Octodec
INVESTMENTS LIMITED

Integrated Report

Creating value
beyond financial return

2019

1

Our approach to reporting

Our aim with our integrated report is to provide our stakeholders with information that is of material interest and will provide you with the information needed to make an informed assessment of Octodec's ability to create sustainable value going forward. The integrated report extends beyond financial reporting and includes additional information that may influence our ability to create stakeholder value.

To achieve this, we have provided information on:

- Our strategy and our strategic priorities (pages 12 and 13)
- How we apply our business model to create long-term value (pages 14 and 15)
- Our management of risks and the issues that are material to the business (pages 20 to 25)
- Our leadership team (pages 26 and 27)
- Our approach to governance (pages 70 to 78)

Our reporting also considers feedback from stakeholders on the information they require to assess our performance against their different investment strategies and priorities.

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

Our reports

	Available in print
	Available online Our integrated report for 2019 in pdf format
	Page number/s should you wish to access additional information in this report
AFS	**Annual financial statements**
WWW	**www.octodec.co.za**

Our icons

Auto dealerships
Mixed-use buildings
Development pipeline buildings
Offices
Educational facilities
Parking
Government buildings
Places of worship
Healthcare facilities
Residential
Hotels
Retail street shops
Industrial
Shopping centres

Property feature

Financial capital
Human capital
Manufactured capital
Social and relationship capital
Intellectual capital
Natural capital

KPIs
Create sustainable stakeholder value
Optimise our portfolio
Optimise our balance sheet and funding structure

2 About this report

Reporting scope and boundary

This report, which is our primary report to our stakeholders, covers the period 1 September 2018 to 31 August 2019 (our previous report covered the period 1 September 2017 to 31 August 2018).

Its scope includes details of the Octodec property portfolio (located in the Gauteng province of South Africa), which has not undergone any significant change to its size, structure or ownership during the year under review, its growth prospects and the key functions over which we exercise control.

Our reporting process has been guided by the principles and/or requirements of the International Integrated Reporting Council's International <IR> Framework, King IV™, the JSE Listings Requirements and the Companies Act. Our AFS (pages 92 to 141) comply with IFRS and are audited by Deloitte & Touche, whose unqualified audit report can be found on page 100 of this report.

To ensure comparability, all significant information is reported on a like-for-like basis and where comparative information has been restated, this has been indicated.

The report includes information that is not financial in nature that will provide insight into the manner in which Octodec deals with all matters that influence its ability to create and sustain value. These include risks, opportunities and stakeholder engagement outcomes.

Forward-looking statements

Certain statements in this report constitute forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors beyond our control 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 the projected 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, and our stakeholders should be guided accordingly.

Board responsibility statement

The board acknowledges its responsibility to ensure the integrity of the integrated report. The directors confirm that they have individually and collectively reviewed the content of the integrated report and believe it addresses material issues, as determined by using Octodec's risk framework as a screening mechanism, and is a fair presentation of Octodec's integrated performance. The board approved the release of the 2019 integrated report on 10 December 2019.

Assurance and comparability

The board is required to prepare AFS in terms of the Companies Act and the JSE Listings Requirements, which represent the financial affairs of Octodec in a fair manner conforming with IFRS. Octodec's external auditors are required to examine the AFS and have reported their opinion thereon.

Octodec has not pursued external assurance for its non-financial information disclosed in this integrated report. There are no material changes to the structure of this report when compared to the 2018 report, other than further elaboration and/or streamlining on Octodec's business model, strategic priorities, risk management and material issues, corporate governance and the inclusion of information which is guided by the International <IR> Framework.

Our board

Non-executive directors

1 **Sharon Wapnick**
Non-executive Chairman

2 **Myron Pollack**
Non-executive director

Executive directors

3 **Anthony Stein**
Financial director

4 **Jeffrey Wapnick**
Managing director

Independent non-executive directors

5 **Derek Cohen**
Lead independent director

6 **Gerard Kemp**
Independent non-executive director

7 **Nyimpini Mabunda**
Independent non-executive director

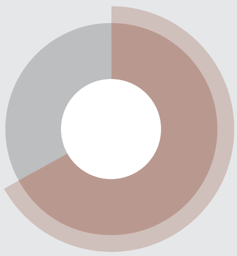
8 **Pieter Strydom**
Independent non-executive director

Our board

3
Our business

Location of assets

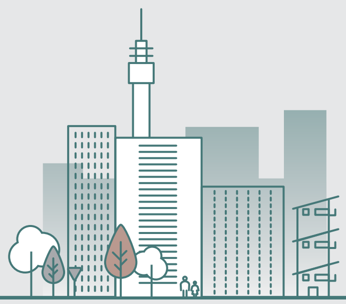
Tshwane



67%

Johannesburg

33%



Octodec was listed on the JSE in 1990 and converted to a REIT in 2013. We are an ethical and consistent financial performer in the listed property sector, with a trusted reputation among our shareholders, tenants, suppliers and other stakeholders. This we have earned by applying high standards of integrity and being honest, consistent and reliable operators in the property market over the course of many years.

We have adopted a conservative approach in this challenging economic climate. We are known for focusing on our core competencies and strengths to unlock value in urban spaces. Property investments require dedication and patience in order to be rewarding. We have shown the market that we possess these crucial attributes, as established operators in the property business, with a proud heritage that predates our listing on the JSE.

We manage our portfolio by maintaining sound property fundamentals in nodes where demand is generally robust. We capitalise on our strong presence, as one of the major owners of property in the CBDs of Tshwane, the administrative capital of South Africa, and Johannesburg, the economic hub of South Africa. In the built-up CBDs, the dynamics of the property market are very different to the oversupplied nodes around Tshwane and Johannesburg. For more information on our portfolio, please refer to the property portfolio review, commencing on page 40 of this report.

We have outsourced the management of our investment portfolio to City Property, our asset and property managers. City Property is owned by the Wapnick family who in turn have a substantial investment in Octodec. In these unique circumstances, City Property is focused on safeguarding the value and physical state of our properties and attending to the daily needs of our tenants — the people who live and work within them. This ensures that the interests of City Property are aligned with our strategic priorities. We leverage this competitive advantage to maximise our impact in our chosen areas of the property market.
City Property's role in our business is explained further on pages 6, 16 and 17 as well as on page 21 of this report.

Our vision

To innovatively unlock long-term value
in spaces where people can thrive

Our values

Honesty and **integrity** are our foundation

Quality is our cornerstone

Relationships are key

We **dare** to pave the way and make it happen

Our purpose

Our purpose is to manage our assets cost effectively and provide our shareholders with sustainable returns — without compromising on the integrity of our operations or the longevity of our assets.

We will continue to ensure that our assets are managed in a sustainable manner, improve the areas in which we operate, and turn them into nodes that will continue to remain relevant in the long term. This is key to the sustainability of our business.

How we unlock value

By applying specialist skills and experience in property management and development — see page 6 of this report.

Through the **long-term relationships** we foster with our key stakeholders — see page 7 and pages 17 to 18 of this report.

By creating **innovative property opportunities** that deliver long-term sustainable stakeholder value — see pages 12 and 13 of this report.

With **efficiencies** that stem from the scale and concentration of our properties — see property sector review pages 40 to 63 of this report.

Know-how

Through City Property we are able to manage our resources and relationships in the inner city market which gives us a competitive advantage.

City Property's know-how is what sets our business apart and it is a key driver of our sustainable growth. It encompasses our collective organisational knowledge, culture, governance, operational and leadership structures. It also includes the processes, approach to remuneration, risk management, and ability to deliver on our business strategy.

Our economic value depends on how we manage and use these assets to extract value and make the best possible use of them.

The role of City Property's inner city asset and property management expertise in our business

City Property provides the specialist leasing, portfolio management and marketing skills necessary to deliver excellent customer service to our tenants on our behalf. It is mandated to secure an appropriate mix of tenants for the various sectors of our diverse portfolio at rentals that allow us to create stakeholder value, using an innovative approach to retaining tenants and keeping vacancies as low as possible.

City Property's responsibilities

In terms of the management agreement, the services that City Property has undertaken to provide for and on behalf of Octodec are summarised below:

Property management

- City Property is responsible for leasing, billing, collections, utility management, property accounting and expense management and all other services that are typical of traditional property management

Asset management

- As part of the "all-in" service rendered by City Property, it sources and advises on investment opportunities, sales and acquisitions (including ancillary processes such as feasibilities and due diligence investigations), and financial management. It monitors the regulatory environment and advises on income enhancing opportunities

Specialist services

- Certain specialist skills have been developed to manage the unique challenges prevalent in the Octodec portfolio. These include the establishment and maintenance of various stakeholder relationships, tenant installation services, repairs and maintenance, risk, internal audit, legal, HR, IT, compliance and account management, as well as credit control

City Property: Remuneration and performance

The management agreement provides a formula for the calculation of the fee payable to City Property. This fee is partially linked to the performance of Octodec. The KPIs which City Property must meet, are proposed by City Property annually for the Octodec board's consideration and agreement (see pages 89 and 90 for the KPIs that apply to City Property for the 2019 financial year). City Property's performance is reviewed twice a year by a committee of independent non-executive directors, after finalisation of the mid-year results and at financial year end. The board is comfortable that City Property has met its obligations in terms of the management agreement for the year ending August 2019.

How relationships drive our business

Our tenants and potential tenants

- Our buildings are well maintained
- Our tenants enjoy the safety at our bulidings
- Any necessary repairs are dealt with timeously
- We communicate effectively to keep our tenants informed about issues affecting them and their surroundings

The investor community

- We give guidance on our distribution prospects
- We are transparent about our strategy and realistic about our objectives
- We focus on creating sustainable stakeholder value in the short, medium and long term
- We communicate the impact that the economic and political environment has on growth and profitability
- We maintain high ethical standards and good corporate governance

Our employees

- We articulate the purpose and prospects of our business
- Our company culture is embedded at every level
- We treat our people fairly
- Transformation is key to sustainability
- We engage meaningfully with our people
- We offer growth through training and development

City Property

- The board has oversight of and monitors the outputs generated by City Property in terms of the management agreement
- City Property's inner-city know-how and experience gives us our competitive advantage in the areas where we operate
- City Property is committed to transformation
- High ethical standards and good corporate governance are not negotiable

The councils of Tshwane and Johannesburg

- We contribute to urban renewal by redeveloping and upgrading buildings and their surroundings
- Utilities and assessment rates are monitored for fairness and accuracy and paid timeously
- Project approvals are obtained to execute our developments

The communities in which we operate

- People want to live, work and play in the cities where our quality properties are kept safe and clean
- We engage with other stakeholders in the CBDs, notably from the informal sector, to ensure open dialogue and co-operation, where possible
- Our socio-economic development investment benefits historically disadvantaged communities in the CBDs

Property and industry forums

- We support city improvement district initiatives, where possible
- We participate in select industry initiatives

Debt funders

- We ensure adequate funding is available to meet business objectives
- Our liquidity is actively managed to cover all financial obligations

Suppliers

- Our code of ethics must be complied with
- Our quality and pricing standards must be adhered to
- We support transformation with our supplier development programme

JV partners

- Our vision guides our partnership objectives
- We are transparent and accountable in our dealings
- Ethical business practices are a prerequisite

4

Highlights for the year under review

200.9
cents
per share
distributed for the year*
FY2018: 203.4 cents 15

R129.2m
total value of
assets sold
at a premium to
carrying value 47

Upgrade
of Elardus –
The Park
R28.4m
of
R44.4m 47

Net asset
value
R28.47
per share*
FY2018: R29.39 88

reduction in
core
vacancies of
FY2019
11.5%
FY2018: 11.6% 15

reduction in
total
vacancies of
FY2019
17.9%
FY2018: 18.6% 42

85.4%
of
exposure to
interest
rate risk is
hedged*
FY2018: 74.5% 67

2.0%
like-for-like
growth
in rental
income
for the year*
FY2018: 2.6% 15

38.9%
loan to
fair value
of portfolio*
FY2018: 37.8% 67

** For further information refer to the financial director's review from page 64*

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Five-year financial review

Highlights

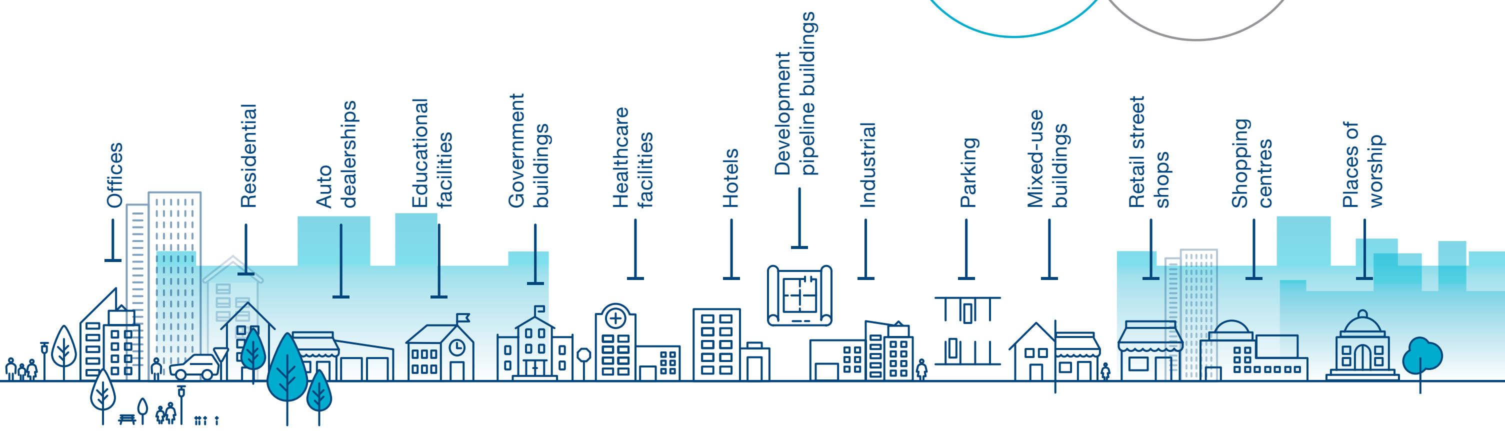
Annual compounded return in respect of share price movements and dividends received

Over five years

5 2.9%

Over 10 years

10 9.2%



	2019	2018	2017	2016	2015
Investment property and straight-line rental accrual (R'000)	**12 846 539**	12 743 363	12 549 048	12 065 688	11 380 104
Shareholders' funds (R'000)	**7 578 599**	7 824 398	7 828 229	7 413 800	6 987 679
Interest-bearing borrowings (R'000)	**4 978 079**	4 846 533	4 826 334	4 779 027	4 380 873
Revenue – earned on contractual basis* (R'000)	**1 998 381**	1 893 806	1 836 251	1 767 871	1 634 159
Net property income – earned on contractual basis* (R'000)	**980 272**	946 020	914 802	906 337	819 032
Interest received (including interest income from JVs) (R'000)	**21 580**	28 994	28 750	20 455	15 610
Interest paid (net of interest capitalised) (R'000)	**467 385**	438 881	408 702	394 751	376 491
Distribution (R'000)	**534 984**	541 444	536 432	510 750	228 839
Profit/(loss) on sale of investment property (R'000)	**2 629**	(916)	2 943	8 490	(61)
Net operating profit to rental income (%)	**49.3**	50.0	49.8	51.3	50.1
Net operating profit to property investments (%) (average yield)	**7.6**	7.4	7.3	7.5	7.2
Expenses (net of recoveries) to rental income (%)	**36.7**	35.6	36.0	34.8	35.8
Shares in issue ('000)	**266 198**	266 198	266 864	254 551	252 322
Distribution per share	**200.9**	203.4	203.1	201.5	189.2
Growth in distribution per share	**(1.2)**	0.1	0.8	6.5	7.7
NAVPS	**2 847**	2 939	2 933	2 913	2 769
Market price per share	**1 592**	2 958	2 274	2 299	2 425
Market capitalisation at year end (R'000)	**4 237 864**	5 478 345	6 068 495	5 852 127	6 118 803

** Revenue for the year ended 31 August 2019 has been reduced by R2.5 million which relates to the 40.9% rent reduction granted to Edcon in terms of the rent reduction agreement between Edcon and its landlords*

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● Johannesburg
● Tshwane

Top 10 properties by value

1 The Fields
Hatfield, Tshwane

6.4% Percentage of portfolio

59 commercial tenants
766 residential units

86.8% Occupancy

56 997m²
Mixed use

2 Killarney Mall
Killarney, Johannesburg

5.1% Percentage of portfolio

157 commercial tenants

94.8% Occupancy

46 945m²
Shopping centre

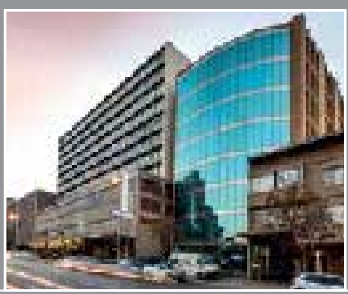
6 Louis Pasteur
Tshwane CBD

2.0% Percentage of portfolio

1 hospital
101 commercial tenants

99.6% Occupancy

35 557m²
Mixed use



7 Kempton Place
Kempton Park, Johannesburg

2.0% Percentage of portfolio

29 commercial tenants
469 residential units
218 parking tenants

77.6% Occupancy

32 589m²
Mixed use

8 Jeff's Place
Tshwane CBD

1.4% Percentage of portfolio

384 residental units
190 parking tenants

98.1% Occupancy

14 771m²
Residential

3 **Woodmead Value Mart**
Woodmead, Johannesburg

2.8% Percentage of portfolio

34 retail tenants

98.7% Occupancy

18 049m²
Shopping centre

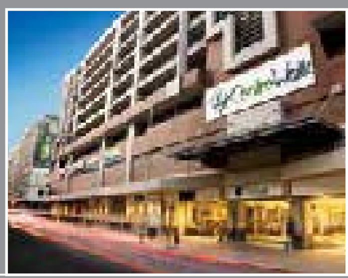
4 **Centre Walk**
Tshwane CBD

2.4% Percentage of portfolio

33 commercial tenants

94.4% Occupancy

25 407m²
Mixed use



5 **Sharon's Place**
Tshwane CBD

2.3% Percentage of portfolio

11 commercial tenants
400 residential units
91 parking tenants

93.5% Occupancy

19 235m²
Mixed use

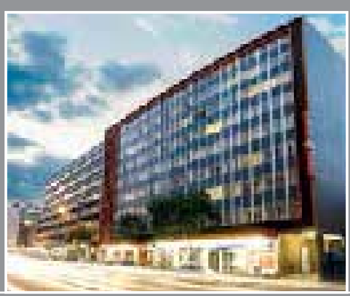
9 **Steyn's Place**
Tshwane CBD

1.4% Percentage of portfolio

24 retail tenants
420 residential units

92.8% Occupancy

15 957m²
Mixed use



10 **Nedbank Plaza**
Arcadia, Tshwane

1.3% Percentage of portfolio

41 commercial tenants
144 residental units

65.7% Occupancy

23 031m²
Mixed use

7 Our strategy

We are an established property owner with a diversified portfolio of niche properties that we use to generate sustainable value. We leverage our relationships with key stakeholders to gain a competitive advantage that keeps our business ahead of competitors. We discuss our stakeholder relationships on page 7 and pages 17 to 18.

Our strategy guides our actions as a business, and in everything that we do. The board annually participates in a strategic session to assess Octodec's overall strategy, and to ensure that it aligns with the capabilities and objectives of the business. Furthermore, our strategy is informed by the interrelated processes of stakeholder engagement, risk management and material issues.

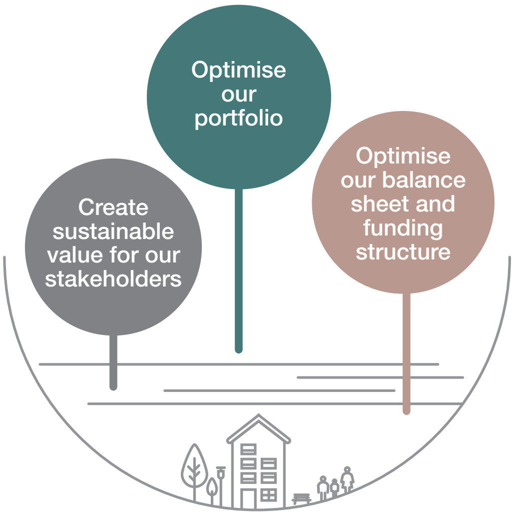
Our strategy is discussed further in the Chairman's report and in the managing director's review, on pages 28 and 34 respectively.

Our strategy for growth is underpinned by three main strategic objectives, which broadly seek to:

- Create sustainable value for our stakeholders
- Optimise our portfolio
- Optimise our balance sheet and funding structure.


385 Helen Joseph Street

012central sculpture titled "Monopoly Houses" by S van der Merwe



In the following table, we unpack the manner in which the strategic objectives were applied during the year.

Strategic objectives	How we do it	KPIs	Performance
Create sustainable value for our stakeholders	• Invest in long-term sustainable properties that offer growth opportunities, focusing on Tshwane and Johannesburg CBDs and residential properties • Improve the existing portfolio by selling non-core and non-profitable assets • Develop and upgrade our properties to enhance and extract value • Deliver on tenant expectations • Assist our tenants in difficult times to avoid eviction, where possible • Focus on tight control of property expenses • Reduce our vacancies through active asset management • Explore, create and take advantage of opportunities to generate rental streams from non-traditional sources	• Balance sheet optimisation • Ongoing upgrades and redevelopment of existing properties • Property disposals of underperforming assets of R150 million • Tenant satisfaction • Implement new non-traditional revenue streams • Reduced vacancies	• For a detailed breakdown of the KPIs, the factors that impacted the performance and the KPIs for the year ahead, please refer to pages 88 to 90
Optimise our portfolio	• Invest in our property portfolio, with emphasis on assets in our strategic nodes • Maintain our focus in the CBDs and residential	• Maintain our investments in: ◦ Tshwane CBD ◦ Johannesburg CBD • Reduced vacancies • Tenant retention	
Optimise our balance sheet and funding structure	• Diversify funding • Proactive management of interest rate risks • Management of risk in refinancing of borrowings	• At least 70% to 80% debt hedged • Weighted average maturity profile of debt and interest rate swaps • Mix of funders • LTV ratio between 35% and 40%	

Our resources	How we live our values	Inputs and business activities
Financial capital We deploy our financial resources to create short-medium and long-term value through the sustainable development of our other resources.	We use our financial resources to manage, refurbish, redevelop and grow our portfolio through acquisitions and capex developments Returns on our investments provide shareholders with sustainable earnings We apply sound property and asset management principles to our portfolio and capitalise on yield-enhancing opportunities where possible	• R7 579 million equity (FY2018: R7 824 million) • R4 978 million debt funding (FY2018: R4 847 million) • The group has R632.5 million (2018: R697.1 million) of facilities available as at 31 August 2019, comprising of unutilised debt facilities available on demand of R585 million (2018: R669 million) and cash in bank of R47 million (2018: R28 million) • Balance sheet optimisation (refer to the financial director's review)
Manufactured capital We use our physical resources, which is the land and buildings we own, to create value and grow our financial resources by generating rental income.	We invest a portion of our rental income to unlock value and enhance the quality of our property portfolio through ongoing maintenance, refurbishment, new builds and redevelopment Our diversified portfolio minimizes risk and creates opportunities Strict procurement policy and relationships with service providers ensure that quality work is performed in our buildings	• R82.6 million invested in our properties (FY2018: R173.1 million) • Monthly average of 2 281 repair or maintenance jobs on our buildings in FY2019 (FY2018: 2 500)
Intellectual capital Our unique know-how is a key driver of sustainable growth and sets our business apart from competitors.	Through City Property, we manage our properties, resources and relationships in the inner-city market to gain a competitive advantage We make the best possible use of our assets by professionally managing them to extract maximum value City Property exclusively manages our portfolio of properties	• Full-service asset and property management expertise through our management agreement • Pioneers in the management and redevelopment of inner-city properties with a specific focus on residential conversions and high street retail offerings. Deep understanding of the property market we service and changing tenant needs
Human capital We use the skills, competencies and experience of our people and leverage the skills provided by City Property to achieve our strategic objectives and create sustainable value beyond financial return.	We remunerate fairly and embed our people with our value system of honesty and integrity We develop the skills of our employees, deliver on our social commitments and endeavour to reduce/minimise our negative impact on the environment We promote education as a means for career advancement, to enable a knowledge-based workforce that is future ready We recognise the important role of our people within our business	• Employee benefits include a defined contribution pension or provident fund and group life assurance with several components • Employees earning under R8 000 per month are given Discovery Primary Care medical insurance • Employment equity plan for employees creates equal opportunities and reduces barriers to progress • Learning and development programmes align with strategy, and include learnerships and operational and leadership development
Social and relationship capital We cultivate healthy relationships with a wide range of stakeholders to enhance the operation of our business. We use our reputation, size and scale to make a positive impact and support the historically disadvantaged and less fortunate members of society.	To ease the challenge of cash flow on small businesses, we ensure our suppliers are paid within 30 days, and have a "seven-day payment for discount programme" Our strict procurement policy limits the number of suppliers we use, to ensure sustainable volumes of work. This also assists in negotiating the best price for their services We support small business and communities surrounding our areas We support suppliers that comply with B-BBEE requirements, but do not compromise on quality	• Contributing to community upliftment through efforts to increase self-sufficiency • Providing quality accommodation where people want to live, work and play • Supplier development programme facilitates black economic empowerment • Increased procurement from black-owned SMMEs • Actively build relationships with all stakeholders
Natural capital The natural resources we employ in the building, refurbishing, renovating and redeveloping of our properties include renewable resources such as timber and water, and non-renewable resources such as fossil fuels and mineral resources, and processes such as energy consumption, waste creation and emissions.	We ensure that we comply with applicable laws and regulations We actively manage water and electricity consumption	• Continuous and proactive monitoring of water and electricity consumption in our buildings to detect any infrastructure failure and inefficiencies • All our apartments are fitted with prepaid electricity meters and mechanical water meters • NERSA-mandated regulations are applied to the tariffs we charge our tenants and ensure the tariffs we charge are fair

Outputs and outcomes

Growth opportunities

Distributed dividends to shareholders
200.9 cents per share
FY2018: 203.4

Net operating profit
R1 053 million
FY2018: R1 030 million

Proceeds from disposals
R129 million
FY2018: R61 million

Capex (tenant installations, upgrades and acquisitions)
R82.6 million
FY2018: R173.1 million

- Disposal of non-core assets that cannot be upgraded in a sustainable, cost-effective manner
- Reducing LTV as determined by the board
- Extending our debt expiry profile
- Further balance sheet optimisation (refer to the financial director's review)

Rental income (excluding recoveries)
R1.55 billion
FY2018: R1.47 billion

2.0% year-on-year increase in like-for-like rental income
FY2018: 2.6% increase

93.3% occupancy in residential properties
FY2018: 94.2%

Total GLA
1 624 698m²
FY2018: 1 644 433m²

11.5% core vacancies in portfolio
FY2018: 11.6%

- Extracting maximum value from our portfolio through innovative solutions
- Unlocking value in our retail street shops with strong demand from nationals and affordable options for independent retailers with affordable offerings that appeal to the CBD market
- Investing in CBDs to attract tenants and improve the experience for all users

Stable **occupancy rate**

Diversified mix of tenants

Strong collections with bad debts kept to a minimum

Strong relationships with **stakeholders**

Increased **efficiency and scalability**

Effective and innovative **decision-making**

- Availability of well-located assets for possible redevelopment in response to the changing needs of the markets
- Using technology to further improve operational efficiencies
- Potential business opportunities with key stakeholders
- Rewards programme (tenant retention) for residential tenants (utilising data analytics)

224 employees in FY2019, with an average length of service of eight years
FY2018: 236 employees

94% of our employees are black and **20%** are female
FY2018: 94% and 20%

108 training sessions were provided to employees
2018: 609 training sessions

11 graduates completed the building managers' programme

One bursary was provided in FY2019 and another three students supported via the SAPOA Bursary Fund

Use of technology to streamline the business and improve employee output

- Attracting, developing and retaining talent ensures that we can deliver on our strategy
- Annual wellness day for employees improves the health of our workforce
- Upskilling employees provides building managers with a career path in property management
- Our employees and their family members have access to the ICAS employee assistance programme to promote wellness

Total CSI spend of **R728 622** in FY2019
FY2018: R653 469

Invested **R500 000** in support of children and homeless people, including **100 000** meals
FY2018: 100 000

18 new permanent positions were created by suppliers due to our support

108 training sessions were provided to our employees

R2.8 million invested in non-cash enterprise development
FY2018: R3.8 million

R161 million spent on procurement from black-owned companies
FY2018: R182.0 million

87% of 496 suppliers comply with B-BBEE requirements
FY2018: 83% of 494

Favourable payment terms (less than 30 days) are negotiated with suppliers to improve cash flow

- Our developments have changed the face of the Tshwane and Johannesburg CBDs
- We have relationships with all stakeholders based on mutual trust and we are recognised as long-term, responsible operators
- Supporting good causes and worthwhile charities that are relevant to the markets in which we operate
- Effective stakeholder relationships and partnerships contributing to inner city upliftment
- Safer inner cities facilitate sustainable development

Loss of revenue resulting from breaching of the prepaid meter base (comprising 9 140 units) is limited to **0.3%** of the base

On-site recycling initiatives at **36** of our sites
FY2018: 14

8 of 36 sites reported **293** tonnes of waste recycled in FY2019
FY2018: 309 tonnes

Fluorescent lights used in our buildings are disposed of correctly and are not sent to landfill sites

- Seeking options to reduce consumption through innovative technology or intensive management
- Waste to energy initiatives are being investigated as longer term, more sustainable options for the disposal of waste that cannot be recycled
- Considering the viability of renewable sources of energy

9 Stakeholder engagement

Rebuilding our cities

At Octodec, we have a long and proud history in the property market that spans several decades. It therefore stands to reason that the success of our business relies to a great extent on the relationships we have fostered with our various stakeholders. Therefore, we ensure that the needs and concerns of our stakeholders are kept foremost in our minds when formulating strategy and making plans or decisions that could affect their lives or our relationships with them.

We have made meaningful progress in the CBDs of Johannesburg and Tshwane, by improving our buildings and uplifting the surrounding areas to reverse a generation of neglect and decay. Importantly, stakeholders have benefited as a result of our investments into practical and lifestyle-enhancing improvements that make a difference. We are proud of what we have achieved by working together and engaging with our various stakeholders as part of our commitment to rejuvenate our cities.

Our main stakeholder groups are defined, in no particular order of importance, as: our tenants and potential tenants; the investor community; our employees; inner city stakeholders, including informal traders, taxi associations and activists; our property and asset manager, City Property; the councils of Tshwane and Johannesburg; the communities in which we operate; property and industry forums; debt funders; suppliers; and JV partners.

Our approach to stakeholder engagement

The purpose of our various methods of engagement is to understand what matters to our stakeholders, and through interaction to address the positive or negative issues that are brought to light. Different stakeholders require different methods of engagement, and we formulate our communications accordingly.

We carefully consider both the methods and the impact of our interactions with stakeholders, although we have no formal policy in place. It is important to note that our Octodec brand is primarily investor-facing, whereas the City Property brand is more familiar to our tenants, due to the nature of the asset and property management services they provide.

The board appointed Instinctif Partners in 2013 to streamline communications and improve our exposure to investors and analysts.

All of Octodec's management functions are outsourced to City Property, in terms of the management agreement. City Property is accessible to our tenants and other stakeholders across a variety of platforms and they engage with the stakeholders on a regular basis.

Our focus areas for the year

We made a concerted effort to retain our residential sector tenants with the implementation of a tenant reward programme. We also focused on retaining our commercial tenants by rolling out an internal campaign with City Property to communicate "the City Property Way", which drives superior management performance in order to maximise stakeholder value for Octodec.

As we own a large number of properties in the inner cities of Tshwane and Johannesburg, we remain actively involved to safeguard our interests and those of our shareholders, tenants and other stakeholders. To this end, our informal engagements with all CBD stakeholders continued during the year and will remain a focus during the years ahead.

Due to the slow rate of lease renewals by the DPW, whose departments nonetheless remain in occupation of our buildings and pay rent in respect thereof, we engaged with various Government representatives to expedite and finalise negotiations. We will continue to interact with the department going forward.

How we engage with our stakeholders

During the year under review, we engaged successfully with all of our major stakeholders, with nothing out of the ordinary to report. We interact and communicate with our stakeholders in a variety of ways, including face-to-face meetings, SENS, roadshows and results presentations. City Property communicates with tenants and the public by way of face-to-face meetings; telephone calls via their contact centre; website; email; social media; and text messages/SMS.

Stakeholder	Interaction
Our tenants and potential tenants 	Our aim is to provide our tenants with quality accommodation and retain them with superior levels of customer service, which often leads to positive referrals by word of mouth. Property managers keep tenants informed and ensure that open channels of communication are available to receive any feedback or other tenant interactions. City Property's bespoke management systems administer the billing, utility recoveries or prepaid services where available, as well as collections.
	Property managers meet face-to-face with our tenants in every property sector and keep in contact via SMS and email. Social media has become a key communication tool for our tenants, particularly via Facebook, Twitter, Instagram and other platforms. Procedures are in place to monitor, respond to, and address any issues raised on social media.
	When communicating with our tenants, marketing plays an important role to promote leasing offers or share information about new service offerings. Our contact centre has set timelines for responding to calls, emails or queries that are received from the public, and these are closely monitored by management.
	With an increased number of families residing in our buildings, we responded positively by providing children's play areas, which are now standard in our residential developments and conversions, where space allows. These and other lifestyle enhancements are discussed further on page 49 of this report.
	By engaging with our tenants and potential tenants in various ways including focus groups, we received feedback and constructive criticism, *inter alia*, about our stringent credit vetting processes. On review, certain criteria that we required of potential tenants to rent an apartment were relaxed, where appropriate.
Our investors and potential stakeholders 	We communicate with the investor community directly as well as indirectly through Instinctif, via our reporting, results presentations, SENS announcements, city tours, one-on-one meetings and at our AGM. The board endeavours to ensure that our reporting, presentations, press releases and SENS announcements provide stakeholders with the requisite accurate information to make informed assessments of our performance and our short, medium and long-term prospects.
Our employees 	The management of our employees is outsourced to City Property in terms of a formalised management agreement. To this end, the HR policies at Octodec and City Property align with one another.
	To bridge the distance between our Tshwane and Johannesburg properties, regular interaction is maintained via WhatsApp and SMS messaging, meetings, emails, weekly communications from our managing director, and via live video conferencing facilities at the respective offices. To stay informed and up to date, the residential building managers patrol their buildings constantly. During the year under review, they were allocated devices in order to transact and to send and receive emails and other communications while on the move.
	Our managing director sends regular emails to make important announcements, share information about the business and inspire employees. Portfolio managers host informal talks with business managers to gain feedback on important day-to-day issues. We also hold team building activities on occasion during the year to provide relaxing and fun activities for teams of employees during working hours.
City Property	Octodec's daily asset and property management functions are outsourced to City Property under the terms of our management agreement. As a result, our interactions with City Property are extensive and cover a broad scope of business activities. This arrangement covers much of our stakeholder engagement activities, is discussed throughout this report and is detailed further on page 6.

Stakeholder	Interaction
The councils of Tshwane and Johannesburg and other authorities 	We manage our relationships with the various local authorities that have jurisdiction in the areas where we operate, namely the City of Tshwane and City of Johannesburg. We regularly engage with the South African Police Service and Metro Police on matters of law enforcement and to co-ordinate and communicate during times of unrest as witnessed in recent times. Sound and ethical relationships with the city councils of Tshwane and Johannesburg are essential to keep our buildings supplied with electricity, water and other infrastructure. As thousands of utilities bills are processed each month, we engage with the municipalities of Tshwane and Johannesburg to expedite the resolution of any billing-related issues that may arise. On average, 87% of all queries are resolved within 30 days to save on unnecessary costs. Our interactions with the councils help to resolve any operational, security, sanitation and cleanliness issues in our cities. We support the Tshwane Vision 2035, which aims to create a liveable, resilient and inclusive city. We also host events at our 012central venue and other suitable locations to attract people to the Tshwane CBD.
Communities in which we operate and inner-city stakeholders 	We manage our relationships with communities surrounding the areas in which we operate. This interaction includes our corporate social investment and charitable activities, which are discussed on page 32 of this report. We interact with landlord associations, community representatives, activists and non-government organisations. We work together with voluntary city improvement districts including the Arcadia and Hatfield City Improvement Districts, the Retail Improvement District, the South West Improvement District, Central Improvement District and Braamfontein Improvement District and endeavour to support and encourage other initiatives that seek to improve the public spaces around our assets. These initiatives are collectively aimed at providing top-up services to bolster the services provided by the City of Tshwane and the City of Johannesburg. These include cleaning, security and other urban initiatives that enhance placemaking, which in turn makes these areas more appealing. With a lack of municipal dustbins on the pavement outside our mixed-use complex, Sharon's Place, we procured and installed our own concrete bins, which drastically improved the cleanliness of the building's surrounding area. We engage with taxi associations that operate outside our buildings to foster relationships based on trust and mutual respect, and can resolve issues if they arise. We also build relationships by engaging with hawker associations and with informal traders on an individual basis.
Property and industry forums	We are active participants in industry initiatives and enjoy access to research and benchmarking information. As members of the Green Building Council of South Africa, we also have access to green building expertise and resources.
Debt funders 	Our finance director is supported by a full department of financial professionals employed by City Property, who manages our liquidity and funding requirements to ensure that adequate resources are available to meet our business objectives. Debt funder roadshows are undertaken, and presentations are held to keep our funders informed of our financial performance and debt position. This is a function that is managed for Octodec by City Property.
Suppliers and service providers 	City Property manages the relationships with various service providers that provide services for the benefit of the Octodec assets through the City Property procurement manager who heads up the procurement department. The managing director meets with service providers regularly to share ideas on service delivery expectations, quality, ethics and other matters that are either topical or fundamental to the business relationship. We receive regular feedback from our property managers on the levels of quality provided by our suppliers for services such as repairs and maintenance. We then give our suppliers this feedback to help them improve on their service levels. Our managing director holds regular meetings with suppliers to discuss ethics, transformation and other important, high-level matters. Within the context of a weak economy in South Africa and the cost of funding, we cannot currently justify the execution of any significant projects as these would not achieve satisfactory yields.
JV partners	We remain transparent and accountable in all of our dealings with JV partners. City Property manages these business relationships, which are guided by our shared vision and partnership objectives. We comply with all legislation and regulations and maintain ethical business practices with our JV partners at all times.

10 Operating context

Macroeconomic conditions

- Weak economy and volatile financial markets
- South Africa's sovereign rating
- Regulatory environment
- Country's poor reputation with regard to governance
- Municipal and court systems remain under threat

Emerging risks

- Land expropriation without compensation
- City of Johannesburg inclusive housing policy
- Tenant affordability
- Increasing supply of residential units by competitors
- Increasing social unrest
- Impact of disruptive technologies
- Increases in utility and assessment rate charges

Known issues

External environment

Internal environment

New and changing issues

Operations: Internal issues

- Cost efficiencies
- Water management
- Energy management
- Succession planning and skills retention
- Regulatory amendments and increased regulatory scrutiny
- Ageing infrastructure

Changes in execution: Strategy

- Impact of disruptive technologies on marketing of our properties, competing in a competitive environment and managing risks appropriately
- Understanding the needs of our tenants in an ever-changing environment
- Impact of social media, mobile applications and other internet-based applications on our brand, customer relationships and regulatory obligations

11

Managing risks and material issues

The board is responsible for the governance of risk, sets the direction for how Octodec manages risks, and delegates to the audit and risk committees' authority to exercise ongoing oversight of risk management.

Please refer to pages 71 and 78 of this report for information on the governance of risk.

Enterprise risk management

Octodec's ERM policy and framework aligns the company's strategy, processes, people, use of technology and knowledge with the purpose of evaluating and managing the uncertainties the company faces in protecting and creating shareholder value. The risk governance structures and processes, which include the oversight, management and assurance of risk management, are based on three lines of defence in a combined assurance model. They are designed to enable an effective internal control environment and support the integrity of information used for internal decision-making, strategy development and planning by management, the board and its committees.

In terms of Octodec's combined assurance model, management comprises the first line of defence in the management of risk, the risk and compliance oversight functions are the second line of defence, and independent assurance (both internal and external) comprise the third. Each of these three "lines" play a distinct role within Octodec's wider risk governance framework.

During the year under review, the risk committee approved the updated ERM policy and framework document to elaborate on its areas of appetite, tolerance and risk response and further to align its practices with the amendments suggested in terms of the ISO 31000:2018 standards, published at the end of 2018. The principles of risk management have therefore been updated to focus the business around the creation and protection of value.

Octodec's tolerance of and appetite for risk are set out in the ERM policy and framework. All risks which are inherently significant and/or high are generally treated to bring the effects within Octodec's tolerance – where Octodec currently has a moderate tolerance for risk. The risk matrix guides the business on when risks are rated as significant and/or high – according to a prescribed formula set out in its KnowRisk platform. Where a risk remains residually high or significant (i.e. where the risk cannot be easily prevented by Octodec, alternatively the cost of implementing additional controls are not viable/desirable), the activity giving rise to the risk is closely monitored by key individuals within the business and, where appropriate, is tolerated by Octodec.

Business level risk management

Octodec's risk management function sets the tone for risk management within the business and provides the framework for the identification and mitigation of risks in its everyday processes.

Each department within City Property which monitors Octodec's risks in line with its ERM policy and framework, has its own risk and opportunities register through which it actively identifies, monitors and manages the risks and opportunities.

City Property appointed an internal audit resource in the year under review, and she has commenced a thorough risk-based internal audit in accordance with the risk-based internal audit plan approved by the audit committee. The internal audit function works in collaboration with an external audit firm in a co-sourced relationship.

Octodec's risk priorities for 2019 were as follows:

- To evaluate, update where necessary, implement and create awareness of remedial measures/crisis management/business continuity and disaster management
- To evaluate various business plans to mitigate power outages and water shortages within properties
- Continued assessment of regulatory compliance within the business and, where possible, implement the controls necessary to ensure compliance in high-risk areas.

Octodec's risk priorities for the coming year are as follows:

- To continue to embed the business continuity and disaster management process throughout the business, to ensure preparedness for the unexpected
- To continue to embed ERM throughout the business and in particular, review the efficiency and effectiveness of the risk management processes relating to Octodec's core business processes
- To continue to embed the combined assurance process throughout the business to provide the board with assurance on the measures taken to mitigate the risk within the business.

Octodec's top risks, as approved by the risk committee during the year under review, are recorded in the table commencing on page 23. This table sets out:

- The risks identified by the business which may affect Octodec's ability to create value over the short, medium and long term
- The likelihood of the risk materialising, as well as the possible consequences should the risks materialise
- The most relevant controls that Octodec currently has in place to prevent and/or mitigate the effects of the risks.

Material issues

We define our material issues as issues that are important to both us and our stakeholders, and which are strategic to the business and are of significant risk. During the year under review an informal process of engagement was undertaken with our various stakeholder groups. The list of issues articulated in the table below were those matters most material to such stakeholders.

During the process of preparing this integrated report, those matters which our various stakeholders wish to see reported on are taken into account, and those deemed material have been included in the report. We identify our material matters as those issues that are of importance to the company and our stakeholders, which are strategic to the portfolio and are of substantial risk.

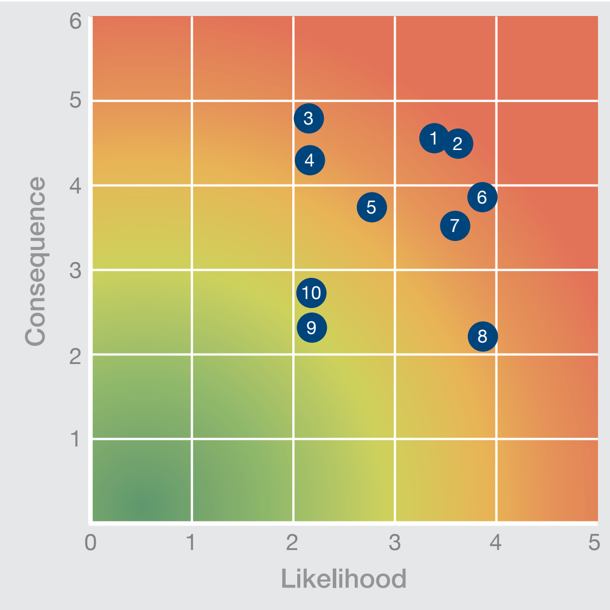
We have focused on our strategic priorities, risk management framework and stakeholder feedback, obtained through various formal and informal channels of engagement as a guide to the determination of materiality.

For further information on these material issues, refer to the Chairman's report, managing director's review and financial director's review commencing on pages 28, 34 and 64 respectively.

Material issues	Affected capitals	
1. Innovation		Keeping our spaces relevant to maintain their appeal to the changing CBD market. Using technology as a tool to: • Engage with our stakeholders • Manage assets more efficiently Finding smarter ways to operate, thereby saving time and money. Maintaining system protocols that ensure continued security/system protection, so as to limit business disruption. Continuing to find and implement dispute resolution processes to manage the prevailing lack of respect of the rule of law.
2. Strategic investments		Maintaining relevance of, while extracting value from, assets in strategically located core nodes. Exploring opportunities to identify new core investment nodes. Embracing and embedding the risk function as a tool to enable business and make informed decisions.
3. People and partners		Recognising that only people drive our ability to extract value. Continuing to entrench values-based decision making. Motivating and empowering our role players to achieve sustainable outcomes. Exploring partnerships with like-minded people to achieve long-term, sustainable growth. Changing negative perceptions through direct engagement with all stakeholders. Continuously evaluating changing customer preferences and expectations so as to sustain customer loyalty and remain relevant in a competitive market.
4. Optimising our balance sheet		Migrating capital from non-performing assets to better performing assets. Balancing the need to reduce the LTV ratio, with the need to cost of continuously improving and maintaining the relevance of our assets.
5. Impact of unrest in parts of RSA		Safety of assets and people in the CBDs are questioned, possibly aggravated by dissemination of fake and sensational news on social media platforms. Collectively these negatively impact perceptions by stakeholders and potentially erode value unless actively managed.

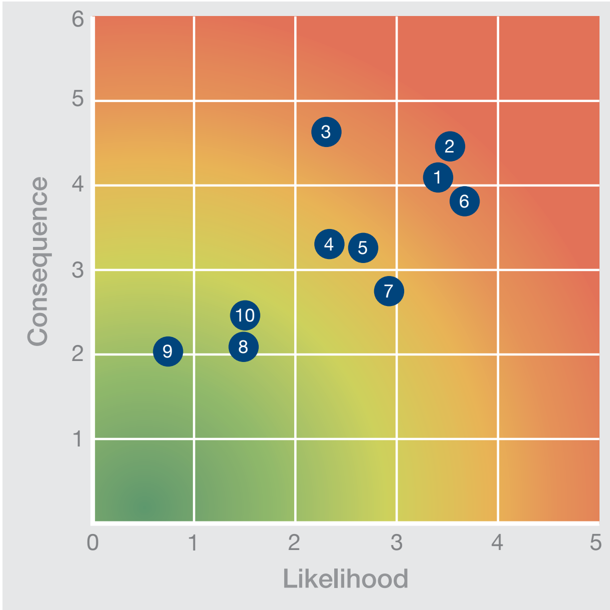
Risk matrix

Inherent



Consequence		Likelihood	
0 – 1	Negligible	0 – 1	Slight/rare
1 – 2	Minor	1 – 2	Unlikely
2 – 3	Significant	2 – 3	Possible
3 – 4	Serious	3 – 4	Highly likely
4 – 5	Major	4 – 5	Expected
5 – 6	Catastrophic		

Residual



Consequence		Likelihood	
0 – 1	Negligible	0 – 1	Slight/rare
1 – 2	Minor	1 – 2	Unlikely
2 – 3	Significant	2 – 3	Possible
3 – 4	Serious	3 – 4	Highly likely
4 – 5	Major	4 – 5	Expected
5 – 6	Catastrophic		

Octodec's top 10 risks

Risk (including origin)	Mitigation response	Capital impacted	Stakeholder group impacted
1 **Volatility in the financial markets and a further sovereign economic downgrade** **Origin:** RSA's growth outlook remains subdued, uncertainty regarding policies and financial instability within RSA	• Sound internal treasury policies and procedures are maintained • Borrowing and funding sources have been diversified over a number of different financial institutions, so as to reduce our exposure to a single funder • Extensive and in-depth negotiations are held with our bankers and funders with a view to extending payment terms on existing bonds and swaps • Focus is kept on maintaining our LTV ratio below 40%. Diversification of our funding pool may hold further funding opportunities • Hedging agreements are in place in respect of 85% of our loans for a weighted average term of 2.9 years		• Debt funders • Investors • JV partners • Government
2 **Exorbitant municipal tariffs, deteriorating service delivery** **Origin:** Poor municipal service delivery, continued increase in utility tariffs and excessive delays in court processes	• Relationships with local authorities ensure issues are resolved within the quickest possible time • We actively lobby for change through various forums • We endeavour to supply back-up electricity via back-up generators, where feasible • Stringent credit control processes are maintained • Savings on utility costs are constantly being investigated and implemented		• Tenants • Investors • Government

Risk (including origin)	Mitigation response	Capital impacted	Stakeholder group impacted
3 **Unfettered expropriation of land, without compensation** **Origin:** Land reform policies under consideration in RSA, redistribution of land to correct historical inequities	• We continue to actively lobby for responsible change through various forums • Strategic discussions are ongoing with regard to acquisitions and future developments of the existing portfolio, with particular focus on properties that could be earmarked for expropriation without compensation • Our portfolio is defensive by nature • Opportunities to diversify beyond our existing geographic locations within our local borders are continuously explored to further improve the defensiveness of our portfolio to volatile conditions and uncertain policies		• Debt funders • Investors • Tenants • JV partners • Government
4 **Regulatory changes and/or increased scrutiny** **Origin:** Octodec's regulatory universe changes with the promulgation and implementation of new and amended legislation	• Compliance with regulatory obligations, and changes to legislation are monitored within the legal, risk and compliance functions • Relationships are built and maintained with key stakeholders to ensure their expectations are met		• Debt funders • Investors • Tenants • Communities • JV partners • Government
5 **Rapid speed of disruptive innovations** **Origin:** Continuous development of technological advancements/innovations resulting in an ever-evolving competitive marketplace	• Various digital platforms are being investigated, as value-added services for our tenants • We continuously investigate new technologies to find smarter ways to operate, thereby saving time and money • We actively monitor social media to ensure continued customer excellence		• Debt funders • Investors • Tenants • Suppliers and service providers • JV partners • Government
6 **Continuously evolving geopolitical landscape** **Origin:** Rising populism and policy uncertainties	• Regular and consistent monitoring of potential conflict situations enables the business to implement appropriate measures to reduce damage and/or harm to the properties and its stakeholders • Relationships with key stakeholders and authorities are maintained. They actively assist in resolving conflict situations • We maintain our relationships with shareholders through regular interaction, roadshows and continuous communication on value-relevant information. We maintain effective insurance programmes to mitigate the financial impact of damage during social unrest		• Debt funders • Investors • Tenants • Employees • Suppliers and service providers • JV partners • Government • Communities
7 **Affordability of target market under pressure** **Origin:** Rising costs, minimal GDP growth and increasing unemployment	• Assets are spread across various sectors with our tenant base being diversified to limit exposure to single tenant failure • Aggressively market vacant units in properties with high vacancies, at attractive rentals; appropriate credit control processes are maintained and alternative means of dispute resolution are embraced		• Debt funders • Investors • Tenants • Employees

Risk (including origin)	Mitigation response	Capital impacted	Stakeholder group impacted
8 **Inability to adapt to changing ethical norms and expectations** **Origin:** Key stakeholders demand increased transparency and strictly controlled operating environments	• We continuously build and maintain relationships with shareholders and stakeholders at large, through regular interaction and continuous communication • The rollout of a new ethical hotline has increased awareness of our zero tolerance of unethical and/or inappropriate behaviour • We have implemented and embedded an integrated ERM and combined assurance model within the business, which creates the necessary awareness surrounding the management of the risks involved in doing business		• Debt funders • Investors • Tenants • Employees • Suppliers and service providers • JV partners • Government • Communities
9 **Cyber attack and data integrity** **Origin:** Continued attacks on ICT infrastructure, domestically and globally	• Our ICT infrastructure is managed and maintained by a dedicated in-house team and service providers with appropriate service level agreements • The overall IT infrastructure is continuously upgraded • An off-site disaster recovery system continuously stores, backs up and mirror images data to ensure effective and timeous return to service in cases of disaster • A business continuity plan has been implemented to ensure business resilience		• Debt funders • Investors • Tenants • Employees • Suppliers and service providers • JV partners
10 **Difficulty in attracting and retaining talented resources** **Origin:** Limited talent pool from which skilled individuals can be selected; employee engagement impacted by external environment	• Ongoing knowledge and skills transfers to employees through on-the-job training initiatives • Incentives have been put in place to retain experienced individuals • We constantly strive to improve our existing initiatives to be an employer of choice by improving our training and development programmes offered to existing employees • We exploit opportunities to encourage learners to participate in our learnership programmes with a view to improving their future employability		• Employees • Investors • Tenants

12 Our board

Non-executive directors

Sharon Wapnick (56)

Qualifications:
BA LLB *(cum laude)*

Designation: Non-executive Chairman

Date of appointment as Chairman:
1 October 2011

Date of appointment:
4 October 1994

Board committee memberships: Member of the nominations, SERT and risk committees

Significant other public company directorships: None

Number of non-significant directorships: Forty-two

Skills and expertise: Industry experience (property), general leadership, management and business operations, legal, regulatory and corporate governance, risk and opportunity management, strategy development, corporate and social affairs, mergers and acquisitions, industry experience (insurance) and JSE Listings Requirements.

Experience: Sharon was appointed as Chairman of Octodec on 1 October 2011 and has considerable experience in the property sector, as well as in legal-related property, commercial and corporate matters. She is an attorney and a senior partner of Tugendhaft Wapnick Banchetti and Partners. She is a non-executive director of City Property.

Myron Pollack (72)

Qualifications: CA(SA)

Designation: Non-executive director

Date of appointment:
4 October 1994

Board committee memberships: Member of the independent subcommittee, audit, risk, nominations and SERT committees

Significant other public company directorships: None

Number of non-significant directorships: Four

Skills and expertise: Finance, industry experience (property), general management and business operations, risk and opportunity management, strategy development, environment/sustainability, technology and information governance, legal, banking industry experience, supply chain operations, internal and external audit, tax and treasury.

Experience: Myron's areas of expertise include finance and property. He is not considered to be independent as stipulated by the recommendations of King IV™ due to his personal shareholding in Octodec.

Executive directors

Anthony Stein (52)

Qualifications: CA(SA)

Designation: Financial director

Date of appointment:
1 July 2009

Board committee memberships: Member of risk committee

Significant other public company directorships:
Premium Properties Ltd

Number of non-significant directorships: Nineteen

Skills and expertise:
Finance, Industry experience (property), general leadership, management and business operations, legal, regulatory and corporate governance, risk and opportunity management, strategy development, corporate and social affairs, corporate finance, mergers and acquisitions, internal and external audit, tax, treasury, IFRS and JSE Listings Requirements.

Experience: Anthony 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.

Jeffrey Wapnick (59)

Qualifications: BCom

Designation: Managing director

Date of appointment:
2 October 1998

Board committee memberships: Member of the risk committee

Significant other public company directorships:
Premium Properties Ltd

Number of non-significant directorships: Sixty-three

Skills and expertise:
Finance, Industry experience (property), general leadership, management and business operations, risk and opportunity management, strategy development, consumer marketing, stakeholder engagement and investor relations.

Experience: Jeffrey is responsible for the management of the group, with a strong emphasis on upgrading and development of properties. He has a wealth of experience in the property industry. He is the managing director of City Property.

Independent non-executive directors

Derek Cohen (68)

Qualifications: AEP (Unisa)

Designation: Lead independent director

Date of appointment: 1 October 2009

Board committee memberships: Chairman of the nominations and independent subcommittees and a member of the audit, risk, and SERT committees

Significant other public company directorships: The Smart Life Insurance Company Ltd

Number of non-significant directorships: Five

Skills and expertise: Corporate and property finance, general management and business operations, legal, regulatory and corporate governance, risk and opportunity management, strategy development, technology and information governance, HR and remuneration, consumer marketing, mergers and acquisitions, banking and investment banking experience, internal and external audit, treasury and JSE Listings Requirements.

Experience: Derek has extensive experience in banking and finance and provides consulting services with a specific focus on mergers, acquisitions and corporate finance-related matters.

Nyimpini Mabunda (43)

Qualifications: MBA, Post Graduate Diploma (Marketing Management), BSocSci

Designation: Independent non-executive director

Date of appointment: 11 February 2019

Board committee memberships: None

Significant other public company directorships: None

Number of non-significant directorships: Six

Skills and expertise: General management, business operations, risk and opportunity management, strategy development, corporate and social affairs, HR and remuneration, consumer marketing, mergers and acquisitions, supply chain operations, insurance and telecommunications industry experience, management consulting and digital transformation.

Experience: Nyimpini has considerable experience in consumer goods and telecommunications businesses across Africa, where he spent over 20 years in senior executive roles including managing director for Uganda Breweries (Diageo subsidiary) and chief officer for Vodacom's consumer business. He currently serves as senior advisor at Boston Consulting group and sits on various portfolio company boards for Ethos Private Equity.

Gerard Kemp (65)

Qualifications: MSc (Mining Engineering), DPLR, MDP

Designation: Independent non-executive director

Date of appointment: 1 October 2013

Board committee memberships: Chairman of the SERT committee and a member of the independent subcommittee, audit, risk and nominations committees

Significant other public company directorships: None

Number of non-significant directorships: Three

Skills and expertise: Corporate finance, industry experience (property), general management and business operations, risk and opportunity management, strategy development, corporate and social affairs, environment/sustainability, HR and remuneration, mergers and acquisitions, investment banking and mining industry experience.

Experience: Gerard was formerly the chief executive officer of KCS Resources (Pty) Ltd, a division of Transafrika Resources and the Pamodzi Resources Fund. Prior to that he was director of business development (resources) at Rand Merchant Bank, head of investment banking and head of equities research at BoE Merchant Bank and BoE Securities. He was formerly an independent non-executive director of Keaton Energy Holdings Ltd.

Pieter Strydom (71)

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

Designation: Independent non-executive director

Date of appointment: 6 February 2012

Board committee memberships: Chairman of the audit and risk committees and a member of the independent subcommittee, nominations, and SERT committees

Significant other public company directorships: Old Mutual Nigeria Life Assurance Company Ltd, Old Mutual West Africa Ltd, Old Mutual General Insurance Company Nigeria Ltd, and The Smart Life Insurance Company Ltd

Number of non-significant directorships: Two

Skills and expertise: Corporate finance, industry experience (property), general management and business operations, legal, regulatory and corporate governance, risk and opportunity management, technology and information governance, banking and insurance industry experience, internal and external audit, tax, treasury and IFRS.

Experience: Pieter has 47 years of experience in external auditing, special investigations and all disciplines of risk management.

13 Chairman's report

Introduction

At Octodec we understand that property is a long-term investment. We have navigated the ups and downs of multiple economic cycles. We have built our property portfolio over many years and we have not simply endured — rather, we have historically delivered steady and reliable returns for our shareholders and other key stakeholders.

We believe in our business and have a solid balance sheet which should see us through these uncertain times. For the country to return to meaningful levels of economic growth, investor trust needs to be restored and those involved in corruption must be held accountable. We believe this process has begun, with the various commissions of inquiry currently underway.

It is unfortunate that both the public and private sectors have been tainted by corrupt activities and this has affected business and investor confidence. Confidence is slowly being restored with the strengthening of key institutions including SARS, the National Prosecuting Authority and the National Treasury. While there has been an erosion of taxpayers' and society's trust, the independence of the judiciary is robust, as evidenced by a number of high-profile rulings from the various courts.

As a nation, we must endeavour to stave off the threat of further sovereign credit downgrades. This may yet happen due to the challenging social and economic conditions facing the country, which are exacerbated by the effects of rampant looting. Likewise, solving the land issue must be sensibly dealt with by the Government to uplift our nation and safeguard the country's long-term economic viability.

As a responsible corporate citizen, we hold ourselves to the highest ethical standards and values. Our values guide our everyday business activities and strategy — we provide tenants with quality, safe, clean accommodation that is accessible to families and close to their places of work and destinations as consumers.

As many of our properties are closely concentrated within our nodes, residential tenants are often patrons of our retail, office and other commercial tenants. This integration, which includes shared costs for property management, cleaning and security services, sees many benefits for Octodec, our tenants and the areas surrounding our properties.

Strategic execution

With considerable effort, we delivered distributions in line with the board's guidance for the year, which we believe is commendable in the context of our peer group's total return of negative 1.5%. While performance is traditionally measured by growth in distributions, rental growth has been difficult to achieve as tenants, consumers and businesses remained under financial pressure. It should be noted that our strategy to retain tenants includes a level of understanding and support on our part to help them withstand the downturn.

Despite the tough conditions, we have not sought to maximise distributions by cutting our capital expenditure (capex) for repairs and maintenance. We are experienced players in property and understand the value of maintaining and improving the quality of our assets, as failing to do so would compromise the integrity of our portfolio in the longer term. To this end, we invested in key capex where necessary.

Our strength is in our industry knowledge, economies of scale, and an attractive offering that sets us apart from our peers. Furthermore, our value proposition creates a formidable barrier to entry in our CBD nodes in particular. As we are equipped to withstand the economy, we continued to leverage our size and competitive advantage in the market during the year.

A competitive market is healthy and benefits all players and stakeholders by stimulating progress and creating demand for improved products and services. Over time, new features become the norm as the improvement cycle continues. We note that some landlords are upgrading their offerings to try and close the quality gap we have created. Whereas bad elements in an area erode value, we view the opposition's enhancements in a positive light as they benefit our nodes and the property market in general.

In order to extract attractive yields, conversions of mothballed properties into tenanted buildings require workable interest rates. Our feasibility tests during the year confirmed that conditions were not conducive to attracting sufficient rentals from tenants to justify the required capex. Should economic activity and tenant affordability improve, converting mothballed buildings will be more viable. However, if we receive attractive offers for non-core, mothballed assets earmarked for possible sale, we will continue to consider disposals.

Stay focused or diversify?

Case study #1

We owe our continued sustainability to our unique market know-how and experience. While there may be other markets of interest that we could pursue, regular interactions with our shareholders and other stakeholders support our firm belief that we should "stick to our knitting" and focus on what we do best, in the sectors we understand best.

We have the ability to convert mothballed assets into new specialist segments. However, when faced with the current economic slump, the expected rewards must balance the likely risks of diversification.

By staying focused, we remain active, visible and relevant in a broad range of property sectors, including our residential portfolio, which is the largest among South African REITs. In total, we house more than 8 475 residential tenants, and provide places of work for more than 6 190 office tenants, among others. We create value beyond financial returns by having a community mindset and putting people at the heart of everything we do. This approach has served us well for decades and continues to guide our strategy going forward.

Our winning formula

Case study #2

Property is in our blood — it has been said that we knew our CBDs before our ABCs. We have the support of our shareholders and are known in the property market for our reliability, tenacity and consistency. Being experienced, we have earned our good reputation over the course of many years.

We leverage City Property's institutional knowledge and skills to deliver sustainable value for our stakeholders and stay ahead of our competitors. Our dedicated management company keeps in touch with the changing needs of the market — solely to our advantage. It stays relevant in the competitive world of asset and property management by constantly refining its resources and the way it conducts business.

Key to our strategy is that we are not dependent on, nor do we have significant exposure to, any single tenant in the portfolio. We have attracted a large pool of diverse tenants. Having a granular tenant base means that should any tenant fall on hard times, as in the case of Edcon, the impact is contained.

The noticeable improvements we have made to our CBD nodes have attracted national tenants previously not seen in the busy inner-city areas. We expect that with these anchor tenants in place, others will join them to further enhance our property nodes.

Looking beyond lease expiries

Case study #3

During our numerous stakeholder engagement sessions, we often discuss the portfolio's lease expiry profile, which is different from other REITs. At a glance, our average lease expiries are short, but a closer analysis reveals that many of our tenants have been on month-to-month leases for several years.

We support "start-ups" but mitigate our risk by entering into month-to-month leases with them rather than longer terms. In addition some of these types of tenants themselves prefer the safety of a shorter lease for the premises of their new business as they are at that stage uncertain of their success.

We know how to operate successfully with our tenants on monthly leases. We match their needs for affordable, quality, secure spaces within our large portfolio of properties with specialised management services. Whereas other REITs might not feel comfortable with monthly leases, we have the requisite experience and management skills at our disposal to turn this opportunity into a competitive advantage that sets Octodec apart from its peers.

Good corporate governance and sound leadership

The board's crucial role

Our hands-on board's primary role is that of oversight and safeguarding the integrity and future of the company for the benefit of all stakeholders. Through regular interactions and meetings, the board remains well informed of the matters that are most material to the company.

Should matters arise that require urgent action, board members make themselves available to deal with such situations and guide management to find appropriate solutions.

Being an ethical and responsible company, we make transparent disclosures of our business activities, which we keep as simple and understandable as possible.

The board's main focus areas during the year

Due to the constraints of the local economy, it was not financially feasible to make acquisitions or execute major conversions or developments during the year. In addition, we had aimed to reduce our LTV ratio further, but conditions were such that our current gearing was maintained, which we feel is at an acceptable level under the circumstances.

In the absence of attractive opportunities, the board instructed management to focus their efforts on the fundamentals of property management. Broadly, this refers to core business activities such as vacancy reduction, tenant retention, arrears management, repairs and maintenance programmes, and looking after our tenants by catering to their needs and caring for our properties.

To enhance the quality of the portfolio, we continued our strategy to gradually dispose of non-core, underperforming assets. There is no urgency in this regard, and we follow a selective approach to disposals, considering the merits of each on a deal-by-deal basis. Being sensible in our disposals ensures that we achieve our strategic objectives without undermining the overall performance of the portfolio.

Directors' training

Board members keep themselves up to speed with the goings-on in the company, the markets, and the broader world around them. During the year, members have attended informative seminars, lectures, workshops and interactive discussions led by experts in their respective fields, some of which are tailored to Octodec and exclusively attended by our directors. Topics covered included business and the markets, integrated thinking, ethics, values and good corporate governance.

Board and board committee meeting packs generally include any relevant new literature, standards, practices, legislation updates, relevant legal precedents and other reading material to ensure compliance with best practice as recommended by King IV™.

Board and board committee evaluations

Every second year, board members anonymously evaluate one another by way of a questionnaire in a process that is administered by the group company secretary. It is an important forum that yields significant value through constructive and honest feedback to serve the best interests and sustainability of the company.

The evaluations, present opportunities for directors to further contribute to the discourse by raising crucial issues that may be awkward to discuss in person, but necessary in order to progress the business. Each director is highly experienced and knowledgeable, and the board and board committee evaluation process is a method that transcends personality and rank to ensure a fair and level playing field.

The board and board committees underwent evaluations in 2018, and all matters that arose were recorded, addressed and resolved during the year under review.

Risk management and material issues

The board, with the assistance of the risk committee, regularly evaluates the risk register, adding any new risks that have arisen and making the necessary adjustments to existing ones in terms of their ranking or likelihood. To this end, regular meetings are held to ensure that the risks facing Octodec are managed and kept top of mind. The internal and external auditors also monitor the entire business to assess the potential impact of various types of risks.

It stands to reason that material issues are interrelated with strategy, stakeholder engagement and risk management. After engaging with our key stakeholders, the material issues that emerge are then analysed, articulated and approved by the board. Our material issues are divided into five main categories, namely innovation, strategic investments, people and partners, optimising our balance sheet and impact of unrest in RSA.

For further information, please refer to the managing risks and material issues section, commencing on page 20 of this integrated report.

Transformation

As a responsible corporate citizen, we are cognisant of our role in transforming the country's economy and to this end, we have developed a B-BBEE strategy and relevant plans aligned to the amended Codes of Good Practice.

We made progress in this regard during the year under review, as our management control was bolstered with the appointment of Nyimpini Mabunda to the board as an independent non-executive director on 11 February 2019. He brings a wealth of corporate experience to the company and has served on a number of boards, including as an executive director at Vodacom Group Ltd. We welcome Nyimpini to the board and look forward to working together. We will look to further improve our B-BBEE performance as opportunities and conditions permit.

We assist communities in need around the areas where we operate via meaningful initiatives that we have selected for our socio-economic development programme. These worthy causes include Thembalenkosini Care Givers in Soweto, after Day-care Centre, Rise Against Hunger, Forever Friends Foundation, POPUP — People Upliftment Programme, ACFS Community Education and Feeding Scheme, Harambee Youth Employment Accelerator, Stacy's Baby Care and Pre-school and Walter Sisulu Education Centre. These initiatives are discussed further on page 32 of this report.

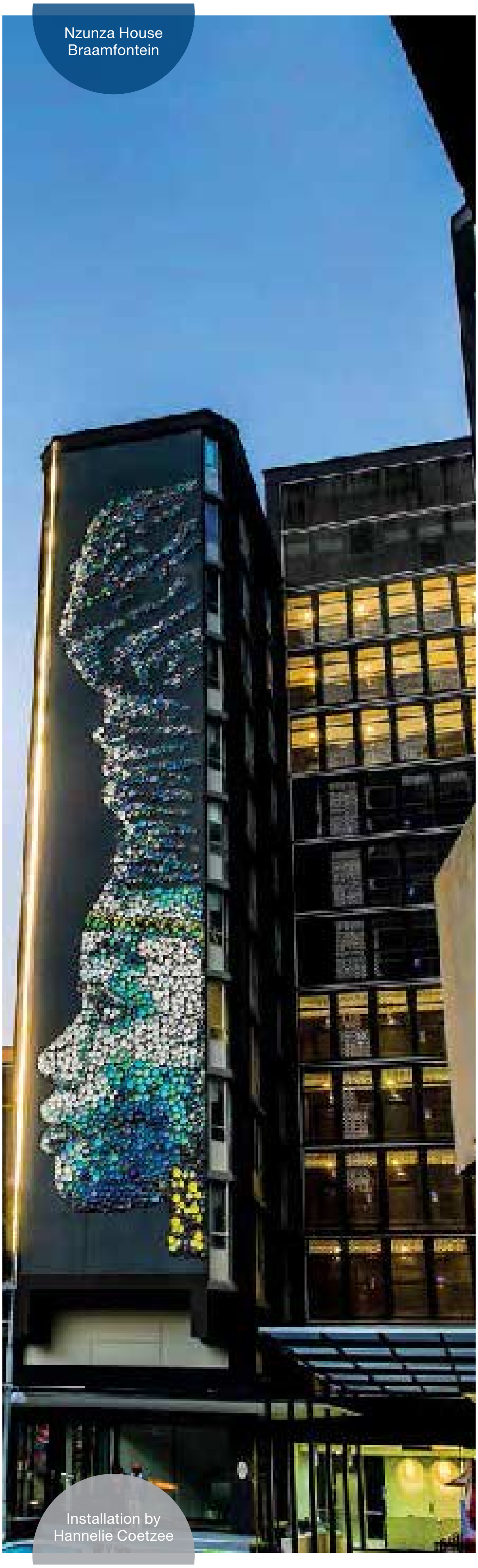
In addition, we have an enterprise and supplier development programme, whereby 12 fledgling black-owned businesses are being selected to join the Raizcorp Prosperator Project. The aim of this initiative is to give these 12 small/micro enterprises the opportunity to grow into sustainable businesses by becoming regular suppliers to Octodec. In the CBD Guarding Project, we support qualified security guards who protect and assist the local community to further enhance the areas around our properties.

Giving back with community-minded initiatives

We remained active in our socio-economic development programme during the year, extending our support to vulnerable communities through various initiatives. These provide much-needed help to the less fortunate with a focus on education, skills, employment opportunities, childcare, and donations of clothing and food.

> We **assist communities in need around the areas where we operate** via meaningful initiatives that we have selected for our socio-economic development programme.

Nzunza House
Braamfontein



Installation by
Hannelie Coetzee

Rise Against Hunger

Case study #4

According to the Food and Agriculture Organization of the United Nations, more than 820 million people in the world do not have enough food to live a healthy life. While such a number is staggering, each and every contribution is a positive step and makes a difference.

Rise Against Hunger is an international initiative that supports safety net programmes to the world's most vulnerable people. These provide nutrition as well as additional skills training or services that assist the difficult journey out of poverty. Volunteers package meals that are provided to children to boost their school attendance, which makes a tangible contribution to improving their lives and prospects for the future. For the second year in a row, we sponsored 100 000 meals. We have also identified a number of worthy local feeding initiatives that will receive meals packaged by staff in the coming years.

Forever Friends Foundation

Case study #5

We support this NPO, which works closely with the Department of Social Development to assist and uplift the lives of abused and abandoned children who have endured terrible pain and trauma. Children who have lived on the streets, as well as children who are removed from abusive homes are placed in selected, approved shelters by the foundation to protect them from further harm. Once in a safer, more positive environment, their journey to healing can begin.

The children are each given a lifeline kit – a shoulder bag that is packed with useful and necessary daily items. The bags each contain clothing, footwear, a book, food, snacks, a soft, comforting toy, and a full range of toiletries with a towel and facecloth. We donated 250 fully stocked bags and clothing vouchers to the foundation and also encouraged our employees to donate some of the kit items, which amounted to an additional donation of six boxes of goods.

People Upliftment Programme – POPUP

Case study #6

Established in 1999, POPUP takes a holistic approach to the upliftment of underprivileged communities. This fully-fledged skills training and development centre focuses on empowering the youth by developing skills they need to find employment or start their own businesses.

Over the years, the organisation has developed several programmes to address the mental, physical, emotional and spiritual wellbeing of the less fortunate. To assist, we are sponsoring some of the much-needed training equipment they require at their Soshanguve centre.

Stacy's Baby Care and Pre-school

Case study #8

This early childhood development centre is located in one of our properties in the Tshwane CBD. To make the care centre more secure and suitable for children, we are assisting by building a safe outside play area for them to enjoy, as well as new bathrooms.

ACFS Community Education and Feeding Scheme

Case study #7

We support this NPO, which seeks to address malnutrition, poverty, hunger, and strives to play a leading role in empowering communities with skills that lead to self-reliance and independence. Operating in townships and informal settlements in and around the City of Johannesburg, the scheme currently feeds 14 500 underprivileged people.

After previously assisting ACFS by planting gardens, this year we have donated shade netting that will protect the plants from the elements and optimise their harvest yields.

Walter Sisulu Education Centre

Case study #9

The Walter Sisulu Education Centre focuses on curriculum-based educational activities that support the efforts of teachers to educate and motivate learners with outcomes-based activities that are stimulating, fun and informative. To date, the centre has hosted over 68 000 learners, and this year we have sponsored 800 children to attend the programme.

The year ahead

The listed property sector is bearing the brunt of the much publicised alleged serious governance issues of certain REITs, and it is likely that this will continue during the coming year. Investor confidence has also been eroded by unrelated scandals in the public and private sectors. Many corporates have been "tarred with the same brush", whether they have been found to be complicit in malfeasance or not.

In this reality, our task is to remain as transparent as we have always been and maintain our high standards of ethical conduct. Hopefully, confidence in the sector will soon be restored. At Octodec, we are confident that our simple structure allows for transparency.

To safeguard our portfolio of assets and deliver sustainable value to shareholders, it is incumbent upon us to keep doing the basics well and remain at the ready to seize opportunities in the market. Our strategic priorities for the year ahead are balance sheet optimisation, ongoing property and asset management with a focus on property fundamentals, and the sale of non-core assets.

As always, we will continue to engage with our stakeholders, to stay relevant, informed and in tune with the markets. We will keep our channels of communication open and interact with our tenants. On our roadshows and in our presentations, we will strive to provide analysts and investors with a better understanding of our assets and the benefits of their high concentration within our nodes.

Underpinned by our robust portfolio of properties, our company has withstood economic downturns over the decades and emerged even stronger. We sweat our assets to extract maximum value for our shareholders, tenants and other stakeholders. When economic conditions improve, we will be in a favourable position to capitalise on opportunities in the market.

Appreciation

My most sincere thanks to the board for their hard work, diligence and commitment during a highly challenging year. I also deeply appreciate the contributions of our highly capable management team and employees of Octodec and City Property — the fruits of your daily efforts are a source of pride. We are truly thankful for the support of our loyal shareholders and will endeavour to grow or at least protect our distributions in what we anticipate will be another challenging year ahead.

Sharon Wapnick

Non-executive Chairman
10 December 2019

Our strategic priorities for the year ahead are **balance sheet optimisation, ongoing property and asset management** with a focus on property fundamentals, **and the sale of non-core assets.**

14 Managing director's review

Consistency pays off

During the year under review, we continued to focus our efforts on steadily enhancing the overall value of our portfolio, which is largely concentrated in the Johannesburg and Tshwane CBDs. As many of our investment properties are in close proximity to one another, we leveraged our advantages of scale and management efficiencies. In addition, our extensive residential portfolio targets the high-demand, low to mid-LSM rental market which is fed by the continuing trend of urbanisation.

By doing what we do best, we have attemped to position Octodec to create long-term, sustainable value for our shareholders. The strength of our business is underpinned by a property portfolio that was built to withstand the difficult conditions that persist in South Africa.

To provide shareholders with a meaningful analysis of our portfolio, our investment properties are split into segments that accurately reflect the markets served by the tenants occupying them. By rental income, the weighting of our property portfolio is as follows: 32.2% residential, 10.1% retail shopping centres, 23.6% retail shops, 15.8% offices, 7.0% industrial and 11.3% specialised and other. Our property sectors are set out in detail in the property portfolio review, which begins on page 40 of this integrated report.

Business and political environment

In South Africa, the trading environment and economic conditions remained challenging. Consumers experienced pressure on disposable income as business confidence weakened, which impacted on property fundamentals, rentals and collections. Ultimately, these poor conditions prevented rental income growth and impacted on the performance of the portfolio and our distributable income. Notwithstanding the challenges, we remain steadfast in our view that the business is sustainable into the future.

The high cost of funding within a tough economic climate and the increasing costs of construction have rendered new builds unfeasible and made smaller projects less attractive with low yields forecast. The higher costs are partly attributable to a number of long-established construction companies facing bankruptcy and closure in recent times, as well as the destructive impact of the so-called "construction mafia" which continues to plague developments in our CBDs.

Positively in these tough conditions, the CBDs where we operate have been largely insulated from the diminished purchasing power in the market, which has seen some national tenants downsizing or reducing their lettable areas. To illustrate, the massive scale of the Edcon debacle has not had a material impact on our portfolio, with only one of our buildings in Johannesburg affected.

Bad debts have increased, but still fall within the range of our acceptable tolerance levels. We are monitoring the rising cost of occupation, including higher charges for utilities, assessment rates and services. Our retail and commercial tenants in the CBDs are less exposed to these factors than our tenants in shopping malls.

We were encouraged by the appointment of Ms Patricia De Lille as the new Minister of Public Works during the year. We were heartened to read about the minister's positive approach to stabilising and managing the backlog at the DPW and are therefore hopeful that our lease renewals with the department will be expedited. In addition, we remained proactive in our engagement during the year, keeping in regular contact with various Government representatives and negotiating terms to conclude our leases with the department. No new leases were concluded with the DPW as at year end.

Internationally, strong growth in the developed markets of the United States has seen many investors exiting emerging markets and becoming more risk averse as yields in that country have gained momentum. While the broader effects of the United States' tariffs imposed on China and other major trading partners by the Trump administration remain to be seen, the short-term effects have been generally negative for emerging markets.

Performance overview

In terms of our financial performance for the year, the board declared a total dividend of 200.9 cents per share (2018: 203.40 cents), which was in line with our forecast and guidance to shareholders. Revenue for the year increased by 5.0%, with like-for-like growth of 2.0% in total rental income, which was supported by residential property income growth of 3.5%.

We focused significant attention on managing our core vacancies, which were stable at 11.5% (2018: 11.6%), and we feel that these levels are not material in the context of the overall portfolio. By sector, our specialised and other properties have the lowest core vacancies at 6.3%, followed by residential property, which contributes 32.2% to rental income, with vacancies of 6.7%. Our core vacancies exclude properties that are either mothballed or under major development.

In line with our strategy to recycle capital, we disposed of 19 non-core assets for a total consideration of R212.9 million at a 2.5% premium to book value, with 11 properties transferring during the year under review. Our portfolio of 285 investment properties (2018: 304 properties) is currently valued at over R12.8 billion (2018: R12.7 billion).

Our share price decreased by 23% to R15.92 per share (2018: R20.58 per share), which is in line with the negative trend in the SAPY Index. Share liquidity reflected our strong institutional shareholder support with a relatively low percentage of the share capital traded during the year, being 18.3% of the company's market capitalisation, which was R4.24 billion (2018: R5.48 billion).

We were disciplined in our approach to prudent capital management during the year under review, which was also in line with our strategy. For details about how we have optimised our balance sheet, please refer to the financial director's report, commencing on page 64.

In summary, within a tough business environment, the portfolio was impacted by pressure on rental income growth as well as higher property operating costs and finance charges during the year. For the performance metrics and further commentary on each property sector within our overall portfolio, please refer to the property portfolio review, commencing on page 40.

Our progress

The aim of our strategy is to create sustainable value for our stakeholders, by leveraging our portfolio, and optimising our balance sheet and funding structure. To measure our achieved performance against our planned objectives, we have articulated three strategic priorities, as approved by the board. These are balance sheet optimisation, sustainable value creation for stakeholders and portfolio optimisation through ongoing property and asset management with a focus on property fundamentals. Our strategy and strategic priorities are set out on pages 12 and 13 of this integrated report.

Acquisitions and disposals

To improve the quality of our portfolio means being selective in the assets that we acquire and identifying properties within our portfolio that are no longer core to our business. This approach ensures a more efficient use of capital, which we deploy into investments that can deliver better yields and meet our standards of performance into the future. Values of some of our properties in our property portfolio did however slightly decline as a result of rising costs and poor market conditions, which prevented rental growth, and the higher cost of defensive spend, which is attributable to constraints within the construction sector. The conditions of the business environment are discussed in further detail on page 19 of this report.

Effective 1 November 2018, we acquired the remaining 50% interest in Jardtal, for a total cash consideration of R36.5 million at an initial yield of 9.5%. Jardtal owns two properties: Kempton Place, a residential mixed-use property, located in Kempton Park and The Brooklyn, a residential building with retail space located in the Johannesburg CBD.

For further details in regard to our disposals for the year, please refer to the tables and commentary on pages 47 and 48 of the property portfolio review.

Tenant retention

In our experience, residential and certain commercial tenants typically enter into 12-month leases, as they are not comfortable committing to longer terms, especially during cycles of low economic growth. Many of these tenants prefer the flexibility of short leases and continue to stay in the leased premises after their initial lease periods have expired. Accordingly, although our weighted average lease expiry ("WALE") profile is much shorter than that of other traditional REITs, we enjoy the benefit of actually retaining tenants for periods longer than those specified in their leases. As a result, Octodec is quickly able to increase rentals when market conditions are conducive to this.

We are specialised, with a unique collection of investment properties where fundamentals remain robust. We continue to benefit from operating in markets with higher demand and still believe it is easier to retain our existing tenants than it is to replace them. We therefore remain focused on tenant retention through the efforts of our committed management team and the systems we have in place.

Within our portfolio, we are pleased to report that we do not have any material single tenant risk, whereby a significant area within a large property is occupied by just one tenant, with the exception of Government.

A residential loyalty programme that rewards tenants for staying in our buildings was introduced in 2018. We are still closely monitoring its impact but are encouraged by early indications which suggest that the programme has been well received. Based on positive results over time, we will consider extending this programme into other selected sectors.

Notable new leases and renewals

1 Tourvest divisional head office and warehouse

In our continuous search for business, we find new ways to fill vacancies by meeting the unique needs of tenants, despite the challenging business environment. To illustrate, we filled the old Edgars vacancy (mothballed space) of 1 991m² above Dis-Chem in Killarney Mall by converting it into a modern warehouse to manage stock for Tourvest's chain of 66 domestic retail stores. Through consultation, planning and intelligent design, we successfully leased a vacant space without impacting on our retail tenants below or the shopping experience of their patrons. Tourvest also moved its divisional head office from Jewel City to a stylish, 665m² purpose-built office, located in the Killarney Mall Office Towers.

2 Dis-Chem, Clicks, Exclusive Books and others

During the year under review, we extended Dis-Chem's lease for another 10 years at Killarney Mall, and Clicks for a period of five years. We are pleased to report that Exclusive Books has relocated their head office from Kramerville to Killarney Mall Office Towers, leasing newly fitted, modern premises spanning 1 100m² located on the upper office level. The mall has also secured a new lease with Mugg & Bean's new franchisee. Pick n Pay Clothing concluded a new five-year lease for 400m².

3 HomeChoice

In a first for the Tshwane CBD, catalogue shopping giant HomeChoice took occupation of a beautiful new 1 100m² high street retail corner store, a short walk from Sharon's Place. The popular online homeware retailer has a number of physical showrooms where shoppers can view goods, make purchases and collect their online orders.

4 Nationals

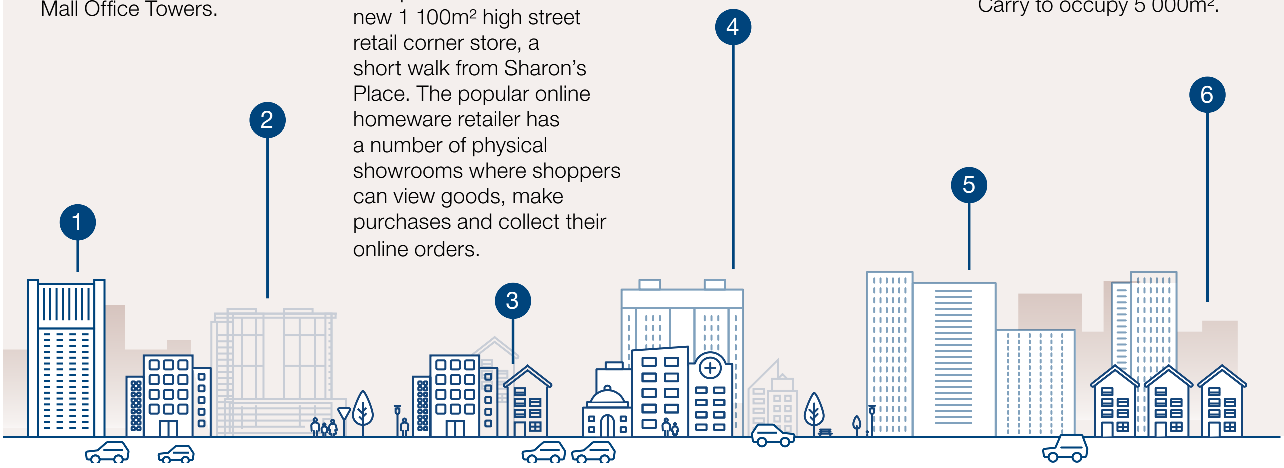
At Elarduspark Shopping Centre in Tshwane, renamed as "The Park", where we are in the process of finalising a major upgrade, we signed five-year leases with Ackermans and value retailer Pick n Pay Clothing, with the latter signing a new five-year lease to take up space at Waverley Plaza shopping centre as well. In a first for the Tshwane CBD, fashion retailer Ackermans Ladies joined other well-known outlets in our Centre Walk arcade, signing a three-year lease. Value clothing retailer Power Fashion also signed a three-year lease at Prinschurch and fashion retailer RFO signed a new three-year lease at Vanstrub, both firsts for the Tshwane CBD.

5 Education — Tshwane University of Technology

The demand for facilities to house various educational facilities in the CBDs remains buoyant. We were pleased to sign a three-year lease renewal with the Tshwane University of Technology at Numall in Tshwane, which occupies over 4 100m². Post year end, Rostec has taken up additional space of 580m² in the Tshwane CBD.

6 Industrial sector

We successfully focused on retaining tenants and filling a number of significant vacancies in our industrial portfolio during the year, with a combined GLA in excess of 12 000m². Most notable of these was a seven-year lease with Unimart Cash & Carry to occupy 5 000m².



Rental income growth

We can report that across the portfolio, like-for-like rental income improved by 2.0%% for the year under review (2018: 2.6%). In terms of increased competition in the residential market, especially in Johannesburg, the higher cost of occupancy impacted on tenants' affordability. We continue to monitor this situation closely. In our specialised and other segment, rental income growth was stable, influenced by the strong performance of the medical facilities, hotels and places of worship for the year. The residential sector remains stable both in terms of occupancy levels and rental growth. For the overall portfolio, slightly lower vacancies also had a positive impact on our rental income growth.

Expenses and cost-to-income ratio

Thanks to the perseverance and hard work of our management teams, we are pleased to have successfully maintained a fairly stable cost-to-income ratio, (net of recoveries) despite the pressures of rising municipal expenses, net of recoveries utilities and higher assessment rates. Our property expense ratio therefore increased slightly from 30.0%. to 31.6% of rental income, which was mainly due to higher repair and maintenance costs, increases in utility expenses and higher assessment rates.

Arrears and doubtful debt provisions were higher but remain low overall at 1.4% of rental income, which remains within our tolerance levels.

Redeveloping mothballed assets

We own a number of mothballed properties in our portfolio that can be converted into different types of buildings to cater for the requirements of various tenants and markets. We are redevelopment pioneers — the first to convert derelict office buildings into residential accommodation. Years later, some of our competitors and other REITs have followed in our footsteps with similar types of redevelopments.

The needs of our tenants and the rental markets drive our actions as property owners. By diligently following this approach, we offer a balanced mix of quality, conveniently located, secure and clean places in which our tenants can live, work and play.

In preparation for increased demand and to keep abreast and informed of potential opportunities in the market, we have performed feasibility studies and considered the redevelopment of certain properties. However, due to the low projected yields and returns on investment, which are lower than the cost of funding due to the constraints of the current economic cycle, the board has taken a decision to delay these projects until such time as the economic conditions and property fundamentals improve.

The board has taken a decision to address some of these mothballed properties that incur operating costs, where opportunities for their disposal arise. We do not anticipate turning these properties into income-generating assets in the short to medium term and therefore will be actively focusing on the disposal of certain of these properties.

The full list of our mothballed properties can be found on page 45 of this report.

Keeping up with property trends

As economies around the world remain under pressure, our experience is that businesses that offer better value propositions and tangible benefits are proving to be more robust than many businesses in the more affluent market segments. With less disposable income, consumers are switching to more economical brands that are more appealing and which are gaining acceptance from a wider audience. With the rise of these types of businesses, their market presence and footprint are growing. Conversely, retailers that are unwilling or unable to provide real value to consumers under pressure are feeling the effects of the economy more acutely.

While the effects of online shopping on our retail tenants have been limited, unlike the impact seen in more developed markets overseas, we will continue to monitor any developments in this regard.

A stone's throw from the South African Reserve Bank, our 012central property is in tune with international property trends and is attracting interest and foot traffic to the area with day and night-time trade as well as contemporary catered functions. Conveniently located near the State Theatre, the property's street-facing retail space has been refurbished to suit modern tastes to attract upwardly mobile tenants and their clientele to the precinct.

We have begun investigating the viability of offering shared office space — a value-based concept that caters for the unique needs of CBD users and tenants. In summary, the idea is to provide efficient spaces with shared facilities to keep areas and rentals economical for micro enterprises and professional firms with a low headcount.

We are not active in the niche student accommodation market, but we do have students living in our residential properties whose financial position is such that they or their parents/guardians can service the rentals consistently. As things stand, we will look to maintain our indirect approach and not invest in properties that offer student-only accommodation. We will continue to assess this segment of the market to ascertain whether there are future growth opportunities to take advantage of.

In South Africa, technology that supports property management has been slow to gain traction or close the gap with international standards. A more competitive environment, with additional products and vendors, would accelerate the adoption of property management software, as it is currently restricted to only a handful of software vendors that supply the property management industry. Progress has been made in remotely monitored smart metering software, where multiple suppliers have different offerings, which provide a selection of price and benefit options to suit various types and grades of properties.

With the increase in use of apps on smart devices at work and in the home, internet connectivity is becoming increasingly relevant to tenants and therefore our business and is increasingly important in terms of the manner in which we communicate with our tenants. We are installing Wi-Fi in many of our buildings and hope to roll this feature out in many of our other properties. Progress in this regard has been hindered by the high price of data and the slow rate of infrastructure installation in South Africa. We are hopeful that the cost of data will continue to decrease.

Outlook and prospects

Pressures on offices will likely continue due to the oversupply that persists in the market. We are also witnessing a fundamental and structural change in the way people do business. With a reduced demand for offices, filling vacancies and achieving rental growth will remain challenging during the year ahead.

In the overtraded retail sector, increased vacancies are being seen internationally, from Sandton to Fifth Avenue in New York. In expensive nodes, high rentals impact on tenant affordability and this is exacerbated by an abundance of available space. With online shopping a growing factor in more developed markets, retailers are being selective in their locations to sustain their businesses and avoid over-extending.

South African industry must show signs of meaningful growth for industrial property to benefit. This depends on how businesses are changing, on how retailers distribute their products, how much of their business is done online, and on shifts in warehousing and distribution.

In the residential sector, in our view, there will always be a demand and a need for quality residential offerings such as ours. The emerging middle class continues to grow in South Africa, in tandem with the rate of urbanisation. With this in mind, the outlook for residential property remains positive for the year ahead.

With our granular tenant base and short average lease duration, the stability of our portfolio shields us to some extent from the swings that have a greater impact on other players in the property market. In addition, when economic conditions improve, we will not be locked into unfavourable rentals or long-term contracts. In this way, we can remain agile and quickly respond to changes or upticks in the market.

As we believe in the country and its people, there is a great sense of purpose in what we do.

As we believe in the country and its people, there is a great sense of purpose in what we do. We are proud to have rebuilt and rejuvenated large sections of the Johannesburg and Tshwane CBDs and if conditions allow, we will look to further enhance our cities during the year ahead. We also hope to see others in the market matching our efforts to make a positive contribution to society and future generations.

We remain optimistic about the year ahead, despite the difficult economic conditions that we have to contend with. In the long-term investment of property, our success is tied to the future of South Africa. Our history as a business proves our determination and commitment, as the country navigates a challenging road ahead.

The needs of our tenants and the rental markets drive our actions as property owners.

We believe that we have the assets, skills and expertise to sustain our business and deliver sustainable growth for our shareholders. To this end, we will continue to build on the existing relationships we have with our tenants, suppliers and other stakeholders, by looking after what we have and focusing on the areas and markets we know well.

Acknowledgements

To our tenants and surrounding communities, we give a special word of thanks for making our properties and areas the places that you choose to live, work and play in.

I extend my heartfelt gratitude to our Chairman, the board and all employees of Octodec and City Property. We appreciate your daily efforts, which are truly commendable, particularly in the CBDs where we operate in a rewarding market that is not without its challenges.

We offer a warm welcome to Nyimpini Mabunda, who was appointed to the board as an independent non-executive director during the year. We wish him well for the future and look forward to working together.

My sincere thanks to our shareholders, and in particular to our long-standing shareholders, for their steadfast support and for entrusting us with leading the company each and every day. Thanks also to our financiers, which facilitate a prosperous future for all our stakeholders.

We also give thanks to our loyal suppliers for the quality work and services they provide to maintain and improve our properties — we look forward to another mutually beneficial year ahead.

Jeffrey Wapnick

Managing director
10 December 2019

Burnett Street,
Hatfield,
Tshwane

The Fields

15 Property portfolio review

Caring for our buildings and tenants

We strive to provide our tenants with spaces that they can be proud to live or work in and this inspires our strategy. We offer quality accommodation that people transform into family homes, while our friendly retail spaces attract shoppers. Likewise, our offices provide professionals with a welcoming environment that is conducive to doing business.

The various maintenance requirements of our buildings are dealt with by a team of motivated professionals. The team stays in regular contact with our property managers and spends a great deal of time assessing the physical state and requirements of every property. By identifying and ensuring any necessary maintenance work is done, our assets are kept in good condition to keep our tenants happy and perform well for Octodec for many years to come.

Maintaining or improving the condition of a building is much like caring for the health of a human being. For this reason, we appoint tried and trusted people who have the know-how to deliver superior levels of service that we can depend on. Staying true to this approach extends the lifecycle of our properties and improves the quality of life for our tenants and communities.

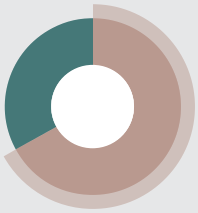
The areas surrounding our properties also benefit from the many security, convenience and cosmetic improvements we have invested in our nodes. We have breathed new life into previously neglected streets and buildings that were unsafe or in the throes of decline and decay. By taking special care of our inner-city assets, we have fought back against the advances of time, crime, neglect and decay, and we will continue to do so.

133 Francis Baard Street, Tshwane

Jeff's Place

Our diverse property portfolio

We own **285** properties valued at **R12.8 billion**



67%

of our portfolio is in Tshwane

33%

of our portfolio is in Johannesburg

To comply with the JSE Listings Requirements and to analyse and understand the rental income from our sectors in a more meaningful way, we have split our investment properties into segments that accurately reflect the markets served by the tenants occupying them.

Our portfolio comprises the following sectors:

- Residential
- Retail, including retail street shops and shopping centres
- Offices
- Industrial
- Specialised and other, including:
  - Hotels
  - Places of worship
  - Educational facilities
  - Auto dealerships
  - Healthcare facilities
  - Parking

Within these diverse segments, we have many mixed-use properties that offer our tenants the convenience of being able to live, shop and play at their places of residence, which are often in close proximity to our offices and medical and educational facilities.

Occupying our diverse portfolio is a large base of more than 14 800 tenants, which mitigates the risk of losing a large, single tenant. Having a large tenant base requires the ability to effectively manage and administer high volumes of leases and tenants, which is discussed on pages 29, 36 and 42 to 57 of this report.

We are currently operating in a property market with fundamentals that are more challenging than they have been for some time.

To contend with a tough operating environment with weaker fundamentals, we have adopted a three-pronged approach:

- Remain committed to the maintenance of our existing buildings and attract tenants to our properties through innovative marketing techniques to preserve the short and medium-term value of our portfolio.
- Build long-term value by redeveloping and upgrading our buildings. We continue to assess potential new projects, which are currently on hold for the short term, but will review our position when political and economic conditions improve. New developments will be considered when an acceptable projected yield can be achieved.
- Ongoing review of our portfolio to ensure it maintains the ability to deliver value, which in turn accelerated our capital recycling strategy. To this end, we sold 19 non-core or underperforming properties during the year under review, the details of which are in the tables on page 48.

In this review, the information on rental income and the property portfolio includes 100% of the equity-accounted joint venture and not just the group's share.

Our property portfolio by rental income

Rental income % by sector

32.2% **Residential**
FY2018: 31.1%

33.7% **Retail**
FY2018: 34.4%

- 10.1% Shopping centres (FY2018: 10.1%)
- 23.6% Retail street shops (FY2018: 24.3%)

15.8% **Offices**
FY2018: 16.0%

7.0% **Industrial**
FY2018: 7.1%

11.3% **Specialised and other**
FY2018: 11.4%

- 1.0% Hotels (FY2018: 0.9%)
- 0.5% Places of worship (FY2018: 0.4%)
- 2.0% Educational facilities (FY2018: 2.2%)
- 1.1% Auto dealerships (FY2018: 1.3%)
- 2.4% Healthcare facilities (FY2018: 2.2%)
- 4.3% Parking (FY2018: 4.4%)

Lease expiry profile

We have a diverse tenant base in our portfolio, with a mix of short and long-term leases. The majority of our leases are in the residential property sector, and we operate these on a month-to-month agreement once the initial lease period, typically 12 months, has lapsed. The average length of stay of our residential tenants is 20 months. Many of our specialised and other leases offer tenants the option to continue their leases on a month-to-month agreement at the end of the original lease period.

Our portfolio has always operated on this basis, and this is discussed further in the Chairman's report, as well as in the managing director's review on pages 28 and 34 respectively.

Lease expiry profile at 31 August 2019

	By rental income (%)					By GLA (%)					
Sector	2020	2021	2022	2023	2024 and beyond	2020	2021	2022	2023	2024 and beyond	Vacant
Residential	99.3	0.7	–	–	–	92.7	0.6	–	–	–	6.7
Commercial											
Retail											
Retail – shops	40.5	21.0	20.4	10.9	7.2	39.7	18.0	14.7	8.0	5.2	14.4
Retail – shopping centres	33.3	26.3	16.1	8.0	16.3	37.9	19.5	12.5	8.9	16.5	4.7
Offices											
	75.7	11.2	4.5	7.0	1.6	41.8	6.7	3.0	4.1	1.4	43.0
Industrial											
	55.8	22.8	7.5	4.9	9.0	50.2	20.8	6.7	5.0	7.1	10.2
Specialised and other											
Educational facilities	43.9	14.9	23.4	17.4	0.4	52.4	12.2	18.8	15.1	1.5	–
Healthcare facilities	27.4	12.4	9.8	1.9	48.5	18.1	8.0	6.2	1.4	50.7	15.6
Places of worship	80.5	12.4	3.8	1.7	1.6	82.2	11.2	3.6	0.7	2.3	–
Auto dealerships	20.7	29.7	–	49.6	–	26.0	17.6	–	32.9	–	23.5
Hotels	1.1	98.9	–	–	–	0.6	99.4	–	–	–	–
Total commercial	**50.4**	**19.7**	**12.6**	**9.0**	**8.3**	**42.3**	**15.1**	**8.4**	**6.5**	**6.2**	**21.5**
Total commercial and residential	**66.0**	**13.7**	**8.6**	**6.1**	**5.6**	**54.5**	**11.6**	**6.4**	**4.9**	**4.7**	**17.9**

10 major lease expiries by GLA – FY2020

Building	Tenant	Lease expiry	GLA m²	Renewal status
Inner Court	Edcon – Jet Eloff Street	Jan 2020	9 688	Tenant requested to reduce size substantially
Centre Walk	Department of Rural Development and Land Reform	Feb 2020	9 528	Tenant happy – awaiting finalisation by DPW
Rentmeester Park	Special Investigating Unit	Mar 2020	9 317	Possible extension – two years
The Fields	SEDA	May 2020	6 568	Currently busy with renewal, possible additional space required
Anderson Place	Standard Bank	Feb 2020	4 567	Vacating
Killarney	Unitrans Automotive – Killarney Toyota	Sep 2019	4 096	Vacating January 2020
CCMA Place	CCMA	May 2020	3 598	One-year renewal
Erand Gardens	Fiat Chrysler Automobiles	Sep 2019	2 663	One-year renewal
Brianley Centre	SARS	Sep 2019	2 557	One-year renewal
Jeppe House	Studio 88	Oct 2019	1 546	Negotiated two-year renewal
Total			**54 128**	

Geographical analysis

	Rental income		Property value		GLA m²	
Region	**R'000**	**% of total portfolio**	**R'000**	**% of total portfolio**	**m²**	**% of total portfolio**
Tshwane, CBD	544 119	34.7	4 468 631	34.5	512 580	31.6
Johannesburg, CBD	334 553	21.3	2 771 435	21.4	410 440	25.3
Johannesburg and surroundings	186 036	11.8	1 558 332	12.1	142 069	8.7
Tshwane, Other	195 502	12.4	1 495 385	11.6	243 222	15.0
Tshwane, Hatfield	101 765	6.5	962 500	7.4	69 654	4.3
Tshwane Arcadia	78 080	5.0	593 000	4.6	73 136	4.5
Tshwane, Silverton and surrounding areas	66 835	4.3	511 600	4.0	111 266	6.8
Waverley, Gezina, Moot	63 018	4.0	571 157	4.4	62 331	3.8
Total	**1 569 908**	**100.0**	**12 932 040**	**100.0**	**1 624 698**	**100.0**

Tenancy profile % of GLA (m²)

		2019	2018
A	Large national tenants, listed tenants, Government and major franchises (%)	**18.6**	19.1
B	National tenants, other franchisees and medium-size professional firms (%)	**6.3**	4.9
C	All other tenants (3 776) (%)	**34.7**	35.0
D	Residential tenants (%)	**22.5**	22.4
E	Vacancies (%)	**17.9**	18.6
Total		**100.0**	100.0

A	Grade A includes a national tenant with a footprint throughout South Africa, with a presence in all or the majority of provinces and major franchisees represents a franchisee which brand has a footprint throughout South Africa, with a presence in all or the majority of provinces.
B	Grade B includes national tenants and franchisees that do not meet the criteria for Grade A tenants.

Lease escalations by sector, rentable area, weighted average rental per m² and number of tenants

The leases concluded with a large percentage of our tenants are typically of a short-term nature, where lease periods are generally for a period of 12 months. This has been a consistent characteristic of our portfolio since inception and forms part of our strategy. The result is that we are continuously entering into new leases and our base rentals remain current and realistic. This ensures that the portfolio is not exposed to the impact of rental reversions after termination of long-term leases. This is particularly prevalent in the residential sector and not uncommon for commercial leases.

	Leases with escalations (GLA m²)	Leases with escalations (%)*	Weighted average lease escalations (%)	Leases with no escalations (GLA m²)**	Leases with no escalations (%)*	Total occupied (GLA m²)	Weighted average rental (R/m²)	Number of tenants
Residential								
	47 903	13.1	7.1	318 279	86.9	366 182	112.0	8 649
Commercial:								
Retail:								
Retail – street shops	166 926	58.0	7.0	121 124	42.0	288 050	103.2	1 056
Retail – shopping centres	74 157	82.7	7.0	15 482	17.3	89 639	150.9	228
Offices								
	67 092	28.5	7.7	168 287	71.5	235 379	91.5	1 592
Industrial:								
	103 200	46.7	7.0	117 915	53.3	221 115	42.5	431
Specialised and other:								
Educational facilities	29 264	49.7	7.1	29 639	50.3	58 903	48.4	41
Healthcare facilities	24 615	79.7	4.2	6 273	20.3	30 888	97.1	157
Auto dealerships	7 934	66.0	7.3	4 096	34.0	12 030	112.9	3
Hotels	13 375	99.4	6.2	83	0.6	13 458	106.2	3
Places of worship	3 502	19.4	7.7	14 552	80.6	18 054	34.9	56
Parking								2 624
Total	**537 968**	**40.3**	**6.9**	**795 730**	**59.7**	**1 333 698**	**93.4**	**14 840**

* *Percentage of total GLA occupied*
** *Includes monthly leases and leases expiring prior to 31 August 2020, with no escalations during the period from 31 August 2019 to 31 August 2020*

Vacancies

Vacancies in the Octodec portfolio at 31 August 2019, including properties held for redevelopment, amounted to 17.9% (FY2018: 18.6%) of the GLA. The group's core vacancies, which exclude the GLA relating to properties held for development, those currently being redeveloped and those recently redeveloped or sold amounted to 11.5% (FY2018: 11.6%).

Portfolio core vacancies

11.5%

Our larger vacancies (above 8 000m² by sector)

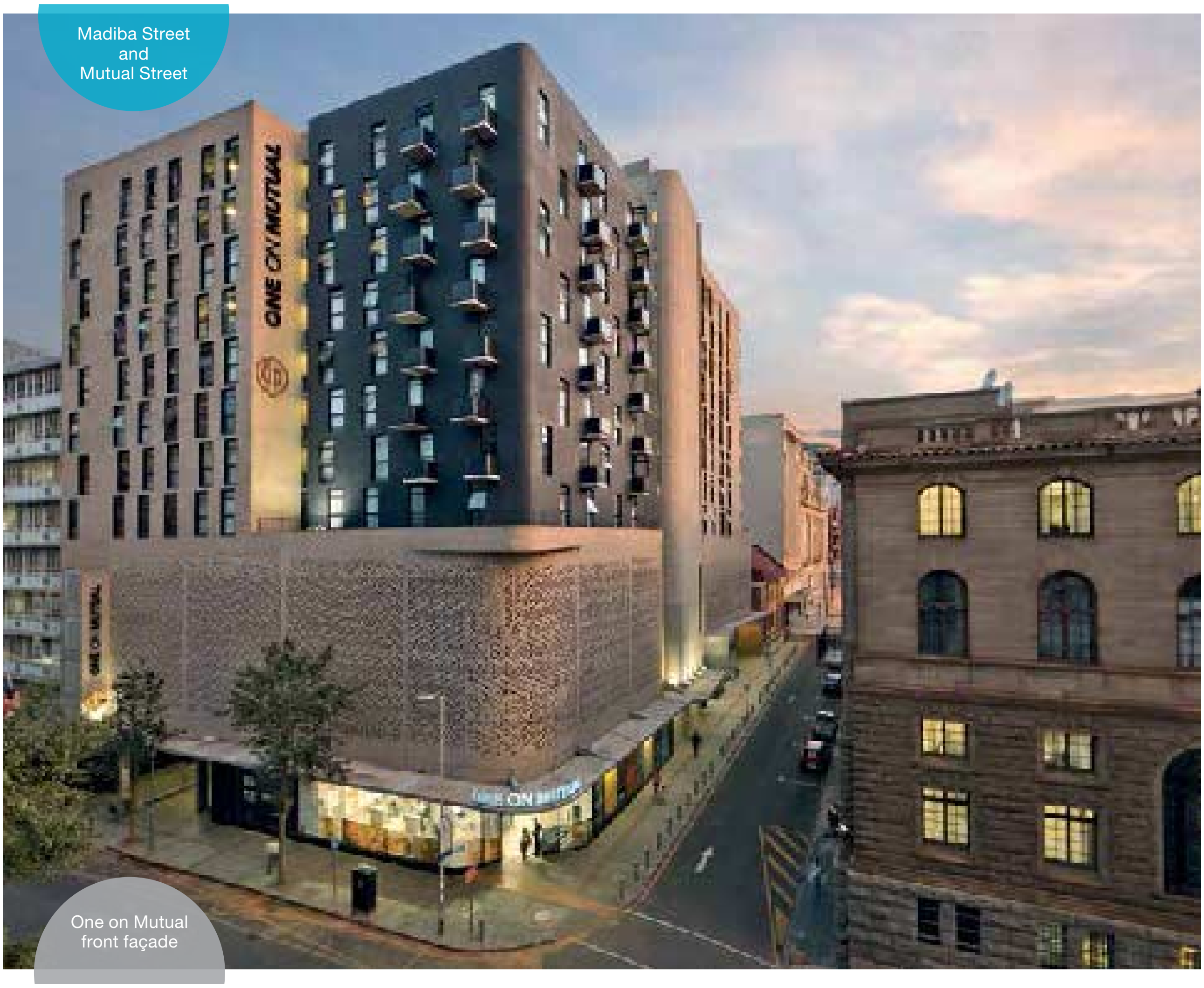
Sectors and property names	GLA m²	Reason for vacancy
Retail street shops		
Kempton Place	**7 287**	Large area of retail space recently vacated and replacement tenant not yet found, undeveloped space
Offices		
Shoprite Eloff Street	**22 411**	Mothballed – potential residential development and retail upgrade
Fedsure House	**19 896**	Mothballed – for disposal
Reinsurance House	**15 034**	Mothballed – potential residential development or disposal
Inner Court	**12 890**	Upgraded office block, difficult to let in a tough economic environment
Prinschurch	**11 851**	Mothballed – potential residential or office development
Education Centre	**8 381**	Mothballed – potential residential, office development or disposal
Van Riebeeck Medical Building	**8 167**	Mothballed – potential residential, office development or disposal
Midtown	**8 122**	Mothballed – potential office development or disposal

Vacancy profile by location

Location	Vacant GLA m²	% of total vacancies	% of total GLA m²	% held for development	% of core vacancies
Johannesburg CBD	123 382	42.4	7.6	(4.2)	3.4
Tshwane, CBD	95 620	32.8	5.9	(2.0)	3.9
Johannesburg and surrounding areas	19 522	6.7	1.2	–	1.2
Tshwane, Arcadia	11 856	4.1	0.7	–	0.7
Tshwane, West	10 345	3.6	0.6	(0.1)	0.5
Tshwane, Silverton and surrounding areas	8 750	3.0	0.5	(0.1)	0.4
Tshwane, Hatfield	8 281	2.8	0.5	–	0.5
Tshwane, Waverley, Gezina, Moot	3 660	1.3	0.2	–	0.2
Tshwane, East	2 586	0.9	0.2	–	0.2
Tshwane, North	1 961	0.7	0.1	–	0.1
Tshwane, Hermanstad	1 564	0.5	0.1	–	0.1
Tshwane, Centurion	1 428	0.5	0.1	–	0.1
Tshwane, Sunnyside	1 097	0.4	0.1	–	0.1
Tshwane, Other	948	0.3	0.1	–	0.1
Grand total	**291 000**	**100.0**	**17.9**	**(6.4)**	**11.5**

Vacancies by sector	Total vacancies by sector as at 31 August 2019				Total vacancies by sector as at 31 August 2018			
	GLA m²	Total vacancies %	Properties held for redevelopment or disposal %	Core vacancies %	GLA m²	Total vacancies %	Properties held for redevelopment or disposal %	Core vacancies %
Residential	392 512	6.7	–	6.7	393 643	6.4	(0.6)	5.8
Commercial								
Retail:								
Retail – street shops	336 435	14.4	–	14.4	349 633	13.2	(0.1)	13.1
Retail – shopping centres	94 012	4.7	–	4.7	95 009	5.2	–	5.2
Offices	412 627	43.0	(24.7)	18.3	413 581	45.1	(26.4)	18.7
Industrial	246 363	10.2	(0.9)	9.3	253 396	15.0	(1.0)	14.0
Specialised and other:								
Educational facilities	58 903	–	–	–	56 753	–	–	–
Healthcare facilities	36 612	15.6	(1.2)	14.4	36 566	14.1	(1.2)	12.9
Places of worship	18 054	–	–	–	16 672	–	–	–
Auto dealerships	15 722	23.5	–	23.5	15 722	–	–	–
Hotels	13 458	–	–	–	13 458	–	–	–
Total	**1 624 698**	**17.9**	**(6.4)**	**11.5**	**1 644 433**	**18.6**	**(7.0)**	**11.6**

Madiba Street and Mutual Street



One on Mutual front façade

Capital expenditure

While we did not undertake any significant capital expenditure (capex) projects during the year under review, we did complete several smaller projects, in line with our strategy to upgrade, maintain and extract value from the property portfolio. The total amount spent and capitalised on investment properties amounted to R82.6 million.

These included the upgrading of Elardus Park Shopping Centre relaunched as The Park Shopping Centre, in the south-eastern suburbs of Tshwane, for an amount of R44.4 million, of which R28.4 million was spent as at 31 August 2019. The upgrade is discussed further on page 51 of this review. The various, smaller projects undertaken will improve occupancy levels and enhance the value of the portfolio, and also contribute to the upliftment of the areas in which we are predominantly invested.

The details of capital expenditure in excess of R5 million are as follows:

Property	Location	Details	Total development cost R'million	Development cost FY2019 R'million	Completion date
The Park Shopping Centre	Elardus Park, Tshwane	Upgrade of centre	44.4	28.4	October 2019
Killarney Mall	Killarney, Johannesburg	Upgrade costs for Exclusive Books (offices), Tourvest (warehouse and offices) and aircon	13.8	8.2	August 2019
012central	Tshwane CBD	Upgrade of 012central precinct, incl façade	11.4	7.7	October 2019
Arlington House	Johannesburg CBD	Façade upgrade to retail shops	5.1	4.8	February 2019

Future developments

We continue to consider the merits of projects in the Johannesburg and Tshwane CBDs. We are fortunate to have a number of buildings that are suitable for redevelopment. However, the feasibility of any such projects is dependent upon a meaningful improvement in the South African economy.

Acquisitions

Octodec acquired the remaining 50% interest in Jardtal (Pty) Ltd (Jardtal), effective 1 November 2018, for a consideration of R36.5 million, at an initial yield of 9.5%. The properties in Jardtal comprise two mixed-use developments, Kempton Place and The Brooklyn, which are located in Kempton Park and the Johannesburg CBD respectively.

Disposals

In line with the decision to dispose of non-core or underperforming properties, the group disposed of a further 19 properties during the year. At the date of this report, 11 of these properties have been transferred for a total consideration of R129.2 million. The remaining 8 properties were sold for a total consideration of R83.7 million and transfer is expected to take place during the first half of the 2020 financial year. The properties were sold at a premium to carrying value of R5.3 million. The proceeds from these disposals will improve the LTV ratio in the short term.

Properties disposed of and transferred before 31 August 2019

Property	Location	Total consideration R'million	Profit/(loss) on disposal R'million	Transfer date	Exit yield %
Medical Towers	Johannesburg, CBD	25.3	0.8	September 2018	3.3
Ken's Court	Tshwane, CBD	44.6	1.6	September 2018	4.4
Brianley (2)	Tshwane, Silvertondale	2.0	(0.7)	December 2018	11.6
Midchurch	Tshwane, CBD	1.5	0.2	December 2018	–
Troymona	Tshwane, Waverley	1.1	0.2	January 2019	8.2
The Pavilion	Tshwane, Sunnyside	23.0	(1.5)	February 2019	7.5
Supmall	Tshwane, Silvertondale	11.1	0.1	April 2019	4.0
Notrevlis	Tshwane, Silvertondale	11.2	0.4	April 2019	11.0
Goleda (3)	Tshwane, West	1.9	0.3	April 2019	3.5
Brianley (7)	Tshwane, Silvertondale	1.7	0.4	June 2019	9.5
Brianley (4)	Tshwane, Silvertondale	2.0	(0.3)	June 2019	9.5
Monaco (9 out of 12 remaining sectional title units)	Tshwane, Arcadia	3.8	1.1	September to August 2019	8.0
Total		**129.2**	**2.6**		**5.7**

Transfers expected to take place after 31 August 2019

Property	Location	Total consideration R'million	Profit/(loss) on disposal R'million	Expected transfer date	Exit yield %
Viskin	Tshwane, CBD	2.7	(0.1)	September 2019*	7.8
Hannyhof (1)	Tshwane, Hermanstad	5.4	0.1	October 2019*	15.3
Armadale	Johannesburg, CBD	53.4	1.9	October 2019*	15.3
LPA	Tshwane, Silvertondale	2.7	0.1	November 2019*	8.4
Hannyhof (2)	Tshwane, Hermanstad	2.7	0.1	December 2019	5.0
Talland	Tshwane, Hatfield	4.2	(0.0)	December 2019	(4.2)
Rosemitch (1) and (5)	Tshwane, West	12.6	0.6	January 2020	5.7
Total		**83.7**	**2.7**		**12.0**

** Already transferred*

Residential property sector review

Big city life

The everyday needs of regular people inspired the design of Sharon's Place, our mixed-use development in the heart of Tshwane's vibrant CBD. Thanks to our unique understanding of our properties, nodes and the people who live and work there, we were able to design and construct residential and retail spaces that deliver value, convenience and lifestyle enhancements to our tenants, their patrons and visitors to the area.

Stepping into the lobby from the buzzing street outside, the quality and secure calm of the building is immediately apparent. For first-time visitors in particular, Sharon's Place is pleasantly surprising with its sense of refinement and attention to detail, while still being value conscious. The building boasts 399 residential units configured as three blocks, with a focus on one-bedroom apartments and bachelor units, with a small component of two-bedroom apartments, all of which combine an intelligent use of space with a safe and clean environment.

Residents enjoy the many added features of the building that make a real difference to their lives. Offering a great cityscape view, the spacious and secure rooftop and recreational area also has an abundance of indigenous trees. There is a large built-in braai area with bench seating, which is well used and always kept hygienic, neat and tidy by our employees. Children love the rooftop playground's many jungle gyms and swings and have ample space to run on the netted soccer field. These and other features bring a taste of suburbia to the busy centre of Tshwane.

For added convenience in a modern world of apps and growing online services, each residential unit offers internet access to our tenants, complete with installed fibre and Wi-Fi routers. Tenants save on electricity costs and more efficiently use scarce resources with sensible heat pumps that have been installed in the building, instead of the more traditional geysers. Energy-efficient LED lighting has been fitted throughout the complex, to save further on consumption and costs.

At street level, the retail component of Sharon's Place has a total GLA of 5 647m². This offers everyday convenience shopping to tenants and visitors to the area with Shoprite and Clicks as anchor tenants, complemented by smaller shops that enhance the diversity and general appeal of the area. The feeling is comfortable and secure with an aspirational element.

By creating good value, quality retail spaces, we attracted national anchor tenants to our popular property. These stores have the advantage of passing trade within a busy area, but also the added benefit of 399 apartments tenanted by potential daily customers, located directly above. The vision of our winning formula is improving people's lives by improving the buildings and the uptake areas they live in.

Key performance statistics as at 31 August 2019	2019	2018
Number of properties	72	73
Number of tenants	8 649	8 613
Number of residential units (mostly upgraded well-located secure accommodation)	9 413	9 468
Johannesburg (%)	36	36
Tshwane (%)	64	64
GLA m²	392 512	393 643
Rental income (R'million)	505	479
Growth in rental income (like for like) (%)	3.5	3.9
Total vacancies at year end (% of GLA m²)	6.7	6.4
Core vacancies at year end (% of GLA m²)	6.7	5.8

Income growth

On a like-for-like basis rental income growth in 2018 was 3.9% compared to 3.5% achieved in 2019. The downward trend in growth was mainly due to negative income growth at The Fields in Hatfield, which is mainly occupied by students. The University of Pretoria vacated 88 units at the end of 2018 and filling these units proved challenging during the year under review. The Tshwane portfolio experienced an increase in income growth compared to the prior year.

However, due to increased competition in the Johannesburg market, income growth in this sector decreased when compared to 2018.

We continue to implement our residential tenant rewards programme. Initial data indicates that the programme has been well received and uptake has been in line with management expectations. We will continue to implement this programme as we are of the opinion that is has helped us to retain tenants in the current tough letting environment.

Vacancies

During the year under review, core vacancies across the portfolio increased slightly from 5.8% to 6.7%. The main sources for the increase were The Fields and the Johannesburg portfolio. Despite the tough economic environment, we believe that the quality of our product and continuous focus on customer service delivery positions us as the preferred supplier of quality, safe accommodation.

We ran a successful Winter Marketing campaign, where prospective tenants signing a new one-year lease could receive three months' worth of electricity. This proved to be popular with prospective tenants, and with the leads converted to deals, extra income of R552 365 per month was achieved.

Sharon's Place had an average vacancy of 4.4% for the financial year, while strong demand for apartments at this building helped to achieve increased rentals, all of which is very positive.

Arrears

In light of pressures currently faced by consumers, bad debts increased from 0.85% in 2018 to 1.7% during the year. We can also report a definite shift in tenants' salary levels, based on the applications received. The number of applicants earning above R25 000 was on average lower than last year. Despite these challenges, we believe our bad debts in this sector are well within acceptable levels.

Residential unit summary

	Bachelor unit	One-bedroom unit	Two-bedroom unit	Three-bedroom and other
Rental	R3 600 – R4 200	R4 200 – R4 800	R5 400 – R6 000	Various
Average size m²	27	43	63	
Number of units	3 540	3 489	1 706	678




- Our experience has shown us that tenants attracted to our residential units, whose combined **average gross monthly salary is R27 000**, are likely to pay their rent on time, which is reflected in our low bad debt record
- **15.0%** of our residential applicants have a combined gross monthly salary above R35 000
- **27.0%** of our applicants are Government employees

Outlook for our residential property portfolio

During this downward economic cycle, we are rolling out fibre in all of our residential properties to enhance our product offering and value-added services. We are also investigating different options and initiatives to make The Fields more attractive to students and minimise vacancies at this building.

In addition, we have rolled out our year-end marketing campaign where prospective tenants can win a year of rent-free accommodation. We believe this exciting campaign will have a positive effect in terms of the vacancies in other areas of the residential portfolio.

We are also continuously researching and developing systems to support and enhance the customer journey, and hopefully when combined with the other initiatives mentioned, our efforts will improve our competitive position during the year ahead.

Rolling out fibre to all of our residential properties

Retail property sector review

Welcome to The Park Shopping Centre

To remain relevant and attractive in a competitive retail market, Elardus Park was fully upgraded during the year and renamed "The Park Shopping Centre". By investing in this exciting upgrade, we demonstrate our ongoing commitment to the centre, and serving its tenants and the residents in the surrounding areas.

The Park Shopping Centre greets shoppers with a fresh, modern look, complete with new walkways and canopies, and an abundance of greenery to create a pleasant and tranquil shopping experience. A large section of the stores and offices were reconstructed, and shopfronts were replaced to ensure a consistent, appealing look throughout.

The centre's new name and branding was inspired by the fresh exterior of the centre that is very pleasing to the eye. The Park now embodies a sense of style and simplicity, without tampering with the core appeal that defines the centre and what the offering means to the surrounding community.

New tenant signage has also been incorporated into the centre's design to complement its modern look. In addition, parking is now expected to be less congested to enhance the convenience aspect of the overall shopping experience.

We also welcome exciting new stores to our family at The Park, including The Daily Coffee, Ackermans, Pick n Pay Clothing and Gadgets Galore. Placecol and the Crazy Store will move into bigger spaces, while the food court will boast new al fresco seating under a canopy of deciduous trees, which will allow for additional sunlight during winter and shade during summer.

This attractive and rejuvenated community shopping centre demonstrates how making an informed and responsible investment decision can offer good returns for our shareholders and other stakeholders for years to come.

Key performance statistics as at 31 August	**2019**	2018
Number of tenants	**1 284**	1 233
Retail street shops (GLA m^2)	**336 435**	349 633
Shopping centres (GLA m^2)	**94 012**	95 009
GLA m^2	**430 447**	444 642
Retail street shops rental income (R'million)	**370**	374
Shopping centres rental income (R'million)	**158**	155
Rental income (R'million)	**528**	529
Growth in rental income year on year (like for like)		
Retail street shops rental income growth (%)	**0.3**	1.6
Shopping centres rental income growth (%)	**2.2**	3.9
Retail – total vacancies at year end (% of GLA m^2)	**12.3**	11.5
Retail – core vacancies at year end (% of GLA m^2)	**12.3**	11.4
Retail street shops total and core vacancies (% of GLA m^2)	**14.4**	13.2 and 13.1
Shopping centres total and core vacancies (% of GLA m^2)	**4.7**	5.2

Our top 10 retail leases for the year under review

Lessee	GLA (m²)
Shoprite Checkers	44 305
Pepkor	20 466
Bidvest	14 389
Edcon	14 326
Pick n Pay	12 645
Standard Bank	11 531
Foschini Retail Group	7 143
Mr Price Group	5 651
AutoZone	5 501
Nedbank	5 461
Total	**141 418**

According to SAPOA in its Retail Trends Report for the quarter ended June 2019, trading density growth (as measured by the IPD Trading Density Index) was up 3.2% year on year. This improvement was a function of a 5.1% growth in sales, with a 1.8% growth in occupied trading area having a dilutionary effect. Over the long term, an increase in spending per visitor is the primary driver of trading density growth, but this has been slowing in recent quarters as foot count growth exceeds sales growth.

Neighbourhood centres recorded the strongest growth, ending the quarter with an annualised trading density of +8.3% at June 2019, which was up from 3.2% in December 2018. By contrast, growth in the super regional segment has levelled off and slowed after leading trading density growth in the third quarter of 2018. Mid-tier centres also lagged behind with no growth, as many struggle for relevance within their catchment areas.

For the quarter ended June 2019, SAPOA reported a retail sector vacancy rate of 4.2%, which was above its long-term average of around 2.9% and driven higher by super-regional centres. The increase in vacancies is strongly correlated to the rising cost of occupancy for retailers, with corresponding low growth in sales. The conditions and impacts of the business environment is discussed further in the managing director's review on page 34.

Our retail street shops portfolio

Our retail street shops offer patrons a wide variety in terms of quality and convenience. The portfolio continues to retain tenants on lease renewal. Our emerging middle-class shoppers benefit from the CBD's exciting mix of offerings. We continue to improve, expand and secure our assets in order to attract and retain our tenants. We also continue to provide shoppers with a selection of brands, services and food outlets, which are conveniently within close proximity to one another.

Some exciting new stores were opened in the year such as HomeChoice, Ackermans Ladies, Wing Republic and Tape Clothing. We have also experienced an increased demand from new and exciting first-time tenants who are bringing a competitive offering to the CBD.

1120 Hertzog Street, Villieria, Tshwane

Waverley Plaza

Our shopping centre portfolio

We own six high-quality neighbourhood convenience shopping centres, and the following summary is pertinent:

Johannesburg

- **Killarney Mall** — We significantly reduced the centre's vacancies from 12.0% to 4.0% year on year. This was, however, accompanied by a 3.7% decrease in rental income, which is attributable to signing long-term leases on large spaces towards the end of FY2019, which caused a lag in income, but we expect the income to improve in FY2020.
- **Woodmead Value Mart** — Rental income grew by 13.3% year on year, complemented by an improvement in vacancies, which fell from 6.0% to 1.0% at year end. In the current constraints of the local economy, the centre's stores offer excellent value for customers looking to save.

Killarney Mall – we significantly reduced the centre's vacancies from

12.0% to 4.0%

year on year

Tshwane

- **The Park (formerly Elardus Park)** — Rental income decreased by 3.0% year on year, with a corresponding increase in vacancies from 16.7% to 21.5%. This was largely due to the anticipated effects of the building activities during the revamp/ upgrade of the property.
- **Waverley Plaza** — Rental income increased by 4.2% year on year, complemented by a decrease in vacancies from 3.0% to 0.5% during the year under review.
- In addition to the above we have two smaller neighbourhood convenience shopping centres, Gezfarm and Blaauw Village, which both performed well and are fully occupied. Blaauw Village is 50% held by Octodec.

Waverley Plaza rental income increased by

4.2%

Outlook for our retail portfolio

Our neighbourhood and convenience shopping centres continue to attract new tenants and shoppers. We therefore anticipate a similar performance from these properties in FY2020. The upgrade of The Park (formerly Elardus Park) will impact positively on growth into the future. Consumers being under increased pressure with less disposable income will have an impact on rental income growth.

Our centres continue to attract new tenants and shoppers

Office sector review

Key performance statistics as at 31 August	**2019**	2018
Number of tenants	**1 592**	1 413
Let to Government (by % of total rental income from offices)	**49.4**	49.7
Other (by % of total rental income from offices)	**50.6**	50.3
GLA m²	**412 627**	413 581
Mothballed office space (GLA m²)	**101 859**	109 024
Office space mothballed (opportunities to sell, develop or enter into partnerships) (%)	**24.7**	26.4
Rental income (R'million)	**247**	245
Growth in rental income year on year (like for like) (%)	**0.6**	(0.3)
Total vacancies at year end (% of GLA m²)	**43.0**	45.1
Core vacancies at year end (% of GLA m²)	**18.3**	18.7

Top 10 Government leases

Lessee	GLA (m²)
City of Tshwane Metropolitan Municipality	12 086
DPW	11 059
Department of Rural Development and Land Reform	9 528
Department of Justice	9 426
CCMA	9 398
Special Investigating Unit	9 317
South African Police Services	7 226
SEDA	6 568
National Prosecuting Authority	5 488
Department of Home Affairs	4 374
Total	**84 470**

Office sector performance

SAPOA's Office Vacancy Report indicated a 30bps weakening of the national office vacancy rate quarter on quarter, rising to 11.3%. Despite the higher vacancy rate, asking rentals grew by 2.8% year on year, although rental growth does tend to lag behind occupancy levels. The office sector has trended largely sideways for several years, with high vacancies relative to the retail and industrial sectors.

The higher office vacancy cycle, from lows of 7.9% in September 2008, has been characterised by an oversupply of new developments that has seen the amount of vacant space balloon from 1 100 000m² to 2 100 000m² over the course of these 11 years. New developments and buildings vacated by large corporates increase the pressure on asking rentals adding further pressure on the sector, which pressure is unlikely to subside until the economy improves. At June 2019, office vacancy rates in the Tshwane CBD were 5.6% — the best rate in seven years and significantly lower than national levels, while vacancies were higher in the Johannesburg CBD at 13.9%.

The performance of our office portfolio

Our core office vacancies, which exclude mothballed properties, reduced slightly during the year to 18.3% (FY2018: 18.7%) but remained higher than SAPOA's national average, as outlined above. This was reflective of the country's unfavourable political and economic conditions, which are discussed elsewhere in the Chairman's report, the managing director's review and the financial director's review on pages 28, 34, and 64 respectively.

To counter these effects, we placed a greater focus on marketing and tenant retention strategies, which have maintained our occupancy levels, although demand for office space was generally weaker in the CBDs. Despite the challenges, there has been an uptick in leasing activity, as mentioned in the managing director's review, on page 34.

After the upgrade at Nzunza House in Braamfontein reported in the previous year, letting is progressing well. At year end, the building was 65% let, with further letting after year end anticipated.

In light of the slow rate of lease renewals by the DPW, whose departments nonetheless remain in occupation of our buildings and continue to pay rent, we engage with various Government representatives on a regular basis to expedite and finalise lease negotiations.

A number of our properties are occupied by SMME tenants, typically in units of 20m² to 100m². Both the occupancy and rental levels have proved to withstand the tough environment and have remained stable during the period.

Outlook for our office portfolio

It stands to reason that as our SMME tenants are more sustainable in a growing economy, the downward pressure of our sluggish economy diminishes their demand for our office space. To remain relevant in the market, we are considering the merits of offering shared office space solutions, which could both assist SMME tenants and reduce our office vacancies. When economic conditions improve, we anticipate that demand for offices in the SMME sector will grow accordingly.

Industrial sector review

Key performance statistics as at 31 August	**2019**	2018
Number of tenants	**431**	413
GLA in Tshwane (GLA m²)	**204 401**	211 269
GLA in Johannesburg (GLA m²)	**41 962**	42 127
GLA m²	**246 363**	253 396
Rental income (R'million)	**110**	109
Growth in rental income year on year (like for like) (%)	**3.6**	0.3
Total vacancies at year end (% of GLA m²)	**10.2**	15.0
Core vacancies at year end (% of GLA m²)	**9.3**	14.0

Number of tenants
431

Rental income
R110 million

Industrial sector performance

In April 2019, SAPOA reported that industrial vacancies reduced by 10bps year on year to 3.6%. Despite the lower vacancy rate, net rental growth slowed year on year to 3.9% at the end of December 2018, as costs grew at a higher rate than gross income.

Aside from manufacturing-related industrial property, vacancies in all of the sector's other segments softened during the year to the end of December 2018. Negative impacts contributing to the sector's performance were factors such as the economy and Eskom's inability to maintain a reliable power supply.

The performance of our industrial portfolio

Our industrial portfolio includes well-maintained warehouses, mini factories, workshops and industrial parks that can be more attractive than new entrants to the market in terms of asking rentals. As discussed in the managing director's review on page 34, we offer tenants attractive deals for both new leases and renewals, which have impacted on rental growth.

We are seeing the benefits of our upgrades to the Tannery in Silvertondale and Rosemitch in Tshwane West, with core vacancies improving to 9.3% (FY2018: 14.0%) despite the weak economy. For the most part, our upgrades are tenant driven and we have found that our recently upgraded properties experience increased demand.

During the year under review, we made some progress with the disposal of additional non-core or underperforming properties to free up capital for reinvestment into the portfolio. Kindly refer to the disposals section on page 47 of this review.

Outlook for our industrial portfolio

Our well-located small industrial properties are well managed and maintained. As these properties have been in our portfolio for a number of years, we gain a competitive advantage over new builds. In addition, these properties are ideally located for SMMEs and well-priced to attract interest from the market.

Specialised and other property sector review

In order to comply with the JSE Listings Requirements and to better analyse and understand the rental income from all sectors in a more meaningful way, the group's properties have been aggregated into segments with similar economic characteristics such as the occupier's market it serves and the nature of the property. This is best achieved by the inclusion of the following sectors:

- Hotels include the City Lodge and Fortis hotels in Hatfield, Tshwane
- Places of worship are located mainly in the Tshwane and Johannesburg CBDs
- Educational facilities include schools, colleges and technikons located mainly in the Tshwane and Johannesburg CBDs
- Auto dealerships include our various car showrooms in Tshwane and Johannesburg
- Parking various parking facilities including stand-alone parking lots and parking within our buildings

Key performance statistics as at 31 August	**2019**	2018
Annual rental income from:		
Hotels (R'000)	**16.8**	14.4
Places of worship (R'000)	**7.5**	6.6
Educational facilities (R'000)	**31.0**	34.1
Auto dealerships (R'000)	**16.9**	20.1
Healthcare facilities (R'000)	**37.4**	33.2
Parking (R'000)	**68.0**	66.3
Growth in core rental income year on year (like for like) (%)	**2.0**	6.0

Like-for-like growth in rental income, GLA for each sector, their percentage of the total GLA and the number of tenants in each sector as at 31 August 2019	**Total GLA m²**	GLA %	Like-for-like rental income growth (%)	Number of tenants
Educational facilities	**58 903**	3.6	(9.4)	41
Healthcare facilities	**36 612**	2.3	12.7	157
Places of worship	**18 054**	1.1	18.7	56
Auto dealerships	**15 722**	1.0	(15.8)	3
Hotels	**13 458**	0.8	16.2	2
Parking			3.6	2 624
Total	**142 749**	**8.8**	**2.0**	**2 883**

Outlook for our specialised and other portfolios

Overall this portfolio performed well.

We do not anticipate additional **Hotel** offerings in the coming year. While an existing tenant is currently finding the operating environment challenging, our management team does not expect these issues to persist.

Education tends to be resilient during difficult conditions. Generally, private schools rely on Government subsidies and are impacted by the Department of Education, which is cutting subsidies. This is a concern in terms of managing arrears, as is non-payment of school fees, which impacts on tenant cash flows and the viability of these businesses. We are also not immune to exposure to unsuccessful start-ups that result in casualties, as reflected in the results for this particular market segment.

We have noted a growing demand for more healthcare facilities in the CBD. This speaks to the growth in the **Healthcare** segment. We will seek to develop our Ina Building, directly next to Louis Pasteur, where we are seeing strong demand. Management is considering developing additional doctors' consulting rooms to address the increased demand. Once the Ina Building is linked to the hospital, additional GLA can be created for doctors, specialised practitioners and other medical offerings.

The **Auto dealership** segment has struggled within a sluggish economy during the last financial year. We are very pleased to have re-let a showroom in Midrand, for occupation in December 2019, after a fairly large dealership vacated during the year.

Demand for our **Places of worship** segment continues to be strong as churches remain a popular offering in the CBDs. We continue to see a fair amount of GLA being occupied by tenants in this segment. As some tenancies are short-lived, this increases the churn, but new enquiries are steady.

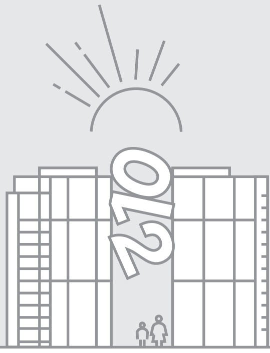
Parking has produced steady growth. Demand for parking in the CBDs remains strong. We continue to look for new opportunities and improve our controls through the use of technology and the implementation of new parking management systems.

358 Francis Baard Street

Louis Pasteur Medical Building

Spotlight on 012central

Located near the State Theatre and opposite the Reserve Bank in the Tshwane CBD, 012central is an exciting precinct that offers a breath of fresh air to the area. It boasts a variety of unique spaces and is attracting growing interest from local businesses and individuals, as well as corporates and communities from beyond the CBD.



Façade upgrade

We completed a cosmetic upgrade to enhance the appearance of the outside of the precinct, to align with the look and feel of the interiors and enclosed areas. Even with the addition of a striking new façade, we were mindful to preserve the unique appeal of the property, which provides organisers with a blank canvas and can cater for any type of event.

With a number of closely situated, interconnected buildings, 012central facilitates rich and diverse experiences for those in need of a venue for creative, stylish events that will leave a lasting impression.

012central embodies how we live our values, through prudent investments that offer worthwhile returns and make our assets more attractive. Since being renovated, the main component of 012central has become an authentic urban destination. These spaces are now generating income, interest from the public and add something special to the area.

Property fundamentals support our strategy to revamp specific buildings, which has led to an improvement in public perceptions of our inner-city nodes and this is creating fresh demand for our spaces.

012central demonstrates our passion to improve the inner city, and our vision to build and grow a precinct in which people can live, work and play. In this regard, we made significant progress during the year under review, with a number of interesting developments to report.

Public, private and lifestyle events

It was pleasing to note a growing number of attendees at the lifestyle events hosted by 012central. The precinct is experiencing growth in relevance and popularity, successfully hosting cross-cultural events and social gatherings such as Tshwanefontein, Trancemicsoul and Market@TheSheds, which continue to feature music, food and beverages, arts and design. In addition, well-known consumer brands and industry players are sponsoring these events.

To coincide with Freedom Day on 27 April 2019, we hosted our first city walk for the year, which received ample media coverage and was well supported by the public.

As Tshwane's answer to the popular First Thursdays events held in Johannesburg and Cape Town, it's a First@012 are free cultural events held around the precinct that take place on the first Thursday of every month. Our aim is to encourage people to explore the capital city and to enjoy the rich cultural experience it has to offer.

For four years running, various residences of the University of Pretoria held numerous events and year-end functions at 012central. We also welcomed corporate and listed clients to the precinct, including Avbob and Exxaro, hosting their year-end function and PIT Symposium respectively.

Industry bodies

012central hosted the Competition Commission's 13th annual conference, which was a week-long event that attracted industry leaders and influential speakers to the precinct from around the world.

We were successful in our marketing efforts and in showcasing the various spaces available to blue chip corporate clients and industry leaders during the year. We also partnered with a variety of role players that have previously used the spaces to demonstrate what can be achieved with the creative, skilful use of the "blank space" areas we offer for hire.

Fashion shows, video and photo shoots

Well-known fashion institutions, such as the London International School of Fashion and the Department of Fashion Design and Technology at the Tshwane University of Technology, held their annual fashion shows at 012central. The venue has also hosted the Tshwane University of Technology's Architecture students' fashion show, known as Archifashion, for the past five years.

During the year, we positioned 012central as a favoured location for the film and photographic industry, as the precinct offers diverse spaces and experiences. As a result, heightened awareness in the industry and positive word of mouth has proved valuable and bodes well for future bookings.

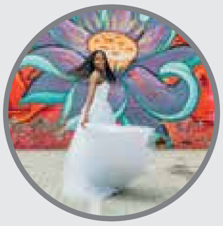
Fashion brand Rosella chose to shoot their current advertising campaign at 012central. Pet Prints magazine also used the venue for a cover shoot featuring pets and their celebrity owners. Protea cricketer Rassie van der Dussen modelled for shoots in the marketing campaigns of fashion brands Puma and Freedom of Movement.

Small business and entrepreneurs

012central saw the biggest crowd yet for the third annual TEDxPretoria event, where a variety of industry talks covered technology, entertainment and design. As we encourage entrepreneurs and small businesses to make use of the 012central precinct, we hosted the SEDA in the heart of Tshwane for their entrepreneurial day.

South Africa's leading wireless card payment system, Yoco, held a workshop at 012central that targeted small and medium enterprises. A number of workshops were also hosted by the precinct for the female entrepreneur facilitator group, Future Females. The world's largest independent start-up community network, Startup Grind, inspired and connected entrepreneurs with a variety of monthly sessions.

Weddings



012central's broad appeal and versatility was showcased again during the year as it was the venue of choice for numerous couple photoshoots, engagement shoots, as well as a number of stylish and beautiful urban weddings.

012 Community

The 012central community has increasingly filled the precinct's available spaces with additional events, workshops and creative social gatherings. Tshwane-based organisers Molo Mollo launched their entrepreneurial workshops and co-working spaces to inspire and ignite creativity for freelancers, start-ups and artists.

We were pleased to welcome The Wing Republic's first Tshwane restaurant outlet as it opened for business in the precinct during the year. Jacaranda FM's listeners awarded the title of "best chicken wings" to the popular restaurant.

Other 012 spaces

Our Jardown and Prinschurch buildings were also promoted and given additional exposure to attract interest in their unique offerings.

We strive to create sustainable spaces, in order to get the most out of our assets. With a roof shaped like an aircraft hangar, Jardown, also known as the Dome, was originally a tobacco distribution business and serves as parking space on weekdays. On weekends, its large size and unusual shape makes for an interesting fashion venue and provides exceptional acoustics for music events.

We also find innovative uses for spaces such as rooftops, and create income-generating opportunities to ensure that they are more fully utilised. Prinschurch has a beautiful third-floor podium that overlooks the State Theatre, Reserve Bank, Sammy Marks Square and the Union Buildings. Bank Towers is a popular rooftop venue in the CBD with picturesque views of the city, and is the perfect location for intimate photoshoots, music videos and more.

Property portfolio information

for the year ended 31 August 2019

Investment properties owned by the group

Property name	GLA per sector						Weighted average rental per m² at 31 August 2019 – commercial	Weighted average rental per unit at 31 August 2019 – residential	Rental income R'000	Total GLA m²	Vacancy at 31 August 2019 %
	Residential	Industrial	Offices	Retail – shopping centre	Retail – shops	Specialised and other					
Tshwane, Arcadia											
470 Pretorius Street †	–	917	–	–	–	–	–	–	357	917	–
• Apollo Centre	–	–	3 764	–	1 021	4 227	76	–	5 698	9 012	23.4
• Benrico*	–	–	–	–	503	1 939	64	–	1 401	2 442	5.2
BP Leyds Street* †	–	–	–	–	1 411	–	73	–	1 656	1 411	–
Corner Place	3 722	–	–	–	–	–	–	4 950	6 261	3 722	1.8
Craig's Place*	5 149	–	–	–	–	–	–	4 833	8 663	5 149	3.5
LPA Beleggings †	–	954	100	–	–	–	33	–	418	1 054	–
Leo's Place	5 464	–	106	–	175	–	167	4 666	9 092	5 745	6.3
Ludwigs †	–	1 529	–	–	–	–	39	–	967	1 529	–
MBA Building	–	–	3 050	–	–	–	97	–	3 040	3 050	11.2
• McCarthy Church Street* †	–	–	–	–	–	2 760	146	–	4 778	2 760	–
Monaco	600	–	–	–	–	–	–	–	505	600	25.0
Nedbank Plaza*	7 110	–	4 548	–	11 373	–	104	6 469	21 954	23 031	34.3
• Numall*	–	–	–	–	1 103	4 117	74	–	4 751	5 220	–
• Provisus*	–	–	5 322	–	375	157	105	–	7 202	5 854	4.9
Tiny Town	1 555	–	85	–	–	–	–	7 780	1 337	1 640	21.1
Total	23 600	3 400	16 975	–	15 961	13 200	90	5 136	78 080	73 136	16.2
Tshwane, CBD											
012central	2 499	1 739	1 834	–	7 137	3 938	56	5 618	8 299	17 147	24.6
• 228 Pretorius Street	–	–	–	–	641	2 844	110	–	4 335	3 485	–
• 250 Pretorius Street	69	–	2 877	–	963	152	114	–	3 460	4 061	19.4
28 Church Square*	–	–	6 545	–	302	–	99	–	7 449	6 847	1.8
Alec's Place*	4 741	–	–	–	484	–	134	5 744	6 496	5 225	3.4
Amanda Court*	1 150	–	–	–	1 453	–	93	5 189	2 961	2 603	5.0
AVN* †	–	–	7 073	–	–	–	103	–	9 265	7 073	–
Bank Towers*	–	–	5 792	–	1 735	–	116	–	8 222	7 527	19.4
Bosch Building †	–	–	–	–	–	–	–	–	443	–	–
Boschurch	–	–	–	–	922	–	73	–	809	922	11.3
Burlan*	–	–	1 072	–	879	–	100	–	1 836	1 951	54.9
• Callaway*	–	–	–	–	576	1 426	49	–	1 073	2 002	28.8
Capitol Towers North*	–	–	12 086	–	1 874	–	96	–	16 102	13 960	0.7
• Central House*	43	–	3 617	–	1 898	34	138	–	6 545	5 592	13.5
Central Towers	–	–	6 655	–	804	–	125	–	6 872	7 459	27.2
Centre Place*	5 808	–	766	–	3 304	–	203	4 225	18 563	9 878	13.0
Centre Walk*	–	–	20 015	–	5 392	–	118	–	35 892	25 407	5.6
• City Corner*	–	–	–	–	913	547	501	–	2 301	1 460	0.8
City Place*	9 539	–	–	–	1 974	–	104	4 434	20 748	11 513	8.5
City Towers*	–	–	2 164	–	780	–	195	–	1 740	2 944	73.5
CPA House	–	–	4 579	–	3 314	–	77	–	7 007	7 893	1.7
Curpro †	–	–	157	–	–	–	35	–	696	157	–
Cuthchurch*	–	–	4 419	–	5 237	–	118	–	6 645	9 656	54.8
• Daloria*	–	–	–	–	1 349	189	53	–	997	1 538	12.3
Demar Building*	3 440	–	–	–	1 551	–	45	4 972	4 779	4 991	23.1
• Du Proes	–	–	–	–	410	1 349	62	–	1 134	1 759	0.1
Dusku †	–	–	–	–	336	–	69	–	264	336	–
Eland House	1 086	–	–	–	411	–	81	5 467	1 738	1 497	–
Filkem House	–	–	893	–	645	–	260	–	1 984	1 538	57.9
• Govpret*	–	–	5 868	–	160	188	114	–	8 912	6 216	–
Hacklu Enterprises	–	–	–	–	683	–	135	–	958	683	–
• Indacom	–	2 423	366	–	1 127	2 001	39	–	2 634	5 917	–
• Jardown*	–	3 816	1 646	–	2 274	1 320	51	–	4 409	9 056	41.3
Jeff's Place*	14 771	–	–	–	–	–	–	4 676	22 745	14 771	1.9
Joan's Place*	980	–	–	–	207	–	147	4 093	1 602	1 187	3.7
Ken's Court	–	–	–	–	–	–	Sold	–	4	–	–
• Letari Building	–	1 097	–	–	1 031	840	38	–	1 233	2 968	–
Lisa's Place	3 090	–	–	–	–	–	–	4 872	5 220	3 090	5.5
Locarno House*	–	–	5 083	–	272	–	125	–	5 060	5 355	35.7
• Louis Pasteur*	–	158	7 161	–	2 952	25 286	97	–	39 502	35 557	11.8
MidChurch	–	–	–	–	–	–	Sold	–	–28	–	–
Midtown	–	–	7 297	–	1 085	–	193	–	1 452	8 382	96.9
• Navy House*	–	–	5 435	–	1 305	141	139	–	5 552	6 881	46.9
Olivetti House	–	–	3 232	–	604	–	80	–	3 539	3 836	16.4

Investment properties owned by the group continued

Property name	GLA per sector						Weighted average rental per m² at 31 August 2019 – commercial	Weighted average rental per unit at 31 August 2019 – residential	Rental income R'000	Total GLA m²	Vacancy at 31 August 2019 %
	Residential	Industrial	Offices	Retail – shopping centre	Retail – shops	Specialised and other					
Tshwane, CBD continued											
One on Mutual	5 310	–	663	–	1 543	–	107	5 670	12 447	7 516	16.5
Orpheum Mansions	1 628	–	–	–	1 139	–	134	5 476	2 595	2 767	34.0
Parking@Sophie de Bruyn	–	–	–	–	–	–	–	–	255	–	–
Perl Modes Building*	–	–	930	–	1 240	–	79	–	1 970	2 170	–
Pete's Place*	6 789	–	–	–	127	–	190	4 488	9 414	6 916	5.3
Potmeul	–	–	–	–	–	–	–	–	–	–	–
Potproes	–	3 520	–	–	5 702	–	55	–	3 968	9 222	32.2
Poyntons*	–	–	–	–	3 035	–	77	–	2 638	3 035	–
Praetor Forum*	–	–	4 518	–	1 587	–	121	–	7 636	6 105	17.3
Premium Towers	–	–	6 232	–	1 491	–	133	–	8 315	7 723	26.1
Pretjolum*	–	541	127	–	4 011	2 154	58	–	4 125	6 833	12.8
Prime Towers*	–	–	3 561	–	498	59	105	–	4 016	4 118	16.4
Prinsben	–	–	–	–	1 312	–	91	–	1 129	1 312	25.7
Prinschurch	–	–	11 358	–	1 770	–	137	–	3 108	13 128	90.3
Prinsman*	5 253	–	25	–	6 175	749	72	4 401	15 608	12 202	2.0
Prinsproes	–	–	–	–	1 643	2 979	41	–	1 906	4 622	27.2
Prinstruben	–	–	–	–	1 468	741	41	–	860	2 209	6.5
Protea Towers*	–	–	8 545	–	821	5	100	–	8 289	9 371	25.2
Provincial House	–	–	1 197	–	1 850	–	15	–	340	3 047	39.3
Rapier*	–	–	–	–	920	–	213	–	2 201	920	–
Ross Electrical †	–	–	–	–	263	–	90	–	206	263	–
Russell's Place*	7 116	–	–	–	1 049	–	123	4 631	11 367	8 165	6.6
Samchurch	–	–	–	–	189	–	369	–	782	189	–
SchoeCourt	–	776	–	–	681	994	33	–	782	2 451	20.1
Scott's Corner*	–	–	–	–	4 810	–	95	–	5 227	4 810	–
Sharon's Place*	13 499	–	89	–	5 647	–	147	4 749	30 959	19 235	6.5
Shepstru*	–	–	129	–	1 621	1 300	49	–	1 527	3 050	7.8
Shoprite*	–	–	4 029	–	14 871	–	66	–	17 592	18 900	20.9
SKD	–	2 631	50	–	282	1 079	39	–	1 707	4 042	1.7
Standard Bank Chambers*	–	–	7 782	–	–	–	95	–	7 795	7 782	9.7
Station Place*	11 398	–	–	–	732	4 199	43	4 330	19 761	16 329	3.1
Steyn's Place*	14 064	–	–	–	1 893	–	141	4 820	24 542	15 957	7.2
Steynscor*	–	–	1 042	–	2 770	–	201	–	6 712	3 812	5.6
Time Place	4 638	–	–	–	743	–	152	4 395	8 199	5 381	7.3
Toitman	–	–	–	–	–	2 124	66	–	1 575	2 124	–
Tom's Place*	9 984	–	–	–	–	–	–	4 887	18 254	9 984	5.9
Tuel	–	–	–	–	1 093	–	79	–	974	1 093	–
Valcourt	–	–	1 114	–	557	904	50	–	1 049	2 575	32.9
Vanstrub	–	1 788	–	–	2 635	–	72	–	2 131	4 423	35.4
Viskin †	–	312	–	–	–	–	65	–	235	312	–
Van Riebeeck Building	–	–	8 167	–	–	–	–	–	–	8 167	100.0
Volks Building*	–	–	–	–	–	–	–	–	475	–	–
Total	126 895	18 801	176 190	–	133 152	57 542	94	4 605	544 120	512 580	18.7
Tshwane, Centurion											
Andpot	–	–	–	–	–	–	Sold	–	(79)	–	–
FNB Centurion*	–	–	–	–	1 863	–	191	–	2 966	1 863	35.0
Lenchen Centre*	–	–	–	–	3 331	–	115	–	4 947	3 331	9.2
Lenchen Park*	–	5 435	–	–	–	–	86	–	5 228	5 435	–
Prime Cure House* †	–	–	2 689	–	–	–	96	–	3 400	2 689	–
The Hangar	19 860	–	–	–	102	–	41	6 331	19 759	19 962	2.4
Total	19 860	5 435	2 689	–	5 296	–	105	6 331	36 221	33 280	4.3
Tshwane, East											
The Park Shopping Centre*	–	–	1 270	10 740	–	–	166	–	17 611	12 010	21.5
Odeon Forum* †	–	–	3 102	–	–	–	165	–	6 263	3 102	–
Total	–	–	4 372	10 740	–	–	166	–	23 874	15 112	17.1
Tshwane, Hatfield											
Highlands*	1 156	–	–	–	–	–	–	6 958	1 325	1 156	14.4
Intersite*	–	–	2 379	–	3 189	–	140	–	7 926	5 568	10.3
Protea Hotel*	–	–	–	–	1 697	3 666	89	–	5 672	5 363	–
Talland †	–	–	–	–	570	–	28	–	134	570	–
The Fields*	29 399	–	8 941	–	8 865	9 792	137	6 233	86 708	56 997	13.2
Total	30 555	–	11 320	–	14 321	13 458	128	6 250	101 765	69 654	11.9
Tshwane, Hermanstad											
Erf One Eight One	–	12 865	–	–	–	–	30	–	4 493	12 865	11.5
Hannyhof Centre	–	–	–	–	1 754	–	73	–	1 335	1 754	4.7
Hardwood	–	1 112	–	–	–	–	32	–	420	1 112	–
Steyns Industrial Park	–	11 668	–	–	–	–	37	–	5 356	11 668	–
Talkar †	–	6 873	–	–	–	–	69	–	5 472	6 873	–
Total	–	32 518	–	–	1 754	–	43	–	17 076	34 272	4.6

Investment properties owned by the group continued

Property name	GLA per sector						Weighted average rental per m² at 31 August 2019 – commercial	Weighted average rental per unit at 31 August 2019 – residential	Rental income R'000	Total GLA m²	Vacancy at 31 August 2019 %
	Residential	Industrial	Offices	Retail – shopping centre	Retail – shops	Specialised and other					
Tshwane, North											
Blaauw Village* ^	–	–	–	7 265	–	–	137	–	11 222	7 265	0.7
Erf Agt Nul Nege	–	–	402	–	1 096	257	63	–	935	1 755	22.9
Erf Six Five One	–	1 355	–	–	–	–	50	–	615	1 355	–
Normed*	–	–	2 656	–	3 208	–	70	–	4 431	5 864	7.0
Ramreg	772	–	–	–	993	–	85	4 125	1 757	1 765	17.4
Rosnew	–	1 402	–	–	5 035	–	100	–	6 251	6 437	12.3
Total	772	2 757	3 058	7 265	10 332	257	99	4 125	25 211	24 441	8.0
Tshwane, Other											
Persequor Park*	–	–	8 074	–	–	–	130	–	13 147	8 074	–
Rentmeester Park*	176	–	12 083	–	–	–	118	–	16 659	12 259	7.7
Total	176	–	20 157	–	–	–	123	–	29 806	20 333	4.7
Tshwane, West											
Asland*	–	4 807	469	–	–	–	36	–	2 012	5 276	6.2
Carlzeil*	–	7 574	813	–	290	–	36	–	2 196	8 677	15.8
Goleda	–	5 879	–	–	411	765	24	–	1 558	7 055	25.1
Henwoods	–	3 577	–	–	–	–	56	–	2 212	3 577	–
H&S Mansions	364	2 055	6	–	1 085	–	22	4 552	1 160	3 510	14.1
Imbuia	1 155	–	–	–	–	–	–	5 354	686	1 155	–
Ischurch	416	2 913	208	–	2 857	384	33	4 282	2 205	6 778	20.5
Jakaranda	1 782	–	–	–	–	–	–	4 635	1 801	1 782	3.0
Kiaat	3 080	–	–	–	–	–	–	4 627	2 160	3 080	5.0
Lasmitch Properties †	–	201	–	–	3 071	–	33	–	1 195	3 272	–
Lutbridge	–	4 141	785	–	886	–	40	–	2 133	5 812	32.2
Metromitch	1 632	3 128	484	–	2 918	1 984	35	4 762	4 884	10 146	9.1
Mimosa	1 890	–	–	–	–	–	–	5 622	1 172	1 890	–
Mitchpap	–	1 779	–	–	1 262	1 373	36	–	1 899	4 414	4.1
Nedwest Centre	–	7 216	–	–	2 128	–	52	–	5 459	9 344	4.5
Panag Investments	–	1 237	–	–	733	–	44	–	1 036	1 970	–
Rosemitch*	874	8 885	–	–	–	–	23	4 595	2 656	9 759	8.4
Rovon Investments	–	3 869	–	–	435	–	50	–	2 129	4 304	9.9
Soutwest Properties	–	1 839	–	–	–	–	73	–	1 560	1 839	–
Syringa	3 633	–	–	–	–	–	–	4 996	2 230	3 633	4.3
Total	14 826	59 100	2 765	–	16 076	4 506	38	4 777	42 343	97 273	10.6
Tshwane, Silverton and surrounding areas											
Brianley	–	7 723	3 170	–	–	567	39	–	5 333	11 460	5.4
Janvoel	–	916	–	–	882	–	47	–	726	1 798	32.0
Notrevlis	–	–	–	–	–	–	Sold	–	960	–	–
Sildale Park*	–	22 734	35	–	73	–	51	–	13 054	22 842	1.4
Silver Place	15 733	–	347	–	9 104	981	86	5 399	23 066	26 165	7.3
Silverfas*	–	2 660	5	–	–	–	37	–	872	2 665	–
Silvertondale 36*	–	1 472	346	–	–	–	55	–	1 040	1 818	21.4
Supmall	–	–	–	–	–	–	Sold	–	893	–	–
Tomzeil*	–	6 191	395	–	–	–	42	–	2 970	6 586	–
The Tannery Industrial Park*	–	35 622	1 373	–	937	–	48	–	17 921	37 932	13.0
Total	15 733	77 318	5 671	–	10 996	1 548	51	5 399	66 835	111 266	7.9
Tshwane, Sunnyside											
Karelia Flats*	1 464	–	–	–	–	–	–	4 647	2 468	1 464	4.8
Les Nize Flats*	1 456	–	–	–	–	–	–	4 149	2 551	1 456	7.1
Savyon Place*	2 036	–	–	–	665	–	161	5 851	2 860	2 701	0.6
Selmar*	1 519	–	–	–	–	–	–	5 512	1 124	1 519	6.4
Sunnyside Galleries*	288	–	–	–	3 200	606	88	5 024	4 124	4 094	1.3
The Pavilion	–	–	–	–	–	–	Sold	–	1 735	–	–
The Village*	–	–	–	–	4 205	818	62	–	3 433	5 023	10.9
Unity Heights*	1 664	–	–	–	590	–	156	6 603	2 677	2 254	9.4
Total	8 427	–	–	–	8 660	1 424	85	5 042	20 972	18 511	5.9
Tshwane, Waverley, Gezina, Moot											
Bouwer Broers	–	–	–	–	2 719	–	47	–	1 287	2 719	20.3
Gerlan †	–	–	–	–	–	5 174	130	–	6 000	5 174	–
Gezina City Shopping Centre	–	–	–	16 218	–	–	71	–	13 535	16 218	–
Motor City Capital Park	–	3 417	–	–	4 044	–	71	–	5 892	7 461	0.9
Orion	1 482	–	–	–	923	–	–	4 636	1 637	2 405	41.8
Ou Holland	1 393	–	–	–	958	–	65	5 148	1 808	2 351	4.7
Swemvoor	–	1 030	–	–	1 353	–	48	–	1 234	2 383	43.5
Trekfred	–	–	–	–	2 792	–	77	–	2 084	2 792	20.8
Trekmin	3 972	625	326	–	4 438	–	82	5 152	8 029	9 361	2.8
Troymona	166	–	–	–	–	–	–	8 883	135	166	–
Waverley Plaza Shopping Centre*	–	–	1 958	9 343	–	–	169	–	21 377	11 301	0.4
Total	7 013	5 072	2 284	25 561	17 227	5 174	97	5 086	63 018	62 331	5.9

Investment properties owned by the group continued

Property name	GLA per sector						Weighted average rental per m² at 31 August 2019 – commercial	Weighted average rental per unit at 31 August 2019 – residential	Rental income R'000	Total GLA m²	Vacancy at 31 August 2019 %
	Residential	Industrial	Offices	Retail – shopping centre	Retail – shops	Specialised and other					
Johannesburg and surrounding areas											
3 West Street*	–	–	1 654	–	1 642	–	103	–	3 786	3 296	31.8
CCMA Place*	–	–	3 503	–	649	–	96	–	4 385	4 152	5.6
Druthon Centre	–	–	1 063	–	2 335	–	74	–	1 967	3 398	39.5
Erand Gardens* †	–	–	2 663	–	–	–	97	–	4 074	2 663	–
• Kempton Place*	22 659	–	–	–	8 883	1 047	108	4 993	32 553	32 589	22.4
• Killarney Mall*	–	–	10 451	32 397	–	4 096	133	–	75 156	46 944	5.2
Kyalami Crescent*	–	9 469	–	–	–	–	60	–	5 695	9 469	20.7
• McCarthy Midrand*	–	–	–	–	–	3 692	–	–	2 900	3 692	100.0
Motor City Strijdom Park	–	–	–	–	6 769	–	88	–	6 555	6 769	12.0
The Manhattan ^	11 048	–	–	–	–	–	–	7 598	7 566	11 048	4.0
Woodmead Value Mart*	–	–	–	18 049	–	–	202	–	41 398	18 049	1.3
Total	33 707	9 469	19 334	50 446	20 278	8 835	132	6 296	186 035	142 069	13.7
Johannesburg, CBD											
Anderson Place*	–	–	5 180	–	205	–	86	–	6 104	5 385	–
Arlington House*	–	–	384	–	2 521	–	162	–	4 536	2 905	13.2
• Armadale	6 094	–	1 842	–	2 850	1 842	97	5 648	11 362	12 628	15.5
Bradlows Corner*	–	–	926	–	1 523	–	95	–	1 742	2 449	32.1
Bram Fischer Towers*	–	–	9 784	–	1 896	–	93	–	10 037	11 680	19.6
Brisk Place*	3 225	–	12	–	2 387	–	94	4 199	5 462	5 624	26.5
Castle Mansions*	10 162	–	–	–	6 039	–	145	4 957	19 879	16 201	6.9
City Block	–	4 074	–	–	–	–	24	–	879	4 074	25.4
CPA Place*	3 392	–	666	–	760	–	104	4 627	6 770	4 818	3.7
Dan's Place*	5 910	–	–	–	2 401	–	119	4 453	9 810	8 311	15.2
Education Centre*	–	–	8 355	–	2 581	–	172	–	4 990	10 936	76.6
Elephant House*	–	–	4 777	–	–	–	110	–	2 840	4 777	41.0
Empisal	–	–	826	–	802	–	108	–	1 360	1 628	50.7
Essenby	4 372	–	–	–	1 934	–	182	4 694	8 125	6 306	21.8
Fedsure House	–	–	19 869	–	27	–	–	–	1 301	19 896	100.0
• Focus House*	–	–	2 656	–	350	27	89	–	1 761	3 033	27.1
Frank's Place*	8 916	–	–	–	3 398	–	125	4 889	16 959	12 314	12.8
Howard House	27	–	1 243	–	311	–	111	–	1 801	1 581	4.9
Inner Court*	–	–	12 760	–	10 788	–	76	–	14 930	23 548	54.7
• Jeppe House*	–	–	59	–	2 610	5 674	72	–	6 848	8 343	0.7
John Street*	–	15 439	–	–	–	–	42	–	7 308	15 439	–
Kings City Parkade*	–	–	–	–	1 578	–	244	–	8 325	1 578	–
Klamson Towers*	–	–	5 085	–	1 431	–	107	–	5 414	6 516	17.1
Lara's Place*	5 711	–	783	–	973	–	153	4 619	9 691	7 467	14.9
• Lister Medical Centre*	–	–	–	–	3 292	11 913	117	–	14 510	15 205	37.2
London House	–	–	3 978	–	334	–	87	–	2 476	4 312	17.8
Lusam Mansions*	3 093	–	154	–	506	–	164	4 154	4 449	3 753	18.8
Marlborough House	–	–	7 429	–	829	–	117	–	10 510	8 258	10.6
Medical Towers	–	–	–	–	–	–	Sold	–	30	–	–
Mr Price*	–	–	1 662	–	1 751	–	151	–	4 359	3 413	19.5
Nzunza House*	–	–	7 827	–	777	–	121	–	7 482	8 604	31.5
Plaza Place*	7 062	–	–	–	1 436	–	79	4 156	10 851	8 498	18.7
• Presmooi	–	–	424	–	2 836	414	62	–	2 421	3 674	11.5
Record House*	1 024	–	–	–	503	–	177	3 873	2 788	1 527	4.7
Reinsurance House	–	–	15 034	–	–	–	–	–	–	15 034	100.0
Reliance Centre*	–	6 564	526	–	–	–	40	–	2 767	7 090	15.5
Ricci's Place*	9 308	–	–	–	1 726	–	147	4 379	16 260	11 034	14.3
Royal Place*	5 588	–	6 717	–	2 549	–	112	4 265	17 169	14 854	11.4
Selby 515*	–	6 416	–	–	–	–	49	–	3 308	6 416	6.0
Shoprite – Eloff Street* †	–	–	22 338	–	9 402	–	31	–	3 239	31 740	70.6
Splendid Place*	7 526	–	–	–	988	–	141	4 698	9 539	8 514	8.9
Tali's Place	12 703	–	2 555	–	2 727	–	72	4 210	19 352	17 985	18.0
Temple Court*	2 004	–	–	–	331	–	140	4 731	2 849	2 335	21.2
The Brooklyn*	3 938	–	–	–	2 157	–	57	3 477	7 243	6 095	8.4
Union Club*	2 732	–	–	–	955	–	200	3 725	4 827	3 687	12.1
Vuselela Place*	8 161	–	24	–	944	–	123	4 394	11 259	9 129	5.9
• Wits Technikon* †	–	–	479	–	–	16 458	34	–	6 645	16 937	2.8
• Works@Main*	–	–	3 458	–	974	477	39	–	1 986	4 909	14.3
Total	110 948	32 493	147 812	–	82 382	36 805	85	4 480	334 553	410 440	30.1
Total	392 512	246 363	412 627	94 012	336 435	142 749	89	4 829	1 569 908	1 624 698	17.9
Investment properties 100% held	392 512	246 363	412 627	86 747	336 435	142 749	88	4 829	1 558 687	1 617 433	18.0
Investment properties 50% held	–	–	–	7 265	–	–	137	–	11 221	7 265	0.7
	392 512	246 363	412 627	94 012	336 435	142 749	89	4 829	1 569 908	1 624 698	17.9

* *Properties securing long-term borrowings (notes 6 and 19)*

† *Single tenanted property*

^ *Properties in which the group has a 50% interest*

16 Financial director's review

Dividend to shareholders

The 2019 performance can best be described as challenging, with results being tempered by the constrained local economic and consumer environment. Octodec has, however, demonstrated its ability to achieve acceptable results in these tough times and continues to deliver on its long-term strategy.

We have maintained a conservative dividend policy and do not distribute capital profits. Dividends are based on income generated from sustainable rental income net of costs. The rental we receive from our property portfolio, including the distributable income from our equity-accounted investments, less operating costs, interest on debt and normal taxation, is distributed to shareholders biannually.

We provided guidance to investors on the anticipated performance for the 2019 financial year across various key metrics, including our distribution. We use the dividend per share metric as a key performance measure, as it is considered a more relevant measure than earnings or headline earnings per share.

Our board of directors declared a dividend of 200.9 cents per share for the year ended 31 August 2019, which is in line with our guidance provided during the reporting period. This amounts to a dividend of 101.7 and 99.2 cents per share for the first and second half reporting periods respectively.

	2019	2018	2017	2016	2015
Dividend per share (cents)	**200.9**	203.4	203.1	201.5	189.2
Growth in dividend per share (%)	**(1.2)**	0.1	0.8	6.5	7.7

Distributable earnings

We have included a simplified income statement aimed at disclosing to the readers the basis on which the dividend is calculated for the year ended 31 August 2019. This income statement reflects the operating results and excludes fair value and other non-cash flow adjustments required in the statutory financial statements in terms of IFRS.

Octodec has **demonstrated its ability to achieve** acceptable results in these tough times and continues to deliver on its long-term strategy.

Distributable earnings	% increase	31 August 2019 R'000	31 August 2018 R'000
Revenue earned on contractual basis	5.0	**1 988 381**	1 893 806
Property operating costs	7.5	**(929 594)**	(864 911)
Net rental income from properties	2.9	**1 058 787**	1 028 895
Administrative costs	(5.3)	**(78 515)**	(82 875)
Operating profit	3.6	**980 272**	946 020
Interest income		**18 844**	18 584
Share of income from joint venture		**3 253**	15 721
Distributable profit before finance costs	2.2	**1 002 368**	980 325
Finance costs	6.5	**(467 385)**	(438 881)
Distributable income before taxation	(1.2)	**534 984**	541 444
Taxation		**–**	–
Distributable earnings attributable to shareholders	(1.2)	**534 984**	541 444
Reconciliation of distributable earnings			
Total comprehensive income attributable to equity shareholders	(45.3)	**295 647**	540 563
Adjustments:			
(Profit)/loss on sale of investment properties		**(2 629)**	916
(Gain)/loss on derecognition of investment in joint venture		**(3 029)**	2 770
Fair value changes			
Investment property		**138 873**	39 084
Investment property – joint venture		**(342)**	9 747
Investment in Edcon		**2 505**	–
Interest rate derivatives		**91 221**	(39 673)
Impairment of goodwill		**–**	1 992
Straight-line rental income accrual		**8 191**	(1 482)
Taxation – current and deferred		**7 052**	(8 493)
Distributable earnings attributable to shareholders before adjustments	(1.5)	**537 489**	545 424
Adjustments to distributable earnings			
Share of after tax profit of joint venture – not distributable		**–**	(3 980)
Amount attributable to Edcon rent reduction*		**(2 505)**	–
Distributable earnings attributable to shareholders	(1.2)	**534 984**	541 444

* *Revenue for the year ended 31 August 2019 has been reduced by R2.5 million which relates to the 40.9% rent reduction granted to Edcon in terms of the rent reduction agreement between Edcon and its landlords. Management valued the shares acquired in lieu of the rent reduction at nil value and reduced the distributable amount accordingly*

Gross revenue increased to

R1.99 billion

with comparable revenue growth of

5.0%

Net property income

Gross contractual revenue increased to R1.99 billion for FY2019 with comparable revenue growth of 5.0%. The ratio of property expenses (net of recoveries) to revenue for the group increased to 31.6% for FY2019 from 30.0% for FY2018.

Below are the group's cost-to-income ratios, set out in terms of the three different definitions.

Cost to income ratios	31 August 2019 %	31 August 2018 %
Property costs		
Gross basis	**46.7**	45.7
Net basis (net of recoveries)	**31.6**	30.0
Administrative costs		
Gross basis	**3.9**	4.4
Net basis (net of recoveries)	**5.0**	5.6
Property and administration costs		
Gross basis	**50.6**	50.0
Net basis (net of recoveries)	**36.7**	35.6

Property costs, both on a gross and net basis, have increased compared to the prior period. This is largely due to an increase in repairs and maintenance costs, utility and assessment rate charges, and an overall increase in property management costs.

Bad debt write-offs and provisions during the period increased to 1.4% of total tenant income (FY2018: 1.2%). Residential bad debts contributed to the increase in the bad debt expense, which is a result of the difficult economic conditions facing the consumer.

Arrears and doubtful debt provisions remain at acceptable levels as a result of appropriate credit risk management and collections, despite the sustained economic pressure. FY2019 administration costs of R78.5 million decreased by 5.3% compared to FY2018. The administration costs include fees paid to City Property which include an asset management fee based on 0.42% of enterprise value, with a minimum fee payable of R3.5 million per month. Further details of these fees are set out on page 136 of the AFS.

Finance costs

Finance costs increased by 6.5% to R467.4 million (FY2018: R438.9 million) as a result of the increase in borrowings to R4.98 billion (FY2018: R4.85 billion) reflecting the impact of a measured and sustained capital investment programme to upgrade our properties in core nodes. The FY2018 results included interest capitalised on various developments amounting to R13.1 million. The weighted average interest rate for borrowings, before costs relating to the hedging of interest rates, was 8.7%. The ICR, including the income from the equity-accounted investments, was at 2.3 times for FY2019 (FY2018: 2.3 times).

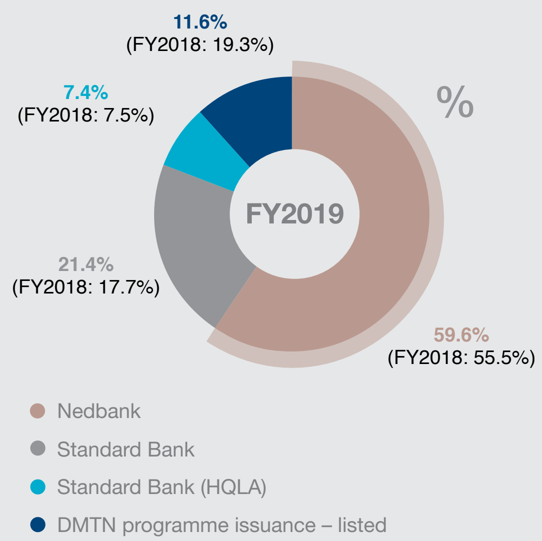
Balance sheet optimisation

We continue to strengthen our balance sheet, ensuring prudent financial management in the challenging South African economic environment by:

- Disciplined and conservative financial management with an **LTV** target of approximately 35% and further managing the LTV ensuring that we do not exceed 40%
- Maintaining a policy of **interest rate hedging** of at least 70% to 80% of our debt to minimise adverse fluctuations in interest rates, for a weighted average term to maturity of at least 2.5 years
- **Minimising cost of funding**
- **Managing of refinance risk** by terming out our loans to at least 2.5 years
- **Managing our ICR** of at least 2 times cover
- Continuing to **diversify our source of funding**
- Continuing to generate **strong cash flow from operations**
- Optimally managing our **treasury function**.

Issue	2019 outcomes	2020 target
LTV ratio	The group's LTV (value of interest-bearing borrowings including the liability for derivative financial instruments, net of cash, divided by the fair value of its investment portfolio) at FY2019 is 38.9% (FY2018: 37.8%). The increase in LTV is mainly attributable to the downward revaluation of the property portfolio amounting to R138.9 million.	To continue and aim to reduce LTV levels by way of property disposals and an improved performance of the property portfolio (we will remain focused on maintaining LTV below 40%)
Interest rate hedging	We entered into additional swap contracts and extended maturities on certain swap contracts from one year to three and four years and took advantage of the favourable swap interest rates. This has resulted in a forecasted hedged position at FY2019 of 85.4% of debt, with a hedge maturity of 3.0 years.	To maintain at agreed levels of at least 70% to 80% of debt, with a maturity profile of at least 2.5 years
Minimising cost of funding	We continued to endeavour to ensure that our cost of funding is aligned with competitive pricing from funders.	Our average group cost of funding, excluding and including the costs of hedging, is at 8.7% and 9.3% respectively. We are considering various options to reduce our cost of funding and are pleased to report that the following progress has been made: • Consideration of a number of funding structures to allow for improved margins • Continue to improve on the pricing of loans offered by funders
Managing of refinance risk	We continued to take steps to ensure that not more than 25% of our debt matures within any one financial year and we maintained a maturity profile of at least 2.5 years. R950 million of debt expires in FY2020, which is equal to 19%. The debt maturity profile as at FY2019 is at 2.9 years.	We will maintain our maturity profile of at least 2.5 years
Managing our ICR of at least two times cover	Our ICR was 2.3 times.	While the LTV ratio is the generally accepted determinative metric for SA REIT sector analysis, we believe that ICRs are equally important. An ICR is a more objective measure of our financial strength as the calculations thereof are not reliant on any assumptions. There is greater focus on improving the ICR which is expected to be similar to FY2019
Continuing to diversify our source of funding	To minimise refinance risk through diversified sources and providers of finance. With our recent strategy of multibank funding, we are close to finalising an agreement with a new funder for an additional R450 million.	To continue to diversify our funding sources, while remaining price sensitive.
Strong group cash flow from operations	The group generated strong cash flow from operations before interest of R1 023.9 million (FY2018: R1 006.2 million) and R571.1 million (FY2018: R578.5 million) after interest, which was utilised mainly to fund dividend and investment activity. The group has R632.5 million (2018: R697.1 million) of facilities available as at 31 August 2019, comprising of unutilised debt facilities available on demand of R585 million (2018: R669 million) and cash in bank of R47 million (2018: R28 million).	To continue to generate strong cash flows from operations
Optimal management of our treasury function	We continued to improve our management of the treasury function and reporting. Progress was made in enhancing our risk management tools. We continually stress test our balance sheet for risk based on different scenarios.	To continue to stress test our balance sheet

The current funding sources are:



DMTN strategy

Octodec participates in a DMTN programme through its subsidiary, Premium Properties Ltd that is guaranteed by Octodec. The debt capital market offers more attractive pricing but is sensitive to market sentiment. In consequence, a number of investors in the property debt market have taken a negative view of the SA REIT sector and did not reinvest into bonds on maturity and this resulted in Octodec having to repay in excess of R350.3 million on the maturity of our notes.

As at FY2019, the total issuance was at R578.8 million (FY2018: R929.1 million), or 11.6% (FY2018: 19.2%) of the group's borrowings. During the period we issued R480.0 million of new unsecured listed commercial paper and corporate bonds to refinance maturing notes. Subsequent to the financial year end, notes in the amount of R110.0 million and R60 million expiring in November 2019 were partly refinanced with new notes amounting to R120 million. A further corporate bond for an amount of R81 million was issued on 8 October 2019, with a tenure of two years and at a price of 160bps above the three-month JIBAR rate.

Review of financial position and working capital	**31 August 2019**		31 August 2018	
	Amount R'million	**Weighted average interest rate per annum %**	Amount R'million	Weighted average interest rate per annum %
Interest-bearing borrowings				
Bank borrowings	**4 030.0**	**8.8**	**3 547.8**	**8.8**
Nedbank	**2 965.0**	**8.9**	2 689.3	8.8
Standard Bank	**1 065.0**	**8.6**	858.5	8.7
DMTN programme	**948.1**	**8.5**	**1 298.8**	**8.5**
Listed-unsecured	**578.8**	**8.4**	929.1	8.4
Unlisted secured – Standard Bank (HQLA)	**369.3**	**8.8**	369.7	8.9
Total borrowings	**4 978.1**	**8.7**	**4 846.6**	**8.7**
Cost of swaps		**0.6**		0.2
Total borrowings		**9.3**	**4 846.6**	**9.0**
LTV (%)		**38.9**	37.8	
Borrowings hedged (%)		**85.4**	74.5	
Weighted average term of debt (years)		**2.9**	2.5	
Weighted average term of interest rate swaps (years)		**3.0**	1.4	
Weighted annual average cost of borrowings (all-in cost) (%)		**9.3**	9.0	
Undrawn debt facilities available and cash on hand on demand (R'million)		**632.5**	669.0	

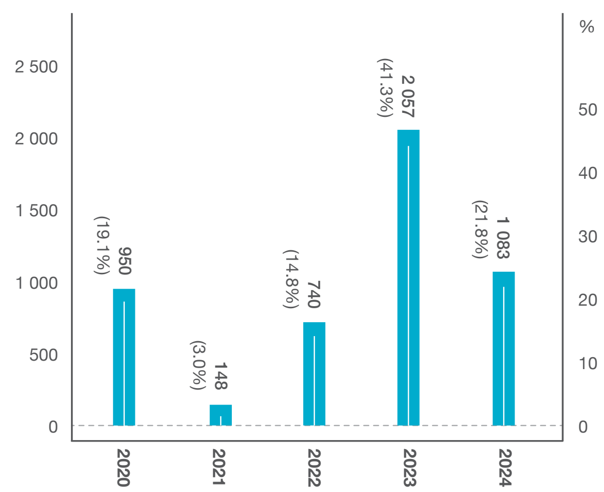
The ability to identify new strategic investments and fund them with attractively priced capital is a key driver for our future growth. Our capital recycling and refinancing activities in FY2019 positioned us to consider opportunities to generate growth over time with a more predictable earnings stream. In FY2019, we utilised the net proceeds of R129.2 million from disposals to help repay debt. Our debt has increased with the expenditure on various projects and investments referred to on page 47.

The group has R632.5 million (2018: R697.1 million) of facilities available as at 31 August 2019, comprising of unutilised debt facilities available on demand of R585 million (2018: R669 million) and cash in bank of R47 million (2018: R28 million).

Loan expiry

The weighted average term to expiry of the loans increased to 2.9 years (FY2018: 2.5 years), which is in line with our strategy. The process to refinance the remaining short-term borrowings is under way with the respective banks and we do not anticipate any issues or concerns.

Loan expiry profile by financial year (R'million)

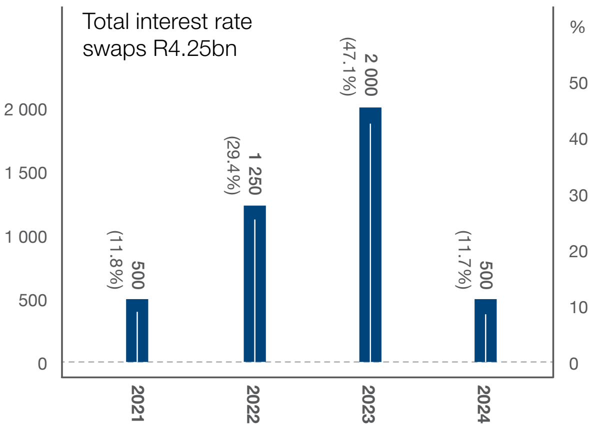


Interest-rate swap contracts

The exposure to interest rate risk has been reduced by entering into interest rate swap contracts in respect of 85.4% of borrowings (FY2018: 74.5%). The hedges in place are for a weighted average period of 3.0 years (FY2018: 1.4 years as prime released). We received a welcome reduction in the prime bank overdraft rate in July 2019 of 0.25%. The domestic FRA curve is signaling the market's expectation of one or two more rate cuts over the next 12 months and this is expected to continue to offer attractive interest rate swap opportunities.

We have entered into new swap contracts resulting in the lengthening of our swap expiry profile to align with our strategy of hedging of at least 70% to 80% of our borrowings.

Interest rate swap expiry profile by financial year (R'million)



Investment property

The group's property portfolio valuation, excluding its share in joint venture, amounted to R12.8 billion at the end of FY2019 (FY2018: R12.4 billion), increasing mainly as a result of the various upgrades of properties and the acquisition of the remaining 50% shareholding in Jardtal Properties (Pty) Ltd (Kempton Place and The Brooklyn).

The table below is a summary of investment property, valuations and assumptions:

	31 August 2019	31 August 2018
Range of capitalisation rates (%)	**8.5 to 14.5**	8.0 to 13.0
Weighted average capitalisation rates (%)	**9.5**	9.3
Decrease in valuation (R'000)	**(138 873)**	(39 084)
Decrease in valuation (%)	**(1.1)**	(0.3)
Decrease in like-for-like valuation (R'000)	**(155 189)**	(26 675)
Decrease in like-for-like valuation (%)	**(1.3)**	(0.2)

It is the group's policy to perform internal valuations of all properties at the interim period and at year end. These valuations are based on the capitalisation of net income method, which is consistent with the basis used in prior years. Over a three-year rolling period, all properties are valued by external valuators. Given some concerns by the industry over the accuracy of certain valuations of REIT property portfolios, we appointed an additional three independent valuers to perform the valuation of one-third of the portfolio. This was done to ensure that we have a wider valuation view and perspective of the market. JLL, MillsFitchet and Realworx were appointed and were each allocated a number of properties based on their expertise and experience. For further details on investment property refer to pages 111 to 114 of the AFS.

Fair value changes and NAV

The fair value changes in respect of the property portfolio amounted to a fair value loss of R138.9 million for the year (FY2018: R39.1 million loss). The mark-to-market value of interest rate swap contracts, which protect the group against adverse interest rate movements, resulted in a fair value loss of R91.2 million for the year (FY2018: R39.7 million gain).

At the end of FY2019, the NAV per share was 2 847 cents decreasing from 2 939 cents at the end of FY2018, reflecting a downward movement mainly as a result of the fair value changes referred to above.

Outlook for FY2020

The difficult economic and trading conditions are expected to continue, with South African consumer spending remaining constrained. We remain committed to delivering on our strategies and to invest in properties and initiatives that drive growth and efficiencies, while focusing on reducing costs, improving cash flows and strengthening our balance sheet. A continued focus on the core property fundamentals provides us with a sustainable platform for growth, which includes a stronger, more relevant and diversified tenant base.

The forecast dividend for FY2020 is expected to be similar to the dividend for FY2019, and therefore no growth in dividend per share is anticipated.

This guidance is based on:

- The current market and trading conditions prevailing for the property portfolio
- The current forecast investment property income calculated using contractual rentals and assumed market-related renewals
- Allowance for vacancies using assumptions and historical experience
- No major corporate and tenant failures occurring
- No further deterioration in the political and socio-economic environment.

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

Anthony Stein

Financial director
10 December 2019

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Abridged corporate governance report

Governance structure

Our governance structures and processes enable the oversight and ensure that the group is on the right journey to deliver our vision. The amended framework adopted by the group during the year under review articulates how decisions are made not only in compliance with legal and regulatory requirements, but also drives streamlined outcomes-based decision-making. A number of governance policies provide context for execution in terms of the delegation of authority. Our governance structures, as described on pages 70 and 71, are supported by further details available on our website at **www.octodec.co.za**

The parameters of the board and board committees, as set out in the board charter and board committees' terms of reference

Board

The board, the custodian of corporate governance, is the highest governing authority of the group and leads by setting the tone at the top and sees to it that all business decisions and judgements are made with reasonable care, skill and diligence. The deliberations of the board are guided by the board's charter, which sets out its composition, processes and responsibilities.

Audit committee

The audit committee members, the majority of whom are independent non-executive directors, are elected by the shareholders at the AGM (see page 147). The role of the audit committee, in addition to its statutory duties, is to review the group's financial statements and integrated reporting and ensure the integrity and transparency of corporate reporting, the adequacy and efficiency of internal controls, and assessment of the independence and effectiveness of external audit. The committee further oversees the effectiveness of the group's external and internal assurance functions and services that contribute to ensuring the integrity of the group's financial and integrated reporting. This assists the board in monitoring the integrity of the group's AFS and related external reports. The committee satisfies itself as to the expertise and experience of the financial director and the finance function, pre-approves and agrees the amount of fees paid to external auditors for audit and non-audit work, and monitors IT governance. The statutory committee report is included on pages 94 to 96 of the AFS.

Investment committee

As part of the restructuring of the board in 2019, the investment committee was collapsed into the board on 20 February 2019. The board is now responsible for the consideration of the valuations of the assets in the company's portfolio, disposals, acquisitions, major upgrades, developments and redevelopments proposed by management and ensures proposals are in line with the company's overall strategy and that appropriate due diligence procedures are followed when acquiring or disposing of assets, which are considered biannually, or at such shorter intervals as deemed necessary.

Likewise, each of the board committees, who also act as the committees for Octodec's subsidiaries in the group, are chaired by an independent non-executive director and are mandated by the respective board committee terms of reference, which are reviewed on an annual basis to adopt best practice and include specific statutory requirements. The board provides ethical leadership and direction to our business with the aim of creating sustainable value by setting, steering and overseeing our business strategy and plans, effective risk and opportunity management, technology and information governance performance, stakeholder inclusiveness, responsible corporate citizenship and sustainable development. It performs its role as custodian of governance by establishing accountability, delegation, monitoring and oversight and approves appropriate strategies, policies, charters, terms of reference, assurance services and functions in place to achieve compliance with relevant laws and regulations, effective control at board, board committee, executive and management level. Board-approved delegation of authority is in place that promotes independent judgement, a balance of power, role clarity and effective discharge of duties at board, board committee, executive and management level. The board covers routine business, through operational reports, significant acquisitions and disposal of assets, project approvals, to matters of strategy, finance, capital expenditure, significant group-wide policies and frameworks and other special items. Reports from board committee chairmen on the statutory duties and board-assigned responsibilities are also considered at each of its quarterly meetings. The role of non-executive directors, who are independent of management, is to protect shareholders' interests, including those of minority shareholders. Furthermore, they ensure that individual directors or groups of directors are subject to appropriate scrutiny in their decision-making. The roles of the Chairman of the board and the managing director are kept separate. Non-executive director, Sharon Wapnick, was the Chairman of the board and Jeffrey Wapnick, the managing director for the entire period under review. The activities and matters discussed at board and board committee meetings are guided by annual work plans which balance relevant reviews over the course of a financial year.

Nominations committee

The majority of the committee members are independent non-executive directors and it is chaired by the lead independent director.

The nominations committee continues to play a crucial role in ensuring board continuity is dealt with appropriately as it assists the board with the nomination, election, and appointment of directors and ensures a transparent and accountable process to determine an optimally diverse board and board committee composition. It is responsible for succession planning, and reviews and reports to the board on the adequacy of succession planning at board and executive levels. The committee further ensures directors retire and are re-elected in accordance with the mandate and the company's MOI and that the induction and ongoing development of directors take place. The skills, knowledge, expertise and composition of the board and board committees are reviewed, and recommendations are made to the board regarding any changes deemed necessary.

Risk committee

The majority of the committee members are independent non-executive directors and it is chaired by an independent non-executive director.

The risk committee assists the board in setting the direction for how the group's risk exposure is approached and addressed while adopting a stakeholder-inclusive approach. The committee oversees the development of an effective strategy, policy and plan for risk and opportunity management and ensures that the group's risk exposure and control systems are effectively managed and overseen. The risk committee continues to play an essential role in ensuring that compliance and governance-related matters are dealt with appropriately and that these risks are at the required levels.

In addition to overseeing compliance and governance-related matters, the committee plays an important oversight role in monitoring the implementation of adequate environmental health and safety measures within the property portfolio.

SERT committee

The majority of the committee members are independent non-executive directors and it is chaired by an independent non-executive director.

The SERT committee ensures that the group's activities support its intent to be a responsible corporate citizen. It further assists the board in setting the tone for an ethical organisational culture by overseeing the group's conduct, approach and manner in which the business is conducted with due regard to value creation in society. The committee remains committed to ensuring that Octodec fulfils its responsibilities in support of environmental, health and public safety, transformation, sustainable development, inclusive growth and societal value creation, while protecting its reputation. In addition to its statutory duties, the committee, establishes the principles of remuneration, is committed to ensuring that director and employee remuneration is fair and responsible in the context of overall remuneration and holds management accountable for ensuring total employee remuneration is distributed fairly. The statutory committee report is included on pages 80 to 83 of the integrated report.

Subcommittee

The subcommittee is chaired by the lead independent director. Although the subcommittee was originally established to address the renegotiation of the management agreement with City Property, the committee, comprising mainly independent directors, plays an important role in protecting the interests of shareholders in related-party transactions and monitors the implementation of the management agreement.

Board of directors, board committee memberships and attendance

Director, age, categorisation, qualification appointment date, role and number of years on the board	Board[1]	Committees					
		Audit[2]	Investment[3]	Nominations	Risk[4]	SERT[5]	Subcommittee
Non-executive directors							
Sharon Wapnick (56) Non-executive director BA LLB *(cum laude)*							
Appointed on 4 October 1994 – board 24 years 9 months *Appointed on 1 October 2011 – Chairman* Chairman of the board Chairman of the investment committee until 20 February 2019	8/8	5/5†	2/2	2/2	4/4	4/4	n/a
Myron Pollack (72) Non-executive director CA(SA)							
Appointed on 4 October 1994 – board 24 years 9 months *Myron will be retiring by rotation at the AGM*	8/8	5/5	2/2	2/2	4/4	4/4	3/3
Independent non-executive directors							
Derek Cohen (68) Lead independent director AEP (Unisa)							
Appointed on 1 October 2009 – board 9 years 9 months Chairman of the nominations committee and independent subcommittee	8/8	5/5	2/2	2/2	4/4	4/4	3/3
Gerard Kemp (65) Independent non-executive director MSc (Mining Engineering), DPLR, MOP							
Appointed on 1 October 2013 – board 5 years 9 months Chairman of the SERT committee *Gerard will be retiring by rotation at the AGM*	8/8	5/5	2/2	2/2	4/4	4/4	2/3[6]
Nyimpini Mabunda (43) Independent non-executive director MBA, Post Graduate Diploma (Marketing Management), BSocSci							
Appointed on 11 February 2019 – board 5 months *Nyimpini's appointment as a director is to be confirmed at the AGM*	4/8[7]	n/a	n/a	n/a	n/a	n/a	n/a

Director, age, categorisation, qualification appointment date, role and number of years on the board	Board[1]	Committees					
		Audit[2]	Investment[3]	Nominations	Risk[4]	SERT[5]	Subcommittee
Pieter Strydom (71) Independent non-executive director MCom *(cum laude)*, CA(SA)							
Appointed on 6 February 2012 – board 7 years 5 months Chairman of the audit and risk committees	8/8	5/5	2/2	2/2	4/4	4/4	3/3
Executive directors							
Anthony Stein (52) Financial director CA(SA)							
Appointed on 1 July 2009 – board 10 years 1 month	8/8	5/5†	2/2†	2/2^	4/4	4/4†	1/3^
Jeffrey Wapnick (59) Managing director BCom							
Appointed on 2 October 1998 – board 20 years 9 months Re-appointed as mananging director from 1 July 2018 to 30 June 2023	8/8	5/5†	2/2†	2/2^	4/4	4/4†	1/3^

1 *Includes an AGM and a strategic session*
2 *External advisers and invitees who regularly attend audit committee meetings: Deloitte & Touche (external auditors), shared City Property/Octodec chief risk officer, shared City Property/Octodec internal auditor, managing director and financial director of Octodec and the senior finance manager of City Property*
3 *Collapsed into the board on 20 February 2019*
4 *External advisers and invitees who regularly attend risk committee meetings: shared City Property/Octodec chief risk officer, shared City Property/Octodec internal auditor*
5 *External advisers and invitees who regularly attend SERT committee meetings: independent remuneration consultant, human resources executive: City Property, shared City Property/Octodec chief risk officer, managing director and financial director of Octodec*
6 *Apology received for the independent subcommittee meeting on Wednesday, 19 June 2019*
7 *Appointed to the board on 11 February 2019*
n/a Not applicable
^ *By invitation*
† *Permanent invitee*

As Derek Cohen has served in an independent capacity on the board since 1 October 2009, an assessment of his independence by the board on recommendation from the nominations committee has been performed. It was concluded that he exercises objective judgement and that there is no interest, position, association or relationship that is likely to influence unduly or cause bias in his decision- making and he will continue to serve in an independent capacity.

Elize Greeff, a full time employee of Octodec, who has more than 20 years accumulated experience as a company secretary and corporate lawyer:

- Continues to demonstrate the requisite level of knowledge and experience to carry out her duties
- Is independent from management and the company and group to appropriately support the board and execute her role
- Administers the proceedings and affairs of the directorate and the group in accordance with the relevant laws and best practice
- Effectively performs the role of gatekeeper of good corporate governance.

As required, having assessed Elize Greeff's abilities, based on her qualifications, expertise and levels of competence, the board endorsed and confirmed her appointment as group company secretary and is comfortable that the arrangements in place for accessing professional corporate governance services are effective.

King IV™

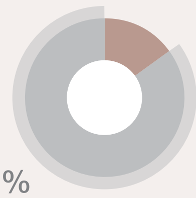
During 2019 an independent assessment of Octodec's compliance with King IV™ was undertaken. Octodec has achieved and/or complies with the required outcomes of King IV™. Areas of non-compliance have not been identified and when benchmarked against industry standards the principles are aligned to the standards of compliance required by King IV™. The major significant control relied on for the achievement of King IV™ outcomes was the reliance on competent and experienced management and executives who have demonstrated their understanding and capability to provide the required documentation and processes necessary for the achievement of the outcomes. It was concluded that the application of King IV™ within Octodec would be considered leading. Octodec's application of the King IV™ principles can be found on our website: www.octodec.co.za.

Our board charter and board committees' terms of reference can further be found on our website: www.octodec.co.za.

Board of directors

Inclusiveness: Gender and racial diversity

Female representation

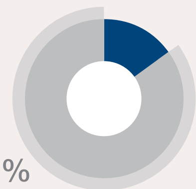


%

12.5%

Target:
25%

Black representation



%

12.5%

Target:
25%

Tenure and age

Executive directors

Average **years**	Average **age**
15.55 years	**55.50** years

Non-executive directors

Average **years**	Average **age**
12.30 years	**62.50** years

All directors

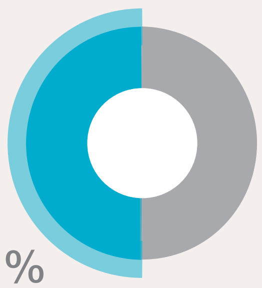
Average **years**	Average **age**
13.11 years	**60.75** years

Diversity of expertise

Finance (F)	Industry experience (Property) (P)	General leadership, management and business operations (B)
7/8 directors	7/8 directors	8/8 directors
87.5% per skills group	87.5% per skills group	100% per skills group
Legal, regulatory and corporate governance (L)	**Risk and opportunity management (R and O)**	**Strategy development (S)**
4/8 directors	8/8 directors	7/8 directors
50% per skills group	100% per skills group	87.5% per skills group

After a comprehensive review of the current skills of the board, technology and information management, environmental sustainability, consumer marketing and integrated thinking reporting and International <IR> Framework have been identified as areas that require specific training and development in 2020. Furthermore, these areas of expertise will be specifically sought when appointing non-executive directors in the future.

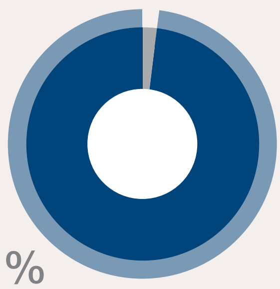
Independence



50%
or
4/8
of directors are independent
(2018: 3/7 or 37.5%)

Commitment

Directors' attendance



98%

Target:
100%

Board refreshment

Two external and independent facilitated director development sessions were held during the year, which comprised ethical leadership and integrated thinking/reporting.

Our board and board committee activities

2019

Board key focus areas, key decisions and actions

Include:

- Approved the 2018 integrated report, AFS, financial results and results announcements and B-BBEE compliance certificate
- Reviewed solvency, liquidity and going concern status and agreed dividend payments
- Approved the 2019 strategy, strategic objectives, company and executives' KPIs and group budget (including a new three-year rolling budget)
- Agreed and monitored the balance sheet optimisation targets
- Approved the acceleration of a capital recycling strategy relating to non-core and underperforming assets
- Enhanced the group governance structure: reconstituted the board and board committees and collapsed the investment committee into the board
- Contracted MSCI to conduct research into Octodec's markets and to benchmark its position in relation to other REITs
- Approved the appointments of three new independent property valuers
- Approved the purchase of the 50% share and loan account in Jardtal Properties (Pty) Ltd, held by Arrow Creek Investments 175 (Pty) Ltd, at a price of R36.5 million, effective from 1 November 2018
- Ongoing review of challenging market conditions and consideration of recommendations to address the identified risks and opportunities
- Following the group company secretary's transfer from City Property to Octodec, her job description was approved and her remuneration package benchmarked
- Implementation of the action plans for areas that had been identified for improvement following the biennial assessment of the board at 31 August 2018
- Reviewed the board charter, committees' terms of reference and approved amendments to a number of board/group governance policies

2020

Board key focus areas

- Monitor Octodec's ability to deal with crises in the CBDs swiftly, and actively work to dispel negative perceptions of the CBDs which have inherent value
- Monitor progress in respect of new opportunities and/or alternative sources of revenue, as identified
- Continue to enhance the integrated thinking and reporting processes
- Continue to meaningfully engage with material stakeholders and reviewing and refining Octodec's stakeholder engagement plan to ensure it is effective
- Endeavour to grow or at least maintain distributions
- Develop a holistic corporate citizenship strategy aligned to the group's strategy
- Ensure adequate communication to stakeholders
- Monitor the implementation of board and executive succession
- Continue to monitor the capital recycling programme

2019

Audit committee key focus areas, key decisions and actions

- Refer to the audit committee report on pages 94 to 96.

2020

Audit committee key focus areas

- Refine the implementation of an integrated combined assurance model
- Increased focus on cybersecurity: ensuring robust IT systems and processes are in place
- Oversee ongoing improvement of tax legislation compliance procedures, systems and controls
- Maintain focus on ensuring the group's financial systems, processes and controls remain effective in meeting Octodec's requirements
- Monitor progress on extending Octodec's weighted loan expiry profile and reducing its LTV
- Consider the requirements arising from the mandatory audit firm rotation after 1 April 2023 and initiating a project to assess and address these requirements

2019

Investment committee key focus areas, key decisions and actions

- Reviewed the independent, external valuations of the group's properties and investments for the period ended 31 August 2018
- Considered status reports on disposals, major redevelopments and projects. The details of these board-approved redevelopments can be found on page 47 of the report
- Monitored the implementation of the approved capital recycling strategy to dispose of underperforming and/or non-core assets. The details of these board-approved disposals can be found on pages 47 and 48 of the report

2020

Investment committee key focus areas

- Collapsed into the board with effect from 20 February 2019, whereafter the board assumed these responsibilities

2019

Nominations committee key focus areas, key decisions and actions

- In line with King IV™, the independence and categorisation of all the non-executive directors were assessed holistically, on a substance-over-form basis. Details are included on pages 72 and 73
- Recommended to the board that the directors who retired, and who had offered themselves for re-election, be re-elected by the shareholders by way of separate resolutions at the AGM to be held on 24 January 2020. Details are included on page 146
- After a comprehensive review of the current composition of the board, a vigorous recruitment process and selection drive was initiated and the committee recommended to the board that the appointment of Nyimpini Mabunda, as a director of the company on 11 February 2019, be confirmed. Details are included on page 146
- Reviewed the new proposed skills matrix and 2020 continuing professional board development programme
- Recommended to the board the approval of the chairmanships of the board committees for the financial year ending 31 August 2020
- Recommended to the board that Sharon Wapnick be reappointed as the Chairman of the board for the financial year ending 31 August 2020
- Recommended to the board that Derek Cohen be reappointed as the lead independent director for the financial year ending 31 August 2020
- Assessed the performance of the managing director and assessed the independence and performance of the group company secretary for the financial year ended 31 August 2019
- Recommended the reappointment of the managing director
- The performance of the directors retiring by rotation was assessed for the financial year ended 31 August 2019. Details can be found on page 146
- Formulated the board diversity policy's voluntary targets and recommended them to the board for approval
- Reviewed and updated its terms of reference, the lead independent charter, and board diversity policy

2020

Nominations committee key focus areas

- Review the board and board committees' composition to determine whether the talent is diverse and aligned with the company's strategy and future needs
- Develop a formal and transparent process for succession planning
- Set and achieve voluntary race and gender diversity targets at board level
- Continue to monitor the independence of directors in terms of the JSE Listings Requirements

2019

Risk committee key focus areas, key decisions and actions

- Monitored the successful integration of internal audit onto the KnowRisk platform
- Enhanced the risk appetite and tolerance levels and aligned the ERM policy and framework with ISO 31000:2018 standards
- Considered improved risk and opportunity identification, quantification and management within set tolerance levels
- Engaged external attorneys to update the DMTN programme to ensure compliance with the Debt Listings Requirements
- Reviewed the group's insurance coverage
- Monitored regulatory compliance and feedback on significant ongoing legal matters
- Reviewed and updated its terms of reference, compliance policy, whistleblowers' policy and annual work plan

2020

Risk committee key focus areas

- Embed an integrated assurance risk management monitoring framework and culture that will provide adequate assurance to the board that material risks are monitored and mitigated to acceptable levels of tolerance, in a cost-effective and optimal manner
- Entrench the regulatory universe in order to facilitate regulatory risk prioritisation and to mitigate the risk of non-compliance

2019

SERT committee key focus areas, key decisions and actions

- Refer to the SERT committee report on pages 80 to 83

2020

SERT committee key focus areas

- Review the development of a group-wide remuneration-linked performance strategy aligned with Octodec's strategic objectives
- Continue to review and refine our remuneration policy and practices to ensure competitiveness in terms of our employee value proposition. Ensuring ongoing fair, responsible and well-governed remuneration practices
- Refinement and further rollout of our B-BBEE and social investment strategy and plans aligned to the amended Codes of Good Practice and the Property Charter to meet our commitment to good corporate citizenship
- Refine Octodec's corporate social investment strategy and plan to ensure it meets its commitment to good corporate citizenship
- Monitor the governance of stakeholder relationships through the implementation of a stakeholder management policy
- Continued monitoring of any deficiencies within the buildings of concern

2019

Subcommittee key focus areas, key decisions and actions

- Engaged Jones Lang LaSalle (Pty) Ltd for an independent valuation advisory report and appointed BDO Corporate Finance (Pty) Ltd, as independent expert, for a fairness opinion on the terms of the related party lease agreement of certain properties owned by the group and leased by City Property that was released on SENS on 4 December 2018
- Monitor City Property's and Octodec's compliance with the management agreement

2020

Subcommittee key focus areas

- Biannually monitor City Property's and Octodec's compliance with the management agreement
- Monitor the performance of City Property in terms of its agreed KPIs aligned to the achievement of the strategic objectives
- Review the executive directors' performance to ensure alignment with the approved strategy and long-term direction of the group

356 Madiba Street, Tshwane

Sanlam Offices, Midtown, Tshwane

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SERT committee Chairman's review

Dear stakeholder

As Chairman of the SERT committee, it is my pleasure to report on matters within this committee's mandate for the period ended 31 August 2019, and to share with you our remuneration review presented on pages 84 to 91 of Octodec's 2019 integrated report.

Social, ethics and transformation focus

Octodec's social responsibility

Our SERT committee aims to ensure that Octodec's activities reflect its intent to be a responsible corporate citizen that supports transformation in and of our society. We also recognise that our business has an important role to play in the rejuvenation of the CBDs. The committee therefore remains committed to ensuring that Octodec fulfils its responsibilities in support of transformation, sustainable development, inclusive growth and societal value creation. We also strive towards the promotion of gender and race equity within the organisation and, in keeping with this philosophy, we continually review and monitor our policy and practices.

In the 4 (four) meetings held during the year under review the committee:

- Monitored the statutory duties performed in terms of section 72 of the Companies Act and regulation 43 of the Companies Regulations, 2011 with specific reference to good corporate citizenship (social and economic development, the environment, health and safety, and consumer relationships)
- Provided oversight on B-BBEE progress by approving the appointment of a new BEE verification agent and recommending the 2020 B-BBEE budget, pertaining to the enterprise and supplier development and socio-economic development B-BBEE scorecard elements, to the board for approval
- Oversaw the group supplier and enterprise development initiatives and appointed an independent provider offering sustainable business incubation services and business development programmes for selected entrepreneurs over a 12-month period, commencing from 1 August 2019
- Placed emphasis on monitoring the improvement in safety and environmental exposures to all affected stakeholders
- Monitored human capital transformation with specific reference to employment equity and skills development
- Amended the code of ethics that was rolled out as part of our group-wide ethics awareness training, in alignment with King IV™
- Monitored all whistleblowing facilities, including the successful implementation of a new hotline
- Arranged an ethical leadership presentation to the board on 19 June 2019, facilitated by the Gordon Institute of Business Science
- Monitored the implementation of the outstanding action plans for areas that had been identified for improvement following the biennial assessment of the SERT committee, at 31 August 2018
- Reviewed and updated its annual work plan and terms of reference, which had been approved by the board.

Remuneration focus

Fair and responsible pay

The committee also ensures that the remuneration of our employees remains fair and competitive by applying the "equal work for equal pay" principle and holding management accountable for ensuring total employee remuneration is distributed fairly.

King IV™ principles

The committee fully subscribes to the principles of King IV™ and our amended terms of reference aligns Octodec with the King IV™ principle of ensuring that the group remunerates in a manner that is fair, responsible and transparent in the context of the group's overall remuneration and promotes the achievement of strategic objectives and positive outcomes.

Use of consultants and their independence

In 2019, the committee appointed Reward Partners (Pty) Ltd, as external, independent and objective advisors, to assist in the:

- Review of key employee benefits and the material terms and conditions of service of all employees to ensure they are fair and competitive
- Analysis of income differentials with a view to ensuring fair and responsible remuneration outcomes
- Provision of technical expertise and guidance leading up to the approval of the 2020 overall annual remuneration increases and related incentives for general staff
- Benchmarking of directors' fees to formulate director fee proposals for the 2020/2021 financial year
- Alignment of the existing directors' remuneration policy with best practice, which was recommended to and approved by the board
- Drafting of the newly introduced total remuneration philosophy, strategy and policy which was recommended to and approved by the board
- Finalisation of the 2019 financial and non-financial executive directors' performance targets.

The services of 21st Century Pay Solutions were also utilised to benchmark employees' remuneration packages to ensure competitiveness against the market.

The committee is satisfied that the independent advisors engaged during the year provided independent, unbiased advice and remained objective throughout the engagement process.

Effectiveness of policy

The committee believes that the remuneration policy achieved its objectives during the year under review in that there were no negative challenges or responses from employees and other stakeholders and no material problems encountered with the attraction and retention of key skills.

Effectiveness of committee

The committee believes that it achieved its objectives during the year under review, in that there has been no known 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. The committee is satisfied that it has considered and discharged its responsibilities for the financial year in line with its terms of reference, King IV™ and the Companies Act.

In closing

Octodec continues to meet its commitments relating to governance, the environment and society. We continuously review our policies and frameworks to ensure that they remain relevant and up to date, and in so doing, seek to sustain our commitment to social and economic development, fair labour practices and environmental responsibility.

While the SERT committee will continue to operate within its terms of reference and ensure that its meetings address all regular matters reserved for its consideration, the following additional focus areas are expected to require the SERT committee's attention during 2020:

- Reviewing the development of a remuneration-linked performance strategy for our whole group aligned with strategic objectives and the development of individual KPIs
- Continue updating and monitoring any deficiencies within the identified buildings of concern
- Refinement and further rollout of our B-BBEE strategy and plans aligned to the amended Codes of Good Practice and to meet our commitment to good corporate citizenship
- Continue improving the governance of stakeholder relationships

We value our shareholder comments and invite our shareholders to engage with us through the office of the managing director, by email at investorrelations@octodec.co.za.

I remain grateful to the board, my fellow SERT committee members and executive directors for their support and commitment during 2019.

Gerard Kemp

Chairman of the SERT committee
10 December 2019

Being conscious of the environment

Total waste — measured buildings

General waste*

2 653 837kg
(2 654 tonnes)

* Excludes recyclable waste

Recyclable waste**

437 499kg
(437.5 tonnes)

Paper	52 533kg
Cardboard	183 094kg
Plastic	34 646kg
Glass	15 597kg
Cans (tinplate)	4 542kg

** *No verifiable record exists to report on the recyclable waste informally collected from 28 buildings by the City of Tshwane division, therefore the recyclable waste total is significantly lower than the actual*

The following table is a snapshot, showing highlights of the recycling outcomes reported by a few of our larger assets.

Recycled waste — highlights (kg)

Site	Paper	Cardboard	Plastic	Glass	Cans
Killarney Mall	48 060	28 334	22 886	14 546	3 575
The Tannery	334	4 330	2 986	418	165
Nzunza House	1 020	540	736	208	242
Sildale	552	2 770	3 081	65	183
Lenchen Park and Centre	1 352	2 038	1 452	360	159
Total	51 318	38 012	31 141	15 597	4 324

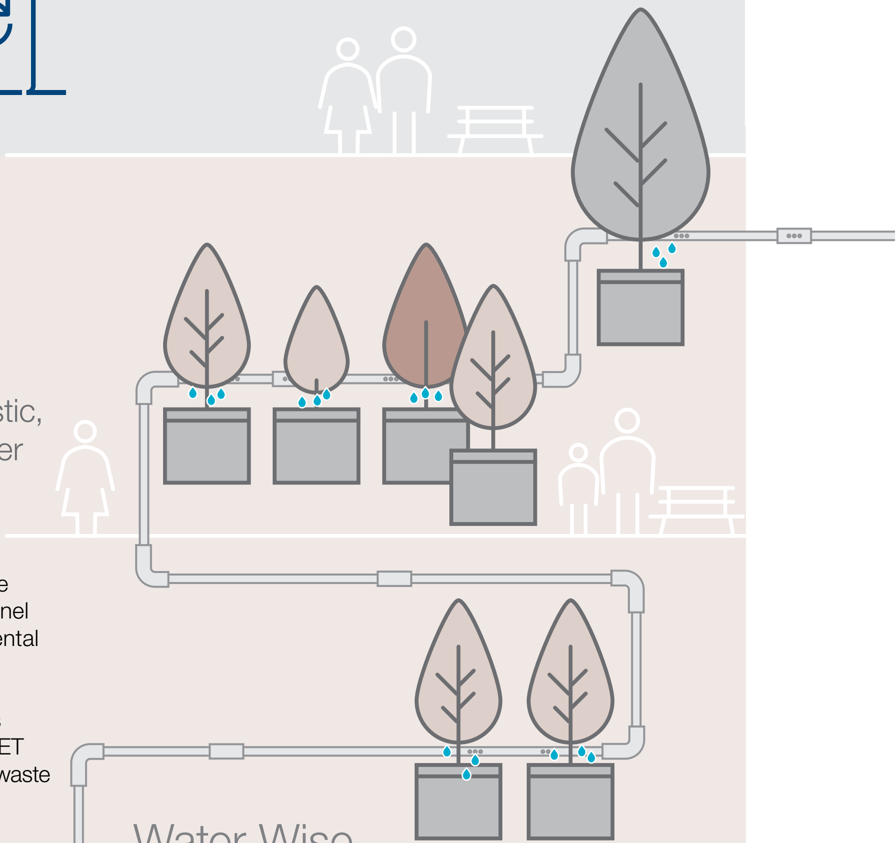
Industrial waste

420 060kg
(420 tonnes)

Specialised waste

147 088kg
(147 tonnes)

Wood	100 800kg
Dough	46 236kg
Fluorescent tubes	51.5kg



Compliance, training and guidance

We use the services of both conventional and specialised recycling companies. The former recycles our cardboard, paper, plastic, glass and tinplate can waste, while the latter recycles our light tubes and bulbs, wood and food waste.

Apple Green is our main conventional recycling programme partner and is a member of the UN's Intergovernmental Panel on Climate Change, regulated by the Institute of Environmental Management and Assessment.

Averda offers integrated waste management solutions across South Africa and is a member of PETCO, a post-consumer PET plastics environmental solution. A Bach Waste is an informal waste recycler supporting community and school recycling efforts.

Reclite is a specialised recycler and holds memberships in the Institute of Waste Management of Southern Africa, the South African Photovoltaic Industry Association, and the Southern Africa E-Waste Alliance. Smart Waste is certified to handle and dispose of food waste (dough), while Lami Waste deals with wood chip waste.

Waste suppliers provide training to their on-site sorters, as well as training on how to handle chemicals. Specialised training is done before they arrive, and on-site training is also provided, and certain suppliers provide training certificates for employees. Some waste management suppliers provide informative placards, which are placed at waste areas to show tenants which types of waste can be recycled.

City Property has access to material safety data sheets and product specification data reports for all waste suppliers' disposal, recycling and cleaning sites. Waste cleaners are allocated to specific buildings to sort waste before it becomes contaminated. We build the cost of waste chemicals and cleaning chemicals into our waste and cleaning costs.

Water Wise

The majority of our garden suppliers have had low maintenance Water Wise Initiatives in place since 2012.

They provide most of our sites with water wise plants, which are recognised in the green industry, including indigenous plants, succulents and cacti. In addition, low maintenance artificial plants have been introduced in the last year.

Our irrigation specialist installs drip-line irrigation for all new water wise plant requests. Drip line is the most efficient and resource-friendly method of irrigation, as water is applied by emitters directly to the root zone. As the water is not sprayed, effectively none of it is lost to evaporation. Our garden suppliers also provide mulch, made from leaves and bark chips, to reduce the amount of water that our plants need.

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Remuneration review

Part 1: Background statement

Dear Shareholders,

The SERT committee is tasked by the board to establish and independently oversee the implementation of our newly introduced total remuneration philosophy, strategy and policy that will support the achievement of the group's strategy and grow stakeholder value on a sustainable basis.

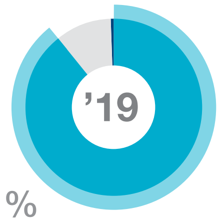
The board recognises total remuneration as a critical tool to ensure that the business creates value in a sustainable manner to ensure that remuneration practices and procedures, as administered by City Property through the management agreement, will attract and retain talented high-calibre, high-performing and independent-minded employees resulting in remuneration that is aligned with shareholder interests.

Voting results at the previous AGM

In terms of the JSE Listings Requirements, shareholders are required to endorse, by way of non-binding advisory votes, the remuneration policy and implementation report as presented in this report. Voting results on Octodec's remuneration policy at the FY2018 and FY2017 AGMs were as follows:

Remuneration policy

25 January 2019

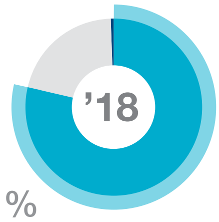


89.74%
Votes for

10.26%
Votes against

0.34%
Votes abstained

26 January 2018



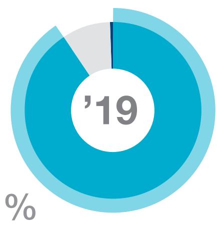
79.18%
Votes for

20.82%
Votes against

0.41%
Votes abstained

Remuneration implementation report

25 January 2019

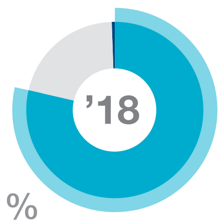


91.14%
Votes for

8.86%
Votes against

0.34%
Votes abstained

26 January 2018



81.14%
Votes for

18.86%
Votes against

0.41%
Votes abstained

Internal and external factors that influenced remuneration

There were a number of factors that influenced remuneration decisions during the year under review. From an external perspective, amongst others, factors such as inflation, forecasted salary adjustments in our sector and the competitiveness of our wage offering were considered. Internally, considerations such as Octodec's financial performance for the year under review, our internal minimum wage, pay parity, staff turnover rates and the attractiveness of our total remuneration offering were taken into account.

Key areas of focus, decisions and substantial changes

During the year under review, the committee, in addition to the key focus areas disclosed in the message from the SERT committee Chairman on page 80, recommended to the board the following remuneration-related resolutions, in compliance with regulatory and good governance requirements to be tabled at the AGM for our shareholders' consideration:

- The approval of the directors' remuneration for the period 1 September 2020 to 31 August 2021, by way of a special resolution
- Endorsement of the remuneration policy by way of a non-binding advisory vote
- Endorsement of the remuneration implementation report by way of a non-binding advisory vote

Future areas of focus

The remuneration-related focus areas for the next reporting period are the continued review and refinement of our policy and practices to ensure competitiveness in terms of our employee value proposition and encouragement of sustained performance excellence through the application of our performance management policy and practices.

Part 2: Remuneration philosophy, strategy and policy

Our total remuneration philosophy, strategy and policy informs all remuneration decisions, processes and practices within Octodec. It is regularly reviewed by the SERT committee to ensure it remains relevant and subscribes to all requirements in terms of good governance and best practice.

Our remuneration philosophy and strategy

The aim of our total remuneration philosophy is to ensure that it promotes the achievement of our strategic objectives in the short, medium and long term and continually improves the creation of value for our stakeholders. It also commits us to remunerating our directors, prescribed officers and employees fairly, responsibly and transparently and to ensure that our total remuneration offering remains attractive and competitive.

The primary focus of our total remuneration strategy is to provide a total remuneration package that will attract and retain high-calibre, high-performing and independent-minded directors and employees who subscribe to our shared values, ethical culture and our aspiration to be good corporate citizens.

Our remuneration policy

Our remuneration policy provides the framework around which the total remuneration philosophy and strategy can be executed in an optimal and effective manner. The key principles of our policy include:

- Adoption of a total remuneration approach which includes all elements of remuneration (i.e. guaranteed cash, benefits and incentives)
- The promotion of fair, transparent and ethical remuneration practices, in accordance with legislation
- Ensuring external competitiveness and internal parity through consistent, appropriate and responsible remuneration decision-making, aligned with Octodec's values
- Remuneration of employees in a manner which is reflective of both Octodec and individual performance
- Non-discriminatory remuneration practices and promotion of diversity
- Affordability to Octodec.

In terms of the management agreement, City Property undertakes to provide Octodec with a fully comprehensive, end-to-end HR management and administrative service, which includes payroll, in respect of all Octodec employees.

To ensure appropriate oversight of this service, the SERT committee monitors these remuneration practices as applicable to our employees to ensure that they are fair, responsible and transparent.

Key elements of remuneration

The key elements of total remuneration in 2019 are outlined below.

Guaranteed package

This consists of a cash component together with compulsory, albeit flexible, benefits and allowances collapsed into a total guaranteed package structure. The guaranteed package is reviewed annually, and increases are subject to company performance, affordability and the following considerations:

- Inflationary movements for the preceding year and forecasted for the year ahead
- Industry and sector salary adjustments for the preceding year and forecasted for the year ahead. This includes accounting for wage settlements for the industry and sector
- Market benchmarking to determine levels of competitiveness against an appropriate peer group in order to monitor our ability to attract and retain key skills critical for achieving our objectives
- An internal review of packages to determine, on a grade and occupation basis, whether any anomalies exist in terms of employment equity/parity
- Minimum wage requirements which inform annual adjustments to the guaranteed package

Benefits and allowances

The provision of benefits and allowances to our employees forms part of the total remuneration offering and gives effect to our commitment to continually improve our employee value proposition through the flexibility afforded to employees in delivery of these elements.

The core benefits available to our employees include membership of a defined contribution pension or provident fund, group life assurance and medical scheme membership.

The defined contribution pension and provident funds cater for various flexible options which are selected by the employees, all of which include a fixed employer contribution of 10%, with varying life, income disability and funeral cover.

Group life assurance, which is payable on death of an employee, includes options for capital disability, income protection, family benefits and other value-added services which include free ambulance services, legal advice and trauma counselling.

While membership of the medical scheme is not compulsory, it is encouraged. Employees may structure their monthly contributions in line with a plan of their choice from the guaranteed package. Employees who earn below a specified monthly salary threshold receive a full company contribution toward membership of the Discovery Primary Care Plan.

Other occasional allowances and financial assistance are provided under certain circumstances and are dependent on the nature of the employee's role.

These include, amongst others, car allowances, reimbursed travel payments, accommodation (if it is a prerequisite for the role), and educational assistance for employees who wish to further their studies. These are provided in line with company policy, statutory requirements and agreements with employees.

Incentives

The purpose of our non-guaranteed incentive scheme is to foster a culture of performance and to motivate employees for sustainably achieving and exceeding the performance requirements of the role.

STIs	
Participation	All employees excluding executives.
Criteria for payment	STI payments are dependent on Octodec's performance against strategic objectives and targets, affordability and individual performance scores on a 5-point rating scale. Any employee with a performance score of less than 3.0 does not qualify for an incentive.
Quantum of payment	STIs are determined as a percentage of monthly total guaranteed package, ranging from 100% to 200% at an individual performance score of 3.00 to 5.00 respectively, in line with the approved remuneration policy.

Long-term incentives
Octodec has no long-term incentive scheme in place at present.

Remuneration of directors

Executive directors

The managing director and the financial director of Octodec, who are prescribed officers as defined in terms of the Companies Act, are employed and remunerated by City Property but they receive directors' fees from Octodec as set out further below.

Octodec sets the key performance measures and targets for its executive directors annually, which is aligned with the performance measures and targets as required in terms of the management agreement with City Property. These measures and targets were approved by Octodec's shareholders at a special general meeting held on 28 June 2018, and are published on pages 89 and 90.

Malus and clawback provisions are not applicable as the executive directors are employed and remunerated by City Property.

Directors' remuneration in terms of section 66(9) of the Companies Act

The remuneration of Octodec's directors for their services (as directors) is governed in terms of a separate directors' remuneration policy, which recognises their responsibilities and skills to provide input on an ongoing basis throughout the year and not only through their attendance at board and board committee meetings.

Our approach is based on the key principles that:

- The remuneration of our directors should be consistent with market-related best practice and sufficient to attract and retain talent to our board
- The quantum and structure of our directors' remuneration is reviewed annually by the SERT committee, in consultation with its remuneration advisors, who make recommendations to the board on any changes deemed appropriate.

All directors receive an annual retainer for services they render, paid quarterly in arrears, in four equal instalments. In addition to the retainer, directors are entitled to a fee for attendance of the AGM, scheduled board meetings and board committee meetings on which the director serves or attends by invitation.

Both the annual retainer and meeting fees payable to directors are subject to the approval of the company's shareholders at the AGM.

We refer you to the proposed directors' remuneration on page 145 of the notice of AGM, which remain the same as the previously approved remuneration for the 12 months ending 31 August 2020.

Electronic link to policy documents

The total remuneration philosophy, strategy and policy and directors' remuneration policy are available on our website at www.octodec.co.za.

Non-binding advisory vote

Shareholders are requested to endorse part 2 of this report by way of a non-binding advisory vote. Please refer to the non-binding advisory note 1 of the notice of the AGM on pages 148 and 149. The board will initiate engagement with the relevant shareholders should 25% (twenty-five percent) or more of the votes cast be recorded against the remuneration policy and the outcome thereof will be disclosed in the 2020 integrated report.

Part 3: Implementation of the remuneration policy for the financial year

Remuneration linked to strategy and performance

The total remuneration philosophy, strategy and policy is continually assessed to ensure it remains aligned with and continues to support the strategic objectives of Octodec. Key performance measures and targets have been agreed to assess the performance of City Property and the executive directors of Octodec.

The criteria have been established in accordance with the provisions of the management agreement. City Property and the Octodec executive directors are jointly and equally responsible for the achievement of these measures and targets.

City Property and executive director key performance measures and targets for FY2020

2020 Business scorecard

Number	KPI	Metric	Target	Sub-element weighting (%)	Element weighting (%)
	Portfolio and asset management				
	Portfolio quality and development				
1.1	Growth of portfolio (consideration of one major project – the commencement is subject to economic conditions improving)	Number of projects considered	1	7.5	17.5
1.2	Maintain NAVPS (as at 31 August 2019)	NAVPS	28.47	10.0	
	Property				
1.3	Disposal and transfer of non-core properties to the cumulative average value of R300 million for the financial year ending 31 August 2020	R'million	300	7.5	7.5
	Vacancy and tenants				
1.4	Reduction in vacancies (as at 31 August 2019) for vacancies greater than 3 000m²	Number of properties	1.0	7.5	20.0
1.5	Tenant retention – reduce residential tenant churn rate	%	40.0	5.0	
1.6	Maintain total core vacancies at the level recorded as at 31 August 2019	%	11.5	7.5	
	Financial				
2.1	Maintain LTV at current levels	(%)	38.9	7.5	37.5
2.2	Maintain the loan and swap expiry profile at an average of 2.5 years or more	Years	2.5	7.5	
2.3	Maintain rental like-for-like growth (as at 31 August 2019)	%	2.0	7.5	
2.4	Maintain dividends – total distribution per share	Cents/share	200.9	15.0	
	People and organisation				
3.1	Shareholder engagement with investor community (measured by external service provider/10)	Score out of 10	8.0 100%	5.0	10.0
3.2	Identification and implementation of non-traditional revenue streams and innovative technology-based solutions that may result in efficiencies competitive advantage or reduce Octodec's carbon footprint	Number of projects	Implementation of one project or part therof	5.0	
	Customer				
4.1	Tenant complaint resolutions – maintain dispute resolution turnaround period (measured per complaint)	Number of days	12	2.5	7.5
4.2	Customer satisfaction assessments – 90% participant rating feedback on 7 or above out of 10	Score out of 10	9.0	5.0	
	Total score out of 100				**100.0**

Performance outcomes for the FY2019 measures and targets

Business scorecard performance outcomes

Number	KPI	Metric	Sub-element weighting (%)	Weighting (%)	Target	Below entry	Entry	Target	Above target	Stretch
	Portfolio and asset management									
	Portfolio quality and development									
1.1	Growth of residential portfolio in construction phase or completed – per annum	Number of units	7.5	17.5	325	•1				
1.2	Maintain or increase NAVPS (as at 31 August 2018)	NAVPS	10.0		29.39	•2				
	Property									
1.3	Disposal and transfer of non-core properties to the cumulative average value of R150 million for the financial year ending August 2019	R'million	7.5	7.5	150.0	•3				
	Vacancy and tenants									
1.4	Reduction in vacancies (as at 31 August 2018) greater than 3 000m²	Number of properties	7.5	20.0	3.0					•
1.5	Tenant retention – reduce residential tenant churn rate	%	5.0		40.0	•4				
1.6	Maintain core vacancies at the level recorded as at 31 August 2018	%	7.5		11.4	•5				
	Financial									
2.1	Reduction in LTV	%	7.5	37.5	37.0	•6				
2.2	Maintain the loan and swap expiry profile at an average of 2.5 years or more	Years	7.5		2.5					•
2.3	Maintain rental like-for-like growth (as at 31 August 2018)	%	7.5		2.6	•7				
2.4	Maintain dividends – total distribution per share	Cents/share	15.0		203.4	•8				

Performance outcomes for the FY2019 measures and targets (continued)

Business scorecard performance outcomes

Number	KPI	Metric	Sub-element weighting (%)	Weighting (%)	Target	Below entry	Entry	Target	Above target	Stretch
	People and organisation									
3.1	Shareholder engagement with investor community (measured by external service provider/10)	Score out of 10	5.0	10.0	8.0			•		
3.2	Identification and implementation of innovative technology based solutions that may result in efficiencies competitive advantage or reduce Octodec's carbon footprint		5.0		Implementation of one project or part thereof			•		
	Customer									
4.1	Tenant complaints resolutions – maintain dispute resolution turnaround period (measured per complaint)	Number of days	2.5	7.5	12			•		
4.2	Customer satisfaction assessments – 90% participant rating feedback on 7 or above out of 10	Score out of 10	5.0		90.0			•		

Comments:
1. Projects not yet commenced. LTV and returns on investment a constraint in this tough trading environment, as well as risks associated with the "construction mafia".
2. NAV at 31 August 2019 of R28.47 per share. No growth achieved due to downward property valuation and fair value of swaps. Property valuations are under pressure in this difficult trading environment.
3. Disposals of R129.2 million concluded and transferred. Contracts for the sale of properties, to the value of R83.7 million concluded, but transfer not effected as at 31 August 2019.
4. Maintained at similar levels to previous year (43%).
5. Core vacancy at 31 August 2019 of 11.5%.
6. This is a long-term strategy, increased to 38.9% at 31 August 2019 due to downward property valuations.
7. At 2.0% for the 31 August 2019 financial year.
8. Final dividend of 200.9 (1.2% decrease).

Remuneration paid by Octodec

Executive directors

The proportionate salaries paid to Jeffrey Wapnick and Anthony Stein by City Property is based on an apportionment of their time spent on Octodec's affairs, in relation to their employment at City Property, for the year ended 31 August 2019. The remuneration paid by City Property to Sharon Wapnick, the non-executive Chairman, for the year ended 31 August 2019, is based the apportionment of her time spent on the affairs of Octodec, and is set out below.

The remuneration paid by City Property for the work done for Octodec by the following directors is as follows:

	AK Stein	J Wapnick	S Wapnick	Total
Pension fund contribution	78 077	–	–	**78 077**
Salary and bonus	4 335 945	4 143 121	818 496	**9 297 562**
Total	**4 414 022**	**4 143 121**	**818 496**	**9 375 639**

Directors' remuneration in terms of section 66(9) of the Companies Act

The table below reflects the directors' remuneration paid by Octodec, based on the approved remuneration structure as per the AGM of 26 January 2018, for the period 1 September 2018 to 31 August 2019, as well as the fees for the prior period.

Fee structure	12 months to 31 August 2019	12 months to 31 August 2018
Annual retainer		
Board Chairman	**675 000**	675 000
Lead independent director	**337 000**	337 000
Other executive and non-executive directors	**281 000**	281 000
Fee per meeting		
Board meeting (including AGM)	**16 900**	16 900
Attendance at subcommittee meeting of the board	**20 200**	20 200
Chairman of subcommittee of the board	**24 700**	24 700
Attendance at an *ad hoc* subcommittee meeting of the board	**20 200**	20 200
Chairman of an *ad hoc* subcommittee meeting of the board	**24 700**	24 700

Remuneration paid

	Annual retainer (R)		Board and committee meeting fees (R)		Total (R)	
Non-executive directors	**2019**	2018	**2019**	2018	**2019**	2018
Sharon Wapnick (Non-executive Chairman of the board and the investment committee)	**675 000**	675 000	**487 600**	628 100	**1 162 600**	1 303 100
Derek Cohen (Lead independent director and Chairman of the nominations committee and subcommittee)	**337 000**	337 000	**537 000**	682 000	**874 000**	1 019 000
Akua Koranteng (resigned 10 May 2018)	**–**	195 160	**–**	259 700	**–**	454 860
Gerard Kemp (Chairman of the SERT committee)	**281 000**	281 000	**537 000**	558 500	**818 000**	839 500
Nyimpini Mabunda (appointed 11 February 2019)	**154 550**		**67 600**		**222 150**	
Myron Pollack	**281 000**	281 000	**519 000**	650 500	**800 000**	931 500
Pieter Strydom (Chairman of the audit and risk committees)	**281 000**	281 000	**559 500**	670 800	**840 500**	951 800
Executive directors						
Anthony Stein	**281 000**	281 000	**330 200**	358 520	**611 200**	639 520
Jeffrey Wapnick	**281 000**	281 000	**330 200**	378 720	**611 200**	659 720
Total (excluding VAT)	**2 571 550**	2 612 160	**3 368 100**	4 186 840	**5 939 650**	6 799 000

	Basic salary		Benefits (including retirement and medical aid)		Total remuneration	
Prescribed officer	**2019**	2018*	**2019**	2018*	**2019**	2018*
Elize Greeff (group company secretary)	**1 445 476**	232 600	**144 547**	23 160	**1 590 023**	255 760
Total (excluding VAT)	**1 445 476**	232 600	**144 547**	23 160	**1 590 023**	255 760

* *With effect from 1 July 2018*

The special resolution covering the proposed remuneration of Octodec's directors for the period 1 September 2020 to 31 August 2021 will be proposed at the AGM. Please refer to special resolution number 3 on page 145 of the notice of the AGM.

Non-binding advisory vote

Shareholders are requested to endorse part 3 of this report by way of a non-binding advisory vote. Please refer to non-binding advisory note 2 of the notice of the AGM on pages 148 and 149. The board will initiate engagement with the relevant shareholders should 25% (twenty-five percent) or more of the votes cast be recorded against the remuneration implementation report and the outcome thereof will be disclosed in the 2020 integrated report.

Stakeholder engagement

We value our good relationship with our stakeholders and endeavour to maintain this relationship with them through continued engagement.

Gerard Kemp

Chairman of the SERT committee

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Audited financial statements

Directors' responsibility and approval of the financial statements

The directors are required by the Companies Act to maintain adequate accounting records, and are responsible for the content and integrity of the financial statements and related financial information included in this report.

It is their responsibility to ensure that the financial statements fairly present the state of the consolidated financial statements of Octodec Investments Limited as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS and the Companies Act. The group's external auditors are engaged to express an independent opinion on the consolidated financial statements.

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

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

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

The directors have reviewed the group's cash flow forecast 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 next 12 months.

The financial statements set out on pages 103 to 140, which have been prepared on the going concern basis, were approved by the board on 10 December 2019 and were signed on their behalf by:

Sharon Wapnick
Non-executive
Chairman

Jeffrey Wapnick
Managing director

Statement of compliance by the group company secretary

In terms of section 88(2)(e) of the Companies Act, I confirm that Octodec Investments Limited has lodged all returns in respect of the year ended 31 August 2019 that are required to be lodged by a public company with the Companies Intellectual Property Commission of South Africa, and that all such returns are true, correct and up to date.

Elize Greeff
Group company secretary
10 December 2019
Tshwane

Audit committee report

Octodec's independent audit committee (the committee) is pleased to present its report for the financial year ended 31 August 2019. The committee has discharged its responsibilities as mandated by the board, which also allows it to execute its statutory duties in compliance with the Companies Act, as well as the King IV™ principles applicable to audit committees. The committee's terms of reference are aligned with the legislation, regulations and principles set out above and can be found on the Octodec website: www.octodec.co.za.

Composition, meetings and assessment

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

Pieter Strydom

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

Derek Cohen

AEP

Gerard Kemp

MSc (Mining Engineering), DPLR, MDP

Myron Pollack

CA(SA)

Abridged curricula vitae of each of the members can be viewed on pages 26 and 27.

The committee met on five occasions during the year under review and all members were present at these scheduled meetings. The Chairman of the board, managing director, financial director, Deloitte & Touche (external auditors), chief risk officer (a shared resource)[1], internal auditor (a shared resource)[1] as well as the senior financial manager of City Property attend these meetings by invitation. Separate meetings are scheduled with the external auditors and shared internal auditor 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 Companies 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
- Oversee the activities of internal and external audits.

[1] *In terms of the Management Agreement, a shared resource is a resource of expertise and skills, such as an employee, which is shared between Octodec, City Property and other property owners falling under City Property's management*

The committee has evaluated the consolidated financial statements for the year ended 31 August 2019 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 financial statements.

During the current year, a formal risk management system was embedded by the chief risk officer and a qualified internal audit auditor was appointed effective from 1 December 2018.

The committee appointed Cyriskco Advisory (Pty) Ltd (Cyrisko) to confirm the governance and risk management activities of the company for the year ended 31 August 2019. This included an assessment of the extent to which the principles of the King IV™ were being applied as well as an audit of the IT general controls environment.

Following completion of the assessment / audit performed by Cyriskco, the committee received independent confirmation that:

- The IT control environment is well managed; that the necessary controls are all well designated and implemented, and that a sound system of internal controls are in place and operational
- Octodec has achieved and or complied with the required outcomes of King IV™ and that its application of King IV™ within Octodec, when compared against best practice for sound governance, is considered to be leading. This included the principles relating to risk management.

For the year ended 31 August 2019, the committee reviewed the reports of the internal auditors in respect of audits conducted on the internal control environment. These reports confirm that the internal control processes, as reported, are at an acceptable level and can be relied upon. The committee took note of any matters arising from these audits and considered the appropriateness of the responses received from management. Nothing was brought to the attention of the committee that would suggest a material breakdown of any internal control system.

There were no complaints requiring the attention of the committee pertaining to accounting practices, internal audit, the content or audit of the financial statements, internal financial controls or related matters.

Committee activities

In line with its terms of reference, the committee:

- Agreed the amount of the fees to be paid to the external auditors and their terms of engagement
- Reviewed the quality of 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
- Approved and monitored the implementation of the newly introduced 2019 to 2021 co-sourced internal audit plan and 2019 internal audit budget
- Approved the new combined assurance model based on solid risk management principles
- Approved the new internal auditor's key performance areas
- Assessed the work done by the internal auditor so as to ensure her independence and effectiveness
- Reviewed the existing internal audit charter
- Reviewed and pre-approved the provision of non-audit services rendered by the external auditors during the year, if any
- Reviewed the effectiveness of the internal financial controls
- Monitored the successful completion of the restructure of the many subsidiaries of the company
- Reviewed City Property's chief information officer's report
- Reviewed the accounting practices and internal financial controls of the group
- Reviewed the documented assessments, as prepared by management, of the going concern status of the group
- Assessed the suitability of the Deloitte designated lead auditor to replace the retiring lead auditor in 2020.

Annual confirmations

- **Financial statements and integrated report**
  The committee recommended the financial statements as well as the 2019 integrated report to the board for approval.

  The external auditors have provided shareholders with an independent opinion on pages 100 to 102 on whether the financial statements for the year ended 31 August 2019 fairly present, in all material respects, the financial results for the year and the financial position of the group at 31 August 2019.

- **Key materials matters**
  The committee considered the key material matters in the consolidated financial statements, being the valuation of investment property. The committee considered the competencies and independence of the external valuers as well as the competencies of the internal valuation team and reviewed the significant assumptions and judgements used by the external and internal valuers and concluded that the investment property was fairly stated and in accordance with the accounting policy as reflected in the financial statements.

Audit committee report continued

- **Independence and reappointment of the external auditor is confirmed**
  In accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the committee assessed the suitability of Deloitte & Touche and Leon Taljaard for appointment as auditor firm and the new designated lead auditor, who replaces the retiring lead auditor in 2020. In addition, the committee reviewed the performance of the external auditors and recommended the appointment of Deloitte & Touche as external auditor for the 2020 financial year and Leon Taljaard as the designated lead auditor. This will be the forty-third year of the firm as auditors of the company and group and the first year of the new designated lead auditor.

  The committee is satisfied that the external audit firm and designated lead auditor are independent, as defined by the Companies 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 2019 financial year, which is considered appropriate for the work that was done. Audit fees are disclosed in note 24 to the financial statements.
- **Risk management policy**
  The risk committee has adopted and implemented an ERM policy and framework which is in accordance with industry practice and specifically prohibits Octodec from entering into derivative transactions which are not in the ordinary course of business, and has monitored compliance with 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 reviewed the effectiveness of the financial director and is satisfied with the experience and expertise of the financial director and the finance team of City Property.
- **Financial reporting**
  The committee has considered the financial reporting procedures adopted by Octodec and is satisfied with the operating effectiveness of those procedures.
- **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 going concerns.
- **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 group's internal control measures.
- **Compliance with JSE's report back on proactive monitoring**
  On 6 May 2019, the audit committee considered the JSE's report issued on 20 February 2019 and, where necessary, has taken appropriate action to address the important findings and focus areas identified by the JSE. The audit committee is satisfied that all such findings and focus areas are adequately addressed by the group and that no further remedial action is necessary.

Pieter Strydom
Chairman of the audit committee
10 December 2019

Report of the directors

for the year ended 31 August 2019

To the shareholders of Octodec Investments Limited

The directors have pleasure in submitting their report for the year ended 31 August 2019.

Preparation of the annual financial statements

The audited consolidated annual financial statements were prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act, under the supervision of Mr AK Stein CA(SA), in his capacity as financial director.

Nature of business

Octodec is a REIT and is listed on the JSE, investing in retail, office, industrial, residential, specialised and other properties, deriving income from the rental of its properties and its investments.

Stated capital

The authorised stated capital comprises 500 000 000 (2018: 500 000 000) shares of no par value. At 31 August 2019 and 31 August 2018, there were 266 197 535 shares in issue.

Dividends

Given the nature of the business, Octodec uses dividend per share as the key performance measurement as it is considered the most relevant performance measure.

Subsidiaries

The company has 100% interest in the undermentioned companies and they are all incorporated in the Republic of South Africa.

IPS Investments (Pty) Ltd
Killarney Mall Properties (Pty) Ltd
Octprop Properties (Pty) Ltd
Premium Properties Ltd
Presmooi (Pty) Ltd
Tribeca Properties (Pty) Ltd
Viskin Share Block (Pty) Ltd
Waverley Plaza Properties (Pty) Ltd
Woodmead Mart (Pty) Ltd

The following companies are 100% held by Premium Properties Ltd and IPS Investments (Pty) Ltd

Centpret Properties (Pty) Ltd
Centuria 369 (Pty) Ltd
Inspret Properties (Pty) Ltd
Jardtal Properties (Pty) Ltd
Joybee Properties (Pty) Ltd
OPC Properties (Pty) Ltd
Savyon Building (Pty) Ltd
Simprit Properties Share Block (Pty) Ltd
Vuselela Investments (Pty) Ltd

The subsidiaries' principal activities are that of property companies, investing in retail, office, industrial, residential, specialised and other properties, deriving income from the rental of its properties and its investments. There are no restrictions on the subsidiaries or on the distribution of income from the subsidiaries.

Management agreement and administration

The group's investment properties are managed by City Property, the entire share capital of which is effectively owned by the Wapnick family, in terms of the management agreement which became effective on 1 July 2018 for a period of five years.

Valuation of portfolio

In compliance with the JSE Listings Requirements, all the properties are valued at least once over a rolling three-year period by external registered valuation experts. In the current year, 24% (2018: 46%) of the portfolio with a value of R3.1 billion (2018: R6.1 billion) was valued by external registered valuation experts. There have been no changes in judgements and estimates of amounts or valuation techniques from the previous reporting period.

Report of the directors continued

for the year ended 31 August 2019

Net asset value

The NAVPS is 2 847 cents (2018: 2 939 cents). The closing price per share at 31 August 2019 was 1 592 cents (2018: 2 058 cents), representing a discount of 44.1% (2018: 29.9%) to the NAVPS.

Events after the reporting date

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

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 (independent non-executive director)
NC Mabunda (independent non-executive director) (appointed 11 February 2019)
MZ Pollack (non-executive director)
PJ Strydom (independent non-executive director)

Directors' remuneration

We refer you to the detailed information on directors' remuneration set out on page 91 of this report.

Directors' shareholding

The direct and indirect interest held by the directors in the company at the reporting date and up to the date of approval of the financial statements, is as follows:

	2019		
	Direct beneficial	**Indirect beneficial**	**Total**
S Wapnick	**38 842**		**38 842**
JP Wapnick	**39 374**		**39 374**
S Wapnick and JP Wapnick (combined)[1]		**99 567 433**	**99 567 433**
AK Stein	**180 948**	**491 791**	**672 739**
MZ Pollack[2]	**547 347**	**2 906 857**	**3 454 204**
	806 511	**102 966 081**	**103 772 592**

	2018		
	Direct beneficial	Indirect beneficial	Total
S Wapnick	38 842		38 842
JP Wapnick	39 374		39 374
S Wapnick and JP Wapnick (combined)[1]		99 567 433	99 567 433
AK Stein	180 948	491 791	672 739
MZ Pollack[2]	547 347	2 910 969	3 458 316
	806 511	102 970 193	103 776 704

[1] *Includes the combined holdings of S Wapnick and JP Wapnick including interests held in associates where they are either shareholders, members, trustees or directors of entities holding Octodec shares and/or have the control of voting rights of the respective entities and de facto have the control of the voting rights in respect of the Octodec shares*

[2] *Includes the holdings of MZ Pollack including interests held in associates where he is either a shareholder, member, trustee or director of entities holding Octodec shares and/or has the control of the voting rights of the respective entities and de facto has the voting rights in respect of the Octodec shares*

Directors' shareholding continued

Changes to shareholding after year end

Details of purchase of shares by directors from 31 August 2019 to the date of this report are as follows:

Director	Date	Nature and extent of interest	Number of shares	Price per share (R)	Total value (R)
AK Stein	21 November 2019	Indirect beneficial	6 400	15.19	97 216
AK Stein	21 November 2019	Indirect beneficial	6 700	15.20	101 840
AK Stein	22 November 2019	Indirect beneficial	3 100	15.15	46 965
AK Stein	22 November 2019	Indirect beneficial	7 200	15.16	109 152

Going concern

The current liabilities exceed the current assets by R1.143 billion (2018: R1.785 billion), mainly due to the fact that the majority of unsecured notes and one secured loan will be maturing in the 2020 financial year. Subsequent to the financial year end, DMTN Notes in the amount of R170 million expiring in November 2019 were partly refinanced by DMTN Notes amounting to R120 million, for a period of 18 months and a new DMTN Note amounting to R81 million was issued on 8 October 2019 for a period of 24 months, expiring in October 2021. The group has R632.5 million (2018: R697.1 million) of facilities available as at 31 August 2019, comprising of unutilised debt facilities available on demand of R585 million (2018: R669 million) and cash in bank of R47 million (2018: R28 million), to fund its working capital requirements and to refinance maturing debt, if required. The process to extend or refinance the remaining short-term borrowings has already started with the respective banks.

The board has considered the solvency and liquidity tests taking the above into consideration, and has determined that the group has adequate resources to continue to operate for the next 12 months. The financial statements have been prepared on the going concern basis.

Corporate governance

The board endorses King IV™.

Auditors

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

Group company secretary

Elize Greeff
CPA House
101 Du Toit Street
Tshwane, 0002

PO Box 15, Tshwane, 0001

Independent auditor's report to the shareholders of Octodec Investments Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Octodec Investments Limited (the Group) set out on pages 103 to 140, which comprise the consolidated statement of financial position as at 31 August 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 August 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	How the matter was addressed in the audit
Valuations of investment property As disclosed in Note 6 of the consolidated financial statements, the investment property's carrying value is as follows: Group: R12.8 billion. The following Fair value adjustments were taken to net profit as follows: Group: R139 million downward. The Group's investment property balance comprises of completed developments Furthermore, the property portfolio of the Group includes properties in different sectors being Commercial, Residential, Industrial and Retail. The Group has a third of its properties valued by independent, external valuers on an annual basis per the JSE Listing requirements. The valuation technique applied by the group is the net income capitalisation method.	In evaluating the valuations that were performed by management and specialists and reviewed by the Directors of Octodec (executive management) on the investment properties, focus was placed on the capitalisation rates and the long-range vacancy rates as these areas required significant judgement. We performed various procedures, including the following: **Design and implementation:** As per the understanding obtained of investment property, we identified the review of the internal investment property valuations by the senior financial manager and financial director as a relevant control. The design and implementation of this control was assessed. Additionally, the approval of the acquisitions and disposals by the Investment Committee was also identified as a relevant control and therefore the design and implementation was assessed. **Independent valuers:** We assessed the competence, capabilities and objectivity of the Director's independent valuers, and assessed their qualifications. In addition, we discussed the scope of their work with management and reviewed the terms of the engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We confirmed that the approach they used are consistent with IFRS and industry norms.

Independent auditor's report continued

Key audit matter	How the matter was addressed in the audit
The inputs with the most significant impact on the valuations that are performed are: • Long-range vacancy rates; • Expense ratio; and • Capitalisation rates. Significant judgement is required in determining the fair value of investment property and for the purposes of our audit; we identified the valuation of investment property as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgment associated with determining the fair values.	Use of an independent external valuer: Our independent external valuer compared selected inputs used to market data and entity-specific historical information to confirm the appropriateness of these inputs on a sample basis. Our independent external valuer furthermore reviewed the following: • The models used by the Director's and their independent valuers; and • The Significant judgements relating to the assumptions of the capitalisation rate and long-range vacancy factor. Investment property: A sample selection was made based on certain characteristics. We tested the inputs used in the valuation being rental income, property operating costs, vacancy rates and capitalisation rates for the sample selected and found these to be accurate, reliable and complete. Furthermore, we performed a sensitivity analysis on the long-range vacancy rates and capitalisation rates and further compared the capitalisation rates used by the Directors to the available market data in order to determine the appropriateness thereof. The disclosures and accounting pertaining to the investment property was found to be appropriate in terms of the relevant accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Audited financial statements for the year ended 31 August 2019", which includes the Report to the Directors, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Octodec Investments Limited for 42 years.

Deloitte & Touche
Registered Auditor
Per: Patrick Kleb
10 December 2019

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Consolidated statement of financial position

at 31 August 2019

	Notes	2019 R'000	2018 R'000
Assets			
Non-current assets		**12 733 048**	12 590 121
Investment property	6	**12 500 173**	12 228 808
Straight-line rental income accrual	7	**104 099**	111 282
Plant and equipment	8	**1 841**	3 463
Tenant installations and lease costs	9	**31 127**	35 210
Interest in and loans to joint ventures	10	**21 044**	128 740
Loan granted	12	**74 764**	75 000
Derivative financial instruments	14	**–**	7 618
Current assets		**201 633**	199 099
Accounts receivable and prepayments	15	**119 274**	130 498
Derivative financial instruments	14	**–**	1 986
Loan granted	12	**–**	3 028
Taxation receivable		**675**	675
Cash and bank balances	16	**81 684**	62 912
Non-current assets held for sale	17	**209 300**	364 600
Total assets		**13 143 981**	13 153 820
Equity and liabilities			
Equity		**7 578 599**	7 824 398
Stated capital	18	**4 210 134**	4 210 134
Non-distributable reserve	18	**3 029 059**	3 262 710
Retained income		**339 406**	351 554
Non-current liabilities		**4 220 988**	3 345 332
Long-term borrowings	19	**4 027 644**	3 240 759
Derivative financial instruments	14	**99 694**	17 977
Deferred taxation	20	**93 650**	86 596
Current liabilities		**1 344 394**	1 984 090
Trade and other payables	21	**393 959**	378 216
Short-term borrowings	19	**950 435**	1 605 774
Derivative financial instruments	14	**–**	100
Total equity and liabilities		**13 143 981**	13 153 820

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 August 2019

	Notes	**2019 R'000**	2018 R'000
Revenue	22	**1 982 695**	1 895 288
Property operating expenses	23	**(929 594)**	(864 911)
Property operating expenses – excluding impairment		**901 290**	840 722
Impairment of trade and other receivables		**28 304**	24 189
Net property income		**1 053 101**	1 030 377
Administrative and corporate expenses	24	**(78 515)**	(82 875)
Net operating profit		**974 586**	947 502
Fair value changes			
Investment property	6	**(138 873)**	(39 084)
Interest rate derivatives	35.2	**(91 221)**	39 673
Unlisted equity shares	13	**(2 505)**	–
Profit from operations		**741 987**	948 091
Profit/(loss) on sale of investment properties		**2 629**	(916)
Gain/(loss) on derecognition of share in joint venture	39.1	**3 029**	(2 770)
Impairment of goodwill		**–**	(1 992)
Share of income of joint ventures	25	**3 595**	9 954
Profit from ordinary activities before net finance costs		**751 240**	952 367
Net finance costs	26	**(448 541)**	(420 297)
Finance income		**18 844**	18 584
Finance costs		**(467 385)**	(438 881)
Profit before taxation		**302 699**	532 070
Taxation	27	**(7 052)**	8 493
Profit for the year		**295 647**	540 563
Other comprehensive income		**–**	–
Total comprehensive income for the year attributable to shareholders		**295 647**	540 563
Basic and diluted earnings per share (cents)		**111.1**	202.9

Consolidated statement of changes in equity

for the year ended 31 August 2019

	Stated capital R'000	Non-distributable reserve R'000	Retained income R'000	Total R'000
Balance at 1 September 2017	4 221 477	3 269 053	337 699	7 828 229
Total comprehensive income for the year	–	–	540 563	540 563
Shares repurchased	(11 343)	–	–	(11 343)
Dividends paid	–	–	(533 051)	(533 051)
Transfer to non-distributable reserve				
Loss on sale of investment property	–	(916)	916	–
Loss on derecognition of investment in joint venture	–	(2 770)	2 770	–
Impairment of goodwill	–	(1 992)	1 992	–
Deferred tax	–	8 493	(8 493)	–
Fair value changes				
- Investment property	–	(39 084)	39 084	–
- Investment property – joint ventures	–	(9 747)	9 747	–
- Interest rate derivatives	–	39 673	(39 673)	–
Balance at 31 August 2018	**4 210 134**	**3 262 710**	**351 554**	**7 824 398**
Total comprehensive income for the year	–	–	295 647	295 647
Dividends paid	–	–	(541 446)	(541 446)
Transfer to non-distributable reserve				
Profit on sale of investment property	–	2 629	(2 629)	–
Gain on derecognition of investment in joint venture	–	3 029	(3 029)	–
Deferred tax	–	(7 052)	7 052	–
Fair value changes				
- Investment property	–	(138 873)	138 873	–
- Investment property – joint ventures	–	342	(342)	–
- Interest rate derivatives	–	(91 221)	91 221	–
- Unlisted equity shares	–	(2 505)	2 505	–
Balance at 31 August 2019	**4 210 134**	**3 029 059**	**339 406**	**7 578 599**

Consolidated statement of cash flows

for the year ended 31 August 2019

	Notes	2019 R'000	2018 R'000
Cash flows from operating activities			
Cash generated from operations	30	**1 023 979**	1 006 207
Interest income		**18 844**	18 584
Finance costs		**(471 737)**	(446 227)
Dividends paid		**(541 446)**	(533 051)
Net cash flows from operating activities		**29 640**	45 513
Cash flows from investing activities			
Acquisition of investment property - refurbishments		**(72 259)**	(128 570)
Acquisition of investment property - developments		**(18)**	(37 635)
Acquisition of plant and equipment			(29)
Increase in tenant installations and lease costs		**(10 340)**	(6 830)
Purchase of subsidiary	39	**(35 585)**	(32 858)
Proceeds on disposal of investment property		**129 179**	61 608
Payment received/(loan advanced)		**3 264**	(2 815)
Repayment to joint ventures		**(5 199)**	–
Income from joint ventures		**2 862**	24 916
Net cash flows from investing activities		**11 903**	(122 213)
Cash flows from financing activities			
Shares repurchased		**–**	(11 343)
Proceeds from borrowings*		**2 781 576**	3 149 087
Repayment of borrowings*		**(2 804 347)**	(3 128 888)
Net cash flows from financing activities		**(22 771)**	8 856
Net increase/(decrease) in cash and bank balances		**18 772**	(67 844)
Cash and bank balances at beginning of year		**62 912**	130 756
Cash and bank balances at end of year	16	**81 684**	62 912

* *Proceeds from and repayment of long and short-term borrowings have been aggregated in the current year. There was no impact on the net cash flows from financing activities.*

Notes to the consolidated financial statements

for the year ended 31 August 2019

1. Reporting entity

Octodec is incorporated in the Republic of South Africa. These consolidated financial statements comprise the company and its subsidiaries (together referred to as "the group").

2. Basis of preparation

The consolidated annual financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act.

The 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 in note 5. The accounting policies adopted and methods of computation are consistent with those applied in the financial statements of the previous year, except as stated in note 4 below.

These financial statements are presented in Rands and have been rounded to the nearest thousand (R'000).

3. Critical accounting judgements and estimates

In the application of the group's accounting policies below, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions 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.

Assumptions and estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

3.1 Fair value measurement of investment properties

The fair value of investment properties is determined using current rentals, expected market rentals, expected vacancies, expected property expenses, maintenance requirements and appropriate capitalisation rates. Market rentals are determined by reference to current market rentals for similar buildings in the same location and condition. The inputs in the calculation which are subject to a significant degree of estimation are the long-range vacancy factor, the expense ratio and capitalisation rates. Any change to these inputs can have a significant impact on the financial position of the group.

3.2 Impairments

Calculation of expected credit losses

At each reporting date, management considers each debtor, taking into account the current economic conditions and the likelihood of the debtor defaulting on the debt and makes a provision for that portion that is considered to be impaired in the next 12 months.

Calculation of lifetime expected credit losses

The group has adopted the simplified approach for the calculation of trade receivables which is represented by lease receivables. When calculating the lifetime expected credit loss, the group makes assumptions taking into account historical information as well as future economic conditions impacting the market in which it operates.

At each reporting date, management considers each debtor in respect of whom legal proceedings have been instituted or the debtor has vacated, and all those debtors which are past their due date, in order to determine the level of recoverability. It is assumed that all debtors, are likely to be impaired when the debt is past its due date and makes a provision for that portion that is considered not recoverable.

4. Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

In the current year, the group has adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue*. The adoption of the Standards as well as its impact on the financial statements is disclosed under the following notes:

- Financial Instruments – note 5.3
- Impairment of financial instruments – notes 5.3 and 35.1
- Revenue – note 22

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

5. Significant accounting policies

5.1 Basis of consolidation

An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following:

(a) power over the investee
(b) exposure, or rights, to variable returns from its involvement with the investee
(c) the ability to use its power over the investee to affect the amount of the investor's returns

The company is the sole shareholder of each subsidiary and therefore controls each subsidiary.

The consolidated financial statements incorporate the financial statements of the company and all the subsidiaries controlled by the group. All the subsidiaries have the same financial year end and apply the same accounting policies.

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 transactions and balances between group companies are eliminated in full on consolidation.

5.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and of the equity interests (if any), issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any) and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests (if any) in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss (if any) is recognised in profit or loss.

5.3 Financial instruments

In the current year, the group has adopted IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period beginning on or after 1 January 2018. The transition provision of IFRS 9 allows an entity not to restate comparatives and the group has opted not to restate comparatives.

IFRS 9 introduced new requirements, some of which are relevant to the group, namely:

i. The classification and measurement of financial assets and financial liabilities
ii. Impairment of financial assets

Classification and measurement of the group's financial assets and liabilities

The financial assets include loans receivable, swap derivatives, trade and other receivables and cash and bank balances. The financial liabilities include interest bearing borrowings, swap derivatives, and trade and other payables. The directors of the company reviewed and assessed the group's existing financial assets and liabilities as at 1 September 2018, and based on the facts and circumstances that existed at that date, concluded that all financial assets and financial liabilities are measured on the same basis as previously adopted under IAS 39 and consequently no changes were required. Loans receivable and trade receivables were previously classified as loans and trade receivables. Under IFRS 9, loans receivable and trade and other receivables are classified at amortised cost.

Impairment of financial assets

Trade and other short-term receivables

Trade receivables represent lease receivables. The group has applied the simplified approach for impairment of trade receivables by recognising lifetime expected credit losses, as these items do not have a significant financing component. The application of the lifetime expected credit loss model has resulted in the earlier recognition of credit losses for trade receivables, which increased the amount of loss allowances recognised for these items. This impact is not significant and is detailed in note 35.1.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

5.3.1 Recognition and measurement

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. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities that are subsequently measured at amortised cost, 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 FVTPL are expensed immediately in profit or loss.

5.3.2 Financial assets

The financial assets are classified into the following categories:

- Amortised cost
- FVTPL

The group has the following financial assets:

- Trade receivables
- Cash and bank balance
- Loans
- Derivative financial instruments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, the financial assets are measured at amortised cost using the effective interest method. The group's cash and bank balance, trade and other receivables as well as loans fall into this category. Interest is recognised under finance income in profit or loss.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are classified at FVTPL. All derivative financial instruments fall into this category and include the group's interest rate swaps. Equity investments are also designated at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

5.3.3 Impairment of financial assets

Expected credit loss and lifetime expected credit loss

Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. A 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that is possible within 12 months after the reporting date.

Loans at amortised cost

The group recognises a loss allowance for expected credit losses on financial instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument. When there has been a deterioration in the credit quality of the financial instrument, the group recognises lifetime expected credit losses since initial recognition. If there has been no deterioration in the credit quality of the financial instrument since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss. The group considers the following factors in assessing whether credit risk has increased:

- Significant increase in credit risk on other financial instruments of the same debtor
- Failure to meet current repayment obligations

Trade and other short-term receivables

The group recognises lifetime expected credit losses for trade and other short-term receivables. The group considers that default has occurred when a lease receivable is more than 7 days past due, legal proceedings have been instituted against the debtor or the tenant has vacated the premises. The lifetime expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, prevailing economic conditions as well as an assessment of current and future direction of conditions at the reporting date.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

5. Significant accounting policies continued

5.3 Financial instruments continued

The group assesses impairment of lease receivables on a collective basis since they possess shared credit risk characteristics based on the days past due.

Impairment of loans and trade and other receivables are recognised on the statement of profit or loss for the year.

5.3.4 Financial liabilities

The group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Borrowings and trade and other payables are classified at amortised cost. These are originally measured at fair value and adjusted for transaction costs. Subsequently, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments include interest rate swaps. These are designated at FVTPL. Any gains or losses in fair value are recognised in profit or loss.

All interest-related charges are reported in profit or loss and included within finance costs.

5.3.5 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 group is recognised as a separate asset or liability.

When a trade receivable is considered irrecoverable due to factors such as insolvency, liquidation or the inability of the debtor to settle the debt, the amount is written off to profit or loss during the year in which it is identified that the debt is no longer recoverable and the impairment provision is reversed. Any amounts subsequently recovered, are recognised in profit or loss in the year that they are recovered.

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

5.4 Fair value

The group measures financial instruments (which include interest rate swaps and unlisted equity investments) as well as investment properties at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed when the carrying value of these instruments does not reasonably approximate their fair value at the reporting date.

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)

5.5 New and amended IFRS Standards that are not yet effective for the current year

The group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 16 *Leases*

IFRS 16 replaces IAS 17 *Leases* and its related interpretation and became effective from 1 January 2019.

IFRS 16 will result in almost all the leases of lessees being recognised in the statement of financial position as it removes the distinction between operating and finance leases with the only exception being for short-term and low-value leases. Under the new standard the lessee will recognise an asset representing the right of use of the asset and a financial liability to pay rentals.

The new standard contains extensive disclosures for both lessees and lessors.

The group will adopt the Standard on 1 September 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

Impact on the group as a lessee

The group has certain leases of low value which will continue to be recognised in profit or loss on a straight-line basis, in line with the exemption provided in the Standard for leases of low value and short-term leases of less than 12 months.

The group has non-cancellable lease commitments in respect of certain land. The group has an obligation to pay a minimum lease amount together with a percentage of rental income generated by the properties to the landlord. The leased assets relate to investment properties which are accounted for at fair value and the fair value is determined using the capitalisation of income method. When the group adopts IFRS 16, it will recognise a right-of-use asset as part of the investment property on the statement of financial position represented by the lease liability on the same date. Under IFRS 16, the lease payment is applied toward the lease liability and the lease liability is increased to reflect the interest thereon. We have estimated the right-of-use asset (valued using the capitalisation of income method) at R12.2 million with a corresponding lease liability of R11.2 million, representing an increase in the net assets of the group of R1.0 million. This change will result in an increase in cash flows from operations and an increase in finance costs of R1.0 million on the statement of cash flows.

Impact on the group as a lessor

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore will have no significant impact on the consolidated financial statements.

6. Investment property

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

Investment properties are recognised as an asset when it is probable that the future economic benefits that are associated with the investment properties will flow to the group, 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, adjusted for the carrying values of fixtures and fittings, straight-line rental income accrual, tenant installations and lease costs which are recognised as separate assets, so as not to double account for these assets that are recognised separately. A gain or loss arising from a change in fair value is recognised in profit or loss. Subsequent refurbishing expenditure relating to investment properties is capitalised to the asset's carrying amount only if it meets the recognition criteria for investment properties. All other subsequent expenditure is expensed to profit or loss 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 profit and loss in the period in which it arises.

Properties under development

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 are transferred to investment property.

Properties under development comprise the cost of the land and development and are stated at fair value, unless fair value cannot be measured reliably at initial recognition, in which case they are measured at cost until the earlier of when fair value can be measured reliably or the development is completed.

Fair value

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

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of investment property that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of investment property, until such time as the investment property is substantially ready for its intended use. The group borrows funds generally and therefore uses the weighted average cost of borrowings to the group to calculate the interest capitalised. In cases where the group uses specific funding for the development, the actual cost of the specific funding is capitalised to the cost of the development.

Investment income earned on the temporary investment of any specific borrowings pending their expenditure 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.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

6. Investment property continued

	Notes	2019 R'000	2018 R'000
Investment property			
Developed		**12 394 957**	12 118 908
Under development		**105 216**	109 900
		12 500 173	12 228 808
Reconciliation of investment property – developed			
Carrying value at beginning of year		**12 118 908**	11 777 991
Acquisitions – refurbishments		**72 260**	128 570
Disposals		**(30 412)**	–
Additions through business combination		**308 445**	76 000
Transferred from under development		**–**	307 100
Fair value changes		**(133 757)**	(71 117)
Transferred from/(to) held for sale		**59 514**	(99 636)
		12 394 957	12 118 908
Reconciliation of investment property – under development			
Carrying value at beginning of year		**109 900**	375 843
Upgrades and developments including borrowing costs		**18**	50 595
Transferred to developed		**–**	(307 100)
Fair value changes		**(4 702)**	(9 438)
		105 216	109 900
Reconciliation of valuation to carrying value – investment property			
Valuation of portfolio at end of year		**12 846 540**	12 743 363
Less:			
Straight line rental income accrual	7	**(104 099)**	(111 282)
Plant and equipment	8	**(1 841)**	(3 463)
Tenant installations and lease costs	9	**(31 127)**	(35 210)
Non-current assets held for sale	17	**(209 300)**	(364 600)
Carrying amount at end of year		**12 500 173**	12 228 808

All the group's investment properties are leased out under operating leases.

The investment properties are valued bi annually by a dedicated valuation team at City Property and the portfolio valuation is reviewed and approved by the board. In terms of the JSE Listings Requirements, all the properties are valued at least once over a rolling three-year period by external independent valuers. In the current year 94 properties (2018: 70) representing 24.7% (2018: 46.4%) of the portfolio, with a carrying amount of R3.2 billion (2018: R6.1 billion) were externally valued.

The portfolio was valued by the following valuers who are all registered valuers in terms of section 19 of the Property Valuers Profession Act, No 47 of 2000 and have extensive experience in property valuations.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

Entity	Valuator	Qualifications
Jones Lang LaSalle (Pty) Ltd	Shawn Crous	MRICS, Professional valuer
Mills Fitchet Global	William Hewitt	NDPV, MIEA, FIVSA, RICS Registered Valuer
Realworx CC	Stanton Alberts	Professional Associate Valuer
Amanda de Wet Consultants and Investors CC	Amanda de Wet	BProc.LLB (UP) N.D RE (Unisa), Professional valuer
Gert van Zyl Valuation	Gerhardus Jacobus Van Zyl	Professional Associate Valuer

Jones Lang LaSalle (Pty) Ltd and Mills Fitchet Global valued the properties using the discounted cash flow model and Realworx CC, Amanda de Wet Consultants and Investors CC and Gert van Zyl Valuation valued the properties using the capitalisation of income method. The entire property portfolio was also internally valued using the capitalisation of income method.

Fair value information

The most significant inputs in the calculation are the capitalisation rate, the long-range vacancy factor as well as the expense ratio.

	2019		2018	
	Range %	**Weighted average %**	Range %	Weighted average %
Unobservable inputs				
Capitalisation rate %	**8.5 – 14.5**	**9.50**	8.0 – 13.0	9.3
Expense ratio %	**5.1 – 44.1**	**26.2**	5.7 – 49.1	25.1
Long-range vacancy factor %	**0.0 – 35.0**	**5.7**	0.0 – 30.0	5.6

Relationship of unobservable inputs to fair value

The significant unobservable inputs used in the fair value measurement of the group's investment properties are the capitalisation rates, the expense to income ratios and the long-range vacancy factor. Significant increases/(decreases) in any of these inputs in isolation would result in a significantly lower/(higher) fair value measurement.

	2019 R'000		2018 R'000	
	Increase of 1%	**Decrease of 1%**	Increase of 1%	Decrease of 1%
Movement in capitalisation rates, while all other inputs remain constant	**(1 217 789)**	**1 505 343**	(1 224 992)	1 519 461
Movement in expense ratio, while all other inputs remain constant	**(172 764)**	**172 764**	(168 784)	168 784
Movement in long-range vacancy ractor, while all other inputs remain constant	**(135 187)**	**135 187**	(133 957)	133 957

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 in the fair value hierarchy, and there have been no transfers made between levels 1, 2 or 3 during the year under review. (Refer to fair value note 5.4 in accounting policies.)

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

6. Investment property continued	2019 R'000	2018 R'000
Reconciliation of fair value changes to investment property		
Investment property – developed	**(133 757)**	(71 117)
Investment property – under development	**(4 702)**	(9 438)
Non-current assets held for sale	**(414)**	41 471
	(138 873)	(39 084)

Investment property pledged as security

The group has encumbered certain of its investment properties to secure mortgage loan facilities as set out in note 19. There are no other restrictions on the realisability of investment property or distribution of its income.

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 (Pty) Ltd, 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 60 to 63.

7. Straight-line rental income accrual

Striaght-line rental income accrual represents the asset that arises from the recognition of rental income on a straight-line basis.

	2019 R'000	2018 R'000
Carrying value at beginning of year	**111 282**	110 864
Straight-line rental income accrual	**(8 087)**	1 482
Additions through business combination	**1 131**	–
Disposals	**(38)**	–
Transferred to non-current assets held for sale	**(189)**	(1 064)
	104 099	111 282

8. Plant and equipment

Plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

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

	2019 R'000	2018 R'000
Plant and equipment		
Cost	**22 110**	22 110
Accumulated depreciation	**(20 269)**	(18 647)
Carrying value	**1 841**	3 463
Movement during the year:		
Carrying value at beginning of year	**3 463**	5 300
Additions	**–**	29
Classified as held for sale	**–**	(190)
Depreciation charge	**(1 622)**	(1 676)
	1 841	3 463

Plant and equipment, which forms an integral part of investment property, is pledged as security as per note 6.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

9. Tenant installations and lease costs

Letting commission and tenant installation receipt incurred in negotiating and arranging operating leases are deferred and amortised over the lease term on the same basis as the lease income.

	2019 R'000	2018 R'000
Carrying value at beginning of year	**35 210**	44 550
Additions	**10 339**	6 830
Additions through business combination	**589**	(287)
Classified as held for sale	**(824)**	
Amortisation	**(14 187)**	(15 883)
	31 127	35 210

10. Interest in and loans to joint ventures

A joint venture is an arrangement in which the group has joint control over 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 of accounting. 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 financial statements only to the extent of interests in the joint venture that are not related to the group.

The joint ventures are property investment companies deriving income from rentals. The companies are all incorporated in the Republic of South Africa and have the same financial year end as the company. The joint ventures apply the same accounting policies as the group.

Octodec has the right to cast 50% of the voting rights at shareholder meetings for each of the joint ventures. As Octodec has significant influence but does not have control over the joint ventures, the joint ventures are accounted for using the equity method in these consolidated financial statements.

	2019 %	2018 %
Proportion of ownership interest/voting rights held by the group		
Name of joint venture		
Jardtal Properties (Pty) Ltd (Jardtal)	**–**	50
Prensas Properties (Pty) Ltd (Prensas)	**50**	50

	2019 R'000	2018 R'000
Interest in and loans to joint ventures		
Cost of investment	**1**	1
Reserves since acquisition	**14 995**	7 114
	14 996	7 115
Loans to joint ventures	**6 048**	121 625
	21 044	128 740

The loan of R6 million bears interest at 15% (2018: 15%) per annum.

The expected credit loss of the loan has been considered taking into account the financial position of the joint venture company and its ability to generate profits and positive cash flows in the future as well as the current economic climate. The company generates strong cash flows and therefore no loss is anticipated and no provision for impairment has been made.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

10. Interest in and loans to joint ventures continued

Joybee Properties (Pty) Ltd (Joybee), a subsidiary of the group, acquired the remaining 50% shareholding in Jardtal on 1 November 2018, thereby becoming a wholly owned subsidiary of the group. Jardtal is included in the consolidated financial statements of the group from 1 November 2018 (refer to note 39).

Summarised financial information of the joint ventures as at 31 August 2019

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

The financial information for the joint ventures in the 2018 financial year is disclosed in aggregate as the information for each joint venture is not individually material when compared as a percentage to the group's total assets. In the current year the financial information relates only to Prensas.

	2019 R'000	2018 R'000
Assets		
Non-current	**85 500**	396 200
Investment property	**80 377**	390 168
Straight-line rental income accrual	**4 578**	4 700
Tenant installations and lease costs	**545**	1 332
Current	**7 263**	9 988
Accounts receivable and prepayments	**1 196**	3 457
Loan – tenant deposits	**2 906**	3 157
Cash and bank balances	**3 161**	3 374
	92 763	406 188
Equity and liabilities		
Equity	**29 992**	14 230
Share capital	**1**	1
Non-distributable reserve	**18 893**	18 724
Retained earnings/(accumulated losses)	**11 098**	(4 495)
Non-current liabilities	**61 291**	206 134
Shareholder loan accounts	**18 630**	189 011
Long-term borrowings	**34 254**	12 948
Deferred taxation	**8 407**	4 175
Current liabilities	**1 480**	185 824
Trade and other payables	**1 480**	9 836
Short-term borrowings	**–**	175 988
	92 763	406 188
Results of operations		
Revenue	**18 119**	81 766
Property operating expenses	**(10 112)**	(56 873)
Net property income	**8 007**	24 893
Administrative and corporate expenses	**(600)**	(1 200)
Net operating profit	**7 407**	23 693
Fair value changes to investment property	**5 337**	9 842
Fair value changes to interest rate derivatives	**–**	(1 137)
Profit from ordinary activities before net finance costs	**12 744**	32 398
Net finance costs	**(5 892)**	(30 080)
Finance income	**18**	281
Finance costs	**(5 910)**	(30 361)
Profit before taxation	**6 852**	2 318
Taxation	**(1 618)**	(990)
Profit for the year	**5 234**	1 328
Other comprehensive income	**–**	–
Total comprehensive income for the year	**5 234**	1 328

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

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

	2019 R'000	2018 R'000
Net assets of the joint ventures	**29 992**	14 230
50% proportion of the group's interest in the joint ventures	**14 996**	7 115
Loans to joint ventures	**6 048**	121 625
Carrying amount of the group's interest in joint ventures	**21 044**	128 740

Commitments and contingencies of joint ventures

The group has signed sureties of R11 million for Prensas (2018: R190.5 million for Jardtal and R11 million for Prensas) for loan facilities provided by Nedbank Ltd.

11. Joint operation

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. Jointly controlled operations are accounted for by including the group's share of the jointly controlled assets, liabilities, revenues and expenses on a line-by-line basis in the financial statements from the date that joint control commences until the date that joint control ceases.

The group accounts for these assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

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

The Manhattan

Octodec has a 50% interest in the undividend share of the immovable property development, The Manhattan. The other 50% undivided share is owned by Burcress (Pty) Ltd. Decisions are taken jointly by each party and Octodec does not have control over The Manhattan. Octodec has right to the assets and obligations for the liabilities of The Manhattan and therefore accounts for the interest in The Manhattan as a joint operation.

Included in the assets and liablities and profit or loss of Octodec is the 50% undivided share in The Manhattan property, which is summarised below:

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

11. Joint operation continued

	2019 R'000	2018 R'000
Assets		
Non-current		
Investment property	**67 100**	68 500
Current	**342**	250
Accounts receivable and prepayments	**319**	236
Cash and bank balances	**23**	14
	67 442	68 750
Equity and liabilities		
Equity	**(15 467)**	(19 982)
Non-distributable reserve	**(23 937)**	(22 537)
Retained earnings	**8 470**	2 555
Non-current liabilities		
Long-term borrowings	**82 864**	88 123
Current liabilities		
Trade and other payables	**45**	609
	67 442	68 750
Results of operations		
Revenue	**8 291**	5 296
Property operating expenses	**(2 404)**	(2 261)
Net property income	**5 887**	3 035
Fair value changes to investment property	**(1 400)**	(8 137)
Profit/(loss) from ordinary activities before net finance income	**4 487**	(5 102)
Finance income	**29**	25
Profit/(loss) for the year	**4 516**	(5 077)
Other comprehensive income	**–**	–
Total comprehensive profit/(loss) for the year	**4 516**	(5 077)

12. Loan granted

	2019 R'000	2018 R'000
Loan to joint operation partner		
Amount advanced	**74 764**	78 028
Disclosed in statement of financial position:		
Non-current	**74 764**	75 000
Current	**–**	3 028
	74 764	78 028

The loan to the joint operation partner is secured by a mortgage bond over its 50% undivided share of the immovable property, bears interest at prime less 0.5% per annum and is repayable by no later than 16 December 2020.

The expected credit loss of the financial asset has been considered taking into account the current economic conditions, including the growth prospects for the current and following year as well as the value of the underlying property provided as security for the loan and concluded that the expected credit loss is not significant and consequently no provision for impairment has been made.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

13. Unlisted equity investment

	2019 R'000	2018 R'000
Shares in New Holdco and notes in Edcon		
Consideration exchanged	2 505	–
Fair value change	(2 505)	–
	–	–
Change of fair value of investment recognised as profit or loss during the year:	(2 505)	–

The above investment constitutes the shares and notes obtained in lieu of the rent reduction given to Edcon in terms of the rent reduction agreement between Edcon and its landlords.

Due to the uncertainty around the manner of disposal of the unlisted equity shares and notes at the end of the "rent reduction" term, and the uncertainty regarding the financial standing of Edcon, the fair value of the shares and notes have been estimated at nil value and this will be re assessed once more information is available.

14. Derivative financial instruments

	2019 R'000	2018 R'000
Interest rate derivatives		
Carrying value at beginning of year	(8 473)	(48 146)
Fair value changes	(91 221)	39 673
	(99 694)	(8 473)
Disclosed in statement of financial poisition		
Derivative financial instruments		
Non-current assets	–	7 618
Current assets	–	1 986
Non-current liabilities	(99 694)	(17 977)
Current liabilities	–	(100)
	(99 694)	(8 473)

The notional principal amount of the outstanding contracts for the group at year end was R4.2 billion (2018: R3.5 billion) (refer to note 35.2).

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 in the fair value hierarchy and there have been no transfers made between Levels 1, 2 or 3 during the year under review. Refer to note 35.4 for the detailed classification of the financial instruments.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

15. Accounts receivable and prepayments

	2019			2018		
	Carrying amount R'000	**Impair-ment R'000**	**Net R'000**	Carrying amount R'000	Impair-ment R'000	Net R'000
Financial instruments						
Trade receivables	**73 973**	**(39 405)**	**34 568**	58 775	(24 856)	33 919
Other receivables – utility and assessment rate recoveries	**54 725**	**–**	**54 725**	65 658	–	65 658
Other receivables – municipal refunds	**8 824**	**–**	**8 824**	7 361	–	7 361
Loans to B-BBEE suppliers and employees	**4 231**	**(608)**	**3 623**	3 798	–	3 798
Sundry receivables	**3 062**	**–**	**3 062**	2 288	–	2 288
	144 815	**(40 013)**	**104 802**	137 880	(24 856)	113 024
Non-financial instruments						
Payments in advance	**9 180**	**–**	**9 180**	8 819	–	8 819
Deposits	**5 292**	**–**	**5 292**	5 131	–	5 131
VAT receivable	**–**	**–**	**–**	3 524	–	3 524
	159 287	**(40 013)**	**119 274**	155 354	(24 856)	130 498

All trade and other receivables are short term in nature. Interest is charged at prime plus 4% (2018: 4%) on arrear tenant balances and loans to employees. The loans to B-BBEE suppliers are interest free.

Refer to note 35.1 for the impairment of trade receivables. No provision for impairment has been raised in respect of other receivables in respect of utility and assessment rate recoveries and municipal refunds. The expected credit loss has been considered based on the payment experience and it was concluded that the expected credit loss is not significant and no impairment has been made.

16. Cash and bank balances

	2019 R'000	2018 R'000
Cash on hand and bank balance	**47 185**	28 104
Bank account held for residential tenant deposits	**34 499**	34 808
	81 684	62 912

The bank balance held for residential tenant deposits is not available for use by the group.

The group has undrawn overdraft facilities of R36.5 million (2018: R41.9 million) which are reviewable on an annual basis. The group's overdraft facility is unsecured and bears interest at the prime overdraft rate.

The group banks with Nedbank Ltd which has a high credit rating. No provision for impairment of the bank balance has been made as there are no indications that a loss will be incurred in the foreseeable future.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

17. 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 continuing use, it is available for immediate sale and the sale is highly probable to occur within one year.

Non-current assets held for sale comprising investment property are measured in accordance with IAS 40 *Investment Property*, at fair value less cost to sell and the gain or loss arising from a change in fair value is recognised in profit or loss. Where a firm offer has been received, the properties classified as held for sale are valued at the offer value.

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.

The following investment properties are classified as held-for-sale:

Property name	2019 R'000	2018 R'000
Armadale	**51 500**	52 000
Bouwer Broers **	**–**	7 900
Brianley (3) **	**–**	6 200
Brianley (7) *	**–**	1 300
Crown Court **	**–**	11 700
Druthon Centre	**13 200**	14 700
Erf 651 **	**–**	4 100
Erf 809 **	**–**	6 600
Fedsure House	**60 100**	60 100
Goleda (3) *	**–**	1 600
Hannyhof Centre (1)	**5 300**	5 800
Hannyhof Centre (2)	**2 600**	3 200
Hardwood	**2 900**	2 700
Imbuia **	**–**	3 900
Ischurch (1) **	**–**	3 400
Ischurch (3) **	**–**	2 200
Jakaranda **	**–**	10 300
Ken's Court *	**–**	43 000
Kiaat **	**–**	12 800
L.P.A. Beleggings	**2 800**	–
Medical Towers *	**–**	24 400
MidChurch *	**–**	1 300
Mimosa **	**–**	6 400
Monaco *	**1 200**	3 600
Notrevlis *	**–**	10 700
Ou Holland **	**–**	11 800
Potmeul	**7 400**	–
Potproes(1) **	**–**	4 200
Potproes(2) **	**–**	8 400
Potproes(3) **	**–**	1 100
Ramreg (3) **	**–**	600
Rosemitch (5) (Warehouse)	**12 000**	–
Rosnew	**43 300**	–
Supmall *	**–**	11 100
Swemvoor(2) **	**–**	8 600
Syringa **	**–**	13 800
Talland (2)	**4 200**	3 000
Viskin	**2 800**	2 100
	209 300	364 600

* *Properties disposed of during the year*
** *Properties reclassified as investment property as they no longer meet the requirements of IFRS 5*

Refer to pages 60 to 63 for details of each of the properties.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

17. Non-current assets held for sale continued

A decision was made by the board to dispose of a number of non-core or underperforming investment properties in prior years.

Agreements have been signed for the sale of thirteen properties of which six properties have already been transferred after year end and transfer of the remaining properties is expected within the next year.

18. Stated capital and reserves

Stated capital and reserves represent the residual interest in the group's assets after deducting all of its liabilities. Stated capital and reserves are classified as equity.

Shares issued by the company are recognised in equity at the proceeds received, net of issue costs. When the group repurchases its own shares, the cost is deducted from equity and any gain or loss on the subsequent sale or cancellation of the company's own equity instruments is recognised directly in equity.

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 and to apply such profits towards the settlement of debt or the acquisition of investment property or similar assets. Similarly, gains and losses arising from changes in fair value of investment property and interest rate derivatives, as well as gains and losses arising from changes in fair value of investment property and interest rate derivatives of joint ventures, net of deferred tax where applicable, are transferred to a non-distributable reserve, as these are not distributable to shareholders.

	2019 R'000	2018 R'000
Stated capital		
Authorised		
500 000 000 ordinary shares of no par value	**500 000**	500 000
Issued		
266 197 535 (2018: 266 197 535) ordinary shares of no par value		
Carrying value at beginning of year	**4 210 134**	4 221 477
2018: 666 784 ordinary shares repurchased	**–**	(11 343)
	4 210 134	4 210 134

The unissued ordinary shares are under the control of the directors and are subject to the conditions of the company's MOI, the JSE Listings Requirements and the Companies Act. This authority remains in force until the company's next AGM. All shares are fully paid up.

	2019 R'000	2018 R'000
Non-distributable reserves		
Capital reserve arising on disposal of investment property	**27 858**	25 229
Fair value changes to investment property	**2 201 386**	2 340 259
Fair value changes to derivative financial instruments net of taxation	**(91 063)**	7 325
Fair value changes to joint venture reserves	**19 121**	18 779
Additions through business combination	**874 262**	871 118
Fair value changes to unlisted equity shares	**(2 505)**	–
	3 029 059	3 262 710

Notes to the consolidated financial statements continued

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19. Borrowings

Loans at amortised cost	Interest rate %	Expiry date	2019 R'000	2018 R'000
Secured loans				
Nedbank Ltd				
Loan 1	Prime less 1.43		–	1 269 152
Loan 2	Prime less 1.79		–	74 985
Loan 3	Fixed at 11.72		–	75 000
Loan 4	Fixed at 11.01		–	36 400
Loan 5	Prime less 1.65		–	50 695
Loan 6	Prime less 1.67		–	16 369
Loan 7	Prime less 1.67		–	4 738
Loan 8	Prime less 2.15		–	33 562
Loan 9	Prime less 2.00		–	27 726
Loan 10	Prime less 1.26	3 February 2020	**416 658**	440 865
Loan 11	Prime less 1.41		–	357 006
Loan 12	Prime less 0.84	4 September 2023	**594 697**	302 826
Loan 13	Prime less 1.10	2 November 2020	**148 493**	–
Loan 14	Prime less 0.94	2 May 2022	**399 862**	–
Loan 15	Prime less 0.84	2 May 2024	**488 077**	–
Loan 16	3-month JIBAR plus 1.86	1 August 2023	**356 014**	–
Loan 17	3-month JIBAR plus 1.86	1 August 2023	**560 949**	–
Loan 1 has been consolidated into loans 14, 15 and 17, loans 2 to 8 have been consolidated into loan 12 and loan 11 has been consolidated into loan 17, all in the name of Octodec. Loan 9 has been repaid. Loan 13 relates to the acquisition of Jardtal.				
Standard Bank of South Africa Ltd				
Loan A	Prime less 1.18		–	293 262
Loan B	Prime less 1.55		–	180 007
Loan C	3-month JIBAR plus 1.85		–	385 160
Loan D	3-month JIBAR plus 1.75	31 December 2021	**294 801**	
Loan E	Prime less 1.40	1 September 2022	**333 494**	
Loan F	3-month JIBAR plus 1.75	1 September 2022	**436 937**	
Loan A has been refinanced by Loan D, Loan B has been refinanced by Loan E and Loan C has been refinanced by loan F.				
The terms of repayment are as follows:				
Loans 10, 12, 13, 14 and Loan E				
Interest is paid monthly and the capital amount is repayable on expiry of the loans.				
Loan 15 The loan is repayable in monthly instalments of R3 829 273 over the first six months of the loan term ending on 1 November 2019, comprising capital and interest. Thereafter interest is payable monthly and the capital amount is repayable on expiry of the loan.				
Loan 16, 17 and loans D and F Interest is paid quarterly and the capital amount is repayable on expiry of the loans.				
			4 029 982	3 547 753

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

19. Borrowings continued

Loans at amortised cost	Interest rate %	Expiry date	2019 R'000	2018 R'000
DMTN Programme				
Unsecured loans – listed				
PMM 38 – issuance 36 months	3–month JIBAR plus 1.85	12 June 2020	**155 000**	155 000
PMM 39 – issuance 12 months	3–month JIBAR plus 1.30		**–**	171 000
PMM 40 – issuance 12 months	3–month JIBAR plus 1.30		**–**	55 000
PMM 43 – issuance 12 months	3–month JIBAR plus 1.35		**–**	250 000
PMM 44 – issuance 18 months	3–month JIBAR plus 1.55	7 November 2019	**110 000**	110 000
PMM 45 – issuance 6 months	3–month JIBAR plus 1.10		**–**	180 000
PMM 48 – issuance 12 months	3–month JIBAR plus 1.55	28 February 2020	**130 000**	–
PMM 50 – issuance 12 months	3–month JIBAR plus 1.35	28 February 2020	**75 000**	–
PMM 51 – issuance 18 months	3–month JIBAR plus 1.85	28 February 2022	**45 000**	–
PMM 52 – issuance 6 months	3–month JIBAR plus 1.10	28 November 2019	**60 000**	–
Accrued interest			**3 758**	8 093
			578 758	929 093
Subsequent to year end, PMM 44 and PMM 52, which matured on 7 November and 28 November 2019 respectively, have been partially refinanced by PMM 54 for R120 million, maturing on 7 May 2021 at 3-month JIBAR plus 1.60bps.				
Secured loans – unlisted				
PMM 46 – Standard Bank of South Africa Ltd (HQLA)	3–month JIBAR plus 1.95	29 June 2023	**369 339**	369 687
Terms of repayment:				
Interest is paid quarterly and the capital amount is repayable on expiry of the unsecured and secured loans.				
			4 978 079	4 846 533
Disclosed in statement of financial position				
Non–current			**4 027 644**	3 240 759
Current			**950 435**	1 605 774
			4 978 079	4 846 533

The group has R632.5 million (2018: R697.1 million) of facilities available as at 31 August 2019, comprising unutilised debt facilities available on demand of R585 million (2018: R669 million) and cash in bank of R47 million (2018: R28 million). The facilities are secured by mortgage bonds over various properties with a fair value of R9.7 billion (2018: R9.8 billion).

Loan covenants

The table below reflects the required covenants by the respective lenders. No covenants were breached during the year.

	Minimum group ICR – total portfolio	Actual group ICR – total portfolio	Minimum ICR by secured property per lender	Actual ICR by secured property per lender	Maximum LTV ratio – total portfolio %	Actual LTV ratio – total portfolio %	Maximum LTV ratio by secured property per lender %	Actual LTV ratio by secured property per lender %
Nedbank	2.0	2.2	1.8	2.0	50.0	38.9	55.0	46.2
Standard Bank	2.0	2.2	1.8	2.8	50.0	38.9	55.0	44.0

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

20. Deferred taxation

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and is accounted for using the liability method.

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.

The group is a REIT and any capital gains arising on the disposal of investment property are exempt from capital gains tax. The group therefore does not recognise deferred tax on the changes in fair value of investment properties. Deferred tax is also not calculated on timing differences of those assets and liabilities that when reversed will be distributed to shareholders. 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 nor loss.

Deferred tax assets are not recognised as the company is a REIT and any subsequent profits will be distributed to the shareholders and therefore the likelihood of utilising a deferred tax asset is remote.

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

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.

	2019 R'000	2018 R'000
Deferred tax liability		
The deferred tax liability arises from the following temporary differences:		
Tax losses available for set-off against future taxable income	**(139 481)**	(112 262)
Building allowances – pre conversion to a REIT	**241 811**	181 992
Wear and tear allowance	**19 234**	19 239
Fair value changes – derivative financial instrument	**(27 914)**	(2 373)
	93 650	86 596
Reconciliation of movement for the year		
Carrying value at beginning of year	**86 596**	80 432
Reversal of fair value changes to investment property on conversion to a REIT	**(175)**	(9 917)
Tax losses available for set-off against future taxable income	**26 756**	(8 152)
Wear and tear allowance	**(208)**	(11)
Fair value changes – derivative financial instruments	**(25 541)**	11 108
Other allowances and prepayments	**61**	–
Correction of deferred tax – prior year	**6 162**	–
Acquired through business combination	**–**	13 136
Wear and tear allowance	**202**	–
Other allowances and prepayments	**(61)**	98
Building allowances – pre conversion to a REIT	**59 819**	2 111
Fair value changes to investment property	**175**	10 927
Tax losses available for set-off against future taxable income	**(60 137)**	–
	93 650	86 596

A deferred tax asset of R77.7 million (2018: R44.3 million) has not been recognised as profits are distributed to the shareholders and the likelihood of utilising the deferred tax asset is remote.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

21. Trade and other payables

	2019 R'000	2018 R'000
Financial instruments		
Trade payables	**47 414**	67 098
Tenant deposits	**96 358**	88 666
Accrued expenses – utilities and assessment rates	**104 792**	80 027
Accrued expenses – repairs and maintenance	**6 277**	10 362
Accruals – capital expenditure	**9 625**	19 563
Other accruals	**23 967**	25 774
Provision for penalty and interest – South African Revenue Services	**4 114**	–
Unclaimed dividends	**2 576**	2 353
	295 123	293 843
Non-financial instruments		
VAT payable – current	**9 298**	–
VAT and interest payable – prior periods	**27 031**	25 106
Rent received in advance	**62 507**	59 267
	393 959	378 216

The group has financial risk management 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.

22. Revenue

IFRS 15 *Revenue from Contracts with Customers* applies to all contracts with customers except for: leases within the scope of IAS 17 *Leases*; Financial instruments and other contractual rights or obligations within the scope of IFRS 9 *Financial Instruments*; IFRS 10 *Consolidated Financial Statements*; IFRS 11 *Joint Arrangements*; IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*; Insurance contracts within the scope of IFRS 4 *Insurance Contracts* and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework as follows:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when or as the entity satisfies its performance obligations

The group adopted IFRS 15 in the current year using the cumulative effect method and therefore the comparative information, where applicable, has not been restated and continues to be reported under IAS 17 and IAS 18. As most of the group's revenue falls outside the scope of IFRS 15, there was no impact on the results of the group arising from the adoption of IFRS 15 with the exception of the classification of some revenue elements in terms of IFRS 15 and IAS 18. Casual parking income, cancellation fees and other income are included under "other revenue" in the current year whereas they were previously included under rental income in the prior year.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

Revenue recognition

Type of revenue	Recognition
Rental income	Rental income includes lease income and turnover-based lease income. Rental income is recognised on the straight-line basis over the lease period and turnover-based lease income 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.
Recoveries	Recoveries comprise recoveries from tenants in respect of assessment rates, utilities, repairs and any other costs incurred and recovered from tenants. Recoveries are recognised over the period that the services are rendered. The group acts as a principal on its own account when recovering these costs from the tenants.
Other revenue	Other revenue comprises lease cancellation fees, casual parking, revenue from events and other sundry revenue. These services are provided at a point in time and are recorded when they are earned.

	2019 R'000	2018 R'000
Revenue		
Rental income	**1 529 294**	1 470 449
Straight-line rental income accrual	**(8 191)**	1 482
Other revenue	**22 928**	–
Recoveries	**438 664**	423 357
	1 982 695	1 895 288

23. Property operating expenses

	2019 R'000	2018 R'000
Fees for services		
Collections fees	**124 449**	122 746
Commissions	**20 386**	17 447
Other		
Amortisation of tenant installation costs and commission paid	**14 297**	15 883
Assessment rates	**123 080**	108 316
Depreciation of plant and equipment	**1 692**	1 676
Employee costs	**36 925**	33 322
Impairment of trade and other receivables	**28 304**	24 189
Insurance	**14 651**	12 132
Operating lease – contingent	**6 618**	5 723
Operating lease – minimum lease payments	**1 046**	1 045
Other property expenditure	**96 981**	96 009
Repairs and maintenance costs	**90 444**	73 749
Security costs	**65 941**	64 226
Utilities	**304 780**	288 448
	929 594	864 911

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

24. Administrative and corporate expenses

	2019 R'000	2018 R'000
Auditors' remuneration		
External audit fee	**3 006**	2 908
Internal audit fees	**88**	321
Fees for services		
Management fees	**44 188**	52 228
Fees paid – other services	**5 492**	–
Directors' emoluments	**5 941**	7 058
Salaries	**2 380**	210
Other administrative costs	**17 420**	20 150
	78 515	82 875

25. Share of income of joint ventures

	2019 R'000	2018 R'000
Management fees	**300**	606
Interest received	**2 736**	10 410
Equity-accounted profit/(loss)	**559**	(1 062)
Share of profits	**217**	8 685
Share of fair value changes to investment property	**342**	(9 747)
	3 595	9 954

26. Net finance costs

	2019 R'000	2018 R'000
Interest income	**18 845**	18 584
Tenants	**7 636**	8 009
Bank	**3 025**	2 986
Loans	**8 184**	7 589
Finance costs	**(467 386)**	(438 881)
Interest rate derivatives	**(23 078)**	(12 014)
Borrowings	**(441 828)**	(432 443)
South African Revenue Services	**(2 093)**	(7 477)
Other suppliers	**(387)**	(33)
Less: Interest capitalised	**–**	13 086
	(448 541)	(420 297)

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

27. 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.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in prior years, and items that are not taxable or deductible. The group's current tax is calculated using tax rates that have been enacted by the end of the reporting period.

	2019 R'000	2018 R'000
Taxation included in profit or loss		
Current taxation	**–**	1 522
Deferred taxation	**(7 052)**	6 971
	(7 052)	8 493
Reconciliation of the income tax expense for the year to accounting profit		
Profit before tax	**302 699**	532 070
Income tax expense calculated at 28% (2018: 28%)	**84 756**	148 980
Fair value changes and items taxed in prior year	**(24 014)**	(33 895)
Non-taxable equity income	**(1 007)**	(298)
Non-deductible expenses and negative fair value changes to investment property and financial instruments	**83 041**	24 471
Income received in advance	**17 358**	16 589
Allowances		
Wear and tear	**(10 521)**	(10 409)
Provision for doubtful debts	**(2 758)**	(1 740)
Prepaid expenses	**(2 534)**	(2 377)
Finance costs	**(10 520)**	(6 704)
Reversal of allowances/deductions granted in previous years	**4 205**	3 688
Exempt capital gain	**(1 188)**	(140)
Qualifying distribution	**(149 741)**	(151 605)
Assessed losses utilised/limited	**(163)**	(130)
Prior period adjustment to deferred tax	**6 162**	3 044
Limitation of REIT distribution	**12 921**	11 639
Other timing differences	**1 170**	2 003
Reversal of taxation liability on conversion of company acquired to a REIT	**(115)**	(11 609)
	7 052	(8 493)
Effective tax rate	**2.3%**	(1.6%)

The group has tax losses amounting to R776 million (2018: R537.0 million) which can be utilised against future taxable income.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

28. Leases

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor – operating leases

Rental income from operating leases 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term (refer to notes 6 and 9).

Rental income is disclosed under revenue (refer to note 22 above).

The group as lessee – operating leases

Operating lease payments, which are based on a percentage of rental income, are charged to profit or loss.

Commitments under non-cancellable lease agreements

	2019 R'000	2018 R'000
As lessor		
Non-cancellable rental lease agreements		
Within one year	**948 807**	916 211
One to five years	**1 074 160**	1 104 581
More than five years	**107 483**	90 862
	2 130 450	2 111 654

Rental receivable represents contractual rental income and fixed operating costs recovered for leases in existence at year end.

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

	2019 R'000	2018 R'000
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	**47 872**	48 918
	53 101	54 147

The land leases included above relate to Woodmead Value Mart and Intersite and will be funded from the proceeds of rental income. The lease agreements provide for rental being 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 (refer to note 6).

Notes to the consolidated financial statements continued

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29. Earnings and headline earnings per share (cents)

Earnings per share is calculated based on the weighted number of shares in issue for the year and profit attributable to shareholders.

Headline earnings per share is calculated in terms of the requirements set out in circular 4/2018 issued by SAICA.

	2019 R'000	2018 R'000
Reconciliation of earnings to headline earnings		
Profit after taxation	**295 647**	540 563
Headline earnings adjustments		
(Profit)/loss on sale of investment properties	**(2 629)**	916
(Gain)/loss on derecognition of interest in joint venture	**(3 029)**	2 770
Impairment of goodwill	**–**	1 992
Fair value changes		
Investment property	**138 873**	39 084
Investment property – joint ventures	**(342)**	9 747
Headline earnings attributable to shareholders	**428 520**	595 072
Actual number of shares in issue (000)	**266 198**	266 198
Weighted number of shares in issue (000)	**266 198**	266 389
Basic headline and diluted headline earnings per share (cents)	**161.0**	223.4

30. Cash generated from operations

	2019 R'000	2018 R'000
Profit before taxation:	**302 699**	532 070
Adjusted for:		
Straight-line rental income accrual	**8 191**	(1 482)
Fair value changes to investment property	**138 873**	39 084
Fair value changes to interest rate derivatives	**91 221**	(39 673)
Fair value changes to unlisted equity shares and notes	**2 505**	–
Impairment of trade and other receivables	**28 304**	24 189
(Profit)/loss on sale of investment property	**(2 629)**	916
(Gain)/loss on derecognition of share in joint venture	**(3 029)**	2 770
Impairment of goodwill	**–**	1 992
Finance costs	**467 385**	438 881
Investment income	**(22 439)**	(28 538)
Depreciation and amortisation	**15 989**	17 558
Operating income before working capital changes	**1 027 070**	987 767
Increase in trade and other receivables	**(15 000)**	(11 345)
Increase in trade and other payables	**11 909**	29 784
	1 023 979	1 006 206

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

31. Contingencies

	2019 R'000	2018 R'000
Guarantees		
The group has issued guarantees for the provision of certain services to its subsidiaries:		
Tshwane Metropolitan Municipality	**12 686**	12 686
City Power – Johannesburg	**1 092**	1 092
Eskom	**190**	190
Centurion Town Council	**39**	39

32. Commitments

Capital expenditure

The Octodec group has commitments of R39.5 million (2018: R25.6 million) in respect of approved and committed capital expenditure relating to redevelopments, upgrades of properties, committed tenant installations and property contracts. These developments will be financed by way of existing unutilised banking facilities.

33. Retirement benefits

The employees of the group belong to a defined contribution pension fund or provident fund and contributions to the funds are charged to profit or loss in the year they are incurred. The group has no obligation to cover any unfunded benefits.

	2019 R'000	2018 R'000
Amount contributed by the group to the fund	**1 933**	1 786

34. 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 dividends 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.

LTV 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's current borrowings amount to 38.9% (2018: 37.8%) of its total investment portfolio, which is within the guidance given by the board of a LTV ratio not exceeding 40%.

	2019 R'000	2018 R'000
Total borrowings*	**5 094 850**	4 949 474
Less: Cash and cash equivalents	**(47 185)**	(28 104)
Net debt	**5 047 665**	4 921 370
Total investment portfolio*	**12 964 054**	13 019 491
LTV ratio	**38.9%**	37.8%

* *Total borrowings includes borrowings and derivative liabilities of the group and 50% of the borrowings of the equity accounted joint venture, and investment portfolio includes the investment property, non-current assets held for sale and 50% of the investment property of the equity accounted joint ventures*

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

35. Financial risk management

The board has overall responsibility for the establishment and oversight of the group's risk management framework.
The risk committee is responsible for developing and monitoring the group's risk management policies. The risk committee reports to the board on its activities. Details of the group's material risks and the actions taken to mitigate these risks is set out on pages 20 to 25 of the integrated report.

The group's financial instruments consist mainly of deposits with banks, bank overdrafts, loans from banks and note holders, interest rate swaps, trade receivables and payables. 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

35.1 Credit risk

Credit risk relates mainly to cash deposits, cash equivalents and trade and other receivables. The group only deposits cash with the major banks in South Africa which have a high quality credit rating, and limits exposure to any one counterparty. The concentration of credit risk relating to trade receivables is limited due to the large and unrelated tenant base.

Before accepting any new tenant, the tenant is evaluated to assess the potential tenant's credit quality. In addition, to mitigate the credit risk, deposits or bank sureties equal to one month's rental are requested before taking on the tenant. The group monitors the financial position of its tenants on an ongoing basis.

An allowance for impairment is calculated in full for all tenant balances where legal proceedings have been instituted against the debtor or the tenant has vacated the premises. An allowance for impairment is calculated for the remaining tenant balances using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, prevailing economic conditions as well as an assessment of current and future direction of conditions at the reporting date. The calculation takes into account the deposit or surety held as well as an adjustment for VAT. 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.

The provision matrix is applied as follows:	**%**
120 days and over	100.0
90 days and over	50.0
60 days and over	25.0
30 days and over	1.2
Current	1.2

Ageing of trade receivables	**Carrying amount 2019 R'000**	**Expected impairment 2019 R'000**	Carrying amount 2018 R'000	Expected impairment 2018 R'000
30 days or less	**29 849**	**7 011**	29 465	5 975
31 to 60 days	**6 162**	**3 489**	5 312	2 690
61 to 90 days	**5 249**	**2 972**	5 300	2 365
91 days and over, legal and ex-tenants	**32 712**	**25 933**	18 698	13 825
	73 972	**39 405**	58 775	24 856

The group has recorded a provision of R39.4 million (2018: R24.9 million) based on the above policy. The group adopted IFRS 9 in the current year and did not restate prior year amounts. Had the impairment provision been calculated based on the lifetime expected credit loss at the end of the prior year, the provision amount would have increased by R359 076 to R25.2 million in the prior year. The impact of the change in impairment provision on the current year is R286 320.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

35. Financial risk management continued

35.1 Credit risk continued

	2019 R'000	2018 R'000
Reconciliation of provision for impairment of trade receivables		
Carrying value at beginning of year	**24 856**	21 516
Additions through business combination	**320**	–
Additional provisions for the year	**28 308**	23 777
Amounts written off as uncollectable	**(14 079)**	(20 437)
	39 405	24 856

The amount of R34.6 million (2018:R33.9 million), which is past due at reporting date and has not been provided for represents the amounts that are still considered recoverable, the deposits held and VAT adjustments.

35.2 Interest risk

The group is exposed to interest rate risk because the group borrows funds at variable interest rates. The risk is managed by the group by entering into interest rate swap contracts. It is the group's policy to hedge between 70% and 80% of its long-term borrowings. At the reporting date, 85.4% (2018: 74.5%) of borrowings were hedged by way of interest rate swap contracts. The group does not engage in the trading of interest rate swaps for speculative purposes.

At 31 August 2019, the group had borrowings of R5.0 billion (2018: R4.8 billion) at various interest rates. The all-in weighted average cost of borrowings, including the cost of interest rate swaps, was 9.3% (2018: 9.0%) per annum. A breakdown of the borrowings is detailed in note 19 and exposure to liquidity risk is set out in the tables below.

	Weighted average all-in margin over/(below) variable rate per annum %		**Notional principal value R'000**		**Carrying amount assets/(liabilities) R'000**		**Change in fair value R'000**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Expiry profile of derivatives								
Current – 12 months maturity	**–**	0.68	**–**	1 250 000	**–**	1 886	**(1 886)**	4 355
Non current – 1 to 2 years	**0.21**	0.85	**500 000**	500 000	**(3 440)**	(3 383)	**(57)**	9 326
Non current – 2 to 5 years	**0.74**	0.78	**3 750 000**	1 750 000	**(96 254)**	(6 976)	**(89 278)**	25 992
Receive floating rates, pay fixed rate			**4 250 000**	3 500 000	**(99 694)**	(8 473)	**(91 221)**	39 673
Fixed interest rate loans		11.49		111 400		(111 400)		
			4 250 000	3 611 400	**(99 694)**	(119 873)	**(91 221)**	39 673

	Weighted average variable rate per annum %		**Nominal amount of hedged variable loans R'000**		**Exposure of borrowings to interest rate movements R'000**		**Percentage hedged %**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Hedged variable loans	**8.7**	8.7	**4 978 079**	4 846 533	**728 079**	1 235 133	**85.4**	74.5

Interest rate trends are constantly monitored and appropriate steps taken to ensure that the group's exposure to interest movements is managed.

The group analyses its interest rate risk on a continuous basis and calculates the impact on profit before tax of a change in interest rates by using different scenarios. A 0.5% per annum change in interest rates would increase/decrease profit before tax by R2.6 million (2018: R4.5 million). The calculations are done monthly to ensure that the maximum additional expense is within limits and debt covenants are met.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

35.3 Liquidity risk

The group's risk to liquidity is that it will not be able to meet its financial obligations when they fall due. The group's policy is to limit its exposure to liquidity risk by regularly reviewing and extending its debt maturity profile. The risk is further reduced as a result of undrawn banking facilities available to the group. 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.

	Current 12 months maturity R'000	Non-current 1 to 2 years R'000	Non-current 2 to 5 years R'000	Non-current Over 5 years R'000
2019				
Borrowings including future finance costs	**1 342 191**	**491 761**	**4 417 151**	**–**
Trade and other payables	**295 123**	**–**	**–**	**–**
2018				
Borrowings including future finance costs	1 904 954	1 151 853	1 339 842	1 083 547
Trade and other payables	293 843	–	–	–

35.4 Classification of financial instruments

	Classification of financial assets			Fair value hierarchy
	Loans and receivables R'000	At amortised cost R'000	At fair value R'000	Level 2 R'000
2019				
Financial assets				
Cash and bank balances	–	**81 684**	**–**	**–**
Accounts receivable	–	**104 802**	**–**	**–**
Loan granted	–	**74 764**	**–**	**–**
Financial liabilities				
Derivative financial instruments	–	**–**	**99 694**	**99 694**
Trade and other payables	–	**295 123**	**–**	**–**
Long-term borrowings	–	**4 027 644**	**–**	**–**
Short-term borrowings	–	**950 435**	**–**	**–**
2018				
Financial assets				
Cash and bank balances	–	62 912	–	–
Derivative financial instruments	–	–	9 604	9 604
Accounts receivable	113 024	–	–	–
Loan granted	78 028	–	–	–
Financial liabilities				
Derivative financial instruments	–	–	18 077	18 077
Trade and other payables	–	293 843	–	–
Long-term borrowings	–	3 240 759	–	–
Short-term borrowings	–	1 605 774	–	–

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

36. Related parties

A related party is a person or entity that is related to Octodec, and that person or entity:

(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.

Relationships where control existed during the year:

Directors: S Wapnick; DP Cohen; GH Kemp; NC Mabunda; MZ Pollack; AK Stein; PJ Strydom and JP Wapnick.

Prescribed officer: Group company secretary – E Greeff

Subsidiary companies: Refer to interest in subsidiaries in the Directors' report on page 97.

Other: City Property, a company which manages the group's property portfolio and over which significant influence is exercised by JP Wapnick.

Tugendhaft Wapnick Banchetti & Partners, a firm of attorneys that renders legal services and over which significant influence is exercised by S Wapnick.

36.1 City Property

The following related party transactions took place during the year under review and the fees are charged in terms of the management agreement:

	2019 R'000	2018 R'000
Related party transactions*		
Income		
Rent received	**8 384**	10 315
Expenditure		
Asset management fees paid	**44 188**	52 228
Collection fees	**124 449**	122 746
Commissions paid	**16 534**	13 365
Commissions paid on sale and purchase of investment property, refurbishments, developments and repairs	**11 234**	8 814
Fees paid in respect of shared resources and supervisory fees	**5 492**	–
Related party balances		
Trade and other receivables	**1 067**	1 209
Trade and other payables	**2 220**	4 617

* *The amounts include VAT to the extent that VAT has not been claimed as input, so as to agree to the amounts disclosed in the statement of profit and loss, statement of financial position and notes thereto. Rent received excludes VAT*

36.2 Tugendhaft Wapnick Banchetti & Partners

	2019 R'000	2018 R'000
Related party transactions		
Expenditure		
Professional and legal fees	**1 006**	668

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

36.3 Subsidiaries

	2019 R'000	2018 R'000
Related party transactions		
Dividends received		
Anke Properties (Pty) Ltd	**5 116**	6 410
IPS Investments (Pty) Ltd	**176 300**	113 167
Killarney Mall Properties (Pty) Ltd	**32 600**	20 000
Octprop Properties (Pty) Ltd	**130**	73
Premium Properties Ltd	**386 100**	421 833
Presmooi (Pty) Ltd	**132 400**	110 000
Ramreg Properties (Pty) Ltd	**907**	1 131
Tribeca Properties (Pty) Ltd	**3 800**	4 300
Waverley Plaza Properties (Pty) Ltd	**25 200**	26 400
Woodmead Mart (Pty) Ltd	**30 690**	28 800
	793 243	732 114
Interest received		
Premium Properties Ltd	**–**	950
Woodmead Mart (Pty) Ltd	**–**	12 135
	–	13 085
Asset management fees recovered		
Anke Properties (Pty) Ltd	**254**	504
IPS Investments (Pty) Ltd and its subsidiaries	**11 176**	11 352
Killarney Mall Properties (Pty) Ltd	**2 997**	3 111
Octprop Properties (Pty) Ltd	**81**	74
Premium Properties Ltd and its subsidiaries	**30 975**	28 536
Presmooi (Pty) Ltd	**9 476**	6 738
Ramreg Properties (Pty) Ltd	**41**	61
Tribeca Properties (Pty) Ltd	**337**	327
Waverley Plaza Properties (Pty) Ltd	**1 439**	1 496
Woodmead Mart (Pty) Ltd	**2 476**	3 335
	59 252	55 534

	2019 R'000	2018 R'000
Related party balances		
Anke Properties (Pty) Ltd	**–**	20 697
IPS Investments (Pty) Ltd	**1 896 457**	1 874 677
Killarney Mall (Pty) Ltd	**516 470**	359 527
Octprop Properties (Pty) Ltd	**26 215**	15 217
Premium Properties Ltd	**842 172**	447 431
Presmooi (Pty) Ltd	**1 833 954**	899 163
Tribeca Properties (Pty) Ltd	**48 078**	48 606
Viskin (Pty) Ltd	**(1)**	(1)
Waverley Plaza Properties (Pty) Ltd	**101 280**	100 955
Woodmead Mart (Pty) Ltd	**476 689**	504 340
Deregisterd subsidiaries	**–**	4 513
	5 741 314	4 275 125

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

36. Related parties continued

36.4 Directors' and prescribed officers' remuneration

	2019 R'000	2018 R'000
Directors' remuneration		
S Wapnick (Chairman)	**1 163**	1 302
DP Cohen (lead independent director)	**874**	1 019
GH Kemp	**818**	839
NC Mabunda (appointed 11 February 2019)	**222**	–
MZ Pollack	**800**	932
AA Koranteng (resigned 10 May 2018)	**–**	455
AK Stein	**611**	640
PJ Strydom	**841**	952
JP Wapnick	**611**	660
	5 940	6 799
VAT and Skills Development Levy contributions	**1**	3
	5 941	6 802

	2019			2018		
	Salary and bonus R'000	Pension fund contributions R'000	Total R'000	Salary and bonus R'000	Pension fund contributions R'000	Total R'000
Salaries paid by City Property to directors of Octodec						
AK Stein	**4 336**	**78**	**4 414**	4 251	73	4 324
JP Wapnick	**4 143**	**–**	**4 143**	4 102	–	4 102
S Wapnick	**819**	**–**	**819**	1 817	–	1 817
	9 298	**78**	**9 376**	10 170	73	10 243

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 2019. Ms S Wapnick, the non-executive Chairman, was remunerated by City Property on an approximation of her time spent on Octodec affairs.

	2019			2018		
	Salary and bonus R'000	Pension fund contributions R'000	Total R'000	Salary and bonus R'000	Pension fund contributions R'000	Total R'000
Prescribed officer						
Elize Greeff (group company secretary)	**1 445**	**145**	**1 590**	**233**	23	256
	1 445	**145**	**1 590**	**233**	23	256

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

37. Segmental reporting

The group determines and presents operating segments based on information that is provided internally to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The group has determined that its chief operating decision-maker is the managing director. Information reported to the chief operating decision-maker for the purposes of segment performance is determined by the nature of the occupier of the property and the market that the occupier serves.

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

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

- Retail
- Offices
- Residential
- Industrial
- Specialised and other, which includes:
  - Educational facilities
  - Healthcare facilities
  - Places of worship
  - Auto dealerships
  - Hotels
  - Parking

	2019 R'000	**%**	2018 R'000	%
Rental income by sector				
Retail	**517 226**	**33.3**	502 923	34.2
Offices	**247 456**	**15.9**	244 470	16.6
Residential	**499 610**	**32.2**	446 730	30.4
Industrial	**110 287**	**7.1**	109 254	7.4
Specialised and other		**–**		
Educational facilities	**30 928**	**2.0**	34 151	2.3
Healthcare facilities	**37 434**	**2.4**	33 223	2.3
Places of worship	**7 534**	**0.5**	6 627	0.5
Auto dealerships	**16 911**	**1.1**	13 543	0.9
Hotels	**16 793**	**1.1**	14 448	1.0
Parking	**68 043**	**4.4**	65 080	4.4
Total rental income	**1 552 222**	**100.0**	1 470 449	100.0
Straight-line rental income accrual	**(8 191)**		1 482	
Recoveries	**438 664**		423 357	
Revenue	**1 982 695**		1 895 288	

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

38. Events after reporting date

A dividend of R264.1 million was paid on 25 November 2019 to shareholders registered on 19 November 2019.

The directors are not aware of any other events subsequent to 31 August 2019 and up to the date of approval of these financial statements, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report.

Notes to the consolidated financial statements continued

for the year ended 31 August 2019

39. Business combinations

39.1. Jardtal Properties (Pty) Ltd (Jardtal)

With effect from 1 November 2018, Joybee Properties (Pty) Ltd (Joybee), a subsidiary of the company, acquired the remaining 50% shareholding in Jardtal, a property-owning company, for a consideration of R36.5 million, settled in cash, increasing its shareholding from 50% to 100%. This resulted in Joybee acquiring control of Jardtal and Jardtal changed from a joint venture to a subsidiary.

	2019 R'000
Fair value of assets acquired and liabilities recognised at the date of acquisition	
Non-current assets	
Investment properties	310 165
Current assets	
Loans receivable	2 994
Accounts receivable and prepayments	1 590
Cash and cash equivalents	915
Non-current liabilities	
Interest-bearing borrowings	(154 316)
Current liabilities	
Interest-bearing borrowings	(74 100)
Non-interest-bearing borrowings	(8 189)
Total identifiable net assets	79 059
Fair value of equity interest held before the business combination	(39 530)
Bargain purchase on acquisition	(3 029)
Acquisition date fair value consideration paid in cash	36 500

	2019 R'000
Net cash outflow on acquisition	
Cash consideration paid	36 500
Bank and cash acquired	(915)
Net cash outflow on acquisition	35 585

Octodec acquired the remaining shares in Jardtal as it provided Octodec shareholders with an attractive return.

Impact of acquisition on the results of the group

Revenue for the year includes an amount of R39.9 million and the loss for the year has decreased by R5.1 million (after the fair value change to investment property of R5.8 million) as a result of the Jardtal acquisition. If the acquisition had occurred on 1 September 2018, consolidated revenue for the year ended 31 August 2019 would have been R1 991.0 million compared to R1 982.7 million and profit after tax would have been R292.0 million compared to R292.6 million (profit excluding bargain purchase on acquisition).

Shareholders' analysis

as at 31 August 2019

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder Spread				
1 – 1 000	811	20.49	373 041	0.14
1 001 – 10 000	2 126	53.71	8 439 916	3.17
10 001 – 100 000	775	19.58	24 561 336	9.23
100 001 – 1 000 000	201	5.08	63 244 129	23.76
Over 1 000 000	45	1.14	169 579 113	63.70
Total	**3 958**	**100.00**	**266 197 535**	**100.00**
Distribution of shareholders				
Assurance companies	33	0.83	7 976 464	3.00
Close corporations	58	1.47	27 684 677	10.40
Collective investment schemes	156	3.94	64 197 789	24.12
Control accounts	2	0.05	100	0.00
Custodians	36	0.91	6 609 131	2.48
Foundations and charitable funds	95	2.40	6 950 895	2.61
Insurance companies	3	0.08	39 442	0.01
Investment partnerships	11	0.28	124 593	0.05
Managed funds	10	0.25	279 891	0.11
Medical aid funds	10	0.25	1 189 604	0.45
Organs of state	5	0.13	11 055 163	4.15
Private companies	154	3.89	72 174 690	27.11
Public companies	4	0.10	793 013	0.30
Retail shareholders	2 852	72.06	26 650 943	10.01
Retirement benefit bunds	107	2.70	11 738 336	4.41
Scrip lending	5	0.13	483 683	0.18
Stockbrokers and nominees	14	0.35	857 821	0.32
Trusts	403	10.18	27 391 300	10.29
Total	**3 958**	**100.00**	**266 197 535**	**100.00**
Shareholder type				
Non-public shareholders				
Directors and associates	58	1.47	103 772 592	38.98
Public shareholders	3 900	98.53	162 424 943	61.02
Total	**3 958**	**100.00**	**266 197 535**	**100.00**
Fund managers with a holding greater than 3% of the issued shares				
Old Mutual Investment Group			17 544 566	6.59
Bridge Fund Managers			13 536 711	50.9
Public Investment Corporation			10 989 401	4.13
Prudential Investment Managers			10 329 135	3.88
Total			**51 779 813**	**19.45**
Beneficial shareholders with a holding greater than 3% of the issued shares				
Old Mutual Group			18 004 268	6.76
Nedbank Group			15 882 558	5.97
Government Employees Pension Fund			10 004 495	3.76
Total			**43 891 321**	**16.49**

Share price performance

Opening price 03 September 2018	R20.49
Closing price 30 August 2019	R15.92
Closing high for period	R20.85
Closing low for period	R15.77
Number of shares in issue	266 197 535
Volume traded during period	48 724 129
Ratio of volume traded to shares issued (%)	18.30
Rand value traded during the period	951 725 114
Market capitalisation at 30 August 2019	4 237 864 757

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Notice of annual general meeting

OCTODEC INVESTMENTS LIMITED
(Registration number: 1956/002868/06)
(Incorporated in the Republic of South Africa)
ISIN: ZAE000192258
JSE share code: OCT
(Approved as a REIT by the JSE)
(Octodec or the company)

Notice is hereby given in terms of section 62(1) of the Companies Act of the AGM of shareholders of Octodec on Friday, 24 January 2020, 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 special and ordinary resolutions listed below in the manner required by the Companies Act, as read with the JSE Listings Requirements.

The definitions on page 154 of the integrated report, to which this notice is attached apply, *mutatis mutandis*, to this notice.

Record date

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

a. 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, 6 December 2019; and
b. 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, 17 January 2020.

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, 14 January 2020.

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 Companies Act, be required for the resolutions to be adopted is 75% (seventy-five percent) in respect of the special resolutions and more than 50% (fifty percent) 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. Non-binding advisory votes are of an advisory nature and allows shareholders to express their views on the extent of implementation of the company's remuneration policy and implementation report but will not be binding on the company.

In terms of section 64(1)(a) of the Companies Act, a shareholders' meeting may not begin until a quorum is present at the meeting. In terms of section 64(2)(a) of the Companies Act, a meeting may not begin unless at least 3 (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 Companies 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 financial statements

The audited consolidated 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 2019, will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act.

Report of the SERT committee

In accordance with regulation 43(5)(c), issued in terms of the Companies Act, the report of the SERT committee on the statutory matters within the mandate of the SERT committee will be presented to shareholders and has also been made available to shareholders on pages 80 to 83 of the integrated report of which this notice forms part.

Resolutions for consideration and approval

Special resolution 1 – To approve financial assistance to related and interrelated companies

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

"RESOLVED THAT by way of special resolution as required in terms of sections 44 and/or 45(2) of the Companies Act and the MOI, as a general approval, 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 interrelated 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 renewed by way of special resolution passed at a duly constituted AGM of the company."

The reason for and effect of special resolution 1

Sections 44 and 45(2) of the Companies Act authorise the board to authorise the company to provide direct or indirect financial assistance to a related or interrelated company as defined in the Companies Act, subject to subsections (3) and (4) of section 45 of the Companies Act and unless otherwise provided in the company's MOI. In terms of section 45(3) of the Companies 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 financial statements.

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 Companies 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 Companies 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 5 (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 Companies Act;
j. the board, by resolution, has acknowledged that it has applied the solvency and liquidity test, as set out in section 4 of the Companies 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 Companies Act;
k. the company and the group are able 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 1 (one) agent to effect any repurchase on its behalf."

Other disclosures in terms of paragraph 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:

a. Major beneficial shareholders – page 141
b. Share capital of the company – note 18 of the financial statements on page 122

The directors may 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 pages 26 and 27 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, 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.

The reason for and effect of special resolution 2

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 Companies Act authorises the board of directors of a company to approve the acquisition of its own shares subject to the provisions of section 46 and section 48 of the Companies Act 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% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the AGM for special resolution 2 is required to become effective.

Special resolution 3 – Approval of directors' remuneration for the period 1 September 2020 to 31 August 2021

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

"RESOLVED THAT, in terms of section 66(9) of the Companies Act, the company be and is hereby authorised 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 SERT committee and approved by the board, provided that the aforementioned authority shall be valid with effect from 1 September 2020 for a period of 12 (twelve) months ending 31 August 2021, as follows:

	Proposed 12 months to 31 August 2021 (R)	Current 12 months ending 31 August 2020 (R)
	Annual retainer	
Board Chairman	**715 500**	715 500
Lead independent director	**357 220**	357 220
Non-executive directors	**297 860**	297 860
Executive directors	**297 860**	297 860
	Fee per meeting	
Board meeting (including AGM)	**17 914**	17 914
Meeting fee for attendance at subcommittee meeting of the board	**21 412**	21 412
Chairman of subcommittee of the board	**26 182**	26 182
Meeting fee for attendance at an *ad hoc* subcommittee meeting of the board	**21 412**	21 412
Chairman of an *ad hoc* subcommittee of the board	**26 182**	26 182

Effective from 1 March 2020, where more than one meeting is scheduled on a particular day and in light of the preparation required for both meetings, a meeting fee, for each meeting, as indicated above, is payable to the directors."

The reason for and effect of special resolution 3

In terms of section 66(8) and section 66(9) of the Companies 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 special resolution. There will be no increase in the directors' fees for the period 1 September 2020 to 31 August 2021.

The amounts in special resolution 3 are exclusive of VAT. For clarity, to the extent that VAT is applicable, the company is authorised to pay the VAT thereon in addition to the proposed remuneration. Effective from 1 September 2020, the abovementioned meeting fees will, together with the retainer, be payable quarterly in arrears. Previously, where more than one meeting was scheduled on a particular day and in light of the preparation required for both meetings, a meeting fee for each meeting was payable to the non-executive directors but only the highest meeting fee in respect of all the meetings held on that particular day was payable to the executive directors. Effective from 1 March 2020, this provision will no longer apply and will be amended as indicated in special resolution 3 above.

Special resolution 4 – Authority to issue shares to directors who elect the distribution reinvestment alternative

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

"RESOLVED THAT, subject to the provisions of the Companies Act and to the extent required, 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 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 Companies 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."

The reason for and effect of special resolution 4

Special resolution 4 is required to be passed to comply with the provisions of section 41 of the Companies 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 in new ordinary shares of Octodec.

Ordinary resolution 1 – Re-election of directors

To elect, by way of separate resolutions, directors in the place of those retiring in accordance with the company's MOI. The directors retiring are Gerard Kemp and Myron Pollack, who, being eligible, offer themselves for re-election.

Ordinary resolution 1.1 – Re-election of Gerard Kemp

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

Ordinary resolution 1.2 – Re-election of Myron Pollack

"RESOLVED THAT Myron Pollack be and is hereby re-elected as a director of the company."

The reason for and effect of ordinary resolutions 1.1 – 1.2

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 recommended for appointment by the board following the previous AGM is similarly required to retire and, being eligible, may stand for election at the next AGM. Gerard Kemp and Myron Pollack are eligible for re-election. The nominations committee has considered Gerard Kemp and Myron Pollack's past performance and contribution to the company and recommends that they be re-elected as directors. The abridged curricula vitae of Gerard Kemp and Myron Pollack are set out on pages 26 and 27 of the integrated report of which this notice forms part.

Ordinary resolution 1.3 – Confirmation of appointment of Nyimpini Mabunda

To confirm the appointment of Nyimpini Mabunda as a director, in accordance with the MOI of Octodec.

The reason for and effect of ordinary resolution 1.3

Nyimpini Mabunda was recommended for appointment as a director by the board with effect from 11 February 2019. The appointment of Nyimpini Mabunda thus needs to be approved and confirmed by shareholders in accordance with the MOI as provided for in the JSE Listings Requirements. The nominations committee has considered the qualifications, skills and experience of Nyimpini Mabunda and recommend that he be elected as a director of the company. The abridged curriculum vitae of Nyimpini Mabunda is set out on page 27 of the integrated report of which this notice forms part.

Ordinary resolution 2 – To place the unissued shares under the directors' control

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

"RESOLVED THAT the directors, be and are hereby authorised, as required by the company's MOI and subject to the provisions of section 41 of the Companies 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 allotted and issued is 5% (five percent) of the weighted average price on the JSE 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, if so required, 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 (ten) business days in question. Where the allotment or issue is undertaken in terms of a vendor consideration placing pursuant to the JSE Listings Requirements, the minimum placing price is subject to the pricing limitations set out in the JSE Listings Requirements."

The reason for and effect of ordinary resolution 2

The reason for ordinary resolution 2 is that the board requires authority from shareholders in terms of article 6.10 of its MOI to issue shares in the company. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required, inter alia*, in terms of capital raising exercises, and to maintain a healthy capital adequacy ratio as may be required from time to time. This general authority is subject to the restriction that it is limited to 10% (ten percent) of the number of shares in issue at 10 December 2019 as provided in a. above, being 26 619 755 shares, on the terms more fully set out in ordinary resolution 2 above.*

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% (seventy-five percent) 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 (which is separate from and in addition to the authority referred to in ordinary resolution 2 of the notice of AGM) 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 13 309 877 shares) in the aggregate of the number of shares in the company's issued share capital at the date of this notice of AGM, for which purpose such further ordinary shares are hereby placed under the control of the directors;
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;
d. in the event of a subdivision 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;
e. 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;
f. 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;
g. any such issue will only be made to public shareholders as defined by the JSE, and not related parties; and
h. 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."

The reason for and effect of ordinary resolution 3

For listed entities wishing to issue shares for cash, it is necessary for the board not only to obtain the prior authority of shareholders as may be required in terms of their MOI contemplated in ordinary resolution number 3 above but it is also necessary to obtain the prior authority of shareholders in accordance with the JSE Listings Requirements. The reason for ordinary resolution number 3 is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements. The authority granted in terms of ordinary resolution 3 above and the exercise thereof will be subject to the conditions contained in ordinary resolution 3. Such issue may not exceed 5% (five percent) (being 13 309 877 shares) of the number of shares issued as at the date of this AGM notice.

The directors confirm that there is no specific intention to issue any shares for cash as at the date of this AGM notice.

Note: In accordance with the JSE Listings Requirements, ordinary resolution 3 requires the approval of not less than 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy and entitled to vote at the AGM in order for ordinary resolution 3 to become effective.

Ordinary resolution 4 – To approve the reappointment 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 (subject to passing of resolution 1.1); and
4.4 Myron Pollack (subject to passing of resolution 1.2).

The abridged curricula vitae of the members of the audit committee are set out on pages 26 and 27 of the integrated report of which this notice forms part.

The reason for and effect of ordinary resolutions 4.1 – 4.4

In terms of section 94(2) of the Companies Act, a public company must at each AGM elect an audit committee comprising at least 3 (three) members who are directors and who meet the criteria of section 94(4) of the Companies Act. Regulation 42 to the Companies 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 is aware of the King IV™ recommendation regarding independence, and, having assessed Myron Pollack, who is not considered independent due to his personal shareholding in Octodec, is satisfied that he brings a wealth of knowledge and experience which outweighs the independence recommendation. The board is satisfied that the proposed members of the audit committee meet all relevant requirements.

Ordinary resolution 5 – To approve the reappointment of auditors

To reappoint, on the recommendation of the audit committee, Deloitte & Touche as independent auditors of the company and the designated auditor, Leon Taljaard, meeting the requirements of section 90(2) of the Companies Act.

The reason for and effect of ordinary resolution 5

Deloitte & Touche has indicated its willingness to continue in office and ordinary resolution 5 proposes the reappointment of Deloitte & Touche as the company's auditors with effect from the date of approval of this ordinary resolution 5. Section 90(3) of the Companies Act requires the designated auditor to meet the criteria as set out in section 90(2) of the Companies Act. In accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the audit committee has assessed the suitability of Deloitte & Touche and of Leon Taljaard for appointment as auditors.

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

Ordinary resolution 6 – Specific authority to issue shares to shareholders who elect the distribution reinvestment alternative

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

"RESOLVED THAT, subject to the provisions of the Companies Act, the JSE Listings Requirements and the MOI, the directors be and they are hereby authorised by way of a specific standing authority (which is separate from and in addition to the authority referred to in ordinary resolution 2 of the notice of this AGM) to issue ordinary shares of no par value (new 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."

The reason for and effect of ordinary resolution 6

Pursuant to the shareholders' distribution reinvestment programme implemented at the company's discretion, shareholders will be provided with an election form on which they can indicate whether they wish to reinvest any of their distributions in shares in the company. The election form will provide details of the process and timing of the programme.

Ordinary resolution 7 – To provide signing authority

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

"RESOLVED THAT any one director of the company or the group 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, as well as the non-binding advisory votes passed at the AGM."

The reason for and effect of ordinary resolution 7

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 at which this ordinary resolution will be considered and approved. It is proposed that the group company secretary and/or any one director be authorised accordingly.

Non-binding advisory vote 1 – To endorse the remuneration policy

To consider and, if deemed fit, to endorse, with or without modification, the following non-binding advisory vote:

"RESOLVED THAT shareholders endorse the remuneration policy for the year ended 31 August 2019 as set out on pages 85 to 87 of the integrated report of which this notice forms part."

Non-binding advisory vote 2 – To endorse the remuneration implementation report

To consider and, if deemed fit, to endorse, with or without modification, the following non-binding advisory vote:

"RESOLVED THAT shareholders endorse the remuneration implementation report for the year ended 31 August 2019, the details of which are set out on pages 87 to 91 of the integrated report of which this notice forms part."

The reason for and effect of non-binding advisory votes 1 and 2

Shareholders are reminded that in terms of King IV™, the endorsement of the company's remuneration policy and the remuneration implementation report is by way of advisory, non-binding votes. This enables shareholders to express their views on the remuneration policy and the remuneration implementation report and is of an advisory nature only, and failure to endorse either the remuneration policy and/or the remuneration implementation report will therefore not have any legal consequences relating to existing remuneration arrangements. The board will however take the outcome of the votes into consideration when considering amendments to the company's remuneration policy and how such policy is implemented. Should 25% (twenty-five percent) or more of the votes cast be recorded against either the remuneration policy and/or the remuneration implementation report, then:

- *Octodec undertakes to engage with shareholders to address their objections, concerns and ascertain the reasons for the dissenting votes. This will form part of Octodec's existing biannual engagement process with shareholders. Where considered appropriate, members of the SERT committee may participate in these engagements with selected shareholders; and*
- *The executive directors will make specific recommendations to the SERT committee as to how the legitimate and reasonable objections of shareholders might be addressed, either in the company's remuneration policy or through changes in how the remuneration policy is implemented.*

Electronic participation

Octodec shareholders or their proxies may participate in the AGM by way of a teleconference call, provided that the shareholders or their CSDP or broker (as the case may be) must give written notice to the company, per the Secretariat, c/o Ms E Greeff, either by e-mail at elizeg@octodec.co.za or at the address given below (by way of physical delivery or post) and such notice must be received by the company by not later than 48 hours prior to the date of the AGM.
If no notice is received by the company at least 48 hours prior to the date of the AGM, then the company shall not make provision for shareholders to participate in the AGM by way of a teleconference call. However, if the company timeously receives the above notice, then the company will provide a teleconference facility and furnish the shareholders or their CSDP or broker (as the case may be) with the dialling code and pin number. Shareholders participating in this manner will still need to appoint a proxy to vote on their behalf at the AGM. Access to this means of electronic communication will be at the expense of Octodec. Please note that while it is possible to participate in the AGM through this medium, there is no facility for electronic voting and, accordingly, shareholders and their proxies are advised to follow the instructions below in respect of proxies and voting.

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 effective, a proxy form must be executed in terms of the MOI and in accordance with the relevant instructions set out on the form, and must be lodged with The Meeting Specialist (Pty) Ltd (TMS) at the JSE Building, One Exchange Square, 2 Gwen Lane, Sandown, 2196, South Africa or posted to The Meeting Specialist (Pty) Ltd, PO Box 62043, Marshalltown, 2107, South Africa or e-mailed to proxy@tmsmeetings.co.za.

Alternatively, the form of proxy may be handed to the Chairman of the AGM or to TMS present at the AGM or at any time prior to the commencement of the AGM or prior to voting on any resolution proposed at the AGM. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM should the member subsequently decide to do so.

Additional proxy forms are obtainable from Octodec's group company secretary, Octodec's website or TMS.

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 between you and the CSDP or broker, in the manner and cut-off time stipulated therein.

General

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

By order of the board

Elize Greeff
Group company secretary

Octodec Investments Limited
101 Du Toit Street
Tshwane
0002

10 December 2019

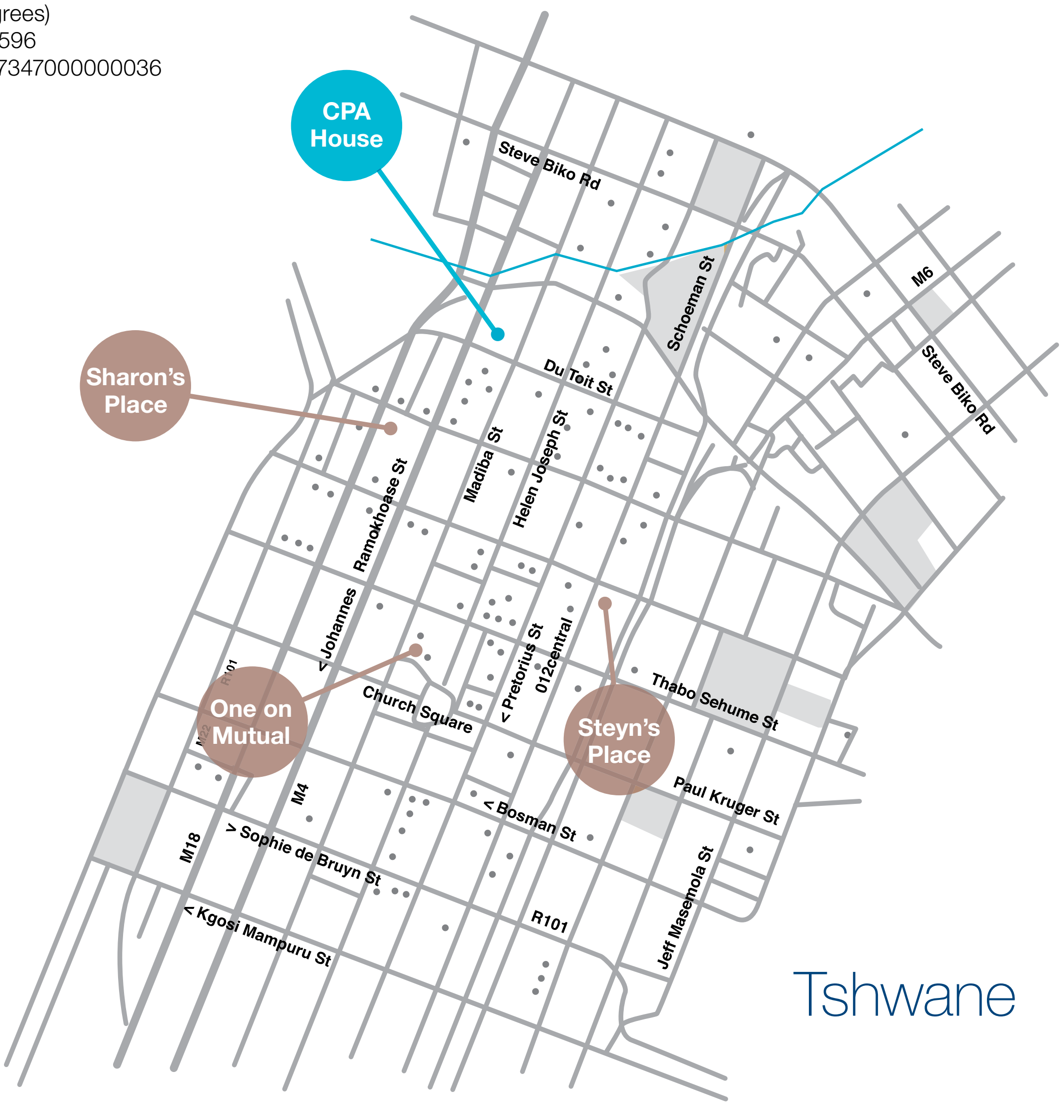
Location of the AGM

CPA House

101 Du Toit Street
Tshwane
0002

GPS co-ordinates

DD (decimal degrees)
Latitude -25.743596
Longitude 28.197347000000036



Directions to CPA House

From the N1 (Johannesburg)

- Take the N1 North towards Tshwane
- At the Brakfontein interchange continue on the N1 as it becomes the N14 towards Tshwane
- The N14 becomes Kgosi Mampuru Street (formerly Potgieter Street)
- From Kgosi Mampuru Street turn right into Nana Sita Street (formerly Skinner Street)
- CPA House is situated on the corner of Madiba Street and Du Toit Street

Form of proxy

OCTODEC INVESTMENTS LIMITED
(Registration number: 1956/002868/06)
(Incorporated in the Republic of South Africa)
ISIN: ZAE000192258
JSE share code: OCT
(Approved as a REIT by the JSE)
(Octodec or the company)

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 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 AGM 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 between the shareholder and the CSDP or broker concerned.

For use by certificated Octodec shareholders and own-name dematerialised Octodec shareholders only, at the AGM of Octodec shareholders the company to be held at CPA House, 101 Du Toit Street, Tshwane 0002 on Friday, 24 January 2020, 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.

The definitions commencing on page 154 of the integrated report to which this form of proxy is attached apply, *mutatis mutandis*, to this form of proxy.

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.

		Number of votes (1 vote per share)		
		In favour of	Against	Abstain
1.	**Special resolution 1:** To approve financial assistance to related and interrelated 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 2020 to 31 August 2021			
4.	**Special resolution 4:** Authority to issue shares to directors who elect the distribution reinvestment alternative			
5.	**Ordinary resolutions 1.1 – 1.2:** To re-elect the directors required to retire in terms of the MOI:			
	1.1 Gerard Kemp			
	1.2 Myron Pollack			
	Ordinary resolution 1.3: To confirm the appointment of Nyimpini Mabunda as director			
6.	**Ordinary resolution 2:** To place the unissued shares under the directors' control			
7.	**Ordinary resolution 3:** To approve the issue of shares for cash			
8.	**Ordinary resolutions 4.1 – 4.4:** To approve the reappointment of members of the audit committee:			
	4.1 Pieter Strydom (Chairman)			
	4.2 Derek Cohen			
	4.3 Gerard Kemp			
	4.4 Myron Pollack			
9.	**Ordinary resolution 5:** To approve the reappointment of auditors			
10.	**Ordinary resolution 6:** Specific authority to issue shares to shareholders who elect the distribution reinvestment alternative			
11.	**Ordinary resolution 7:** To provide signing authority			
12.	**Non-binding advisory vote 1:** To endorse the remuneration policy			
13.	**Non-binding advisory vote 2:** To endorse the remuneration implementation report			

* 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 ______________________________ 2019/2020

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 Companies Act and notes to the form of proxy

1. An Octodec shareholder entitled to attend and vote at the abovementioned meeting 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:
      a. the date stated in the revocation instrument, if any, or
      b. the date on which the revocation instrument was delivered to Octodec.
7. Please insert the number of Octodec shares 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 exercisable by you, insert the number of Octodec shares 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 shareholders' 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.

   For administrative purposes, forms of proxy should be completed and returned to TMS:

   - Hand deliveries of forms of proxy to:
     The Meeting Specialist (Pty) Ltd, the JSE Building, One Exchange Square, 2 Gwen Lane, Sandown, 2196
   - Postal deliveries of forms to:
     The Meeting Specialist (Pty) Ltd, PO Box 62043, Marshalltown, 2107, South Africa or
     e-mailed to proxy@tmsmeetings.co.za
   - Alternatively, forms of proxy may be handed to the Chairman of the AGM or to TMS present at the AGM or at any time prior to the commencement of the AGM or prior to voting on any resolution proposed at the AGM
8. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
9. In the case of a joint holding, the first-named only is required to sign.
10. 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.
11. 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 TMS.
12. 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 Companies 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.

22 Glossary

AFS	Annual financial statements
AGM	Annual general meeting
B-BBEE	Broad-based black economic empowerment
Board	Board of directors of the company
CBD	Central business district
CCMA	Commission for Conciliation, Mediation and Arbitration
City Property	City Property Administration (Pty) Ltd
Companies Act	Companies Act, No 71 of 2008
Company	Octodec Investments 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, No 36 of 2004
DMTN	Domestic Medium Term Note programme
DPW	Department of Public Works
ERM	Enterprise risk management
FVTPL	Fair value through profit or loss
GLA	Gross lettable area
Group	Octodec, its subsidiaries and associated company
HQLA	High quality liquid asset
HR	Human resources
IAS	International Accounting Standard
ICR	Interest cover ratio
IFRS	International Financial Reporting Standards
International <IR> Framework	International Integrated Reporting Framework
IRBA	Independent Regulatory Board of Auditors
ISAs	International Standards on Auditing
IT	Information technology
JSE	JSE Ltd
JSE Listings Requirements	Listings requirements of the JSE Ltd
JV	Joint venture
King IV™	King IV Report on Corporate Governance for South Africa, 2016
KPIs	Key performance indicators
LTV	Loan to value
Management agreement	The management agreement concluded between Octodec and City Property which came into effect on 1 July 2018
MOI	Memorandum of Incorporation
NAV	Net asset value
NAVPS	Net asset value per share
NPO	Non-profit organisation
Octodec	Octodec Investments Limited
Prime	Prime interest rate offered by Nedbank Ltd and Standard Bank of SA Ltd
REIT	Real estate investment trust as defined in section 1 of the Income Tax Act, No 58 of 1962
SAICA	South African Institute of Chartered Accountants
SAPOA	South African Property Owners Association
SEDA	Small Enterprise Development Agency
SENS	Stock Exchange News Service
SERT committee	Social, ethics, remuneration and transformation committee
STI	Short-term incentive
TMS	The Meeting Specialist (Pty) Ltd
VAT	Value added tax

Octodec Investments Limited
Incorporated in the Republic of South Africa
Registration number: 1956/002868/06
Share code: OCT
ISIN: ZAE000192258
(Approved as a REIT by the JSE)

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

Directors
S Wapnick (Chairman)[1], JP Wapnick (managing director)[2], AK Stein (financial director)[2], DP Cohen[3], GH Kemp[4], NC Mabunda[4], MZ Pollack[1], PJ Strydom[4]

[1] Non-executive director
[2] Executive director
[3] Lead independent director
[4] Independent non-executive director

Group company secretary
Elize Greeff
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