	5 993	1 187	2 763
Tenant installations	17 985	–	–	–
VAT control	22 454	1 523	–	919
Commission and collection fees payable	3 146	2 580	–	1 193
Other payables	48 466	23 673	18 254	3 981
	<b>335 216</b>	<b>91 359</b>	<b>39 678</b>	<b>26 242</b>
The carrying amounts of trade and other payables approximate fair value. Trade and other payables have been categorised as a Level 2 and there have been no 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.				
<b>19. BANK OVERDRAFT</b>				
The group's overdraft is unsecured and bears interest at the prime overdraft rate.				
Group overdraft facilities of R45,5 million (2014: R20 million) have been arranged and are reviewable on an annual basis.				
<b>20. REVENUE EARNED ON CONTRACTUAL BASIS</b>				
Rental income	1 280 586	395 058	105 739	99 946
Straight-line lease adjustment	4 930	(2 567)	1 651	(796)
Recoveries and other income	353 573	145 301	42 838	38 824
Rental income and recoveries	<b>1 639 089</b>	<b>537 792</b>	<b>150 228</b>	<b>137 974</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

		CONSOLIDATED		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
21.	<b>OPERATING PROFIT</b>				
	Net rental income from properties is arrived at after taking the following items into account:				
	<b>Auditors' remuneration</b>				
	External audit fee	3 631	1 966	2 769	1 966
	External audit services	242	–	115	–
	<b>Fees for services</b>				
	Administration fees	51 915	18 882	51 915	18 882
	Collections fees	109 007	32 168	8 728	8 150
	Commissions	13 455	5 313	1 206	1 592
	<b>Other</b>				
	Depreciation of plant and equipment	2 432	2 848	49	54
	Amortisation of tenant installation and commission	22 522	3 160	1 443	1 128
	Reversal of provision for losses in subsidiaries	–	–	(446)	(414)
	Operating lease payment – leasehold property	5 857	4 878	78	85
	Staff costs	27 643	7 934	2 621	2 191
	Directors' emoluments	5 060	2 242	5 060	2 242
	Total emoluments paid (refer to note 35.5)	5 060	2 809	5 060	2 809
	Less: Capitalised to merger costs	–	(567)	–	(567)
	Repairs and maintenance	58 209	23 982	4 420	11 197
	Tenant installations	1 307	6 078	50	32
22.	<b>INCOME FROM INVESTMENTS</b>				
	Interest received				
	Listed investment – Premium Properties Limited	–	37 028	–	37 028
	Other	5 953	1 973	961	640
		5 953	39 001	961	37 668
23.	<b>INCOME FROM ASSOCIATE</b>				
	<b>IPS Investments Proprietary Limited</b>				
	Management fees	–	887	–	887
	Interest received	–	17 562	–	17 562
	Dividends received	–	41 674	–	41 674
	Equity accounted earnings	–	126 470	–	–
	Share of earnings	–	(17 317)	–	–
	Share of revaluation reserve	–	143 787	–	–
		–	186 593	–	60 123
	<b>2014</b>				
	Interest was received at an average rate of 7% per annum.				
24.	<b>INCOME FROM SUBSIDIARIES</b>				
	Dividends received	–	–	518 687	82 128
	Interest received	–	–	–	70 238
		–	–	518 687	152 366
25.	<b>INCOME FROM JOINT VENTURES</b>				
	Management fees	567	–	–	–
	Interest received	9 657	–	–	–
	Equity accounted earnings	22 351	–	–	–
	Share of earnings	3 269	–	–	–
	Share of revaluation reserve	19 082	–	–	–
		32 575	–	–	–
	Interest was received at an average annual rate between 10,5% and 15,5%.				

		CONSOLIDATED		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>26.</b>	<b>FINANCE COSTS</b>				
	Interest on debentures	–	103 454	–	103 454
	Interest rate derivatives	<b>39 082</b>	11 326	<b>17 699</b>	11 132
	Loans and bank overdraft	<b>356 968</b>	116 227	<b>68 553</b>	64 404
	Less: Interest capitalised	<b>(19 559)</b>	(1 888)	<b>(2 030)</b>	–
		<b>376 491</b>	229 119	<b>84 222</b>	178 990
<b>27.</b>	<b>TAXATION</b>				
	South African normal taxation				
	Current	<b>15</b>	92	<b>(35)</b>	92
	Deferred taxation				
	Fair value adjustments – interest rate derivatives	<b>(3 269)</b>	558	<b>(6 039)</b>	616
	Allowances	<b>(17 520)</b>	14 876	<b>3 064</b>	–
	Straight-lining of leases	–	12 803	–	–
	Provision for doubtful debts	–	(1 143)	–	–
	Other allowances	–	–	<b>3 158</b>	–
	Prepaid expenses	–	658	–	–
	Wear and tear	<b>(17 520)</b>	2 558	<b>(94)</b>	–
	Tax losses (reversed)/created	<b>17 608</b>	(7 600)	<b>2 975</b>	(616)
		<b>(3 166)</b>	7 926	<b>(35)</b>	92
	<b>Reconciliation of the income tax expense for the year to accounting profit</b>				
	Profit before tax	<b>1 340 894</b>	378 262	<b>515 339</b>	181 597
	Income tax expense calculated at 28% (2014: 28%)	<b>375 450</b>	105 913	<b>144 295</b>	50 847
	Income that is non-taxable	<b>(246 997)</b>	(85 791)	<b>(14 891)</b>	(25 860)
	Expenses that are not deductible	<b>6 105</b>	1 877	<b>728</b>	8 921
	Amounts not credited to the statement of profit and loss and other comprehensive income	<b>(10 874)</b>	(3 187)	<b>962</b>	(3 187)
	Allowances	<b>4 658</b>	(2 058)	<b>(716)</b>	(1 465)
	Wear and tear	<b>8 065</b>	–	<b>(144)</b>	(177)
	Provision for doubtful debts	<b>(905)</b>	(375)	<b>(32)</b>	(92)
	Prepaid expenses	<b>(2 502)</b>	(1 683)	<b>(540)</b>	(1 196)
	Reversal of allowances/deductions granted in previous years	<b>(6 359)</b>	13 858	<b>27</b>	256
	Qualifying distribution	<b>(129 355)</b>	(28 763)	<b>(129 355)</b>	(28 763)
	Assessed losses utilised	<b>(11 195)</b>	(7 718)	<b>(1 050)</b>	(841)
	Prior period adjustments	<b>(15)</b>	–	<b>35</b>	–
		<b>3 166</b>	(7 926)	<b>35</b>	(92)
	Effective tax rate	<b>0,2%</b>	(2,1%)	<b>0,0%</b>	(0,1%)
As Octodec has REIT status, the distribution meets the requirements of a “qualifying distribution” for the purpose of section 25BB of the Income Tax Act. The distribution to Octodec shareholders will be deductible for South African tax purposes.					
<b>28.</b>	<b>MINIMUM FUTURE RENTALS RECEIVABLE</b>				
	Non-cancellable rental lease agreements				
	Less than one year	<b>917 699</b>	289 468	<b>86 452</b>	141 703
	Later than one year and not later than five years	<b>1 110 881</b>	417 068	<b>141 291</b>	195 479
	Later than five years	<b>93 560</b>	71 738	<b>39 367</b>	65 130
		<b>2 122 140</b>	778 274	<b>267 110</b>	402 312
Rental receivable represents contractual rental income excluding other recoveries for leases in existence at year-end.					

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 29. EARNINGS AND HEADLINE EARNINGS PER SHARE (CENTS)

The calculation of basic earnings per share is based on net income attributable to shareholders and the number of shares in issue during the year. The weighted number of shares in issue for the year under review was 238 147 896 (2014: 114 798 462).

	<b>CONSOLIDATED</b>	
	<b>2015</b>	2014
	<b>R'000</b>	R'000
Earnings – net profit after taxation	<b>1 337 728</b>	386 188
Adjusted for:		
Amortisation of deemed debenture premium	–	(25 006)
Loss/(profit) on sale of investment properties	<b>61</b>	(44)
Gain on bargain purchase	<b>(319 647)</b>	–
Fair value adjustments		
Joint ventures/associate	<b>(19 082)</b>	(143 787)
Investment properties	<b>(486 054)</b>	(125 101)
Headline earnings before debenture interest	<b>513 006</b>	92 250
Debenture interest	–	103 454
Headline earnings	<b>513 006</b>	195 704
	<b>Cents</b>	Cents
Basic earnings per share	<b>561,7</b>	336,4
Diluted earnings per share	<b>530,2</b>	336,4
Headline earnings per share	<b>215,4</b>	170,5

	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
<b>30. CASH GENERATED FROM OPERATIONS</b>				
Profit before taxation:	<b>1 340 894</b>	378 262	<b>515 339</b>	181 597
Adjusted for:				
Straight-lining lease adjustment	<b>(4 930)</b>	2 567	<b>(1 650)</b>	795
Debenture interest	–	103 454	–	103 454
Fair value adjustment of investment properties	<b>(486 054)</b>	(125 101)	<b>(26 456)</b>	(54 393)
Fair value adjustment of interest rate derivatives	<b>(49 255)</b>	15 790	<b>(35 365)</b>	15 996
Loss/(profit) on disposal of investment properties	<b>61</b>	(44)	<b>61</b>	(44)
Gain on bargain purchase	<b>(319 647)</b>	–	–	–
Finance costs	<b>376 491</b>	125 665	<b>84 222</b>	75 536
Amortisation of deemed debenture premium	–	(25 006)	–	(25 006)
Income from investments and associate	<b>(38 528)</b>	(225 594)	<b>(519 648)</b>	(249 270)
Depreciation and amortisation	<b>24 954</b>	6 009	<b>1 492</b>	1 182
Operating income before working capital changes	<b>843 986</b>	256 002	<b>17 995</b>	49 847
(Increase)/decrease in trade and other receivables	<b>(9 024)</b>	(12 087)	<b>16 275</b>	(9 633)
Increase/(decrease) in trade and other payables	<b>46 538</b>	12 802	<b>13 436</b>	(3 670)
	<b>881 500</b>	256 717	<b>47 706</b>	36 544
<b>30.1 Debenture interest paid</b>				
Amounts unpaid at the beginning of the year	–	(84 967)	–	(84 967)
Amounts charged to the statement of profit and loss and other comprehensive income	–	(103 454)	–	(103 454)
Amounts unpaid at the end of the year	–	–	–	–
	–	(188 421)	–	(188 421)
<b>30.2 Dividends paid</b>				
Amounts unpaid at the beginning of the year	<b>(102 210)</b>	–	<b>(102 210)</b>	–
Additions through business combination	<b>(127 143)</b>	–	–	–
Amounts charged to the statement of changes in equity	<b>(228 839)</b>	(103 148)	<b>(228 839)</b>	(103 148)
Amounts unpaid at the end of the year	<b>3 482</b>	102 210	<b>1 815</b>	102 210
	<b>(454 710)</b>	(938)	<b>(329 234)</b>	(938)

	CONSOLIDATED		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
<b>30. CASH GENERATED FROM OPERATIONS CONTINUED</b>				
<b>30.3. Taxation paid</b>				
Amounts (receivable)/unpaid at the beginning of the year	(49)	(31)	34	35
Amounts charged to the statement of profit and loss and other comprehensive income	15	92	(35)	92
Amounts (receivable)/unpaid at the end of the year	–	49	–	(34)
	(34)	110	(1)	93

### 31. CONTINGENCIES

The group has issued guarantees of R12,8 million (2014: R7,9 million) in favour of Tshwane Metropolitan Municipality, R0,8 million (2014: R0,7 million) in favour of City Power – Johannesburg and R39 700 in favour of Centurion Town Council, for the provision of certain services to its subsidiaries.

### 32. COMMITMENTS

#### 32.1 Capital expenditure

The Octodec group has commitments of R798,3 million (2014: R669,8 million) in respect of capital expenditure relating to the redevelopment and acquisition of certain properties. These developments will be financed by way of existing and additional bank facilities approved.

	CONSOLIDATED		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
<b>32.2 Operating lease commitments</b>				
Within one year	5 064	4 776	–	–
Two to five years	20 256	19 104	–	–
More than five years	86 088	85 968	–	–
	111 408	109 848	–	–

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.

### 33. RETIREMENT BENEFITS

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

### 34. FINANCIAL RISK MANAGEMENT

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

#### 34.1 Capital management

The 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 company's approach to capital management during the year.

Consistent with others in the industry, the group monitors capital on the basis of the loan-to-value ratio. This ratio is calculated as net debt divided by total investments. Net debt is calculated as total borrowings (as detailed in note 15) plus bank overdraft less cash and cash equivalents. Non-current assets as shown on the face of the statements of financial position equal total investments less derivative financial instruments.

	CONSOLIDATED		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Total borrowings (note 15)	4 380 873	1 551 763	870 165	953 398
Less: Cash and cash equivalents	(55 269)	(4 868)	(63 310)	(4 847)
Net debt	4 325 604	1 546 895	806 855	948 551
Total non-current assets	11 644 922	4 588 352	5 793 130	2 743 468
Less: Derivative financial instruments	(34 451)	–	(21 568)	–
Loan-to-value ratio	37,3%	33,7%	14,0%	34,6%



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 34. FINANCIAL RISK MANAGEMENT CONTINUED

### 34.1 Capital management continued

#### Financial covenants

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

#### *Nedbank Limited*

- Net rental income (gross rental income less property operating expenses, administration costs and management fees, but excluding rental income attributable to existing vacancies) before net interest paid, tax, depreciation and amortisation, income from revaluation of properties and any abnormal items divided by net interest paid (all interest paid on third party debt, but excluding interest and distributions payable to shareholders, less any interest earned), shall be least 2,0 times
- Total debt (all interest-bearing debt excluding tenant deposits, tax payable and trade creditors, but including all financial liabilities arising from underlying interest rate derivatives) expressed as a percentage of total assets (value of direct investment in property holdings plus investments held in unlisted companies) – shall not exceed 60%

#### *Standard Bank of South Africa Limited*

- The loan-to-value ratio shall not exceed 55% (loan-to-value shall mean the ratio of the outstanding balance under the facilities granted by Standard Bank to the value of the properties bonded to Standard Bank)
- 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 net rental income (all rental income from properties bonded to Standard Bank less all property-related expenses) to all interest payable in respect of the facilities granted by Standard Bank, shall not be less than 1,8 times

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

### 34.2 Credit risk

Credit risk relates mainly to cash deposits, cash equivalents and trade and other receivables. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. Trade receivables consist of a large spread of tenants. The group monitors the financial position of its tenants on an ongoing basis.

Provision is made for specific 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.

### 34.3 Interest risk

At 31 August 2015, the group had borrowings of R4,4 billion (2014: R1,6 billion) (company R870 million (2014: R953 million)) at various interest rates. The all-in weighted average cost of borrowings, including the cost of interest rate swaps, was 8,9% (company 9,7% (2014: 8,6%)) per annum at 31 August 2015 (2014: 8,7% per annum) and 94,2% (2014: 66,1%) (company 100% (2014: 89%)) 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 2015, the group was exposed to changes to interest rates through bank borrowings. These borrowings were 5,8% (2014: 33,9%) (company 0% (2014: 11%)) of total borrowings. A breakdown of the borrowings is detailed in note 15.

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% per annum shift would represent a maximum increase or decrease of R0,9 million (2014: R1,8 million) (company – (2014: R0,3 million)) in post-tax profits per annum. The calculations are done monthly to verify that the maximum loss potential is within limits.

	CONSOLIDATED		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				
September 2015	165 796	7,23	–	–
May 2018	160 000	12,15	–	–
May 2018	100 000	12,06	–	–
May 2018	40 580	12,06	–	–
October 2018	75 000	11,72	–	–
October 2018	36 400	11,01	–	–
	577 776	10,59	–	–
Variable rate borrowings before interest rate derivatives	3 803 097	7,73	870 165	7,88
Total borrowings	4 380 873	8,10	870 165	7,88

		CONSOLIDATED 2015		COMPANY 2015	
		Amount	Average all-in margin over/(below) variable rate per annum	Amount	Average all-in margin over/(below) variable rate per annum
		R'000	%	R'000	%
<b>34.</b>	<b>FINANCIAL RISK MANAGEMENT CONTINUED</b>				
<b>34.3</b>	<b>Interest risk</b> continued				
	Interest rate derivatives maturity				
	February 2017	650 000	1,46	150 000	1,56
	May 2017	50 000	2,12	–	–
	June 2017	100 000	2,00	–	–
	July 2017	100 000	1,59	–	–
	August 2017	350 000	1,50	200 000	2,15
	September 2017	100 000	1,31	50 000	1,31
	January 2018	150 000	1,43	50 000	1,43
	April 2018	200 000	(0,62)	100 000	(0,62)
	May 2018	50 000	2,13	50 000	2,13
	July 2018	400 000	1,34	200 000	1,34
	August 2018	150 000	1,20	50 000	1,40
	November 2018	500 000	0,70	500 000	0,70
	January 2019	750 000	0,23	750 000	0,23
	Total interest rate derivatives	3 550 000	0,99	2 100 000	0,81
	Fixed-rate borrowings	577 776		–	
	Total fixed-rate loans and interest rate derivatives	4 127 776		2 100 000	

#### 34.4 Cash flow interest rate risk

		CONSOLIDATED 2015		
	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
<b>Financial instrument</b>				
Current interest rate	7,0% – 8,5%	11,01% – 12,15%		
Due in less than one year	310 601	49 192		359 793
Due in one to two years	327 633	49 192		376 825
Due in two to three years	350 678	37 060		387 738
Due in three to four years	362 024	1 400		363 424
Due in four to five years	355 085	–		355 085
Due in six to eight years	710 257	–		710 257
	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
<b>Financial instrument</b>				
Current interest rate	7,35% – 8,5%	–		
Due in less than one year	68 777	–		68 777
Due in one to two years	70 951	–		70 951
Due in two to three years	73 366	–		73 366
Due in three to four years	78 131	–		78 131
Due in four to five years	78 315	–		78 315
Due in six to eight years	156 630	–		156 630

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

## 34. FINANCIAL RISK MANAGEMENT CONTINUED

### 34.5 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
<b>Group 2015</b>				
Borrowings	1 463 699	1 719 231	1 163 558	34 385
Trade and other payables	335 216	–	–	–
Distribution to shareholders	3 482	–	–	–
<b>Company 2015</b>				
Borrowings	179 141	180 922	510 101	–
Trade and other payables	39 678	–	–	–
Distribution to shareholders	1 815	–	–	–
<b>Group 2014</b>				
Borrowings	287 831	553 751	710 181	–
Trade and other payables	91 359	–	–	–
Taxation liability	49	–	–	–
Distribution to shareholders	102 210	–	–	–
<b>Company 2014</b>				
Borrowings	266 665	443 962	242 771	–
Trade and other payables	26 242	–	–	–
Distribution to shareholders	102 210	–	–	–

	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>34.6 Categories of financial instruments</b>				
<b>Financial assets</b>				
Cash and bank balances	55 269	4 868	63 310	4 847
Fair value through profit or loss (FVTPL)				
Held for trading – interest rate derivatives	34 451	–	21 568	–
Loans and receivables				
Trade and other receivables, excluding VAT	102 822	62 510	14 199	30 474
Available-for-sale financial assets				
Listed investment	–	405 698	–	405 698
<b>Financial liabilities</b>				
Fair value through profit or loss (FVTPL)				
Held for trading – interest rate derivatives	22 778	13 797	–	13 797
Loans and other financial liabilities at amortised cost				
Trade and other payables, excluding VAT	312 762	89 836	39 817	25 323
Shareholders for distribution	3 482	102 210	1 815	102 210
Long-term borrowings	2 917 174	1 263 932	691 023	686 733
Short-term borrowings	1 463 699	287 831	179 141	266 665

## 35. 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 if he/she:

- (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; GH Kemp; MZ Pollack; AK Stein; PJ Strydom and JP Wapnick.

**Subsidiary companies:** Refer to schedule of interest in subsidiaries on pages 128 and 129.

Related parties where control did not exist during the year are as follows:

**Entities:** Tugendhaft Wapnick Banchetti and Partners  
The Manhattan

Related parties over which significant influence is exercised:

City Property  
Gerlan Properties Proprietary Limited  
Jardtal Properties Proprietary Limited  
Prensas Properties Proprietary Limited

### 35.1 City Property Administration Proprietary Limited

#### Relationship

A company which manages the group's property portfolio and over which significant influence is exercised by JP Wapnick.

#### Pricing policy

- Fixed percentage of collections made
- Commission based on a percentage of the cost 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 and unsecured 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<sup>2</sup> and the remainder at 5% plus VAT of gross receipts

#### Major repairs and renovations

5% plus VAT of cost of repairs between R30 000 and R10 million and 3% plus VAT 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

A percentage of gross receipts plus VAT as follows:  
2,5% – first two years  
1,25% – next three years  
0,75% – next three years  
0,5% – balance of the lease term,  
in respect of new commercial leases and for the renewal of existing leases, R2 000 plus VAT or 50% plus VAT of the first month's rental, whichever is the lesser

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% plus VAT of the cost

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

	CONSOLIDATED		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
<b>35. RELATED PARTY TRANSACTIONS CONTINUED</b>				
<b>35.1 City Property Administration Property Limited</b>				
continued				
The following related party transactions took place in the group during the year under review:				
<b>Type of transactions</b>				
<b>Income</b>				
Rent received	5 918	5 023	–	–
<b>Expenditure</b>				
Management fees	51 915	18 882	51 915	18 882
Collection fees	109 007	32 168	8 728	8 150
Commissions paid	10 378	4 392	1 037	1 470
<b>Investment property</b>				
Commissions paid on sale and purchase of investment property, major repairs and renovations, and new construction	20 736	2 703	2 520	628
<b>Trade and other payables</b>				
Creditor	3 146	2 580	–	1 193
<b>35.2 Tugendhaft Wapnick Banchetti and Partners</b>				
<b>Relationship</b>				
A firm of attorneys that renders legal services and over which significant influence is exercised by S Wapnick				
<b>Pricing policy</b>				
Market related				
<b>Expenditure</b>				
Professional fees	1 723	367	1 723	360
<b>35.3 Jointly controlled asset</b>				
<b>The Manhattan (50% interest)</b>				
Undivided half share of the immovable property development comprising 180 residential units. The other 50% undivided share is owned by Burcress Proprietary Limited. The effective date of purchase was 13 May 2015.				
Non-current assets	11 653	–	11 653	–
Non-current liabilities	9 131	–	9 131	–
Current liabilities	2 261	–	2 261	–
<b>35.4 Related party transactions with subsidiaries</b>				
<b>Dividends received</b>				
Anke Properties Proprietary Limited	–	–	6 354	4 756
IPS Investments Proprietary Limited	–	–	125 000	–
Killarney Mall Properties Proprietary Limited	–	–	14 500	–
Octprop Properties Proprietary Limited	–	–	600	–
Premium Properties Limited	–	–	228 000	–
Presmooi Proprietary Limited	–	–	84 000	42 137
Ramreg Properties Proprietary Limited	–	–	1 235	615
Waverley Plaza Properties Proprietary Limited	–	–	27 408	14 623
Woodmead Mart Proprietary Limited	–	–	31 590	19 997
	–	–	518 687	82 128
<b>Interest received</b>				
Anke Properties Proprietary Limited	–	–	–	459
Killarney Mall Properties Proprietary Limited	–	–	–	15 830
Octprop Properties Proprietary Limited	–	–	–	1 764
Presmooi Proprietary Limited	–	–	–	30 594
Ramreg Properties Proprietary Limited	–	–	–	284
Tribeca Properties Proprietary Limited	–	–	–	2 194
Waverley Plaza Properties Proprietary Limited	–	–	–	9 191
Woodmead Mart Proprietary Limited	–	–	–	9 922
	–	–	–	70 238

Refer to notes 7 and 24 for further information.



		<b>CONSOLIDATED</b>	
		<b>2015</b>	2014
		<b>R'000</b>	R'000
<b>35. RELATED PARTY TRANSACTIONS CONTINUED</b>			
<b>35.5 Directors' and prescribed officers' remuneration</b>			
S Wapnick (Chairman)		<b>1 025</b>	550
DP Cohen (Lead independent director)		<b>667</b>	286
GH Kemp		<b>652</b>	262
MZ Pollack		<b>667</b>	286
AK Stein		<b>667</b>	286
PJ Strydom		<b>715</b>	286
JP Wapnick		<b>667</b>	286
MJ Holmes		–	189
D Rose		–	189
IH Stern		–	189
		<b>5 060</b>	2 809

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 2015.

	<b>2015</b>			<b>2014</b>		
	<b>Salary</b>	<b>Pension fund</b>	<b>Total</b>	<b>Salary</b>	<b>Pension fund</b>	<b>Total</b>
	<b>R'000</b>	<b>contributions</b>	<b>R'000</b>	<b>R'000</b>	<b>contributions</b>	<b>R'000</b>
		<b>R'000</b>			<b>R'000</b>	
AK Stein	<b>1 801</b>	<b>40</b>	<b>1 841</b>	1 273	23	1 296
JP Wapnick	<b>2 618</b>	–	<b>2 618</b>	1 963	–	1 963
S Wapnick	<b>204</b>	–	<b>204</b>	157	–	157
	<b>4 623</b>	<b>40</b>	<b>4 663</b>	3 393	23	3 416

### 36. SEGMENTAL REPORTING

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

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

	<b>2015</b>		<b>2014</b>	
	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>%</b>
<b>36.1 Rental income by sector:</b>				
Offices	<b>300 424</b>	<b>23,5</b>	72 943	18,5
Retail	<b>361 465</b>	<b>28,2</b>	95 360	24,1
Shopping centres	<b>129 063</b>	<b>10,0</b>	123 607	31,3
Industrial	<b>108 445</b>	<b>8,5</b>	73 470	18,6
Residential	<b>381 189</b>	<b>29,8</b>	29 678	7,5
Total rental income	<b>1 280 586</b>	<b>100,0</b>	395 058	100,0
Recoveries and other income	<b>358 503</b>		145 301	
Revenue	<b>1 639 089</b>		540 359	

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

	2015 R'000	2014 R'000
<b>36. SEGMENTAL REPORTING CONTINUED</b>		
<b>36.2 Reconciliation – earnings to distributable earnings</b>		
Total comprehensive income attributable to equity holders	<b>1 337 728</b>	426 067
Amortisation of deemed debenture premium	–	(25 006)
Loss/(profit) on sale of investment properties	<b>61</b>	(44)
Gain on bargain purchase	<b>(319 647)</b>	–
Fair value adjustments		
Joint ventures/associate	<b>(19 082)</b>	(143 787)
Listed investment	–	(39 879)
Investment properties	<b>(486 054)</b>	(125 101)
Interest rate derivatives, net of deferred taxation	<b>(45 987)</b>	15 790
Debenture interest	–	103 454
Straight-line lease adjustment	<b>(4 930)</b>	2 567
Deferred taxation adjustments	<b>(87)</b>	(7 835)
Distributable earnings attributable to shareholders	<b>462 002</b>	206 226

## 37. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any events subsequent to 31 August 2015, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report.

## 38. BUSINESS COMBINATIONS DURING THE REPORTING PERIOD

### 38.1 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 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 on 22 September 2014.

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 Tshwane 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.

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

	R'000
<b>Non-current assets</b>	
Investment properties	<b>4 860 151</b>
Plant and equipment	<b>6 105</b>
Operating lease assets	<b>55 256</b>
Lease costs capitalised	<b>17 638</b>
Investment in IPS	<b>660 015</b>
<b>Current assets</b>	
Trade and other receivables	<b>31 754</b>
Cash and cash equivalents	<b>121 648</b>
<b>Non-current liabilities</b>	
Interest-bearing borrowings	<b>(1 145 059)</b>
Derivative financial instruments	<b>(16 896)</b>
Deferred taxation	<b>(6 460)</b>
<b>Current liabilities</b>	
Non-interest-bearing borrowings	<b>(136 526)</b>
Interest-bearing borrowings	<b>(975 917)</b>
Linked unit holders for distribution	<b>(127 143)</b>
<b>Total identifiable net assets</b>	<b>3 344 566</b>
Fair value of equity interest held before the business combination	<b>(405 698)</b>
Gain on bargain purchase	<b>(319 647)</b>
Acquisition date fair value of consideration paid	<b>2 619 221</b>

**38. BUSINESS COMBINATIONS DURING THE REPORTING PERIOD CONTINUED****38.1 Premium Properties Limited continued****Acquisition date fair value of consideration paid**

Equity – 119 055 519 ordinary shares in group

**2 619 221**

The acquisition date fair value of consideration paid was calculated utilising a share price of R22 on 1 September 2014.

**Net cash inflow on acquisition**

Cash and cash equivalents acquired

**121 648**

Cash consideration paid

**–**

Net cash inflow on acquisition

**121 648****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 of Octodec linked units and Premium linked units
- c) the relative net asset values per Octodec linked unit and Premium linked unit calculated on a fair value basis as at 31 August 2014.

**Merger-related costs**

The merger-related costs are R17,7 million. These costs were 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 R319,6 million was recognised on acquisition and is included as a gain on bargain purchase in the statement of profit and loss and other comprehensive income in the 2015 financial year.

The gain on bargain purchase arose as a result of the issue of the 119 055 519 ordinary shares, at a price of R22, determined on the issue date. The total consideration paid of R2,6 billion was derived based on the share price at date of issue, giving rise to a gain on bargain purchase of R319,6 million.

**38.2 IPS Investments Proprietary 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%. This resulted in Octodec acquiring control of IPS Investments Proprietary Limited. 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

**2 029 994**

Plant and equipment

**1 296**

Operating lease assets

**11 428**

Lease costs capitalised

**6 560**

Investment in joint venture

**150 032****Current assets**

Trade and other receivables

**15 137**

Cash and cash equivalents

**17 276****Non-current liabilities**

Interest-bearing borrowings

**(718 059)**

Derivative financial instruments

**(6 888)**

Deferred taxation

**(56 241)****Current liabilities**

Non-interest-bearing borrowings

**(60 795)**

Interest-bearing borrowings

**(51 480)**

Bank overdraft

**(3 020)****Total identifiable net assets****1 335 240**

Fair value of equity interest held before the business combination

**667 620**

Acquisition date fair value of consideration paid

**667 620****Acquisition date fair value of consideration paid****667 620**

50% if 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

**(3 020)**

Net cash inflow on acquisition

**14 256****38.3 Cash inflow from business combination**

Total net cash inflow on acquisition

**138 924**

Cash and cash equivalents acquired

**(3 020)**

Bank overdraft

Net cash inflow acquisition

**135 904**

The revenue included in the consolidated statements of profit and loss and other comprehensive income since 1 September 2014, contributed by Premium and IPS, was R1,1 billion. Premium and IPS also contributed distributable profit of R359,9 million over the same period.

# SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP

for the year ended 31 August 2015

Property name	Address	Weighted average rental per m <sup>2</sup> at 31 August 2015 – commercial	Weighted average rental per unit at 31 August 2015 – residential
<b>Centurion</b>			
Andpot*	1005 Kruger Avenue	45	–
FNB Centurion*	2023 Johan Heyns (Hendrik Verwoerd) Drive	155	–
Lenchen Centre*	9 Jakaranda Street	108	–
Lenchen Park*	22 Jakaranda Street	68	–
Prime Cure House*	128 Oak Avenue	77	–
The Hangar	Cnr Bosboknook and South Street	–	5 213
		<b>86</b>	<b>5 213</b>
<b>Hatfield</b>			
Absa Hatfield	427 Hilda Street	141	–
Blagil*	1117 Stanza Bopape (Church) Street	178	–
Highlands*	1091 Arcadia Street	–	6 379
Intersite*	420 Festival Street	101	–
Protea Hotel*	1050 Burnett Street	70	–
Talland (2)*	1251 Francis Baard (Schoeman) Street	122	–
The Fields*	Cnr Hilda and Burnett Street	124	5 485
		<b>112</b>	<b>5 505</b>
<b>Hermanstad</b>			
Erf One Eight One*	629 Kruger Street,	28	–
Hannyhof Centre	387 Van der Hoff Road	48	–
	Cnr Van der Hoff, Elsa and Hanny Street	39	–
Hardwood	720 Rood Street	23	–
Pretboy	578 Attie Street	40	–
Steyns Industrial Park*	433 Van Riebeeck Street	35	–
Talkar	386 Taljaard Street	51	–
		<b>36</b>	<b>–</b>
<b>Johannesburg and surrounding areas</b>			
3 West Street*	3 West Street, Kempton Park	73	–
CCMA Place*	Cnr Woburn and Rothsay Avenue, Benoni	70	–
Druthon Centre*	48 Voortrekker Road, Alberton	68	–
Erand Gardens*	270 George Street, Erand Gardens	118	–
Heriotdale Germiston*	Green Street, Heriotdale	249	–
Iskemp	5 Isando Road, Isando	27	–
Kempton Place*	12 Pretoria Road, Kempton Park	88	4 358
Killarney Mall*	34 – 54 Fourth Street and Riviera Road, Killarney	125	–
Kyalami Crescent*	Kyalami Business Park	52	–
McCarthy Midrand*	New Road, Midrand	84	–
Motor City Strijdom Park	Cnr Malibongwe Drive (Hans Strijdom) and Hammer Street	79	–
Pretwade	Strauss Crescent, Germiston	31	–
The Manhattan	Kikuyu Road, Sunninghill	Project	–
Woodmead Value Mart*	Waterval Crescent, Woodmead	130	–
		<b>100</b>	<b>4 358</b>

Description of buildings	Rental income R'000	Site area m <sup>2</sup>	GLA m <sup>2</sup>	Vacancy at 31 August 2015 %	% held by Octodec %
Warehouses	812	3 029	1 638	–	100
Shops	3 600	6 590	1 874	1,4	100
Shops	4 173	9 245	3 330	–	100
Shops and workshops	4 175	11 000	5 756	0,6	100
Offices	2 463	4 622	2 689	–	100
260 flats	14 564	19 342	19 962	1,4	100
	29 787	53 828	35 249	0,9	
Offices	6 251	1 276	3 525	–	100
House	242	1 276	161	–	100
Shop and 18 flats	1 354	1 461	1 076	9,0	100
Gym and office	7 171	17 213	5 657	43,6	100
Hotel and shops	4 431	2 803	5 360	–	100
Motor showroom	798	1 664	570	–	100
Hotel, shops, offices and 765 flats	82 569	19 793	53 859	5,1	100
	102 816	45 486	70 208	7,6	
Factories, workshops and warehouses	3 815	30 610	17 040	14,1	100
Shops	607	3 750	1 201	–	100
Shops	305	1 983	1 997	72,3	100
Warehouse	311	5 239	1 150	–	100
Factories	424	5 102	926	–	100
Warehouses	4 707	25 240	13 531	–	100
Warehouses	2 768	12 759	6 786	–	100
	12 936	84 683	42 631	9,0	
Shops and offices	2 351	2 009	3 151	39,4	100
Shops and offices	3 294	1 785	4 100	5,0	100
Shops and offices	1 579	2 362	3 276	42,1	100
Offices	4 331	6 484	2 663	–	100
Vacant land	652	7 867	7 307	–	100
Warehouse and offices	1 731	12 742	7 028	–	100
Shops and 469 flats	31 570	39 770	32 214	12,6	50
Shopping centre and offices	74 678	57 603	47 096	0,7	100
Warehouses and mini factories	5 249	3 503	9 717	–	100
Motor dealerships	3 513	8 639	3 692	–	100
Shops	5 741	10 326	6 769	5,3	100
Workshops	1 095	6 719	3 380	–	100
Greenfield residential development	–	13 335	–	–	50
Value Mart shopping centre	28 174	42 255	18 093	0,0	100
	163 958	215 399	148 486	5,1	



# SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP CONTINUED

for the year ended 31 August 2015

Property name	Address	Weighted average rental per m <sup>2</sup> at 31 August 2015 – commercial	Weighted average rental per unit at 31 August 2015 – residential
<b>Johannesburg CBD</b>			
119 Albertina Sisulu Street*	119 Albertina Sisulu (Market) Street	Vacant	–
121 Albertina Sisulu Street*	121 Albertina Sisulu (Market) Street	55	–
Anderson Place*	9 Harrison Street	57	–
Arlington House*	60 – 66 City Hall (Loveday) Street	134	–
Armadale*	1 Twist Street	78	4 561
Bradlows Corner*	66 Rissik Street	80	–
Bram Fischer Towers*	20 Albert Street	81	–
Brisk Place*	195 Lilian Ngoyi (Bree) Street	80	3 720
Castle Mansions*	170 Jeppe Street	129	4 450
City Block	Cnr Fredrick and Joubert/Cnr Albert and Eloff Street	14	–
CPA Place*	19 Loveday Street	94	4 171
Dan's Place*	165 Jeppe Street	120	4 084
Education Centre*	Cnr Plein, Hoek and Bree Street	121	–
Elephant House*	107 Albertina Sisulu (Market) Street	93	–
Eloff Street*	17 and 19 Eloff Street	45	–
Empisal	207 Lilian Ngoyi (Bree) Street	64	–
Essenby	175 Jeppe Street	Vacant	4 209
Fedsure House*	87 Rissik Street	67	–
Fine Art Court	103 Pritchard Street	154	3 669
Fine Art House	105 Pritchard Street	52	–
Focus House*	86 City Hall Street	78	–
Frank's Place*	99 Eloff Street	–	4 177
High Court Building and Somerset House	Cnr Joubert, Fox and New Street	57	–
Howard House	23 Loveday Street	91	–
Inner Court*	88 Eloff Street	85	–
Jeppe House*	106 Eloff Street	54	–
John Street*	18 – 20 John Street	38	–
Kings City Parkade*	Cnr Bree and Eloff Street	208	–
Klamson Towers*	149A and 151 Commissioner Street	97	–
Lara's Place*	187 Lilian Ngoyi (Bree) Street	125	4 272
Lister Medical Centre*	195 Rahima Moosa (Jeppe) Street	95	–
London House	21 Loveday Street	54	–
Lusam Mansions*	209 Lilian Ngoyi (Bree) Street	212	3 692
Marlborough House	127 Fox Street	86	–
Medical Towers*	179 Jeppe Street	101	–
Mr Price*	Cnr Albertina Sisulu (Market) and Von Brandis Street	126	–
North City*	28 Melle Street	105	–
Plaza Place*	Cnr Rissik and Jeppe Street	73	3 687
Presmooi	Cnr President, Mooi and Pritchard Street	49	–
Raschers	70 Loveday Street	180	–
Record House*	86 Eloff Street	145	3 296
Reinsurance House	Cnr Sauer and Commissioner Street	Mothballed	–
Reliance Centre*	107 Heidelberg Road	37	–
Ricci's Place*	Cnr Rissik, Commissioner and Joubert Street	128	4 005
Royal Place*	Cnr Kerk and Eloff Street	119	3 885
Selby 515*	15 Prop Street	39	–
Shoprite – Eloff Street*	Cnr Von Brandis, Eloff and Pritchard Street	7	–
Splendid Place*	118 Pritchard Street	163	4 147
Tali's Place*	Cnr Goud and Albertina Sisulu (Market) Street	56	3 816

Description of buildings	Rental income R'000	Site area m <sup>2</sup>	GLA m <sup>2</sup>	Vacancy at 31 August 2015 %	% held by Octodec %
Shops and offices	15	496	1 639	100,0	100
Shops	367	245	613	–	100
Shops and offices	4 293	992	5 385	–	100
Shops and offices	3 845	2 480	2 905	13,2	100
Shops and 82 flats	8 789	1 982	12 336	14,3	100
Shops	1 315	991	2 115	23,0	100
Shops, offices and parking	5 973	2 447	11 408	45,6	100
Shops and 93 flats	5 740	1 004	5 624	7,0	100
Shops and 177 flats	16 818	2 477	16 165	7,8	100
Workshops	481	–	4 074	–	100
Shops, offices and 194 flats	6 019	991	4 674	1,6	100
Shops and 150 flats	9 559	1 490	8 240	14,7	100
Shops, offices and parking	3 566	1 983	10 941	76,5	100
Offices	2 143	990	4 794	39,8	100
Warehouse	307	596	586	–	100
Shops and offices	921	497	1 628	–	100
Shops and 116 flats	4 375	992	6 294	32,0	100
Shops, offices and parking	1 420	3 488	19 613	96,3	100
Shops and 35 flats	1 731	250	1 499	5,5	100
Shops and offices	454	499	3 210	77,9	100
Shops and offices	1 346	501	3 066	14,3	100
Shops and 106 flats	609	2 234	12 060	58,2	100
Shops, offices and 20 flats	1 286	544	3 145	14,6	100
Shops and offices	1 434	248	1 406	6,5	100
Shops, offices and parking	22 950	3 733	23 509	5,4	100
Shops and offices	5 153	988	8 015	–	100
Warehouses	5 595	14 782	14 216	9,4	100
Shops and parking	5 891	1 985	17 026	2,4	100
Shops and offices	3 736	992	6 571	34,0	100
Shops, offices, 142 flats and parking	9 609	1 495	7 447	13,9	100
Shops and offices	9 476	1 983	14 909	42,9	100
Shops and offices	1 401	–	4 177	22,5	100
Shops, store room and 82 flats	4 273	497	3 753	13,0	100
Shops and offices	7 202	1 387	8 761	18,6	100
Shops and offices	3 057	991	5 586	51,6	100
Shops and offices	3 683	991	3 082	8,6	100
Shops and offices	7 263	1 489	8 836	40,4	100
Shops and 214 flats	10 394	1 495	8 497	8,5	100
Shops and offices	2 023	2 975	3 601	0,6	100
Shops	598	500	888	92,0	100
Shops and 41 flats	1 881	248	1 523	14,6	100
Offices	–	1 986	15 034	100,0	100
Offices and warehouses	2 586	1 691	6 967	12,9	100
Shops and 281 flats	14 678	2 475	10 796	14,0	100
Shops, offices and 155 flats	15 347	2 457	14 613	22,1	100
Factories	2 926	12 288	6 777	6,0	100
Shops and offices	2 934	3 968	34 224	–	100
Shops and 150 flats	8 562	1 492	8 372	16,5	100
Shops and 337 flats	17 213	3 718	17 352	9,8	100

# SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP CONTINUED

for the year ended 31 August 2015

Property name	Address	Weighted average rental per m <sup>2</sup> at 31 August 2015 – commercial	Weighted average rental per unit at 31 August 2015 – residential
<b>Johannesburg CBD continued</b>			
Temple Court*	169 Jeppe Street	137	4 309
The Brooklyn*	123 Commissioner Street	89	3 448
Union Club*	Cnr Bree and Joubert Street	232	3 390
Vuselela Place*	Cnr Loveday and Bree Street	200	4 085
Wits Technikon*	Cnr De Villiers, Eloff and Plein Street	28	–
Works@Main*	195 Main Road and Corner Nugget Street	27	–
Works@Registry*	64 Troye Street	61	–
		<b>65</b>	<b>3 938</b>
<b>Tshwane – Arcadia</b>			
470 Pretorius Street	470 Pretorius Street	Parking	–
Apollo Centre	210 Du Toit Street	52	–
Benrico*	417 Church Street	74	–
BP Leyds Street*	Cnr Leyds and Pretorius Street	Petrol station and land	–
Corner Place*	243 and 249 Hamilton Street	–	4 217
Craig's Place*	45 Steve Biko (Beatrix) Street	–	4 094
LPA Beleggings	484 Pretorius Street	21	–
Leo's Place	451 Church Street	114	4 219
Ludwigs	416 Pretorius Street	44	–
MBA Building*	527 Stanza Bopape (Church) Street	85	–
McCarthy Church Street*	Cnr Church and Madiba (Vermeulen) Street	93	–
Monaco	213 Troye Street	–	5 689
Nedbank Plaza*	361 Steve Biko (Beatrix) Street	91	5 766
Numall*	439 Church Street	60	–
Provisus*	523 Stanza Bopape (Church) Street	91	–
Tiny Town	191 Blackwood Street	–	11 466
	700 Church Street	–	9 891
	694 Church Street	Land	–
		<b>73</b>	<b>4 736</b>
<b>Tshwane CBD</b>			
1 on Mutual	215 Madiba (Vermeulen) Street	Project	–
228 Pretorius Street	228 Pretorius Street	85	–
250 Pretorius Street*	250 Pretorius Street	119	–
28 Church Street*	28 WF Nkomo (Church) Street	82	–
Alec's Place*	321 Bosman Street	108	4 839
Amanda Court*	245 Francis Baard (Schoeman) Street	86	4 567
AVN*	360 Thabo Sehume (Andries) Street	83	–
Bank Towers*	190 Thabo Sehume (Andries) Street	123	–
Bosch Building	363 and 365 Johannes Ramokhoase (Proes) Street	Mothballed	–
Boschurch	193 Bosman Street	52	–
Burlan*	41 Bureau Lane	63	–
Callaway*	133 WF Nkomo (Church) Street (West)	41	–
Cambridge Retail*	288 Struben and Bloed Street	72	–
Capitol Towers North*	225 Madiba (Vermeulen) Street	92	–
Central House*	223 Central Street	140	–
Central Towers*	286 Pretorius Street	137	–
Centre Forum*	89 Lilian Ngoyi (Van der Walt) Street	Project	–
Centre Place*	267 Helen Joseph (Church) Street	216	3 782
Centre Walk*	266 Pretorius Street	119	–
City Corner*	215 Bosman Street	45	–
	149 WF Nkomo (Church) Street (West)	265	–
	143 WF Nkomo (Church) Street (West)	100	–
City Place*	111 WF Nkomo (Church) Street	91	3 886

Description of buildings	Rental income R'000	Site area m <sup>2</sup>	GLA m <sup>2</sup>	Vacancy at 31 August 2015 %	% held by Octodec %
Shops and 45 flats	2 781	249	2 335	–	100
Shops and 154 flats	6 148	992	6 078	1,7	50
Shops and 72 flats	5 083	644	3 808	6,5	100
Shops, offices and 193 flats	10 794	1 735	9 122	8,4	100
Colleges	4 410	3 969	16 937	61,3	100
Shops and offices	1 346	991	5 062	13,3	100
Shops and offices	2 764	1 989	10 399	60,3	100
	284 563	105 592	451 691	26,8	
Vacant land	263	917	917	–	100
Shops, offices and parking	3 928	2 552	9 844	23,5	100
Shops, offices, store and parking	1 068	1 499	2 680	–	100
Garage and vacant land	1 018	5 452	267	–	100
112 flats	5 420	1 913	3 722	–	100
154 flats	7 613	2 889	5 149	–	100
Workshop	282	1 914	1 288	–	100
Shops and 167 flats	8 211	3 416	6 352	0,7	100
Showroom	738	2 552	2 261	–	100
Offices	2 820	1 276	3 014	12,3	100
Motor dealerships	3 542	6 461	3 199	–	100
27 flats	1 712	4 718	2 649	2,9	100
Shops, offices, 144 flats and parking	25 010	10 207	23 188	14,1	100
Shops and college	3 609	8 588	5 220	–	100
Offices and shops	5 974	2 552	5 866	11,8	100
House	171	1 057	310	–	100
14 cottages	1 489	1 057	1 330	6,4	100
Vacant land	–	1 057	–	–	100
	72 868	60 077	77 256	8,9	
Greenfield residential development with retail and parking	–	2 552	–	–	100
Shops and offices	3 195	696	3 530	–	100
Shops and offices	2 352	812	3 970	44,0	100
Shops and offices	8 067	1 276	7 026	12,9	100
Shops and 95 flats	5 359	1 357	5 217	3,8	100
Shops and 23 flats	2 683	2 186	2 577	2,3	100
Shops, offices and parking	8 770	2 374	7 073	–	100
Offices	7 589	1 722	7 633	27,8	100
Parking	64	1 276	–	–	100
Shops	573	638	922	4,7	100
Shop and offices	718	480	1 958	44,7	100
Shop and warehouse	813	2 552	2 002	28,8	100
Shops	3 829	5 104	4 806	–	100
Shops and offices	15 222	2 966	13 903	3,9	100
Shops and offices	6 412	2 552	5 693	19,4	100
Shops and offices	6 670	1 299	7 496	35,2	100
Greenfield residential development with shops and parking.	538	8 922	–	–	100
Shops, 234 flats and parking	16 841	3 509	10 915	19,9	100
Shops, offices and parking	24 595	7 582	25 669	43,8	100
Shops	288	464	558	2,0	100
Shops	781	371	257	–	100
Shops	758	905	641	–	100
Shops and 298 flats	12 244	5 725	11 476	11,3	100

# SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP CONTINUED

for the year ended 31 August 2015

Property name	Address	Weighted average rental per m <sup>2</sup> at 31 August 2015 – commercial	Weighted average rental per unit at 31 August 2015 – residential
<b>Tshwane CBD continued</b>			
City Towers*	227 Lilian Ngoyi (Van der Walt) Street	118	–
CPA House*	Cnr Du Toit, Johannes Ramokhoase (Proes) and Madiba (Vermeulen) Street	74	–
Curpro	247 Johannes Ramokhoase (Proes) Street	238	–
Cuthchurch*	210 Thabo Sehume (Andries) Street	69	–
	206 Thabo Sehume (Andries) Street	146	–
	259 Helen Joseph (Church) Street	262	–
Daloria*	395 Pretorius Street	43	–
Damalis	256 Struben Street	147	–
Demar Building*	371 Francis Baard (Schoeman) Street	37	4 226
Du Proes	28 Thabo Sehume (Andries) Street	36	–
	83 Du Toit Street	40	–
	79 Du Toit Street	70	–
	34 Thabo Sehume (Andries) Street	Land	–
	400 Johannes Ramokhoase (Proes) Street	49	–
	26 Thabo Sehume (Andries) Street	69	–
Dupro (7)	36 and 38 Thabo Sehume (Andries) Street	Land	–
Dupro (8)	42 Thabo Sehume (Andries) Street	Land	–
Dupro (9)	46 Thabo Sehume (Andries) Street	52	–
Dusku*	Cnr Du Toit and Francis Baard (Schoeman) Street	44	–
Filkem House	278 Helen Joseph (Church) Street	209	–
FNB Church Street	377 Helen Joseph (Church) Street	37	–
Govpret*	319 Pretorius Street	83	–
Hacklu Enterprises	359 Johannes Ramokhoase (Proes) Street	137	–
Indacom	117 Bloed Street	45	–
	116 Struben Street	23	–
	130 Struben Street	27	–
Jardown*	373 Johannes Ramokhoase (Proes) Street	46	–
	384 Madiba (Vermeulen) Street	38	–
Jeff's Place*	137 Francis Baard (Schoeman) Street	–	4 056
Joan's Place*	329 Bosman Street	140	3 500
Karps*	367 Helen Joseph (Church) Street	86	4 877
Ken's Court*	175 Du Toit and 394 Helen Joseph (Church) Street	65	4 957
Letari Building	276 Johannes Ramokhoase (Proes) Street	30	–
Lisa's Place	180 Visagie Street	–	4 206
Locarno House*	317 Francis Baard (Schoeman) Street	102	–
Louis Pasteur*	374 Francis Baard (Schoeman) Street	91	–
	358 Francis Baard (Schoeman) Street	63	–
	363 Pretorius Street	69	–
	351 Pretorius Street	161	–
	366 Francis Baard (Schoeman) Street	47	–
	365 Pretorius Street	47	–
MidChurch	121 WF Nkomo (Church) Street	18	–
Navy House*	Cnr Madiba (Vermeulen) and Lilian Ngoyi (Van der Walt) Street	113	–
Olivetti House	Cnr Pretorius and Sophie de Bruyn Street	61	–
Orpheum Mansions	219 Du Toit Street	67	4 687
Parking@Sophie de Bruyn	233 Sophie de Bruyn (Schubart) Street	Parking	–
Paulefko	327 Paul Kruger Street	29	–
Perl Modes Building*	273 Thabo Sehume (Andries) Street	96	–
Pete's Place*	174 Francis Baard (Schoeman) Street	153	3 876
Potmeul	Cnr Kgosi Mampuru (Potgieter) and Johannes Ramokhoase (Proes) Street	Land	–



Description of buildings	Rental income R'000	Site area m <sup>2</sup>	GLA m <sup>2</sup>	Vacancy at 31 August 2015 %	% held by Octodec %
Shop and office	2 244	1 134	2 868	38,1	100
Shops, offices and parking	6 638	5 104	8 175	4,2	100
Motor showroom	471	2 552	168	–	100
Basement, shops and offices	4 510	1 828	6 844	–	100
Shops and offices	1 980	348	1 345	12,9	100
Basement, shops and offices	2 938	375	967	–	100
Shops	1 045	1 873	1 564	1,3	100
Shops	595	917	435	18,2	100
Shops, basement parking and 70 flats	4 041	2 225	4 991	5,1	100
Shops	296	1 001	723	–	100
Shops	299	609	701	–	100
Shops	199	522	255	–	100
Shops	100	508	514	–	100
Shops	454	1 247	819	–	100
Shops	817	1 317	1 354	–	100
Vacant land	81	878	878	–	100
Shops and vacant land	55	557	557	–	100
Shop and storeroom	267	498	524	–	100
Motor showroom	164	334	351	–	100
Shops, offices and basement	1 244	443	1 345	29,5	100
Shops and offices	460	761	1 523	30,6	100
Shops, offices and parking	7 281	2 552	6 216	–	100
Shops	773	986	662	16,6	100
Shops	661	1 512	1 710	–	100
Warehouses	623	1 906	2 346	–	100
Shops and warehouses	815	3 245	2 593	34,3	100
Shops, warehousing and offices	2 674	7 071	5 309	17,3	100
Shops, warehousing and workshops	998	5 104	3 640	49,8	100
384 flats and parking	16 212	4 842	14 771	5,3	100
Shops and 28 flats	1 379	1 195	1 177	–	100
Shops and 6 flats	755	2 764	2 593	66,7	100
Shop and 46 flats	3 467	3 166	3 681	3,0	100
Shops, offices and warehouses	580	2 561	3 281	16,2	100
97 flats	4 521	2 552	3 090	2,2	100
Shops and offices	1 315	1 703	5 339	35,8	100
Shops and offices	26 768	5 598	32 355	0,6	100
Shops, offices, hospital and parking	3 613	1 276	4 986	–	100
Shops	1 523	1 276	1 872	–	100
Shops and offices	1 315	2 552	757	3,7	100
Offices	1 648	782	3 265	–	100
Shops	200	1 276	374	–	100
Shops	299	654	1 459	–	100
Shops and offices	5 326	1 235	6 712	40,9	100
Offices	849	2 582	3 570	8,3	100
Shops and 22 flats	1 995	1 485	2 759	6,0	100
Parking	–	1 181	–	–	100
Shop	448	557	1 409	–	100
Shops and college	2 399	1 577	2 110	–	100
Shops and 181 flats	8 183	1 782	6 913	1,0	100
Vacant land	–	16 523	–	–	100

# SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP CONTINUED

for the year ended 31 August 2015

Property name	Address	Weighted average rental per m <sup>2</sup> at 31 August 2015 – commercial	Weighted average rental per unit at 31 August 2015 – residential
<b>Tshwane CBD continued</b>			
Potproes*	237 Kgosi Mampuru (Potgieter) Street	37	–
	37 Pretorius Street	49	–
	233 Kgosi Mampuru (Potgieter) Street	31	–
	Cnr Kgosi Mampuru (Potgieter) and Johannes Ramokhoase (Proes) Street	44	–
Poyntons*	117 Lilian Ngoyi (Van der Walt) Street	95	–
Praetor Forum*	267 Lilian Ngoyi (Van der Walt) Street	101	–
Premium Towers	296 Pretorius Street	170	–
Pretjolum*	391 Pretorius Street	48	–
	267 Du Toit Street	94	–
	386 Francis Baard (Schoeman) Street	51	–
	385 Pretorius Street	30	–
Prime Towers*	296 Francis Baard (Schoeman) Street	107	–
Prinsben*	349 Sisulu (Prinsloo) Street	69	–
Prinschurch*	216 Sisulu (Prinsloo) Street	127	–
Prinsman*	327 Francis Baard (Schoeman) Street	57	3 804
	332 Nana Sita (Skinner) Street	57	–
Prinsproes	84 Sisulu (Prinsloo) Street	37	–
Prinstruben	360 Struben Street	56	–
Protea Towers*	246 Paul Kruger Street	109	–
Provincial House	Cnr Lilian Ngoyi (Van der Walt) and Brown Street	85	–
Rapier*	297 Johannes Ramokhoase (Proes) Street	139	–
Rezmep	378 Pretorius Street	37	–
	399 Helen Joseph (Church) Street	86	–
	361 Helen Joseph (Church) Street (East)	66	–
	362 Pretorius Street	117	–
	384 Pretorius Street	23	–
	385 Helen Joseph (Church) Street	75	–
	379 Helen Joseph (Church) Street	47	–
	387 Helen Joseph (Church) Street	139	4 257
	388 Pretorius Street	49	–
Russell's Place*	213 Sophie de Bruyn (Schubart) Street	90	4 072
Samchurch*	Cnr Helen Joseph (Church) and Sisulu (Prinsloo) Street	310	–
SchoeCourt	84 Francis Baard (Schoeman) Street	26	–
Sharp Centre	13 Pretorius Street	42	–
Shepstru*	335 Struben Street	49	–
Shoprite*	298 Helen Joseph (Church) Street	57	–
SKD	78 Visagie Street	22	–
	70 Visagie Street	40	–
	87 Visagie Street	38	–
Standard Bank Chambers*	236 Paul Kruger Street	74	–
Station Place*	190 Scheiding Street	30	3 815
Steyn's Place*	274 Francis Baard (Schoeman) Street	157	4 199
Steynscoor*	35 Lilian Ngoyi (Van der Walt) Street	129	–
Time Place	153 Pretorius Street	119	3 816
Toitman	225 Du Toit Street	46	–
Tom's Place*	227 Minnaar Street	–	4 169
Tshwane Midtown	Cnr Sisulu (Prinsloo) and Madiba (Vermeulen) Street	Mothballed	–
Tuel	501 Paul Kruger Street	69	–

Description of buildings	Rental income R'000	Site area m <sup>2</sup>	GLA m <sup>2</sup>	Vacancy at 31 August 2015 %	% held by Octodec %
Workshop and warehouse	451	1 914	1 000	–	100
Shops, workshop and motor showroom	1 091	5 439	2 005	–	100
Motor showroom	118	638	333	–	100
Filling station, shops and workshops	2 130	22 080	7 219	35,1	100
Shop and offices	2 056	2 001	3 150	–	100
Shop and offices	4 826	2 132	6 105	41,9	100
Shop and offices	6 360	1 418	6 250	23,4	100
Shop and offices	649	993	1 229	–	100
Shops and workshop	525	1 785	1 525	69,0	100
Shops	1 864	4 357	3 163	–	100
Shops and warehouse	618	2 181	1 719	–	100
Shops, offices and basement	3 542	638	3 780	11,3	100
Shops	1 042	2 552	1 312	–	100
Shops, offices and parking	3 092	2 552	13 478	86,9	100
Shops, offices and 175 flats	10 566	8 504	9 157	0,9	100
Shops and parking	1 978	4 475	3 098	4,6	100
Shops and offices	1 843	2 378	4 446	7,6	100
Shops	1 112	2 552	1 884	3,9	100
Offices and parking	4 627	1 862	9 532	58,5	100
Shops and offices	849	1 060	2 136	65,4	100
Shops	1 408	5 710	936	–	100
Shops, offices and warehousing	833	1 276	2 004	–	100
Shops and hotel	1 279	1 067	3 152	10,5	100
Shops	400	553	847	–	100
Shops and warehouse	3 014	2 552	1 945	–	100
Shops	528	1 276	2 020	–	100
Shops	623	2 812	2 122	64,1	100
Shops	441	763	803	–	100
Shops, warehousing and 21 flats	1 630	2 552	1 471	27,2	100
Shops and warehouse	961	2 552	1 881	–	100
Shops and 191 flats	9 887	3 022	8 150	1,6	100
Shops, basement and vacant land	499	3 237	189	–	100
Shops and storeroom	649	2 738	2 491	9,3	100
Shops and offices	717	2 552	2 012	–	100
Shops, offices and storeroom	1 319	2 378	3 225	1,1	100
Shops and offices	13 314	7 358	18 901	–	100
Shops and warehouse	412	1 886	1 592	–	100
Shops and warehouse	563	2 339	1 276	–	100
Offices	621	3 737	1 381	–	100
Offices and bank	5 950	1 741	7 623	11,4	100
Shops and 369 flats	16 868	7 656	16 309	1,7	100
Shops and 381 flats	21 885	3 816	15 641	2,1	100
Shops and offices	5 928	5 104	4 023	–	100
Shops and 144 flats	7 039	1 429	5 381	5,2	100
Shops and offices	1 123	13 034	2 139	–	100
320 flats	15 918	6 816	9 984	0,5	100
Shops, offices and parking	–	2 136	8 499	100,0	100
Shops	839	740	1 093	–	100

# SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP CONTINUED

for the year ended 31 August 2015

Property name	Address	Weighted average rental per m <sup>2</sup> at 31 August 2015 – commercial	Weighted average rental per unit at 31 August 2015 – residential
<b>Tshwane CBD continued</b>			
Valcourt	336 Struben Street	51	–
Vanstrub	70 Lilian Ngoyi (Van der Walt) Street	53	–
Viskin	18 Visagie Street	54	–
Volks Building*	218 – 224 Sophie de Bruyn (Schubart) Street	Project	–
		<b>81</b>	<b>4 039</b>
<b>Tshwane East</b>			
Elarduspark Shopping Centre*	837 Barnard Street	138	–
Odeon Forum*	83 Lois Street	143	–
		<b>139</b>	<b>–</b>
<b>Tshwane North</b>			
Blaauw Village*	283 Ben Viljoen Street	77	–
Erf Agt Nul Nege	Cnr Gerrit Maritz and Danie Theron Street	58	–
Erf Six Five One	319 Koos de la Rey Street	46	–
Normed*	260 Burger Street	47	–
Ramreg	284 Eufees Street	60	3 759
	590 Gerrit Maritz Street	–	5 500
Rosnew	15 Kotzenberg Street	76	–
Tronap Investments	457 Gerrit Maritz Street	46	–
		<b>63</b>	<b>3 850</b>
<b>Tshwane Other</b>			
Landkirk	568 Bonita Crescent	26	–
Persequor Park*	18 De Havilland Crescent	109	–
	30 De Havilland Crescent	94	–
	38 De Havilland Crescent	105	–
Rentmeester Park*	74 Watermeyer Street	98	–
Valhof*	35 Vindella Road	56	–
		<b>93</b>	<b>–</b>
<b>Tshwane West</b>			
Airoterp	302 E'skia Mphahlele (DF Malan) Drive (West)	Sold	–
Asland*	365 Charlotte Maxeke (Mitchell) Street	31	–
Carlzeil*	402 Charlotte Maxeke (Mitchell) Street	Land	–
	30 Zeiler Street	43	–
	414 Charlotte Maxeke (Mitchell) Street	39	–
	418 Charlotte Maxeke (Mitchell) Street	36	–
	410 Charlotte Maxeke (Mitchell) Street	44	–
	423 Carl Street	25	–
	405 Carl Street	28	–
	430 Charlotte Maxeke (Mitchell) Street	38	–
	411 Carl Street	34	–
Dirk du Toit	323 Charlotte Maxeke (Mitchell) Street	32	–
	325 and 327 Charlotte Maxeke (Mitchell) Street	39	–
Goleda	523 Carl Street	13	–
	529 Carl Street	27	–
	536 Charlotte Maxeke (Mitchell) Street	30	–
	546 Charlotte Maxeke (Mitchell) Street	31	3 718
	40 Rose-Etta Street	37	–
Grariv*	680 Lievaart Street	–	5 032
Henwoods	403 Charlotte Maxeke (Mitchell) Street	46	–
Imbuia*	180 Inner Crescent	–	4 908
Ischurch*	135 WF Nkomo (Church) Street	45	3 995
	127 WF Nkomo (Church) Street	–	–
	125 WF Nkomo (Church) Street	20	–
Jakaranda*	180 Inner Crescent	–	4 037

Description of buildings	Rental income R'000	Site area m <sup>2</sup>	GLA m <sup>2</sup>	Vacancy at 31 August 2015 %	% held by Octodec %
Shops and offices	857	3 480	3 150	25,4	100
Shops and warehouse	2 349	5 104	4 208	–	100
Workshop	184	3 536	313	–	100
Parking	252	1 276	–	–	100
	421 502	341 585	502 455	16,3	
Shopping centre	16 853	1 876	12 026	8,4	100
Offices	4 991	6 788	3 121	–	100
	21 844	8 664	15 147	6,6	
Shopping centre	6 267	17 862	7 328	9,4	50
Shops	843	2 552	1 757	32,4	100
Factories	539	2 552	1 320	33,3	100
Shops and offices	3 048	7 655	5 890	2,6	100
Shops, house and 19 flats	1 526	5 104	1 706	13,5	100
Shops, workshop and garage	4 249	19 016	6 714	29,4	100
Shops	829	2 552	1 487	–	100
	17 301	57 293	26 202	15,5	
Warehouse	364	2 334	1 265	–	100
Offices and parking	8 419	16 526	5 670	–	100
	977	–	788	–	100
	2 501	–	1 556	–	100
Offices and parking	15 079	17 232	12 083	1,2	100
Shops and offices	1 433	6 519	2 189	–	100
	28 773	42 611	23 551	0,6	
Shops	183	–	–	–	100
Warehouse and workshops	1 540	9 993	5 374	21,5	100
Workshops and warehouses	325	2 617	2 450	–	100
Workshops and warehouses	340	1 428	738	–	100
Workshops and warehouses	356	1 428	1 037	–	100
Workshops and warehouses	419	1 428	1 320	–	100
Workshops and warehouses	143	1 428	724	49,3	100
Workshops and warehouses	184	1 428	907	46,4	100
Workshops and warehouses	259	1 428	570	–	100
Workshops and warehouses	399	2 855	1 194	–	100
Workshop	417	1 152	1 141	–	100
Shop and workshop	793	2 856	1 768	–	100
Warehouse	583	4 283	3 842	–	100
Workshops and warehouse	419	1 428	1 568	–	100
Workshop	228	2 855	2 519	47,1	100
Shops, factories and 10 flats	1 414	3 847	3 534	1,2	100
Shops, showroom and workshops	658	2 674	1 583	–	100
Two flats	82	6 828	270	–	100
Factories	1 740	5 710	3 446	–	100
11 flats	643	12 529	1 155	–	100
Shops, eight flats, workshops and house	1 530	4 526	2 576	2,0	100
Shop and offices	50	7 382	2 562	33,3	100
Warehouse and workshop	161	1 428	1 156	–	100
33 flats	1 602	12 529	1 782	–	100



# SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP CONTINUED

for the year ended 31 August 2015

Property name	Address	Weighted average rental per m <sup>2</sup> at 31 August 2015 – commercial	Weighted average rental per unit at 31 August 2015 – residential
<b>Tshwane West continued</b>			
Kiaat*	180 Inner Crescent	–	4 024
Lasmitch Properties	120 Charlotte Maxeke (Mitchell) Street	41	–
Lutbridge	535 WF Nkomo (Church) Street	51	–
	541 WF Nkomo (Church) Street	29	–
Metromitch*	552 Charlotte Maxeke (Mitchell) Street	56	4 339
	564 Charlotte Maxeke (Mitchell) Street	24	–
	582 Charlotte Maxeke (Mitchell) Street	21	–
	563 Carl Street	23	–
Mimosa*	180 Inner Crescent	–	4 653
Mitchbuit*	590 Charlotte Maxeke (Mitchell) Street	40	–
Mitchpap	Cnr Charlotte Maxeke (Mitchell) and Ketjen Street	36	–
Nedwest Centre*	360 Charlotte Maxeke (Mitchell) Street	42	–
Panag Investments	395 Charlotte Maxeke (Mitchell) Street	38	–
Rosemitch*	496 Charlotte Maxeke (Mitchell) Street	41	–
	490 Charlotte Maxeke (Mitchell) Street	Land	–
	27 Rose-Etta Street	–	3 933
	470 Charlotte Maxeke (Mitchell) Street	23	–
	462A Charlotte Maxeke (Mitchell) Street	Land	–
Rovon Investments	85 Rose-Etta Street	45	–
Southwest Properties*	71 Von Wielligh Street	43	–
Syringa*	180 Inner Crescent	–	4 329
		<b>34</b>	<b>4 226</b>
<b>Silverton and surrounding areas</b>			
Brianley	421 Rustic Avenue	35	–
	450 Skilderweg	37	–
	438 Dekgras Road	35	–
	441 Dekgras Road	30	–
	123 Mosaic Road	46	–
	108 Siersteen Avenue	22	–
Janvoel	266 Stormvoël Road	37	–
Mundtstreet	329 and 331 Mundt Street	17	–
Notrevlis	457 Pretoria Road	71	–
Sildale Park*	Cnr Asetileen, Conveyor and Voorhamer Street	40	–
Silver Place*	617 Pretoria Street	45	4 399
Silverfas*	96 Fascia Road	31	–
Silvertondale 36*	446 Dekgras Road	47	–
Supmall	533 Pretoria Road	60	–
Tomzeil*	275 Maggs Street	42	–
The Tannery Industrial Park*	309 Derdepoort Road	42	–
		<b>40</b>	<b>4 399</b>
<b>Sunnyside</b>			
Karelia Flats*	135 Steve Biko (Mears) Street	–	3 962
Les Nize Flats*	507 Leyds Street	–	3 521
Savyon Place*	189 Robert Sobukwe (Esselen) Street	146	4 941
Selmar*	436 Leyds Street	–	4 738
Sunnyside Galleries*	210 Robert Sobukwe (Esselen) Street	86	4 991
The Pavilion*	92 Jeppe Street	148	–
The Village*	47 Robert Sobukwe (Esselen) Street	77	–
Unity Heights*	277 Robert Sobukwe (Esselen) Street	137	5 541
		<b>101</b>	<b>4 293</b>

Description of buildings	Rental income R'000	Site area m <sup>2</sup>	GLA m <sup>2</sup>	Vacancy at 31 August 2015 %	% held by Octodec %
40 flats	1 936	12 529	3 080	–	100
Warehouse and showroom	906	2 855	1 859	–	100
Shops and warehouse	428	1 428	1 319	–	100
Shops and warehouse	1 560	5 710	4 745	–	100
Shops, showroom, warehouse and 36 flats	2 188	3 827	3 456	24,0	100
Shops and warehouse	504	2 855	2 591	28,8	100
Shops and warehouses	406	3 827	2 113	22,0	100
Shops and warehouse	726	2 855	2 842	–	100
18 flats	994	12 529	1 890	–	100
Shops	741	3 569	1 692	–	100
Shops and warehouses	1 741	5 710	5 042	11,6	100
Shops and warehouses	3 363	40 740	10 951	16,4	100
Shops and workshops	806	2 855	1 878	–	100
Warehouse and workshop	886	2 819	2 623	73,4	100
Motor showroom	126	821	97	–	100
18 flats	795	2 070	874	6,3	100
Warehouse	1 716	9 993	7 789	–	100
Vacant land	–	–	–	–	100
Shops, workshops and warehouses	2 063	9 719	3 855	–	100
Warehouses and workshops	1 138	2 855	1 965	–	100
40 flats	2 032	12 529	3 633	2,9	100
	39 523	236 155	107 510	9,8	
Warehouse and workshops	1 161	3 827	5 502	18,9	100
Warehouse	241	1 088	652	–	100
Warehouse	1 035	3 360	3 618	15,3	100
Warehouse	224	1 088	647	–	100
Warehouse and workshops	1 588	5 539	3 188	9,0	100
Warehouse	132	1 470	503	–	100
Shops	767	4 461	1 760	–	100
Factories	1 188	12 243	6 624	–	100
Shops and warehouses	1 296	5 093	1 842	5,7	100
Industrial park	10 603	50 266	22 392	0,4	100
Shops, 232 flats and parking	16 222	23 555	29 082	4,0	100
Warehouses	947	3 850	2 712	12,8	100
Workshops and warehouses	733	2 058	1 818	19,0	100
Shops	852	2 364	1 564	–	100
Warehouse and workshops	3 464	16 865	9 741	–	100
Industrial park	18 069	64 834	39 268	14,5	100
	58 522	201 961	130 913	7,4	
48 flats	2 109	1 276	1 464	1,8	100
55 flats	2 317	992	1 456	–	100
Shops and 28 flats	2 748	1 637	2 646	1,9	100
19 flats	1 036	1 276	1 512	6,4	100
Offices, shops and five flats	3 168	5 369	4 175	–	100
Shops	3 891	3 448	2 350	10,4	100
Shops	3 811	7 226	4 493	1,4	100
24 flats	2 333	1 211	2 254	1,6	100
	21 413	22 435	20 350	2,5	

# SCHEDULE OF INVESTMENT PROPERTIES OWNED BY THE OCTODEC GROUP CONTINUED

for the year ended 31 August 2015

Property name	Address	Weighted average rental per m <sup>2</sup> at 31 August 2015 – commercial	Weighted average rental per unit at 31 August 2015 – residential
<b>Waverley, Gezina, Moot</b>			
Bouwer Broers	522 Steve Biko (Voortrekker) Road	45	–
Fawn	702 Paul Kruger Street	Sold	–
	789 Paul Kruger Street	Sold	–
Frederikastraat	606 Frederika Street	56	–
Gerlan	348 Steve Biko (Voortrekker) Road	100	–
Gezina City Shopping Centre*	593 Nico Smith (Michael Brink) Street	51	–
Karkap Properties	595 Frederika Street	54	–
Motor City Capital Park	775 Steve Biko (Voortrekker) Road	60	–
Orion	482 Myburgh Street	40	4 165
Ou Holland	786 Steve Biko (Voortrekker) Road	56	4 460
Swemvoor	545 Steve Biko (Voortrekker) Road	37	–
Trekfred	776 Steve Biko (Voortrekker) Road and 487 HF Verwoerd Road	80	–
Trekmin*	630 Steve Biko (Voortrekker) Road	67	4 488
Troymona	764, 32nd Avenue/777, 34th Avenue	–	6 400
Waverley Plaza			
Shopping Centre*	1120 Hertzog Street	137	–
		<b>75</b>	<b>4 419</b>
		<b>72</b>	<b>4 275</b>
Investment properties 100% held		<b>72</b>	<b>4 286</b>
Investment properties 50% held		<b>83</b>	<b>4 140</b>
		<b>72</b>	<b>4 275</b>

\* Properties securing long-term borrowings (notes 2 and 15).

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

Description of buildings	Rental income R'000	Site area m <sup>2</sup>	GLA m <sup>2</sup>	Vacancy at 31 August 2015 %	% held by Octodec %
Shops	1 371	3 844	2 673	–	100
Shops	88	–	–	–	100
Shops	651	–	–	–	100
Shops	807	2 552	1 591	17,6	100
Motor dealership showroom	1 040	1 276	5 174	–	50
Shopping centre	9 825	43 153	16 217	–	100
Shops	661	2 552	1 163	11,7	100
Shops, storerooms and workshops	4 824	17 669	7 421	7,1	100
Shops, warehousing and 22 flats	1 543	1 862	2 413	8,0	100
Shops and 22 flats	1 436	2 552	2 347	10,0	100
Shops and offices	808	2 552	2 376	–	100
Vacant land, parking and shops	2 273	6 379	2 786	5,5	100
Shops, 48 flats and parking	6 852	11 483	9 288	1,0	100
Houses	118	1 081	300	–	100
Shopping centre	17 508	38 198	11 200	2,2	100
	49 805	135 153	64 949	3,1	
	1 325 611	1 610 922	1 716 598	14,8	
	1 280 587	1 551 022	1 665 804		
	45 024	59 900	50 794		
	1 325 611	1 610 922	1 716 598		

# SCHEDULE OF INTEREST IN SUBSIDIARIES

for the year ended 31 August 2015

Subsidiary name	Share- holding %	Cost of shares 2015 R	Cost of shares 2014 R	Amounts owing by/(to) subsidiaries 2015 R	Amounts owing by/(to) subsidiaries 2014 R
Airoterp Share Block Proprietary Limited	–	–	100	–	(100)
Alert Investments Share Block Proprietary Limited	100	600	600	(600)	(600)
Anke Properties Proprietary Limited	100	1 000	1 000	(1 189 572)	(1 008 388)
Carine Properties Share Block Proprietary Limited	100	107 875	107 875	(300)	(300)
Cold Air Investments Share Block Proprietary Limited	100	1 000	1 000	(1 000)	(1 000)
Dirk du Toit Share Block Proprietary Limited*	100	100	100	(100)	(100)
Dusku Investments Share Block Proprietary Limited	100	803 933	803 933	(100)	(100)
Elarduspark Shopping Centre Proprietary Limited	100	7 362 821	7 362 821	(1 000)	(1 341)
Erf 181 Hermanstad Share Block Proprietary Limited	100	100	100	(100)	(100)
Erf 651 Pretoria North Share Block Proprietary Limited	100	1 000	1 000	(1 000)	(1 000)
Erf 809 Share Block Proprietary Limited*	100	95	95	(95)	(1 924)
Fawn Properties Share Block Proprietary Limited	100	200	200	(200)	(200)
Frederikastraat Beleggings Share Block Proprietary Limited	100	100	100	(100)	(100)
Gezfarm Properties Share Block Proprietary Limited	100	1 000	1 000	(1 000)	(1 000)
Golea Properties Share Block Proprietary Limited	100	200	200	(200)	(5 190)
Hannyhof Share Block Proprietary Limited	100	1 000	1 000	(1 000)	(1 995)
Hardwood Properties Share Block Proprietary Limited	100	3	3	(3)	(3)
Henwoods (Pretoria Development) Company Share Block Proprietary Limited*	100	1 000	1 000	(1 000)	(1 000)
Heracle Share Block Proprietary Limited	100	753 047	753 047	(8 442)	(8 442)
Indacom Properties Share Block Proprietary Limited*	100	16	16	(16)	(16)
IPS Investments Proprietary Limited <sup>^</sup>	50	968	–	614 648 878	–
Janvoel Properties Share Block Proprietary Limited	100	1 000	1 000	(1 000)	(1 000)
Karkap Properties Share Block Proprietary Limited	100	100	100	(100)	(876)
Killarney Mall Properties Proprietary Limited	100	2 392 153	2 392 153	234 374 774	232 439 858
Lasmitch Properties Share Block Proprietary Limited	100	1 000	1 000	(1 000)	12 285
Lutbridge Investment Share Block Proprietary Limited	100	70	70	(70)	(13 510)
Metromitch Share Block Proprietary Limited	100	100	100	(100)	(11 021)
Middlepip Share Block Proprietary Limited	100	1 000	1 000	(1 000)	(1 000)
Mitchpap Share Block Proprietary Limited*	100	200	200	(200)	(200)
Muntstreet Properties Share Block Proprietary Limited*	100	1 000	1 000	(1 000)	(1 000)
Nedwest Centre Share Block Proprietary Limited	100	4 000	4 000	(4 000)	(4 000)
Octprop Properties Proprietary Limited	100	100	100	25 541 226	26 098 610
Panag Investments Share Block Proprietary Limited	100	200	200	19 667	(200)
Potproes Properties Share Block Proprietary Limited	100	3 086 426	3 086 426	(1 000)	(1 185)
Premium Properties Limited <sup>#</sup>	100	3 024 919 806	–	(162 092 535)	–
Presmooi Proprietary Limited*	100	523 031	523 031	599 213 494	503 112 312
Pretboy Share Block Proprietary Limited	100	100	100	(100)	(100)
Pretvin Share Block Proprietary Limited	100	4 000	4 000	(4 000)	(4 000)
Pretwade Share Block Proprietary Limited	100	2	2	(2)	(2)
Prinsben Properties Share Block Proprietary Limited*	100	1 000	1 000	(1 000)	(1 024)
Prinstruben Share Block Proprietary Limited	100	1 000	1 000	(1 000)	(1 000)
Ramreg Properties Proprietary Limited	100	1	1	4 488 268	4 388 283
Rovon Investments Share Block Proprietary Limited*	100	316 642	316 642	(4)	(4)
Rumpro Investments Share Block Proprietary Limited	100	1 713 213	1 713 213	(120)	(120)



Subsidiary name	Share- holding %	Cost of shares 2015 R	Cost of shares 2014 R	Amounts owing by/(to) subsidiaries 2015 R	Amounts owing by/(to) subsidiaries 2014 R
SKD Beleggings (Skof Vyf) Share Block Proprietary Limited	100	100	100	(100)	(153)
Steynscoor Share Block Proprietary Limited	100	18	18	(18)	(18)
Swemvoor Share Block Proprietary Limited	100	100	100	(100)	(99)
Talkar Properties Share Block Proprietary Limited	100	100	100	(100)	(100)
Tribeca Properties Proprietary Limited	100	11 752 737	11 752 737	45 853 455	35 153 261
Tronap Investments Share Block Proprietary Limited	100	100	100	(100)	(100)
Tuel Share Block Proprietary Limited	100	300	300	(300)	(300)
Viskin Share Block Proprietary Limited	100	1 000	1 000	(1 000)	(1 000)
Waverley Plaza Properties Proprietary Limited	100	794 399	794 399	148 469 595	143 783 060
Woodmead Mart Proprietary Limited	100	3 438 345	3 438 345	188 059 086	157 339 732
		<b>3 057 989 401</b>	33 068 727	<b>1 667 352 666</b>	1 101 252 490

\* Ceded shares securing long-term borrowings (note 15).

<sup>#</sup> **Premium Properties Limited - wholly owned subsidiaries**

Bartlucia Investments Share Block Proprietary Limited  
 Brianley Properties Share Block Proprietary Limited  
 Burnfield Properties Proprietary Limited  
 Centpret Properties Proprietary Limited  
 Centuria 369 Proprietary Limited  
 Du-Proes Share Block Proprietary Limited  
 Filkem House Share Block Proprietary Limited  
 Hacklu Enterprises Share Block Proprietary Limited  
 L.P.A. Beleggings Share Block (Eiendoms) Beperk  
 Landjack Properties Proprietary Limited  
 Notrevlis Share Block Proprietary Limited  
 Prinsman Properties Share Block Proprietary Limited  
 Prinsproes Properties Share Block Proprietary Limited  
 Rezmep Investments Share Block Proprietary Limited  
 Roslev Properties Share Block Proprietary Limited  
 Savyon Building Proprietary Limited  
 Tomzeil Share Block Proprietary Limited

<sup>^</sup> **IPS Investments Proprietary Limited - wholly owned subsidiaries**

Inspret Properties Proprietary Limited  
 Grariv Properties Share Block Proprietary Limited  
 Johnbuild Properties Proprietary Limited  
 Joybee Properties Proprietary Limited  
 OPC Properties Proprietary Limited  
 Simprit Properties Share Block Proprietary Limited  
 VAD Properties Proprietary Limited  
 Vuselela Investments Proprietary Limited  
 Waltpost Properties Proprietary Limited  
 Zelpy 2055 Proprietary Limited

# SHAREHOLDERS' ANALYSIS

for the year ended 31 August 2015

SHAREHOLDERS' CLASSIFICATION	Number of shareholders	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	508	17,06	271 462	0,11
1 001 – 10 000	1 540	51,73	6 084 552	2,41
10 001 – 100 000	692	23,25	22 025 043	8,73
100 001 – 1 000 000	186	6,25	58 446 120	23,16
Over 1 000 000	51	1,71	165 494 607	65,59
<b>Total</b>	<b>2 977</b>	<b>100,00</b>	<b>252 321 784</b>	<b>100,00</b>
<b>DISTRIBUTION OF SHAREHOLDERS</b>				
Insurance companies	20	0,67	5 716 564	2,26
Close corporations	53	1,78	25 519 295	10,11
Collective investment schemes	104	3,49	59 459 888	23,56
Custodians	28	0,94	3 647 853	1,45
Foundations and charitable funds	78	2,62	5 804 515	2,30
Hedge funds	2	0,07	195 442	0,08
Insurance companies	1	0,03	14 107	0,01
Investment partnerships	7	0,24	99 976	0,04
Managed funds	10	0,34	251 956	0,10
Medical aid funds	2	0,07	121 923	0,05
Organs of state	3	0,10	16 588 192	6,57
Private companies	134	4,50	68 558 400	27,17
Public companies	3	0,10	167 920	0,07
Retail shareholders	1 999	67,15	25 731 823	10,20
Retirement benefit funds	107	3,60	13 649 765	5,41
Scrip lending	4	0,13	271 860	0,11
Stockbrokers and nominees	19	0,64	2 399 097	0,95
Trusts	402	13,50	24 122 831	9,55
Unclaimed scrip	1	0,03	377	0,00
<b>Total</b>	<b>2 977</b>	<b>100,00</b>	<b>252 321 784</b>	<b>100,00</b>
<b>SHAREHOLDER TYPE</b>				
Directors and associates	48	1,61	94 059 709	37,28
Public shareholders	2 929	98,39	158 262 075	62,72
<b>Total</b>	<b>2 977</b>	<b>100,00</b>	<b>252 321 784</b>	<b>100,00</b>
<b>FUND MANAGERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES</b>				
Old Mutual Investment Group			16 951 229	6,72
Stanlib Asset Management			16 867 277	6,68
Public Investment Corporation			15 218 036	6,03
<b>Total</b>			<b>49 036 542</b>	<b>19,43</b>
<b>BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES</b>				
Old Mutual Group			16 637 814	6,59
Government Employees Pension Fund			14 279 805	5,66
Stanlib			13 139 308	5,21
<b>Total</b>			<b>44 056 927</b>	<b>17,46</b>
<b>Total number of shareholdings</b>				<b>2 977</b>
<b>Total number of shares in issue</b>				<b>252 321 784</b>
<b>SHARE PRICE PERFORMANCE</b>				
Opening price 2 September 2014				R21,98
Closing price 31 August 2015				R24,25
Closing high for period				R28,52
Closing low for period				R19,55
Number of shares in issue				252 321 784
Volume traded during period				34 916 868
Ratio of volume traded to shares issued (%)				13,84%
Rand value traded during the period				R858 845 429

# GLOSSARY

AGM	Annual general meeting
B-BBEE	Broad-Based Black Economic Empowerment
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
CID	Central improvement district
City Property	City Property Administration Proprietary Limited
Companies Act or the Act	Companies Act of South Africa, 71 of 2008, as amended
CSDP	A Central Securities Depository Participant, appointed by individual Octodec shareholder(s) for the purpose of and in regard to dematerialisation in terms of the Securities Services Act, 36 of 2004
dematerialisation	The process by which Octodec share(s) held by certificated Octodec shareholder(s) are converted or held in electronic form as dematerialised Octodec share(s) and recorded in the subregister of Octodec shareholder(s) maintained by a CSDP
dematerialised Octodec share(s)	Octodec share(s) which have been dematerialised through a CSDP or broker and are held on the subregister of Octodec shareholder(s) administered by CSDPs in electronic form
Enlarged Octodec	Octodec, Premium, IPS and their respective subsidiaries
GLA	Gross lettable area
group	Octodec and its subsidiaries
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Income Tax Act	Income Tax Act, 58 of 1962, as amended
IPS	IPS Investments Proprietary Limited
JHB	Johannesburg
JSE	JSE Limited
MOI	Octodec’s memorandum of incorporation
Octodec or the company	Octodec Investments Limited
own name dematerialised share(s)	Those Octodec shares that have dematerialised their Octodec shares through a CSDP and have instructed the CSDP to hold their shares in their own name on the subregister maintained by the CSDP and forming part of the Octodec share register
Premium	Premium Properties Limited
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
Shareholder(s)	Collectively, certificated Octodec shareholder(s) dematerialised Octodec shareholder(s) and own name dematerialised Octodec shareholder(s)
the board or the directors	Board of directors

# NOTICE OF ANNUAL GENERAL MEETING

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## 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 23rd annual general meeting (AGM) of shareholders of Octodec on Friday, 29 January 2016, at 11:30 that will be held at CPA House, 101 Du Toit Street, Tshwane, 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).

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 2015, will be presented to shareholders as required in terms of section 30(3)(d) of the Act.

## REPORT OF THE SOCIAL, ETHICS, REMUNERATION AND TRANSFORMATION COMMITTEE

In accordance with regulation 43(5)(c), issued in terms of the Act, the chairman of the social, ethics, remuneration and transformation 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:

- 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;
- 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;
- the company is authorised thereto by its MOI;
- 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;
- 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;
- 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 repurchase was effected;
- 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;
- 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 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 Act, in addition to the remuneration previously approved by shareholders, the company be and is hereby authorised, to remunerate its directors for their services as directors for attending any ad hoc sub-committee of the board and/or pay any fees related thereto on the basis and on any other basis as may be recommended by the social, ethics, remuneration and transformation 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 (twelve) months ending 31 August 2016, as follows:

	12 months to 31 August 2016
<b>Fee per meeting</b>	
Meeting fee for attendance at an ad hoc sub-committee meeting of the board	18 000
Chairman of an ad hoc sub-committee of the board	22 000"

### Special resolution 4 – Approval of directors' remuneration for the period 1 September 2016 to 31 August 2017

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 Act, the company be and is hereby authorised 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 and transformation committee and approved by the board of directors, provided that the aforementioned authority shall be valid with effect from 1 September 2016 for a period of 12 (twelve) months ending 31 August 2017, as follows:

	12 months to 31 August 2016	12 months to 31 August 2017
<b>Annual retainer</b>		
Board chairman	600 000	636 000
Non-executive directors	250 000	265 000
Executive directors	250 000	265 000
<b>Fee per meeting</b>		
Board meeting (including annual general meeting)	15 000	15 900
Meeting fee for attendance at sub-committee meeting of the board	18 000	19 080
Chairman of sub-committee of the board	22 000	23 320
Meeting fee for attendance at an ad hoc sub-committee meeting of the board	18 000	19 080
Chairman of an ad hoc sub-committee of the board	22 000	23 320"

### Special resolution 5 – Authority to issue shares to directors who elect distribution reinvestment alternatives

"Resolved that, subject to the provisions of the Act, JSE Listings Requirements and the MOI, the directors be and they are hereby authorised by way of a specific standing authority to issue ordinary shares as and when they deem appropriate, for the exclusive purpose of affording shareholders, who are also persons as contemplated in section 41(1) of the Act, 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."



# NOTICE OF ANNUAL GENERAL MEETING

## CONTINUED

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### 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 Gerard Kemp and Myron Pollack, who being eligible offer themselves for re-election.

#### Ordinary resolution 1.1 – Re-election of Gerard Kemp

"Resolved that Gerard Kemp be and is hereby re-elected as a director of the company."

An abridged curriculum vitae of Gerard Kemp is set out on page 3 of the integrated report of which this notice forms part.

#### Ordinary resolution 1.2 – Re-election of Myron Pollack

"Resolved that Myron Pollack be and is hereby re-elected as a director of the company."

An abridged curriculum vitae of Myron Pollack is set out on page 3 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, 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 shall not exceed 5% (five percent) (being an equivalent of 12 616 089 shares) in the aggregate of the number of shares in the company's issued share capital at the date of this notice of AGM.
- c) 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 period. 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.
- d) 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 the period, 5% (five percent) or more of the number of shares in issue prior to such issue.
- e) 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.
- f) Any such issue will only be made to public shareholders as defined by the JSE, and not related parties.
- g) 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 Pieter Strydom (Chairman)
- 4.2 Derek Cohen
- 4.3 Gerard Kemp
- 4.4 Myron Pollack

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#### **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, 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 66 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, the JSE Listings Requirements 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.

“Resolved that any one director of the company or the company secretary be and is hereby authorised to do all such things as necessary and to sign all such documents as to give effect to all the ordinary and special resolutions passed at the AGM.”

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

#### **Other disclosures in terms of section 11.26 of the JSE Listings Requirements relating to special resolution 2**

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
- Share capital of the company – page 95

#### **DIRECTORS’ RESPONSIBILITY STATEMENT**

The directors in office whose names appear on page 3 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, 22 January 2016 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 shareholder must be registered in the company’s securities register in order to receive notice of the AGM) as Friday, 4 December 2015; and
- participate in and vote at the AGM (being the date on which a shareholder must be registered in the company’s securities register in order to participate in and vote at the AGM) as Friday, 22 January 2016.

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, 15 January 2016.

#### **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.

# NOTICE OF ANNUAL GENERAL MEETING

## CONTINUED

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### 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, 27 January 2016. 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, Octodec'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*

25 November 2015  
Tshwane

# 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 2015 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

Sections 44 and 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 2 to become effective.

### Special resolution 3 – Approval of directors' remuneration for the period 1 September 2015 to 31 August 2016

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.

This special resolution therefore serves to amend the directors' remuneration structure to make provision for the inclusion of and remuneration for the attendance by directors of any ad hoc board sub-committees during the period 1 September 2015 to 31 August 2016.

### Special resolution 4 – Approval of directors' remuneration for the period 1 September 2016 to 31 August 2017

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 6% (six percent) increase in remuneration:

- The board's remuneration philosophy to attract and retain suitably qualified and independent-minded directors.
- The increasing responsibilities of the board, audit, investment, risk, social, ethics, remuneration and transformation and nominations committees' members and their workload.
- No increase was given in the remuneration of directors for the period 1 September 2015 to 31 August 2016.

The social, ethics, remuneration and transformation 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 4 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.

### Special resolution 5 – Authority to issue shares to directors who elect distribution reinvestment alternatives

Special resolution 5 is required to be passed to comply with the provision of section 41 of the Act which requires an issue of shares to present or future directors or officers of the company or their related persons to be approved by special resolution. To the extent that the company elects to offer shareholders the opportunity to reinvest their distributions, the passing of special resolution 5 will allow present or future directors or officers of the company to reinvest their distributions.

### Ordinary resolution 1.1 – 1.2 – Re-election 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: Gerard Kemp and Myron Pollack.

Brief biographical details of Gerard Kemp and Myron Pollack and the remaining members of the board are contained on page 3 of the integrated report of which this notice forms part.

# ANNUAL GENERAL MEETING – EXPLANATORY NOTES CONTINUED

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## **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 for cash 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 for cash 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.

## **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 2015. 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 2016

## 2015

Event	Date
Financial year-end	31 August
October annual results and announcement of dividend	3 November
Final dividend payment	30 November
Publication and posting of integrated report and notice of annual general meeting	11 December

## 2016

Event	Date
Last day to trade in the company's shares to attend, participate and vote at the annual general meeting	15 January
Date on which a shareholder must be registered in the company's securities register to attend, participate and vote at the annual general meeting	22 January
Annual general meeting	29 January
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	2015	2014	2013	2012	2011	2010	2009
Share/unit price – high (cents)	<b>2 852</b>	2 349	2 600	1 950	2 045	1 850	1 588
Share/unit price – low (cents)	<b>1 955</b>	1 701	1 739	1 000	1 400	1 285	1 110
Share/unit price – at year-end (cents)	<b>2 425</b>	2 106	1 966	1 902	1 595	1 754	1 290
Volume of shares/units traded during the year	<b>34 916 868</b>	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 (%)	<b>14,7</b>	35,0	16,8	46,5	22,2	30,8	21,0
<b>Total returns</b>							
Opening share/unit price (cents)	<b>2 106</b>	1 966	1 902	1 595	1 754	1 290	1 580
Income return (cents)	<b>189,2</b>	175,7	157,6	137,3	129,3	130,7	128,9
Capital return/(loss) (cents)	<b>319,0</b>	140,0	64,0	307,0	(159,0)	464,0	(290,0)
Total return (cents)	<b>508,2</b>	315,7	221,6	444,3	(29,7)	594,7	(161,1)
Return: Opening share/unit price (%)	<b>24,13</b>	16,06	11,7	27,9	(1,7)	46,1	(10,2)



# ADMINISTRATION

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## **OCTODEC INVESTMENTS LIMITED**

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

## **REGISTERED ADDRESS**

CPA House  
101 Du Toit Street Tshwane 0002  
PO Box 15  
Tshwane 0001  
Tel: 012 319 8781  
Fax: 012 319 8812  
E-mail: [info@octodec.co.za](mailto:info@octodec.co.za)  
Website: [www.octodec.co.za](http://www.octodec.co.za)

## **COMPANY SECRETARY**

City Property Administration Proprietary Limited  
CPA House  
101 Du Toit Street Tshwane 0002  
Tel: 012 357 1567  
E-mail: [elizeg@octodec.co.za](mailto:elizeg@octodec.co.za)

## **INVESTOR RELATIONS**

[investorrelations@octodec.co.za](mailto:investorrelations@octodec.co.za)

## **BANKERS**

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

Standard Bank of South Africa Limited  
PO Box 7725  
Johannesburg 2000

## **AUDITORS**

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

## **INTERNAL AUDITORS**

KPMG Services Proprietary Limited  
PO Box 11265  
Hatfield 0028

## **SPONSOR**

Nedbank Corporate and Investment Banking  
PO Box 1144  
Johannesburg 2000

## **ATTORNEYS**

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

## **TRANSFER SECRETARIES**

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



[WWW.OCTODEC.CO.ZA](http://WWW.OCTODEC.CO.ZA)



# 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 definitions commencing on page 131 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 shares 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 shareholder 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, Tshwane 0002 on Friday, 29 January 2016, 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 2015 to 31 August 2016			
4.	Special resolution 4: Approval of directors' remuneration for the period 1 September 2016 to 31 August 2017			
5.	Special resolution 5: Authority to issue shares to directors who elect distribution reinvestment alternatives			
6.	Ordinary resolution 1.1 – 1.2: To re-elect the directors required to retire in terms of the memorandum of incorporation:			
	1.1 Gerard Kemp			
	1.2 Myron Pollack			
7.	Ordinary resolution 2: To place the unissued shares under the directors' control			
8.	Ordinary resolution 3: To approve the issue of shares for cash			
9.	Ordinary resolution 4.1 – 4.4: To approve the re-appointment of members of the audit committee:			
	4.1 Pieter Strydom (Chairman)			
	4.2 Derek Cohen			
	4.3 Gerard Kemp			
	4.4 Myron Pollack			
10.	Ordinary resolution 5: To approve the re-appointment of auditors			
11.	Ordinary resolution 6: To approve the remuneration philosophy by way of a non-binding advisory vote			
12.	Ordinary resolution 7: Specific authority to issue shares to afford shareholders distribution reinvestment alternatives			
13.	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 \_\_\_\_\_ 2016

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. 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, 27 January 2016 (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.