Octodec
INVESTMENTS LIMITED

creating value beyond financial return

integrated report 2016

our visionary perspective

on the value and impact of property on people's lives allows us to:

identify value-creating property opportunities

innovatively unlock value in spaces where people can thrive

deliver sustainable long-term stakeholder value

contents

> The Johannesburg central business district (CBD)

about this report

Octodec Investments Limited (Octodec) reports in an integrated manner. We believe that by doing so we can provide our stakeholders with the information on our integrated thinking that they need to make informed decisions about our business. Our aim with this report is to demonstrate how Octodec has and will create value for its stakeholders.

Our reporting also takes into account feedback from our stakeholders on the information they require to assess our performance against their investment strategies and priorities. Our integrated report, which is our primary report to our stakeholders, covers the period 1 September 2015 to 31 August 2016. Its scope includes the Octodec property portfolio (located in the Gauteng province of South Africa), growth projects and the key functions over which we exercise control. These have not undergone any significant change to their size, structure or ownership during the year under review. Our previous integrated report covered the period 1 September 2014 to 31 August 2015. Details of our structure are provided on page 11 of this report.

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To ensure comparability all significant information is reported on a like-for-like basis and there are no restatements.

How to access the information you need from our print and online reporting

Available in print

Available online
Our integrated report for 2016 in pdf format
Our online integrated report for 2016 in html format
Our online annual financial statements for 2016
Our annual results presentation in pdf format

A cd containing our annual financial statements is included in this report (see inside back cover)

xxx How to access additional information in this report
Page number

xxx Annual Financial Statements

Worldwide web

How we prepared our report

We use the International Integrated Reporting Council's (IIRC) integrated reporting <IR> framework to guide us in structuring our report, showing the connectivity between material information, our strategy, governance, performance and prospects and how our strategy affects and is affected by financial, human, social and relationship and environmental issues.

Our integrated reporting:

- **complies** with the South African Companies Act 71 of 2008 and the JSE Listings Requirements
- **applies** the King Code of Governance Principles (King III)
- Our **annual financial statements:**
  - **comply** with International Financial Reporting Standards (IFRS)
  - are **audited** by Deloitte & Touche. Their unqualified audit report is available in our annual financial statements on page 3.

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Forward-looking statements

Certain statements in this report constitute forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, objectives or achievements of Octodec, as well as the industry in which it operates, to be materially different from future results, performance, objectives or achievements expressed or implied by these forward-looking statements. The performance of the Octodec group is subject to the effect of changes in the economic environment and prevailing market conditions.

board approval

The Octodec board acknowledges its responsibility for ensuring the integrity of our integrated reporting. The board confirms that it has reviewed the report's contents and obtained input from various internal and external service providers. The board is of the view that, to the best of its knowledge and belief, Octodec's integrated reporting addresses all matters material to its stakeholders' decision-making by explaining how Octodec creates value over time and takes into consideration the organisation's impact on the environment in which it operates and its stakeholders. The board unanimously approved our integrated reporting for 2016 on 23 November 2016.

Sharon Wapnick
Chairman

Jeffrey Wapnick
Managing director

Derek Cohen
Lead independent director

Gerard Kemp

Myron Pollack

Anthony Stein
Financial director

Pieter Strydom

an overview of our business

Delivering long-term stakeholder value through an innovative and visionary perspective on property investment.

Our business values:

Honesty and integrity are our foundation

Quality is our cornerstone

Relationships are key

We dare to pave the way and make it happen

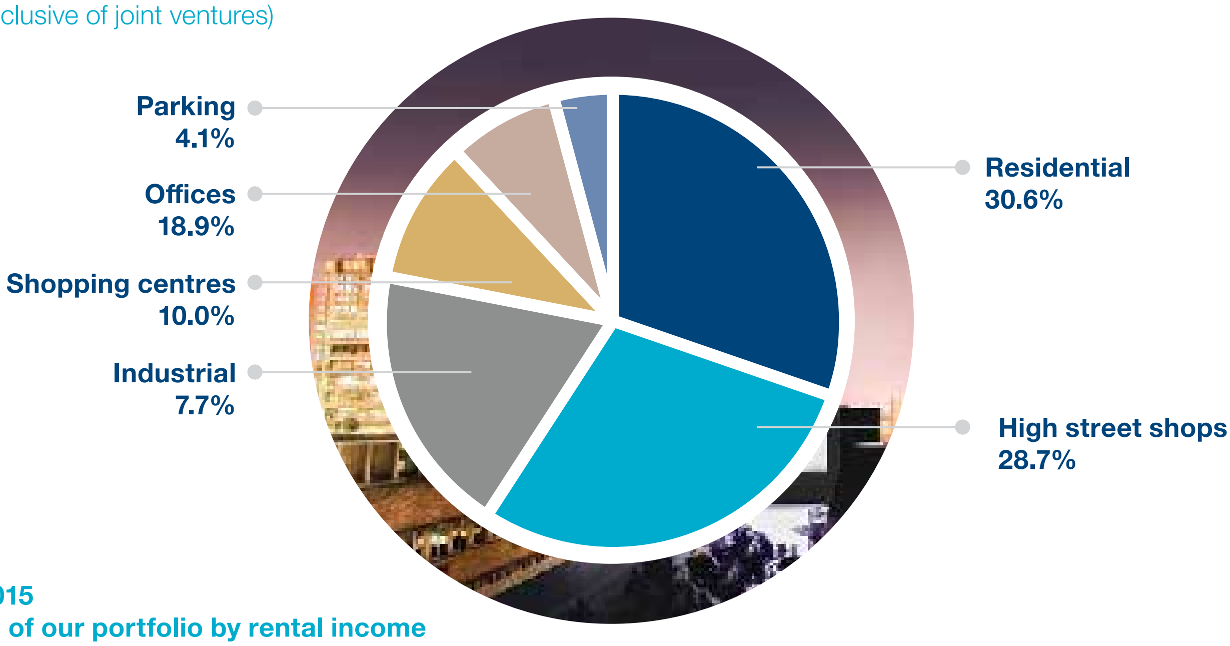
Octodec, which originally listed on the JSE in 1990 and gained real estate investment trust (REIT) status in 2013, is included in the JSE's two main property indices. Known for our ability to unlock value in urban spaces by recreating and redeveloping underperforming properties, we are one of the largest owners of property in the central business districts (CBDs) of Tshwane, the administrative capital of South Africa and Johannesburg, the economic capital of South Africa, respectively.

> Sharon's Place (previously known as Centre Forum) on Lillian Ngoyi Street, under development. Adjacent to the new Tshwane House municipal development in the Tshwane CBD it will have 400 residential units, 6 005 m^2 ground floor retail premises, parking and a fully let annual yield of 7.3%. We expect to complete the development in April 2017. To date the retail section is almost fully let with Shoprite and Clicks as the anchor tenants

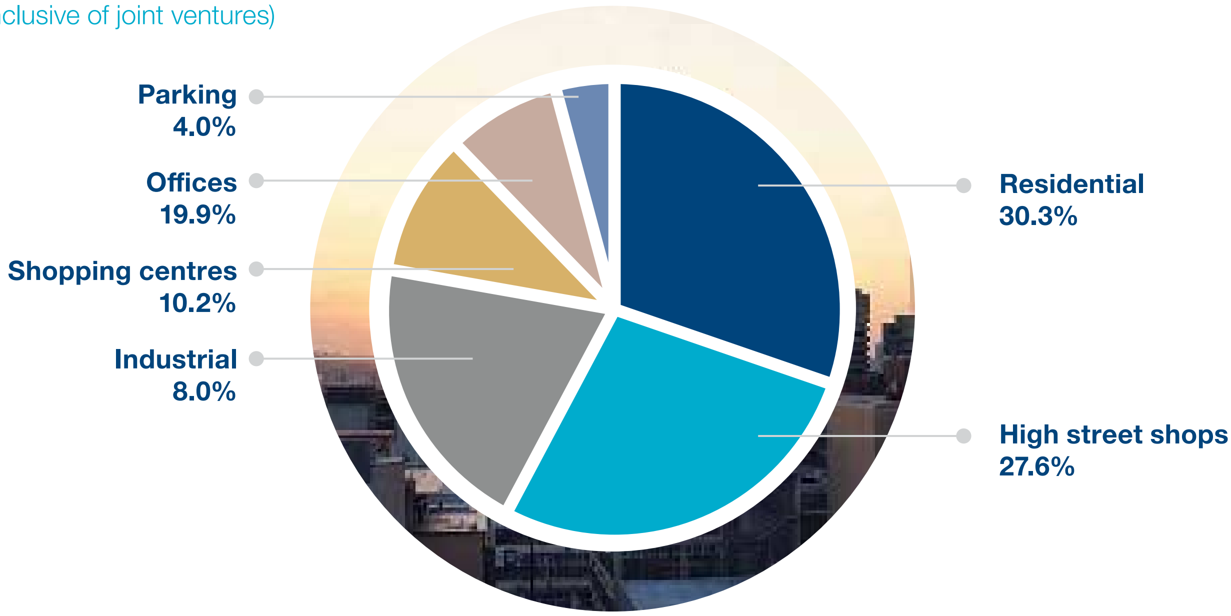
an overview of our business - continued

Our diverse property portfolio has a book value of R12.3 billion (2015: R11.6 billion) and a gross lettable area as at 31 August 2016 of 1 660 120 m² (2015: 1 690 912 m²)

Property sector
2016
% of our portfolio by rental income
(inclusive of joint ventures)



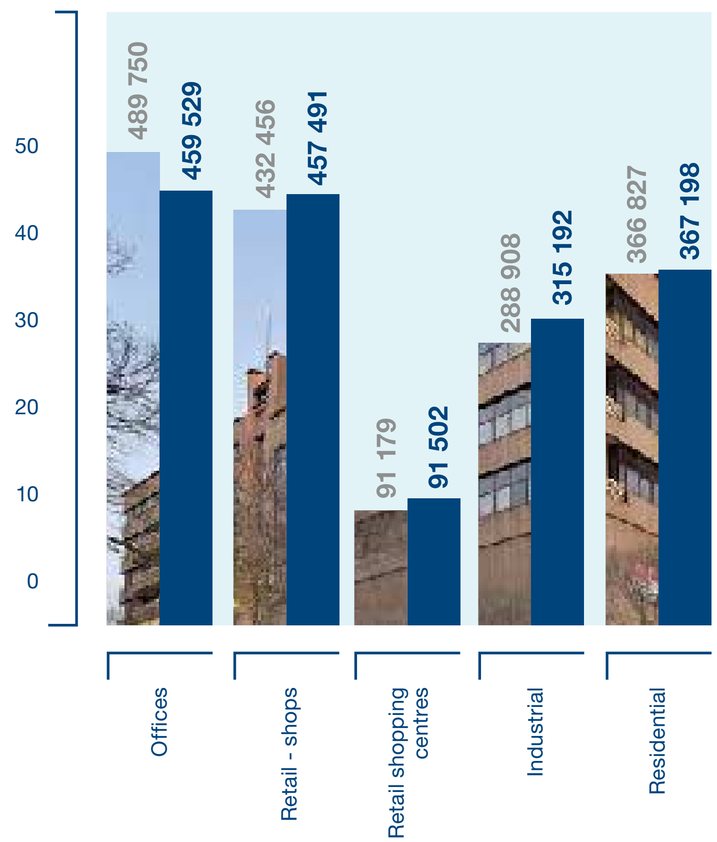
2015
% of our portfolio by rental income
(inclusive of joint ventures)



Recognition

Octodec received the South African Property Owners Association's (SAPOA) award for innovative excellence in the residential property development category for Frank's Place in the Johannesburg CBD. The aim of this particular SAPOA award is not only to recognise innovative solutions but also to deepen the appreciation for and understanding of the urban challenge and the opportunities that exist for solving problems and enriching the quality of life in our cities and urban areas. The City of Tshwane, where the major portion of our portfolio is located, recognised our contribution to its Vision 2055 at the Tshwane Trade and Infrastructure Investment Conference in 2015.

Available for rent (GLA)



We had approximately 14 500 tenants during the year under review (2015: 13 906), which is an annual increase of approximately 4.3%. Over 16 000 people occupied more than 8 800 apartments contributing to the rebirth of the two largest cities of the Gauteng province by enhancing their vibrant urban culture.

Held for redevelopment or currently being redeveloped:

94 961 m² Offices

1 652 m² Residential

an overview of our business - continued

We unlock value through:

80 specialised expertise and experience in property development and management

57 financial sustainability and resources

34 90 fostering long-term relationships with key stakeholders

53 creating innovative property opportunities that deliver long-term sustainable stakeholder value

42 66 properties' scale and concentration that enable management efficiencies

96 rigorous focus on cost efficiency

62 resources

Vacancies

The total core vacancies across our portfolio as at 31 August 2016 is at 9.8% which is an acceptable level in the current environment. 70

Asset and property management

The management of our properties is outsourced to City Property Administration Proprietary Limited (City Property). 84

Growth pipeline

Our decisions to purchase properties are made in line with a strategy to purchase within certain areas. We constantly re-evaluate our property portfolio to ensure the properties we own still meet our strategic objectives. While we continued to purchase properties during the year under review, our purchases were limited as a result of the difficulty in acquiring properties at acceptable prices since the strong demand for properties in the CBD has increased prices. We are, however, in the fortunate position that as a result of our concerted acquisition of CBD properties over the past few years, we have a substantial stock of properties to draw on. As a result we are well-positioned for growth in the short, medium and long term. It has also given us the flexibility to react rapidly to changing market conditions, which could result in our disposing of certain properties that no longer fit with our strategic objectives, redeveloping others to maximise their value and acquiring suitable new properties. (For more information see page 69 of the manufactured capital section of this report and the managing director's review on page 50). 69 50

We acquired two properties this year that are both in line with our selective acquisition strategy, the first being the Van Riebeeck Medical Building (11 497 m^2), which is in a prime position adjacent to a number of our existing properties in the Tshwane CBD. This property is earmarked for a residential conversion. The second property, Ross Electrical (525 m^2), is part of a site assembly of well-located properties adjacent to the South African Reserve Bank in Tshwane.

Distribution to shareholders

Octodec distributes rental and other income received from its property portfolio (including the distributable income received from equity-accounted investments), less net operating costs and interest on debt to shareholders bi-annually. Octodec does not distribute capital profits.

They're shopping in town

Every month on average **250 000 shoppers** use the Shoprite store in our Shoprite Building on Lillian Ngoyi Street, Tshwane. It is one of Shoprite's top ten performing stores countrywide.

Rental from our high street shops makes up 28.7% **of our total rental income**

Top ten retailers and the size of the property they are renting

National retailer	Total GLA rented from Octodec (m²)
Shoprite Checkers	59 923
Pepkor	18 047
Edcon	14 531
Pick n Pay	10 703
Standard Bank	10 631
Killarney Toyota	8 192
Mr Price Group	7 103
Foschini Retail Group	6 910
McCarthy Limited	6 891
Spar/Tops	6 282
Total	**149 213**

Our operating model

Management team

Building management

Octodec employees manage our buildings. They include building managers and supervisors. All our residential properties have live-in building managers

Asset and property management

Outsourced to City Property in terms of a management agreement

Property management
- Billing
- Collections
- Insurance administration
- Leasing and lease administration
- Parking management
- Payment of accounts and other expenses
- Property accounting
- Utilities management

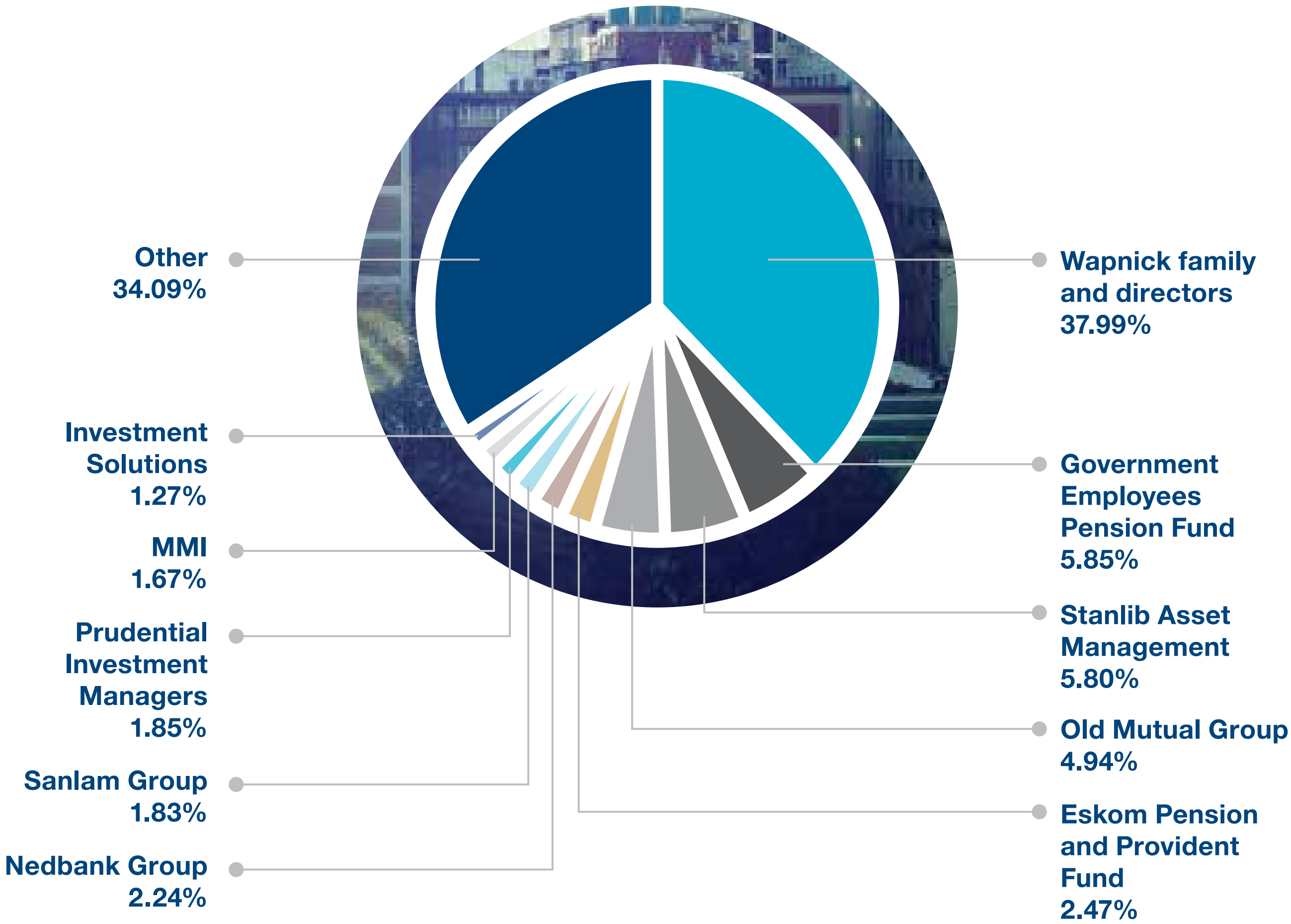
Asset management
- Accounting
- Strategic management and supervision of implementation relating to acquisitions, disposals, upgrades and renovations
- Treasury

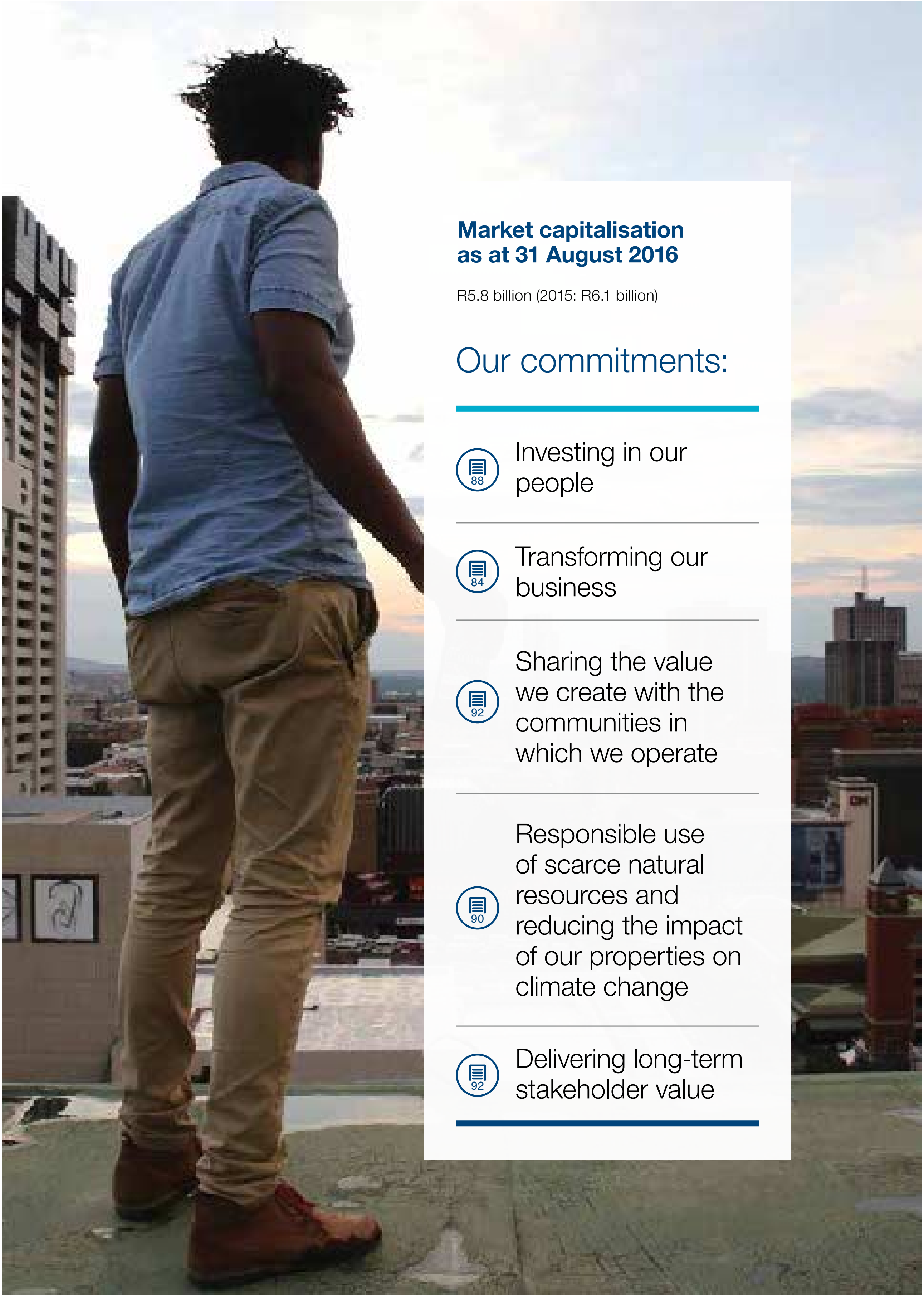
Specialist services
- Account management
- Commercial and residential leasing and portfolio management
- Coaching and training
- Company secretarial services
- Customer services
- Credit control
- Human resources management
- Information systems and processes
- Legal
- Maintenance and repairs
- Marketing and events management
- Payroll administration
- Tenant installations

an overview of our business - continued

Ownership

Shareholders with a holding of over 1% in Octodec as at 31 August 2016





Market capitalisation as at 31 August 2016

R5.8 billion (2015: R6.1 billion)

Our commitments:

88 Investing in our people

84 Transforming our business

92 Sharing the value we create with the communities in which we operate

90 Responsible use of scarce natural resources and reducing the impact of our properties on climate change

92 Delivering long-term stakeholder value

leadership

Board of directors

Non-executive directors

Sharon Wapnick (53)
Chairman

Myron Pollack (67)

Independent non-executive directors

Derek Cohen (65)
Lead independent director

Gerard Kemp (62)

Pieter Strydom (68)

Executive directors

Jeffrey Wapnick (55)
Managing director

Anthony Stein (49)
Financial director

> The board at 012 Central

non-executive directors

Sharon Wapnick (53)

Chairman

BA LLB (cum laude)

Chairman of the investment and nominations committees and a member of the risk and social, ethics, remuneration and transformation committees

Sharon, who joined the board on 4 October 1994, has considerable experience in the property sector, as well as in legal-related property matters. She is an attorney and a senior partner of Tugendhaft Wapnick Banchetti & Partners and a director of various unlisted companies including City Property.

Myron Pollack (69)

CA(SA)

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

Myron joined the board in October 1994. His areas of expertise include finance and property.

executive directors

Jeffrey Wapnick (56)

Managing director

BCom

Member of the risk committee

Jeffrey, who was appointed to the board in October 1998, is responsible for the management of the group, with a strong emphasis on the upgrading and development of properties. He has a wealth of experience in the property industry. He is also managing director of City Property.

Anthony Stein (49)

Financial director

CA(SA)

Member of the risk committee

Anthony was appointed to the board in July 2009. He has considerable experience in finance in a listed company environment, as well as in the property industry and was the treasurer of the SA REIT Association from its inception until 2015. He is the chief financial officer of City Property.

independent non-executive directors

Derek Cohen (65)

Lead independent director

AEP (Unisa)

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

Derek, who joined the board in October 2009, has many years of experience in banking and finance, provides consulting services with a specific focus on mergers, acquisitions and corporate finance-related matters. He is chairman of the Smart Life Insurance Company Limited.

Gerard Kemp (62)

MSc (Mining Engineering), DPLR, MDP

Chairman of the social, ethics, remuneration and transformation committee

Member of the audit, investment, risk and nominations committees

Gerard has been a member of the board since his appointment in October 2013. He was formerly the chief executive officer of KCS Resources Limited, a division of Transafrika Resources, and the Pamodzi Resources Fund. Prior to that he was director of business development (resources) at Rand Merchant Bank (RMB), head of investment banking and head of equities research at BoE Merchant Bank and BoE Securities. Gerard is also an independent non-executive director of Keaton Energy Holdings Limited.

Pieter Strydom (68)

MCom (cum laude), CA(SA)

Chairman of the audit and risk committees

Member of the nominations, investment and social, ethics, remuneration and transformation committees

Pieter was appointed to the Octodec board in February 2012. He has 45 years of experience in external auditing, special investigations and all disciplines of risk management and serves on the boards of Old Mutual Nigeria Life Assurance Company, Old Mutual West Africa Limited, Old Mutual Nigeria General Insurance Company Limited, and the Smart Life Insurance Company Limited.

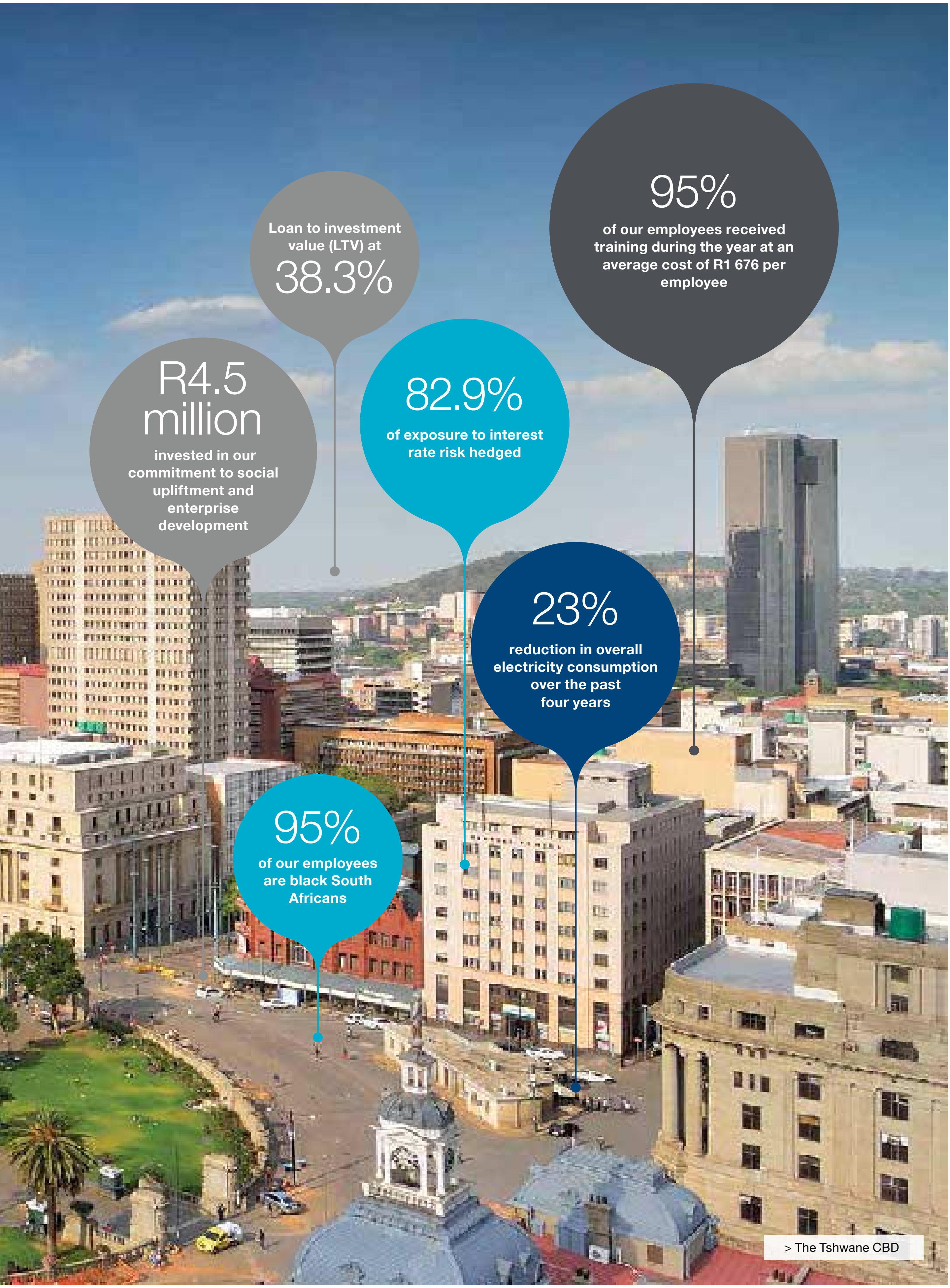
measuring our performance

5.2%
increase in net asset value (NAV) per share to R29.13 as at 31 August 2016

6.5%
year-on-year growth in distribution to shareholders - 201.5 cents per share

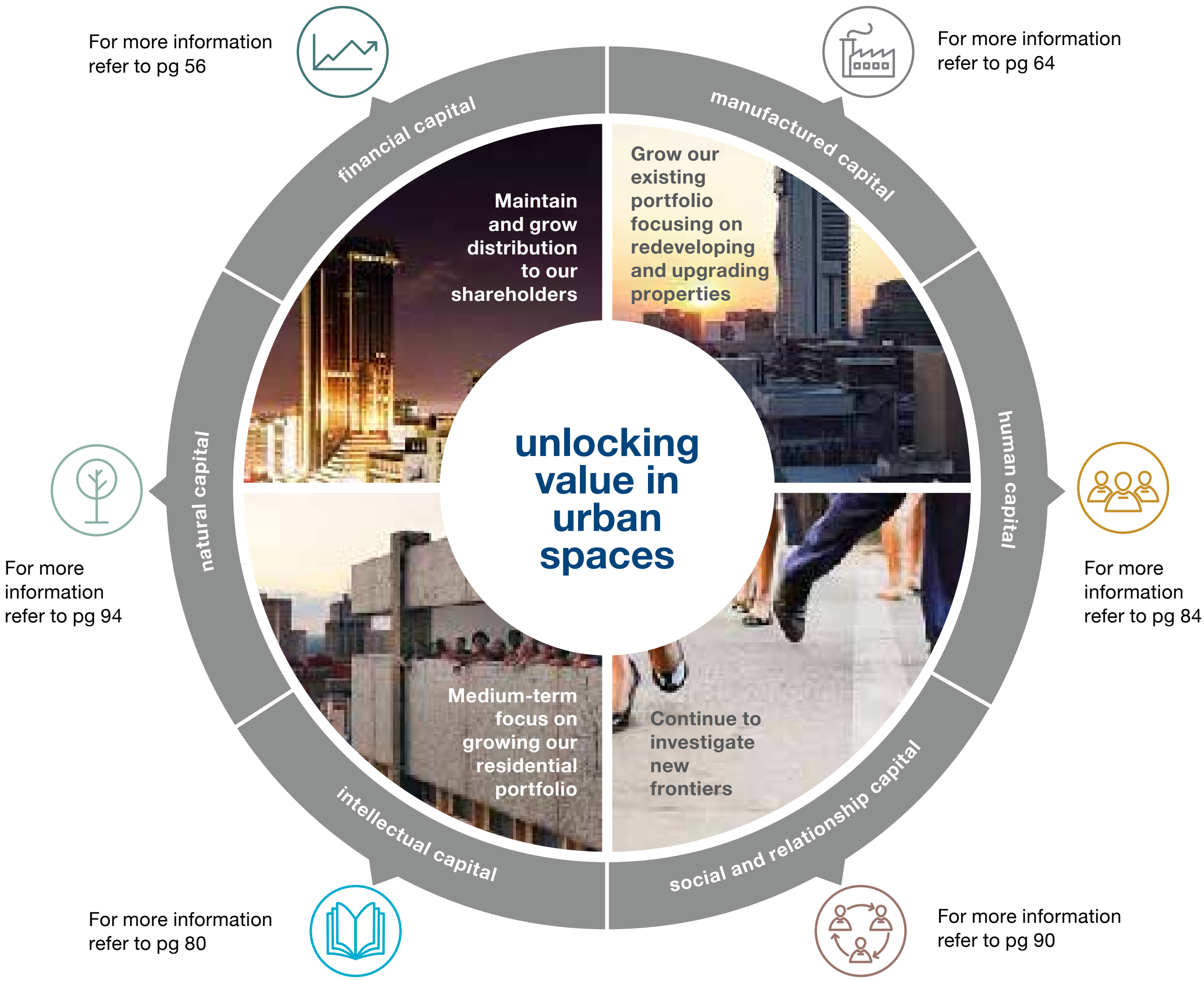
5.3%
like-for-like growth in rental income year-on-year

All-in weighted average cost of borrowings at
9%



> The Tshwane CBD

Octodec's strategy and business model



We will achieve our strategic objectives and create value beyond financial return by:

- hand-picking properties in key locations to acquire for redevelopment or to let
- maintaining the geographical concentration of our property portfolio, which makes it easier to manage and extract value
- developing well-located residential, office, retail and industrial sector properties
- redeveloping and reworking our existing portfolio
- continually improving the quality of our portfolio
- enhancing our tenant profile
- unlocking value through an innovative approach to changing perceptions and attracting people to CBDs
- creating cost- and resource-efficient business solutions that ensure sustainability while recognising that the need to invest in our properties may impact short-term distributions

What we use to create value

Each of the six capitals consists of resources and relationships, which are constantly being increased, decreased and transformed through our activities. They include the inputs, activities, outputs and outcomes of our business model. Through using, increasing and transforming our stock of capital we can deliver value beyond financial returns for ourselves and our stakeholders. This is depicted graphically in our business model and defined below:

Financial capital

The financial resources available to us to maintain and grow our business include cash generated from rental income and the resources we obtain from equity and debt funding as well as the proceeds from the disposal of properties. They are further increased through the capital appreciation of our properties. These resources make it possible for us to achieve our strategic objectives. We use them to manage, refurbish and redevelop our existing portfolio and grow our portfolio through acquisitions and disposals. We also use our financial resources to develop and remunerate our employees, to deliver on our social responsibilities and to minimise our impact on the environment. As a REIT we are tasked with investing our capital wisely in order to return earnings to shareholders in the form of distributions on a sustainable basis.

Manufactured capital

We use our manufactured capital, which includes the properties, infrastructure and equipment we own, to grow our financial capital by generating rental income, which in turn we use to increase the quality and value of our property portfolio through its refurbishment and redevelopment; and we grow it through the purchase of additional properties and unlock value.

Human capital

The individual skills competencies and experience of our employees, their safety, health, wellbeing and motivation make up our stock of human capital. Our employees create value which makes it possible for us to deliver against our strategic objectives and achieve our aspiration to create value beyond financial return. We invest financial capital in our employees through the training and development we provide to ensure they are equipped to do their jobs and work safely, as well as the remuneration they receive and the benefits we provide. We also invest in developing our stock of intellectual capital by providing our employees with the opportunity to continually grow and develop during their employment with Octodec.

Intellectual capital

Our collective expertise and processes and the strategies, policies, procedures, standards and codes that govern how we conduct business make up our stock of intellectual capital and provide us with a competitive advantage. Much of our success depends on our collective knowledge and the way in which we apply our expertise to the best effect in the active management of our stock of capitals. Key elements of our intellectual capital are our ability to collect from and administer a large number of tenants in different sectors, adapt to a changing business environment and achieve cost efficiencies. Our ability to establish successful relationships with our stakeholders is also a key element of our intellectual capital as is our use of technology and innovation and our robust and fit for purpose IT systems. The financial capital we invest in the development of our employees and the communities in which we operate also contributes to our stock of intellectual capital.

Social and relationship capital

The relationships Octodec has established through its engagement with its tenants, suppliers, employees, government and business partners are central to our business, as are the contributions we make to the long-term sustainability of the communities in which we operate. Our investment in the security, education, wellbeing and sustainability of the communities in which we operate is an important part of our commitment to building dignity and creating shared value. Our relationships with the investor community, government, regulators, municipalities, business partners, service providers and communities all impact directly or indirectly on our business and its reputation. These relationships form part of each capital and are vital inputs to our business model that are constantly being increased, decreased and transformed through our activities.

Natural capital

Our natural capital includes the natural resources and processes we use to build, refurbish and redevelop our properties. It includes renewable (timber and water) and non-renewable (fossil fuels, mineral and metals) resources and processes such as energy consumption, waste creation and emissions. Our approach to minimising our impact on the environment in which we operate is based on legal compliance and our commitment to limiting our use of scarce resources and their cost to the business.

Balancing shareholder expectations with the creation of long-term sustainability

How we use our business model to unlock value

By creating long-term value using our financial, human, social and relationship, manufactured, intellectual and natural capital to build a sustainable, profitable business and create shared value for our stakeholders, our business model creates and unlocks value beyond financial return.

	Our key inputs	Our activities	Our outputs from these activities
Financial capital	• Rental income generated from our properties • Equity funding • Debt funding • Proceeds from disposing of properties	• Efficient financial management • Efficient capital management • Rigorous focus on cost efficiency • Balancing shareholder expectations with the creation of long-term sustainability	• A sustainable business as a result of prudent and innovative financial and capital management • Short, medium and long-term sustainable value
Manufactured capital	• The assets in our diverse portfolio which range from residential properties, retail properties including shopping centres and high street shops, offices, industrial and mixed-use properties	• Growing our portfolio • Managing and redeveloping our assets and properties with the aim of unlocking short, medium and long-term value • Continually evaluating our portfolio with a view to unlocking value	• Safe, quality, aspirational accommodation in residential, retail, office, industrial and mixed-use space in Tshwane and Johannesburg • Innovative solutions to meet the changing needs of tenants • Improved quality of properties to grow rental income in a sustainable and responsible manner
Human and Intellectual capital	• The competencies, knowledge and experience in financial, property and asset management of the people who manage our business and our portfolio, including specialist skills in managing inner city buildings • Innovation • Bespoke efficient scalable systems, controls and processes designed to manage high volumes of transactions and communication with our tenants • Governance, information management and risk structures	• Developing our human capital • Ongoing and focused training of property management teams with an emphasis on upskilling building managers • Drawing on 40 years of institutional memory to guide our decision-making • Managing our risks • Addressing all aspects of corporate governance • Actively involved in every phase of project management and redevelopment	• A flexible, efficient and innovative approach to property development and management • Upgraded management skills in our property management team and particular our building managers • Hands-on management of every aspect of our business • Effective management of project risk, including budgeting, time and quality management • Effective, experienced leaders and a skilled workforce with the advantage of 40 years of institutional memory to guide their decision-making • Robust and scalable IT systems and processes • Effective balance between meeting corporate governance commitments while retaining the innovative and entrepreneurial approach on which our business is based • Effective information and risk management
Social and relationship capital	• Willingness to forge relationships with the relevant stakeholders as determined by circumstances • Effective long-standing relationships • Social investment	• Engaging with our stakeholders • Investing in community economic development	• Deep understanding of the critical importance of stakeholder relationships to our business • Ability to identify our key stakeholders and their needs • Effective stakeholder relationships • Ability to create new and unique spaces that attract a wide variety of people and entertainment to the CBDs • Social investment

The key outcomes of our activities

- Value realised through our ability to maintain and grow distribution to our shareholders with a 6.5% increase in total distribution for the year to 201.5 cents per share
- Total return to shareholders from a combination of capital growth (share price movement + distribution) of 3.1%.
- Weighted average cost of finance at an acceptable level of 9% per annum (2015: 8.9%) in an environment of increasing upward pressure on interest rates
- Length of our expiry profile for both borrowing and hedges extended (see financial capital page 59 to 60)

- 2.4% increase year-on-year on like-for-like valuation of property portfolio. Proceeds from the sale of a number of properties in 2016 on aggregate exceeded their valuations (see financial capital page 61)
- Continuing to extract value from our high street shops achieving core growth in rental income of 5.3% through strong demand from nationals. High street shop vacancies decreased from 11% in F2015 to 9.1% in the year under review
- Residential demand outstripping supply: core growth of 5.6% with average occupancy levels for the year at between 98% and 99% close to all-time best
- 5.3% growth in like-for-like rental income in year under review
- Increase in tenant numbers from 13 906 in 2015 to over 14 500 in 2016
- R12.3 billion invested in 324 properties in Tshwane and Johannesburg
- Increased granularity and diversification of our portfolio addressing risk and exploiting opportunities
- Total core vacancies of 9.8% in our portfolio at an acceptable level in current environment
- Redevelopment attracting better quality of tenants at higher rentals and longer lease periods and more shoppers to high street shops and shopping centres
- We created a value offering for those living and working in the Tshwane and Johannesburg CBDs through our investments of R328.6 million and R53.7 million, respectively, in the upgrading of our properties and their surrounds during the year under review. These investments also unlocked value for our shareholders by increasing the value of our portfolio and the rental income from these properties

- R756 110 invested in training and development
- Unique intellectual capital gained over time as pioneers in the management and redevelopment of inner city properties
- Understanding of the property market and changing tenant needs leading to effective, innovative decision-making
- Executive strengthened with a focus on succession planning
- Upskilling employees provides building managers with a career path in property management
- Digitalisation making use of Innovative scalable, robust, state-of-the-art systems and processes to cope with transaction volumes created by a growing business and meet our increasingly complex communication and security requirements
- High standards of corporate governance, information and risk management
- Digitalisation of our business increasing efficiency and scalability, improving our ability to communicate with our tenants

- R4.5 million invested in communities and in enterprise development
- Effective stakeholder relationships and partnerships contributing to inner city upliftment
- Safer inner cities
- Making safe, quality accommodation available where people want to live, work and play
- Increased procurement from black-owned SMMEs, which created 97 jobs
- Community upliftment through efforts to increase their self-sufficiency
- Positive impact on perceptions regarding the Octodec brand as a result of community investment in potential future tenants
- Empowering young women by enabling their attendance at school
- Increased community self-sufficiency through our investment in developing the communities' ability to grow vegetables and fruit for their own consumption and for income generation

= Creating value beyond financial return for our stakeholders

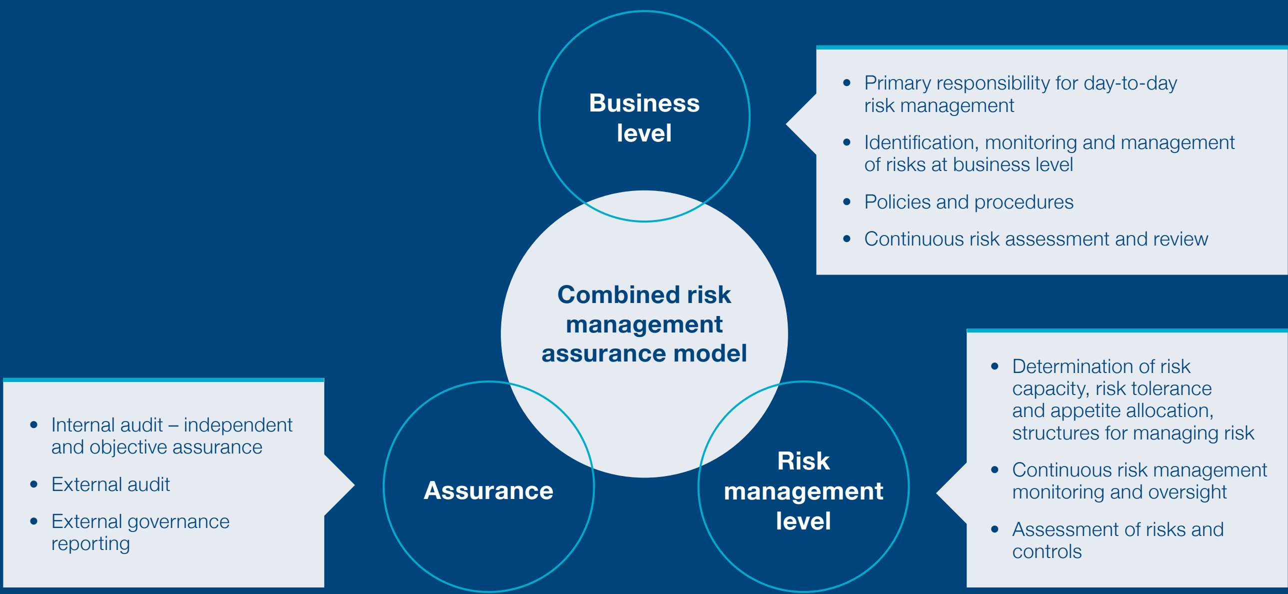
risk management - a strategic imperative

Our risk management framework addresses all significant risks and implements a bottom-up and top-down approach.

While our board of directors has delegated its responsibility for risk management to the audit and risk committees, it still retains ultimate accountability for the governance of risks, which potentially impact on Octodec's ability to achieve its business objectives. As part of the risk management framework, all internal stakeholders, including the board of directors: are consulted and a risk register is prepared.

The risks identified are managed in terms of effective control systems and within risk tolerance levels established by the board of directors.

The risk management framework clearly defines Octodec's risk management philosophy and encourages and inculcates a risk management culture throughout the company and within City Property, which manages these risks on Octodec's behalf. This risk management culture involves the identification and monitoring of risks from three different angles. The first resides at business level, where each of City Property's departments has its own risk registers through which they actively identify, monitor and manage the risks for which they are responsible. The second is the risk management function, which sets the tone for risk management and provides the framework for the identification and mitigation of risks in everyday processes. The third comprises of the assurance providers, being our internal auditors (KPMG) and external auditors (Deloitte & Touche), who collect information, evaluate the risks and report directly to the audit and risk committees.



The risk register is presented to Octodec's risk and audit committees and to the board of directors. For the current financial year the following strategic, operational and reputational risks have been identified as potentially having the greatest impact on the business, should they occur. The Octodec risk register which identifies the strategic, operational and reputational risks for the current year is on page 28 to 31 of this report.

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Our use of the combined risk management assurance model featured here has two important aims: to provide the board of directors and its committees with oversight of Octodec's risk management activities and to embed the culture and practice of risk management in the day-to-day activities of the business.

Future risk focus

The board of directors continually strives to improve Octodec's risk management processes and Octodec has recently appointed risk specialists BDO Advisory Services to further formalise the risk management processes going forward. These risk specialists will introduce global best practice risk management technology to assist with risk management, the development of Octodec's risk appetite and the setting of risk tolerances.

risk management process

Identify

The risks that are fundamental to achieving our strategy are identified using a top-down and bottom-up approach. The ERM framework and policy are used to guide the ERM process

Assess and measure

Risks are assessed based on their potential impact on the business (tenants, investors, business systems and employees), financial position and reputation, including the likelihood of the risk occurring

Response and action

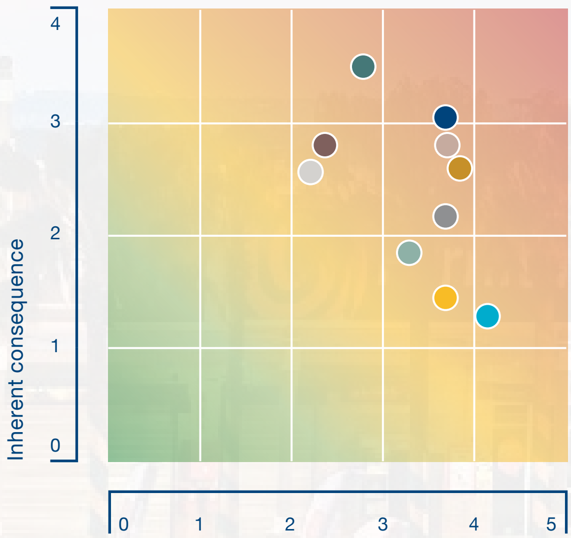
In line with the ERM policy, mitigating actions are assigned to each risk. The appropriateness of these responses is overseen by the audit and risk committees. Internal audit, as part of the risk-based audit plan, provides assurance as to the appropriateness and effectiveness of these mitigating actions

Monitor and report

The risks are managed and monitored on an ongoing basis. Quarterly risk reports are provided to the audit and risk committees, which in turn provide feedback to the board

Octodec risk register reports top 10 risks

Risk matrix – inherent



Inherent likelihood

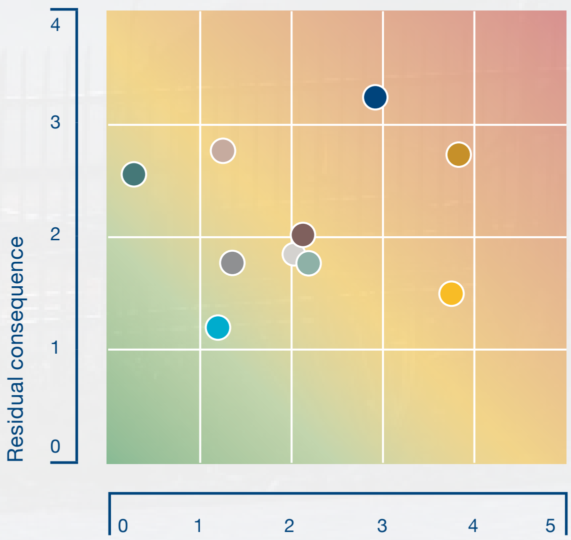
Risk ranking

- 1 Power and water resources under threat
- 2 Sovereign downgrade
- 3 Sustained low levels of economic growth
- 4 Ineffective IT systems
- 5 Acquisitions, disposals or developments not aligned with strategy
- 6 Exposure to volatile macro-economic environment
- 7 Increased levels of social unrest
- 8 Geographic and sectoral concentration
- 9 Increased levels of country and political risk
- 10 Non-compliance with legislation

Consequence

0-1 Minor
1-2 Significant
2-3 Serious
3-4 Catastrophic

Risk matrix – residual



Residual likelihood

Risk ranking

- 1 Power and water resources under threat
- 2 Sovereign downgrade
- 3 Sustained low levels of economic growth
- 4 Ineffective IT systems
- 5 Acquisitions, disposals or developments not aligned with strategy
- 6 Exposure to volatile macro-economic environment
- 7 Increased levels of social unrest
- 8 Geographic and sectoral concentration
- 9 Increased levels of country and political risk
- 10 Non-compliance with legislation

Likelihood

0-1 Slight/Rare
1-2 Unlikely
2-3 Possible
3-4 Highly likely
4-5 Expected

Board's top of mind risks

Risk ranking	Risk and impact	Mitigation	Strategic objective	Capital impacted	Inherent risk rating	Residual risk rating
1	Power and water resources remain under threat for sustained periods of time thereby undermining rental income levels and sustainability of long term tenants	• Continually investigating and identifying alternative sources of power to complement the use of generator power • Actively involved in lobbying through various forums and is a member of the Green Building Council of South Africa • Maintaining relationships with water and power suppliers • Monitoring consumption to detect abnormalities in usage • Prepaid electricity meters have been installed in the majority of flats. Water meters also installed at the majority of flats • The power consumption of commercial tenants is metered and read by independent meter readers • Power consumption is monitored and managed per property to ensure tenant recoveries are optimised • Generators have been installed at larger properties and the installation of generators at other buildings is being investigated	Effective management of the balance sheet	Financial capital Intellectual capital Natural capital	High	High
2	Sovereign debt downgrade by major rating agencies could result in reduced availability of funding, and/or increase in funding costs	• Regular and consistent monitoring on an on-going basis by executives and coupled with appropriate agility with regard to change • Sound treasury management financial policies have been implemented • A functional treasury function is in place. Financing at fixed interest rates and interest rate swap contracts assist in maintaining an appropriate interest rate hedged position • The total loans hedged is currently at 82.9% of the total interest-bearing borrowings • A loan to value ratio of below 40% is maintained (currently at 38.3%) • Borrowing and funding sources are diversified • Assign appropriate responsibilities, test presumptions and practicalities, and ensure that all business units have prepared their internal structures and processes to respond quickly to changes as and when they occur	Effective management of the balance sheet	Financial capital	High	High

Risk ranking	Risk and impact	Mitigation	Strategic objective	Capital impacted	Inherent risk rating	Residual risk rating
3	Sustained low levels of growth coupled with severe and sustained austerity measures would result in reduced demand for rental space and increase the potential for tenant defaults thereby undermining rental income levels and sustainability of long term tenants	• Conservative approach to capital management • Regular and consistent monitoring on an on-going basis by executives and coupled with appropriate agility with regard to change • Assign appropriate responsibilities, test presumptions and practicalities, and ensure that all business units have prepared their internal structures and processes to respond quickly to changes as and when they occur.	Increase the profitability of the existing portfolio	Financial capital Human capital	Significant	Significant
4	Ineffective IT systems impacting on Octodec's ability to compete effectively in the market and increased operating costs	• The installation of IT systems is managed and maintained by a dedicated team and by suppliers with appropriate service level agreements • The overall IT infrastructure is well maintained and continuously upgraded • Physical access to servers and key documents is restricted • An off-site disaster recovery system continuously stores, backs up and mirror images the data • The installation hardware is protected by a fire suppression system	Increase the profitability of the existing portfolio	Intellectual capital Natural capital Financial capital	Significant	Moderate
5	Acquisition, disposal or development of buildings which are not aligned to the strategy could affect the company's medium to long-term sustainability and undermine its reputation as a leading property investment business	• All acquisitions and disposals are approved by the board • 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 • Effective operation of the investment committee • Robust due diligence exercises are performed on all potential investment or disposal opportunities • Use of effective building contractors and professional advisors • Technical advice and the services of specialist consultants are obtained where appropriate	Offer innovative property investment opportunities that create and deliver long-term sustainable returns	Financial capital Human capital Intellectual capital	High	Moderate

Board's top of mind risks
- continued

Risk ranking	Risk and impact	Mitigation	Strategic objective	Capital impacted	Inherent risk rating	Residual risk rating
6	Exposure to constantly changing macro-economic environment	• Defensive property portfolio • The budgeting process is aligned to a dynamic zero-based budgeting model • Stringent credit controls are in place in respect of tenant arrears. Supplier and prospective tenant vetting controls are in place • The portfolio of assets is spread across various sectors with a diversified tenant base	Effective management of the balance sheet	Financial capital Intellectual capital	High	Moderate
7	Increased levels of social unrest could result in diminished levels of confidence by both internal and external counterparties	• Diversification of the property portfolio by geographic area and type of property • Maintain relationships with respective city councils • Maintenance of effective insurance programme • Improved tenant mix	Effective management of the balance sheet	Relationship capital Human capital Financial capital	Significant	Moderate
8	Geographic and sectoral concentration, could result in increased potential for major structural damage and financial loss in the event of detrimental political activity and demise of the City Improvement Districts (CIDs)	• 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	Offer innovative property investment opportunities that create and deliver long-term sustainable returns Effective management of the balance sheet	Financial capital	Significant	Moderate

Risk ranking	Risk and impact	Mitigation	Strategic objective	Capital impacted	Inherent risk rating	Residual risk rating
9	Increased levels of political uncertainty in South Africa (societal or political unrest) could impact on the safety of Octodec's and City Property's employees, and the ability of these employees to carry out their work, as well as reduced capacity for business performance sustainability and the introduction of "tight /restrictive" capital constraints	• Physical protection of assets at retail centres • On-site security, including CCTV cameras and security guards to ensure the safety of the employees and tenants and to protect assets • Adequacy of insurance to mitigate loss of assets is proactively monitored • Good relationships with key stakeholders are maintained • Regular and consistent monitoring on an ongoing basis by executives coupled with appropriate agility with regard to change • Assign appropriate responsibilities, tested presumptions and practicalities, and ensure that all business units have prepared their internal structures and processes to respond quickly to changes as and when they occur • Dedicated OHS officer appointed who is responsible for emergency procedures and plans • Emergency procedures in place	Increase the profitability of the existing portfolio	Human capital Financial capital	High	Low
10	Non-compliance with legislation could result in litigation and possible prosecution	• Dedicated compliance officer appointed • Compliance and changes to legislation and regulations are monitored by dedicated legal and company secretariat teams	Increase the profitability of the existing portfolio	Financial capital	High	Low

matters material to our ability to create value

Our most material matters are those that we have identified as having the greatest potential to impact positively or negatively on our ability to create value and deliver against our strategic objectives.

Our approach

We identify our most material matters through a range of engagement processes with the stakeholders we have identified as being key to our ability to create value. These processes include interviews, workshops and feedback from within both Octodec and City Property, which is responsible for the asset and property management of our portfolio, and from external stakeholders, who include investors, providers of debt, government, councils, regulators, industry bodies, our tenants, informal trader associations and taxi associations. Following this process, the issues we identify as most material are presented to the Octodec board for its input and approval.

The most material matters we identified this year:

Building dignity and unlocking value in urban spaces

Why it's important:

The outflow of corporates, major retailers and financial institutions from our inner cities in the past 20 years affected the appeal, safety and dignity of buildings in the inner cities of Tshwane and Johannesburg. The commitment and investment of companies such as Octodec in these inner cities has slowly turned the cycle towards renewal. Currently, the demand for quality residential space in these CBDs is greater than the supply. Residential core vacancies in our portfolio were at 3.6% at 31 August 2016 (2015: 3.5%).

How we address the risks and opportunities it presents:

We create well-managed residential properties in which professionals and young families who live and work in the inner cities aspire to live. By doing so we are improving our rental income streams, increasing the value of our portfolio, providing attractive spaces where people can live, work and play and contributing to the rebirth of our cities. Our buildings are aesthetically pleasing, safe and clean, with well-lit common areas and, wherever possible, recreation areas. We also ensure that the pavements outside our buildings are kept clean and in good condition.

See the manufactured capital section of this report on pages 64 to 79 for more information on our existing property portfolio and our growth projects.

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Future focus:

Our focus remains on:

- pursuing acquisitions offering sustainable yield-enhancing opportunities
- maintaining the concentration of our property portfolio, which makes it easier to manage and extract value from it
- developing well-located residential, office, retail and industrial sector properties
- continually improving the quality of our portfolio
- enhancing our tenant profile
- creating cost- and resource-efficient business solutions that ensure sustainability.

Stakeholders affected:

Shareholders, current and potential tenants, retail and small enterprise customers, municipalities, communities, suppliers, Octodec employees and those of City Property.

matters material to our ability to create value - continued

Stakeholder relations

Why it's important:

Our business is a people-focused business and therefore stakeholder relations are very important to us. Engaged stakeholders contribute to the speedy resolution of issues by other stakeholders who understand what we are trying to achieve in the inner city and therefore support our activities. On the other hand, poor stakeholder relations can prevent us from achieving our strategic objectives. Establishing and maintaining ethical relationships built on mutual understanding and trust with the city councils of Tshwane and Johannesburg, is particularly important to us as the councils are responsible for project approvals and executing building regulations and controls. The councils are also responsible for supplying our buildings with electricity, water and infrastructure, without which we would not be able to rent out our properties. We believe in working with all those who have a stake in the inner cities including informal traders and taxi associations, whom we also consider to be important stakeholders.

Engaging with the investor community is also a key priority for Octodec as it is equally important for them to understand our strategic objectives, the challenges we face and how we manage them and exploit any opportunities they present.

How we address the risks and opportunities it presents:

Octodec engages as a member of several property and industry forums. Members of the Octodec team build relationships with the councils and attend all council events to which Octodec is invited. In this regard we have committed ourselves to supporting the Tshwane Vision 2055, which is to create a city that is liveable, resilient and inclusive, and to working with all the relevant stakeholders to assist councils with the provision of services and to resolve operational, security and cleanliness issues. See the manufactured capital section of this report on page 69 for information on what we have achieved in Tshwane with regard to unlocking value in urban spaces. 69

Our approach is to work with councils to find solutions to challenges and ensure that all stakeholders are kept informed of upcoming developments. This includes stakeholders such as informal traders and the taxi associations. In terms of our management agreement with City Property it is mandated by Octodec to build and maintain relationships with the councils in which Octodec owns properties, maintain service levels and reduce the cost of utilities for our tenants. City Property is an active member of the Johannesburg Property Owners and Managers Association (JPOMA), which represents most of Johannesburg's inner city property investors and managing agents and addresses matters of common interest with the council including property classification and rates.

Future focus:

Our future focus will continue to be on effectively engaging with all stakeholders to achieve an understanding both of what others wish to achieve in our cities and what Octodec has achieved and still wishes to achieve in terms of the rebirth of our cities.

Stakeholders affected:

All our stakeholders, please refer to the social and relationship capital section of this report on pages 90 to 93 for more detailed information on our stakeholder relationships. 90

Transformation and broad-based black economic empowerment

Why it's important:

It's important to Octodec that it achieves sustainable broad-based empowerment credentials and benefits for all stakeholders. We are proud of the contribution we are making to transformation in South Africa by improving the quality of residential property available to all CBD dwellers including previously disadvantaged communities who wish to live, work and play in the inner cities of Tshwane and Johannesburg.

How we address the risks and opportunities it presents:

Octodec's transformation strategy, which is about transforming our business as meaningfully as possible within a reasonable timeframe, is based on long-term considerations and its impact on all stakeholders. We are transforming to ensure that our culture, environment, skills and the competence all match what the business requires. At the same time our 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. Octodec's monitoring of City Property's transformation strategy has assured it that City Property's approach is aligned with Octodec's and is based on driving diversity in the organisation and ensuring that its employees buy into its philosophy.

An important element of Octodec's transformation is our drive to procure from black-owned businesses. During the year under review 60% of the new suppliers we registered as vendors were more than 50% black-owned and 42% of our database of suppliers is B-BEE compliant. For information on the transformation progress in Octodec and City Property see the human capital section on page 86 of this report. For more information on the management of our supply chain and procurement from black businesses see page 93 of the social and relationship capital section of this report.

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Future focus:

Maintaining a focus on transforming for the benefit of all our stakeholders, while at the same time aligning our transformation initiatives with the Property Sector code and supporting the development of black-owned businesses.

Stakeholders affected:

Employees, shareholders, City Property, tenants, suppliers and our communities.

Specialist skills for the inner city property market

Why it's important:

The very specific purpose and focus of Octodec's investment strategy requires that our executives understand high-end shopping centre dynamics, the trading requirements of CBD street level traders and national retailers and the shopping and accommodation requirements of those seeking an apartment lifestyle in the cities of Tshwane and Johannesburg. They also need to be able to develop and manage complex project budgets.

How we address the risks and opportunities it presents:

Executives with property skills are in short supply. Currently City Property's management team has most of the specialist operational skills Octodec requires, it is able to rely on City Property for these skills. To address the lack of specialist skills in Octodec, which is an ongoing priority, as well as to address our succession planning requirements, we created a talent pipeline for Octodec, using City Property as a suitable source of talent, a priority in 2016.

The strategic skills of the executive and non-executive members of our board, that have contributed to the successful design and implementation of our strategy in the past, continue to guide and monitor its implementation.

For more information on our people development see pages 84 to 89 of the human capital section of this report.

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Future focus:

The Octodec talent pool is actively managed to ensure that the existing skills base not only meets our operational requirements, but also grows to address changing needs. Skills are added, supplemented and strengthened through an ongoing training and monitoring process through which Octodec aims to ensure it is ready to meet its talent requirements.

Stakeholders affected:

Shareholders, employees and the board of Octodec.

matters material to our ability to create value - continued

Technology and innovation

Why it's important:

- Octodec relies on scalable technology platforms, their effective application and continuous innovation to manage its substantial volume of tenant transactions and to cater for future growth
- Network uptime is a key performance factor, as is the ability to access real time data on key performance indicators, which allows for speedy, quality decision-making
- We also need to be able to accurately and speedily process utility bills and integrate with different council systems
- Search and quickly retrieve data and reduce our need for storage space
- The ability to keep our buildings and tenants secure is important to Octodec.

How we addressed the risks and opportunities it presents:

- We benefit from being able to make use of a centralised telephone system which makes it possible for us to introduce a centralised contact centre with multi-channel functionality, which means tenants can now choose to engage with us through the call centre, digital communication, mobile and social media platforms
- The transition to fibre optic cabling has greatly improved the network uptime and capacity of all systems
- The digitalisation of data management systems provides Octodec with real time access to the reporting it requires for its decision-making
- Character recognition software has improved the time and quality related to the processing of utility bills. The same software has also allowed us to digitise reports and contracts, which has substantially reduced our need for storage space and enabled rapid retrieval and search facilities
- The installation of biometric and electronic tag systems, together with digital visitor registration, which alerts building managers when visitors remain in a building past 23:59, has increased our ability to keep our buildings and tenants secure

Please refer to the intellectual capital section on page 80 of this report for additional information.

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Future focus:

Our focus in the future will be on continuing to improve our customer service delivery and the efficiency and cost-effectiveness of our administrative and security systems and processes through the innovative application of technology.

Stakeholders affected:

Employees, tenants, councils, City Property.

Community commitment

Why it's important:

To achieve our strategic objective of unlocking value in urban spaces, we support the development of healthy, safe and empowered communities. Members of these communities are the current and future tenants of our apartments, shops, offices and industrial properties. To achieve this, we need to address and change perceptions regarding safety in the Tshwane and Johannesburg CBDs and also support the socio-economic development of these communities.

How we address the risks and opportunities it presents:

We have implemented a number of initiatives to keep our buildings secure and ensure the safety of our tenants in our buildings, which are covered in the intellectual capital section of this report on page 80.

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To address safety concerns in Tshwane, we worked with the various Central Improvement Districts and City Property and invested in a pilot security initiative through which 21 previously unemployed community members were trained, obtained Private Security Industry Regulating Authority (PSIRA) accreditation to Grade C level and are now employed to provide visible guarding in Tshwane. The impact on the area they guard, which is continually monitored, has been positive.

We also support a number of socio-economic development initiatives every year in accordance with the focus of our socio-economic development plans for the year. For details of these initiatives see page 92 of the social and relationship capital section of this report.

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Future focus:

Our focus in the 2017 financial year will be on underprivileged communities who are potential future tenants, as well as continuing with existing initiatives.

Stakeholders affected:

Current and future tenants, suppliers, employees and City Property

Increasing governance, regulatory and compliance requirements

Why it's important:

Octodec operates in a constantly changing and highly regulated environment. Non-compliance with laws, regulations, rules, codes of conduct and standards could result in reputational damage and/or financial loss.

How we address the risks and opportunities it presents:

Octodec is committed to being a responsible and law-abiding corporate citizen. To ensure we discharge our legal and regulatory responsibilities we identify, prioritise, manage, monitor and report on any compliance risk facing us. Compliance management software is employed to monitor a core selection of legislation that applies to Octodec. This software allows Octodec to identify and prioritise the top 10 most relevant current, proposed and pending legislation. Controls have been developed to minimise our risk.

The City Property legal department is also mandated to assist Octodec in discharging its legal and regulatory responsibilities. The department regularly reports to the risk and audit committees and annually to the board. For more information on our management of regulatory and compliance risk see page 107 of the transparency and accountability section of this report.

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Future focus:

Octodec's management agreement with City Property expires in 2018. A new management agreement is being negotiated with City Property, which should be presented to the shareholders for their approval during 2017.

Stakeholders affected:

Board of directors, City Property, tenants, shareholders and employees.

matters material to our ability to create value - continued

Resource efficiency

Why it's important:

Rising electricity and water costs and supply challenges for both these resources are major concerns, as is water quality. Energy costs have become a significant expense for both ourselves and our tenants. Octodec's ability to use and efficiently provide access to these resources is a critical factor in attracting tenants and sustainably growing rental streams. Recycling and finding alternative ways of dealing with waste are also important in terms of reducing the impact of the waste generated in our properties.

How we address the risks and opportunities it presents:

Octodec has implemented efficiency initiatives to reduce consumption wherever possible. To assist our tenants we have introduced online pre-paid metering systems that allow tenants to actively manage their energy use and optimise our cash flow. Our tenants are also provided with educational information on how they can reduce their water and electricity use in our various communications with them. Through our membership of the Green Building Council of South Africa we are able to access expertise in green building science as well as in design, construction and operational practices that reduce the property industry's impact on natural resources. We have also introduced smart metering where tenants use Octodec's generators during periods of load shedding and we structure the tariffs to provide a support service that is more cost-effective for tenants than providing their own generators.

Future focus:

We will be increasing our focus on waste disposal and recycling.

Stakeholders affected:

Tenants, City Property, shareholders, suppliers and employees.

Capital management

Why it's important:

The group needs adequate funding to meet its growth strategy and provide shareholders with sustainable and growing distributable income.

How we address the risks and opportunities it presents:

Our liquidity management plays an important part in ensuring we have funds available for new acquisitions, projects and short-term debt maturities, while minimising interest rate risk and cash flow risk. Octodec's policy is to maintain surplus cash in the most cost-effective manner, while providing the group with immediate access to funding. To meet our requirements for new acquisitions and capital expenditure we monitor monthly cash flow forecasts and proactively arrange optimal debt funding (see page 58 to 60 of the financial capital section of this report for more information on our cash concentration and forecasting and our fund raising).

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Future focus:

We will continue to maintain our focus on liquidity management and our ability to raise funds cost effectively in order to ensure we have the funds available to meet our strategic objectives to grow our portfolio and provide our shareholders with sustainable and growing distributable income.

Stakeholders affected:

Shareholders, suppliers, providers of loans and employees.

Property and asset management

Why it's important:

Property and asset management is a key contributor to our financial performance, reputation and the overall sustainability of our business and a core activity in our business model.

How we address the risks and opportunities it presents:

Octodec concluded its current seven-year management agreement with City Property in 2011. City Property has administered a diverse range of properties, including inner city residential and multi-tenanted commercial property for over 40 years. The Octodec portfolio, with its over 14 500 tenants, is a particularly challenging one to manage, which City Property has done most effectively.

Our management agreement with City Property gives us access to the wide range of specialist skills required to meet our strategic objectives of continually improving the quality of our portfolio, enhancing our tenant profile and the yield from our properties in order to maintain and grow the distribution to shareholders.

See page 11 of this report for detailed information on the services provided to Octodec by City Property **(www.cityproperty.co.za)**.

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Future focus:

Octodec's management agreement with City Property expires in 2018. As Octodec's management and its board are satisfied with the services City Property has provided, a new management agreement is being negotiated with City Property, which should be presented to the shareholders for their approval during 2017.

Stakeholders affected:

Shareholders, tenants, employees, City Property, councils, suppliers and the community.

our operating context

Global trend – urbanisation

- 54% of the world's population was living in urban areas by 2014 (3.9 billion people) compared to 30% in 1950
- 66% of the world's population projected to be urban by 2050
- Urbanisation integrally connected to the three pillars of sustainability development: economic and social development and environmental protection

Source: World Urbanization Prospects, The 2014 Revision (United Nations)

South Africa

- South Africa urbanising rapidly – urban population growing larger and younger
- UN estimates 71.3% of SA population will live in urban areas by 2030 and nearly 80% by 2050
- 37.5% growth in Johannesburg metro population between 2001 and 2011 (population density 912 pp/km^2)
- Johannesburg per capita income R76 550 per annum
- 36.4% growth in Tshwane metro population between 2001 and 2011 (population density 956 pp/km^2)
- Tshwane, the largest municipality in South Africa (based on land mass) has the highest nominal personal income per capita (R79 100 per annum)
- Metros important economically – accounted for 75% of all net jobs created in SA between 1996 and 2012

Source: Integrated Urban Development Framework – Implementation Plan 2016 – 2019

Inner city impact

- Urbanisation is driving inner city transformation and the requirement for residential accommodation, retail and food outlets, walk-to-work offices
- Resulting in increased investment and development and improved quality of inner city life
- Millennials influencing change including:
  - increased use of technology in property developments
  - use of space
  - location
  - shifts in retailing to omnichannel distribution and a change in the purpose and function of physical stores
- Steady upward trend in urban renewal has resulted in inner city property market becoming increasingly competitive
- Competitive environment improving property values and sustainable and above average returns

Market sectors

Retail market

- Driven by aspirant lower and middle class consumers the national and international retailers are returning to the inner city, creating a demand for refurbished and/or new high street retail space

Residential market

- The move to economic nodes close to public transport and the gravitation of young professionals to city centres is resulting in densification
- High demand for quality, secure, inner city accommodation with demand exceeding supply

Office market

- Oversupply in certain key nodes exacerbated by corporates consolidating in mega offices
- Strong CBD office nodes account for bulk of new office development
- Vacancies in smaller and older office blocks increasing, creating opportunity to meet demand for residential accommodation by converting inner city office blocks into residential properties

Industrial market

- Growth in demand for industrial properties as wholesalers and retailers change distribution and warehousing models to improve margins and expand reach
- Impact of economy

South African REITs

- While the SA Listed Property Index (SAPY) has shown resilience and has not been significantly impacted by the toughening economic environment, following a strong start to the year the SAPY retreated in the second and third quarter, delivering a total return of -0.7%, underperforming bonds and cash ahead of equities in the third quarter
- Offshore SA REITs made up the bulk of the under performance as the South African rand appreciated against major currencies
- In the first nine months of 2016 the SAPY generated a total return of 8.8%
- The sector's relationship with bonds did not hold in the second quarter, with bonds enjoying a strong period after South Africa avoided a credit downgrade and achieved a record trade surplus
- Average distribution growth for domestic REITs between 6% and 8% in 2016
- Increase in operating costs exceeding consumer price inflation (CPI) driven by utility costs, municipal rates and taxes and security costs


Steve Biko Rd
M5
Schoeman St
Steve Biko R
M3
M11
< Johannes Ramokhoase St
Helen Joseph St
< Pretorius St
Thabo Sehume St
Church Square
< Bosman St
M4
R101
> Sophie de Bruyn St
M18
Jeff Masemola St
< Kgosi Mampuru St
R101
Tshwane
CBD

our operating context
- continued

Octodec's position

- Unique offering of well-located aspirational residential units in the Tshwane and Johannesburg metros resulting in enhanced tenant profile and contributing to rebirth of inner cities
- Profitability of existing portfolio increasing through continual improvement of portfolio quality
- Well-positioned to take advantage of demand for residential property (30.6% of portfolio rental income) and high street retail space (28.7% of portfolio rental income), which is also in demand
- Diversified portfolio in Tshwane and Johannesburg CBDs has exposure to residential, office, retail and industrial sectors
- Average annual distribution to shareholders of 7.7% over the past six years and 6.5% growth in distribution in 2016
- Protect building quality through stringent commercial tenant installation requirements. While these requirements can contribute to an increase in costs, they ensure we provide a quality environment in which people want to shop
- Strong demand for office space by government, from whom lease payments are reliable. Challenges for government and landlords regarding stringent processing and administrative requirements as well as onerous legislation


Troye St
Market St
R29
> Albertina Sisulu Rd
Commissioner St
Rissik St
Harrison St
Simm
JHB
CBD

the case for investing in Octodec

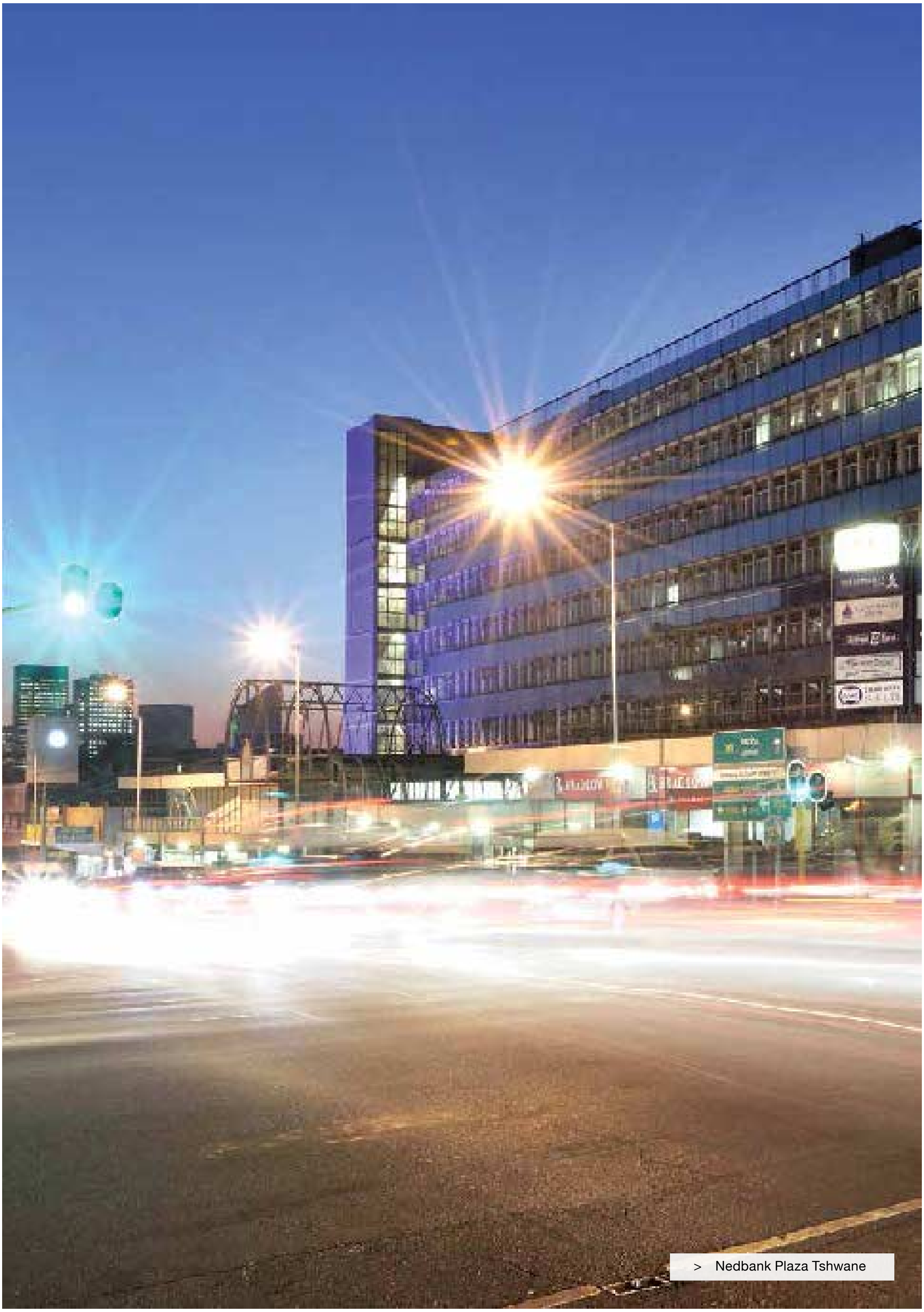
- Focus on investment decisions based on achieving long-term sustainable growth
- Annual compounded return to shareholders over 10 years of 14%
- Offers innovative property investment opportunities that create and deliver long-term sustainable returns (see our portfolio analysis in the manufactured capital section of this report) 66
- A diversified portfolio of 324 properties (including joint ventures) in the Tshwane and Johannesburg CBDs
- Property concentration in Tshwane and Johannesburg CBDs makes it easier to manage and extract value from our portfolio
- Actively contributing to the redevelopment of the Tshwane and Johannesburg CBDs
- Solid track record of managing residential, retail, office and industrial property through outsourcing of this role to City Property, which has over 40 years of property management experience
- Strong collection record reflected in bad debts at below 1%
- Pursuing acquisitions that offer strategic value and sustainable yield-enhancing opportunities (see the manufactured capital section) 70
- Focus on growing our residential portfolio (see the managing director's review and the manufactured capital section of this report) 52
- Recycling capital from low growth, poor quality assets to high growth, high quality assets 69
- Interest risk and liquidity well managed (see the financial capital section of this report) 59

> Shopping in the Tshwane CBD

chairman's review

We are living in particularly uncertain times, both in South Africa and worldwide. I cannot recall when last so many unpredictable and dramatic events took place in a single year. In addition, the economy, and as a result our business, is challenged. Despite these challenges Octodec, a proudly South African company, remains committed to unlocking value for our stakeholders through the sustainable growth of our property portfolio in the cities of Johannesburg and Tshwane. Our ongoing improvement of the quality of our portfolio through the redevelopment and upgrading of our inner city properties, which is underpinned by decades of experience in the inner city property market, sets us apart in our industry.

Our board and management team strive to provide our stakeholders with the information they need to make informed decisions about our company. Our aim is to continually improve our reporting, including in our integrated report.
This year we are reporting against the six capitals identified in the International Integrated Reporting Council's (IIRC) framework in order to show how our strategy affects and is affected by environmental, financial, human, intellectual and social and relationship issues.



> Nedbank Plaza Tshwane

chairman's review
- continued

Performance against strategy

Our strategy, which has been tried and tested over a number of years, and is regularly reviewed and refined by the board and management, remained relevant this year. Due to the nature of the properties that are the focus of our strategy and which accommodate many thousands of tenants, Octodec has a sustainable and durable business model that provides us with protection in difficult times.

Our management team has successfully managed risks, used the resources available to it wisely, and exploited opportunities to create value for shareholders in the form of an increased distribution this year.

It is pleasing to see that our faith in our long-term strategic commitment to the CBDs of Tshwane and Johannesburg and our investment in these CBDs is being rewarded by a discernible increase in the demand for retail and residential space in those key nodes as the cycle turns toward renewal therein. Currently, with demand exceeding supply, our high street shops and residential properties in both cities are well-tenanted and performing satisfactorily. See page 70 of manufactured capital for more information on residential and retail occupancy rates.

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The prices of inner city properties have increased as a result of the heightened interest of property investors in these areas. Octodec's foresight in investing in a stock of buildings in both of these CBDs means that we are well-positioned with a strong pipeline of potential developments into the future. In reviewing our portfolio we identified certain non-core properties which no longer matched our strategic objectives. We consequently are in the process of disposing of them. The prices achieved to date, on aggregate, are above their book value.

In pursuit of our strategic objective to explore new opportunities while still using our company's considerable knowledge and expertise, Octodec invested in two residential developments, namely 1 on Mutual and The Manhattan, which have upgraded specifications to our other residential developments branded as 'Places'. 1 on Mutual is located in Tshwane in our usual 'zone', directly opposite the High Court. The Manhattan is situated in Sunninghill, a northern suburb of Johannesburg. They are both aimed at attracting young professionals able to afford an increased rental. See page 53 of the managing director's review and page 69 of manufactured capital for more information on these projects.

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Accolades

I was delighted and very proud of our management team, when our conversion of Frank's Place, formerly Bosman Building, won a SAPOA award for innovative excellence.

It is indeed an achievement to be recognised for this innovative redevelopment of a derelict office building into a thriving residential one, where people are living, shopping, working and playing, while at the same time delivering sustainable long-term stakeholder value.

Maintaining and growing distributions to our shareholders

We were pleased to be able to continue paying our shareholders an increased interim and final distribution this year. See financial capital on page 57 for details.

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I believe that despite the likelihood of the current weak economic environment continuing into the new financial year we are, all circumstances considered, reasonably well-positioned to deliver on our strategic objectives and grow the distributable income.

The low yield of our three new residential developments during the let-up of the residential units will predictably have a negative impact on growth in distributable income in the short term. It will, however, have a positive impact on distributions in the medium to longer term. See financial capital on page 62 for details.

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Governance

As chairman of Octodec I am responsible for leading the board and encouraging a culture of openness and constructive debate that is essential for the achievement of a productive and decisive outcome. I believe the culture of openness we have been able to foster within our board ensures that decisions are made and business is conducted in a transparent manner.

By appointing strong, independent directors to its board and separating and clearly defining the roles and responsibilities of the chairman and the managing director, Octodec believes it has equipped its board to make the correct decisions in the right way.

In order to optimise the standards of corporate governance in Octodec we regularly review and revise our frameworks, policies and controls and develop and implement new ones where necessary.

It is also essential that we address any areas of conflict. One such area where there is potential for conflict is in the renegotiation of Octodec's management agreement with City Property, in which both I and the managing director of Octodec have an interest. To avoid any conflict of interest the entire process is being managed at arm's length by an ad hoc subcommittee whose members are all non-executive directors, the majority of whom are independent. The committee is chaired by the lead independent director.

Meeting our social commitments

There has been a greater focus this year at board level on both the transformation of the company and the way it conducts business and in respect of our corporate social investment. We also monitor the progress of our management company to ensure that it is also taking the necessary steps to transform its business.

Strategic outlook

We can expect to continue living in uncertain times for the foreseeable future.

To manage this uncertainty, the board constantly considers the possible risks of the environment in which we operate, how they can impact on our business and how best to address these risks to ensure that the business remains sustainable.

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We have, for example, hedged our interest rate risk significantly to manage the uncertainty regarding interest rates. For more information see page 59 to 60 of the financial capital section of this report.

The board considers that Octodec is well-positioned to continue creating value for its shareholders.

Naturally, however, we are not immune to what happens around us. Should South Africa be able to avert a sovereign downgrade towards the end of 2016, this will hopefully go some way to raising business confidence, giving new impetus to the country and hopefully attracting foreign and local investment.

Whatever the outcome, while the economy is likely to remain very volatile, there is a shortage of direct physical property available in the sector in which we operate. We have not yet seen a softening of property values in this sector and, subject to what happens politically and socially, locally and abroad, and specifically with interest rates, do not expect this to happen in the foreseeable future.

Appreciation

My heartfelt thanks goes to our managing director, financial director, and my entire Board for their dedication and wise counsel and to our employees and our management company for their perseverance in difficult times, during which everyone has gone the proverbial extra mile and overcome challenges to deliver an increase in distributions in this demanding market.

Sharon Wapnick
Chairman

managing director's strategic review

Our strategies, which have been in place for some time now, continued to serve us well in the year under review.

The granularity and diversity of our portfolio means our risk is spread not only over the retail, residential, office and industrial sectors, but also over our more than 14 500 tenants. This translates into a portfolio that is resilient and resistant to the good or bad fortunes of any one particular tenant or industry sector. This multilevel diversification has worked well for us in both positive and negative operating conditions.

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Dealing with such a large volume of diverse tenants does, however, require a plethora of specialist skills (see page 84 of the human capital section and page 78 of the manufactured capital section of this report for information on our approach to developing, acquiring, managing and ensuring we have the necessary specialist skills and an operating structure that gives us the ability to deliver on our strategies).

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I am also very encouraged by the continued demand for retail space in our properties, most particularly in the CBDs from most national chains. These include Pick n Pay, Shoprite Checkers and Clicks (see page 11 for details of the percentage of our retail space that is occupied by nationals). This demand for space confirms our strategy to invest in CBD nodes that are located in areas where large numbers of people live, work or commute through on a daily basis. We are acutely aware of the ongoing need to establish and maintain mutually beneficial long-term relationships with our key stakeholders, which is essential to the success of our business, and to this end we will continue to invest time, effort and resources so as to ensure that we maintain sound relations with all key stakeholders.

> Frank's Place, a conversion of the old Bosman Building at 99 Eloff Street, recognised for its innovative use of materials, features secure bachelor, one and two-bedroom apartments, covered parking, leisure spaces with sports facilities, a children's play area and braai facilities.

managing director's strategic review - continued

Growing our existing portfolio

We continued to grow our existing diversified portfolio by focusing on extracting value from existing stock and acquiring properties in Gauteng, concentrating on the Tshwane and Johannesburg central business districts (CBDs) and surrounding areas (see page 62 of the financial capital section of this report and page 69 of the manufactured capital section of this report for more information). Maintaining the concentration of our properties, which makes it easier to manage and extract value from our portfolio, remains a key element of our strategy.

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Our successful unlocking of value through the redevelopment and refurbishment of buildings is demonstrated in the increase in demand for and rental from these buildings (see page 69 of the manufactured capital section of this report). We do, however, recognise that while in the medium to long term our returns benefit from investment in the redevelopment and refurbishment of our properties, it does impact distributions in the short term.

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Across the various property sectors, the number of quality property investments available in the market that show acceptable growth is extremely limited. We are however fortunate to be in a position where our strategy to date has focused us in areas where growth, although limited, is still achievable.

I was delighted that SAPOA acknowledged the work we do when we were recognised by them for innovative excellence for the redevelopment of the old Bosman Building, which is now known as Frank's Place.

The increased competition for the acquisition of properties in our focus areas, as a result of the increased interest of both funds and individual buyers, is making portfolio growth more challenging as not only are fewer properties available for purchase but prices have also risen. Rapidly escalating costs, which are increasing tenants' total occupancy cost, remain a challenge. Despite the challenging economic environment and rising tenant costs we were able to keep our doubtful debt provisions and bad debts at acceptable levels (see page 58 of the financial capital section of this report).

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Medium-term focus on growing our residential portfolio

Our three major growth projects currently under way, which will increase the number of residential units we have available for rent by 722 in the first half of 2017, will allow us to achieve this strategy.

Continue to investigate new frontiers

Two of our current projects were started as a result of our investigations into new frontiers and deciding to try something new. This may result in a slight expansion of our current strategy, should they prove to be as successful as we anticipate them to be.

In Tshwane our development of 1 on Mutual is a departure from our usual approach to redevelopment. Based on the average income profile of our tenants, the location of the property opposite the High Court and near Church Square, access to ample parking and a wide range of shops on the ground floor of the building, including convenience stores, we believe there to be an opportunity to attract tenants with a more aspirational offering, available at higher rentals.

In Johannesburg, we entered into an agreement with Renprop Proprietary Limited and other strategic partners to develop The Manhattan, a new residential block not located in the CBD but in the outlying suburb of Sunninghill, which is also a new departure for Octodec. This development, which will be completed and ready for occupation by December 2016, will allow us to take advantage of yield-enhancing opportunities outside of the CBDs.

While Johannesburg and Tshwane were our historical focus areas, it would be short-sighted were we not to continue to explore areas outside of these boundaries. Management of investments in other areas remains key as our hands-on management style has served us well in the past and will continue to do so into the future.

The investment philosophy underpinning our strategies

Our foremost investment criteria when acquiring or disposing of properties are strategic fit and sustained profitability and our ability to extract further value. We ensure our board is provided with the research and specialist assessments on any potential acquisitions and disposals that they require to be able to make informed decisions on the commercial viability of each opportunity. We evaluate any potential investments on a case-by-case basis with geographic location and proximity to our existing properties being decisive factors.

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We regularly review our portfolio and dispose of properties that no longer fit our investment criteria. This is the case with a number of poorly located smaller properties that we disposed of this year and will be disposing of during the next financial year (see page 61 to 62 of financial capital section for more information). I was particularly happy with the prices that we managed to achieve on the sale of some our assets and those under deed of sale that have not yet been transferred, which were on average, 15% higher than the book value at which they were recorded.

The share price that Octodec is trading at, is an approximate 20% discount to our calculated net asset value per share. I am of the opinion that this discount arises in part, as a result of the market not valuing our stock of undeveloped properties, which consist of 94 961 square metres of mothballed offices. I believe that this represents a significant opportunity for Octodec to extract value from in the future, by way of either development or disposal.

Outlook

I would like to thank my fellow Octodec directors for their continued support, as well as the strong management team that I have had the pleasure of working with in the last year, who have collectively contributed to Octodec's results as evidenced herein.

We will continue our efforts to expand Octodec's portfolio, redevelop our properties and focus on our core markets in the Tshwane and Johannesburg CBDs, surrounding areas and in other areas where strong investment opportunities present themselves.

An important part of our ability to successfully achieve growth within the portfolio will emanate from the development, renovation or redevelopment of our existing properties. I am confident that despite a weak economic environment, and armed with our proven strategies, we are well placed to continue delivering growing income returns and capital appreciation. The projects completed in this financial year and those earmarked for completion in the 2017 financial year, which are well under way, will deliver further value to our shareholders over the medium to longer term.

Jeffrey Wapnick
Managing director

performance financial capital

Material matter:

Capital management

The Octodec group requires adequate funding if it is to meet its growth strategy and provide shareholders with sustainable and growing distributable income while minimising interest rate and cash flow risk. The steps we take to ensure this is the case are described on page 59 and 60 of this section of the report.

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"We want to be at the heart of the new culture move in the city. We want to operate from the heart of development, the heart of progress. We believe 012 speaks directly to that."

Katlego Malatji, CEO of Homecoming Events

financial capital
financial director's review

This year we have chosen to present our financial review in a condensed and simplified form for ease of reference and understanding. It should be read together with the full audited financial statements which are available on our website **www.octodec.co.za**

The 2016 financial year was a challenging year for the economy as a whole during which the South African economy continued to grow, but at a slower rate than expected. This, together with domestic labour and political issues and new global concerns, clouded prospects for the local economy.

Despite the challenges of our operating environment our ability to deliver on our strategic objective of unlocking value in our portfolio through developments and refurbishments/upgrades resulted in a number of important achievements:

- 6.5% increase in total distributions for the year to 201.5 cents per share
- increased rental income as a result of higher demand for CBD rental premises with a relatively strong performance from our residential and retail properties
- property expense to rental income ratio improved marginally to 29.6% as at 31 August 2016 (31 August 2015: 30.5%) as a result of our focus on cost control
- successful completion of a number of refurbishments and redevelopment programmes, to extract value from our underlying property portfolio
- maintaining our weighted annual average cost of finance at an acceptable level of 9,0% as at 31 August 2016.

Salient financial features	2016 (R'000)	2015** (R'000)	2014 (R'000)	2013 (R'000)	2012 (R'000)	2011 (R'000)
Investment property and straight-line rental acrual	**11 892 688**	11 380 104	3 471 507	3 214 696	2 878 921	2 416 173
Shareholders' funds	**7 413 800**	6 987 679	2 889 449	2 417 008	2 036 590	1 605 981
Long-term borrowings	**4 023 911**	2 917 174	1 263 932	955 717	827 123	962 119
Revenue – earned on contractual basis*	**1 767 871**	1 634 159	540 359	505 732	457 452	384 345
Net property income – earned on contractual basis*	**906 337**	819 032	249 992	225 622	211 303	177 063
Interest received (including investment income from joint ventures)	**20 455**	15 610	73 951	36 417	31 463	29 806
Interest paid	**394 751**	376 491	125 665	110 638	127 387	100 004
Distribution	**481 429**	228 839	206 602	170 497	135 045	115 470
Profit/(loss) on sale of investment property	**8 490**	(61)	44	15	666	464
Net operating profit to rental income (%)	**51.4**	50.1	46.3	44.6	46.2	46.1
Net operating profit to property investments (%)	**7.6**	7.2	7.2	7.0	7.3	7.3
Expenses (net of recoveries) to rental income	**34.8**	35.8	36.7	37.7	36.6	38.7
Shares/linked units in issue ('000)	**254 551**	252 322	117 348	108 225	108 225	89 297
Distribution per share/linked unit (cents)	**201.5**	189.2	175.7	157.6	137.3	129.3
Growth in distribution per share/linked unit (%)	**6.5**	7.7	11.5	14.8	6.2	(1.1)
Net asset value per share/linked unit (cents)	**2 913**	2 769	2 462	2 233	1 882	1 798
Market price per share/linked unit year-end (cents)	**2 299**	2 425	2 106	1 966	1 902	1 595
Market capitalisation year-end ('000)	**5 852 127**	6 118 803	2 471 347	2 127 702	2 058 438	1 424 287

** Excludes the straight-lining of lease rental*

*** With effect from 1 September 2014 Octodec acquired a 100% interest in Premium Properties Limited*

Distribution to shareholders

A summary of the financial information extracted from our financial statements is included below. Its purpose is to disclose the basis on which the distribution was calculated. It excludes adjustments for straight-line lease income, interest rate derivatives and other capital profits and losses, as these are excluded for purposes of calculating the distribution.

The rental income received by Octodec, less the aggregate of our operating costs and interest on debt, is distributed to shareholders twice a year. Octodec does not distribute capital profits. We declared a total distribution of 201.5 cents per share (compared to the 189.2 cents in 2015), made up of an interim distribution of 98.4 cents and a final distribution of 103.1 cents per share. This represents an increase of 6.5% on the amount we paid in the previous financial year.

The interim distribution was paid on 30 May 2016 and the final distribution will be paid on 28 November 2016.

Distributable earnings	%	Year to 31 August 2016 (R'000)	Year to 31 August 2015 (R'000)
Revenue – earned on contractual basis	6.7	**1 742 871**	1 634 159
Operating costs		**(790 529)**	(742 212)
Net rental income from properties	6.8	**952 342**	891 947
Administrative costs		**(71 005)**	(72 915)
Operating profit	7.6	**881 337**	819 032
Interest received		**10 138**	5 953
Share of income from joint ventures		**14 026**	13 493
Distributable profit before finance costs	8.0	**905 501**	838 478
Finance costs	4.9	**(394 751)**	(376 491)
Distributable income before taxation	10.6	**510 750**	461 987
Taxation charge		**–**	15
Shareholder distributable earnings	10.6	**510 750**	462 002
Number of shares in issue ('000)		**254 551**	252 322
Dividend per share (cents)		**201.5**	189.2
Growth in dividend (%)		**6.5**	7.7

financial capital
- continued

Reconciliation of earnings to distributable earnings	Year to 31 August 2016 (R'000)	Year to 31 August 2015 (R'000)
Total comprehensive income attributable to equity holders	**857 162**	1 337 728
(Profit)/loss on sale of investment properties	**(8 490)**	61
Reversal of impairment of loans	**(378)**	–
Gain on bargain purchase	**–**	(319 647)
Fair value changes		
investment property	**(285 914)**	(486 054)
investment property – joint ventures	**(6 872)**	(19 082)
Headline earnings attributable to equity holders	**555 508**	513 006
Straight-line rental income accrual	**(2 567)**	(4 930)
Fair value changes of interest rate derivatives	**(17 191)**	(45 987)
Once-off reinstatement contribution from tenant	**(25 000)**	–
Deferred taxation	**–**	(87)
Distributable earnings attributable to equity holders	**510 750**	462 002

Financial results

Statement of comprehensive income

We experienced limited improvement in the office and industrial rental markets during the reporting period. Our residential and CBD retail properties were the strong performers. Rental income increased following several successful improvements to the quality of a number of our properties, which attracted new tenants. Rental income and net rental income increased by 6.7% and 6.8% respectively compared to the prior comparative twelve-month period. The core portfolio, representing those properties held for the previous comparable year with no major development activity, reflects rental income growth of 5.3%.

Property expenses, net of recoveries, decreased to 29.6% (2015: 30.5%) of rental income, largely due to continued cost control and a decrease in net utility expenses. Despite rapidly escalating charges in respect of assessment rate and utility charges we were able to achieve satisfactory cost recoveries from tenants.

Finance costs for the year of R394.8 million increased by 4.9% relative to the prior period, due to increased investments in the property portfolio as well as a slight increase in the cost of finance.

Doubtful debt provisions and write-offs of bad debts were at acceptable levels at 0.8% (2015: 0.5%) of total tenant income. We do not expect any significant deterioration in bad debt write-offs in the coming year.

Statement of financial position

Octodec's investment assets increased by R691 million to R12.3 billion at 31 August 2016. This increase is mainly due to acquisitions, development expenditure and the revaluation of the portfolio. The directors' valuation of the investment properties amounted to R12.1 billion, reflecting a 2.4% increase in value. The group's gearing equated to 38.3% of the value of its investment assets as at 31 August 2016 against 37.3% at 31 August 2015.

The net asset value per share is R29.13 at 31 August 2016. This equates to an increase of 5.2% on the R27.69 reported at 31 August 2015. This is mainly as a result of the increase in the valuation of the investment portfolio.

Financing in 2016

The capital raised during the period, together with proceeds realised from disposals, was used for acquisitions, property developments and capital expenditure.

A breakdown of the funding profile as at 31 August 2016 compared with 31 August 2015 follows. Octodec had committed unutilised banking facilities amounting to R618.7 million at 31 August 2016.

Share reinvestment alternative

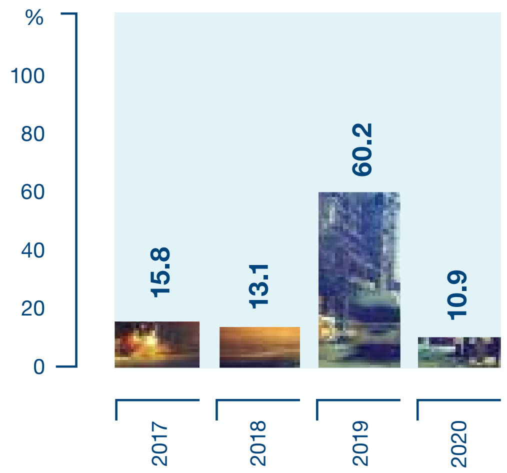
Following Octodec's declaration of a cash dividend for the six months ended 29 February 2016, which gave shareholders the option to elect to reinvest the cash dividend in return for Octodec shares, shareholders holding 51 439 103 Octodec shares (representing 20.4% of Octodec's issued shares) chose the share reinvestment alternative. The amount raised through this reinvestment was R50.2 million net of costs.

Funding profile	31 August 2016 (R'000)	31 August 2015 (R'000)
Interest bearing borrowings	**4 023 911**	3 700 282
Bank borrowings		
- Nedbank	**2 998 542**	2 744 712
- Standard Bank	**1 025 369**	955 571
Debt capital market funding – commercial paper	**755 116**	680 591
	4 779 027	4 380 873

Loan to value ratio	**38.3%**	37.3%
% of borrowings hedged	**82.9%**	94.2%
Weighted average term of debt	**2.3 years**	1.6 years
Weighted average term of interest rate swaps	**2.2 years**	2.6 years
Weighted annual average cost of borrowings (all-in cost)	**9.0%**	8.9%
Undrawn debt facilities available on demand (R'000)	**618 661**	456 808

Loan expiry profile (per financial year) of R4.779 billion of loans 31 August 2016

Expiry of loans (%)



Expiry of loans (R'000)	
Year	**R'000**
2017	**755 116**
2018	**624 561**
2019	**2 876 262**
2020	**523 088**
Total	**4 779 027**

The average weighted loan term is at 2.3 years

Domestic medium term note (DMTN) programme

As at 31 August 2016 Premium's debt capital market (DCM) issuance was at R755 million, or 15.8% of the borrowings of the Octodec group.

The Global Credit Ratings Company upgraded Octodec's rating on 30 November 2015: from A-(ZA) and A1-(ZA) to A(ZA) and A1(ZA) in the long term and short term respectively, with the outlook accorded as stable.

Interest rate hedging

Octodec's policy is currently to ensure that our interest rate risk is minimised by hedging approximately 80.0% of total borrowings. Interest rate risk is managed by effective monitoring of the movements in bond yields/yield curves and entering into derivative instruments at the best possible opportunity.

Interest rates in respect of 82.9% of borrowings at 31 August 2016 have been hedged, maturing at various dates between 2017 and 2021. Since 31 August 2016, Octodec has entered into four forward starting swap contracts commencing 3 January 2017, the details of which are set out below. The additional swap contracts entered into cater for swaps expiring in early 2017.

financial capital
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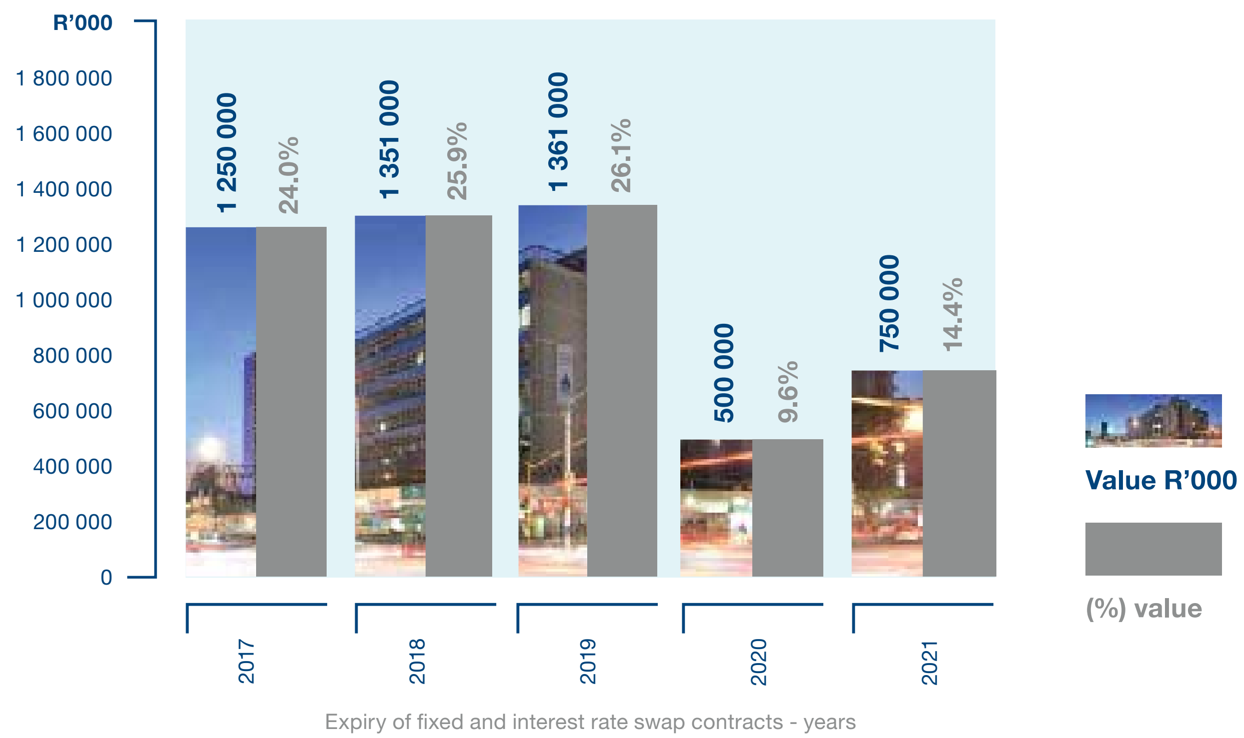
A summary of the new forward starting swap contracts entered into				
	Amount (R'000)	**Weighted term (years)**	**Fixed interest rate per annum (%)**	**Weighted average interest rate per annum above JIBAR (%)**
	500 000	4.0	8.30	0.94
	250 000	4.0	8.23	0.87
	250 000	3.0	7.87	0.51
	250 000	3.0	7.85	0.49
Total	**1 250 000**	**3.6**	**8.11**	**0.75**

Fixed and interest rate swap contracts expiry profile (per financial year):
- **Swaps – total of R4.8 billion**
- **Fixed rate loans – R412 million**

After taking into account all swaps expiring prior to 31 August 2017, as well as the new R1.25 billion swaps entered into which become effective on 3 January 2017, our forecasted hedged position will be 79% at 31 August 2017.

Expiry of fixed and interest rate swap contracts - Rand value and %



Revaluation of property portfolio

It is the group's policy to perform directors' valuations of all the properties at the six-month interim reporting period and at year-end. The valuations are based on the income capitalisation method, which is consistent with the basis used in prior years. The internal valuation of the property portfolio of R12.1 billion represents an increase in the valuation amounting to R285.9 million or 2.4% for the twelve-month period ended 31 August 2016.

In accordance with 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). They are all registered valuers in terms of Section 19 of the Property Valuers Profession Act 47 of 2000, and have extensive experience in commercial property valuations.

Their valuations at 31 August 2016 amounting to R3.1 billion, representing 25.3% of the portfolio by value were 0.7% more (2015: 0.6%) than the directors' valuation. The directors are confident, taking all factors into account, that their valuations represent fair market value.

Acquisitions

In line with Octodec's strategic objective of acquiring properties in the Johannesburg and Tshwane CBDs, we acquired two strategic properties. Investments are considered on a case-by-case basis and we establish the price we are prepared to pay for potential acquisitions according to their potential to deliver appropriate and sustainable returns to our shareholders. The details of the properties acquired are as follows:

Summary of acquisitions

Property	Location details	Total cost (R'million)	Transfer date	Fully let initial yield (%)
Ross Electrical	Tshwane CBD	2.6	April 2016	8
Van Riebeeck Medical Building (for residential redevelopment)	Tshwane CBD	28.9	February 2016	In planning phase

Disposals

In line with our strategic objectives of recycling capital, we disposed, and transfer has taken place of seven non-core properties for a total consideration of R55.5 million during the year and we entered into agreements to dispose of a further 10 non-core properties. At 31 August 2016 these properties had not yet been transferred.

Summary of disposals – transferred before year-end

Property	Location details	Total consideration (R'million)	Profit on disposal (R'million)	Transfer date	Exit yield (%)
Heriotdale	Germiston	5.5	0.5	November 2015	9.0
Eloff Street	Johannesburg CBD	2.5	0.2	April 2016	10.0
Landkirk	Kirkney, Tshwane	3.2	0.5	June 2016	11.0
Mitchbuit	Tshwane West	4.8	0.4	June 2016	11.0
Works@Registry	Johannesburg CBD	30.0	6.7	July 2016	4.0
Dirk du Toit (1) & (2)	Tshwane West	9.5	0.2	November 2015	11.0
Total		**55.5**	**8.5**		

financial capital
- continued

Summary of disposals – transferred after year 31 August 2016					
Property	**Location details**	**Total consideration (R'million)**	**Profit on disposal (R'million)**	**Expected transfer date**	**Exit yield (%)**
Somerset & High Court	Johannesburg CBD	14.5	-	November 2016	2.0
Raschers	Johannesburg CBD	6.0	0.4	November 2016	7.0
Munt Street	Waltloo, Tshwane	11.4	2.2	January 2017	9.3
Paulefko	Tshwane CBD	3.8	0.4	October 2016	8.3
Fine Art House / Court	Johannesburg CBD	17.5	0.5	January 2017	4.4
Blagil	Hatfield, Tshwane	2.1	-	November 2016	10.3
Frederika Street	Tshwane	7.8	0.3	January 2017	10.3
Karkap	Tshwane	5.5	0.5	January 2017	10.5
Pretwade	Germiston	10.5	2.0	January 2017	8.5
Total		**79.1**	**6.3**		

Capital expenditure on Octodec's development pipeline

We invested in four major projects during the year under review:

The Manhattan, a 180-unit residential block in Sunninghill, Johannesburg (50% undivided share):

- Total development cost of R80.9 million
- Expected initial marginal annual yield, inclusive of land costs: 9.5%.
- Expected loss after interest during let-up of units for 2017 financial year: R4.9 million

This is a joint venture with Renprop Proprietary Limited and other strategic partners, which we expect to be completed by December 2016.

Redevelopment of Centre Forum, now known as Sharon's Place (400 residential units, ground floor retail space and parking)

- Total development cost of project: R375.0 million
- Fully let initial marginal annual yield exclusive of land costs: 7.3%
- Expected completion date: April 2017
- Expected loss after interest during let-up of units for 2017 financial year: R11 million

1 on Mutual, new mixed-use property (142 residential units, ground floor retail space and parking)

- Total development cost of project: R160.0 million
- Fully let initial marginal annual yield exclusive of land costs: 7.1%
- Expected completion date: February 2017
- Expected loss after interest during let-up of units for 2017 financial year: R8 million

Pretoria Midtown – upgrade of office block (7 133 m² of offices, 944 m² of retail and 90 parking bays)

- Total development cost: R56.5 million
- Fully let marginal annual yield inclusive of land costs: 9.5%
- Expected completion date: August 2017

Octodec is in the planning phase of the development of two residential properties, Reinsurance House and Van Riebeeck Building, which are situated in prime locations in the Johannesburg and Tshwane CBDs, respectively. The total cost of the developments are expected to be about R240 million. We will only commence with these developments if we can achieve an initial fully let yield of 9% per annum.

New and redeveloped properties grow our rental income stream, but the impact of the phased take-up of units tends to impact results negatively in the short term. It takes between six and nine months for residential developments to achieve full occupancy levels.

In line with its strategy to continuously improve the quality of the portfolio, Octodec has approved capital commitments in an amount of R325.3 million relating to its four major projects as well as various smaller upgrades of properties. Unutilised banking facilities are in place to fund these capital commitments.

Details of the costs of the larger upgrades				
Property	**Location details**	**Total cost (R'million)**	**Completion at 31 August 2016 (%)**	**Fully let initial yield (%)**
AVN	Tshwane CBD	16.9	10	8.0
Inner Court (façade upgrade)	Johannesburg CBD	19.6	75	n/a
Killarney Mall (air conditioning, security, generator and other improvements)	Johannesburg	45.2	70	n/a
Wits Technikon	Johannesburg CBD	18.9	50	11.1
The Tannery	Silverton	10.0	50	8.5

Outlook and forecast

We expect economic growth in South Africa to remain subdued, with weak consumer and business confidence and a tough operating environment.

Gross domestic product (GDP) growth forecast for 2016 has been reduced, with the National Treasury lowering its forecast for GDP growth to 0.5%. If the rand holds relatively steady, inflation is expected to end the year just below the South African Reserve Bank's upper 6.0% limit. The future of interest rate levels in the next 12 months is uncertain. Octodec uses distributable income per share as its relevant measure of performance. Against this backdrop current indications are that the growth in our distributable income per share is expected to be approximately 6% for the 2017 financial year.

This guidance is based on the following key assumptions:

- Forecast investment property income is based on contractual rental escalations and market related renewals
- Appropriate allowance for vacancies has been incorporated into the forecast
- No major corporate and tenant failures will occur
- Stable economic, social and political environment.

This forecast has neither been reviewed nor reported on by the group's auditors.

Anthony Stein
Financial director

performance manufactured capital

Sustaining city life through over four decades of investment.

Material matter:

Building dignity and unlocking value in urban spaces to create value

Octodec's investment philosophy is based on recreating and redeveloping property to unlock and enhance value in urban spaces. It is underpinned by our unique vision, which has both a commercial and social focus. By providing buildings that offer dignity through their provision of clean, aesthetically pleasing, safe accommodation, parking, well-lit common areas, recreation areas, and excellent customer service, we are both enhancing the quality of life of those who wish to live, work and play in our inner cities and contributing to the vibrant urban culture of the cities of Tshwane and Johannesburg. The commercial benefit to Octodec is that we attract quality tenants prepared to pay a premium for quality accommodation and with whom we are able to establish long-term sustainable relationships.

Buildings offering dignity require quality construction work and hands-on management. Our experience is that our investment in quality materials, workmanship and management, and energy-saving initiatives that reduce our tenants' energy costs, results in lower vacancies, lower repair and maintenance costs and increased rentals.

In Tshwane our multi-purpose events venues at 012 Central in the centre of the Tshwane area, across the road from the South African Reserve Bank, can and have hosted a wide variety of events **(www.012central.co.za)** from black tie dinners, to markets, a romantic evening on Valentine's Day, Whisky Live and music video shoots, drawing people back into the CBD.

Our diversified portfolio includes a growing residential portfolio as well as retail, office and industrial sector portfolios.

We continue to enhance the quality of our portfolio through acquisitions, selective redevelopments, refurbishments and upgrades.

65.5%
of our portfolio is in Tshwane

R12.3 billion
invested in 324 properties (including joint ventures) concentrated in the Tshwane and Johannesburg CBDs, which makes it easier to manage and extract value from our portfolio

34.5%
of our portfolio is in Johannesburg

> A busy Johannesburg street close to Frank's Place, where we offer city dwellers quality, secure accommodation, parking and recreation facilities close to where they work and play

manufactured capital
- continued

Key features of the property portfolio that makes up our manufactured capital

Octodec has a diverse portfolio through its investments in the retail, office and industrial sectors, a growing residential portfolio and mixed-use properties. Our key focus is on investments in the Johannesburg and Tshwane CBDs with redevelopment potential. During the year under review we continued to enhance the quality of our portfolio through selective acquisitions and redevelopments, refurbishments and upgrades of our existing stock of properties with the aim of unlocking short, medium and long-term value for our stakeholders.

Residential:

Our first conversion of a CBD property into residential units to meet the demand for quality accommodation at affordable prices was in 1998. Demand for residential units in the inner cities of Tshwane and Johannesburg continues to outstrip supply and it is our aim to meet the growing demand for quality residential accommodation over the long term. Among the factors we consider when making investment decisions and deciding on development specifications are market insights, tenant feedback and urban renewal initiatives.

Our current residential growth pipeline includes the development of 1 on Mutual and Sharon's Place in Tshwane and The Manhattan in Sunninghill, Johannesburg, which is a joint venture with Renprop Proprietary Limited and other strategic partners. See page 53 of the managing director's strategic review for more information.

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- 8 840 high quality residential units
- 366 826 m² gross lettable area (GLA) (2015: 367 198 m²)
- Rental income R437 million (2015: R402 million)
- 5.6% growth in core rental income year-on-year
- Mostly upgraded, well-located secure accommodation
- Average monthly rentals:
  - R3 692 for a bachelor unit (average size 30 m²)
  - R4 302 for a bedroom unit (average size 44 m²)
  - R5 633 for a two-bedroom unit (average size 63 m²)
- Strong demand for residential accommodation
- Total vacancies 4.0% of GLA
- Core vacancies 3.6% of GLA
- Strong collections – bad debts at below 1%
- Tenant profile analysis indicating trend of higher living standards measure (LSM)
- Increased competition in Johannesburg CBD and Hatfield

Portfolio review

Sector	Rental income (R'000)		As a percentage of total property portfolio rental income (%)		Gross lettable area (m²)	
	2016	2015	**2016**	2015	**2016**	2015
Retail – shopping centres	**143 041**	134 974	**10.0**	10.2	**91 179**	91 502
Retail – high street shops	**411 329**	366 251	**28.7**	27.6	**432 456**	457 491
Industrial	**110 253**	105 920	**7.7**	8.0	**288 908**	315 142
Offices	**270 508**	262 596	**18.9**	19.9	**489 751**	459 529
Residential	**437 029**	402 214	**30.6**	30.3	**366 826**	367 198
Parking	**58 709**	53 656	**4.1**	4.0	**–**	–
Total	**1 430 869**	**1 325 611**	**100.0**	**100.0**	**1 669 120**	**1 690 912**

**The above information includes 100% of our joint ventures with Gerlan Properties Proprietary Limited, Jardtal Properties Proprietary Limited and Prensas Properties Proprietary Limited, and not only the group's 50% share.*

> Transpharm, a division of Shoprite Checkers, one of South Africa 's largest pharmaceutical wholesalers and distributors and a tenant in one of our upgraded industrial properties

Retail: High street shops

We offer quality high street retail opportunities on the ground floors of buildings and in walkways and arcades in the Tshwane and Johannesburg CBDs where Octodec has invested in upgrades to contemporary retail standards. Demand from national retailers remains strong as many well-known brands in fast food, fast-moving consumer goods, fashion, food and convenience offerings return to the CBDs. Growth opportunities in CBD retail exceed that of traditional shopping malls and they have the added benefit of lower tenant costs, including lower common area cleaning and air conditioning requirements. The consequence of an increased demand for residential accommodation in the CBDs, together with the added advantage of convenience and lower transport costs when compared to outlying malls, is an increase in shopping footfall. Our major national retail tenants include Shoprite, Pick n Pay, Foschini, Pep and KFC.

In Johannesburg Frank's Place, Inner Court and Castle Mansions are all examples of ground floor inner city retail. See page 78 of manufactured capital for details of the support we provide inner city retailers.

- 432 456 m^2 GLA (2015: 457 491 m^2)
- Rental income R411 million (2015: R366 million)
- 5.4% growth in core rental income year-on-year
- Average rentals of R84/m^2 (31 August 2015: R80/m^2)
- Strong demand from national retailers for well-located CBD retail space (e.g. supermarkets and fashion)
- CBD retail offers more growth opportunities than traditional malls
- Total and core vacancies 9.1% of GLA
- Lower cost structures (common area costs, security, cleaning)

Retail: Shopping centres

Our shopping centre portfolio includes five high-quality shopping malls, the flagship of which is Killarney Mall in Johannesburg. We also hold the leasehold rights to Woodmead Value Mart, a value for money offering also in Johannesburg. In Tshwane we own the Elardus Park Shopping Centre in Tshwane East, Waverley Plaza in Waverley and Gezina City in Gezina and Blaauw Village, Pretoria North (50% interest).

- 91 179 m^2 GLA (2015: 91 502 m^2)
- Rental income R143 million (2015: R135 million)
- 4.7% growth in core rental income year-on-year
- Average rentals of R129/m^2 (31 August 2015: 115/m^2)
- Increase in vacancies during period at Elardus Park Shopping Centre, which is in need of an upgrade. Strong interest in vacant space
- Killarney Mall – Increase in trading density and foot count per m^2 of 14% and 6%, respectively. Dis-Chem took occupation in Killarney Mall in November 2015
- Woodmead Value Mart – 100% let and strong rental growth
- Total and core vacancies 5.4% of GLA

Offices

Octodec's office portfolio consists of three diverse offerings suited both to government and large corporates and to tenants who require smaller, individualised pockets of office space. The Rentmeester and Persequor office parks in Tshwane are examples of offerings suited to the requirements of government and large corporates. The Towers brand was specifically developed to meet the increasing demand for smaller, individualised offerings from newly qualified graduates starting out in the CBD, professionals and small enterprises. There is substantial potential in this market which remains a focus area for Octodec.

Government leases currently comprise 12.8% of our total rental income and its tenancy of our buildings is growing as it recognises the advantages of location and the quality and reliable management associated with the Octodec portfolio.

- 489 751 m^2 GLA (2015: 459 529 m^2)
- 5.2% growth in core rental income
- Rental income R271 million (2015: R263 million)
- Average rentals of R72/m^2 (31 August 2015: R70/m^2)
- Positive take-up of non-government office space
- Government tenants:
  - Lease renewals 2 – 3 years/net additional take-up of space
  - 9 365 m^2 of office space let to government tenant from 1 March 2016
  - Well-managed risk
  - 12.8% of total office sector rental income
- Total vacancies 34.7% of GLA
- Core vacancies 15.3% of GLA
- Mothballed office space – 19.4% of sector GLA (94 961 m^2) – opportunity to sell, develop or enter into partnerships

Industrial

Our industrial offering includes warehouses, mini factories, workshops and industrial parks, such as The Tannery and Sildale in Silverton, Tshwane. The recent upgrading of this sector of our portfolio aimed at attracting small businesses to certain nodes has attracted better quality tenants with longer lease terms. We are continuing to customise premises to specific tenant requirements.

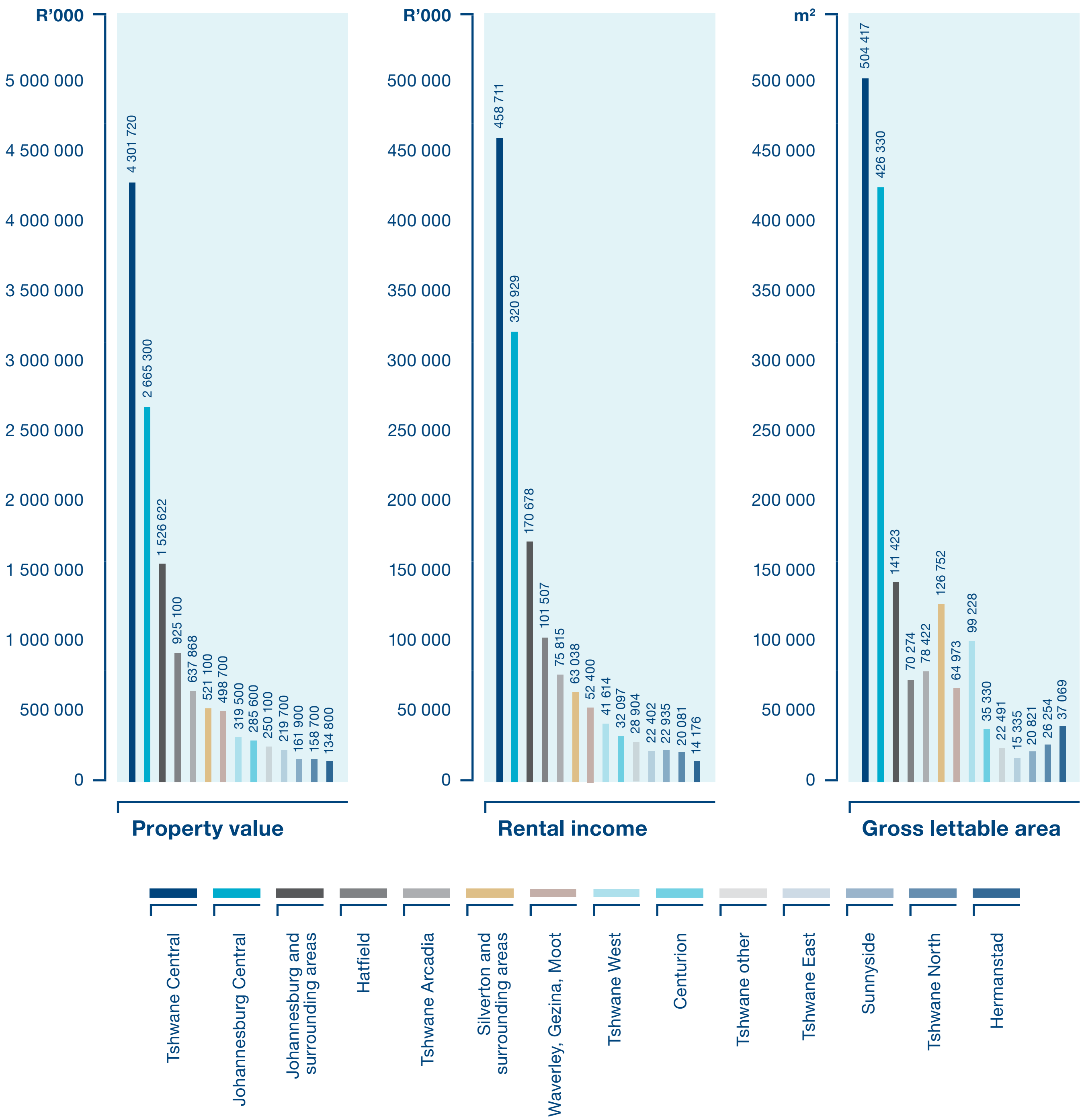
- 288 908 m^2 GLA (2015: 315 192 m^2)
- 3.3% growth in core rental income
- Rental income R110 million (2015: R106 million)
- Successful redevelopment of properties
- Demand for upgraded properties
- Average rentals of R36/m^2 (31 August 2015: R33/m^2)
- Total and core vacancies 10.8% of GLA
- Low cost of occupation competitive advantage in letting

Parking

- 7.2% growth in rental income totalling R55 million (2015: R51 million)
- Average monthly rental per bay – R600
- Strong demand for parking from government and residential tenants
- Greater focus on increasing revenue resulting in strong growth

manufactured capital
- continued

Geographical analysis of portfolio by property value, rental income and gross lettable area



**This information includes 100% of our joint ventures with Gerlan Properties Proprietary Limited, Jardtal Properties Proprietary Limited and Prensas Properties Proprietary Limited, and not only the group's 50% share.*

Quality is our cornerstone

Continually improving the quality of our portfolio

We are continually improving our existing properties with the aim of attracting new tenants. We successfully upgraded a number of our properties during the year under review, including offices in the Pretoria CBD and Frank's Place in the Johannesburg CBD. These upgrades, together with our proactive approach to letting our properties, resulted in a 5.3% increase in our like-for-like rental income.

Dare to pave the way

Investing for growth

Developments

To meet our strategic objective of growing our existing portfolio and adding to our stock of manufactured capital, the group had four major projects under construction during the period under review. The total cost of these projects is approximately R672.4 million, of which an amount of R368.0 million was spent by 31 August 2016. These included:

- 1 on Mutual, a mixed-use property, which is adjacent to Church Square in the Tshwane central business district (CBD). This project consists of 142 residential units, ground floor retail premises and parking. The total cost of the project excluding land is R160.0 million. We previously reported a cost of R146.4 million with an expected fully let annual yield of 7.6%. The increase in costs was due to construction challenges which resulted in a delay in the completion and increased costs of the project. The expected completion date is February 2017 and when fully let, the annual marginal yield is expected to be 7.1%.
- The Manhattan, a 180-unit residential development in Sunninghill, Johannesburg, is progressing well. The total development cost of this 50%-held joint operation amounts to R80.9 million and completion is expected by December 2016. When fully let, the initial annual marginal yield, inclusive of land costs, is expected to be 9.5%.
- The redevelopment of Sharon's Place (previously named Centre Forum), which is adjacent to the new Tshwane House municipal development in the Tshwane CBD, is a residential development consisting of 400 units, ground floor retail and parking. The total cost of the project increased from the previously reported amount of R347.4 million to R375.0 million. The increase in costs was mainly due to the finalisation of the tender at a higher price. The project is expected to be completed in April 2017 with an annual marginal yield, excluding land costs, of 7.3%, when fully let.
- The redevelopment of Pretoria Midtown, which is also adjacent to the new Tshwane House municipal development in Tshwane CBD, is an office upgrade. The property consists of 7 133 m² of offices, 944 m² of retail and 90 parking bays. The total cost of this project is R56.5 million and the expected completion date is August 2017, at a fully let annual marginal yield, inclusive of land costs, of 9.5%.

In addition, in line with Octodec's strategic objective of upgrading to exploit value-creating opportunities in its portfolio and innovatively unlock value in spaces where people can thrive, the group has several small projects under way that will deliver sustainable long-term value and contribute to the upliftment of the Tshwane and Johannesburg CBDs.

manufactured capital
- continued

Paint our cities with passion

Acquisitions

During the period under review Octodec acquired the Van Riebeeck Medical Building and Ross Electrical in the Tshwane CBD for a total consideration of R28.9 million and R2.6 million, respectively.

Disposals

The group disposed of seven non-core properties during the period under review for a total consideration of R55.5 million. See financial capital on page 61.

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Vacancy profile

While most of the properties in our portfolio remained fully let, a number of properties under development or which have recently been upgraded, had vacancies.

Certain properties that we acquired in recent years such as Centre Walk, Fedsure, Reinsurance and the Van Riebeeck Medical Building have high vacancy levels. They do, however, offer significant redevelopment opportunities through which we will be able to realise their value over time.

The office component of Centre Walk was recently upgraded at a cost of R28.9 million. 9 365 m² of its office space has been let to a government tenant effective 1 March 2016.

Vacancies as at 31 August 2016

The total vacancies in our portfolio as at 31 August 2016 were at 15.6% of our total GLA (31 August 2015: 15.1%):

- low residential vacancies underpinned by strong demand for well-located quality accommodation
- total core vacancies increased to 9.8% (31 August 2015: 9.1%) as a result of an increase in core vacancies in the office, industrial sectors and shopping centres. The increase in total office vacancies was mainly due to our acquisition of the Van Riebeeck Medical Building, which comprises mothballed offices that are to be converted to residential units.

Portfolio review

Sector	Vacancies (m²)		Vacancies as percentage of sector GLA (%)		Core vacancies as a percentage of sector GLA (%)	
	2016	2015	**2016**	2015	**2016**	2015
Retail – shopping centres	**4 917**	647	**5.4**	0.7	**5.4**	0.7
Retail – shops	**39 513**	58 119	**9.1**	12.7	**9.1**	11.0
Industrial	**31 266**	29 347	**10.8**	9.3	**10.8**	8.7
Offices*	**170 137**	147 025	**34.7**	32.0	**15.3**	13.6
Residential	**14 824**	19 398	**4.0**	5.3	**3.6**	3.5
Total	**260 657**	**254 536**	**15.6**	**15.1**	**9.8**	**9.1**

**Includes 94 961 m² of mothballed space available for redevelopment or disposal*

Opportunities to unlock value in the future

Over the past few years Octodec has accumulated a number of properties. The intention at the time was to redevelop these properties into residential accommodation. A large amount of inherent value lies in these properties.

Below are a few examples of properties suitable for redevelopment (conversion of office space to residential) in respect of which we are considering various options to unlock value:

Property	Vacant gross lettable area (m^2)
Van Riebeeck Medical Building (Tshwane)	**11 497**
Medical Towers (Johannesburg)	**4 634**
Education Centre (Johannesburg)	**8 341**
Reinsurance (Johannesburg)	**15 034**

Lease expiry profile

Octodec's portfolio has a mix of short to long-term leases:

- Government office leases are concluded for three to five-year lease periods
- Residential leases are typically 12-month contracts providing for a month-to-month arrangement at expiry
- Retail leases concluded with national tenants are for three- to ten-year lease terms
- Retail leases concluded with non-national tenants are on average for one- to three-year lease periods.

Lease expiry profile as at 31 August 2016

	Gross lettable area (m^2)	% of portfolio	Monthly contractual revenue (R)	% of portfolio
Residential (12 months and less)	**352 002**	21.1	40 044 955	34.4
Monthly commercial	**177 805**	10.7	9 378 771	8.1
To 31 August 2017	**329 973**	19.8	24 286 707	20.9
To 31 August 2018	**237 239**	14.2	17 123 906	14.7
To 31 August 2019	**112 104**	6.7	9 370 768	8.0
To 31 August 2020	**92 075**	5.5	7 496 738	6.4
Thereafter	**107 265**	6.4	8 773 790	7.5
Vacancies	**260 657**	15.6	–	–
Total	**1 669 120**	**100.0**	**116 475 635**	**100.0**

manufactured capital
- continued

Our top 10 properties by value, which are predominantly shopping centres and larger mixed-use buildings in the CBDs of Tshwane and Johannesburg, account for 26.0% (2015: 25.4%) of the Octodec investment property portfolio by value.

The Fields

Location: Hatfield, Tshwane
Sector: Hotel, shops, offices, 765 flats and 1 115 parking bays
Size: 54 026 m^2
Directors' valuation as at 31 August R766.9 million
Percentage of portfolio: 6.3%
Occupancy: 96.3%
Tenants: 34 retail tenants
Major tenants: City Lodge (9 709 m^2), SEDA (6 569 m^2), Spar (1 381 m^2), Spur (431 m^2), Burger King (316 m^2), KFC (223 m^2)

Killarney Mall

Location: Killarney, Johannesburg
Sector: Shopping centre with a large office component, medical suites and 1 412 parking bays
Size: 46 945 m^2
Directors' valuation as at 31 August R618.9 million
Percentage of portfolio: 5.0%
Occupancy: 92.7%
Tenants: 95 retail tenants
Major tenants: Pick n Pay (5 082 m^2), Woolworths (4 885 m^2), Killarney Toyota (4 096 m^2), Dis-Chem (2 082 m^2), Killarney Cinecentre (1 546 m^2), Standard Bank (981 m^2), FirstRand Bank (873 m^2), Truworths (845 m^2), Clicks (842 m^2), Ackermans (718 m^2), Capitec (266 m^2)

Kempton Place

(50% held)

Location: Kempton Park, Johannesburg
Sector: Shops, offices, 489 flats and 399 parking bays
Size: 32 507 m^2
Directors' valuation as at 31 August R296.2 million
Percentage of portfolio: 2.4%
Occupancy: 85.5%
Tenants: 21 retail tenants
Major tenants: Shoprite (2 809 m^2), MSC College (1 047 m^2)

Centre Walk

Location: Tshwane CBD
Sector: Shops, offices and 373 parking bays
Size: 25 417 m^2
Directors' valuation as at 31 August R289.0 million
Percentage of portfolio: 2.4%
Occupancy: 95.7%
Tenants: 21 retail tenants
Major tenants: Department of Justice (4 115 m^2), Department of Public Works (3 510 m^2), Pick n Pay (1 995 m^2), Department of Home Affairs (1 770 m^2)

Woodmead Value Mart

(Leasehold property)

Location: Woodmead, Johannesburg
Sector: Shopping centre with 645 parking bays
Size: 18 093 m^2
Directors' valuation as at 31 August R265.6 million
Percentage of portfolio: 2.2%
Occupancy: 100%
Tenants: 29 retail tenants
Major tenants: The Flower Spot (3 277 m^2), Hi-Fi Corporation (2 041 m^2), Tile Africa (1 881 m^2), Nike South Africa (1 521 m^2), Outlet store (977 m^2), Direct Deals (763 m^2), Stuttafords (763 m^2), Billabong (658 m^2), Incredible Connection (653 m^2), JAM Clothing (523 m^2)

manufactured capital
- continued

Louis Pasteur Medical

Location: Tshwane CBD
Sector: Shops, offices, hospital and 538 parking bays
Size: 22 314 m^2
Directors' valuation as at 31 August R208.3 million
Percentage of portfolio: 1.7%
Occupancy: 100%
Tenants: 24 retail tenants
Major tenants: Louis Pasteur Private Hospital (24 439 m^2), Cure Day Clinics (749 m^2)

Nedbank Plaza

Location: Arcadia, Tshwane
Sector: Shops, offices, 144 flats and 395 parking bays
Size: 23 177 m^2
Directors' valuation as at 31 August R205.7 million
Percentage of portfolio: 1.7%
Occupancy: 61.4%
Tenants: 34 retail tenants
Major tenants: Arcadia Post Office (994 m^2), Bradlows (992 m^2), Q Store (761 m^2), Nedbank Arcadia (599 m^2)

Steyn's Place

Location: Tshwane CBD
Sector: Shops, 381 flats and 119 parking bays
Size: 15 638 m^2
Directors' valuation as at 31 August R178.7 million
Percentage of portfolio: 1.5%
Occupancy: 95.6%
Tenants: 21 retail tenants
Major tenant: Metropolitan Life Limited (350 m^2)

Jeff's Place

Location: Tshwane CBD
Sector: 384 flats and 274 parking bays
Size: 14 771 m^2
Directors' valuation as at 31 August R176.0 million
Percentage of portfolio: 1.5%
Occupancy: 97.8%

Elardus Park Shopping Centre

Location: Tshwane East
Sector: Shopping centre, 437 parking bays
Size: 12 214 m^2
Directors' valuation as at 31 August R168.1 million
Percentage of portfolio: 1.4%
Occupancy: 80.5%
Tenants: 35 retail tenants
Major tenants: Elardus Spar (1 925 m^2), Fruit & Veg City (751 m^2), Meat World (721 m^2)

performance manufactured capital

Material matter:

Property and asset management

Efficient property and asset management is central to our business model. The diversification of our portfolio of 324 properties means that we need to manage it more intensively than most property companies. The diversity of our portfolio, with over 14 500 tenants in residential units, retail shops and shopping malls, offices and industrial properties, mitigates the risk of losing one large tenant, but it requires the administrative ability to handle high volumes.

> A maintenance team at work painting an apartment prior to new tenants moving in

manufactured capital
- continued

Making it happen

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92

Octodec's relationship with its tenants starts when they apply to lease a property. The systems that have been developed to manage the process throughout the period of a lease are part of the intellectual capital we use to ensure the sustainability of our business (see page 82 of the intellectual capital section of this report for more information on these). As this is the starting point of our relationship with our future tenants we want it to reflect all the values of the Octodec brand. See page 92 of the social and relationship capital section of this report for more information on our stakeholder engagement and in particular our engagement with our tenants.

Our teams of property and building managers in Tshwane and Johannesburg are responsible for ensuring that things run smoothly in our buildings. Our building managers are the first point of contact for tenants when they need assistance.

Quality is our cornerstone

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Maintaining the quality of our premises and ensuring all tenant requests for repairs for which the landlord is responsible are addressed promptly is the responsibility of the property and building managers. They maintain the value of our manufactured capital by ensuring our buildings are well-maintained and repairs for which the landlord is responsible are carried out promptly. See page 83 of the intellectual capital section of this report for more information on how we manage the maintenance of our buildings and our supply chain.

The property managers also ensure our buildings are secure and that they comply with the Occupational Health and Safety Act (OHSACT) and fire regulations.

Our tenant installation department ensures that the standard of retail and industrial tenants' branding and installations are in line with that of our buildings.

Paint our cities with passion

We don't only want to have our buildings looking good, we also want to improve the look of the areas around them so we repair any damaged pavements outside our buildings and make sure they are kept clean. We also work with our neighbours to find ways to uplift the surrounding areas.

See page 92 of the social and relationship capital section of this report to find out what we are doing to improve our cities while also helping our informal traders and our efforts to keep our tenants and the citizens of Tshwane safe through a security initiative.

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> The play area at Frank's Place, where there is also a basketball court and an entertainment area, provides a safe and pleasant place for children to play in the inner city of Johannesburg

performance intellectual capital

Material matter:

Technology and innovation

Octodec requires innovative, resilient technology platforms to provide its over 14 500 tenants with efficient, accurate, scalable cost-effective services and to keep our buildings and tenants secure.

Specialist skills for the inner city property market

These abilities, skills and experience are key contributors to our performance, reputation and the overall sustainability of our business. They also play an important role in minimising our risk exposure to bad debts.

> The recently upgraded lobby at Steyn's Place in the Tshwane CBD where a state-of-the-art biometric security system has been installed

intellectual capital - continued

Innovative use of technology

Future focus

We will continue improving the efficiency and cost-effectiveness of our administrative systems and processes, customer service delivery and security at our buildings through the innovative application of technology.

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Stakeholder relations are one of our most material matters (see the social and relationship capital section of this report on page 91) and engaging with our tenants is a very important part of our stakeholder relations. The implementation of a centralised contact centre with multi-channel functionality offers our tenants the option of communicating with us through our call centre, using digital communication, or mobile and social media platforms.

The systems we use to run our business process high volumes of data and provide real time access to information. The digitalisation of these systems and the transition to fibre optic cabling provided us with 99% network uptime and real time access during the year under review. Storage of considerable volumes of tenant documentation has long been a challenge for us. The installation of character recognition software, which allows us to digitise contracts and reports, has substantially reduced our need for storage space and by enabling rapid retrieval and search facilities has increased efficiency levels.

Providing our tenants with a safe environment and being able to manage access to our buildings is an important part of the service we offer our tenants. The installation of biometric and electronic tag systems at our buildings assists with access management and we believe the provision of security monitoring via a central network and control room has increased the safety of our tenants and it has helped us reduce the number of security guards we require.

Specialist skills for the inner city property market

The range of skills we require to manage our properties and our high volume of tenants in the inner cities of Tshwane and Johannesburg include the ability to minimise our risk.

Minimising our exposure to bad debts in the Octodec property portfolio. This begins with:

- a rigorous in depth investigation of the credit history of a potential tenant by the credit management department
- at a daily business approval meeting where all parties involved in a proposed lease agreement participate in the decision-making process, which not only includes the credit worthiness of the potential tenant but also examines the suitability of the tenant for a particular building
- drawing up our leases with checks and balances that also reduce our tenant risk exposure.

Once the lease is concluded the ongoing monthly management of risk by the credit controllers is the important final step in the process.

Honesty and integrity – our foundation

Investing in skills and research to find fair solutions

To address the challenge of recovering electricity costs fairly we model the tariffs across the councils we buy electricity from, which is a complex exercise as tariffs vary and different municipalities have different methods of billing. Through the application of our model we are able to recover what we are spending on electricity and charge our tenants a fair rate, which we believe is frequently lower than that charged by other landlords. The energy innovations we have introduced over the years and continue to introduce, especially in shopping centres, also contribute to the reduction in our electricity costs and charges.

Make it happen

Helping our retail clients succeed

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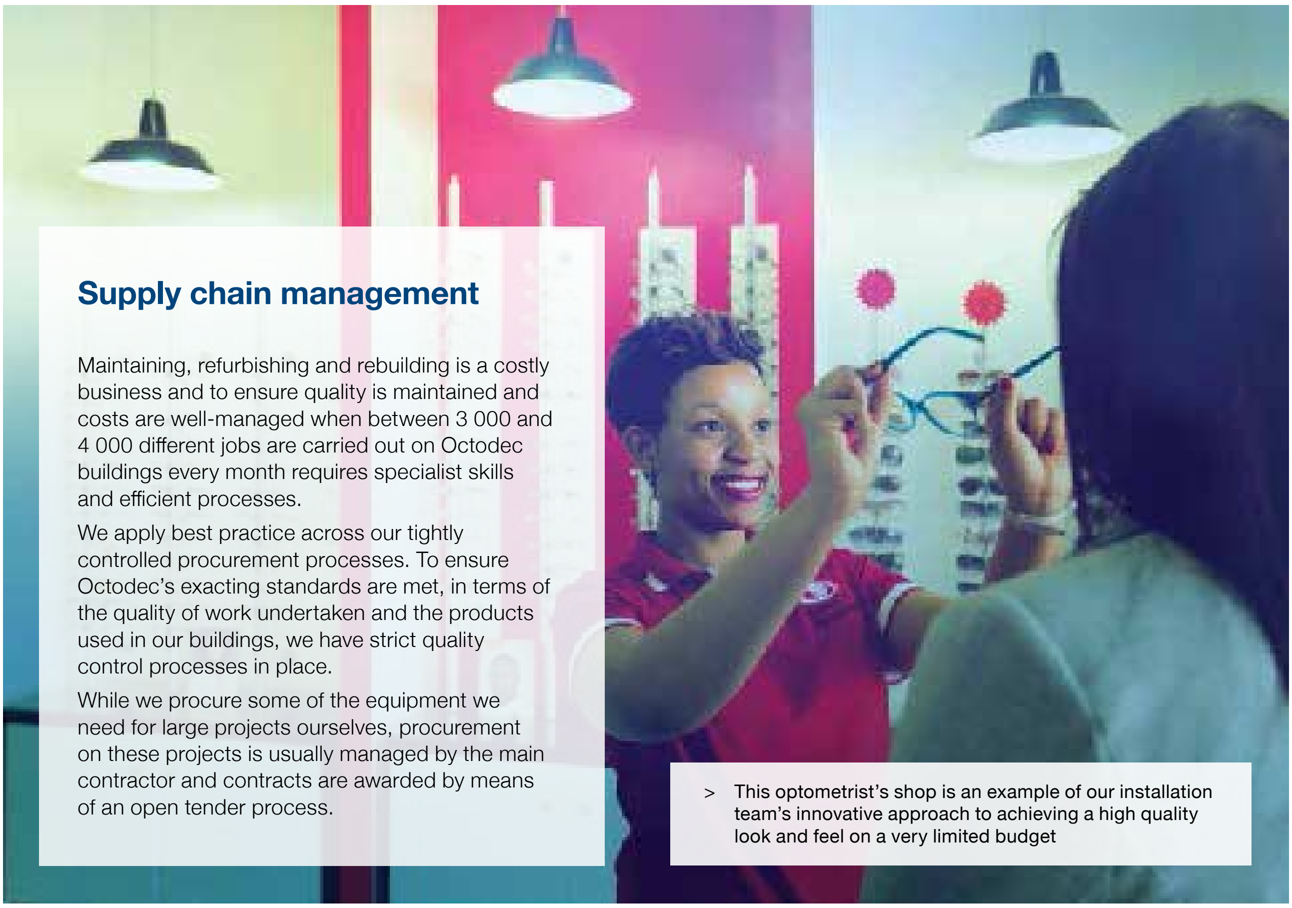
Octodec supports small businesses through its procurement and is committed to helping them succeed (see page 93 of the social and relationship capital section of this report for more information). To assist our small business tenants with achieving a professional look to the interior of their shops, our installation teams have developed a number of innovative ways of achieving a high quality look and feel on a very limited budget. Not only does this help our small business tenants present a professional image, it contributes to their ability to succeed and it also ensures that their shops complement the look and feel of the rest of our property.

Certain industries, such as hairdressers and tailors, like to operate in close proximity to each other in the inner cities. To reduce their set-up costs we have, for example, installed all the plumbing, basins and fittings they require. All that the hairdressers need to start their businesses is chairs, hairdryers and products. We also provide frames for the placement of their signs on the exterior of the building, which assists our tenants but also ensures that the outside of the building remains neat and the look and feel is maintained.

Quality is our cornerstone



Supply chain management

Maintaining, refurbishing and rebuilding is a costly business and to ensure quality is maintained and costs are well-managed when between 3 000 and 4 000 different jobs are carried out on Octodec buildings every month requires specialist skills and efficient processes.

We apply best practice across our tightly controlled procurement processes. To ensure Octodec's exacting standards are met, in terms of the quality of work undertaken and the products used in our buildings, we have strict quality control processes in place.

While we procure some of the equipment we need for large projects ourselves, procurement on these projects is usually managed by the main contractor and contracts are awarded by means of an open tender process.

> This optometrist's shop is an example of our installation team's innovative approach to achieving a high quality look and feel on a very limited budget

performance human capital

The individual skills, competencies and experience of the pool of talent available to us, their health and well-being and motivation make up the stock of human capital that allows us to deliver against our strategic objectives.

Material matter:

Transformation and broad-based black economic empowerment

Octodec's approach to transformation and broad-based black economic empowerment is to transform our business as meaningfully as possible within a reasonable timeframe, and our transformation strategy is aligned with the draft Property Sector code. We recognises that the outsourcing of our asset and property management and a range of specialist services to City Property requires that we ensure that City Property's approach is aligned with our own and that it is driving diversity in its organisation. For information on an important element of Octodec's transformation strategy, which is its procurement from black businesses, see page 93 of the social and relationship capital section of this report.

93

Specialist skills for the inner city property market

82

Some of the specialist skills we require have been discussed in the intellectual capital section of this report on page 82. In terms of leadership skills Octodec is creating a talent pipeline to meet its succession planning requirements using City Property, which makes a substantial investment in leadership development, as a suitable source of talent.

> The cleaning team making sure an apartment is spotless for our new tenants

human capital
- continued

Octodec complies with the South African Basic Conditions of Employment Act 75 of 1997 and the Labour Relations Act 66 of 1995, both as amended, which govern labour relations and conditions of employment in South Africa.

We are also committed to upholding the United Nations' Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Our employment policies ensure that we provide a workplace based on:

- mutual respect
- fairness
- integrity
- non-discrimination
- equal opportunity at all levels
- open and two-way engagement with our employees.

Make it happen

Employee benefits and remuneration

In addition to the legally mandated employee benefits, our employees all participate in a group defined contribution pension/ provident fund scheme. Through membership of the scheme employees also have access to value-added services, which include funeral benefits, counselling and medical emergency services. Employees are encouraged to become members of the company's medical aid scheme.

Health and wellness

An annual wellness day is held every year, which has a holistic approach, providing information and guidance on both health and financial wellness. Octodec assists its HIV-positive employees to obtain the medical assistance they require.

Developing our people for personal growth

All our employees have a bi-annual performance and development review, supplemented by regular performance feedback during the year.

During the year under review we have focused on strengthening the management skills of our building managers, which included a supervisory training programme. To provide our employees with a career path we have negotiated with City Property for our building managers to have the opportunity to progress to becoming property managers.

> Building manager, Frank's Place Johannesburg CBD

key Octodec human capital statistics

248

Octodec had 248 employees as at 31 August 2016

33%

of the management team operating the Octodec portfolio are black

18%

of our employees are female

95%

of our employees who received training during the year under review were black

R756 110

invested in our employees' skills development in 2016

95%

of Octodec's employees are black

performance
social and relationship capital

Material matter:

Stakeholder relations

A wide range of stakeholders are key to a people-focused business like ours. We have identified our stakeholders and the matters that concern them and Octodec.

Community commitment:

We support and invest in disadvantaged communities in the Tshwane and Johannesburg areas from which some of our future tenants, shoppers and entrepreneurs will come and to introduce them to what we can offer them in the way of accommodation when they move into the CBD.

Broad-based black empowerment:

Procuring from black businesses and supporting the development of black entrepreneurs is a major element of our commitment to black economic empowerment.

Our business is about people

Cement relationships

Employees

- Company culture
- Fairness
- Growth opportunities
- Rewards and benefits
- Engagement

Communities

- Our investment in socio-economic development of underprivileged communities
- Address inner city safety concerns
- Potential future tenants
- Upliftment

Suppliers

- Prompt payment
- Meeting ethical standards
- Meeting quality and pricing standards

Inner city stakeholders including informal traders, taxi associations, activists

- Recognising their concerns and where possible address them

Investor community

- Distribution prospects
- Strategic objectives and Octodec's ability to deliver on these
- Sustainability
- Growth prospects
- Standards of corporate governance
- Possible impact of economy on future profitability

Councils of Tshwane and Johannesburg

- Project approvals
- Compliance with building regulations and controls
- Supply of and rates charged for utilities
- Working together to revitalise the cities

Tenants and potential tenants

- Recognising their concerns and where possible addressing them through our customer care centre (walk-ins and call centre) and regular communication through newsletters and information booklets

social and relationship capital - continued

Stakeholder relations

The graphic on the previous page summarises the stakeholder groups we engage with. We communicate with the investor community through our reporting, results presentations, SENS announcements, city tours, one-on-one meetings and at our annual general meeting.

Our engagement with our inner city stakeholders, communities and the councils is by means of face-to-face meetings and in some cases written communication.

We believe in making sure our tenants are kept informed and our building managers are always available to assist them. Our building and property managers meet face-to face with our tenants and send them SMS messages and emails. When there is a problem with municipal services such as electricity or water we liaise closely with the city council and keep our tenants updated by SMS on the status of the outage or problem. Our building managers are always available to assist our tenants. We also communicate with our tenants via Facebook and Twitter and they can contact us via our call centre. They also receive a newsletter that keeps them in touch with what's happening in the cities of Tshwane and Johannesburg and our buildings.

Our suppliers make it possible for us to achieve our value of *Quality is our cornerstone.* Our procurement team makes it their business to get to know our contractors. The procurement team, property managers and technical team are in regular contact with suppliers who handle our repairs and maintenance.

We also send regular surveys to our property managers to get feedback on the service our suppliers are providing and the results of these surveys are fed back to the suppliers.

Our future focus will remain on engaging constructively with all our stakeholders to address their concerns and ours.

Our corporate social investment

Octodec invested R4.5 million in a number of different corporate social investment projects and enterprise supplier development. The projects included a:

- Tshwane security initiative that provides training and employment to the previously unemployed
- range of community projects
- contribution to SAPOA bursaries.

The focus of our community projects is on the people who currently live outside the cities but aspire to become residents of the inner cities of Tshwane and Johannesburg, and on introducing them to what our buildings can offer them.

In the year under review it has been in Mamelodi where we have invested in a food garden at a non-fee paying school, Bona Letsedi, in a very poor area of Mamelodi. Once the garden is fully established it will provide all the vegetables required for the school's feeding scheme. In addition, members of the community have been allocated a portion of the garden and they either feed their families from what they grow or earn an income from selling their produce. They are already selling spinach to Pick n Pay, which collects spinach from the garden twice a week.

We are also working with Food and Trees for Africa to establish a green belt in Mamelodi. We have planted 1 500 trees and have funded the training of community members to care for them. The trees are all fruit trees so once they are established they will also provide food for the community.

Another project we have supported at two schools in Mamelodi this year is Dignity Dreams, which is aimed at keeping teenage girls at school by providing them with reusable sanitary pads.

In Johannesburg we are working with Lefika La Phodia a non-governmental organisation (NGO) based at the Children's Memorial Institute in Johannesburg, whose main objective is supporting and training community members to offer art psychotherapy and community art counselling in under-resourced areas. It also creates safe places where children can express themselves through the medium of art. Our contribution is supporting an early childhood development group.

Our efforts toward the regeneration of the inner city include our support of the informal traders in Tshwane. We hired well-known architect Georg van Gass to help us design aesthetically pleasing but practical and sturdy units for informal traders. After engaging with the informal traders and the council he designed two different models to meet differing needs and we will be rolling these units out outside our buildings in Tshwane.

This is the first time Octodec has participated in a bursary programme, which SAPOA will manage on our behalf. The bursaries are for study towards a property management or related qualification. We will sponsor five black students for the 2017 academic year. Octodec interviewed potential candidates in October 2016.

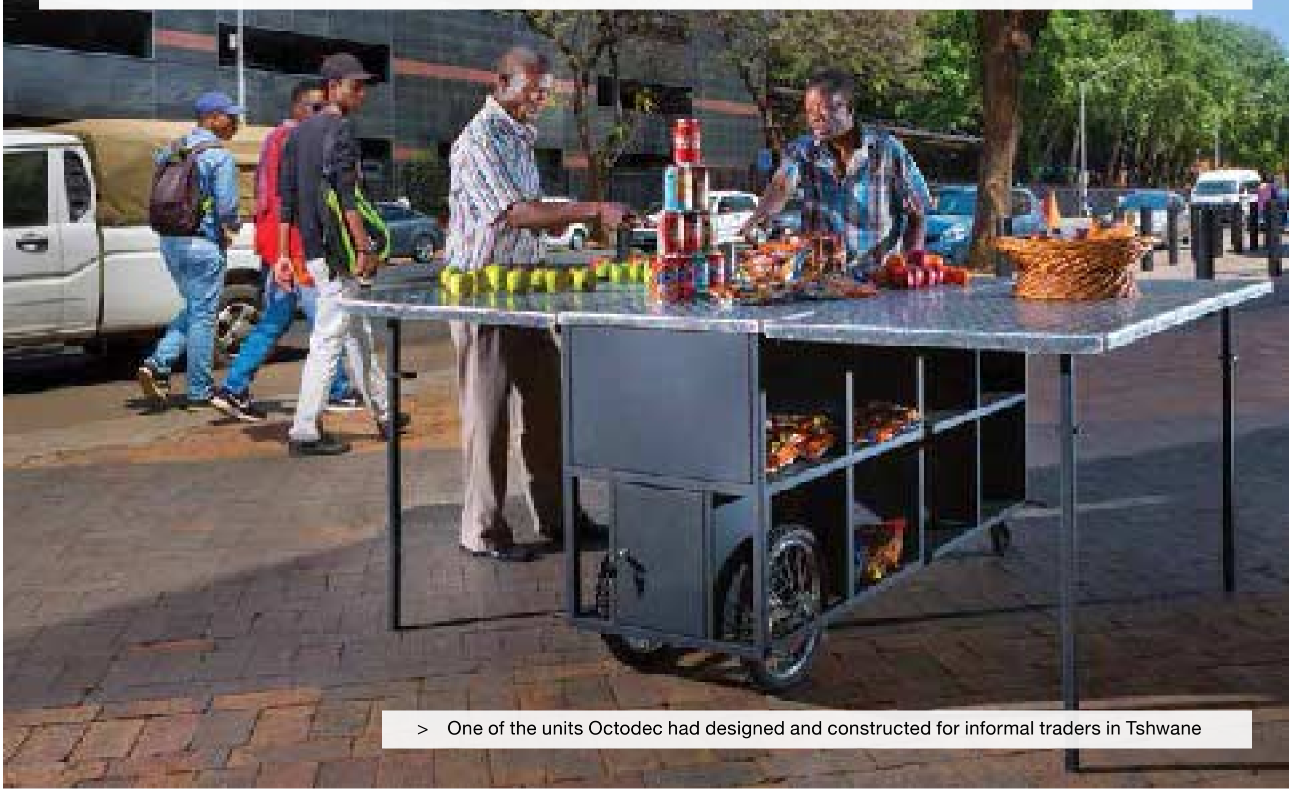
Our funding of a pilot security initiative, also in Tshwane, which we described under Material matters, Community commitment on page 37 of this report has given employment to previously unemployed people over the age of 31 who had families with no other income. They started out working in the CBD and are now being employed in Arcadia and Hatfield.

37

53% of the contractors we hired this year are 51% black-owned and 42% of our database of suppliers is B-BEE compliant.

Octodec has a good record of procuring from companies that are black-owned or who have a significant black shareholding. During the year under review our focus was on procuring repairs and maintenance services from black-owned entities. While we were not able to find certain specialist companies with 51% black-ownership, all the companies we contracted with do have some black ownership.

Our enterprise and supplier development programme helped eight of our supplier companies this year by providing them with office space, equipment, bookkeeping software and/or training, depending on what support they needed. The training included supervisory training and basic bookkeeping. The major part of the support we provide these businesses is practical; we spend time with them advising them on pricing, how to quote and how to administer their businesses. Our contracts managers assist our new suppliers by ensuring they understand any laws and regulations that apply to their business. This year we were also able to assist one of our cleaning contractors who employed 45 people and was struggling and wanted to close the business, which would have meant 45 people losing their jobs. Through the introduction into the company of people with previous business experience and the support provided by a number of practical training sessions that helped them run the business more profitably, they are doing well.



> One of the units Octodec had designed and constructed for informal traders in Tshwane

performance natural capital

As members of the Green Building Council we are committed to greater environmental responsibility and the development and diffusion of environmentally friendly technologies.

United Nations Global Compact Principles 8 and 9.

Material matter:

Resource efficiency

Octodec needs to increase its energy efficiency (i.e. reduce the amount of electricity and fuel consumed per person in its buildings) both to help our tenants reduce their energy bills and to reduce the carbon emissions resulting from Eskom's generation of electricity using fossil fuels and the use of diesel in our generators. The future cost of a carbon emissions tax is also a consideration.

Water costs, scarcity and quality are also concerns, however, our ability to address these issues is limited.

We wish to reduce the impact on health and the environment of waste disposal from our buildings.

> Located in Hatfield, Tshwane, The Fields is a mixed-used property with a City Lodge hotel, shops, offices, 765 apartments and 1 118 parking bays

natural capital
- continued

Reducing our energy consumption and our impact on climate change

Our diverse portfolio presents an equally diverse range of energy efficiency possibilities and challenges. We are reducing the consumption of electricity to heat water by installing heat pumps instead of geysers when we redevelop or refurbish our buildings. Our records show that we are achieving an overall reduction in electricity consumption for water heating in our buildings fitted with heat pumps of 60%.

82

This reduction is also making a major contribution to a reduction in our carbon emissions resulting from our use of electricity produced by burning fossil fuels. We have also managed to reduce our consumption of electricity in the common areas of our residential properties by between 20% and 30%.

Hopefully, fewer power outages will help us reduce our consumption of diesel used to power generators.

In our shopping centres we are reducing our electricity consumption by making our air conditioning units more efficient, which includes replacing their chillers and installing the latest technology inverter air conditioning systems, which are more energy efficient than conventional air conditioning units. In the Killarney Mall we reduced our electricity consumption by 10% when we replaced the chillers on the air conditioning system. Combined with other initiatives, including LED lighting, we have reduced the consumption at Killarney Mall to 60 watts per square metre which is lower than the South African Bureau of Standards (SABS) benchmark standard of 70 watts per square metre.

We continually investigate potential ways of reducing our electricity consumption. Our proviso is that we must be able to recover our investment in energy saving technology within two years.

The only way we can reduce the consumption of water in our buildings is by ensuring there are no water leaks, using active meter reading, encouraging our tenants to use water sparingly and providing them with information on how to do so. We install water meters in units, where possible, which encourages tenants to manage their water usage.

Reducing the impact of waste from our buildings on the environment

An area of concern for Octodec is the management of the fat traps we install in restaurants on our premises. To ensure these are correctly managed we contract with companies who extract the fat and use chemicals to clean out the traps. The charge for this service is passed on to the tenant

We will be increasing our focus on waste disposal and recycling and are researching the possibility of funding a recycling plant.

Over the past four years we have achieved a

23%

reduction in our overall electricity consumption through the use of LED lighting, heat pumps and installing inverter air conditioning systems

> Pick n Pay store in CentreWalk

lead independent director's corporate governance review

My role as lead independent director of the Octodec board includes addressing any conflicts of interest that may arise and providing guidance on, and monitoring, the application of appropriate standards of corporate governance in Octodec.

By appointing strong, independently-minded directors to its board and separating and clearly defining the roles and responsibilities of the chairman and the managing director, I believe Octodec has equipped its board to make quality decisions using the correct procedures.

During the year under review an ad hoc committee of the board's non-executive directors, chaired by myself, was established to address the renegotiation of the management agreement between Octodec and City Property. The committee has devoted a considerable amount of time to this task and to ensuring that appropriate corporate governance principles are applied in the agreement. To this end the committee is being independently advised by PwC and CDH.

In the interests of good corporate governance the board has set itself a deadline for addressing the transformation of the Octodec board.

The members of the Octodec board are to be commended for their willingness to devote a substantial amount of their time to Octodec. My thanks go to my fellow non-executive directors for their contributions to the negotiation of an equitable management agreement with City Property.

Derek Cohen
Lead independent director

corporate governance

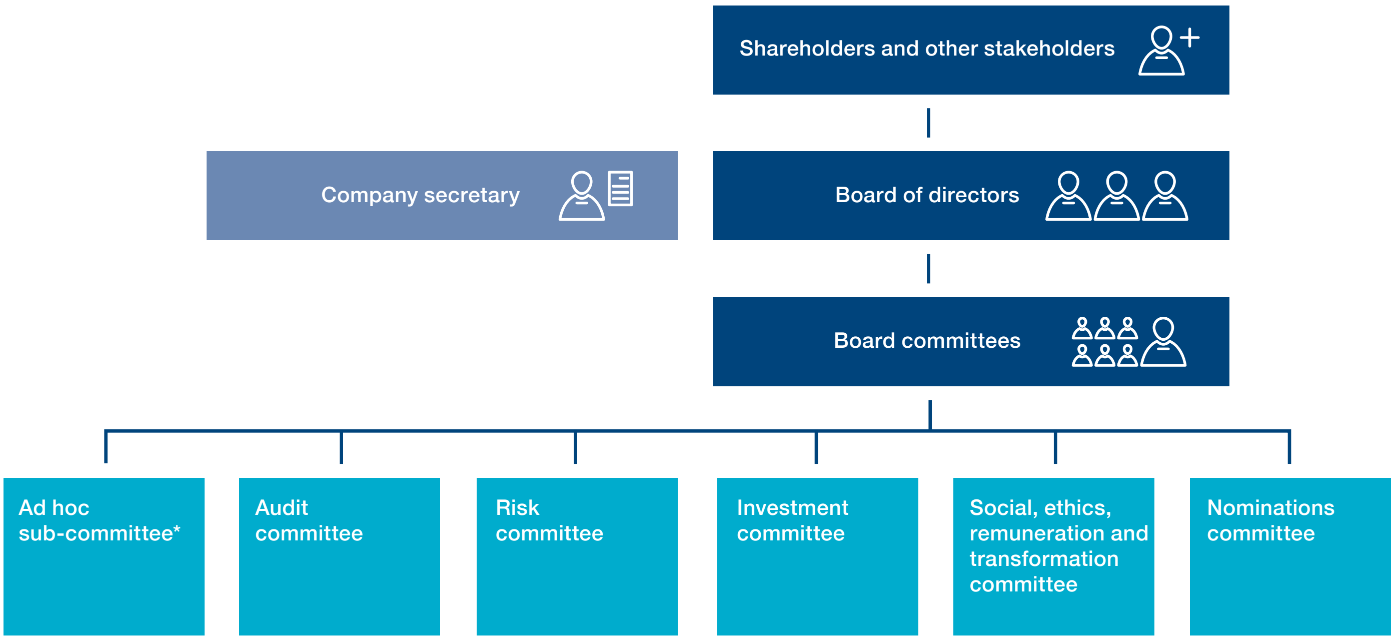
We believe that effective corporate governance, as well as protecting our stakeholders' interests, also contributes value to our group and its stakeholders.

The Octodec board acknowledges its responsibility for overall corporate governance and ultimate control of the group's various businesses, as well as ensuring that there is clear strategic direction and that appropriate management structures are in place.

Our board has unanimously embraced the King Code of Governance Principles (King III) and it regularly assesses the group's application of King III. It also subscribes to full compliance with all applicable laws and regulations.

A full report on our compliance with the King III principles is available at www.octodec.co.za

Our governance framework



**The non-executive directors have formed an ad hoc sub-committee to address the renegotiation of the management agreement between Octodec and City Property*

corporate governance
- continued

Leadership and effectiveness

Our board performs its duties within a clearly defined governance framework of policies and controls which, through their alignment with our risk management framework and policy, provide effective risk assessment and management of our economic, social and environmental performance.

Octodec's delegation of authority framework allows the board to retain effective control while providing for delegation of authority. The Octodec board charter, which is closely aligned with the recommendations of King III, details the responsibilities of the board. Both the framework and the charter are reviewed annually to ensure they remain appropriate. Our MOI also addresses certain of the directors' responsibilities and powers.

The board plays an important role in setting strategy, monitoring performance, and setting standards of ethical conduct for the group.

Role and responsibilities of the lead independent director

As a major shareholder in Octodec our non-executive chairman, Sharon Wapnick, cannot be classified as independent. We have therefore, in terms of the JSE Listings Requirements and King III, appointed a lead independent director who:

- mitigates any risk of potential conflicts of interest in board meetings
- ensures that the independent members of the board demonstrate impartiality and leadership
- tests the independence and objectivity of the board's independent non-executive directors annually
- takes part in the annual evaluation of the chairman's performance.

Role of the board committees

All the board committees operate under board-approved mandates and terms of reference, which are reviewed annually to keep them aligned with current best practice. The majority of our board committees are chaired by independent non-executive directors, who attend our annual general meetings to respond to any shareholder queries. The mandates, charter and terms of reference governing the board and its committees are available from the secretariat.

The audit and the social, ethics, remuneration and transformation committees are statutory committees in terms of the Companies Act and operate as recommended by King III. Shareholders are required to elect the members of the audit committee at the company's annual general meeting. While the social, ethics, remuneration and transformation committee is a statutory committee, the performance of its members and the committee as a whole is evaluated by the board annually.

Delegated authorities

The board has a formal schedule of matters reserved for it to consider and take decisions on. These include approving:

- strategy
- business plans and budgets
- significant acquisition and disposal of assets
- executive directors' appointment and remuneration
- review and approval of significant policies and frameworks
- dividend policy
- the integrated report
- capital expenditure for investment
- granting of varying authority levels.

Its delegation of certain matters to its committees is described in the terms of reference of these committees, which include the audit, risk, investment, nominations and the social, ethics, remuneration and transformation committees.

The board has delegated some of its responsibilities regarding stakeholder engagement to Octodec's managing director and its financial director.

Board evaluation

In line with the recommendations of King III the board annually conducts a self-assessment, the outcome of which is reviewed by the nominations committee and presented to the board. During the year under review an internal evaluation of the independence of the independent non-executive directors was undertaken, which was reviewed by the nominations committee.

Directors' induction and ongoing support

When new directors are appointed to the Octodec board they receive informal and formal induction related to the group and their duties as directors of Octodec. We also provide our directors with ongoing support and resources that allow them to develop and refresh their skills and knowledge regarding their roles as directors of Octodec, which includes any changes to legislation or regulations and briefings on market developments. The directors have unrestricted access to Octodec's executives should they wish to acquire any knowledge or information about Octodec's affairs relevant to the discharge of their duties.

Conflicts of interest

In terms of the Companies Act, JSE Listings Requirements, King III and the board charter, a director of a company must avoid a situation in which he/she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the company. The board has established procedures to enable the directors, prescribed officers and employees of Octodec to notify the company of any actual or potential conflict situation and to declare any significant interest in the company or its contracts.

Rotation of directors

All directors, excluding the executive directors, are subject to retirement and re-election by shareholders. In terms of the company's MOI, one third of our non-executive directors are required to retire from office at every annual general meeting but being eligible for re-election offer themselves for re-election. We select the retiring directors based on their tenure since they were previously elected or re-elected to the board. The board, assisted by the nominations committee, recommends the eligibility of retiring directors (subject to their availability and contribution to the business) for reappointment. This year Sharon Wapnick, Derek Cohen and Pieter Strydom are due to retire but being eligible for re-election offer themselves for re-election.

Company secretary

The company secretary is responsible for administering the proceedings and affairs of the directorate, the company and, where appropriate, owners of securities in the company, in accordance with the relevant laws. The company secretary is available to assist all our directors with advice on their responsibilities, their professional development and any other relevant assistance they may require.

City Property, the appointed company secretary, is represented by Elize Greeff, who has over 20 years' experience as a company secretary and corporate lawyer. Notwithstanding that City Property is a related party that manages the group's property and unlisted investment portfolios, over which influence is exercised by Jeffrey Wapnick, the managing director of Octodec, it is the board's opinion that an arm's length relationship between the company secretary and the board of directors has been established. It is the board's opinion that the company secretary effectively performs the role of gatekeeper of good corporate governance and is enabled to effectively perform her duties as company secretary.

New charters and amendments to charters and policies

The board charter and the terms of reference of all our board committees are reviewed annually. No significant amendments were made to them during the year under review.

Amendments this year were made to the:

- the internal audit charter to cater for a co-sourced internal audit model approved by the audit committee
- Octodec's trading in company shares policy to amend it to the trading in company shares and price sensitive information policy on 16 February 2016 to include a policy on price sensitive information as required in terms of the JSE Listings Requirement's amendments, which came into effect on 9 November 2015
- the directors' remuneration policy, which was updated to reflect the new remuneration structure approved by shareholders at the annual general meeting on 29 January 2016.

New charters and policies included a:

- new lead independent director charter, which was approved by the board on 28 October 2015
- board diversity policy, which was adopted by the board on 15 February 2016 with the aim of ensuring that at least 25% of the board is made up of women by the end of 2017
- a new compliance management policy, which was approved by the board on 8 April 2016.

corporate governance
- continued

Our board and its committees

	Attendance			
Name of director	**Status**	**Length of service**	**Board**	**Audit committee**
Chairman of the board **Sharon Wapnick** (Chairman of investment and nominations committees)	Non-independent	22 years 11 months (Appointed chairman on 1 October 2011)	7/7 + 3/3 days of workshops	5/5+
Derek Cohen (Lead independent director)	Independent	6 years 11 months	7/7 + 3/3 days of workshops	5/5
Gerard Kemp (Chairman of social, ethics, remuneration and transformation committee)	Independent	2 years 11 months	7/7 + 3/3 days of workshops	4/5*
Myron Pollack	Non-independent	20 years 11 months	7/7+ 2/3 days of workshops**	5/5
Pieter Strydom (Chairman of audit and risk committees)	Independent	3 years 7 months	7/7 + 3/3 days of workshops	5/5
Jeffrey Wapnick	Executive	17 years 11 months	7/7 + 3/3 days of workshops	5/5+
Anthony Stein	Executive	7 years 2 months	7/7 + 3/3 days of workshops	5/5+

Apologies received for special audit committee on 18 November 2015
***Apologies received for board branding strategy workshop on 6 April 2016*
****Apologies received for investment committee meeting on 8 April 2016*
+Invitees

Risk committee	Investment committee	Nominations committee	Social, ethics, remuneration and transformation committee	Ad hoc sub-committee (City Property management agreement)	Directors to be re-elected
2/2	3/3	1/1	2/2	–	x
2/2	3/3	1/1	2/2	9/9	x
2/2	3/3	1/1	2/2	9/9	–
2/2	2/3***	1/1	2/2	9/9	–
2/2	3/3	1/1	2/2	9/9	x
2/2	3/3	1/1	2/2+	2+	–
2/2	3/3	1/1	2/2+	1+	–

corporate governance
- continued

The salient features of the role and responsibilities of the board and its committees

Octodec board	**Role and responsibilities of the chairman** The chairman is responsible for ensuring: • the overall effectiveness of the board and its committees • that the board provides effective leadership, maintains ethical standards and is responsible, accountable, fair and transparent • that strategies are developed and implemented with the objective of achieving sustainable economic, social and environmental performance. To achieve this, she fosters a culture of openness and constructive challenge within the board that allows for the expression of a diversity of views in effective debates and discussions. She also makes herself available to shareholders for discussions on key corporate governance matters and matters of concern to shareholders, as well as other stakeholders. **Roles and responsibilities of the board** As fiduciaries, the board is accountable to shareholders as a whole and it also owes a duty of care and diligence to the group. It acts in the best interests of the company and its shareholders The board: • governs the company on behalf of its shareholders • is responsible for strategy, strategic decision-making and execution • regularly assesses the company's performance • ensures constructive engagement with stakeholders • is responsible for Octodec's approach to corporate citizenship, safety, health, the environment, ethics and risk • takes responsibility for its own governance, including the rotation of directors, training of directors, conflicts of interest and the appointment of directors • regularly monitors and assesses Octodec's reputation in the marketplace. To fulfil these responsibilities board members participate in rigorous and effective debate and discussion and annually assess the performance of the company secretary, the board and its sub-committees.

Audit committee	The majority of the audit committee members are independent non-executive directors. The committee: • reviews the group's financial statements and integrated reporting • refers to the findings of the internal and external auditors • obtains assurance on the financial statements, internal controls and sustainability information included in Octodec's integrated report • carries out its statutory duties set out in Section 90 of the Companies Act 71 of 2008 • satisfies itself as to the expertise and experience of the financial director and the finance function • Assesses the fees paid to external auditors for non-audit work.
Risk committee	The committee: • assists the board with the discharge of its duties regarding the identification of risks and the assessment of the effectiveness of risk management in Octodec • ensures that all significant risks are identified, evaluated and effectively managed through the system of internal controls • reviews the group's risk exposure and control systems and ensures that risk policies and strategies are effectively managed • oversees the development, implementation and annual review of the risk management plan • makes recommendations to the board regarding risk tolerance levels.
Investment committee	The committee's primary purpose is to: • consider investments, disposals, acquisitions, major upgrades, developments and redevelopments proposed by management • ensure proposals are in line with the company's overall strategy • ensure appropriate due diligence procedures are followed when acquiring or disposing of assets • make recommendations on proposals to the board • consider the revaluation of investment properties at each reporting period.

corporate governance
- continued

The role and responsibilities of the board and its committees - continued

Nominations committee	This committee: • identifies and evaluates suitable candidates for appointment to the Octodec board • is responsible for succession planning • reviews and reports to the board on the adequacy of succession planning policies for the board, chairman, managing director and financial director • ensures the appointment of our directors is transparent and governed by the formal procedures set out in the committee's mandate and terms of reference and the board charter • ensures directors retire and are re-elected in accordance with the mandate and the company's memorandum of incorporation • ensures induction and ongoing development of directors takes place • regularly reviews the skills, knowledge, expertise and composition of the board and makes recommendations to the board regarding any adjustments deemed necessary. • ensures that board appointments follow a rigorous, fair and open nomination and appointment process.
Social, ethics, remuneration and transformation committee	The primary role of the committee is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of social, ethics and sustainable development related matters. The committee is also responsible for carrying out its duties as prescribed in the Companies Act 71 of 2008, and for reporting the discharge of its duties in this regard to the Board and shareholders. It monitors and makes recommendations on the group's: • human resource strategies and policies • adherence with the requirements of the Employment Equity and Basic Conditions of Employment acts • remuneration policies and practices • empowerment credentials • environmental management • climate change • stakeholder engagement • implementation of the group's transformation strategy.

Ethics

Octodec requires all its representatives to act in good faith and in a manner that promotes our aspiration to be a good corporate citizen. The issue of corporate ethics receives attention from the highest levels of management within Octodec, with our managing director being ultimately responsible for implementing our code of ethics.

Our code of ethics, which is in line with international best practice, requires that we do not tolerate acts of bribery or fraud by our employees, contractors, suppliers, joint venture partners and other business partners. The board and the audit, risk and social, ethics, remuneration and transformation committees monitor compliance with our code of ethics through the reports they receive, which include feedback from our whistleblower hotline and the chief risk officer.

One of the focuses in terms of procurement during the year under review was asking our suppliers to sign an agreement that they will honour Octodec's commitment to doing business in an ethical and transparent manner and that they undertake to also do business with Octodec in an ethical and transparent manner. All our active suppliers signed the agreement and returned it to us within two weeks of receiving it.

In addition, to ensure there is no possibility of a member of the procurement team being influenced to give work to a particular contractor, they are not allowed to engage any of our contractors to do work for them personally.

Regulatory compliance

In 2016 we continued to focus on ensuring that the effectiveness of the key internal controls we have in place to mitigate our compliance risks is monitored on an ongoing basis and that risk management plans are in place to ensure compliance with new legislation or amendments to current legislation.

Material matter:

Increasing governance, regulatory and compliance requirements

Octodec operates in a highly regulated environment. Non-compliance with laws, regulations, rules, codes of conduct and standards could result in reputational damage and/or financial loss. To ensure we discharge our legal and regulatory responsibilities we identify, prioritise, manage, monitor and report on any compliance risk facing us. We have compliance management software in place that monitors core legislation that applies to Octodec. This software allows Octodec to identify and prioritise the top 10 most relevant current, proposed and impending legislation. Controls have been developed to minimise our risk. The City Property legal department is also mandated to assist Octodec in discharging its legal and regulatory responsibilities.

Octodec will continue to maintain its vigilance to ensure it effectively discharges its legal and regulatory responsibilities.

social, ethics, remuneration and transformation committee review

My responsibility as chairman of Octodec's social, ethics, remuneration and transformation committee is to report on the matters within this committee's mandate for the period ended 31 August 2016, in accordance with the requirements of the Companies Act (71 of 2008, as amended) (The Act).

The committee reviews bi-annual reporting on:

- its statutory duties as listed in section 72 and regulation 43 of the Act
- human resource strategies, policies and practices which are continually renewed and updated
- adherence with the requirement of the South African Employment Equity and Basic Conditions of Employment Acts
- remuneration policies and practices
- empowerment credentials
- environmental management
- climate change
- stakeholder engagement
- implementation of the group's transformation strategy
- corporate social responsibilities.

With regard to corporate governance practice we tasked the lead independent director with reviewing the composition of the board and the board committees and presenting recommendations to the board. In terms of transformation we reviewed the board diversity policy, recommended it to the board for approval and it was duly approved.

In terms of human resource strategies and policies the Paterson grading system was implemented in Octodec during the year under review.

I would refer you to Octodec's approach to remuneration on page 110 of this report

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Conclusion

Octodec continues to meet its social, environmental and governance responsibilities. The group also has suitable policies and frameworks in place to sustain its commitment to social and economic development, fair labour practices which are continually renewed and updated, environmental responsibility and good corporate citizenship.

There has been no material non-compliance with legislation or regulation or non-adherence with codes of best practice in terms of the area within the committee's mandate during the year under review.

This committee is accountable to the board and reports, through its chairman, to shareholders at the company's annual general meeting on matters within its mandate.

Gerard Kemp

Chairman

23 November 2016

> One of the 1 500 trees Octodec planted in Mamelodi to help establish a green belt

Octodec's approach to remuneration

This section of the report provides an overview of our remuneration philosophy, practices and governance. Its focus is on the remuneration of our executive and non-executive directors and employees.

Remuneration philosophy and policy

Our remuneration policy, which has been updated to reflect the new remuneration structure approved by shareholders at the annual general meeting on 29 January 2016 is based on the following key principles:

- remuneration should be sufficient to attract and retain talent to our board
- the remuneration payable to directors must be consistent with market-related best practice
- the quantum and structure of directors' remuneration will, if required, be reviewed annually by the social, ethics, remuneration and transformation committee, in consultation with its remuneration advisors. The committee will make recommendations to the board on any changes to directors' remuneration. Any such changes are subject to the approval of shareholders at Octodec's annual general meeting

While 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 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 be confined to attendance at meetings.

Remuneration strategy and methodology

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

Disclosure of remuneration

The disclosure of the remuneration of directors is governed by the JSE Listings Requirements, the Act and additional recommendations by King III that are appropriate to the business. There were no material changes in the year under review.

Directors are not entitled to receive any remuneration or company benefits, including pension schemes or share arrangements, other than 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 of sub-committees of the board or who attend 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. Jeffrey Wapnick was formally re-appointed as managing director of Octodec on 28 October 2015 in terms of clause 26 of our MOI. The proportionate salaries paid by City Property to Jeffrey Wapnick and Anthony Stein, the executive directors of Octodec who are both employed by City Property are fully disclosed. Sharon Wapnick, the non-executive chairman of Octodec was remunerated by City Property based on an approximation of the time she spent on Octodec affairs. 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 2016. We refer you to the Directors' report on page 7 of the annual financial statements for further information.

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Remuneration of executive directors, non-executive directors and prescribed officers

The table below provides remuneration details for the 12 months to August 2016.

	Annual retainer (R)	Board and board committee meeting fees (R)	Total (R)
Sharon Wapnick (Chairman of the board, investment and nominations committees)	600 000	433 000	**1 033 000**
Derek Cohen (Lead independent director)	250 000	597 000	**847 000**
Gerard Kemp[1] (Chairman of the social, ethics, remuneration and transformation committee)	250 000	551 000	**801 000**
Myron Pollack	250 000	528 000	**778 000**
Pieter Strydom[2] (Chairman of the audit and risk committees)	250 000	589 000	**839 000**
Anthony Stein[3]	250 000	399 000	**649 000**
Jeffrey Wapnick[3]	250 000	399 000	**649 000**
Total	**2 100 000**	**3 496 000**	**5 596 000**

[1] Apologies received for special audit committee on 18 November 2015
[2] Apologies received for board branding strategy workshop on 6 April and investment committee on 8 April 2016
[3] Executive director and prescribed officer

While directors did not receive an increase in their fees for the 12 months to August 2016, directors' remuneration for the period 1 September 2016 to 31 August 2017 will increase by 6%, as approved at the annual general meeting on 29 January 2016.

The social, ethics, remuneration and transformation committee meets twice a year and its mandate with regard 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
- remuneration levels relative to other comparable companies are pitched at the desired level, taking relative performance into account
- remuneration policies and strategic goals and objectives are communicated to all stakeholders
- compliance with all statutory and best practice requirements regarding labour and industrial relations management as well as monitoring findings by regulatory authorities as and when they are made and management's response to them.

Employee remuneration

Octodec's 248 employees who are paid by Octodec include its building managers, centre managers, cleaners, general workers and handymen. In terms of the management agreement between City Property and Octodec all administrative and property management functions are handled by City Property and all those performing these functions are employed by City Property.

As a result the remuneration of CPA's employees is not disclosed in this report. The Octodec social, ethics, remuneration and transformation committee does, however, monitor remuneration practices in City Property to ensure their employees are fairly remunerated.

The payment structure of each Octodec employee is on a cost to company basis. Employees are paid 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 to employees who have met expectations in key performance areas.

The majority of our employees contribute towards a group defined contribution pension/provident fund scheme.

Gerard Kemp

Chairman of the social, ethics, remuneration and transformation committee

On behalf of the board, which approved the report on 23 November 2016.

analysis of ordinary shareholders

as at 31 August 2016

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 - 1 000	621	18.30	318 531	0.13
1 001 - 10 000	1 818	53.58	7 260 913	2.85
10 001 - 100 000	721	21.25	22 605 878	8.88
100 001 - 1 000 000	180	5.31	55 984 954	21.99
Over 1 000 000	53	1.56	168 381 044	66.15
Total	**3 393**	**100.00**	**254 551 320**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	22	0.65	5 020 919	1.97
Close corporations	60	1.77	26 158 475	10.28
Collective investment schemes	109	3.21	58 313 847	22.91
Control accounts	1	0.03	99	0.00
Custodians	25	0.74	2 475 282	0.97
Foundations and charitable funds	92	2.71	6 685 834	2.63
Hedge funds	1	0.03	1 339	0.00
Insurance companies	2	0.06	12 569	0.00
Investment partnerships	8	0.24	78 569	0.03
Managed funds	16	0.47	278 765	0.11
Medical aid funds	2	0.06	156 056	0.06
Organs of state	4	0.12	17 192 139	6.75
Private companies	137	4.04	69 621 020	27.35
Public companies	2	0.06	38 027	0.01
Public entities	3	0.09	118 920	0.05
Retail shareholders	2 328	68.61	26 602 198	10.45
Retirement benefit funds	93	2.74	14 397 049	5.66
Scrip lending	7	0.21	516 562	0.20
Stockbrokers and nominees	16	0.47	1 289 258	0.51
Trusts	465	13.70	25 594 393	10.05
Total	**3 393**	**100.00**	**254 551 320**	**100.00**

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	**67**	**1.92**	**96 710 165**	**37.99**
Directors and associates				
Public shareholders	**3 326**	**98.08**	**157 841 155**	**62.01**
Total	**3 393**	**100.00**	**254 551 320**	**100.00**

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Stanlib Asset Management	17 924 301	7.04
Public Investment Corporation	15 218 036	5.98
Old Mutual Investment Group	12 846 866	5.05
Total	**45 989 203**	**18.07**

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Lefkopaul CC	19 994 725	7.85
Tomneff Investments Proprietary Limited	16 680 146	6.55
Government Employees Pension Fund	14 883 752	5.85
City Property Administration Proprietary Limited	11 538 176	4.53
Stanlib	14 757 054	5.80
Old Mutual Group	12 571 370	4.94
Total	**90 425 223**	**35.52**

Share price performance	
Opening Price 01 September 2015	R24.25
Closing Price 31 August 2016	R22.99
Closing High for peroid	R25.84
Closing low for peroid	R19.91
Number of shares in issue	254 551 320
Volume traded during period	31 044 349
Ratio of volume traded to shares issued (%)	12.20%
Rand value traded during the period	R705 003 829
Market capitalisation at 31 August 2016	R5 852 134 847

shareholder calendar

Last day to trade in the company's shares to attend, participate and vote at the annual general meeting	**17 January 2017**
Date on which a shareholder must be registered in the company's securities register to attend, participate and vote at the annual general meeting	**20 January 2017**
Annual general meeting	**27 January 2017**
Interim results and announcement of interim dividend	**May 2017**
Financial year-end	**31 August 2017**
Annual results and announcement of final dividend	**October 2017**
Final dividend payment	**November 2017**
Publication and posting of integrated report and notice of annual general meeting	**December 2017**

glossary

CBD	Central Business District
City Property	City Property Administration Proprietary Limited
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
GLA	Gross Lettable Area
Group	Octodec, its subsidiaries and joint ventures
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JSE	JSE Limited
MOI	Memorandum of Incorporation
REIT	Real Estate Investment Trust as defined in section 1 of the Income Tax Act

> Sharon's Place during construction

notice of annual general meeting

OCTODEC INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1956/002868/06)
ISIN: ZAE000192258
JSE 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 24th annual general meeting (AGM) of shareholders of Octodec on Friday, 27 January 2017, 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. In terms of section 64(2)(a) of the Act, a meeting may not begin unless at least three shareholders are present or represented by proxy and are entitled to vote at the AGM. 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 2016, 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 any of its present or future subsidiaries and/or any company that is or becomes related or inter-related to the company, at such times and on such terms and conditions as the directors of the company in their sole discretion may determine and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted AGM of the company."

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

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

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

a. the repurchase of securities is implemented through the order book of the JSE trading system, without any prior understanding or arrangement between the company and the counterparties;
b. this general authority shall only be valid until the company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
c. the company or any subsidiary is authorised thereto by its MOI;
d. the general repurchase by the company is limited to a maximum of 5% (five percent) in aggregate of the company's issued capital in any one financial year;
e. the general repurchase by the subsidiaries of the company is limited to a maximum of 5% (five percent) in aggregate of the company's issued share capital in any one financial year and not more than 10% (ten percent) in aggregate of the company's issued capital may be held by or for the benefit of all the subsidiaries taken together;
f. the repurchase is not made at a price greater than 5% (five percent) above the weighted average of the market value of the securities for five business days immediately preceding the date on which the repurchase was effected;
g. the repurchase does not take place during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing 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 2017 to 31 August 2018

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 2017 for a period of 12 (twelve) months ending 31 August 2018, as follows:

	12 months to 31 August 2018	12 months to 31 August 2017
Annual retainer		
Board chairman	675 000	636 000
Lead independent director	337 000	-
Non-executive directors	281 000	265 000
Executive directors	281 000	265 000
Fee per meeting		
Board meeting (including AGM)	16 900	15 900
Meeting fee for attendance at sub-committee meeting of the board	20 200	19 080
Chairman of sub-committee of the board	24 700	23 320
Meeting fee for attendance at an ad hoc sub-committee meeting of the board	20 200	19 080
Chairman of an ad hoc sub-committee of the board	24 700	23 320

Special resolution 4 – Authority to issue shares to directors who elect share reinvestment alternatives

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

"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."

Special resolution 5 – Approval of the amendment to clause 6.2 of Octodec's existing MOI

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

"Resolved that in terms of section 16(1)(c), as read with section 16(5)(b) of the Companies Act, and clause 39 of the company's MOI, the company be and is hereby authorised to amend its MOI by deletion of the existing clause 6.3 and the replacement thereof with the following new clause 6.3:

"All allocations of Shares will be rounded down resulting in allocations of whole Shares and no fractional Shares. In the event that any allocation would have resulted in a fractional Share but for the provisions of this article, the fraction will be treated in line with the provisions of the JSE Listings Requirements, as amended from time to time."

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 Derek Cohen, Pieter Strydom and Sharon Wapnick who being eligible offer themselves for re-election.

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

An abridged curriculum vitae of Derek Cohen is set out on page 17 of the integrated report of which this notice forms part.

Ordinary resolution 1.2 – Re-election of Pieter Strydom
"Resolved that Pieter Strydom be and is hereby re-elected as a director of the company."

An abridged curriculum vitae of Pieter Strydom is set out on page 17 of the integrated report of which this notice forms part.

Ordinary resolution 1.3 – Re-election of Sharon Wapnick
"Resolved that Sharon Wapnick be and is hereby re-elected as a director of the company."

An abridged curriculum vitae of Sharon Wapnick is set out on page 16 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 10 (ten) business 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. The weighted average price shall be adjusted for a dividend where the "ex" date (being the day after the last day to trade in order to be entitled to such dividend) occurs during the 10 business day in question.

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 12 727 566 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. an 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 (thirty) business 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; and
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

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 110 of the integrated report of which this notice forms part.

Ordinary resolution 7 – Specific authority to issue shares to afford shareholders distribution reinvestment alternatives
To consider and if deemed fit to pass with or without modification the following ordinary resolution:

"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 112
- share capital of the company – page 6 of the annual financial statements and note 14 of the annual financial statements (page 24)
- although there is no immediate intention to acquire the issued securities of the company, the directors will utilise this general authority to acquire its shares as and when suitable opportunities present themselves.

Directors' responsibility statement

The directors in office whose names appear on page 14 of the integrated report collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 2 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, 20 January 2017 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, 9 December 2016; 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, 20 January 2017.

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 Tuesday, 17 January 2017.

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 other than ordinary resolution 3 which is required to be adopted by 75% (seventy-five percent) of shareholders present in person or by proxy in terms of the JSE Listings Requirements.

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 Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), by not later than 11:30 on Wednesday, 25 January 2017.

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. Alternatively, the form of proxy may be handed to the chairman of the AGM, prior to the commencement of the AGM.

By order of the board

Elize Greeff
City Property Administration Proprietary Limited
Company secretary
23 November 2016
Tshwane

explanatory notes

Presentation of annual financial statements

At the AGM, the directors must present the annual financial statements for the year ended 31 August 2016 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 authorise the board to authorise the company to provide direct or indirect financial assistance to a related or inter-related company as defined in the Act, 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 2017 to 31 August 2018

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 3 is to pre-approve the remuneration and fees payable to the directors as required in terms of sections 66(8) and 66(9) of the Act.

Special resolution 4 – Authority to issue shares to directors who elect share reinvestment alternatives

Special resolution 4 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 4 will allow present or future directors or officers of the company to reinvest their distributions.

Special resolution 5 – Approval of the amendment of Octodec's existing MOI

Amendments to Schedule 18 of the JSE's Listing Requirements, effective 8 April 2016, addressed the treatment of fractional entitlement in corporate actions. Previously, fractional entitlements were rounded up or down to the nearest whole number. This amendment results in all allocations of securities being rounded down to the nearest whole number which will be treated in accordance with the provisions of the JSE Listing Requirements. The JSE has afforded issuers until 1 May 2017 to amend their MOI for the new fraction entitlement principle of rounding down.

The full MOI is available upon request from the company secretary, who can be reached via the email address: elizeg@octodec.co.za

Ordinary resolution 1.1 – 1.3 – Re-election of directors

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

Brief biographical details of Derek Cohen, Pieter Strydom and Sharon Wapnick and the remaining members of the board are contained on pages 16 and 17 of the integrated report of which this notice forms part.

Ordinary resolutions 2 and 3 – Placement and issue of shares for cash

In terms of the Act, directors are authorised to allot and issue the authorised but unissued shares of the company, unless otherwise provided in the company's MOI or in instances as listed in section 41 of the Act. The JSE requires that the MOI should provide that shareholders in a general meeting may authorise the directors to issue unissued securities 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 members

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 2016. 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.

form of proxy

(Incorporated in the Republic of South Africa)
(Registration number: 1956/002868/06)
ISIN: ZAE000192258
JSE share code: OCT
(Octodec or the company)
REIT status approved

The definitions commencing on page 113 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 annual 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, 27 January 2017, 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 2017 to 31 August 2018			
4.	**Special resolution 4:** Authority to issue shares to directors who elect share reinvestment alternatives			
5.	**Special resolution 5:** Amendment of Octodec's existing MOI			
	5.1 Amendment for fractional entitlement			
6.	**Ordinary resolution 1.1 – 1.3:** To re-elect the directors required to retire in terms of the MOI:			
	1.1 Derek Cohen			
	1.2 Pieter Strydom			
	1.3 Sharon Wapnick			
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 ______________________ 2016/2017

______________________ ______________________

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 below:
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 AGM 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
   (iii) the date stated in the revocation instrument, if any, or
   (iv) 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
   Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196
   Postal deliveries of forms to:
   Computershare Investor Services Proprietary Limited
   PO Box 61051,
   Johannesburg 2001, Marshalltown 2107
   to be received by no later than 11:30 on Wednesday, 25 January 2017 (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.

Octodec
INVESTMENTS LIMITED

creating value beyond financial return

audited financial statements

for the year ended 31 August

2016

company information

Octodec Investments Limited
incorporated in the Republic of South Africa
Registration number: 1956/002868/06
JSE share code: OCT
ISIN: ZAE000192258
REIT status approved

Registered address
CPA House, 101 Du Toit Street, Tshwane 0002
Tel: 012 319 8781, Fax: 012 319 8812, E-mail: info@octodec.co.za

Company secretary
City Property Administration Proprietary Limited
CPA House, 101 Du Toit Street, Tshwane 0002
Tel: 012 357 1564, E-mail: elizeg@octodec.co.za

Sponsor
Java Capital
PO Box 2087, Parklands 2121, Johannesburg

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Bierman Avenue, Rosebank 2196
Box 61051, Marshalltown 2107

Investor relations
Instinctif Partners
E-mail: investorrelations@octodec.co.za

contents

directors' 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 it's 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 disclosures 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 6 to 53, which have been prepared on the going concern basis, were approved by the board of directors on 23 November 2016 and were signed on their behalf by:

S Wapnick
Chairman

JP Wapnick
Managing 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
23 November 2016
Tshwane

independent auditor's report

To the shareholders of Octodec Investments Limited

Report on the financial statements
We have audited the consolidated and separate financial statements of Octodec Investments Limited set out on pages 9 to 40, which comprise the statements of financial position as at 31 August 2016, and the statements of profit or loss and other 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 judgment, 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 2016, 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 2016, 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.

Report on other legal and regulatory requirements
In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of Octodec Investments Limited for 25 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: P Kleb
Partner
23 November 2016

audit committee report

Octodec's independent audit committee (the committee) is pleased to present its report for the financial year ended 31 August 2016. The committee has discharged its responsibilities mandated by the board, which also allows it to execute its statutory duties in compliance with the Companies Act (71 of 2008, as amended) (the Act), as well as the King III principles applicable to audit committees. The committee's terms of reference, which are available from the company secretary, are aligned with the legislation, regulations and principles set out above.

Composition, meetings and assessment

The committee comprised four non-executive directors, three of whom, including its chairman, are independent directors:

Pieter Strydom
MCom CA(SA)
Chairman

Derek Cohen
AEP

Gerard Kemp
MSc (Mining Engineering) DPLR. MDP

Myron Pollack
CA(SA)

A brief profile of each of the members can be viewed on pages 16 and 17 of the 2016 integrated report. The committee met on five occasions during the year under review and, except for an apology received from Gerard Kemp for one of these meetings, all members were present at these scheduled meetings. The chairman of the board, managing director, financial director, internal auditors, external auditors and the chief risk officer attend these meetings by invitation.

Separate meetings are scheduled with the internal and external auditors to allow open discussion without the presence of management. During these meetings no matters of material concern were raised.

Objective and scope

The main purpose of the committee is to:

- perform its statutory duties as prescribed by the Act;
- review and report back to the board on all financial matters relating to the group;
- further assist 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;
- provide a forum for discussing business risk and control issues and for developing recommendations for consideration by the board; and
- oversee the activities of internal and external audits.

The committee has evaluated the consolidated and company annual financial statements for the year ended 31 August 2016 and, based on the information provided to the committee, considers that they comply 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 financial 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 2016 were not in all material aspects satisfactory.

Committee activities

In addition to the duties set out in its terms of reference, the committee:

- determined the fees to be paid to Deloitte & Touche (external auditors) and its terms of engagement;
- determined the fees to be paid to KPMG (internal auditors) and its terms of reference;
- 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 approved amendments thereto to cater for a co-sourced model;
- 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; and
- reviewed the documented assessments, as prepared by management, of the going concern status of the group.

Annual confirmations

- **Annual financial statements and integrated report**
  The committee recommended the annual financial statements as well as the 2016 integrated report to the board for approval. Deloitte & Touche, the external auditors, have provided shareholders with an independent opinion on page 3 on whether the annual financial statements for the year ended 31 August 2016 fairly present, in all material respects, the financial results for the year and the position of the company and the group at 31 August 2016.

- **Independence and reappointment of the external auditor is reaffirmed**
  The committee is satisfied that the external audit firm and designated lead auditor are independent as defined by the Act. To this end the committee considered fees for non-audit services paid to the external auditor in terms of its non-audit services policy.

  The committee, in consultation with executive management, agreed to an audit fee for the 2016 financial year, which is considered appropriate for the work that was done. Audit fees are described in note 21 to the financial statements.

  The committee reviewed the performance of the external auditors and recommended the appointment of Deloitte & Touche as external auditor for the 2017 financial year and Patrick Kleb as the designated lead auditor. This will be his third year as auditor of the company and group.

- **Risk management policy**
  The committee has adopted and implemented a risk management policy and has monitored compliance to the policy and is satisfied that Octodec has, in all material respects, complied with the policy during the year under review.

- **Evaluation of the expertise and experience of the financial director and the finance function**
  The committee is satisfied with the experience, expertise and adequacy of resources within the finance function and of the financial director.

- **Solvency and liquidity**
  Based on the quarterly solvency and liquidity tests performed, the committee was comfortable in its declaration to the board that the company and group are a going concern.

- **Effectiveness of internal controls**
  Using the assurance obtained from the various assurance providers the committee recommended to the board that it issues a statement as to the adequacy of the company's internal control measures.

- **Compliance with JSE's letter**
  The audit committee has considered the JSE's letter dated 15 February 2016 and, where necessary, has taken appropriate action.

Pieter Strydom
Chairman of the Audit Committee
23 November 2016

report of the directors

for the year ended 31 August 2016

To the shareholders of Octodec Investments Limited
The directors have pleasure in submitting their report for the year ended 31 August 2016.

Preparation of the annual financial statements
The audited annual financial statements were 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, 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.

Stated capital
The authorised stated capital comprises 500 000 000 (2015: 500 000 000) shares of no par value. At 31 August 2016 there were 254 551 320 (2015: 252 321 784) shares in issue.

On 28 April 2016, Octodec declared an interim dividend and provided shareholders with an option to reinvest their dividends (the share reinvestment alternative). Octodec shareholders holding 51 439 103 Octodec shares, representing 20.4% of Octodec’s issued shares, elected to receive the shares in terms of the share reinvestment alternative. As a result, 2 229 536 additional Octodec shares were issued on 30 May 2016 under specific authority to issue shares in terms of a share reinvestment alternative, to shareholders who elected to receive the share reinvestment alternative.

Events after the reporting date
Other than the dividend which was declared post the reporting date and is a non-adjusting event, there have been no subsequent events that require reporting.

Subsidiaries
The company’s interests in property-owning subsidiaries are fully set out on pages 50 to 51.

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. The agreement ends in July 2018 and is currently being re-negotiated.

Summary of consolidated results for the year

	2016 R’000	2015 R’000
Operating profit	**908 904**	823 962
Fair value changes of investment properties	**285 914**	486 054
Fair value changes of interest rate derivatives	**17 191**	49 255
Gain on bargain purchase	**–**	319 647
Reversal of impairment of loans	**378**	–
Profit/(loss) on sale of investment property	**8 490**	(61)
Interest and other income	**31 036**	38 528
Profit from ordinary activities before finance costs and taxation	**1 251 913**	1 717 385
Finance costs	**(394 751)**	(376 491)
Profit before taxation	**857 162**	1 340 894
Taxation	**–**	(3 166)
Profit for the year	**857 162**	1 337 728
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year attributable to shareholders	**857 162**	1 337 728
Reconciliation of profit to distributable earnings		
Total comprehensive income attributable to shareholders	**857 162**	1 337 728
(Profit)/loss on sale of investment properties	**(8 490)**	61
Gain on bargain purchase	**–**	(319 647)
Reversal of impairment of loans	**(378)**	–
Fair value changes		
Investment property	**(285 914)**	(486 054)
Joint ventures	**(6 872)**	(19 082)
Interest rate derivatives	**(17 191)**	(45 987)
Straight-line rental income accrual	**(2 567)**	(4 930)
Once-off reinstatement contribution from tenant	**(25 000)**	–
Deferred taxation adjustments	**–**	(87)
Distributable earnings attributable to shareholders	**510 750**	462 002
Distribution to shareholders (cents)		
Interim	**98.4**	96.8
Final	**103.1**	92.4
	201.5	189.2

Valuation of portfolio

Octodec's property portfolio was valued by the directors at an amount of R12.1 billion (2015: R11.4 billion) as at 31 August 2016. Over a three-year cycle, all properties are valued on a rotational basis by independent external valuers. The valuation of R3.1 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 2016 and was 0.7% more (2015: 0.6%) 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 2 913 cents (2015: 2 769 cents). The closing price per share at 31 August 2016 was 2 299 cents (2015: 2 425 cents), representing a discount of 21.1% to the net asset value per share.

Directorate

The directors of the company during the year under review were:

Executive directors

JP Wapnick – Managing director
AK Stein – Financial director

Non-executive directors

S Wapnick (Chairman)
DP Cohen (Lead independent director)
GH Kemp (Non-executive independent director)
MZ Pollack (Non-executive director)
PJ Strydom (Non-executive independent director)

Directors' remuneration

	2016 R	2015 R
S Wapnick	**1 033 000**	1 025 000
DP Cohen	**847 000**	667 000
GH Kemp	**801 000**	652 000
MZ Pollack	**778 000**	667 000
AK Stein	**649 000**	667 000
PJ Strydom	**839 000**	715 000
JP Wapnick	**649 000**	667 000
	5 596 000	5 060 000

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, 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 2016. Ms S Wapnick, the non-executive Chairman, was remunerated by City Property on an approximation of her time spent on Octodec affairs.

	2016			2015		
	Salary R	Pension fund contribu-tions R	Total R	Salary R	Pension fund contribu-tions R	Total R
AK Stein	**2 154 014**	**42 789**	**2 196 803**	1 801 162	39 554	1 840 716
JP Wapnick	**2 658 478**	**–**	**2 658 478**	2 617 967	–	2 617 967
S Wapnick	**1 222 892**	**–**	**1 222 892**	203 520	–	203 520
	6 035 384	**42 789**	**6 078 173**	4 622 649	39 554	4 662 203

report of the directors – continued

for the year ended 31 August 2016

Directors' shareholding

The beneficial and non-beneficial interest held by the directors in the company at the reporting date amounted to:

	2016				
	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total	%
MZ Pollack	**547 347**	**–**	**2 197 127**	**2 744 474**	**1.1**
AK Stein	**172 284**	**305 274**	**145 049**	**622 607**	**0.2**
JP Wapnick	**37 489**	**14 536 276**	**20 581 696**	**35 155 461**	**13.8**
S Wapnick	**36 983**	**14 536 276**	**14 802 467**	**29 375 726**	**11.5**
	794 103	**29 377 826**	**37 726 339**	**67 898 268**	**26.6**

	2015				
	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total	%
MZ Pollack	467 587	–	2 125 127	2 592 714	1.0
AK Stein	172 284	236 713	144 049	553 046	0.2
JP Wapnick	35 930	16 523 419	17 801 371	34 360 720	13.6
S Wapnick	36 983	16 514 225	12 624 009	29 175 217	11.6
	712 784	33 274 357	32 694 556	66 681 697	26.4

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.

Going concern

The directors have considered the solvency and liquidity tests and have determined that the group has adequate resources to continue to operate in the foreseeable future. The annual financial statements have been prepared on the going concern basis.

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

at 31 August 2016

	Notes	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
Assets					
Non-current assets		**12 219 234**	11 644 922	**7 131 179**	5 793 130
Investment property	2	**11 776 839**	11 265 331	**1 073 377**	999 769
Straight-line rental income accrual	3	**115 849**	114 773	**14 138**	14 150
Plant and equipment	4	**6 810**	8 646	**40**	71
Tenant installations and lease costs	5	**57 133**	60 407	**2 003**	2 230
Investment in subsidiaries	6	**–**	–	**5 955 921**	4 755 342
Investment in joint ventures	7	**172 582**	161 314	**–**	–
Other financial assets	9	**51 849**	–	**51 849**	–
Derivative financial instruments	10	**38 172**	34 451	**33 851**	21 568
Current assets		**373 661**	158 091	**130 086**	77 509
Trade and other receivables	11	**131 552**	102 822	**13 432**	14 199
Cash and cash equivalents	12	**69 109**	55 269	**60 154**	63 310
		200 661	158 091	**73 586**	77 509
Non-current assets held for sale	13	**173 000**	–	**56 500**	–
Total assets		**12 592 895**	11 803 013	**7 261 265**	5 870 639
Equity and liabilities					
Equity		**7 413 800**	6 987 679	**5 070 450**	4 958 982
Stated capital	14	**3 958 207**	3 907 819	**3 958 207**	3 907 819
Non-distributable reserve	15	**3 112 885**	2 799 231	**842 710**	808 855
Distributable reserve		**342 708**	280 629	**269 533**	242 308
Non-current liabilities		**4 106 208**	3 012 937	**2 146 200**	691 023
Long-term borrowings	16	**4 023 911**	2 917 174	**2 137 025**	691 023
Derivative financial instruments	10	**9 308**	22 778	**9 175**	–
Deferred taxation	17	**72 989**	72 985	**–**	–
Current liabilities		**1 072 887**	1 802 397	**44 615**	220 634
Trade and other payables	18	**315 698**	335 216	**43 283**	39 678
Short-term borrowings	16	**755 116**	1 463 699	**–**	179 141
Shareholders for distribution		**2 073**	3 482	**1 332**	1 815
Total equity and liabilities		**12 592 895**	11 803 013	**7 261 265**	5 870 639

statements of profit and loss and other comprehensive income

for the year ended 31 August 2016

		consolidated		company	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Revenue	20	**1 770 438**	1 639 089	**163 118**	150 228
Property operating costs		**(790 529)**	(742 212)	**(76 302)**	(67 006)
Net property income		**979 909**	896 877	**86 816**	83 222
Administrative expenses		**(71 005)**	(72 915)	**(69 351)**	(65 069)
Net operating profit	21	**908 904**	823 962	**17 465**	18 153
Gain on bargain purchase	38	**–**	319 647	**–**	–
Fair value changes to investment property	2.4	**285 914**	486 054	**31 465**	26 456
Fair value changes to interest rate derivatives	10	**17 191**	49 255	**3 108**	35 365
Profit from operations		**1 212 009**	1 678 918	**52 038**	79 974
Profit/(loss) on sale of investment properties		**8 490**	(61)	**152**	(61)
Reversal of impairment of loans		**378**	–	**–**	–
Interest income	22	**10 138**	5 953	**3 263**	961
Income from subsidiaries	23	**–**	–	**645 395**	518 687
Income from joint ventures	24	**20 898**	32 575	**–**	–
Profit from ordinary activities before finance costs		**1 251 913**	1 717 385	**700 848**	599 561
Finance costs	25	**(394 751)**	(376 491)	**(158 339)**	(84 222)
Profit before taxation		**857 162**	1 340 894	**542 509**	515 339
Taxation	26	**–**	(3 166)	**–**	(35)
Profit for the year		**857 162**	1 337 728	**542 509**	515 304
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the year attributable to shareholders		**857 162**	1 337 728	**542 509**	515 304
		Cents	Cents		
Basic earnings per share	28	**338.9**	561.7		
Diluted earnings per share	28	**336.7**	530.2		

statements of changes in equity

for the year ended 31 August 2016

	stated capital R'000	non distri-butable reserve R'000	distri-butable reserve R'000	total R'000
Consolidated				
Balance at 1 September 2014	918 478	1 928 522	42 449	2 889 449
Total comprehensive income for the year	–	–	1 337 728	1 337 728
Issue of new shares	2 989 341	–	–	2 989 341
Dividends paid	–	–	(228 839)	(228 839)
Transfer to non-distributable reserve				
Loss on sale of investment properties	–	(61)	61	–
Gain on bargain purchase	–	319 647	(319 647)	–
Fair value changes				
- Investment property	–	486 054	(486 054)	–
- Joint ventures	–	19 082	(19 082)	–
- Interest rate derivatives, net of deferred tax	–	45 987	(45 987)	–
Balance at 31 August 2015	**3 907 819**	**2 799 231**	**280 629**	**6 987 679**
Total comprehensive income for the year	**–**	**–**	**857 162**	**857 162**
Issue of new shares	**50 388**	**–**	**–**	**50 388**
Dividends paid	**–**	**–**	**(481 429)**	**(481 429)**
Transfer to non-distributable reserve				
Profit on sale of investment properties	**–**	**8 490**	**(8 490)**	**–**
Fair value changes				
- Investment property	**–**	**285 914**	**(285 914)**	**–**
- Joint ventures	**–**	**6 872**	**(6 872)**	**–**
- Interest rate derivatives, net of deferred tax	**–**	**12 378**	**(12 378)**	**–**
Balance at 31 August 2016	**3 958 207**	**3 112 885**	**342 708**	**7 413 800**
Company				
Balance at 1 September 2014	918 478	753 135	11 563	1 683 176
Total comprehensive income for the year	–	–	515 304	515 304
Issue of new shares	2 989 341	–	–	2 989 341
Dividends paid	–	–	(228 839)	(228 839)
Transfer to non-distributable reserve				
Profit on sale of investment properties	–	(61)	61	–
Fair value changes				
- Investment property	–	26 456	(26 456)	–
- Interest rate derivatives, net of deferred tax	–	29 325	(29 325)	–
Balance at 31 August 2015	**3 907 819**	**808 855**	**242 308**	**4 958 982**
Total comprehensive income for the year	**–**	**–**	**542 509**	**542 509**
Issue of new shares	**50 388**	**–**	**–**	**50 388**
Dividends paid	**–**	**–**	**(481 429)**	**(481 429)**
Transfer to non-distributable reserve				
Profit on sale of investment properties	**–**	**152**	**(152)**	**–**
Fair value changes				
- Investment property	**–**	**31 465**	**(31 465)**	**–**
- Interest rate derivatives, net of deferred tax	**–**	**2 238**	**(2 238)**	**–**
Balance at 31 August 2016	**3 958 207**	**842 710**	**269 533**	**5 070 450**

statements of cash flows

for the year ended 31 August 2016

	Notes	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
Cash (utilised)/generated from operating activities					
Cash generated from operations	29	**878 613**	881 500	**22 448**	47 706
Investment income		**10 138**	5 953	**648 658**	519 648
Finance costs		**(416 659)**	(376 491)	**(163 222)**	(84 222)
Dividends paid	29.1	**(482 838)**	(454 710)	**(481 912)**	(329 234)
Taxation paid	29.2	**–**	(34)	**–**	(1)
Net cash (utilised)/generated from operating activities		**(10 746)**	56 218	**25 972**	153 897
Cash utilised in investing activities					
Acquisition of investment property		**(178 923)**	(179 243)	**(11 534)**	(50 056)
- New acquisitions		**–**	(19 138)	**–**	(8 033)
- Developments		**(178 923)**	(160 105)	**(11 534)**	(42 023)
Acquisition of investment property under development		**(242 804)**	(297 648)	**(90 971)**	(47 685)
- New acquisitions		**(31 537)**	(90 268)	**(31 537)**	(46 263)
- Developments		**(211 267)**	(207 380)	**(59 434)**	(1 422)
Acquisition of plant and equipment		**(312)**	–	**–**	–
Tenant installation and lease costs		**(15 526)**	(25 550)	**(944)**	(1 231)
Proceeds on disposal of investment property		**55 450**	16 046	**9 500**	16 046
Amounts advanced to subsidiaries		**–**	–	**(1 200 579)**	(317 080)
Loan to joint venture partner		**(51 849)**		**(51 849)**	
Cash inflow from business combination	38.3	**–**	135 904	**–**	–
Income from joint ventures		**10 008**	21 292	**–**	–
Net cash utilised in investing activities		**(423 956)**	(329 199)	**(1 346 377)**	(400 006)
Cash generated from financing activities					
Issue of new shares		**50 388**	387 806	**50 388**	387 806
Increase/(decrease) in long-term borrowings		**1 106 737**	(209 876)	**1 446 002**	4 290
(Decrease)/increase in short-term borrowings		**(708 583)**	145 452	**(179 141)**	(87 524)
Net cash generated from financing activities		**448 542**	323 382	**1 317 249**	304 572
Net increase in cash and cash equivalents		**13 840**	50 401	**(3 156)**	58 463
Cash and cash equivalents at the beginning of the year		**55 269**	4 868	**63 310**	4 847
Cash and cash equivalents at the end of the year	12	**69 109**	**55 269**	**60 154**	**63 310**

notes to the financial statements

for the year ended 31 August 2016

1. Significant accounting policies

1.1 Basis of preparation

The consolidated and company financial statements (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 have been rounded to the nearest thousand (R'000). 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 arising on the 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 and other comprehensive income 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 the 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 the statement of profit or loss and other comprehensive income, 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.

1.2.4 Investments in joint ventures

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 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 a joint venture or when the investment is classified as held for sale.

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

1.2.5 Interest in joint 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

notes to the financial statements – continued

for the year ended 31 August 2016

1.2 Basis of consolidation – continued

1.2.5 Interest in joint operations – continued

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 the 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 and on interest rate derivatives net of deferred tax as applicable, are similarly transferred to a non-distributable reserve as are revaluation reserves of associates and joint ventures.

1.4 Investment property

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 properties will flow to the entity, and the cost of the investment properties 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. A gain or loss arising from a change in fair value is recognised in profit or loss and transferred to a non-distributable reserve in the statement of changes in equity in the period in which it arises. Subsequent refurbishing expenditure relating to investment properties that have been recognised is 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 entity. All other subsequent expenditure is expensed in the period in which it is incurred.

Investment properties are derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal of investment properties is calculated as the difference between the net disposal proceeds and the carrying amount of the investment properties and is recognised in the statement of profit and loss and other comprehensive income for the period and transferred to the non-distributable reserve in the period in which it arises.

Investment properties erected on land secured by means of long-term land leases are classified as investment properties.

1.4.1 Properties under development

Properties under development comprise the cost of the land and development and are stated at fair value. If the fair value cannot be reasonably determined it is stated at cost and is not depreciated. Investment properties that require development are transferred from investment property to investment property under development when development commences. On completion of the development these properties become part of investment property.

1.4.2 Fair value

At the reporting date all investment properties are measured at fair value as determined by management. The investment committee considers the valuations to determine the appropriateness of the valuation techniques and inputs used for fair value measurements. The valuation process is reviewed by the investment committee and approved by the board of directors at each reporting period.

In estimating the fair value of investment properties, the group uses market-observable data to the extent it is available. In accordance with the JSE Listings Requirements, independent valuations are obtained on a rotational basis to determine the reasonableness of the directors' portfolio valuation, ensuring that every property is independently valued every three years.

1.5 Non-current assets held-for-sale

A non-current asset is classified as held-for-sale if it is expected that its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and the sale is highly probable to occur within one year. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset.

On initial classification as held-for-sale, generally, non-current assets are measured at the lower of the carrying amount and fair value less costs to sell, with any adjustments taken to profit or loss (or other comprehensive income in the case of a revalued asset). The same applies to gains and losses on subsequent re-measurement. However, investment property within the scope of IAS 40 continues to be measured in accordance with that standard.

Impairment losses subsequent to classification of assets as held-for-sale are recognised in profit or loss. Increases in fair value less costs to sell assets that have been classified as held-for-sale are recognised in profit or loss to the extent that the increase is not in excess of any cumulative impairment loss previously recognised in respect of the asset. Assets classified as held-for-sale are not depreciated.

Non-current assets held-for-sale are presented separately from other assets and liabilities on the statement of financial position. Prior periods are not reclassified.

1.6 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 benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the entity.

1.6 Plant and equipment – continued

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, fittings and carpets	6 years
• Security equipment	5 – 6 years
• Lifts	12 years
• Air-conditioning equipment	6 years
• Motor vehicles	4 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.

1.7 Financial instruments

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

Financial assets and liabilities are initially measured at fair value. 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 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.

1.7.1 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.

1.7.2 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.

1.7.3 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 loans, trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment, except for short-term receivables where the effect of discounting is immaterial. Interest earned on loans, trade receivables and cash and cash equivalents is recognised on an accrual basis using the effective interest method.

1.7.4 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, except for short-term payments where the effect of discounting is immaterial.

1.7.5 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 and other comprehensive income.

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.

1.7.6 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.

1.7.7 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.

An estimate is made for credit losses based on a review of all outstanding amounts at year-end. Doubtful debts are written off to profit or loss during the year in which they are identified.

A reversal of an impairment of financial assets at amortised cost is recognised immediately in profit and loss.

1.8 Impairment of non-financial assets

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.

notes to the financial statements – continued

for the year ended 31 August 2016

1.9 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.

1.10 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.

1.11 Taxation
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.

1.11.1 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.

1.11.2 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 nor taxable profit or loss. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not calculated on timing differences of those assets and liabilities that when reversed will be distributed to shareholders.

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.

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 the same taxable entity where there is an intention to settle the balances on a net basis.

1.12 Revenue
1.12.1 Rental income and recoveries
Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises revenue from rental income and operating cost recoveries and excludes value added taxation. Rental income is recognised on the straight-line basis over the lease term and recoveries are recognised on the accrual basis. Turnover-based rental is recognised when it is due in terms of the lease agreement and the amount can be measured reliably.

1.12.2 Income from investments
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.

1.13 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.

1.13.1 The group as lessor – operating leases
Contractual rental income is recognised on a straight-line basis over the period of the lease term and rental income based on a percentage of turnover is recognised when due and the amount can be measured reliably.

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 group is currently entitled and the rental for the period calculated on a straight-line basis.

1.13 Leases – continued

1.13.1 The group as lessor – operating leases – continued

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

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.

1.13.2 The group as lessee

Operating lease payments, which are based on a percentage of rental income, are charged to the statement of profit and loss and other comprehensive income.

1.14 Fair value information

The group measures financial instruments, such as derivatives 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.

1.14.1 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 is 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 is observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Input for the asset or liability that is not based on observable market data (unobservable input)

1.15 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. Actual results may differ from these estimates. Areas in which estimates and judgements are made include the following:

1.15.1 Investment property

In the application of the accounting policies which are described in note 2, 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.

1.15.2 Plant and equipment

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 operational performance of the assets. Future events could cause management to conclude that impairment indicators exist.

An estimate is made of the residual amount the group would receive currently for the asset if the asset was already of the age and condition expected at the end of its useful life. If this changes from the prior period, the depreciation charge is adjusted prospectively.

Useful lives of assets are reviewed annually. If these change from the prior period, the depreciation charge is adjusted prospectively. The group uses the following indicators to determine useful lives:

- Expected usage of assets.
- Expected physical wear and tear.
- Technical or commercial obsolescence.

1.15.3 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.

1.15.4 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 management.

1.15.5 Provisions

Provisions are required to be recorded when the group 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 group would rationally pay to settle the obligation, are recognised as provisions at the reporting date.

1.15.6 Fair value estimation

The fair values of investment properties are determined using current rentals, expected market rentals, maintenance requirements and appropriate capitalisation rates. These valuations are regularly compared to actual transactions by the group and those obtained by the market. Market rentals are determined by reference to current market rentals for similar buildings in the same location and condition.

The fair value of financial instruments that are not traded in an active market 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.

1.15.7 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. An assessment of future taxable profit is performed at every reporting date, in the form of future cash flows using a suitable growth rate.

1.15.8 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.

1.16 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 managing director.

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 six major operating segments:

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

The chief operating decision-maker assesses each investment property on an individual basis in making decisions about its performance.

notes to the financial statements – continued

for the year ended 31 August 2016

1.17 New standards

1.17.1 Standards adopted

No new standards were adopted during the year under review.

1.17.2 Standards not yet effective

standard	description	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	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	Deferred indefinitely
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 2017
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
IFRS 15: Revenue from Contracts with Customers	Clarifications to IFRS 15	Annual periods beginning on or after 1 January 2018
IFRS 16: Leases	New standard setting out the principles for the recognition, measurement, preparation and disclosure of leases	Annual periods beginning on or after 1 January 2019
IAS 1: Presentation of Financial Statements	Amendments arising under the Disclosure Initiative	Annual periods beginning on or after 1 January 2016
IAS 7: Statement of Cash Flows	Amendments arising under the Disclosure Initiative	Annual periods beginning on or after 1 January 2017
IAS 12: Deferred Taxes	Amendments to the recognition of Deferred Tax Assets for Unrealised Losses	Annual periods beginning on or after 1 January 2017
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	Deferred indefinitely
IAS 34: Interim Financial Reporting	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2016

Management have considered the above new standards and amendments to existing standards and believe that the above will not have a material impact on the group.

	Notes	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
2. Investment property					
Developed		**11 300 939**	10 652 898	**937 818**	952 084
Under development		**475 900**	612 433	**135 559**	47 685
		11 776 839	11 265 331	**1 073 377**	999 769
The group's investment properties are leased out under operating leases.					
2.1 Reconciliation of investment property – developed					
Carrying value at beginning of year		**10 652 898**	3 258 932	**952 084**	891 679
Acquisitions		**–**	19 138	**–**	8 033
Refurbishments		**178 923**	160 105	**11 534**	42 023
Disposals		**(46 233)**	(16 107)	**(8 968)**	(16 107)
Additions through business combination		**–**	6 734 665	**–**	–
Transferred from under development		**340 210**	–	**–**	–
Fair value changes		**336 093**	496 165	**36 175**	26 456
Transfer to non–current assets held for sale		**(160 952)**	–	**(53 007)**	–
		11 300 939	10 652 898	**937 818**	952 084
2.2 Reconciliation of investment property – under development					
Carrying value at beginning of year		**612 433**	169 416	**47 685**	–
Acquisitions		**31 537**	90 268	**31 537**	46 263
Upgrades and developments including borrowing costs		**232 525**	207 380	**63 937**	1 422
Additions through business combination		**–**	155 480	**–**	–
Transferred to developed		**(340 210)**	–	**–**	–
Fair value changes		**(60 385)**	(10 111)	**(7 600)**	–
		475 900	612 433	**135 559**	47 685
2.3 Reconciliation of valuation to carrying value – investment property					
Valuations at end of year		**12 129 631**	11 449 157	**1 146 058**	1 016 220
Less:					
Straight–line rental income accrual	Note 3	**(115 849)**	(114 773)	**(14 138)**	(14 150)
Plant and equipment	Note 4	**(6 810)**	(8 646)	**(40)**	(71)
Tenant installation and lease costs	Note 5	**(57 133)**	(60 407)	**(2 003)**	(2 230)
Transferred to non–current assets held for sale	Note 13	**(173 000)**	–	**(56 500)**	–
Carrying amount at end of year		**11 776 839**	11 265 331	**1 073 377**	999 769

The investment properties are valued bi–annually by management of City Property and the portfolio valuation is reviewed by the investment committee and approved by the board.

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 2016 of R3.1 billion, representing 25.3% of the portfolio, was 0.7% more (2015: 0.6%) than the directors' portfolio valuation. The directors are confident, taking all factors into account, that their valuations represent fair market value.

Investment property amounting to R315 million (2015: R335 million) currently under development is stated at cost due to the difficulty in determining a reliable fair value.

2.4 Fair value information

The fair value of the group's investment property as at 31 August 2016 was arrived at on the basis of a valuation technique using the net income capitalisation method, 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% (2015: 8.0%) and 12.0% (2015: 14.0%) with a weighted annual average of 9.2% (2015: 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 5.9% to 58.5% (2015: 5.7% to 78.0%) with a weighted average of 24.2% (2015: 24.9%).

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 that best approximates the actual experience. The long –range vacancy factor used ranged from 0.0% to 40.0% (2015: 0.0% to 55.0%) with a weighted average of 4.8% (2015: 5.8%).

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 from the previous reporting periods.

Investment property has been categorised as a Level 3 and there have been no transfers made between Level 1, 2 or 3 during the year under review. (Refer to the fair value information in accounting policies.)

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
2. Investment property – continued				
2.4 Fair value information – continued				

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 of R1.2 billion (2015: 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 R1.5 billion (2015: R1.4 billion).

An increase/decrease 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 an increase/decrease in the carrying amount of investment property of R158.0 million (2015: R149.8 million).

Reconciliation of fair value changes to investment property	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
Investment property – developed	336 093	496 265	36 175	26 456
Investment property – under development	(60 385)	(10 111)	(7 600)	–
Non-current assets held for sale	10 206	–	2 890	
	285 914	486 054	31 465	26 456

2.5 Investment property pledged as security

The group has encumbered certain of its investment properties to secure mortgage loan facilities as set out in note 16. There are no other restrictions on the realisability of investment property or distribution of its income.

2.6 Investment property held under operating leases

Woodmead Value Mart and Intersite are situated on leasehold land and classified as investment property. The lease of Woodmead Value Mart commenced in April 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. The lease of Intersite commenced in September 1996 for a period of 50 years.

A schedule of investment properties owned by the group is set out on pages 41 to 47.

3. Straight-line rental income accrual	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
Carrying value at beginning of year	114 773	43 159	14 150	12 500
Net movement during the year	2 567	4 930	591	1 650
Additions through business combination	–	66 684	–	–
Disposals	(73)	–	–	–
Transferred to non-current assets held for sale	(1 418)	–	(603)	–
	115 849	114 773	14 138	14 150

4. Plant and equipment	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
Cost	31 839	31 901	824	824
Accumulated depreciation	(25 029)	(23 255)	(784)	(753)
Carrying value	6 810	8 646	40	71
Movement during the year:				
Carrying value at beginning of year	8 646	3 677	71	120
Additions through business combination	–	7 401	–	–
Additions	312	–	–	–
Transferred to non-current assets held for sale	(374)	–	–	–
Depreciation charge net of disposals	(1 774)	(2 432)	(31)	(49)
	6 810	8 646	40	71

Plant and equipment which forms an integral part of investment property is pledged as security as per note 2.5.

	consolidated		company	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
5. Tenant installation and lease costs				
Carrying value at beginning of year	**60 407**	33 181	**2 230**	2 442
Additions	**15 526**	25 550	**944**	1 231
Additions through business combination	**–**	24 198	**–**	–
Transferred to non-current assets held for sale	**(50)**	–	**–**	–
Amortisation	**(18 750)**	(22 522)	**(1 171)**	(1 443)
	57 133	60 407	**2 003**	2 230
6. Investment in subsidiaries				
Shares at cost			**3 057 990**	3 057 990
Net amounts due by subsidiaries			**2 897 931**	1 697 352
Amounts due by subsidiaries			**2 897 965**	1 860 668
Amounts owed to subsidiaries			**(34)**	(163 316)
			5 955 921	4 755 342

A schedule of the company's interest in subsidiaries is set out on pages 50 to 51.

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 (refer note 16).

7. Investment in joint ventures		
Equity accounted		
Cost of investment	**1**	1
Loans to joint ventures	**128 187**	127 178
Additions through business combination	**–**	11 784
Reserves since acquisition	**44 394**	22 351
	172 582	161 314

A loan of R80 600 000 bears interest at prime plus 1% per annum and a loan of R9 587 765 bears interest at 16% per annum. The remaining loans are interest free.

Proportion of ownership interest/voting rights held by the group	**2016 %**	**2015 %**
Name of joint venture		
Gerlan Properties Proprietary Limited	**50**	50
Jardtal Properties Proprietary Limited	**50**	50
Prensas Properties Proprietary Limited	**50**	50

The joint ventures are property investment companies deriving income from rentals.

The companies are all incorporated in the Republic of South Africa.

All the above joint ventures are accounted for using the equity method in the 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 of Jardtal Properties Proprietary Limited and Prensas Properties Proprietary Limited is 31 August. The financial year-end of Gerlan Properties Proprietary Limited (Gerlan) is 30 June. A change of reporting date is not possible 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 for the year ended 30 June 2016 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 August 2016.

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000

7. Investment in joint ventures – continued
7.1 Summarised financial information of the joint ventures as at 31 August 2016

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 is not individually material when compared as a percentage to the group's total assets, the financial information is disclosed in aggregate.

Aggregate information of joint ventures that are not individually material

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
Assets				
Non-current	477 200	448 520		
Investment property	467 073	438 754		
Straight-line rental income accrual	8 771	8 021		
Plant and equipment	–	23		
Tenant installations and lease costs	1 356	1 722		
Current	15 333	3 094		
Trade and other receivables	15 330	2 983		
Taxation receivable	–	108		
Cash and cash equivalents	3	3		
	492 533	**451 614**		
Equity and liabilities				
Equity	88 788	68 271		
Share capital	5 768	5 768		
Non-distributable reserve	94 787	77 033		
Accumulated loss	(11 767)	(14 530)		
Non-current liabilities	287 767	371 589		
Shareholder loan accounts	110 712	183 898		
Long-term borrowings	167 277	178 723		
Derivative financial instruments	1 079	–		
Deferred taxation	8 699	8 968		
Current liabilities	115 978	11 754		
Trade and other payables	13 321	11 754		
Short-term borrowings	22 057	–		
Shareholder loan accounts	80 600	–		
	492 533	**451 614**		
Results of operations – 12 months ended 31 August 2016				
Revenue	68 698	62 933		
Profit for the year	24 414	44 702		
Other comprehensive income for the year	–	–		
Total comprehensive income for the year	**24 414**	**44 702**		
The above profit for the year includes the following:				
Depreciation and amortisation	298	289		
Interest income	473	362		
Interest expense	28 739	26 838		
Income tax expense	1 394	771		

7.2 Reconciliation of the above summarised financial information to carrying amount of the interest in joint ventures

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
Net assets of the joint ventures	88 788	68 271		
50% proportion of the group's interest in the joint ventures	44 395	34 136		
Loans to joint ventures	128 187	127 178		
Carrying amount of the group's interest in joint ventures	**172 582**	**161 314**		

7.3 Commitments and contingencies of joint ventures

The group has signed sureties for R190.5 million (2015: R190.5 million) for Jardtal Properties Proprietary Limited and R11 million (2015: R11 million) for Prensas Properties Proprietary Limited for loan facilities provided by Nedbank Limited.

The group has commitments of R39 000 (2015: 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.

	consolidated		company	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
8. Joint operation				
The Manhattan (50% interest)				
Included in the assets and liabilities of Octodec is the undivided half share of the immovable property development comprising 180 residential units in Sunninghill, Gauteng, South Africa which was acquired on 13 May 2015. The other 50% undivided share is owned by Burcress Proprietary Limited.				
Non-current assets				
- Investment property	**76 222**	11 653	**76 222**	11 653
Non-current borrowings	**71 339**	9 131	**71 339**	9 131
Current liabilities	**4 883**	2 261	**4 883**	2 261
	76 222	11 392	**76 222**	11 392
9. Other financial assets				
Loan to joint operation partner	**51 849**	–	**51 849**	–
The loan to the joint operation partner is secured by a mortgage bond over their 50% share of the immovable property and bears interest at prime overdraft rate less 0.5% per annum and is repayable by no later than the third anniversary of the Pre–Let Date (the earlier of: the first anniversary of the date of completion of the development and the date upon which the property is 98% let.) The Pre–Let Date is not expected to occur within the next twelve months.				
The group has a commitment to fund the joint operation partner to a maximum of R75 million.				
10. Derivative financial instruments				
Interest rate derivatives				
Carrying value at beginning of year	**11 673**	(13 797)	**21 568**	(13 797)
Additions through business combination	**–**	(23 785)	**–**	–
Fair value changes	**17 191**	49 255	**3 108**	35 365
	28 864	**11 673**	**24 676**	**21 568**
Reconciliation to statement of financial position				
Derivative financial instruments				
Non-current assets	**38 172**	34 451	**33 851**	21 568
Non-current liabilities	**(9 308)**	(22 778)	**(9 175)**	–
	28 864	**11 673**	**24 676**	**21 568**
The notional principal amount of the outstanding contracts for the group at year–end was R4.8 billion (2015: R3.6 billion) and for the company R4.3 billion (2015: R2.1 billion).				
Fair value information				
The fair values of the interest rate swaps are determined on a mark–to–market valuation calculated by 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.				
Fair value hierarchy				
Derivative financial instruments have been categorised as a Level 2 and there have been no significant transfers made between Level 1, 2 or 3 during the year under review.				
11. Trade and other receivables				
Net trade receivables	**40 356**	24 656	**1 859**	1 254
Trade receivables	**57 436**	37 584	**3 807**	1 716
Less: Provision for impairment	**(17 080)**	(12 928)	**(1 948)**	(462)
Other receivables– utility and assessment rate recoveries	**62 660**	63 854	**9 496**	10 151
Other receivables– assessment rate refunds	**12 992**	–	**484**	–
Sundry receivables	**9 014**	5 376	**585**	865
	125 022	93 886	**12 424**	12 270
Payments in advance	**6 530**	8 936	**1 008**	1 929
	131 552	**102 822**	**13 432**	**14 199**
All trade and other receivables are short–term in nature. Interest is charged at prime plus 4% (2015: 4%) on arrear tenant balances if appropriate.				

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
12. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand and bank balances	27 063	21 044	18 108	29 085
Cash and cash equivalents held by the entity that are not available for use by the group:				
Bank account held for tenant deposits	42 046	34 225	42 046	34 225
	69 109	55 269	60 154	63 310
13. Non-current assets held for sale				
Reconciliation of investment property held for sale				
Transferred from investment property	160 952	–	53 007	–
Transferred from straight-line rental income accrual	1 418	–	603	–
Transferred from tenant installation and lease costs	50	–	–	–
Transferred from plant and equipment	374	–	–	–
Fair value changes	10 206	–	2 890	–
Carrying value at the end of the year	173 000	–	56 500	–

A decision was made by the board to dispose of 32 non-core or underperforming investment properties. The non-current assets will be sold piecemeal and the properties are expected to be disposed of by August 2017.

The properties classified as held for sale are valued using the net income capitalisation method as detailed in note 2.4 except for those where a firm offer has been received in which case it is valued at the offer value.

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
14. Stated capital				
Authorised				
500 000 000 ordinary shares of no par value	500 000	500 000	500 000	500 000
Issued				
254 551 320 (2015: 252 321 784) ordinary shares of no par value				
Carrying value at beginning of year	3 907 819	918 478	3 907 819	918 478
2015: Issue of 119 055 519 ordinary shares of no par value	–	2 601 324	–	2 601 324
2015: Issue of 15 918 367 ordinary shares of no par value in terms of a bookbuild	–	388 017	–	388 017
2016: Issue of 2 229 536 ordinary shares of no par value in terms of a dividend reinvestment programme	50 388	–	50 388	–
	3 958 207	3 907 819	3 958 207	3 907 819

The unissued ordinary shares are under the control of the directors and subject to the conditions of the company's memorandum of incorporation the JSE Listings Requirements and the Act. This authority remains in force until the company's next annual general meeting. All shares are fully paid up.

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
15. Non-distributable reserve				
Capital reserve arising on disposal of investment property	23 202	14 712	11 239	11 087
Fair value changes to investment property	2 151 680	1 865 766	621 808	590 343
Fair value changes to derivative financial instruments	44 662	32 284	17 151	14 913
Fair value changes to joint venture reserves	25 954	19 082	–	–
Additions through business combination	867 387	867 387	192 512	192 512
	3 112 885	2 799 231	842 710	808 855

	Interest rate %	Expiry date	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
16. Borrowings						
16.1 Loans at amortised cost						
Secured loans						
Nedbank Limited						
Loan 1	Prime less 2.15	9 September 2015	–	93 092	–	–
Loan 2	Prime less 2.15	9 September 2015	–	7 631	–	–
Loan 3	Prime less 1.65	9 September 2015	–	13 528	–	–
Loan 4	Prime less 1.00	9 September 2015	–	39 992	–	39 992
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	–	–
Loan 8	Prime less 2.15	1 December 2015	–	7 699	–	–
Loan 9	1-month JIBAR plus 1.53	1 December 2015	–	2 966	–	–
Loan 10	Prime less 1.00	1 December 2015	–	77 557	–	–
Loan 11	Prime less 1.00	1 December 2015	–	21 996	–	–
Loan 12	Prime less 1.65	1 February 2016	–	1 168	–	1 168
Loan 13	Prime less 1.65	1 February 2016	–	3 792	–	3 792
Loan 14	Prime less 1.65	1 February 2016	–	3 437	–	3 437
Loan 15	Prime less 1.65	1 February 2016	–	378	–	378
Loan 16	Prime less 1.00	1 February 2016	–	68 997	–	68 997
Loan 17	Prime less 2.15	1 February 2016	–	1 386	–	1 386
Loan 18	Prime less 1.30	3 May 2016	–	59 992	–	59 992
Loan 19	1-month JIBAR plus 1.85	2 May 2019	**287 251**	262 499	–	–
Loan 20	Prime less 1.63	2 May 2019	**174 634**	160 757	–	–
Loan 21	Prime less 1.77	2 May 2019	**334 282**	345 565	–	–
Loan 22	Prime less 1.67	2 May 2019	**378 734**	318 564	–	–
Loan 23	Prime less 2.15	2 May 2019	**24 340**	24 341	–	–
Loan 24	Prime less 2.15	2 May 2019	**30 167**	30 167	–	–
Loan 25	Fixed at 12.15	2 May 2018	**160 000**	160 000	–	–
Loan 26	Prime less 2.15	2 May 2018	**25 552**	25 552	–	–
Loan 27	Fixed at 12.06	2 May 2018	**40 580**	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**	30 000	–	–
Loan 30	Prime less 2.15	2 July 2018	**790**	790	–	–
Loan 31	Prime less 1.77	3 September 2018	**277 975**	226 361	**277 975**	226 361
Loan 32	Prime less 1.79	1 October 2018	**74 988**	74 988	–	–
Loan 33	Fixed at 11.72	1 October 2018	**75 000**	75 000	–	–
Loan 34	Fixed at 11.01	1 November 2018	**36 400**	36 400	–	–
Loan 35	Prime less 1.65	3 December 2018	**50 697**	50 697	**50 697**	50 697
Loan 36	Prime less 1.67	3 December 2018	**16 369**	16 369	–	–
Loan 37	Prime less 1.67	1 February 2019	**4 738**	4 738	–	–
Loan 38	Prime less 2.15	1 March 2019	**30 950**	31 148	–	–
Loan 39	Prime less 2.00	3 June 2019	**27 726**	27 726	–	–
Loan 40	Prime less 1.00	1 March 2018	**34 385**	34 385	–	–
Loan 41	Prime less 1.63	2 May 2019	**537 578**	–	**537 578**	–
Loan 42	Prime less 1.26	3 February 2020	**245 406**	–	**245 406**	–
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 August 2019	**118 912**	118 909	**118 912**	118 909
Loan E	Prime less 1.45	31 August 2019	**52 013**	62 014	**52 013**	62 014
Loan F	3-month JIBAR plus 1.52	31 December 2017	**233 255**	233 042	**233 255**	233 041
Loan G	Prime less 1.92	31 August 2019	**115 027**	–	**115 027**	–
Loan H	Prime less 1.92	31 August 2019	**88 901**	–	**88 901**	–
Loan I	Prime less 1.45	31 August 2020	**277 682**	–	**277 681**	–
Loan J	Prime less 1.55	27 November 2018	**139 579**	–	**139 579**	–
			4 023 911	3 700 282	**2 137 025**	870 164

notes to the financial statements – continued

for the year ended 31 August 2016

	Interest rate %	Expiry date	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
16. Borrowings – continued						
16.1 Loans at amortised cost						
Unsecured loans						
Domestic medium-term note programme (DMTN)						
PMM 16 – issuance 6 months	Fixed at 7.225	2 September 2015	**–**	160 000	**–**	–
PMM 17 – issuance 12 months	3-month JIBAR plus 1.20	6 March 2016	**–**	265 000	**–**	–
PMM 18 – issuance 6 months	3-month JIBAR plus 0.90	4 November 2015	**–**	194 000	**–**	–
PMM 19 – issuance 12 months	3-month JIBAR plus 1.30	13 May 2016	**–**	50 000	**–**	–
PMM 21 – issuance 12 months	3-month JIBAR plus 1.30	2 September 2016	**95 000**	–	**–**	–
PMM 23 – issuance 6 months	3-month JIBAR plus 1.00	2 September 2016	**55 000**	–	**–**	–
PMM 24 – issuance 6 months	3-month JIBAR plus 1.00	7 September 2016	**55 000**	–	**–**	–
PMM 25 – issuance 12 months	3-month JIBAR plus 1.35	7 March 2017	**209 856**	–	**–**	–
PMM 26 – issuance 6 months	3-month JIBAR plus 1.10	4 November 2016	**259 948**	–	**–**	–
PMM 27 – issuance 6 months	3-month JIBAR plus 1.10	25 November 2016	**69 985**	–	**–**	–
Accrued interest			**10 327**	11 591	**–**	–
			755 116	680 591		
			4 779 027	4 380 873	**2 137 025**	870 164
Reconciliation to statement of financial position						
Non-current			**4 023 911**	2 917 174	**2 137 025**	691 023
Current			**755 116**	1 463 699	**–**	179 141
			4 779 027	4 380 873	**2 137 025**	870 164

The group has R633 million undrawn debt facilities available on demand as at 31 August 2016. The facilities are secured by mortgage bonds over various properties with a fair value of R10.7 billion (2015: R9.7 billion), and cession of shares from certain subsidiaries.

2016

Loans 1 to 18 were consolidated into loans 41 and 42 on expiry in the name of Octodec.
Loans A, B and C were consolidated into loans G, H and I in the name of Octodec.
PMM 21 and 23 have since been refinanced by PMM 28 for R65 million maturing 2 March 2017 and PMM 29 for R119 million maturing 4 September 2017.
PMM 24 has since been partially refinanced by PMM 30 for R50 million maturing on 7 September 2017.
PMM 26 has been partially refinanced by PMM 31 for R253 million maturing on 4 May 2017.

2015

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.

	consolidated 2016 Carrying value R'000	consolidated 2016 Fair value R'000	consolidated 2015 Carrying value R'000	consolidated 2015 Fair value R'000
16.2 Fair value of long-term loans				
Loans at fixed interest rates				
Nedbank Limited	**411 980**	**426 441**	411 980	435 279

The fair values of the fixed interest rate loans were determined using the discounted cash flow method. The average annual interest rate used to discount the cash flows on the fixed interest loans was 9.76% (2015: 9.60%), based on the quoted swap rate at year-end for loans with similar maturities. The average credit risk margin used was 1.46% (2015: 1.25%) based on the group's most recent fixed-rate loan agreements with Nedbank Limited.

The fair value of 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.

	consolidated		company	
	2016 R'000	**2015 R'000**	**2016 R'000**	**2015 R'000**
17. Deferred taxation				
The deferred tax liability arises from the following temporary differences:				
Tax losses available for set-off against future taxable income	**(133 608)**	(128 538)	(7 619)	(6 749)
Building allowances – pre conversion to a REIT	**178 943**	178 943	–	–
Wear and tear allowance	**19 574**	19 311	710	710
Fair value changes – interest rate derivatives	**8 080**	3 269	6 909	6 039
	72 989	72 985	**–**	**–**
Reconciliation of movement for the year				
Carrying value at beginning of year	**72 985**	7 103	–	–
Additions through business combinations	**–**	62 701	–	–
Tax losses available for set-off against future taxable income	**(5 070)**	(17 608)	(870)	(2 975)
Wear and tear allowance	**263**	17 520	–	94
Fair value changes – derivative financial instruments	**4 811**	3 269	870	6 039
Other allowances	**–**	–	–	(3 158)
	72 989	72 985	–	–

A REIT cannot claim building allowances. Allowances claimed in previous years will be recouped on sale of the investment properties where applicable. The deferred tax liability was therefore retained.

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
18. Trade and other payables				
Trade payables	**58 998**	87 143	11 220	7 826
Tenant deposits	**92 714**	86 223	12 154	8 063
Accrued expenses – utilities and assessment rates	**63 222**	56 346	2 797	4 348
Accrued expenses – repairs and maintenance	**9 972**	13 453	974	1 187
Other payables	**88 151**	69 597	15 994	18 254
	313 057	312 762	43 139	39 678
VAT payable	**2 641**	22 454	144	–
	315 698	335 216	43 283	39 678

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

19. Bank overdraft

The group's overdraft is unsecured and bears interest at the prime overdraft rate.

The group overdraft facilities of R45.5 million (2015: R45.5 million) are reviewable on an annual basis.

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
20. Revenue				
Rental income	**1 349 946**	1 278 449	**114 140**	105 722
Once-off reinstatement contribution from tenant	**25 000**	–	**–**	–
Turnover rental income	**2 068**	2 137	**334**	17
Straight-line rental income accrual	**2 567**	4 930	**591**	1 651
Recoveries and other income	**390 857**	353 573	**48 053**	42 838
	1 770 438	1 639 089	**163 118**	150 228
21. Net operating profit				
Net operating profit is arrived at after taking the following items into account:				
Auditors' remuneration				
External audit fee	**2 693**	3 631	**2 693**	2 769
External audit – other services	**–**	242	**–**	115
Internal audit fees	**859**	941	**859**	941
Fees for services				
Management fees	**50 044**	51 915	**50 044**	51 915
Collections fees	**116 190**	109 007	**9 482**	8 728
Commissions	**13 408**	13 455	**1 003**	1 206
Other				
Depreciation of plant and equipment	**1 774**	2 432	**31**	49
Amortisation of tenant installation and lease costs	**18 750**	22 522	**1 171**	1 443
Reversal of provision for losses in subsidiaries	**–**	–	**–**	(446)
Reversal of impairment of loans	**(378)**	–	**–**	–
Operating lease – minimum lease payments	**1 045**	1 045	**–**	–
Operating lease – contingent	**4 940**	4 460	**104**	78
Employee costs	**29 206**	27 643	**2 912**	2 621
Directors' emoluments	**5 596**	5 060	**5 596**	5 060
Repairs and maintenance	**63 879**	59 516	**4 763**	4 470
22. Interest income				
Tenants	**6 617**	5 003	**587**	536
Bank	**1 183**	619	**474**	284
Loans and sundry receivables	**2 338**	331	**2 202**	141
	10 138	5 953	**3 263**	961

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
23. Income from subsidiaries				
Dividends received			**630 680**	518 687
Interest received			**14 715**	–
			645 395	518 687
24. Income from joint ventures				
Management fees	**700**	567		
Interest received	**10 317**	9 657		
Equity accounted earnings	**9 881**	22 351		
Share of earnings	**3 009**	3 269		
Share of fair value change to investment property	**6 872**	19 082		
	20 898	32 575		
25. Finance costs				
Interest rate derivatives	**15 602**	39 082	**5 906**	17 699
Borrowings	**400 578**	356 079	**157 316**	68 005
Other suppliers	**479**	889	**–**	548
Less: Interest capitalised	**(21 908)**	(19 559)	**(4 883)**	(2 030)
	394 751	376 491	**158 339**	84 222
26. Taxation				
Current taxation	**–**	15	**–**	(35)
Deferred taxation	**–**	(3 181)	**–**	–
	–	(3 166)	**–**	(35)
Reconciliation of the income tax expense for the year to accounting profit				
Profit before tax	**857 162**	1 340 894	**542 509**	515 339
Income tax expense calculated at 28% (2015: 28%)	**240 005**	375 450	**151 903**	144 295
Non-taxable income – fair value changes	**(100 167)**	(246 997)	**(10 069)**	(14 891)
Non-taxable equity income	**(2 784)**			
Non-deductible expenses	**7 207**	6 105	**1 558**	728
Amounts not credited to the statement of profit and loss and other comprehensive income	**10 871**	10 874	**803**	962
Allowances	**(12 710)**	4 658	**(867)**	(716)
Wear and tear	**(7 797)**	8 065	**(279)**	(144)
Provision for doubtful debts	**(1 196)**	(905)	**(136)**	(32)
Prepaid expenses	**(1 828)**	(2 502)	**(282)**	(540)
Finance costs	**(1 889)**	–	**(170)**	–
Reversal of allowances/deductions granted in previous years	**3 398**	(6 359)	**573**	27
Capital gain	**(2 377)**		**(42)**	
Qualifying distribution	**(143 010)**	(129 355)	**(143 010)**	(129 355)
Assessed losses utilised/limited	**(433)**	(11 195)	**(2 007)**	(1 050)
Prior period adjustment to deferred tax	**–**	(15)	**1 158**	35
	–	3 166	**–**	35
Effective tax rate	**0.0%**	0.2%	**0.0%**	0.0%

The group and company have tax losses amounting to R591.2 million (2015: R594.1 million) (company R44.3 million (2015: R44.3 million)) which can be utilised against future taxable income.

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
27. Leases				
27.1 As lessor				
Non–cancellable rental lease agreements				
Less than one year	**891 701**	917 699	**103 511**	86 452
Later than one year and not later than five years	**1 024 558**	1 110 881	**162 377**	141 291
Later than five years	**63 569**	93 560	**28 030**	39 367
	1 979 828	2 122 140	**293 918**	267 110

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

Leases are entered into for an average period of between 1 and 10 years. Residential leases are for a 12-month period and provide for a monthly agreement at expiry.

	consolidated		company	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
27. Leases – continued				
27.2 As lessee				
Future minimum lease payments				
Within one year	**1 046**	1 046		
Two to five years	**4 183**	4 183		
More than five years	**51 009**	52 055		
	56 238	57 284		

The land leases above relate to Woodmead Value Mart and Intersite and will be funded from the proceeds of rental income. The lease contracts provide for the greater of the future minimum lease payment and 23.9% of gross monthly rental in respect of Woodmead Value Mart and 6% in respect of Intersite. The lease of Woodmead Value Mart has an option to be renewed for another 40 years.

28. Earnings, headline earnings and distributable 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.

	consolidated		company	
Reconciliation of earnings to headline earnings				
Profit after taxation	**857 162**	1 337 728		
Adjusted for:				
(Profit)/loss on sale of investment property	**(8 490)**	61		
Gain on bargain purchase	**–**	(319 647)		
Reversal of impairment of loans	**(378)**	–		
Fair value changes				
Investment property	**(285 914)**	(486 054)		
Investment property – joint ventures	**(6 872)**	(19 082)		
Headline earnings attributable to shareholders	**555 508**	513 006		
Reconciliation of headline earnings to distributable earnings				
Fair value adjustments				
Interest rate derivatives	**(17 191)**	(45 987)		
Straight-line rental income accrual	**(2 567)**	(4 930)		
Deferred taxation adjustment	**–**	(87)		
Once-off reinstatement contribution from tenant	**(25 000)**	–		
Distributable earnings attributable to shareholders	**510 750**	462 002		
Actual number of shares in issue (000)	**254 551**	252 322		
Weighted number of shares in issue (000)	**252 888**	238 148		
	Cents	Cents		
Basic earnings per share	**338.9**	561.7		
Diluted earnings per share	**336.7**	530.2		
Basic headline earnings per share	**218.2**	203.3		
Diluted headline earnings per share	**219.7**	215.4		
Distribution per share	**201.5**	189.2		

Given the nature of its business, Octodec uses dividend per share as its key performance measure, as it is considered a more relevant performance measure than earnings or headline earnings per share.

	consolidated		company	
29. Cash generated from operations				
Profit before taxation	**857 162**	1 340 894	**542 509**	515 339
Adjusted for:				
Straight–line rental income accrual	**(2 567)**	(4 930)	**(591)**	(1 650)
Fair value changes of investment property	**(285 914)**	(486 054)	**(31 465)**	(26 456)
Fair value changes of interest rate derivatives	**(17 191)**	(49 255)	**(3 108)**	(35 365)
(Profit)/loss on disposal of investment property	**(8 490)**	61	**(152)**	61
Reversal of impairment of loans	**(378)**	–	**–**	–
Gain on bargain purchase	**–**	(319 647)	**–**	–
Finance costs	**394 751**	376 491	**158 339**	84 222
Investment income	**(31 036)**	(38 528)	**(648 658)**	(519 648)
Depreciation and amortisation	**20 524**	24 954	**1 202**	1 492
Operating income before working capital changes	**926 861**	843 986	**18 076**	17 995
(Increase)/decrease in trade and other receivables	**(28 730)**	(9 024)	**767**	16 275
(Decrease)/increase in trade and other payables	**(19 518)**	46 538	**3 605**	13 436
	878 613	881 500	**22 448**	47 706
29.1 Dividends paid				
Amounts unpaid at the beginning of the year	**(3 482)**	(102 210)	**(1 815)**	(102 210)
Additions through business combination	**–**	(127 143)	**–**	–
Amounts charged to the statement of changes in equity	**(481 429)**	(228 839)	**(481 429)**	(228 839)
Amounts unpaid at the end of the year	**2 073**	3 482	**1 332**	1 815
	(482 838)	(454 710)	**(481 912)**	(329 234)
29.2 Taxation paid				
Amounts unpaid/(receivable) at the beginning of the year	**–**	(49)	**–**	34
Amounts charged to the statement of profit and loss and other comprehensive income	**–**	15	**–**	(35)
	–	(34)	**–**	(1)

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated	
	2016 R'000	2015 R'000
30. Contingencies		
The group has issued guarantees for the provision of certain services to its subsidiaries:		
Tshwane Metropolitan Muncipality	**R12.8 mil**	R12.8 mil
City Power - Johannesburg	**R0.8 mil**	R0.8 mil
Eskom	**R190 100**	R190 100
Centurion Town Council	**R39 700**	R39 700

31. Commitments

Capital expenditure

The Octodec group has commitments of R325.3 million (2015: R798.3 million) in respect of approved capital expenditure relating to the redevelopment and refurbishments of certain properties. These developments will be financed by way of existing and additional approved bank facilities.

32. Retirement benefits

The employees of the group belong to a provident fund and contributions to the fund are charged to profit and loss in the year they are measured. The group has no obligation to cover any unfunded benefits.

33. Capital management

The group's policy is to have an adequate capital base so as to maintain stakeholder 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, forecasts and JSE Listings Requirements. There were no changes in the group's approach to capital management during the year.

Loan to value ratio

The board reviews the capital structure on a quarterly basis. As part of the review, the board considers the cost of capital and the risks associated therewith over time. The group and company's current borrowings amount to 38.3% (2015: 37.3%) and 29.2% (2015: 14.0%) respectively of its total investment portfolio. This is within the guidance given by the board of a loan to value ratio not exceeding 40%.

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Total borrowings (note 16)	**4 779 027**	4 380 873	**2 137 025**	870 165
Less: Cash and cash equivalents	**(69 109)**	(55 269)	**(60 154)**	(63 310)
Net debt	**4 709 918**	4 325 604	**2 076 871**	806 855
Total investment portfolio*	**12 302 213**	11 610 471	**7 101 979**	5 771 562
Loan to value ratio	**38.3%**	37.3%	**29.2%**	14.0%

**Total investment portfolio includes the investment property (at valuation), property under development, non-current assets held for sale, and investment in joint ventures.*

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 at 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 net interest charged (interest payable less any interest receivable), 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. Financial risk management

The group's financial instruments consist mainly of deposits with banks, bank overdrafts, 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.

The group is exposed to the following risks arising from its exposure to financial instruments:
- Credit risk
- Interest rate risk
- Liquidity risk

	consolidated		company	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
34.1 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. The concentration of credit risk is limited due to the large and unrelated tenant base.				
Before accepting any new tenant, a vetting process is applied to assess the potential tenant's credit quality. The group monitors the financial position of its tenants on an ongoing basis. Provision is made for specific doubtful debts and all balances over 90 days. Balances between 60 and 90 days are provided for based on estimated recoverable amounts by reference to past default experience. At year-end management did not consider there to be any material credit risk exposure. The carrying amount of financial assets represents the maximum credit exposure.				
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 R17.0 million (2015: R12.9 million) (company R1.9 million (2015: R0.4 million)) has been recorded accordingly.				
Included in the group's trade receivable balance are tenant balances with a carrying amount of R40.3 million (2015: R24.6 million) (company: R1.9 million (2015: R1.2 million)) which are past due at reporting date and not provided for, as there has not been any significant change in the credit quality and the amounts are still considered recoverable.				
The ageing of trade receivables outstanding and not provided for is as follows:				
30 days or less	**4 365**	22 780	**466**	1 198
More than 30 days and less than 60 days	**30 999**	1 421	**216**	44
More than 60 days and less than 90 days	**4 992**	455	**1 177**	12
	40 356	**24 656**	**1 859**	**1 254**
Reconciliation of provision for impairment of trade and other receivables				
Carrying value at beginning of year	**12 928**	5 351	**462**	1 318
Additions through business combination	**–**	8 649	**–**	–
Additional provisions for the year	**14 152**	11 839	**1 757**	353
Amounts written off as uncollectable	**(10 000)**	(12 911)	**(271)**	(1 209)
	17 080	**12 928**	**1 948**	**462**

34.2 Interest risk

At 31 August 2016, the group had borrowings of R4.8 billion (2015: R4.4 billion) (company R2.1 billion (2015: R870 million)) at various interest rates. The all-in weighted average cost of borrowings, including the cost of interest rate swaps, was 9.0% (2015: 8.9%) (company 8.8% (2015: 9.7%)) per annum. At the reporting date, 82.9% (2015: 94.2%) (company 140% (2015: 100%)) of borrowings were fixed or hedged by way of interest rate swap contracts

At 31 August 2016, the group was exposed to changes to interest rates through bank borrowings. The exposure of borrowings to interest rate movements was 17.1% (2015: 5.8%) (company 0% (2015: 0%)) of total borrowings. A breakdown of the borrowings is detailed in note 16.

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.

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 R2.9 million (2015: R0.9 million) (company Rnil (2015: Rnil)) in post-tax profits per annum. The calculations are done monthly to verify that the maximum additional expense is within limits.

notes to the financial statements – continued

for the year ended 31 August 2016

	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 %
34. Financial risk management – continued				
34.2 Interest risk – continued				
2016				
Fixed rate borrowings expiry				
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**	**–**	**–**
	411 980	**11.9**	**–**	**–**
Variable rate borrowings excluding interest rate derivatives	**4 367 047**	**8.80**	**2 137 025**	**8.90**
Total borrowings	**4 779 027**	**9.10**	**2 137 025**	**8.90**
2015				
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 excluding interest rate derivatives	3 803 097	7.73	870 165	7.88
Total borrowings	4 380 873	8.10	870 165	7.88

	Amount R'000	Average all-in margin over/(below) variable rate per annum %	Amount R'000	Average all-in margin over/(below) variable rate per annum %
Interest rate derivatives maturity				
2016				
February 2017	**650 000**	**0.30**	**550 000**	**0.30**
May 2017	**50 000**	**1.12**	**50 000**	**1.12**
June 2017	**100 000**	**1.00**	**100 000**	**1.00**
July 2017	**100 000**	**0.59**	**100 000**	**0.59**
August 2017	**350 000**	**0.50**	**250 000**	**0.56**
September 2017	**100 000**	**0.31**	**50 000**	**0.31**
January 2018	**150 000**	**0.43**	**50 000**	**0.43**
April 2018	**200 000**	**(1.68)**	**100 000**	**(1.68)**
May 2018	**50 000**	**1.13**	**50 000**	**1.13**
July 2018	**400 000**	**0.14**	**400 000**	**0.14**
August 2018	**150 000**	**0.13**	**50 000**	**0.40**
November 2018	**500 000**	**(0.36)**	**500 000**	**(0.36)**
January 2019	**750 000**	**(0.82)**	**750 000**	**(0.82)**
Total interest rate derivatives	**3 550 000**	**0.09**	**3 000 000**	**0.09**
Fixed rate borrowings	**411 980**	**–**	**–**	**–**
Total fixed rate loans and interest rate derivatives	**3 961 980**	**0.09**	**3 000 000**	**0.09**

	consolidated		company	
	Amount R'000	Average all-in margin over/ (below) variable rate per annum %	Amount R'000	Average all-in margin over/ (below) variable rate per annum %
34. Financial risk management – continued				
34.2 Interest risk – continued				
Interest rate derivatives maturity				
2015				
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	0.99	2 100 000	0.81

	Floating interest rate per annum R'000	Fixed interest rate per annum R'000	Total R'000
34.3 Cash flow interest rate risk			
Interest payable on borrowings			
Consolidated 2016			
Current interest rate	**8.35% - 9.5%**	**11.01% - 12.15%**	
Due in less than one year	**362 122**	**49 192**	**411 314**
Due in one to two years	**318 963**	**37 060**	**356 023**
Due in two to three years	**207 792**	**1 400**	**209 192**
Due in three to four years	**43 395**	**–**	**43 395**
Company 2016			
Current interest rate	**8.35% - 9.5%**	**–**	
Due in less than one year	**309 053**	**–**	**309 053**
Due in one to two years	**299 028**	**–**	**299 028**
Due in two to three years	**201 567**	**–**	**201 567**
Due in three to four years	**43 395**	**–**	**43 395**
Consolidated 2015			
Current interest rate	7% - 8.5%	11.01% - 12.15%	
Due in less than one year	282 564	49 192	331 756
Due in one to two years	211 741	49 192	260 933
Due in two to three years	201 888	37 060	238 948
Due in three to four years	130 386	1 400	131 786
Due in four to five years	2 923	–	2 923
Due in six to eight years	1 461	–	1 461
Company 2015			
Current interest rate	7.35% - 8.5%	–	
Due in less than one year	68 715	–	68 715
Due in one to two years	57 382	–	57 382
Due in two to three years	43 100	–	43 100
Due in three to four years	13 781	–	13 781

notes to the financial statements – continued

for the year ended 31 August 2016

34. Financial risk management – continued

34.4 Liquidity risk

The group's risk to liquidity is reduced as a result of the undrawn banking facilities to cover future commitments. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet funding requirements.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	R'000	R'000	R'000	R'000
Consolidated 2016				
Borrowings	755 116	624 561	3 399 350	–
Trade and other payables	315 698	–	–	–
Company 2016				
Borrowings	–	233 255	1 903 770	–
Trade and other payables	43 283	–	–	–
Consolidated 2015				
Borrowings	1 463 699	1 719 231	1 163 558	34 385
Trade and other payables	335 216	–		–
Company 2015				
Borrowings	179 141	180 922	510 101	–
Trade and other payables	39 678	–	–	–

34.5 Analysis of financial instruments

	Loans and receivables	At amortised cost	At fair value	Level 2
	R'000	R'000	R'000	R'000
Consolidated 2016				
Financial assets				
Cash and bank balances	–	69 109	–	–
Derivative financial instruments	–		38 172	38 172
Trade and other receivables	125 022	–	–	–
Other financial assets	51 849	–	–	–
Financial liabilities				
Derivative financial instruments	–	–	9 308	9 308
Trade and other payables	–	315 698	–	–
Long–term borrowings	–	4 023 911	–	–
Short–term borrowings	–	755 116	–	–
Company 2016				
Financial assets				
Cash and bank balances	–	60 154	–	–
Derivative financial instruments	–	–	33 851	33 851
Trade and other receivables	12 424	–	–	–
Other financial assets	51 849	–	–	–
Financial liabilities				
Derivative financial instruments	–	–	9 175	–
Trade and other payables	–	43 283	–	–
Long–term borrowings	–	2 137 025	–	–

	Loans and receivable R'000	At amortised cost R'000	At fair value R'000	Level 2 R'000
34. Financial risk management – continued				
34.5 Analysis of financial instruments – continued				
Consolidated 2015				
Financial assets				
Cash and bank balances	–	55 269	–	–
Derivative financial instruments	–	–	34 451	34 451
Trade and other receivables	93 856	–	–	–
Financial liabilities				
Derivative financial instruments	–	–	22 778	22 778
Trade and other payables	–	335 216	–	–
Long-term borrowings	–	2 917 174	–	–
Short-term borrowings	–	1 463 699	–	–
Company 2015				
Financial assets				
Cash and bank balances	–	63 310	–	–
Derivative financial instruments	–	–	21 568	21 568
Trade and other receivables	12 270	–	–	–
Financial liabilities				
Trade and other payables	–	39 678	–	–
Long-term borrowings	–	691 023	–	–
Short-term borrowings	–	179 141	–	–

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 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 50 and 51.

Related parties where control did not exist during the year are as follows:
Jointly controlled asset: The Manhattan

Related parties over which significant influence is exercised:
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

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for the year ended 31 August 2016

35. Related party transactions – continued

35.1 City Property Administration Proprietary Limited – continued

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 500m² and the remainder at 5% plus VAT of gross receipts
Commission	
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
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
Properties disposed of	2%-3% plus VAT of the proceeds 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

	consolidated		company	
	2016 R'000	**2015 R'000**	**2016 R'000**	**2015 R'000**
The following related party transactions took place in the group during the year under review:				
Type of transactions				
Income				
Rent received	**6 952**	5 918	**–**	–
Expenditure				
Management fees	**50 044**	51 915	**50 044**	51 915
Collection fees	**116 190**	109 007	**9 482**	8 728
Commissions paid	**12 623**	10 398	**846**	1 037
Commissions paid on sale and purchase of investment property, major repairs and renovations, and new construction	**6 169**	20 736	**375**	2 520
Trade and other payables				
Creditor	**2 507**	3 146	**946**	–
35.2 Tugendhaft Wapnick Banchetti and Partners				
Relationship				
A firm of attorneys that renders legal services and over which significant influence is exercised by S Wapnick				
Pricing policy				
Market related				
Expenditure				
Professional and legal fees	**1 515**	1 723	**633**	1 723

	consolidated		company	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
35. Related party transactions – continued				
35.3 Related party transactions with subsidiaries				
Dividends received				
Anke Properties Proprietary Limited	**–**	–	**6 763**	6 354
IPS Investments Proprietary Limited	**–**	–	**135 350**	125 000
Killarney Mall Properties Proprietary Limited	**–**	–	**16 000**	14 500
Octprop Properties Proprietary Limited	**–**	–	**1 232**	600
Premium Properties Limited	**–**	–	**293 400**	228 000
Presmooi Proprietary Limited	**–**	–	**90 400**	84 000
Ramreg Properties Proprietary Limited	**–**	–	**1 065**	1 235
Tribeca Properties Proprietary Limited			**4 440**	–
Waverley Plaza Properties Proprietary Limited	**–**	–	**26 200**	27 408
Woodmead Mart Proprietary Limited	**–**	–	**55 830**	31 590
	–	–	**630 680**	518 687
Interest received				
Premium Properties Limited	**–**	–	**8 319**	–
Woodmead Mart Proprietary Limited	**–**	–	**6 396**	–
	–	–	**14 715**	–

Refer to notes 6 and 23 for further information.

35.4 Directors' and prescribed officers' remuneration

	consolidated 2016 R'000	consolidated 2015 R'000
S Wapnick (Chairman)	**1 033**	1 025
DP Cohen (Lead independent director)	**847**	667
GH Kemp	**801**	652
MZ Pollack	**778**	667
AK Stein	**649**	667
PJ Strydom	**839**	715
JP Wapnick	**649**	667
	5 596	5 060

	2016			2015		
	Salary R'000	**Pension fund contribu-tions R'000**	**Total R'000**	Salary R'000	Pension fund contribu-tions R'000	Total R'000
AK Stein	**2 154**	**43**	**2 197**	1 801	40	1 841
JP Wapnick	**2 658**	**–**	**2 658**	2 618	–	2 618
S Wapnick	**1 223**	**–**	**1 223**	204	–	204
	6 035	**43**	**6 078**	4 623	40	4 663

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, who are employed by City Property, 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 2016. Ms S Wapnick, the non-executive chairman, was remunerated by City Property on an approximation of her time spent on Octodec affairs.

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated			
	2016		2015	
	R'000	%	R'000	%
36. Segmental reporting				
36.1. Segmental reporting				
The group earns revenue in the form of property rentals. On a primary basis the group is organised into six operating segments:				
• Office • Retail shops • Shopping centres • Industrial • Parking • Residential				
Rental income by sector				
Offices	**269 100**	**19.6**	266 929	20.8
Retail shops	**398 439**	**28.9**	353 588	27.6
Shopping centres	**134 786**	**9.8**	128 732	10.1
Industrial	**110 253**	**8.0**	105 920	8.3
Parking	**57 775**	**4.2**	52 677	4.1
Residential	**406 661**	**29.5**	372 740	29.1
Total rental income	**1 377 014**	**100.0**	1 280 586	100.0
Recoveries	**393 424**		358 503	
Revenue	**1 770 438**		1 639 089	

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

In the current year the group included a new sector, Parking, as it has become a significant revenue component. Parking was previously included in the other sectors. The comparative amounts were restated to reflect the new sector separately.

	consolidated	
	2016 R'000	2015 R'000
36.2. Reconciliation of earnings to distributable earnings		
Reconciliation of earnings to headline earnings		
Profit after taxation	**857 162**	1 337 728
Adjusted for:		
(Profit)/loss on sale of investment property	**(8 490)**	61
Gain on bargain purchase	**–**	(319 647)
Reversal of impairment of loans	**(378)**	–
Fair value changes		
Investment property	**(285 914)**	(486 054)
Investment property – joint ventures	**(6 872)**	(19 082)
Headline earnings attributable to shareholders	**555 508**	513 006
Reconciliation of headline earnings to distributable earnings		
Fair value adjustments		
Interest rate derivatives	**(17 191)**	(45 987)
Straight-line rental income accrual	**(2 567)**	(4 930)
Deferred taxation adjustment	**–**	(87)
Once-off reinstatement contribution from tenant	**(25 000)**	–
Distributable earnings attributable to shareholders	**510 750**	462 002

37. Events after reporting date

Dividends amounting to 103.1 cents per share (2015: 94.2 cents per share) were declared after the reporting date.

The directors are not aware of any other events subsequent to 31 August 2016 not arising in the normal course of business which are likely to have a material effect on the financial information contained in this report.

	consolidated	
	2016 R'000	2015 R'000

38. Business combinations

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 Companies Act of South Africa (the scheme). In terms of the scheme, Octodec acquired Premium linked units for which each Premium unit holder received 88.5 Octodec shares for every 100 Premium linked units held. Premium became a wholly-owned subsidiary of Octodec and was delisted from the JSE effective 1 September 2014.

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

	2016 R'000	2015 R'000
Non-current assets		
Investment properties		4 860 151
Plant and equipment		6 105
Operating lease assets		55 256
Lease costs capitalised		17 638
Investment in IPS		660 015
Current assets		
Trade and other receivables		31 754
Cash and cash equivalents		121 648
Non-current liabilities		
Interest-bearing borrowings		(1 145 059)
Derivative financial instruments		(16 896)
Deferred taxation		(6 460)
Current liabilities		
Non-interest bearing borrowings		(136 526)
Interest-bearing borrowings		(975 917)
Linked unit holders for distribution		(127 143)
Total identifiable net assets		3 344 566
Fair value of equity interest held before the business combination		(405 698)
Gain on bargain purchase		(319 647)
Acquisition date fair value of consideration paid		2 619 221

Acquisition date fair value of consideration paid

	2016 R'000	2015 R'000
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

	2016 R'000	2015 R'000
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; and
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 profit and loss in the 2015 financial year.

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated 2016 R'000	consolidated 2015 R'000
38. Business combinations during the reporting period – continued		
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		
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 Net cash inflow from business combination		
Cash and cash equivalents acquired		138 924
Bank overdraft		(3 020)
Net cash inflow on 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.

property portfolio information

for the year ended 31 August 2016

1. Investment properties owned by the group

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Centurion							
Andpot*	Warehouses	45	–	923	3 029	1 752	–
FNB Centurion*	Shops	149	–	3 634	6 590	1 874	–
Lenchen Centre*	Shops	110	–	4 320	9 245	3 331	2.7
Lenchen Park*	Shops and workshops	64	–	4 347	11 000	5 722	–
Prime Cure House*	Offices	77	–	2 648	4 622	2 689	–
The Hangar	260 flats	–	5 729	16 225	19 342	19 962	10.4
Weighted average per location		90	5 729	32 097	53 828	35 330	6.1
Hatfield							
Absa Hatfield	Offices	131	–	5 435	1 276	3 448	–
Blagil*	House	136	–	262	1 276	161	–
Highlands*	18 flats	–	7 257	1 441	1 461	1 076	10.2
Intersite*	Gym and office	103	–	5 695	17 213	5 603	22.0
Protea Hotel*	Hotel and shops	71	–	4 257	2 803	5 360	3.6
Talland (2)*	Motor showroom	119	–	678	1 664	570	100.0
The Fields*	Hotel, shops, offices and 765 flats	116	5 845	83 739	19 793	54 056	3.7
Weighted average per location		109	5 875	101 508	45 486	70 274	5.8
Hermanstad							
Erf One Eight One*	Factories, workshops and warehouses	26	–	3 630	30 610	12 865	11.3
Hannyhof Centre	Shops	52	–	1 103	5 733	1 754	4.7
Hardwood	Warehouse	24	–	336	5 239	1 112	–
Pretboy	Factories	42	–	455	5 102	850	–
Steyns Industrial Park*	Warehouses	31	–	4 777	25 240	13 615	7.8
Talkar	Warehouses	47	–	3 875	12 759	6 873	–
Weighted average per location		34	–	14 176	84 683	37 069	7.0
Johannesburg and surrounding areas							
3 West Street*	Shops and offices	67	–	1 885	2 009	3 290	14.7
CCMA Place*	Shops and offices	80	–	3 779	1 785	4 152	9.2
Druthon Centre*	Shops and offices	74	–	1 508	2 362	3 270	50.9
Erand Gardens*	Offices	124	–	4 553	6 484	2 663	–
Herriotdale Germiston*	Vacant land	Sold	–	32	–	–	–
Iskemp	Warehouse and offices	31	–	1 994	12 742	7 028	31.9
Kempton Place*^	Shops and 469 flats	92	4 518	32 911	39 770	32 507	14.5
Killarney Mall*	Shopping centre, offices and parking	131	–	75 851	57 603	46 945	7.3
Kyalami Crescent*	Warehouses and mini factories	52	–	5 557	3 503	9 634	–
McCarthy Midrand*	Motor dealerships	85	–	3 785	8 639	3 692	–
Motor City Strijdom Park	Shops	79	–	5 100	10 326	6 769	16.9
Pretwade	Workshops	33	–	1 326	6 719	3 380	–
The Manhattan^	Greenfield residential development	Project	–	–	13 335	–	–
Woodmead Value Mart*	Value Mart shopping centre	150	–	32 397	42 255	18 093	–
Weighted average per location		108	4 518	170 678	207 532	141 423	9.9
Johannesburg CBD							
119 Albertina Sisulu Street*	Shops and offices	Vacant	–	–	496	1 639	100.0
121 Albertina Sisulu Street*	Shops	52	–	385	245	613	–

**Properties securing long-term borrowings (notes 2 and 16).*
^Properties in which the group has a 50% interest.

property portfolio information – continued

for the year ended 31 August 2016

1. Investment properties owned by the group – continued

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Johannesburg CBD – continued							
Anderson Place*	Shops and offices	58	–	4 367	992	5 385	–
Arlington House*	Shops and offices	136	–	4 036	2 480	2 905	13.2
Armadale*	Shops and 82 flats	79	4 807	13 260	1 982	12 781	13.4
Bradlows Corner*	Shops	55	–	1 055	991	2 115	25.3
Bram Fischer Towers*	Shops, offices and parking	71	–	6 063	2 447	11 684	34.1
Brisk Place*	Shops and 93 flats	81	3 739	6 034	1 004	5 624	6.5
Castle Mansions*	Shops and 177 flats	132	4 551	18 544	2 477	16 164	2.8
City Block	Workshops	15	–	746	–	4 074	21.8
CPA Place*	Shops, offices and 194 flats	98	4 200	6 096	991	4 674	11.3
Dan's Place*	Shops and 150 flats	122	4 048	9 442	1 490	8 061	10.2
Education Centre*	Shops, offices and parking	137	–	3 912	1 983	10 924	76.6
Elephant House*	Offices	65		2 488	990	4 828	34.0
Eloff Street*	Warehouse	Sold	–	195	–	–	–
Empisal	Shops and offices	67	–	1 316	497	1 628	–
Essenby	Shops and 116 flats	Vacant	4 278	5 482	992	6 294	13.6
Fedsure House*	Shops, offices and parking	5	–	1 722	3 488	19 613	96.3
Fine Art Court	Shops and 35 flats	158	3 784	1 754	250	1 499	8.4
Fine Art House	Shops and offices	52	–	492	499	3 210	77.9
Focus House*	Shops and offices	52	–	1 640	501	3 066	8.6
Frank's Place*	Shops and 106 flats	81	4 247	11 333	2 234	11 963	7.6
High Court Building and Somerset House	Shops, offices and 20 flats	38	Vacant	707	544	3 205	59.7
Howard House	Shops and offices	98	–	1 430	248	1 399	10.3
Inner Court*	Shops, offices and parking	92	–	11 890	3 733	23 509	54.7
Jeppe House*	Shops and offices	63	–	5 673	988	7 777	–
John Street*	Warehouses	38	–	6 225	14 782	14 300	–
Kings City Parkade*	Shops and parking	168	–	6 211	1 985	1 578	–
Klamson Towers*	Shops and offices	74	–	4 349	992	6 571	17.0
Lara's Place*	Shops, offices, 142 flats and parking	112	4 105	9 634	1 495	7 441	3.1
Lister Medical Centre*	Shops and offices	87	–	10 797	1 983	15 167	36.9
London House	Shops and offices	38	–	1 526	–	4 261	17.4
Lusam Mansions*	Shops, store room and 82 flats	170	3 806	4 601	497	3 753	10.5
Marlborough House	Shops and offices	92	–	7 975	1 387	9 173	25.1
Medical Towers*	Shops and offices	115	–	2 630	991	5 659	81.9
Mr Price*	Shops and offices	106	–	4 069	991	3 413	3.5
North City*	Shops and offices	92	–	6 154	1 489	8 570	42.5
Plaza Place*	Shops and 214 flats	77	3 670	10 266	1 495	8 514	5.6
Presmooi	Shops and offices	52	–	2 227	2 975	3 578	6.8
Raschers	Shops	146	–	182	500	888	83.1
Record House*	Shops and 41 flats	148	3 402	2 212	248	1 523	9.8
Reinsurance House	Offices	Mothballed	–	–	1 986	15 034	100.0
Reliance Centre*	Offices and warehouses	36	–	2 480	1 691	7 199	15.9
Ricci's Place*	Shops and 281 flats	125	4 091	15 373	2 475	10 395	5.9
Royal Place*	Shops, offices and 155 flats	103	3 859	15 790	2 457	14 585	13.3
Selby 515*	Factories	40	–	2 988	12 288	6 416	6.0
Shoprite – Eloff Street*	Shops and offices	8	–	28 126	3 968	34 224	–
Splendid Place*	Shops and 150 flats	153	4 158	8 150	1 492	8 372	3.2
Tali's Place*	Shops and 337 flats	60	3 840	17 840	3 718	17 894	8.8
Temple Court*	Shops and 45 flats	142	4 345	2 785	249	2 335	4.2
The Brooklyn*^	Shops and 154 flats	9	3 390	5 948	992	6 070	1.7
Union Club*	Shops and 72 flats	236	3 537	5 257	644	3 687	10.1

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Johannesburg CBD – continued							
Vuselela Place*	Shops, offices and 193 flats	179	4 028	10 743	1 735	9 098	9.5
Wits Technikon*	Colleges	30	–	2 341	3 969	16 937	61.3
Works@Main*	Shops and offices	27	–	1 432	991	5 061	23.8
Works@Registry*	Shops and offices	Sold	–	2 556	–	–	–
Weighted average per location		62	4 006	320 929	103 007	426 330	26.8
Tshwane – Arcadia							
470 Pretorius Street	Vacant land	62	–	284	917	917	–
Apollo Centre	Shops, offices and parking	49	–	4 517	2 552	9 844	21.9
Benrico*	Shops, offices store and parking	36	–	1 170	1 499	2 680	–
BP Leyds Street*	Garage and vacant land	176	–	1 336	5 452	1 411	–
Corner Place*	112 flats	–	4 338	5 585	1 913	3 722	0.8
Craig's Place*	154 flats	–	4 267	7 920	2 889	5 186	2.6
LPA Beleggings	Workshop	25	–	306	1 914	1 054	–
Leo's Place	Shops and 167 flats	115	4 437	8 495	3 416	6 353	4.4
Ludwigs	Showroom	29	–	789	2 552	2 261	–
MBA Building*	Offices	87	–	3 006	1 276	3 050	25.6
McCarthy Church Street*	Motor dealerships	99	–	3 817	6 461	3 199	–
Monaco	27 flats	–	5 724	1 765	4 718	2 649	2.9
Nedbank Plaza*	Shops, offices, 144 flats and parking	90	6 086	24 314	10 207	23 177	38.6
Numall*	Shops and college	58	–	4 019	8 588	5 220	–
Provisus*	Offices and shops	99	–	6 911	2 552	5 837	6.8
Tiny Town	House, 14 cottages and vacant land	–	9 992	1 581	3 171	1 862	16.6
Weighted average per location		73	4 924	75 815	60 077	78 422	16.7
Tshwane CBD							
1 on Mutual	Greenfield residential development with retail and parking	Project	–	244	2 552	2 261	100.0
228 Pretorius Street	Shops and offices	83	–	3 580	696	3 530	–
250 Pretorius Street*	Shops and offices	90	–	2 880	812	4 002	28.3
28 Church Street*	Shops and offices	51	–	3 830	1 276	6 933	15.5
Alec's Place*	Shops and 95 flats	124	5 068	5 848	1 357	5 225	2.2
Amanda Court*	Shops and 23 flats	89	4 734	2 754	2 186	2 577	3.6
AVN*	Shops, offices and parking	85	–	7 890	2 374	7 073	–
Bank Towers*	Offices	120	–	8 447	1 722	7 321	18.6
Bosch Building	Parking	–	–	395	1 276	–	–
Boschurch	Shops	57	–	612	638	922	–
Burlan*	Shop and offices	63	–	888	480	1 951	32.5
Callaway*	Shop and warehouse	38	–	750	2 552	2 002	–
Capitol Towers North*	Shops and offices	91	–	14 930	2 966	13 481	2.1
Central House*	Shops and offices	126	–	6 865	2 552	5 602	16.8
Central Towers*	Shops and offices	119	–	6 646	1 299	7 443	39.8
Centre Place*	Shops, 234 flats and parking	183	3 823	18 172	3 509	10 971	11.5
Centre Walk*	Shops, offices and parking	119	–	27 960	7 582	25 417	4.3
City Corner*	Shops	114	–	1 990	1 740	1 494	0.7
City Place*	Shops and 298 flats	93	4 024	16 766	5 725	11 513	3.5
City Towers*	Shop and office	90	–	1 807	1 134	2 940	42.7
CPA House*	Shops, offices and parking	77	–	7 843	5 104	8 177	–
Curpro	Motor showroom	257	–	517	2 552	168	–
Cuthchurch*	Basement, shops and offices	91	–	9 698	2 551	9 155	0.5
Daloria*	Shops	59	–	1 090	1 873	1 544	–
Damalis	Shops	147	–	760	917	499	12.8
Demar Building*	Shops, basement parking and 70 flats	39	4 343	4 432	2 225	4 991	2.1
Du Proes	Shops and vacant land	52		2 435	5 204	3 665	2.7
Dupro	Vacant land, shop and storeroom	28		441	1 933	995	–

Properties securing long-term borrowings (notes 2 and 16).
^Properties in which the group has a 50% interest.

property portfolio information – continued

for the year ended 31 August 2016

1. Investment properties owned by the group – continued

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Tshwane CBD – continued							
Dusku*	Motor showroom	47	–	195	334	336	–
Eland House	Shops, warehousing and 21 flats	133	4 662	1 338	2 552	1 497	20.0
Filkem House	Shops, offices and basement	139	–	1 828	443	1 568	21.9
FNB Church Street	Shops and offices	36	–	460	761	1 523	30.6
Govpret*	Shops, offices and parking	94	–	7 549	2 552	6 216	–
Hacklu Enterprises	Shops	119	–	858	986	683	1.0
Indacom	Shops and warehouses	29		2 010	6 663	6 478	–
Jardown*	Shops, warehousing and workshops	43		4 233	12 175	9 056	23.1
Jeff's Place*	384 flats and parking	–	4 170	20 575	4 842	14 771	2.2
Joan's Place*	Shops and 28 flats	130	3 631	1 459	1 195	1 187	4.5
Karps*	Shops and 6 flats	12	4 959	517	2 764	2 370	35.9
Ken's Court*	Shop and 46 flats	68	5 019	3 696	3 166	3 681	2.6
Letari Building	Shops, offices and warehouses	30	–	967	2 561	3 013	29.0
Lisa's Place	97 flats	–	4 378	4 779	2 552	3 090	3.0
Locarno House*	Shops and offices	105	–	4 307	1 703	5 355	36.7
Louis Pasteur*	Shops, offices, hospital and parking	65	–	37 141	12 760	34 137	3.1
Maravin	Shops	65	–	416	553	790	46.8
MidChurch	Shops	19	–	322	654	1 424	–
Navy House*	Shops and offices	115	–	5 192	1 235	6 881	45.0
Olivetti House	Offices	64	–	2 694	2 582	3 791	9.0
Orpheum Mansions	Shops and 22 flats	72	4 821	2 112	1 485	2 739	6.0
Parking@Sophie de Bruyn	Parking	–	–	196	1 181	–	–
Paulefko	Shop	27	–	452	557	1 372	–
Perl Modes Building*	Shops and college	97	–	2 448	1 577	2 170	–
Pete's Place*	Shops and 181 flats	166	3 900	8 541	1 782	6 916	2.0
Potmeul	Vacant land	–	–	–	16 523	–	–
Potproes*	Shops, workshop, warehouse, filling station and motor showroom	45	–	4 117	30 071	10 317	37.4
Poyntons*	Shop and offices	59	–	2 226	2 001	3 150	–
Praetor Forum*	Shop and offices	100	–	4 825	2 132	6 105	22.3
Premium Towers	Shop and offices	118	–	7 166	1 418	6 995	22.2
Pretjolum*	Shops, offices, workshop and warehouse	45	–	3 925	9 316	6 809	–
Prime Towers*	Shops, offices and basement	91	–	3 773	638	4 237	9.7
Prinsben*	Shops	73	–	1 145	2 552	1 312	–
Prinschurch*	Shops, offices and parking	123	–	3 639	2 552	13 128	86.5
Prinsman*	Shops, offices, parking and 175 flats	61	3 850	13 980	12 979	12 240	2.8
Prinsproes	Shops and offices	36	–	2 034	2 378	4 597	–
Prinstruben	Shops	55	–	1 208	2 552	2 209	–
Protea Towers*	Offices and parking	114	–	7 402	1 862	9 446	19.8
Provincial House	Shops and offices	41	–	337	1 060	3 047	81.9
Rapier*	Shops	129	–	1 441	5 710	920	–
Rezmep	Shops, offices and warehousing	54	–	7 195	15 403	12 423	19.3
Ross Electrical	Shop	Vacant	–	–	583	525	100.0
Russell's Place*	Shops and 191 flats	92	4 180	10 458	3 022	8 144	1.6

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Tshwane CBD – continued							
Samchurch*	Shops, basement and vacant land	309	–	701	3 237	189	–
SchoeCourt	Shops and storeroom	26	–	718	2 738	2 491	9.7
Scott's Corner*	Shops	74	–	4 280	5 104	4 811	–
Sharon's Place*	Greenfield residential development with shops and parking	Project	–	–	8 922	–	–
Sharp Centre	Shops and offices	40	–	888	2 552	2 128	–
Shepstru*	Shops, offices and storeroom	41	–	1 551	2 378	3 309	3.9
Shoprite*	Shops and offices	64	–	14 475	7 358	18 900	–
SKD	Offices, shops and warehouse	34	–	1 676	7 962	3 975	–
Standard Bank Chambers*	Offices and bank	79	–	6 146	1 741	7 782	16.9
Station Place*	Shops and 369 flats	31	3 947	18 074	7 656	16 329	2.9
Steyn's Place*	Shops and 381 flats	148	4 321	23 127	3 816	15 638	4.4
Steynscor*	Shops and offices	137	–	6 577	5 104	3 812	–
Time Place	Shops and 144 flats	120	3 860	7 439	1 429	5 381	3.6
Toitman	Shops and offices	48	–	1 236	13 034	2 139	–
Tom's Place*	320 flats	–	4 336	16 891	6 816	9 984	1.1
Tshwane Midtown	Shops, offices and parking	92	–	210	2 136	8 547	86.7
Tuel	Shops	69	–	903	740	1 093	–
Valcourt	Shops and offices	34	–	930	3 480	3 150	36.3
Vanstrub	Shops and warehouse	53	–	2 730	5 104	4 450	–
Viskin	Workshop	52	–	195	3 536	312	–
Van Riebeeck Building	Offices	Mothballed	–	–	2 552	11 497	100.0
Volks Building*	Parking	–	–	338	1 276	–	–
Weighted average per location		76	4 151	458 711	347 825	504 417	15.3
Tshwane East							
Elarduspark Shopping Centre*	Shopping centre	130	–	17 072	1 876	12 214	19.5
Odeon Forum*	Offices	130	–	5 330	6 788	3 121	–
Weighted average per location		130	–	22 402	8 664	15 335	15.6
Tshwane North							
Blaauw Village*^	Shopping centre	103	–	8 293	17 862	7 205	1.5
Erf Agt Nul Nege	Shops	60	–	845	2 552	1 755	39.7
Erf Six Five One	Factories	46	–	386	2 552	1 355	32.9
Normed*	Shops and offices	54	–	3 374	7 655	6 250	9.9
Ramreg	Shops, house and 19 flats	61	3 907	1 626	5 104	1 765	3.2
Rosnew	Shops, workshop and garage	84	–	4 707	19 016	6 437	22.3
Tronap Investments	Shops	44	–	850	2 552	1 487	–
Weighted average per location		76	3 907	20 081	57 293	26 254	12.8
Tshwane Other							
Landkirk	Warehouse	Sold	–	207	–	–	–
Persequor Park*	Offices and parking	109	–	11 059	16 526	8 073	1.9
Rentmeester Park*	Offices and parking	103	–	16 166	17 232	12 259	0.7
Valhof*	Shops and offices	58	–	1 472	6 519	2 159	6.7
Weighted average per location		100	–	28 904	40 277	22 491	1.7

**Properties securing long-term borrowings (notes 2 and 16).*
^Properties in which the group has a 50% interest.

property portfolio information – continued

for the year ended 31 August 2016

1. Investment properties owned by the group – continued

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Tshwane West							
Asland*	Warehouse and workshops	29	–	1 800	9 993	5 374	1.4
Carlzeil*	Workshops and warehouses	37	–	3 156	14 040	8 677	19.9
Dirk Du Toit	Shop and workshop	–	–	227	–	–	–
Goleda	Shops, showroom, warehouse, workshops and 10 flats	23	–	2 112	15 087	7 504	–
Grariv*	Two flats	–	5 706	103	6 828	270	–
Henwoods	Factories	44	–	1 852	5 710	3 539	7.5
H&S Mansions	Shops, factories and 10 flats	29	4 112	1 543	3 847	3 451	3.0
Imbuia*	11 flats	–	5 018	653	12 529	1 155	–
Ischurch*	Shops, offices, warehouse, 8 flats, workshops and house	32	4 069	2 408	13 336	6 930	12.3
Jakaranda*	33 flats	–	4 179	1 651	12 529	1 782	–
Kiaat*	40 flats	–	4 133	1 949	12 529	3 080	2.5
Lasmitch Properties	Warehouse and showroom	37	–	970	2 855	3 272	–
Lutbridge	Shops and warehouse	31	–	1 969	7 138	5 439	3.8
Metromitch*	Shops, showroom, warehouse and 36 flats	28	4 290	4 489	13 364	9 921	9.0
Mimosa*	18 flats	–	4 882	1 000	12 529	1 890	–
Mitchbuit *	Shops and warehouses	Sold	–	617	–	–	–
Mitchpap	Shops and warehouses	37	–	1 650	5 710	4 414	5.8
Nedwest Centre*	Shops and warehouses	35	–	4 167	40 740	9 344	1.1
Panag Investments	Shops and workshops	40	–	927	2 855	1 970	17.7
Rosemitch*	Motor showroom, warehouse, workshop and 18 flats	21	4 154	2 947	15 703	11 360	6.7
Rovon Investments	Shops, workshops and warehouses	49	–	1 962	9 719	4 304	28.4
Soutwest Properties*	Warehouses and workshops	57	–	1 350	2 855	1 919	–
Syringa*	40 flats	–	4 435	2 112	12 529	3 633	–
Weighted average per location		32	4 345	41 614	232 425	99 228	6.9
Silverton and surrounding areas							
Brianley	Warehouse and workshops	36	–	5 097	16 372	13 267	13.7
Janvoel	Shops	39	–	823	4 461	1 798	–
Muntstreet	Factories	17	–	1 362	12 243	6 664	–
Notrevlis	Shops and warehouses	66	–	1 275	5 093	1 842	22.8
Sildale Park*	Industrial park	43	–	11 220	50 266	22 392	6.2
Silver Place*	Shops, 232 flats and parking	43	4 670	19 391	23 555	29 106	5.5
Silverfas*	Warehouses	33	–	801	3 850	2 697	12.6
Silvertondale 36*	Workshops and warehouses	48	–	804	2 058	1 818	40.4
Supmall	Shops	62	–	853	2 364	1 316	75.1
Tomzeil*	Warehouse and workshops	39	–	4 060	16 865	6 584	–

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Silverton and surrounding areas – continued							
The Tannery Industrial Park*	Industrial park	45	–	17 352	64 834	39 268	24.4
Weighted average per location		41	4 670	63 038	201 961	126 752	13.3
Sunnyside							
Karelia Flats*	48 flats	–	3 935	2 264	1 276	1 464	1.8
Les Nize Flats*	55 flats	–	3 723	2 433	992	1 456	7.1
Savyon Place*	Shops and 28 flats	153	5 039	2 921	1 637	2 646	–
Selmar*	19 flats	–	4 995	1 120	1 276	1 512	6.4
Sunnyside Galleries*	Offices, shops and 5 flats	71	5 143	3 434	5 369	4 116	–
The Pavilion*	Shops	138	–	4 291	3 448	2 350	–
The Village*	Shops	73	–	4 043	7 226	5 023	4.6
Unity Heights*	Shops and 24 flats	118	5 837	2 429	1 211	2 254	1.6
Weighted average per location		92	4 444	22 935	22 435	20 821	2.4
Waverley, Gezina, Moot							
Bouwer Broers	Shops	43	–	1 149	3 844	2 719	31.7
Frederika straat	Shops	49	–	832	2 552	1 569	–
Gerlan^	Motor dealership showroom	108	–	6 702	1 276	5 174	–
Gezina City Shopping Centre*	Shopping centre	56	–	10 439	43 153	16 218	–
Karkap Properties	Shops	52	–	668	2 552	1 079	13.0
Motor City Capital Park	Shops, storerooms and workshops	62	–	5 071	17 669	7 461	7.6
Orion	Shops, warehousing and 22 flats	43	4 338	1 570	1 862	2 405	5.0
Ou Holland	Shops and 22 flats	61	4 769	1 609	2 552	2 351	12.8
Swemvoor	Shops and offices	37	–	1 069	2 552	2 376	–
Trekfred	Vacant land, parking and shops	77	–	2 388	6 379	2 783	15.3
Trekmin*	Shops, 48 flats and parking	70	4 609	7 143	11 483	9 350	0.8
Troymona	Houses	–	6 788	155	1 081	300	–
Waverley Plaza Shopping Centre*	Shopping centre	146	–	19 187	38 198	11 188	1.7
Weighted average per location		80	4 612	57 982	135 153	64 973	4.1
Weighted average for portfolio of properties		**72**	**4 402**	**1 430 869**	**1 600 646**	**1 669 120**	**15.6**
Investment properties 100% held		71	4 415	1 377 015	1 540 746	1 618 165	
Investment properties 50% held		92	4 235	53 854	59 900	5 095	
Weighted average for total portfolio		**72**	**4 402**	**1 430 869**	**1 600 646**	**1 669 120**	

**Properties securing long-term borrowings (notes 2 and 16).*
^Properties in which the group has a 50% interest.

property portfolio analysis

for the year ended 31 august 2016

	rental income		property value		gross lettable area		site area	
	R'000	% of total portfolio	R'000	% of total portfolio	m^2	% of total portfolio	m^2	% of total portfolio
2.1 Geographical spread by location								
Tshwane CBD	458 711	32.2	4 301 720	34.1	504 417	30.2	347 825	21.7
Johannesburg CBD	320 929	22.5	2 665 300	21.1	426 330	25.5	103 007	6.4
Johannesburg and surrounding areas	170 678	12.0	1 526 622	12.1	141 423	8.5	207 532	13.0
Hatfield	101 507	7.1	925 100	7.3	70 274	4.2	45 486	2.8
Tshwane Arcadia	75 815	5.3	637 868	5.1	78 422	4.7	60 077	3.7
Silverton and surrounding areas	63 038	4.4	521 100	4.1	126 752	7.6	201 961	12.5
Waverley, Gezina, Moot	57 982	3.7	498 700	4.0	64 973	3.9	135 153	8.4
Tshwane West	41 614	2.9	319 500	2.5	99 228	5.9	232 425	14.5
Centurion	32 097	2.3	285 600	2.3	35 330	2.1	53 828	3.3
Tshwane Other	28 904	2.0	250 100	2.0	22 491	1.3	40 277	2.5
Tshwane East	22 402	1.6	219 700	1.7	15 335	0.9	8 664	0.6
Sunnyside	22 935	1.6	161 900	1.3	20 821	1.2	22 435	1.4
Tshwane North	20 081	1.4	158 700	1.3	26 254	1.6	57 293	3.6
Hermanstad	1 4 176	1.0	134 800	1.1	37 069	2.2	84 683	5.2
Total 2016	**1 430 869**	**100.0**	**12 606 710**	**100.0**	**1 669 120**	**100.0**	**1 600 646**	**100.0**
Total 2015	**1 325 611**	**100.0**	**11 897 677**	**100.0**	**1 690 912**	**100.0**	**1 610 922**	**100.0**

	m^2	% of total vacancies	% of total gross lettable area	% of total portfolio properties held for redevelopment	% of core vacancies
2.2 Vacancy profile by location					
Johannesburg CBD	114 172	43.8	26.8	(13.6)	13.2
Tshwane CBD	77 041	30.3	15.3	(7.4)	8.1
Tshwane West	6 892	2.6	6.9	(0.1)	6.8
Silverton and surrounding areas	16 868	6.5	13.3	0.0	13.3
Johannesburg and surrounding areas	14 384	5.5	10.2	0.0	9.7
Tshwane Arcadia	13 118	5.0	16.7	0.0	16.7
Hatfield	4 109	0.8	5.8	0.0	5.8
Tshwane North	3 353	0.8	12.8	(1.5)	11.2
Hermanstad	2 596	0.9	7.0	0.0	7.0
Waverley, Gezina, Moot	2 685	0.7	4.1	0.0	4.1
Tshwane East	2 387	2.6	15.6	0.0	15.6
Sunnyside	495	0.2	2.4	0.0	2.4
Centurion	2 167	0.1	6.1	(3.1)	3.0
Tshwane Other	390	0.1	1.7	0.0	1.7
Total 2016	**260 657**	**100.0**	**15.6**	**(5.8)**	**9.8**
Total 2015	**254 536**	**100.0**	**15.1**	**(6.0)**	**9.1**

	Total GLA	Vacancy GLA m^2	% of total vacancies	% of sector gross lettable area	GLA of properties held for redevelopment	Vacancy - GLA - core	% of core vacancies
2.3 Vacancies by sector							
Offices	489 750	170 137	65.3	34.7	94 961	75 176	15.3
Retail shops	432 456	39 513	15.2	9.1	–	39 513	9.1
Industrial	288 908	31 266	12.0	10.8	–	31 266	10.8
Residential	366 827	14 824	5.7	4.0	1 652	13 172	3.6
Shopping centres	91 179	4 917	1.9	5.4	–	4 917	5.4
Total 2016	**1 669 120**	**260 657**	**100.0**	**15.6**	**96 613**	**164 044**	**9.8**
Total 2015	**1 690 912**	**254 536**	**100.0**	**15.1**	**100 831**	**153 705**	**9.1**

Some properties were remeasured and some reclassifications made to the 31 August 2015 values to ensure comparability to the current year.

Year	Gross lettable area m²	%	Monthly contractual rental	%
2.4 Lease expiry profile				
Residential	352 002	21.1	40 044 955	34.4
Monthly Commercial	177 805	10.7	9 378 771	8.1
to 31 Aug 2017	329 973	19.8	24 286 707	20.9
to 31 Aug 2018	237 239	14.2	17 123 906	14.7
to 31 Aug 2019	112 104	6.7	9 370 768	8.0
to 31 Aug 2020	92 075	5.5	7 496 738	6.4
Thereafter	107 265	6.4	8 773 790	7.5
Vacancies	260 657	15.6	–	–
Total	**1 669 120**	**100.0**	**116 475 635**	**100.0**

	%
2.5 Rental escalations	
The average rental escalation per sector is as follows:	
Industrial	7.4
Offices	7.4
Retail shops	7.5
Shopping centres	7.5

The leases in respect of residential accommodation are for a 12-month period and therefore do not have an escalation clause in the agreement. Thereafter the lease is on a month-to-month basis with an increase at a negotiated percentage.

	% of gross lettable area
2.6 Tenancy profile	
Profile	
A	20.8
B	6.7
C	35.2
D	21.7
Vacancies	15.6
	100.0

A – Large national tenants, listed tenants, government and major franchises
B – National tenants, other franchisees and medium professional firms
C – All other local tenants
D – Residential tenants

The information contained in the Property Portfolio Analysis includes 100% of the joint ventures referred to on pages 21 to 23 and not only the group's share of 50%.

schedule of interest in subsidiaries

for the year ended 31 august 2016

Subsidiary name	Cost of shares 2016 R	Cost of shares 2015 R	Amounts owing by / (to) subsidiaries 2016 R	Amounts owing by / (to) subsidiaries 2015 R
Alert Investments Share Block Proprietary Limited	**600**	600	**(600)**	(600)
Anke Properties Proprietary Limited	**1 000**	1 000	**21 429 626**	(1 189 572)
Carine Properties Share Block Proprietary Limited	**107 875**	107 875	**(300)**	(300)
Cold Air Investments Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Dirk du Toit Share Block Proprietary Limited*	**100**	100	**(100)**	(100)
Dusku Investments Share Block Proprietary Limited	**803 933**	803 933	**(100)**	(100)
Elarduspark Shopping Centre Proprietary Limited	**7 362 821**	7 362 821	**(1 000)**	(1 000)
Erf 181 Hermanstad Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Erf 651 Pretoria North Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Erf 809 Share Block Proprietary Limited*	**95**	95	**(95)**	(95)
Fawn Properties Share Block Proprietary Limited	**200**	200	**(200)**	(200)
Frederika Straat Beleggings Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Gezfarm Properties Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Goleda Properties Share Block Proprietary Limited	**200**	200	**(200)**	(200)
Hannyhof Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Hardwood Properties Share Block Proprietary Limited	**3**	3	**(3)**	(3)
Henwoods (Pretoria) Development Company Share Block Proprietary Limited*	**1 000**	1 000	**(1 000)**	(1 000)
Heracle Share Block Proprietary Limited	**753 047**	753 047	**(8 442)**	(8 442)
Indacom Properties Share Block Proprietary Limited*	**16**	16	**(16)**	(16)
IPS Investments Proprietary Limited^	**968**	968	**896 605 824**	614 648 878
Janvoel Properties Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Karkap Properties Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Killarney Mall Properties Proprietary Limited	**2 392 153**	2 392 153	**257 527 041**	234 374 774
Lasmitch Properties Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Lutbridge Investment Share Block Proprietary Limited	**70**	70	**(70)**	(70)
Metromitch Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Middle Pip Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Mitchpap Share Block Proprietary Limited*	**200**	200	**(200)**	(200)
Muntstreet Properties Share Block Proprietary Limited*	**1 000**	1 000	**(1 000)**	(1 000)
Nedwest Centre Share Block Proprietary Limited	**4 000**	4 000	**(4 000)**	(4 000)
Octprop Properties Proprietary Limited	**100**	100	**26 094 187**	25 541 226
Panag Investments Share Block Proprietary Limited	**200**	200	**19 667**	19 667
Potproes Properties Share Block Proprietary Limited	**3 086 426**	3 086 426	**(1 000)**	(1 000)
Premium Properties Limited#	**3 024 919 806**	3 024 919 806	**338 945 166**	(162 092 535)
Presmooi Proprietary Limited*	**523 031**	523 031	**869 348 393**	599 213 494
Pretboy Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Pretvin Share Block Proprietary Limited	**4 000**	4 000	**(4 000)**	(4 000)
Pretwade Share Block Proprietary Limited	**2**	2	**(2)**	(2)
Prinsben Properties Share Block Proprietary Limited*	**1 000**	1 000	**(1 000)**	(1 000)
Prinstruben Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Ramreg Properties Proprietary Limited	**1**	1	**4 676 409**	4 488 268
Rovon Investments Share Block Proprietary Limited*	**316 642**	316 642	**(4)**	(4)
Rumpro Investments Share Block Proprietary Limited	**1 713 213**	1 713 213	**(120)**	(120)
SKD Beleggings (Skof Vyf) Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Steynscor Share Block Proprietary Limited	**18**	18	**(18)**	(18)
Swemvoor Investments Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Talkar Properties Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Tribeca Properties Proprietary Limited	**11 752 737**	11 752 737	**57 246 503**	45 853 455
Tronap Investments Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Tuel Share Block Proprietary Limited	**300**	300	**(300)**	(300)
Viskin Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Waverley Plaza Properties Proprietary Limited	**794 399**	794 399	**117 834 410**	148 469 595
Woodmead Mart Proprietary Limited	**3 438 345**	3 438 345	**308 258 061**	188 059 086
	3 057 989 401	**3 057 989 401**	**2 897 931 750**	**1 697 352 666**

All the subsidiaries are 100% owned by the company and the places of business are in the Republic of South Africa and are all included in the consolidated financial statements of the group.

The subsidiaries' principal activities are that of property companies, deriving income from rentals. There are no restrictions on the subsidiaries other than the cession of shares to secure long-term borrowings.

**Ceded shares securing long-term borrowings (note 16).*

schedule of interest in subsidiaries – continued

for the year ended 31 august 2016

 # 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

^ 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
Vuselela Investments Proprietary Limited
Waltpost Properties Proprietary Limited

shareholders' analysis

for the year ended 31 August 2016

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholders' classification				
1 - 1 000	621	18.30	318 531	0.13
1 001 - 10 000	1 818	53.58	7 260 913	2.85
10 001 - 100 000	721	21.25	22 605 878	8.88
100 001 - 1 000 000	180	5.31	55 984 954	21.99
Over 1 000 000	53	1.56	168 381 044	66.15
Total	**3 393**	**100.00**	**254 551 320**	**100.00**
Distribution of shareholders				
Assurance companies	22	0.65	5 020 919	1.97
Close corporations	60	1.77	26 158 475	10.28
Collective investment schemes	109	3.21	58 313 847	22.92
Custodians	25	0.74	2 475 282	0.97
Foundations and charitable funds	92	2.71	6 685 834	2.63
Hedge funds	1	0.03	1 339	0.00
Insurance companies	2	0.06	12 569	0.00
Investment partnerships	8	0.24	78 569	0.03
Managed funds	16	0.47	278 765	0.11
Medical aid funds	2	0.06	156 056	0.06
Organs of state	4	0.12	17 192 139	6.75
Private companies	137	4.04	69 621 020	27.35
Public companies	2	0.06	38 027	0.01
Public entities	3	0.09	118 920	0.05
Retail shareholders	2 328	68.61	26 602 198	10.45
Retirement benefit funds	93	2.73	14 397 049	5.66
Scrip lending	7	0.21	516 562	0.20
Stockbrokers and nominees	16	0.47	1 289 258	0.51
Trusts	465	13.70	25 594 393	10.05
Unclaimed scrip	1	0.03	99	0.00
Total	**3 393**	**100.00**	**254 551 320**	**100.00**
Shareholder type				
Non-public shareholders				
Directors and associates	67	1.92	96 710 165	37.99
Public shareholders	3 326	98.08	157 841 155	62.01
Total	**3 393**	**100.00**	**254 551 320**	**100.00**
Fund managers with a holding greater than 3% of the issued shares				
Stanlib Asset Management			17 924 301	7.04
Public Investment Corporation			15 218 036	5.98
Old Mutual Investment Group			12 846 866	5.05
Total			**45 989 203**	**18.07**
Beneficial shareholders with a holding greater than 3% of the issued shares				
Lefkopaul CC			19 994 725	7.85
Tomneff Investments Proprietary Limited			16 680 146	6.55
Old Mutual Group			12 571 370	4.94
Government Employees Pension Fund			14 883 752	5.85
Stanlib			14 757 054	5.80
City Property Administration Proprietary Limited			11 538 176	4.53
Total			**90 425 223**	**35.52**

Share price performance	
Opening price 02 September 2015	R24.25
Closing price 31 August 2016	R22.99
Closing high for peroid	R25.84
Closing low for peroid	R19.91
Number of shares in issue	254 551 320
Volume traded during period	31 044 349
Ratio of volume traded to shares issued (%)	12.20
Rand value traded during the period	R705 003 829.00
Market capitalisation at 31 August 2016	R5 852 134 847.00

glossary

Act	Companies Act, No 71 of 2008
CBD	Central business district
City Property	City Property Administration Proprietary Limited
Consolidated	Octodec and its subsidiaries
GLA	Gross lettable area
Group	Octodec, its subsidiaries and joint ventures
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JIBAR	The Johannesburg Interbank Agreed Rate
JSE	JSE Limited
Prime	Interest rate charged by banks to creditworthy clients
REIT	Real Estate Investment Trust as defined in section 1 of the Income Tax Act

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Octodec
INVESTMENTS LIMITED