Octodec
INVESTMENTS LIMITED

Integrated Report 2020

Octodec is one of the major owners of property in the Tshwane and Johannesburg CBDs. ***We serve a wide range of inner city tenants*** *and* ***uplift the areas in which we operate.***

OUR **VISION**

To innovate in the property market and unlock long-term value in spaces where people can thrive.

OUR **PURPOSE**

To manage our properties cost effectively and provide our shareholders with sustainable returns – without compromising on the integrity of our operations or the sustainability of our property portfolio.

OUR **VALUE** CREATION

Focusing on our core competencies and strengths to ***unlock value in urban spaces*** *and rejuvenate the nodes where we operate.*

Applying specialist skills and experience in property management and development across our ***well-positioned portfolio*** *to meet the needs of a changing market.*

Informing our strategy by the interrelated processes of stakeholder engagement, risk management and material matters for ***long-term sustainable growth.***

Creating well-managed, quality spaces across a ***diversified property portfolio concentrated in strategic nodes*** *to enable synergies and enhance the communities in which we operate.*

We are Octodec

Organisational overview and operating context

What drives our business

Operational review

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 **STRATEGY**

Create sustainable value for our stakeholders

Optimise our portfolio

Optimise our balance sheet and funding structure

Octodec Investments Limited (Octodec, the company), its subsidiaries and associated company (the group) is a real estate investment trust (REIT) listed on the JSE Ltd (JSE). We manage our portfolio by maintaining sound property fundamentals in central business district (CBD) nodes and urban areas where demand is robust.

Optimising the balance sheet, improving cash flow and managing risk for ***sustainable shareholder return.***

Protecting our value creation, relationships and stakeholders' interests through ***sound governance practices.***

Navigate our report

Indicates where further information is found in this report.

Six capitals

Octodec has identified the following six resources we use as inputs to our value creation and that are impacted by our business activities. These are described in our business model on pages 28 to 29.

Our financial resources

Our people

Our property portfolio

Our relationships and communities

Our know-how

Natural resources

ABOUT THIS REPORT

*This report explains how **Octodec creates sustainable value for our stakeholders**. It provides an overview of our business model, strategy, governance and prospects in the context of our risk framework and operating environment.*

Octodec is pleased to present its integrated report for the year 1 September 2019 to 31 August 2020.

Frameworks and assurance

Our reporting process is guided by the principle of materiality. We define our material matters as those topics that are important to us and our stakeholders, and which are strategic to Octodec's ability to create value in the short, medium and long term. An externally facilitated material matters determination process was conducted with executive directors and senior management in 2020, and the board of directors of the company (board) has approved the matters identified. Please refer to page 30. Material matters are cross-referenced throughout the report using the icon.

The framework of the report has been enhanced, and is presented in accordance with the principles, requirements, standards and guidance of the:

- International Integrated Reporting Council Integrated Reporting Framework (IIRC <IR> Framework)
- Companies Act, No 71 of 2008 (Companies Act)
- Listings requirements of the JSE Ltd (JSE Listings Requirements)
- King Report on Corporate Governance™ for South Africa, 2016 (King IV)[1]

Our audited financial statements (pages 103 to 149) comply with International Financial Reporting Standards (IFRS) and are audited by Deloitte & Touche, whose unqualified audit report can be found on pages 111 to 113. Octodec has not pursued external assurance for its non-financial information disclosed in this report.

There have been no significant changes to the company's size, structure or ownership, its growth prospects in the long term and the key functions over which it exercises control during the year. Content remains comparable with previous years and material performance information is reported on a like-for-like basis with prior years. There are no restatements of comparative information other than where indicated.

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 approval

The board is responsible for the integrity of the integrated report. The directors confirm that they have individually and collectively reviewed the content of the integrated report and online supplementary documents, and believe it addresses Octodec's board-approved material matters and is a fair presentation of Octodec's integrated performance and prospects in accordance with the IIRC <IR> Framework.

This integrated report was approved by the board on 9 December 2020.

Reporting boundary

The boundary of this report holistically presents the performance of the Octodec property portfolio. The property and asset management services are outsourced to City Property Administration (Pty) Ltd (City Property).

City Property is controlled by the Wapnick family. Sharon Wapnick and Jeffrey Wapnick are also directors of City Property and exercise significant influence over City Property. City Property is considered a related party to Octodec and information regarding the related parties is disclosed on page 145.

City Property has been contracted to provide asset and property management services (including specialised ancillary services) in terms of the Asset and Property Management Agreement (management agreement) that has been effective from July 2018. Octodec only employs building staff (building managers, cleaners and handymen) and the group company secretary. All other activities required by the management agreement are performed by the employees of City Property. The managing director and financial director of Octodec are also employed by City Property.

The integrated report does not always distinguish between the activities of Octodec and the services that City Property provides to Octodec in terms of the management agreement, as these are done at the behest of Octodec.

The reporting boundary, which encompasses the relationship with City Property, is described and illustrated below. Refer to the reporting boundary diagram on page 3 and further detail is provided in the appendix on page 162.

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved*

Octodec's integrated reporting boundary

Financial reporting boundary

Octodec INVESTMENTS LIMITED

Listed as a **REIT** on the **JSE**

Owns **277 properties**

- **68%** Tshwane
- **32%** Johannesburg

Employs **220 people**

- **219** Building employees
- Group company secretary

Our board, page 80

The management of Octodec's investment portfolio is outsourced to City Property

CITY PROPERTY Addressing the Future

City Property provides the specialist property portfolio management, leasing, administration 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 retain tenants and keep vacancies as low as possible.

The services that City Property provides for and on behalf of Octodec are in terms of the management agreement. These include:

Property management

Leasing, billing, collections, utility management, property accounting and expense management and all other traditional property management services.

Asset management

- Sources and advises on:
  - Investment opportunities
  - Sales and acquisitions (including ancillary processes such as feasibilities and due diligence investigations)
  - Financial management
- Monitors the environment and advises on income-enhancing opportunities
- Property developments and refurbishments

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 management
- Internal audit
- Legal and compliance
- Human resources (HR)
- Information technology (IT)
- Credit control

Know-how

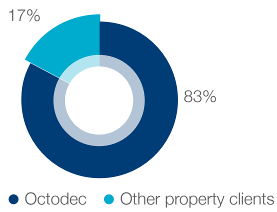
City Property's know-how is what sets our business apart and it is a key driver of our sustainable growth. This is discussed further on pages 4 and 31.

Employs **413** people

Including:

- **53** property managers
- **13** portfolio managers

City Property client split



COMPANY OVERVIEW

*Octodec was established in 1956, listed on the JSE in 1990 and converted to a REIT in 2013. For over 60 years, **Octodec has unlocked value by redeveloping and refurbishing underutilised properties**, often through conversion from offices into residential and mixed-use buildings.*

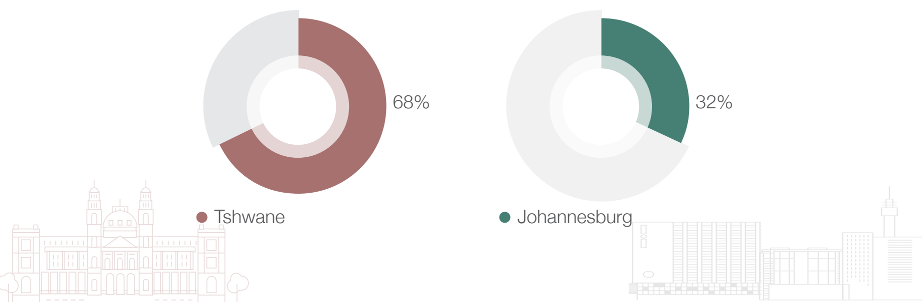
WHO

Octodec is an inner city focused property company with a diversified portfolio of **277** properties valued at **R11.8 billion**.

WHERE

We are invested in strategic nodes in the CBDs of **Tshwane**, the administrative capital of South Africa, and **Johannesburg**, the economic hub of South Africa – and surrounding urban areas.

Our location, page 12



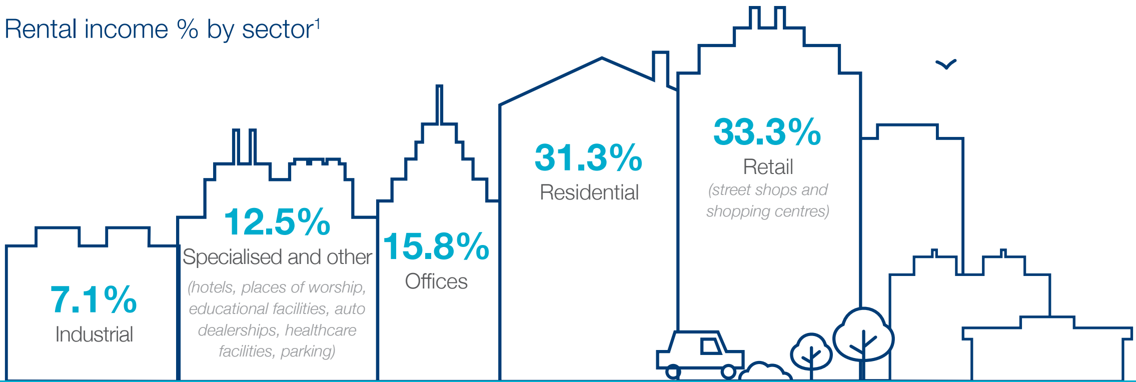
WHAT

Our **property portfolio is diversified** across all property sectors and well-balanced between residential and commercial spaces. We are specialists in investing in **mixed-use spaces**.

The location of our residential, retail, commercial and specialised spaces in relation to each other in strategic CBD nodes provides Octodec with economies of scale and an improved offering to our current and future tenants.

Our properties, page 14

Rental income % by sector[1]



[1] *Pre-COVID-19 relief*

FOR

We serve a thriving ecosystem of residents, small shop owners, professionals, Government employees, students and entrepreneurs, among others, who form the diverse and granular **inner city community** that makes up our tenant base.

Our tenants, pages 13 and 46

HOW

City Property's inner city **know-how and experience** provides us with our competitive advantage. It constitutes our collective experience, knowledge and culture. It also includes the processes and management structures to deliver on our business strategy.

Through City Property's asset and property management services, we manage our resources and relationships in the inner city market. It is therefore the City Property brand that our tenants engage with.

City Property relationship, pages 31 and 162

Note: 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 investment proposition

*The strength of our business is underpinned by **our belief in quality** and the **application of sound property fundamentals**.*

Octodec represents a solid foundation for long-term investors. We do not build to sell. We acquire property as an investment. We develop, upgrade and maintain quality spaces that support tenant retention. We remain steadfast in the principle that location is the essential element of property market success, supported by the fundamentals of quality property management.

CHAIRMAN'S REVIEW

*Adapting our business to survive the COVID-19 pandemic has required intensive management and administration. The group's endurance during this period is testament to the **resilience of our portfolio, our inner city know-how, experience and adaptability**.*

In the first half of the financial year we operated in an extremely weak macroeconomic environment, leading up to the downgrading of the country's sovereign credit rating. The emergence of the COVID-19 pandemic and subsequent lockdown heralded in the second half of the financial year, turning an already difficult playing field on its head. The property sector faced unprecedented operating conditions, particularly in the retail environment, which was hamstrung by trading restrictions.

Octodec conservatively manages its portfolio and guards against shocks. In 2019, in response to the tough operating environment, we increased our focus on balance sheet management, liquidity and property fundamentals. This placed us in a stable position at the start of the financial year, resulting in 3% growth in revenue reported for our first six-month interim period, despite rental freezes and rent reversions in the commercial sector. Like-for-like rental income growth for the year was negative 0.1% before accounting for any rental relief to our tenants. After taking the rental relief into account, this was a more significant decrease of 5.3%. We are satisfied that our full year performance is reasonable in the context of the challenges faced and re-assessed expectations.

Our response to COVID-19

*The board is pleased with management's **swift response and tenant focus** during these difficult times. The pandemic has brought our business's adaptability to the fore and demonstrated what can be done in the face of uncertainty.*

At the onset of the pandemic, a business continuity team was established to adapt our existing operations to respond to the specific challenges it presented. The team met on a regular basis and managed the transition to remote working, implemented new health and safety regulations for our people and tenants and ensured operational stability and continuity.

Each of our property subsectors faced challenges, with tenants operating in the education, hospitality and places of worship sectors under greater pressure due to severe lockdown restrictions. We invested time to understand the challenges faced by our broad tenant base and engaged tenants on a case-by-case basis to negotiate payment terms and rental relief. We have taken a long-term view of the trade-off between the cost of assisting our tenants and the expenses related to vacancies and attracting new tenants. This supports our vision to continuously build a long-term, sustainable business through building relationships with our tenants.

Pockets of stress will undoubtedly emerge if the COVID-19 outbreak lingers for longer than expected. We have implemented stress-testing scenarios, which we frequently update and enhance, and consider in our decision-making and planning.

Pacing the business to respond to uncertainty

*The board regularly engages with management on the strategy to ensure that it aligns with the **capabilities and objectives of our business**.*

Although our long-term vision remains on growth, value creation and regenerating our cities, we have adjusted our short to medium-term focus to be more defensive. To achieve this, the board and management have redoubled our attention on balance sheet optimisation to strengthen our financial position, cost control and leasing performance, while continuing with essential maintenance to preserve the value of our portfolio.

In light of market uncertainty Octodec has deferred its decision regarding the declaration of its final dividend for FY2020 until February 2021. This is in line with the extension granted by the Financial Sector Conduct Authority on 28 June 2020. If a decision to pay dividends is then taken, Octodec will no longer pay out 100% of distributable earnings (as defined in the JSE Listings Requirements) but instead will pay the minimum distribution requirement of 75% of its distributable earnings for FY2020 to retain its REIT status. This decision was taken to enable greater capital flexibility and cash retention, bolster the strength of our balance sheet and protect our business. In arriving at this decision, which was not taken lightly, we also had regard to our strong dividend track record and our investor expectations.

The Property Industry Group, representing South Africa's major real estate industry bodies, is engaging with Treasury, the South African Revenue Service (SARS) and the JSE on the consequences of COVID-19 on the REIT sector and REIT listing requirements. These include the requirement to pay at least 75% of distributable earnings and associated tax on withheld income to allow REITs to maintain cash and liquidity in an uncertain environment.

"This was a year of two halves for Octodec. The first was marked by **optimising our performance** within the context of South Africa's struggling economy and weakened property fundamentals. The second was dominated by **protecting and defending our business** in response to the COVID-19 pandemic. Financial conservatism has positioned us to withstand these conditions, as we have done throughout previous economic and property cycles."

Governance and sound leadership

*The **value of governance** is to ensure we remain transparent in all our reporting, well-informed on all material matters and committed to safeguarding the future of the business for the benefit of all stakeholders.*

Following the recommendations of the board evaluation conducted in 2018 we have refreshed the board and board committees.

We reconstituted the audit committee to align with the independence recommendations of King IV. As such, Myron Pollack stepped down due to his personal shareholding in Octodec, and the committee now comprises four independent non-executive directors. Myron remains a valuable non-executive board director.

We invest heavily in finding the right people to complement our board. We appointed Maggie Mojapelo and Louis van Breda as independent non-executive directors on 1 March 2020. Maggie brings a wealth of human resources and board experience and serves on the social and ethics, remuneration and transformation (SERT) committee. Louis contributes a wealth of property sector knowledge, finance and accounting skills and serves on the audit and risk committees. Their input has already proven valuable and has enhanced the company's governance processes.

I am pleased that we are continually enhancing the balance of skills, independence and insights of our board, while maintaining an appropriate level of knowledge and experience from our long-standing board members. We believe we have appropriate levels of diversity and a suitable mix of skills.

We will continue to work on enhancing broad-based black economic empowerment (B-BBEE) performance as opportunities and conditions permit.

The board is satisfied with Octodec's leadership structure, the execution by City Property of the management agreement and the delegation of responsibility within the management team.

Focus areas for the year and the way forward

*Property is a long-term investment. **Octodec has built a solid and diversified portfolio** that has endured and delivered steady returns over many economic and property cycles. We trust that the depth of our experience will see us through this one, too.*

We regularly review our strategy and focus areas, balance sheet and cash flows and have a clear understanding of the risks in this environment of uncertainty. Octodec is healthy, agile and ready to take advantage of opportunities when circumstances permit this.

Although we will remain defensive in the medium term, we are continuously looking for opportunities to add value to all our stakeholders and enhance our CBD nodes. We will evaluate each new opportunity according to the circumstances. Our long-term vision to contribute to thriving and prosperous inner cities remains unwavering.

Appreciation

I commend management and all our employees on their resilience, willingness and ability to adapt to the changing business and social landscape rendered necessary by the pandemic. They maintained their equilibrium and co-operated with a sense of team spirit. I further extend my thanks to our tenants for their commitment to safety and their engagement and willingness to work towards mutually sustainable solutions in trying times. The board has been extremely supportive and provided wise counsel and oversight to management. I am grateful for the patience of our shareholders as we strengthen our balance sheet and prepare for challenging economic circumstances ahead.

Sharon Wapnick
Chairman

9 December 2020

MANAGING DIRECTOR'S REVIEW

Perseverance in a challenging environment

The first half of the financial year was business as usual in a tough environment. It was in this period that Octodec held its own, despite the challenging conditions brought about by low business and consumer confidence, poor service delivery, increasing unemployment and further downgrading of the sovereign credit rating. The combined impact of these factors resulted in the start of South Africa's technical recession. Nevertheless, Octodec's performance for the period ended February 2020 was in line with expectations.

The long-term impact of the COVID-19 lockdown on Octodec's business, our tenants and all aspects of life is yet to be fully understood and quantified. The board and management have therefore taken a cautious approach to expenditure, while protecting the value of our portfolio. As such, Octodec temporarily ceased all major new developments and will rebase feasibility studies for new or redevelopments of properties, while continuing essential maintenance.

Our response was swift and decisive, with a clear focus on health, safety and business continuity. The executive team held regular business continuity meetings where they adapted and implemented the necessary protocols to avoid, as far as possible, an outbreak of COVID-19 in any of our buildings, and oversee the operational adjustment in response to the lockdown. This included implementing new operating processes and ensuring continuous service delivery. These measures aided in reducing the risk of contracting and spreading the virus among our people, our service providers and our tenants.

There are preconceptions about residing or conducting business in Tshwane and Johannesburg CBDs, often created by media reports regarding safety, poor infrastructural support and social unrest in these areas. In reality, our well-managed and maintained spaces within our CBD nodes are perceived as relatively convenient and safe to the emerging middle class and business owners who choose to live and work in these central locations. Octodec is committed to improving the inner city nodes where we operate and engages proactively with the necessary stakeholders.

Bricks and mortar retailers have been under pressure internationally and in South Africa. The restrictions in physical movement imposed by the COVID-19 pandemic and lockdowns, and fears of exposure to the virus in public spaces, drove online shopping to the forefront, with an increase in the variety of products available online, and a broadening of e-retailers market reach. This has resulted in a negative impact on the traditional bricks and mortar operators in the retail sector, especially those that have invested in large shopping centres. Octodec's portfolio has been spared from the worst impacts of this period, as we do not own any large shopping centres, have a relatively small exposure to "traditional" offices and are not overly exposed to any large single tenants other than Government.

Tenants are understandably under tremendous financial strain, challenging affordability and resulting in a rise in bad debts and vacancies. Nevertheless, the demand for quality spaces in areas that are easily accessible remains steady.

Performance overview: cautious is key

Performance was significantly impacted by the prevailing poor economic and trading environments, either directly or through the impact on our tenants. Income remains under pressure, driven by decreasing consumer affordability and tenant business failures. Increasing operating costs continue to negatively impact our bottom line. Property rates and taxes continue to be a major driver of increasing operating costs, negatively affecting sustainability – both from landlords' and tenants' perspective.

Octodec chose a pragmatic and cautious approach to weather the multiple unknowns brought about by the pandemic. This has assisted us to navigate the volatile economy. Attention has been refocused, from redeveloping new physical spaces to renewing our existing spaces. An example of this is the upgrade of The Park in Elarduspark and the second phase of furnished accommodation at The Fields in Hatfield, after the successful take-up of the first phase.

We increased our strategic focus on balance sheet optimisation in the short term so that we are positioned to grow our portfolio and deliver sustainable value to our shareholders in the long term. Octodec has cash and committed undrawn debt facilities of approximately R413.5 million available at 31 August 2020 and continues to prioritise cash preservation. We continuously re-evaluate our existing properties to ascertain where we can extract sustainable value and ensure that the assets remain relevant.

Octodec's overall portfolio core vacancies increased from 11.4% to 15.8% year-on-year, accelerating during the lockdown period. We anticipate further pressure until the end of this calendar year. These vacancies are attributable to business failures, a rise in unemployment and concomitant tenant affordability issues. Retail vacancies are more stable, up from 11.6% to 12.3%.

Residential sector vacancies have increased from 6.7% at 31 August 2019 to 17.0% at 31 August 2020 as a result of concerns around affordability putting pressure on our residential tenants and increasing competition in the Johannesburg CBD and Hatfield in Tshwane. In addition, with educational facilities, Government and corporates who occupy properties in close proximity to our properties, complying with COVID-19 regulations and adopting a work from home policy, it has resulted in our residential tenants choosing to vacate our properties to return "home".

As a consequence of COVID-19 and the rental discounts given of R103.6 million, our full year revenue declined by 5.2% to R1.9 billion. This, together with an increase in operating costs and our focus on sustainability, has led to a 22% decrease in distributable earnings. Considering the challenging factors that the industry has had to contend with, I am comfortable with Octodec's performance.

I regard the renewal of 20 Government leases in the first half of the year as significant progress in our relationship with the Department of Public Works. The conclusion of these leases was long outstanding, and their renewal is indicative of the stability that was introduced into the Department of Public Works. While the rentals in terms of the renewals are slightly lower than expected, we are pleased with the outcome, which remains within the market related range.

"The South African property market faced an already tough economic environment as we entered 2020. Despite this, Octodec's performance until the end of February was in line with expectations. When trading restrictions were introduced with the initial lockdown in March, our tenants' business sustainability and affordability were severely impacted, which negatively affected our collections and demand for space. Our focus since then has been on navigating present uncertainty with a view to future sustainability."

Operating in the face of COVID-19

Responsible corporate leadership and humanitarian responses have been imperative and continue to guide our approach to the crisis. The COVID-19 pandemic is a social and economic crisis, resulting in hardship for many South Africans. It has introduced a number of uncertainties that make various aspects of the business more challenging.

The health and well-being of our employees, tenants, business partners and other stakeholders across our value chain was prioritised at the onset of the pandemic. Collectively we ensured that all prescribed protocols were put into place and that essential services were provided in accordance with the relevant Government regulations. Our building managers, who were at the frontline during this challenging time, received the necessary training, personal protection equipment and management support to enable them to perform their functions effectively and safely and were key to ensuring uninterrupted services to tenants throughout the extended lockdown. I believe that the responsible implementation and strict compliance with the regulations contributed towards a very low rate of reported infections amongst Octodec's tenants, being substantially less than 0.1% of total tenants.

Residential

Operating a residential portfolio that houses in excess of 20 000 people (registered tenants as well as their families) during a lockdown can be challenging to say the least. Despite a fair number of tenants returning to their home bases for all or part of the lockdown, our management intensity remained strong.

The lockdown highlighted the necessity of having connectivity at our residential buildings and we are fast tracking the roll-out of Wi-Fi to those buildings that are not yet connected.

A number of new operators have entered the residential market in Johannesburg CBD and Hatfield, in Tshwane. This has created a short-term imbalance in supply and demand resulting in increased vacancy levels.

Our proactive approach to managing collections and granting rental relief

Octodec's collections were at close to 100% until the end of March. The lockdown caused a dramatic decline in collections which dropped to as low as 66% of total billings for April (across all sectors). Octodec recognised that tenants would face various and different challenges, and that one solution would not be suitable for all. Therefore, in an effort to preserve relationships and find mutually acceptable solutions, we strategically decided to engage directly with certain tenants as the lockdown commenced to discuss their unique situations and negotiate tailored solutions. This process was called Finalise at Best (FAB), and was aimed at avoiding excessive bad debts accumulating (with the accompanying bad debt provisions) and an administrative backlog when our administrators' attention was required to focus on recovery efforts. This approach was important to Octodec given the diversified nature (and large number) of our tenants relative to the size of the portfolio. The FAB approach proved successful and achieved immense goodwill, demonstrating solidarity during a period of unprecedented challenges.

Collections improved and stabilised at 99% of total billings at year end. Given the uncertain outlook, this approach provided greater certainty around the management of future cash flows and arrears. Collection of rentals in properties tenanted by Government were at 100% and continue to perform in terms of their lease contract obligations.

Collections post-year end show similar trends when compared to August 2020. Nevertheless, there are no guarantees that the current collection rate will be maintained due to the continuous uncertainty of COVID-19. This uncertainty could impact the ability of our tenants to maintain these payment levels. While there are no indicators to suggest that these payment levels will not be maintained by tenants, their ability to pay has been highlighted as a risk that needs more focus, especially considering the threat posed by a potential second wave of COVID-19.

The graphs on page 17 illustrate the trend in collections over the financial year, and rental relief granted.

Maintenance preserves the value of our properties

We consider it prudent to focus on maintaining our existing properties, even in times of crisis. We therefore focused on essential maintenance of all our buildings, most notably the residential buildings that housed thousands of tenants in the early stages of the lockdown. The relevant service providers efficiently secured the necessary permits and delivered their services efficiently, timeously and safely with minimal disruptions to our tenants.

Retaining tenants through service excellence and communication

We have ensured that greater focus is placed on communication and service excellence to further enable operational efficiencies, where possible, and secure tenant loyalty and retention. This has been done through applying new technology solutions, enhancing communication channels and improving all forms of communication, including via social media platforms. This has catered for more efficient management of the large volumes of tenant queries and communications.

Accepting our role as a responsible corporate citizen, Octodec ensured that targeted campaigns were implemented to inform and educate our tenants regarding the various safety measures at their buildings. These included messaging regarding increased hygiene and sanitising protocols and measures to ensure safe social distancing, particularly in common areas.

Working from home

The hard lockdown and concerns that this response was aimed at addressing have reduced, but not yet abated. The work from home (WFH) movement which took hold and continues to gain traction globally may yet result in a permanent change in human behaviour and the necessity of working from a designated office. This, combined with the oversupply of office space due to excessive office development in recent years, is likely to negatively impact this sector in the short to medium term. Fortunately, Octodec has historically steered clear of developing major offices and any additional risk brought about by COVID-19 was accordingly limited.

Property portfolio review, page 58

In the longer term, I believe that the WFH movement will lose some popularity, especially in instances where there is limited connectivity or where home circumstances are not conducive to working. By accelerating the roll-out of Wi-Fi that commenced at the beginning of the year, we will ensure that more residential tenants are able to benefit from connectivity while at home in our apartments.

The changing retail environment

The COVID-19 lockdown has accelerated a change in consumer behaviour toward increased online shopping. Despite this, demand for retail space in the CBD, notably in the prime CBD areas, has remained strong. This is being closely monitored.

Octodec's smaller neighbourhood convenience centres fared very well and were well-placed to service the needs of the neighbourhoods in their respective catchment areas. We believe that the geographical restrictions on movement during the course of the lockdown and nature of the retail offerings in these centres were such that the retailers were, in the main, well supported.

Disposals

The disposal of non-core assets remains an important part of Octodec's strategy. Although a number of sale agreements were concluded prior to the lockdown, very few of these materialised – for various reasons, but mostly due to purchasers' difficulties in securing funding. Interest further declined in the second half of the year as buyers were reluctant to become indebted in the face of so many economic uncertainties. This is disappointing but understandable in these circumstances. The strategy to sell these non-core assets remains intact and we are hopeful that, as the economy recovers, in this low interest rate environment, that this will encourage further sales.

Financial performance

Rental income

Octodec produced reasonable results in the first half of the year, where our like-for-like rental income grew by 3%, reflecting sound operational performance. COVID-19 changed our position dramatically. However, growth in rental income remained positive for the full financial year at 0.3%, prior to the rental assistance given to tenants in the form of discounts. I do not foresee a quick recovery in rental income growth in the short term.

Lease renewals in the retail sector are being negotiated at substantial discounts, and new deals are commencing at rentals that are also substantially lower than those previously achieved. This will put pressure on Octodec's performance in the short term, although I believe that there is potential for growth in retail rentals.

Octodec has always had a short weighted average lease expiry (WALE) profile especially in the residential and smaller office sectors. Due to the short WALE, we take comfort that our market rentals do not require adjustments to market upon lease expiry. The short WALE profile has and continues to stand Octodec in good stead with regard to rentals in these subsectors and is not expected to be further influenced by COVID-19. Our concern is more focused on tenant affordability and retention and the impact that this will have on rental income.

Valuations

Property valuation metrics have come under pressure due to changes in trading conditions, and there is a heightened level of uncertainty due to the absence of measurable property transactions. Octodec has consulted with its external valuers to ensure that valuations are realistic, given the current economic climate. Management continues to monitor the impact of property fundamentals on valuations.

The group's property portfolio was valued with a net valuation decline of R1.1 billion (8.2%), with a significant portion occurring in the second half of the year. This reflects current market conditions, which have been impacted by the COVID-19 pandemic. The reductions were across all the sectors in which we operate.

Financial director's review, page 79

Corporate social investment

Despite the difficult trading environment, Octodec has continued to assist communities in need with meaningful initiatives. These are set out in pages 69 to 70 of our report. This year Octodec employed the services of Raizcorp as part of our supplier development programme. We selected 12 companies from our supplier community to join the comprehensive Raizcorp Prosperator Project.

Outlook and prospects

Octodec is well positioned to navigate the challenging period ahead. Our portfolio is inherently defensive and supported by a large and diverse tenant base focused in key nodes around the Johannesburg and Tshwane CBDs. Our position is further strengthened by a continual focus on prudent balance sheet management and cash preservation. Our aim is to ensure our portfolio is relevant to changing markets. It is difficult to make investment decisions in these uncertain times, and we cannot provide a fact-based trajectory for the business as the country faces an extended and arduous road to recovery.

Key risks and opportunities, page 34

We anticipate an increase in vacancies and weakening of property fundamentals throughout the country in the short to medium term, in response to the events in recent months. These include pressure on tenant affordability, an oversupply in certain property subsectors, and market players offering rental concessions to minimise vacancies, among others.

The listed property sector was once favourably supported by investors for delivering reliable returns over many years. This asset class has fallen out of favour and has seen a tremendous decrease in value over the past few years.

In the retail sector, demand for high street shops remains strong and there are no vacancies at prime sites. None of the larger retailers have given up any of their stores in the CBDs, although there is potential for downward reversion and reductions in size upon renewal. In addition to strong property fundamentals that remain in place, the sustainable turnovers and untapped opportunities remain attractive for major retailers. Our neighbourhood shopping centres are likely to remain stable. Lease renewal negotiations are steady. Woodmead Value Mart remains popular, with a number of new leases having been concluded post-year end. We do not believe the increase in online shopping will negatively impact our neighbourhood centres, which enjoy support from the surrounding households due to their convenient location and stable tenant mix.

Offices remain under pressure. As the economy has re-opened following the initial lockdown, we have experienced an increase in leasing enquiries and leasing is improving, particularly for smaller offices that are typically tenanted by professionals and SMMEs. An increase in entrepreneurial start-ups, possibly in response to COVID-19 related job losses, will further support the recovery of this sector. As these operators typically look for space close to the market that they serve, it will improve our occupancy levels. Despite the current WFH movement there will always be a segment of the market that needs to operate out of an office, or people that require the facilities that offices offer. We continue to experiment to see what we are able to offer by way of well-priced furnished offices that will be suited to our market.

Government offices have performed well and as a tenant category, Government was the most stable during COVID-19 lockdown, as all rentals were paid timeously. The certainty introduced by the various lease renewals assures us that Government will prove to be a reliable tenant in the short to medium term.

Despite a general shortage of accommodation in the CBDs, our residential sector will remain challenged by rising vacancies and increasing arrears as unemployment rises and affordability remains under pressure. This is worsened in the Johannesburg CBD by increased competition. We believe that quality accommodation that is located close to places of work will always be in demand and are confident that, as the economy starts its recovery, demand will increase again.

Even with the issues that plague the industry, I still believe that property as an asset class is a long-term stable investment and that it will again enjoy the recognition it deserves in respect of the intrinsic value that it holds. I remain hopeful that the market will correct itself as investors realise the value contained in property sector shares that continue to trade at unjustified discounts to net asset value (NAV).

Appreciation

In what has been a trying year for all of our stakeholders, I thank everyone for their perseverance and continued support. A special mention to our employees, who fearlessly performed their functions to ensure safety measures were in place during the pandemic, and those who have continued to manage relationships with our tenants. COVID-19 made us think differently and tested our ability to act quickly and effectively in the face of a crisis. I am proud of those who acted like champions and stood up to the challenge with courage and resilience. I further extend my thanks to the Chairman and my fellow directors for their support and counsel during these tough times.

Jeffrey Wapnick
Managing director

9 December 2020

OUR LOCATION

Octodec is ***passionate about extracting value from our properties with a specific focus on improving the inner city nodes in which we invest****. We do this by providing safe, clean and affordable buildings in our selected nodes and revamping buildings, creating fresh demand for our spaces.*

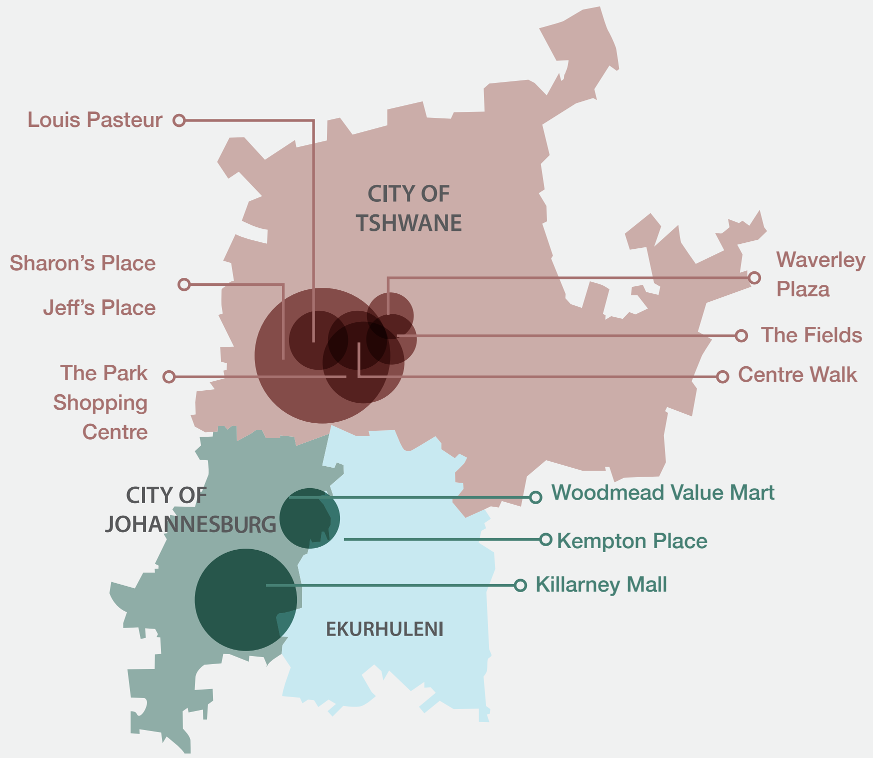
We are leaders in the redevelopment of inner city properties with a specific focus on residential conversions and retail shop offerings. We have a deep understanding of the property market we service and changing tenant needs.

Location of our properties

Octodec's property focus is mainly on the CBD areas of Gauteng and strategic urban nodes surrounding them. These are the economically active hubs of our country that draw a constant stream of new tenants seeking residential and commercial spaces within close proximity to work and leisure.

Our concentration of properties in these core nodes provides an improved tenant offering and management synergies.

Our properties, pages 43 and 63



Geographic analysis of rental income[1]

Tshwane CBD	Johannesburg CBD	Johannesburg and surrounds	Tshwane Other	Tshwane Hatfield	Tshwane Arcadia	Tshwane Silverton and surrounds	Tshwane Waverley, Gezina, Moot
35.3%	20.0%	12.0%	12.7%	6.7%	4.9%	4.2%	4.2%

[1] *Rental income pre-COVID-19 relief.*

Why we choose the inner city

The inner city is a thriving **multisector ecosystem** of residential, retail and office spaces intertwined with informal traders, among others, with an established **transport** and **communication network**.

This **spatial integration** provides inner city residents with increased quality of life through reduced commute time and cost, and easy access to services.

There is **constant demand** for good, quality accommodation and retail and office space in these CBDs and surrounding urban areas from the emerging and economically active middle class as well as Government.

The Tshwane CBD and surrounding areas support a substantial student population, encompassing various educational establishments, colleges and schools, which attract many higher education students from across South Africa.

The Johannesburg CBD and surrounding areas is the home of many young entrepreneurs re-imagining their futures in the interconnectivity of a thriving metropolis.

CBD nodes all over the world are vital economic hubs.

Over time, Octodec has invested a substantial amount into upgrading our CBD portfolio to make it an attractive and viable investment.

Our tenants

We have a community mindset and place people at the heart of everything we do. We carefully select retail tenants based on the needs of the community in which they reside and work.

A number of our properties in the CBDs cater for the entry level needs of people moving into the cities, and those supplying goods and services to this sector. This is the emerging middle class of lower to mid LSMs (Living Standards Measure – used in South Africa to classify standard of living and disposable income) starting out in their careers or businesses. Many of our tenants represent the youthful employed and economically stable group of 20 to 40-year olds, which is reflected in our fresh marketing appeal. The older demographic tends to move out of the CBDs to suburban areas.

Tenant retention

Many of our residential and commercial tenants prefer the flexibility of shorter leases and typically enter into 12-month lease agreements. These tenants tend to stay in the leased premises after their initial lease periods have expired. This means that although our WALE profile is shorter than traditional REITs, we generally retain tenants far beyond the expiry of these leases and can adjust rentals quickly to respond to market conditions. We are closely monitoring changes to vacancy trends driven by the consequences of the COVID-19 pandemic and lockdown on our tenants.

*We strive to provide our tenants with spaces they can be **proud to live or work in** and this inspires our strategy.*

A thriving ecosystem

*We embrace living the inner city way – a place to **live**, **work** and **play***

Our residential tenants support our retail street shop tenants, who offer everything from food to fashion and personal beauty offerings such as hairdressers. This is interspersed with smaller pockets of office tenants who offer everything from professional to specialist services. These include a hybrid of traditional office and some retail offerings, such as travel agents and tailors, as well as the attorneys, Government employees and other professions that are attracted to these spaces due to their proximity to Government departments and the courts. This ecosystem is alive with pockets of recreational space, like food outlets and coffee shops, to support our student tenants and young entrepreneurs and professionals.

To further diversify our portfolio, we apply our community mindset to shopping centres that serve as convenient one-stop centres in residential neighbourhoods. Our industrial tenants comprise small workshops, warehouses and mini factories of the vital small, medium and micro enterprise (SMME) sector.

This granular base of diverse tenants within a concentrated geographic area mitigates our dependency on a single sector or tenant, and is constantly refreshed with the flow of populations towards the cities and into the surrounding areas.

We have in excess of **20 000 residential** occupants

65% residential tenants (20 to 40-year olds)

26.6% of our residential occupants are Government employees

We provide places of work for more than **1 475 office** tenants

Most commercial tenants are **small business** owners

31% of our residential tenants are students

21 large Government departments

OUR **PROPERTIES**

*Our properties are kept in good condition to **attract and retain our tenants and will perform well** for Octodec for many years to come.*

Residential

Octodec offers traditional apartment blocks and mixed-use spaces in the Tshwane and Johannesburg CBDs and surrounding areas.

We pride ourselves in providing this basic need with the quality of our accommodation and the services we render, which includes security, cleaning and customer service. Our buildings are well maintained and managed.

Gross lettable area (GLA) (m²)
420 909

Number of tenant leases
7 993

Rental income (R'000)
Pre-COVID-19 relief
484 390

Retail – shopping centres

Six high-quality neighbourhood convenience shopping centres:

Tshwane

- The Park
- Waverley Plaza
- Gezina City
- Blaauw Village

Johannesburg

- Killarney Mall
- Woodmead Value Mart

GLA (m²)
93 796

Rental income (R'000)
Pre-COVID-19 relief
153 814

Number of tenants
223

Retail – street shops

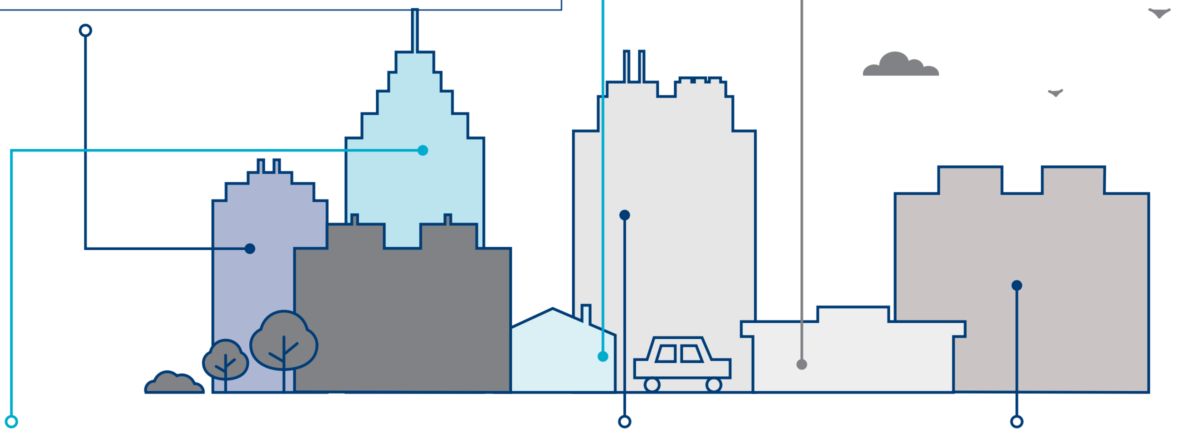
Our street shops offer patrons an exciting mix of offerings, quality and convenience.

Our tenants provide a selection of brands and services, which are conveniently within close proximity to one another.

GLA (m²)
323 297

Rental income (R'000)
Pre-COVID-19 relief
361 497

Number of tenants
1 005



Offices

We offer a mix of traditional office blocks and buildings with pockets of smaller office space in the CBDs. These represent a hybrid between office and retail environments, ideal for smaller, entrepreneurial businesses and Government departments.

GLA (m²)
411 608

Number of tenants
1 475

Rental income (R'000)
Pre-COVID-19 relief
245 250

Specialised and other

Educational facilities, healthcare facilities, places of worship, auto dealerships, hotels and parking that serve the strategic nodes in which we operate.

GLA (m²)
149 864

Number of tenants
2 319

Rental income (R'000)
Pre-COVID-19 relief
193 368

Industrial

Our units are situated in desirable industrial properties, in well-established industrial areas. This affordable selection of units is suited to workshops, mini factories, warehouses and small operators across the board.

GLA (m²)
234 600

Number of tenants
407

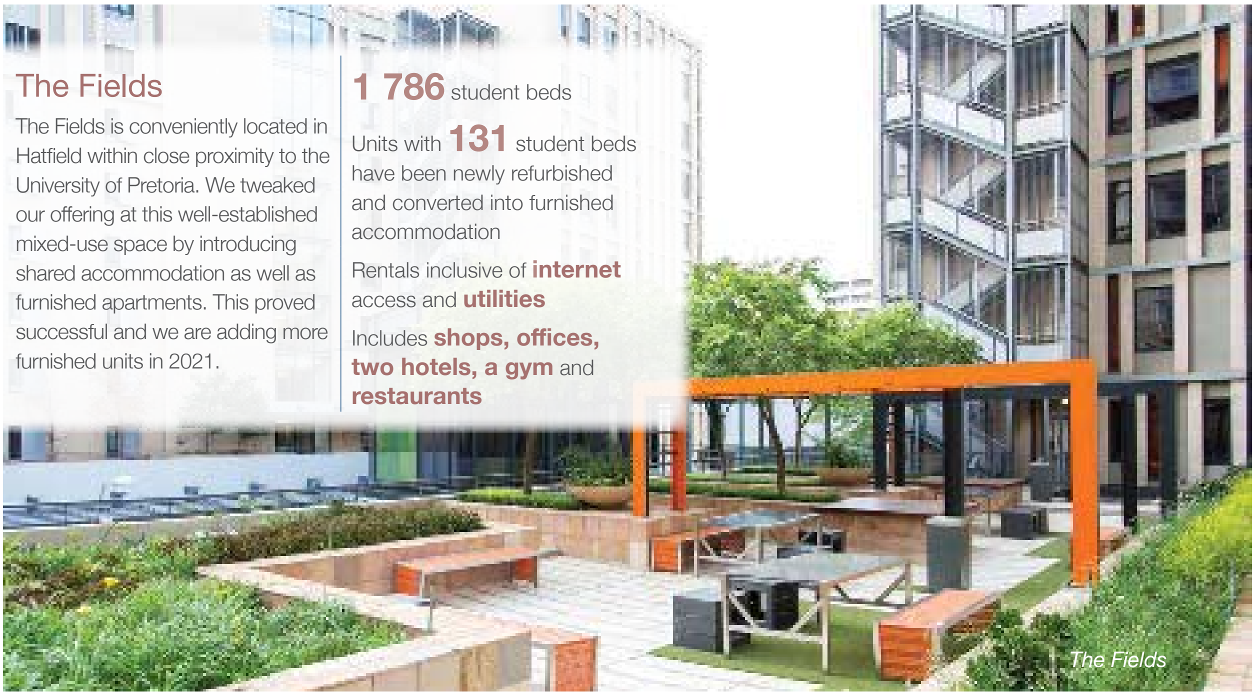
Rental income (R'000)
Pre-COVID-19 relief
109 677

Live, work, play

*Our mixed-use spaces provide **firm foundations** and **convenience** for inner city residents.*

Mixed-use properties combine residential and non-residential uses in a single building or small area. They offer convenience as they bring work, leisure and retail offerings together – enhancing residents' lifestyles and driving demand for these spaces.

Our two larger mixed-use properties include:



The Fields

The Fields is conveniently located in Hatfield within close proximity to the University of Pretoria. We tweaked our offering at this well-established mixed-use space by introducing shared accommodation as well as furnished apartments. This proved successful and we are adding more furnished units in 2021.

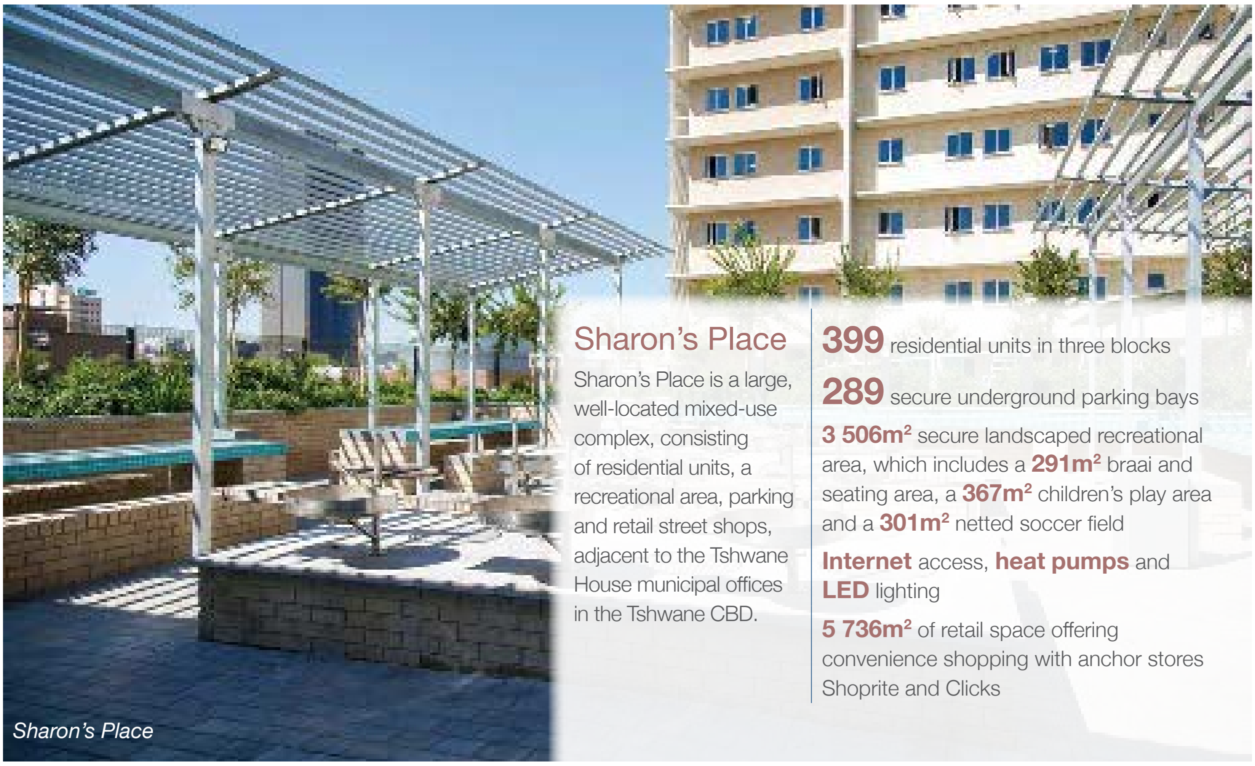
1 786 student beds

Units with **131** student beds have been newly refurbished and converted into furnished accommodation

Rentals inclusive of **internet** access and **utilities**

Includes **shops, offices, two hotels, a gym** and **restaurants**

The Fields



Sharon's Place

Sharon's Place is a large, well-located mixed-use complex, consisting of residential units, a recreational area, parking and retail street shops, adjacent to the Tshwane House municipal offices in the Tshwane CBD.

399 residential units in three blocks

289 secure underground parking bays

3 506m² secure landscaped recreational area, which includes a **291m²** braai and seating area, a **367m²** children's play area and a **301m²** netted soccer field

Internet access, **heat pumps** and **LED** lighting

5 736m² of retail space offering convenience shopping with anchor stores Shoprite and Clicks

Sharon's Place

OUR **OPERATING ENVIRONMENT**

*2020 was **headlined by COVID-19** and its impact on the broader economy and our business.*

The initial impact of the pandemic and resulting economic fallout raised concerns over business continuity in the various sectors in which we operate and the ability of our tenants to pay rent. Tenants are reluctant to commit to longer-term leases and property owners face increases in arrears with limited legal ability to evict.

Impact on property market

Different sectors have been impacted to varying degrees by the market uncertainty. Residential properties have proved to be more vulnerable than retail, impacted by affordability issues and increased competition. Long-term demand for office space may reduce as more people become equipped to work from home and businesses may vacate premises. The hospitality industry, places of worship and education facilities were severely impacted and may take longer to recover.

Adapting to changing needs is essential for forward-looking property companies.

Our response

In navigating the human and business impact of COVID-19, our focus was to protect our people, work with our tenants and do our best to help communities in the areas we serve.

Many of our decisions are directed at creating safe, comfortable and conducive environments for our tenants and their customers. The COVID-19 crisis elevated our fundamental tenant retention focus and changed the manner in which we engaged and worked with our tenants to help sustain businesses through the different stages of lockdown.

Shortly after the first reported case of COVID-19 in South Africa, a business continuity task team comprising managers from key areas within the business was established to modify and roll out the business continuity plan. The City Property team, responsible for the management of the Octodec assets, managed the transition to remote working and met on virtual platforms, on a regular basis, to ensure operational stability and continuity and the implementation of the new health and safety regulations for our people and our tenants. The building employees that were required to provide essential services, as defined by regulations issued under the Disaster Management Act, 2002 (Act No. 57 of 2002), remained on site as necessary. Certain changes implemented have improved our operations and will remain post-COVID-19.

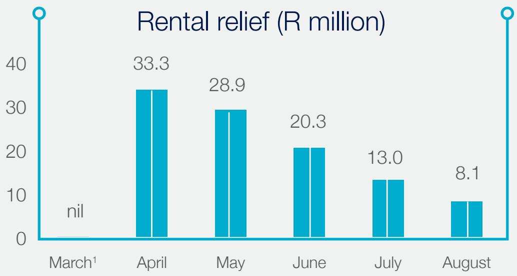
The following measures were implemented to provide financial relief and a sense of security to our stakeholders across the group's value chain.

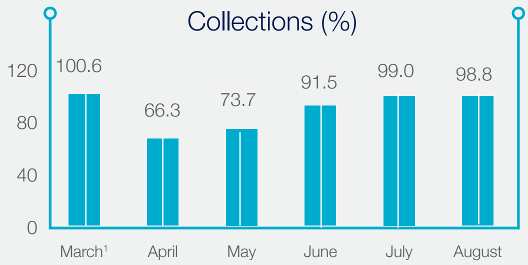
Frank's Place

For our tenants

R103.6 million granted in COVID-19 rental relief, representing approximately 75% of one month's rental billings, primarily to the commercial sector.

The majority of commercial tenants were afforded discounts rather than deferrals or payment plans, especially SMMEs that continue to be the most affected.





For our people[2]

100% jobs protected

100% salaries paid

91% on site for essential work and observing physical distancing

[1] *March data provided for comparative purposes*

[2] *Refers to Octodec employees only*

For our suppliers

Protection of our supplier network as a continuation of our ongoing requirement to retain essential services

Retention of essential services to ensure they can continue to serve our tenants

30-day payment terms sustained and paid timeously

For our communities

120 690 meals provided through Rise Against Hunger, who redesigned their packing lines to ensure safety from COVID-19

Chairman's review, page 6

Managing director's review, page 8

Macroeconomic context

Rapid urbanisation has expanded South Africa's real estate industry over the past decades. However, Government delivery and fiscal strain has negatively impacted our local economy. These have caused lower consumer disposable income, sector-wide softening in occupancy levels and a number of rental reversions. Affordability issues for property owners and tenants remain a major concern.

The South African gross domestic product (GDP) grew by only 0.2% in 2019 and is forecast to fall by 8.2% in 2020 as a result of a weak economic environment, exacerbated by the sovereign credit rating downgrades and the COVID-19 pandemic. This has resulted in weak business and consumer confidence and an uncertain economic outlook.

Uncertain operating environment

The challenging operating environment culminated in unprecedented uncertainty in the sector in 2020, and property valuations are under pressure as a result. Shareholders have placed increased scrutiny on REITs' distributable earnings, liquidity, balance sheets and distribution policy.

South African structural issues

The sovereign credit rating to "junk" status further depressed an already struggling economy. Combined with a lack of structural reforms by Government and poor local authority service delivery, this decreases property companies' ability and appetite to invest in major redevelopment projects in the short to medium term.

Impact on local REIT sector

Due to business uncertainty, rental and vacancy levels are under pressure; commercial tenants are cutting costs to ensure business continuity; and escalating utility costs are impacting affordability across the sector.

In response, property companies are rebasing income levels and repurposing properties for income growth potential. This includes offering additional incentives to maintain occupancy levels, rightsizing tenant space and converting redundant office space for alternative uses.

Chairman's review, page 6

Managing director's review, page 8

Inner city environment

Gauteng houses two of the most concentrated and fastest growing cities in South Africa. The ***Tshwane*** *and* ***Johannesburg*** *populations demonstrate the result of rapid urbanisation and the economic and employment opportunities this represents.*

Our nodes in these cities have, over the years, experienced new entrants, renewed demand for quality spaces, urban regeneration and local economic growth.

Johannesburg

City initiatives: 2018/2019 Integrated Development Plan

City vision: "A Joburg that works, is a South Africa that works"

Population: over **5 million** people

Growth rate of **2.6%** every year

Tshwane

City initiatives: Tshwane 2030 Vision

City vision: "A prosperous capital city through fairness, freedom and opportunity"

Population: over **3 million** people

Growth rate of **2.9%** every year

Inner city trends

Urbanisation

Rapid urbanisation in the past decade has resulted in a shift towards the CBDs as convenient entry points for those seeking employment, accommodation and trading opportunities without reliance on transport.

Demographic

Entrants to the inner city are predominantly young and ambitious intraprovincial and cross-border migrants from rural areas. They are set to become the new middle class, and contribute to creating a vibrant and economically active inner city.

Our location, pages 13 and 46

Killarney Mall

Property trends

The evolving political and social landscape of our country has resulted in a changing property market and increased demand for space in the CBDs over the last few years. We ensure that changes in our dynamic market are closely monitored, to ensure that ***we continually align with changing trends****.*

Pace of developments	The pace of new developments has slowed due to the weak economy and the rising costs of construction, services and utilities.
Competition	The past decade has seen many new entrants, and new residential spaces reflect changing community styles and preferences. The office and upmarket shopping centre markets are oversupplied.
Tenant expectations	There is pressure to maintain style desirability, security, include Wi-Fi access in offerings and upgrade buildings to meet growing tenant expectations. Residential and retail tenants reflect consumer demand, which is increasingly design conscious yet cost sensitive.
Affordability	Although tenants have high aspirations, what they can afford is increasingly restricted by a tough economy. Household income has decreased and consumers are seeking economical brands and value for money. Businesses are seeking less office space, and it is becoming more difficult for property owners to collect rentals across the board. This is coupled with rising service delivery and utility costs, which property owners cannot always recover from tenants.
Innovation and technology	Smartphone users conducting digital transactions in South Africa have exceeded 23 million in 2020[1]. Tenants are increasingly technologically proficient and expect an end-to-end digital online portal to communicate and transact.
Working and studying from home	The COVID-19 pandemic and associated lockdown has accelerated the trend of remote working and studying, which is gaining traction. It remains to be determined how this will affect the type of residential and commercial space offered in the market.

Focused tenant engagement provides input to inform and improve our offerings in line with tenant needs and changing market trends. Octodec is agile in responding and adjusting our offerings to meet the new demands.

Our location, pages 13 and 46

[1] *Reference: Statista February 2020*

STRATEGY

*Our long-term growth strategy remains the same. However in response to the challenging operating environment, we are **prioritising our balance sheet optimisation initiatives**.*

Our strategy guides our business activities. It is determined by the board, which takes into account Octodec's stakeholder engagement, risk management, material matters and emerging trends. The board annually participates in a strategic session to assess the effectiveness of the overall strategy to ensure it remains applicable in the current environment and confirm that it aligns with the capabilities and objectives of the business.

The impact of the COVID-19 pandemic in an increasingly difficult and competitive operating context has required us to review and reflect on our strategic objectives. We have increased our conservatism and lessened our focus on growth initiatives. Our short- to medium-term focus is to manage our portfolio defensively and increase our focus on balance sheet optimisation. We suspended planned property developments and major refurbishments to ensure we retain the appropriate financial reserves for the sustainability of the business during this uncertain period. We are mindful of the importance of distributions to our shareholders and have to balance this with our future capital needs to ensure our balance sheet is well-positioned for the future recovery phase.

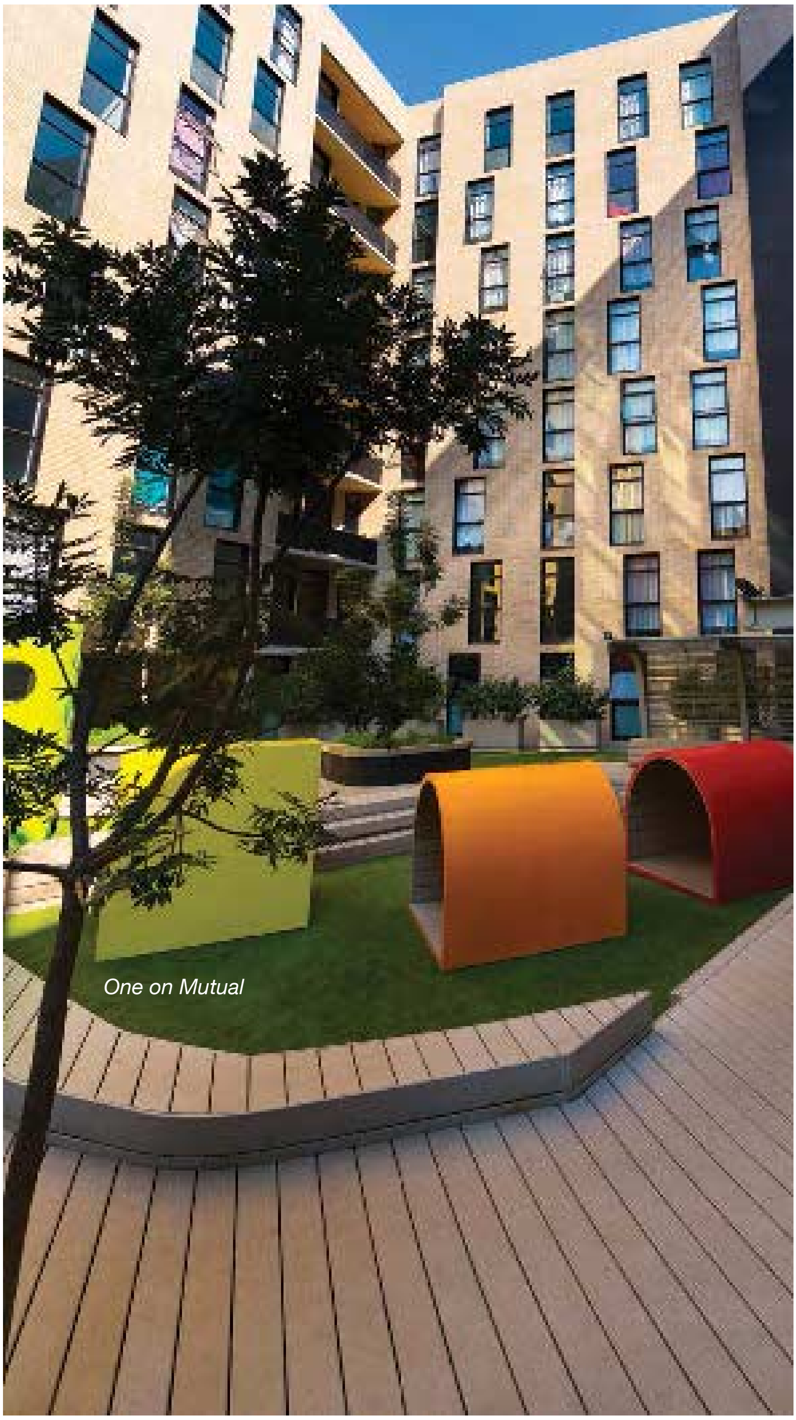
Short to medium term (next five years)

Protecting our business and maintaining our property investments to retain tenants and ensure sustainability.

Long term (beyond five years)

Our aim is to create a thriving inner city environment that serves the emerging middle class. This requires investment and growth – we aim to leverage our inner city presence, grow our footprint, invest in and develop properties in strategic nodes.

The achievement of our long-term goal is premised on an improving economic and operational environment and changing perceptions of the inner city as well as the commitment of all stakeholders, including Government and councils. We are committed to playing our part in inner city regeneration and building relationships to support this.



One on Mutual

Our strategic objectives

Our strategy is driven by three strategic objectives which are delivered through focused activities. We measure the success of our strategic execution through a series of key performance indicators (KPIs) which are aligned to our business scorecard.

Further details of additional key performance measures and targets are included in our financial director's review and remuneration review.

Financial director's review, page 77

Performance measures and targets, page 98

Create sustainable value for our stakeholders

Growth and value creation to provide shareholders with acceptable returns and ensure that tenant satisfaction is at high levels

How we do it

- 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 properties
- Develop and upgrade our properties to enhance and extract value
- Deliver on tenant expectations
- Assist our tenants in difficult times with tenant retention in mind
- 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

Optimise our portfolio

Ongoing excellence in property management and focus on property fundamentals to unlock value as well as growing rentals and managing costs

How we do it

- Invest in our property portfolio, with emphasis on properties in our strategic nodes
- Maintain our position in the CBDs with an emphasis on our residential offerings
- Maximise the potential of our property portfolio by applying sound property fundamentals
- Focus on tenant retention initiatives across our portfolio
- Enhance our tenant offering where possible

Optimise our balance sheet and funding structure

Strengthen our balance sheet, ensuring prudent financial management in the challenging South African economic environment

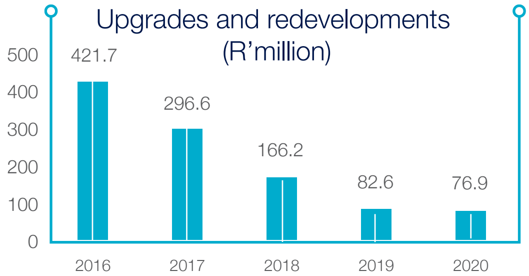
How we do it

- Diversify sources of funding
- Proactive management of interest rate risks
- Management of risk in refinancing of borrowings
- Reduction in distribution to more sustainable levels
- Strong focus on prudent cash management

Performance against strategy

Create sustainable value for our stakeholders

Ongoing upgrades and redevelopment of existing properties



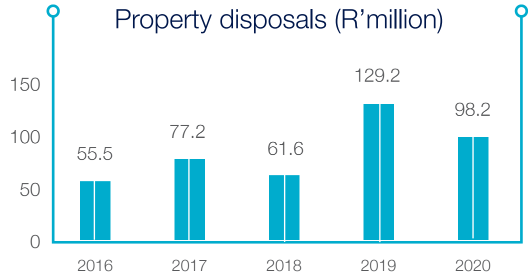
Target: To deliver upgrades and redevelopments with attractive yields.

The FY2020 operating environment has impacted our ability to roll out planned developments as it negatively impacts the loan to value (LTV) ratio, which is already at the upper end of our board-approved limit. It is difficult to achieve acceptable yields in this tough environment with weaker property fundamentals. We did however successfully complete The Park in October 2019 and upgraded air conditioning in five buildings.

Future focus: We will continue to upgrade our property portfolio with a focus on tenant retention and attracting new tenants. All major developments are on hold awaiting a recovery of the local economy.

Managing director's review, page 8

Disposals of non-core properties



Target: To dispose of non-core properties - R300 million

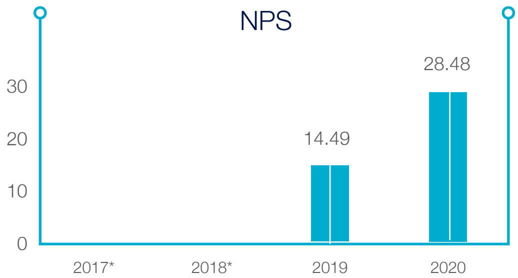
Certain potential sale agreements were not concluded due to purchasers experiencing difficulties securing funding during COVID-19 crisis.

Future focus: Our intention to sell these non-core properties remains and we are hopeful that the low interest rate environment will generate further sales as the economy recovers.

Managing director's review, page 10

Performance overview, page 51

Tenant satisfaction



* *Not measured*

Target: Net promoter score (NPS)[1] >20.

We measure tenant satisfaction through the NPS. This year we achieved an NPS of 28.48 due to an increased focus on quality customer service.

Future focus: We will continue to conduct surveys with a view to enhancing our offering and customer service.

Our tenants, pages 13 and 46

[1] *In October 2018, we started using the NPS to measure tenant satisfaction. The NPS is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand.*

Implement non-traditional revenue streams and innovative technology-based solutions

- **41** furnished apartments launched at The Fields
- **Wi-Fi installation:** **four** buildings completed, **seven** buildings in progress at 31 August 2020

Target: to continually roll out new offerings in line with changing market needs.

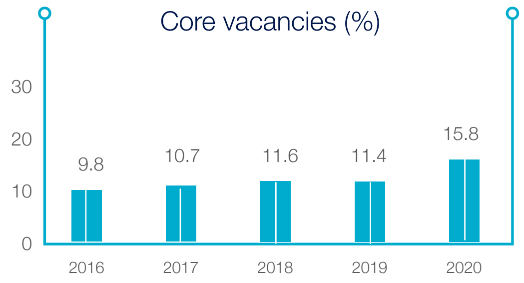
In FY2020 we expanded our offerings, introducing a new furnished apartment offering at The Fields and rolling out Wi-Fi in residential buildings.

Future focus: To complete an additional 56 furnished apartments at The Fields by January 2021 and rolling out Wi-Fi to a further 21 buildings for FY2021.

Property portfolio review, pages 52 to 54

Optimise our portfolio

Reduced vacancies (focus on core vacancies[1])



Target: To reduce core vacancies to 11.5%.

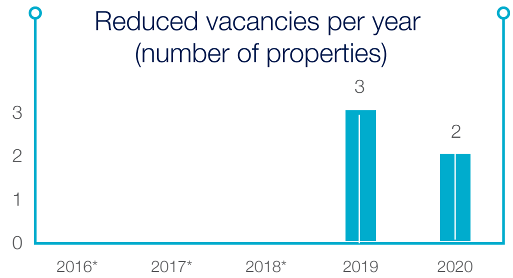
Vacancies increased to 15.8% largely due to the negative impact of COVID-19. We anticipate an increase in vacancies in the short to medium term.

Future focus: We aim to increase our efforts to retain our tenants and maintain core vacancies at current levels of 15.8%.

Managing director's review, page 8

Performance overview, pages 49 to 50

Reduced vacancies for vacancies greater than 3 000m²



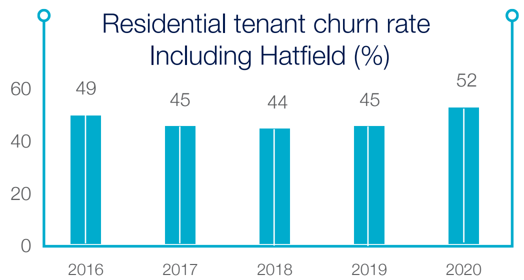
* *Not measured*

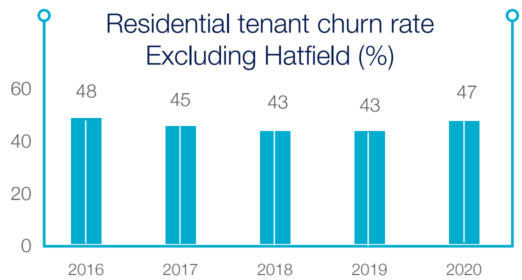
Target: To let or dispose of at least one property per year.

Successfully let in excess of 3 000m² of vacant space at two of our properties, Cuthchurch and McCarthy Midrand.

Future focus: To continue to pursue our target to let or dispose of at least one property per year.

Tenant retention – reduce residential tenant churn rate





Target: Maximum of 40% churn per annum

In 2020, the churn increased to 47% excluding Hatfield, and 52% including Hatfield due to the COVID-19 impact on residential tenants.

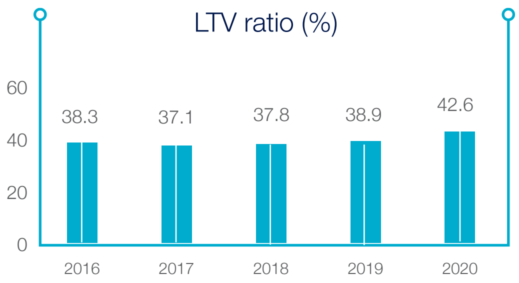
Future focus: We are closely monitoring vacancy trends driven by the consequences of COVID-19 on our tenants and have assisted tenants where possible. We have adjusted our forward target to a maximum of 50% churn measured on our entire residential portfolio.

Our operating environment, page 16

[1] *Excludes mothballed properties*

Optimise our balance sheet and funding structure

Maintain LTV ratio between 35% and 40%



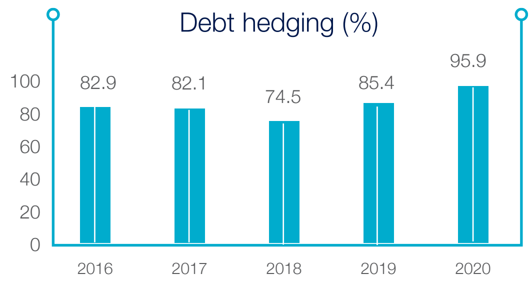
Target: LTV ratio of 38.9% or less

Our increased LTV was driven by a decrease in the value of the property portfolio and an increase in the derivative liabilities arising from a sharp decrease in interest rates.

Future focus: We will continue to ensure disciplined and conservative financial management and reduce LTV levels by way of property disposals. Our future target is to maintain LTV at between 40% to 45% in the short to medium term and reduce to below 40% in the longer term.

Financial directors review, page 76

Prudent debt hedging



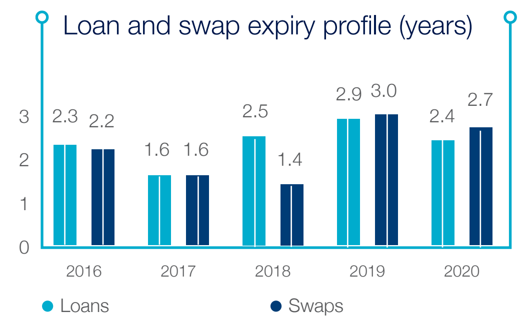
Target: Hedging of at least 80%

In FY2020 our hedging increased to take advantage of current lower interest rates, resulting in a hedged position of 95.9% of debt, with a hedge maturity of 2.7 years.

Future focus: We aim to maintain debt hedging levels of at least 80% of debt, with a maturity profile of 2.5 years or more.

Financial directors review, page 76

Weighted average maturity profile of debt and interest rate swaps



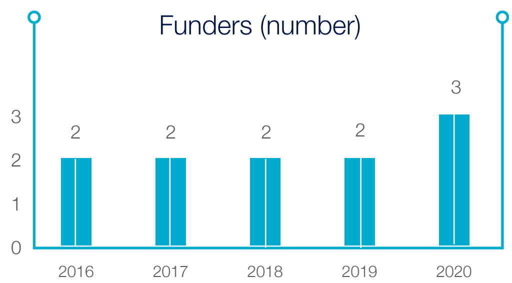
Target: Maintain the loan and swap expiry profile at an average of 2.5 years or more.

We continued to actively ensure that these targets are achieved.

Future focus: Continue to maintain the loan and swap expiry profile at an average of 2.5 years or more.

Financial directors review, page 76

Diversification of funders



Target: Continue to diversify our funding sources while remaining price sensitive.

We continued to minimise refinance risk through diversified sources and providers of finance. We successfully increased our number of funders to three by adding ABSA to our existing Standard Bank and Nedbank banking relationships.

Future focus: We will continue to diversify our funding sources while remaining price sensitive.

Financial directors review, page 76

One on Mutual

BUSINESS MODEL

*Octodec creates value by **applying our core competencies and strengths** to unlock value in urban spaces.*

WE PROVIDE:

277 owned and actively managed properties that provide attractive working, living, shopping and playing spaces in the CBDs of Tshwane and Johannesburg and surrounding areas.

THIS IS ACHIEVED THROUGH:

Our **business activities**, which are all designed to deliver long-term sustainable value for our tenants, communities and shareholders, and are supported by our strategic objectives.

Investing and developing[1]

- Growing our portfolio with strategic investments
- Creating development opportunities in our portfolio
- Identifying new opportunities
- Allocating capital to deliver growth and returns

Re-imagining space[1]

- Upgrading and refurbishing our properties
- Developing mixed-use spaces to suit modern lifestyles
- Connecting with local communities and stakeholders to build relationships and understand their needs
- Investing in our communities to create vibrant spaces to work, live and play

Managing our spaces

- Ensure full-service asset and property management
- Continually evaluating our portfolio with a view of unlocking value
- Implementing innovative solutions to meet the needs of tenants
- Enhancing the mix of uses and tenants at our properties to create a convenient and thriving inner city and sustain a diversified portfolio

Optimising

- Selling non-core properties where value cannot be extracted in a sustainable, cost-effective manner
- Applying technology to improve efficiencies
- Capitalising on yield-enhancing opportunities
- Optimising our balance sheet

[1] *Refer to page 79 for further details regarding investing activities in the current environment*

Strategy

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

TO CREATE VALUE FOR:

Our tenants	Small businesses	Suppliers	Employees	Investors	Our cities
Safe, quality, well-located spaces	Affordable pockets of space that reduce barriers to entry for the growing SMME sector	Sustainable volumes of work and timeous payment	Our culture values honesty and integrity. Our employee value proposition includes skills development, benefits and job security	Returns on our investments provide shareholders with sustainable earnings	The impact of development and redevelopment of properties ignites interest in areas of the CBDs that attract tenants and improve the CBD experience for all its users

Stakeholder engagement, page 39

WHAT DIFFERENTIATES US:

- We are **leaders** in the redevelopment of inner city properties with a specific focus on residential conversions and retail street shop retail offerings
- We have **well-located properties** in the CBD, with access to the mass market
- Our **diversified portfolio** and **granular tenant base** minimises risk and creates opportunities
- We are specialists in investing in **mixed-use** spaces
- Our developments take a long-term view – **quality over quantity**
- Our developments have **changed the face of the CBDs**
- We have **relationships** with all stakeholders based on mutual trust and we are **recognised** as long-term, **responsible operators**

Capitol Towers North

The resources we use and transform to create value

INPUTS

Financial resources

- R6.4 billion equity (FY2019: R7.6 billion)
- R4.7 billion debt funding (FY2019: R5.0 billion)
- R413.5 million unutilised debt facilities available on demand (FY2019: R585.0 million)

Our property portfolio

- 277 (FY2019: 285) properties valued at R11.8 billion (FY2019: R12.6 billion)
- R76.9 million invested in our properties (FY2019: R82.6 million)
- Monthly average of 2 003 repair or maintenance jobs on our buildings in FY2020 (FY2019: 2 281)

Our know-how

- Our unique know-how is a key driver of sustainable growth and innovation and sets our business apart from competitors
- This includes utilising City Property's specialist skills in managing inner city buildings and their competencies, knowledge and experience in financial, property and asset management
- Access to bespoke technology to streamline the business and improve employee output

Our people

- Our building managers assist us in managing our portfolio and service our tenants' needs
- Employment provided to 220 employees (FY2019: 224)
- R160 000 invested in employee training and development (FY2019: R60 200)

Our relationships and communities

- We cultivate healthy relationships with a wide range of stakeholders, including Government, councils, inner city stakeholders and informal traders
- We use our reputation, size and scale to make a positive impact in the communities that are relevant to the market in which we operate
- R13.9 million invested in service provider development programme (FY2019: R16.6 million)
- R1.1 million invested in social upliftment efforts that increase self-sufficiency and other causes
- R180.0 million spent on procurement from black-owned companies (FY2019: R161.0 million)
- Octodec employed the services of Raizcorp as part of our supplier development programme and sponsored 12 companies to join the comprehensive Raizcorp Prosperator Project

Natural resources

The natural resources we utilise in the building, refurbishing, renovating and redeveloping of our properties

- Seven waste management partners
- Continuous and proactive management of water and electricity consumption in our buildings
- Apartments and certain commercial tenants have prepaid electricity meters and mechanical water meters
- NERSA regulated tariffs are charged to our tenants to ensure the tariffs we charge are fair

ACTIVITIES

- Investing and developing
- Re-imagining spaces
- Managing our spaces
- Optimising

OUTPUT

277 owned and actively managed properties providing attractive working, living, shopping and playing spaces in the CBDs of Tshwane, Johannesburg and surrounding areas.

TRADE-OFFS

- Dividend pay-out is balanced with retaining financial capital to ensure sustainability during weak economic cycles
- The cost of retaining mothballed properties for future development is carefully weighed against the opportunity cost of disposals
- Upgrading buildings and major redevelopment costs pended in favour of essential maintenance projects
- A tenant retention focus is balanced with the cost of pursuing new deals
- The viability of investing funds in alternate sources of energy and waste management projects during an economic recession needs to be weighed against balance sheet optimisation

OUTCOMES

Financial resources

- Distributable earnings of 156.8 cents per share (2019: 200.9)
- R940 million property income (FY2019: R1 053 million)
- R184.5 million generation of surplus funds (FY2019: R29.6 million)
- R98.2 million proceeds from disposals (FY2019: R129.2 million)
- R1.4 billion rental income (excluding recoveries) (FY2019: R1.6 billion)
- 0.3% year-on-year decrease in like-for-like rental income before COVID-19 rental discounts (FY2019: 2.0% increase)

Our property portfolio

- Total GLA 1 634 074m² (FY2019: 1 660 431m²)*
- Occupancy rate: 83.0% occupancy in residential properties (FY2019: 93.3%)
- Collections: 100.4% of total due net of rent relief credits given, 94.8% before rent relief credits given (FY2019: 100.5%)
- 15.8% core vacancies in portfolio (FY2019: 11.5%)

Our know-how

- Training and on the job experience creates a future-ready, knowledge-based workforce that has a deep understanding of changing tenant needs and the property market we service

Our people

- Highly motivated team; operational efficiencies achieved; retention of key staff at acceptable levels
- R34 million salaries earned (FY2019: R32 million)
- 100% salaries paid (FY2019: 100%)
- 140 training sessions provided (FY2019: 108)

Our relationships and communities

- Tenant satisfaction levels – NPS 28.48 (FY2019: 14.49)
- We contribute to building a thriving inner city ecosystem
- Relationships with local authorities ensure issues are resolved
- 37 new permanent positions were created by suppliers due to our support (FY2019: 18)
- 440 of 508 suppliers comply with B-BBEE requirements (FY2019: 431 of 496)
- 5 519 people benefited from our corporate social investment (CSI) and social upliftment contributions

Natural resources

- On-site recycling initiatives at 21 of our sites
- 246 tonnes of measured waste recycled in 2020
- Fluorescent lights used in our buildings are disposed of correctly and are not sent to landfill sites: 321kg of fluorescent tubes were recycled in FY2020

The residential GLA increased due to the re-measurement of the residential units

FACTORS IMPACTING THE CAPITALS

Financial resources

- The recessionary economic climate in South Africa combined with the impacts of COVID-19

Material matters:

- Optimising the balance sheet and the uncertainty of property valuations
- Investor, debt provider and potential tenant perceptions around CBDs

Financial director's review, page 74

Our property portfolio

- Property valuation uncertainty (weaker property fundamentals)

Material matters:

- Optimising the balance sheet and the uncertainty of property valuations
- Quality, affordability and desirability of properties in the face of competition

Operational review, page 42

Our know-how

- Understanding our environment and professionally managing our properties is key to attracting and retaining tenants.
- Market changes require constant focus on innovation and adaptability to remain relevant and competitive.

Material matters:

- City Property relationship
- Quality, affordability and desirability of properties in the face of competition
- Speed of market changes and the agility to adapt timeously

Company overview, page 4

Our people

- Attracting and retaining talent
- Up-skilling and motivating employees

Our people, page 68

Our relationships and communities

Material matter:

- Managing stakeholder relationships

Our commitment to social development, page 69

Natural resources

- The cost of reducing consumption through innovative technology or intensive management
- The viability of renewable sources of energy

Resource efficiencies, page 71

MATERIAL **MATTERS**

To determine its material matters, Octodec assessed its stakeholders' needs and concerns, its external environment, developments within the REIT and property markets, and the impact of COVID-19, while considering the company's business model and performance. Identifying and determining matters that are material to the company and its stakeholders is an ongoing process as new developments shape the macroenvironment and the needs of Octodec's stakeholders evolve. The material matters were workshopped by City Property's senior management and Octodec's executive management in June 2020. The following material matters influence Octodec's strategy and performance and assist the board in assessing the material information to be included in the integrated report.

Material matter	Description and context
1. Investor, debt provider and potential tenant perceptions around CBDs	There are preconceptions about residing or conducting business within South African CBDs, often created by media reports regarding safety, poor infrastructural support and social unrest in these areas. In reality, our well-managed and maintained spaces within our CBD nodes are perceived as relatively convenient and safe to the emerging middle class and business owners who choose these central locations. This perception gap impacts, *inter alia*, Octodec's access to and cost of funding and future revenue streams from potential tenants. Therefore, it is vital for Octodec to: – Engage with investors to ensure they understand the company's unique business model – Promote the value proposition of working and residing in the CBD to potential tenants Keeping Octodec's properties and nodes attractive is supported by the company's ability to engage and maintain relationships with Government, councils and inner city stakeholders, including the informal trade sector. Refer to material matter 6 below.
2. Optimising the balance sheet and the uncertainty of property valuations	South Africa has faced a three-fold challenge in the form of sovereign downgrades, an economic recession and the economic fallout of COVID-19. This impacts our tenants' ability to pay rent, Octodec's property valuations (and the assumptions supporting these valuations), and our overall financial position and key financial ratios. How we approach balance sheet optimisation, cash flow management (including our dividend policy), and risk management will determine how well Octodec navigates this economic environment, including the financial impact of COVID-19, and our long-term sustainability. This also requires greater engagement with providers of financial capital and regulators to ensure they understand the impact of the challenging environment on our financial position and how we are responding.
3. Quality, affordability and desirability of properties in the face of competition	For Octodec to be competitive and remain sustainable, we need to meet our tenants' current and future needs in terms of quality, affordability and superior customer service. Tenants' and consumers' expectations are continuously shifting. These include, but are not limited to, changing shopping patterns, evolving community needs and desirability in terms of design and style. New entrants to our market bring slightly varied offerings, impacting these expectations further. This places pressure on Octodec to continuously enhance our value proposition and requires innovative solutions to ensure our properties remain attractive to current and potential tenants. COVID-19 might also change current trends completely, leading to people thinking differently about where they live and work, how they shop, and their needs for connectivity etc. This would create opportunities for Octodec to re-imagine our spaces. Octodec needs to balance the cost of delivering on these evolving expectations with tenant affordability. Tenant affordability remains top of mind in the depressed South African economy, further exacerbated by above inflationary increases in utilities and service delivery costs, which cannot always be passed on to tenants. COVID-19 has impacted some tenants' ability to pay their rentals (affordability) and commercial tenants' future sustainability (impacting vacancy rates and affordability) and has resulted in additional costs due to COVID-19 health and safety measures.

Material matter	Description and context
4. Speed of market changes and the agility to adapt timeously	Octodec needs to remain up to date and adapt appropriately to market and technology changes in order to continue to meet tenants' expectations. We need to stay relevant by ensuring the provision of optimal property management systems, to most efficiently manage our property portfolio. Technological development creates consumer expectations for Wi-Fi access, online property management interfaces and social media engagement. COVID-19 has intensified the speed of market changes and expectations of online engagement due to more working and studying from home and physical distancing. Economic uncertainty and oversupply of offices and retail shopping centres also impact market prices and increase tenants' reluctance to enter into leases. Octodec needs to remain aware of changing dynamics so that we respond appropriately as well as leverage our approach to shorter-term lease profiles and strong renewal relationships.
5. City Property relationship	City Property manages Octodec's properties. How well City Property performs its role directly impacts Octodec. City Property is a known and trusted tenant-facing brand in Octodec's market, which enhances Octodec's competitive advantage. Octodec needs to manage this material relationship closely, with suitable governance and appropriate risk management, to ensure that service levels are maintained at the required standard.
6. Managing stakeholder relationships	Building and sustaining relationships across the stakeholder spectrum is an essential element of Octodec's business model. Due to the nature of the inner city, Octodec's ability to engage and work with all community stakeholders is critical to business continuity and the successful execution of maintenance and other projects. Political shifts, mismanagement and disruptions within councils and authorities impact the ability to engage effectively on service delivery and maintenance of infrastructure. This can have a negative impact on Octodec's ability to service our tenants. As discussed above, communication with current and potential providers of financial capital is critical to ensure they understand our unique business model, our strength within the Tshwane and Johannesburg CBD nodes in which we operate and our financial position.

012central

RISKS AND **OPPORTUNITIES**

*Octodec's enterprise risk management (ERM) function plays a critical role in **monitoring and managing the risks and opportunities** that stem from our operating context and market. Our robust ERM framework and agreed risk appetite have served the company well in this unpredictable period.*

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.

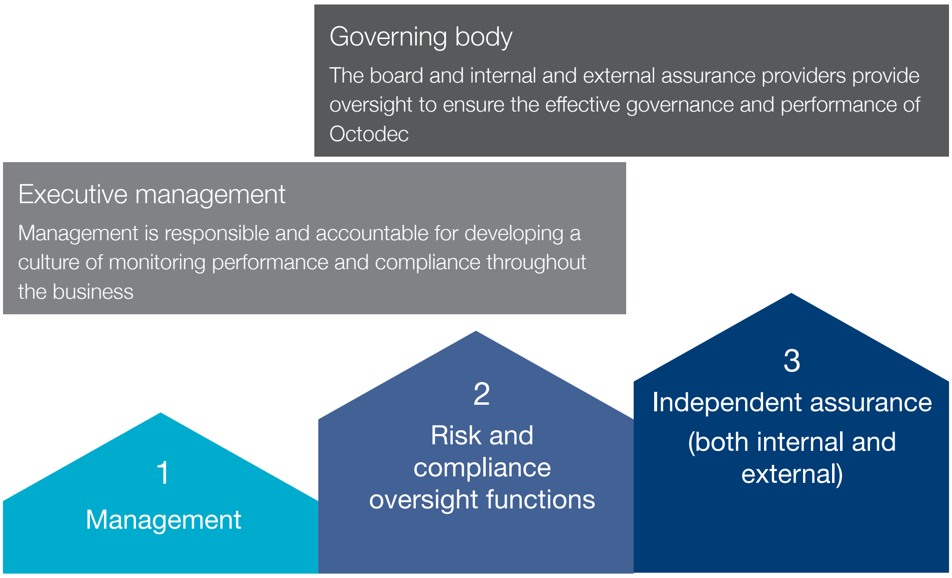
Our approach to risk governance is outlined on pages 80 to 91.

Enterprise risk management

Octodec's ERM policy and framework document is aligned with the amended ISO 31000:2018 standards and the recommendations of King IV.

The ERM framework aligns the company's strategy, processes, people, use of technology and knowledge in order to evaluate and manage the uncertainties the company faces in protecting and creating stakeholder value. It defines the company's risk appetite and tolerance levels and the monitoring of these.

The risk governance structures and processes follow a combined assurance model based on three lines of defence – the oversight, management and assurance of risk management. 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.



An assessment of the maturity and sufficiency of Octodec's ERM framework and combined assurance approach was undertaken by an independent external assurance provider in February 2020. Recommendations, including creating more detailed risk appetite statements, have been included as part of the ERM policy and framework, approved by the risk committee in October 2020. No material changes were made to the risk capacity or tolerance levels for FY2020, but will be re-adjusted for FY2021.

Risk appetite

Octodec's risk appetite reflects a balanced and integrated approach which permits taking calculated risk in the pursuit of its strategic objectives so that the business is both resilient and well-placed for long-term sustainability. Our risk appetite is determined by the risk framework and is reinforced by specific risk management processes and approvals. Significant risks are consistently reviewed, challenged, prioritised and monitored by executive management, recommended by the audit and risk committees and approved by the board to determine the overall risk profile, both qualitatively and quantitatively. This process enables the residual risk to be assessed and Octodec's risk appetite to be determined. To assist with the monitoring and management of the key risks identified, further work has recently been done to establish and consider the specific risk appetite for each focus area within which Octodec's key risks reside.

Risk tolerance

Octodec currently has a moderate tolerance for risk, meaning Octodec takes a balanced approach to risk taking. All risks that are inherently significant and/or high are generally treated to bring the effects within Octodec's tolerance. The risk matrix guides the business when risks are rated as significant and/or high – according to a formula set out in its KnowRisk™ platform.

Where a risk remains residually high or significant[1], the activity giving rise to the risk is closely monitored by key individuals within the business and, where appropriate, is tolerated by Octodec.

Risk process

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.

Each risk owner responsible for a business unit, function or process, assesses the risks and opportunities generated by the associated activities.

Material risks are identified through an enterprise-level, complete portfolio review.

The risk committee – which includes executive management – meets on a regular basis to determine whether Octodec's residual risk profile is commensurate with its overall risk appetite.

With a composite view at each level of the organisation, **executive management and the board** then determine whether the entity's overall risk portfolio is commensurate with its desired risk profile.

As part of the combined assurance and internal audit plan, the effectiveness of the internal controls is tested

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 activities. Each department consistently and proactively evaluates future scenarios to consider how emerging trends and developments impact Octodec's business model, consumer trends and key business/regulatory drivers. Octodec's risks are monitored in line with its ERM policy and framework through use of comprehensive registers and through which it actively identifies, monitors and manages the risks and opportunities to the business.

The company follows a risk-based internal audit process, in accordance with the annual internal audit plan approved by the audit committee. This process assesses the management of the company's inherent risks and provides assurance that risk is being managed within the defined risk appetite level.

COVID-19 response

A business continuity team was established shortly after the first reported case of COVID-19 in South Africa.

The objective of the business continuity team was to ensure that all operations within the business were monitored and to the extent that further controls needed to be implemented during the COVID-19 period, these controls were discussed, implemented and monitored.

[1] *Where the risk cannot be easily prevented by Octodec, or the cost of implementing additional controls are not viable/desirable*

Progress against our 2020 focus areas

- We continue to embed the business continuity and disaster management process throughout the business, to ensure preparedness for the unexpected
- We 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
- We continue to embed the updated and approved (by the risk committee in October 2020) combined assurance process throughout the business to provide the board with assurance on the measures taken to mitigate the risk within the business

2021 focus areas

- We intend rolling out the updated combined assurance plan, and assessing its effectiveness in FY2021
- We will be identifying a suite of key risk indicators to monitor Octodec's key risks and ensure that operational activities remain within its approved risk appetite

Key risks and opportunities

Octodec's top risks, as recommended by the risk committee and approved by the board, are recorded in the risk table, which 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 risks materialising, as well as the possible consequences should the risks materialise
- The key controls that Octodec currently has in place to prevent and/or mitigate the effects of the risks

Movements and changes in our top risks

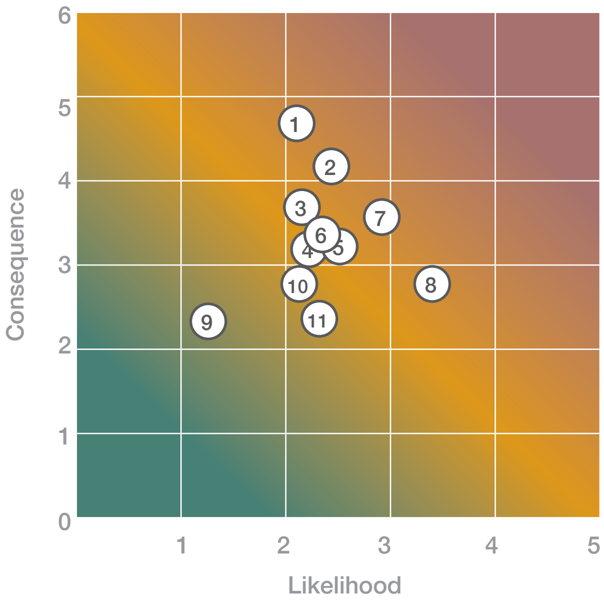
Octodec takes a holistic and integrated approach to risk management in that it looks at all the risks that it faces across all of the operations that it undertakes. The ERM process continually monitors the movement of all identified risks and scrutinises changes to the likelihood of their materialisation and the impact that they may have on the achievement of the business's objectives, key dependencies and core processes.

The ERM approach ensures that each risk is prioritised and managed so that exposure to interrelated risks remains within Octodec's risk appetite and tolerance. This may result in risks that have previously been identified (but not falling within Octodec's previously reported top-of-mind risks), now receiving greater attention – particularly in the face of COVID-19 and its impacts on the business.

Some previously identified risks (for example the risk of "unfettered expropriation of land, without compensation" and "continuously evolving geopolitical landscape") have been consolidated and prioritised to ensure that the exposures arising from these interrelated risks are more focused and better controlled. Other new risks may now have been identified as a result of the unintended consequences of the COVID-19 lockdown (for example "prolonged recession following COVID-19" and "permanent shifts in consumer/societal behaviour"), while other previously identified risks have deteriorated and/or been expanded with the result that they now fall within the top risks as identified below (namely "diminishing business confidence" and "diminishing key stakeholder confidence").

Risk matrix

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 risks

Year-on-year movement	Residual risk rating	Classification[1]	Our strategy
Deteriorating	High	Short-term	Create sustainable value for our stakeholders
Stable	Significant	Medium-term	Optimise our portfolio
Improving	Moderate	Long-term	Optimise our balance sheet and funding structure
	Low		

1. Failing structural reforms, policy uncertainties and unpredictability of governmental regimes

(2019: 3 and 6)

Description

The continuously evolving geopolitical landscape and uncertainty regarding policies (in particular expropriation of land without compensation) may result in increased vacancies as tenant-based businesses fail, consolidate, delay spending or divest from the country. In the long term, this may impact on our business assumptions, strategies and recovery plans.

Lack of confidence in political leaders and Government in handling corruption, remedying failing infrastructures, balancing civil liberties and managing future uncertainties may result in a further increase in social unrest. This impacts the safety of our key stakeholders and may result in damage to our properties.

Opportunities

Leveraging off an existing portfolio within the CBD, where our skills and knowledge of the area distinguish us from our competitors, we continue to build strategic relationships with key stakeholders to collaborate and resolve conflicts affecting the CBDs.

How we manage the risk

- Continuing to actively lobby for responsible change in various forums
- Regularly and consistently monitoring potential conflict situations enables us to implement appropriate measures to reduce damage to the properties and/or harm to its stakeholders
- Assigning appropriate responsibilities, testing presumptions and practicalities enables all our business units to instil agility, adaptability and resilience in our internal structures and processes to respond quickly to changes as and when they occur
- Maintaining relationships with key stakeholders and authorities enhances our ability to actively assist in resolving conflict situations

2. Prolonged recession following COVID-19 pandemic

New risk

Description

The economic fallout resulting from COVID-19, resultant prolonged lockdown measures, diminished economic activity and burgeoning Government and corporate debts may impact on our ability to obtain favourable rates of financing, maintain current financial covenants, and is likely to curtail our growth opportunities through acquisitions, renovations and conversions.

Opportunities

The strength of our balance sheet, together with our current A- credit rating, enables us to continue to invest in our properties, with a view to encouraging quality and well-established brands to remain in strategic nodes within the CBD.

How we manage the risk

- Diversifying borrowing and funding sources over a number of different financial institutions to reduce our exposure to a single funder
- We strive to maintain sound treasury management and financial policies and procedures
- Extensive and in-depth negotiations are entered into with our banks and funders, with a view to extending payment terms on existing bonds and swaps (where necessary)
- Monitoring and maintaining the financial debt covenants and commitments as negotiated between ourselves and our funders

[1] *Short-term risks have their impact immediately after an event has occurred. Medium-term risks have their impact sometime after the event occurs or the decision is taken – typically about a year later. Long-term risks relate to the achievement of strategic objectives and may not be fully apparent for some time*

3. Affordability of target market under pressure

(2019: 7)

Description	Opportunities
Rising costs in a low GDP growth environment (exacerbated by the COVID-19 pandemic) and increasing unemployment (which results in a shrinking target market) may result in a surge in tenant bankruptcies, failures within industries or sectors and a possible wave of industry consolidation. This impacts Octodec through increased vacancies, arrears, bad debts and reduced rentals.	We continue to assess the affordability of our target market with a view to expanding our target market and to include additional income streams.

How we manage the risk

- Our property portfolio remains spread / diversified across various sectors with our tenant base reducing exposure to single tenant failure
- Performing regular market research to best understand market pricing and tenant expectations of product and service delivery
- Aggressively marketing the vacant units in our properties with high vacancies, at attractive rentals
- Maintaining appropriate credit control and tenant vetting processes and embracing alternative means of dispute resolution to manage tenant arrears
- Senior management is involved in rental concessions requested and negotiates revised payment plans, where possible, for tenants who request rental reductions due to affordability issues

4. Diminished key stakeholder (namely investors, funders, employees, suppliers and tenants) confidence

(2019: 14)

Description	Opportunities
Perceptions surrounding the risks of doing business in the CBD may result in diminishing confidence by internal and external stakeholders and negatively impact on our reputation.	We continue to explore new projects to unlock value from unused or underutilised properties and improve the CBD. We host city walks and engage with investors to improve their perceptions surrounding the risks of doing business in the CBD.

How we manage the risk

- Maintaining strategic focus on investing in our existing property portfolio, with emphasis on properties within strategic business nodes
- Continuing to drive initiatives to change stakeholders' perceptions of the CBDs in which we operate
- Continually building new and maintaining existing relationships with stakeholders through regular interaction, roadshows and continuous communication on value-relevant information, including, but not limited to, forecasted distributions
- Reducing distributions to ensure we make provision for the future capital needs of the company as we recover post-COVID-19
- Promoting awareness of the company's code of ethics, ethical hotline, whistleblowing and zero-tolerance policy within the business
- Implementing and embedding integrated enterprise risk management and combined assurance processes throughout the business

5. Diminishing business confidence levels in South Africa

(2019: 12)

Description	Opportunities
South African business confidence continues to fall as a result of lockdown measures, policy uncertainty, reduced activity across all economic sectors and the sovereign ratings downgrade. This may result in reduced demand for accommodation impacting on our medium- to long-term income generation.	We continue to explore different initiatives to enhance our service offering within our properties and are committed to urban renewal to drive demand.

How we manage the risk

- Maintaining our strategic focus of investing in long-term sustainable properties that offer growth opportunities
- Urban renewal initiatives assist in improving specific areas and encourages surrounding property owners to upgrade and maintain their properties

6. Exorbitant rates and tariffs, deteriorating municipal infrastructure and utility services and court systems remain under threat

(2019: 2)

Description

The steady increase in municipal rates and tariffs may result in affordability of our tenant base remaining under pressure. Poor municipal service delivery and failing infrastructure may further negatively impact the long-term sustainability of our tenants and place an additional burden on us to retain tenants within our portfolio. Excessive delays in court processes (particularly following Covid-19 moratoriums on evictions) place an added burden on our ability to effectively collect on defaulting tenants.

Opportunities

We constantly investigate methods to save on utility costs, including the installation of renewable energy initiatives and alternative power and water sources.

How we manage the risk

- Building relationships with local authorities, water and power suppliers to ensure issues are resolved within the quickest possible time
- Actively lobbying for change through various forums
- Endeavouring to supply back-up electricity via back-up generators, where feasible, and continuing to investigate and identify alternative sources of power to complement the use of generator power
- Maintaining stringent credit control processes
- Actively employing internal dispute resolution policies and negotiating settlements with defaulting tenants to limit litigious actions
- Monitoring and managing power consumption per property to ensure tenant recoveries are optimised

7. Permanent shift in consumer and societal behaviour and preferences following COVID-19

New risk

Description

As consumers re-assess their choices: spending less, reducing social interaction and limiting the use of certain goods or services; and as telecommuting becomes more popular, we may see increased numbers of vacancies within our portfolio and experience greater difficulty in sustaining customer loyalty and retention.

Opportunities

We use our extensive database of tenant information and years of operating within the CBDs to detect trends and predict changes in our consumers' behaviour and preferences.

How we manage the risk

- Effectively using current and historical data to detect trends and predict changes in consumer behaviour and preferences
- Upgrading properties where possible to meet tenants' shifting expectations
- Implementing Customer Excellence initiatives in line with our Customer Excellence processes

8. Regulatory changes and/or scrutiny (including B-BBEE and transformation)

(2019: 4)

Description

The introduction (and promulgation) of new and/or amended legislation impacting our regulatory universe results in an additional burden imposed on business to ensure that risks of fines, public censures and/or regulatory infringement are mitigated and that key stakeholders' expectations are met.

Opportunities

We continue to explore suitable key partnerships to improve meaningful transformation within the business.

How we manage the risk

- Developing and implementing robust compliance management policy and framework to assist manage regulatory change
- Embedding a compliance champion structure (i.e. assurance from key senior personnel) throughout the business
- Embedding core regulatory requirements within our internal controls to mitigate the risk of non-compliance

9. Geographic and sectoral concentration of properties resulting in increased exposure to preconceived risks within CBDs

(2019: 11)

Description

Our positioning as an inner city focused property company with a strategy to improve the CBD nodes in which we operate, exposes us to the perception that our properties are more exposed to risks as a result of their geographic and sectoral concentration. Inner city risks (in particular risks associated with social unrest) may result in structural damage to our properties and the surrounding infrastructure or may lead to the degradation in service delivery in the areas in which our properties are situated.

Opportunities

Leverage our skill and know-how of the CBD, as well as the services already offered at our properties to improve the surrounding area of our properties.

How we manage the risk

- Employing a skilled workforce with specialist knowledge to navigate the challenges inherent in doing business within the CBD
- Maintaining relationships with respective city councils and metro police
- Cross-sector diversification allows for diversified revenue streams
- Where feasible, we use our cleaning, repair and maintenance resources from our properties to service municipal property surrounding our properties
- Ensuring we have effective insurance policies in place

10. Increased pressure on IT network infrastructure and cyber integrity (data fraud) impacting our own systems and those of third parties with whom we operate

(2019: 9)

Description

A greater dependence on technology, a sustained shift in new working patterns and continued attacks on information and communications technology (ICT) infrastructure, domestically and globally may impact our ability to cater for and deliver timeously on services required. This ultimately impacts our reputation and brand.

Opportunities

Possible improvements to our IT network are being investigated with a view to protecting our systems, ensuring business continuity in times of disaster and improving our efficiency in managing our properties, tenants and suppliers.

How we manage the risk

- Our ICT infrastructure is managed and maintained by a dedicated in-house team and service providers with appropriate service level agreements
- Regularly upgrading the overall IT infrastructure and continuously keeping it well maintained
- 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
- Timeously communicating with key stakeholders to notify them of a data breach and the steps taken to restore our services

11. Rapid speed of disruptive technological innovations enabled by new and emerging technologies and/or other market forces

(2019: 5)

Description

Technological advancements and innovations result in an ever-evolving competitive marketplace and may impact our ability to compete.

Opportunities

Various digital platforms are being investigated as value-added services for our tenants.

How we manage the risk

- A dedicated team has been appointed to investigate, analyse and reduce the impact of the most dramatic disruptive technologies on our business
- Considering various digital platforms as value-added services for our tenants
- Regularly investigating new technologies and innovations to find smarter ways to operate, to drive cost and time efficiencies and better service our tenants
- Actively monitoring social media and utilising reputation management interventions to manage complaints and ensure continued customer excellence

STAKEHOLDER **ENGAGEMENT**

*Octodec interacts and communicates with stakeholders in a variety of ways, each based on their own preferences. We genuinely listen to all concerns. Our roadmap to meaningful relationships has been built through **honesty, integrity and transparency**.*

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.

Our tenants and potential tenants

The value we create for our tenants

We support the emerging middle class:

- Quality, safe, clean, well-lit, well managed accommodation
- Convenient, one-stop solutions to live, work and play

We support the vital SMME sector of our economy:

- Affordable, good quality retail spaces in our nodes
- Attractive, well-managed community shopping centres for retail tenants
- Well-serviced and maintained premises for small businesses, offices and mini industrial units

How we engage

- We manage relationships through direct interaction and on-site building managers
- Direct communication channels: face-to-face meetings, contact centre
- Indirect communication channels: website, e-mail, social media and marketing, WhatsApp and SMS
- Procedures are in place to monitor, respond to, and address any issues raised on social media
- Our contact centre is central to this engagement, monitored by management, and it logs calls, e-mails and queries

Concerns and our response

Residential tenants

- **Value**: We have started to include Wi-Fi in our offerings to meet tenant expectations. We continue to implement value-added offerings to our rewards programme although progress since COVID-19 has been slow.
- **Affordability**: Affordability related to the external weak economy remains a concern. We negotiate timeously and engage directly with tenants who may be struggling financially and our collections remain acceptable.
- **Safety**: Concerns regarding common spaces raised during the COVID-19 pandemic were met with additional educational initiatives and hygiene measures, implemented in our buildings by our building managers.

Commercial tenants

- **Business impact of COVID-19**: With no access to premises during the COVID-19 restrictions, there was a strong expectation of rental reductions. Octodec negotiated rental relief terms promptly and tenant retention and rental collections remain at acceptable levels.
- **Changing markets**: Retail tenants need to remain relevant to changing consumer shopping patterns. Octodec assists with tenant installations and supports tenants' ability to adapt.
- **Economic climate**: Tenants are reluctant to commit to long-term leases due to the poor economy and market uncertainty. Octodec has always offered 12-month leases that are attractive to commercial tenants in this environment and some tenants remain on month-to-month leases for extended periods.

Our employees

The value of the relationship

We support skills development

- We achieve our strategic objectives through the skills, competencies and experience of our people
- Retaining and attracting talent is vital to our company
- Creating a knowledge-based workforce that is future ready
- Embedding a deep understanding of the property market we service and changing tenant needs
- We offer growth through training and development

How we engage

- Direct interactions between employees and managers
- Property teams interact regularly via digital communication and live video conferencing facilities
- Business updates from the managing director
- Informal talks and feedback sessions
- Team-building activities and employee events
- Performance reviews and incentives

Concerns and our response

Continued employment and remuneration during the COVID-19 uncertainty: Octodec has retained and remunerated 100% of its employee complement throughout the COVID-19 crisis

Our investors and potential investors

The value we create as a company

We support long-term business sustainability:

- Strong foundations based on solid property fundamentals
- Long-term return on investment

The board endeavours to ensure that our communications provide stakeholders with the requisite accurate information to make informed assessments of our performance and our short, medium and long-term prospects.

How we engage

We communicate with the investor community directly as well as indirectly through our investor relations specialists.

- Corporate website
- Reporting suite
- Results presentations
- Stock Exchange News Service announcements
- Press releases
- City tours
- One-on-one meetings
- Annual general meeting (AGM)
- Pre-close conference calls
- Perception survey

Concerns and our response

- **Quality and safety of our properties**: Octodec invests in the rejuvenation of nodes and co-operates with all inner city stakeholders to create clean and safe environments. We communicate the potential of these areas as growing centres for the emerging and stable middle class and areas for investment consideration.
- **Cash flow and business sustainability** are becoming more important than aggressive growth strategies in a recessionary, post-COVID-19 climate. Octodec maintains a prudent approach to risk and has heightened the focus on balance sheet optimisation.

City Property

The value we create together

We support each other:

Our relationship with City Property gives us a competitive advantage and is essential to our business, as set out on pages 3 to 4.

How we engage

- The scope of City Property activities in our business requires extensive daily engagement
- Monthly budget, operational and general feedback sessions are held
- City Property engages with the board of directors, Chairman and lead independent director (LID) regularly both informally and formally through the various board and committee meetings

Concerns and our response

City Property's earnings potential is linked to tenant leasing activity, which is directly impacted by the economic environment. The COVID-19 pandemic and weaker operating environment has had an impact on the revenue generated by City Property, especially relating to collection fees, commission on leasing and project related fees. Despite these challenges, City Property continues to deliver services as required in terms of the management agreement and we continue to engage to ensure timeous resolution of any issues.

The councils of Tshwane and Johannesburg and other authorities

The value we create for each other

We support working together to revitalise the CBDs:

- Sound and ethical relationships with the councils are essential to keep our buildings supplied with electricity, water and other infrastructure
- Our interactions with the councils help to resolve any operational, security, sanitation and cleanliness issues in our CBD nodes

How we engage

- Personal meetings with municipal and departmental officials
- Verbal and written communication on utilities, rates and law enforcement co-ordination
- Formal application and engagement: compliance with building regulations and controls, provision of services, project approvals
- Attendance at council events to which we are invited

Concerns and our response

Constantly changing council appointments make it difficult to maintain key relationships. Octodec maintains political neutrality and open channels of communication to work together for the benefit of the cities and all within them.

Communities in which we operate and inner city stakeholders

The value we create in our nodes

We support building strong, vibrant cities:

- We interact with landlord associations and non-Government organisations in the CBDs
- We engage with taxi associations that operate around our buildings
- We build relationships by engaging with hawker associations and with informal traders
- We invest in practical improvements in the areas in which we operate
- Octodec assists communities in need around the areas where we operate
- Events at our 012central venue and other suitable locations attract people to the CBDs

How we engage

- Individual, face-to-face, e-mail or telephonic interaction with community representatives, activists and NGO representatives
- Actively fostering relationships to resolve issues if they arise
- Regular meetings with inner city stakeholders

Concerns and our response

Inner city stakeholders cannot rely on formal structures alone to support the communities. Octodec ensures direct engagement with inner city communities to the mutual benefit of all.

Debt funders and capital market participants

The value we provide

We support transparency:

Strict financial controls, risk avoidance and sound operating principles provide assurance to debt funders

How we engage

- Regular roadshows
- Annual debt roadshow to Domestic Medium Term Note (DMTN) participants
- Regular interaction and updates of our operating activities and performance

Concerns and our response

Property valuations as a result of current market uncertainty. Octodec has a robust valuation process in place which provides assurance to the board as outlined on page 79 of this report.

Following our concerns about the effect that COVID-19 would have on our interest cover ratio (ICR) for the 31 August 2020 measurement period, we successfully approached our bankers for a relaxation of the covenants in our loan agreements as outlined on pages 76 and 77 of this report.

Suppliers and service providers

The value we create

We support fair and ethical practices:

- Ensuring our conduct with suppliers is based on fair and ethical practices
- Allocating work fairly among our approved suppliers based on expertise and capacity
- Supporting our suppliers' business success includes investing in supplier education with the Raizcorp Prosperator Project, as outlined on page 69

How we engage

- Our property and asset managers conduct all supplier engagements
- Regular meetings with suppliers on service delivery expectations, quality, ethics and transformation
- Engagement with repairs and maintenance suppliers to provide feedback on service levels
- Continually monitoring the quality of service and ensuring costs are managed effectively

Concerns and our response

Sufficient work to stimulate local economies: Octodec continues with ongoing maintenance projects and service of its buildings, which provides opportunities for appropriate small business service providers.

Property and industry forums

The value we contribute

We support membership:

- SA REIT Association
- City Improvement District Initiatives
- South African Property Owners Association
- Property Investment Group formed to deal with the COVID-19 crisis

How we engage

- We participate in industry initiatives and support industry groups
- We engage with voluntary groups on an *ad hoc* basis

Concerns and our response

Current weak SA REIT sector. The sustainability of the SA REIT sector's 100% dividend pay-out ratio has been questioned. This has resulted in the re-evaluation of this ratio for the benefit of the sector's shareholders. Octodec continues to support City Improvement District initiatives in the areas in which we operate.

PROPERTY PORTFOLIO OVERVIEW

Octodec's property portfolio is able to withstand a tough operating environment through diversification across sectors. We preserve the value of our buildings through ongoing maintenance. Our urban focus is poised to ***unlock long-term future value*** *through redevelopment.*

In order to analyse and understand the rental income from our sectors in a 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:

Rental income % by sector[1]

Retail	Residential	Offices	Specialised and other	Industrial
33.3%	**31.3%**	**15.8%**	**12.5%**	**7.1%**
(FY2019: 33.7%)	(FY2019: 32.2%)	(FY2019: 15.8%)	(FY2019: 11.3%)	(FY2019: 7.0%)

Retail:

23.4%	9.9%
Street shops	Shopping centres
(FY2019: 23.6%)	(FY2019: 10.1%)

Specialised and other:

4.7%	2.4%	2.6%	1.0%	1.3%	0.5%
Parking	Healthcare facilities	Educational facilities	Auto dealerships	Hotels	Places of worship
(FY2019: 4.3%)	(FY2019: 2.4%)	(FY2019: 2.0%)	(FY2019: 1.1%)	(FY2019: 1.0%)	(FY2019: 0.5%)

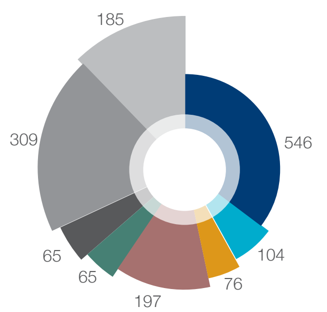
[1] *Pre-COVID-19 relief*

We operate in a property market with fundamentals that are more challenging than they have been for some time, exacerbated by the COVID-19 pandemic. To contend with a tough operating environment with weaker fundamentals, we have adopted a three-pronged approach:

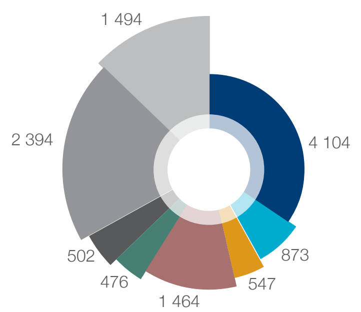
- Remain committed to the maintenance of our existing buildings and attract tenants to our properties through innovative marketing techniques to preserve the short and medium-term value of our portfolio.
- Build long-term value by developing and upgrading our buildings. We continue to assess potential new projects, which are 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 and the relevant risks mitigated.
- Ongoing review of our portfolio to ensure it maintains the ability to deliver value, which in turn has accelerated our capital recycling strategy. To this end, we made progress on the disposal of non-core properties. Unfortunately, many of these transactions ultimately failed due to third party funding concerns citing the impact of COVID-19. We sold eight non-core properties during the year (page 51).

	2020 Pre-COVID-19 relief	**2020 Post-COVID-19 relief**	**2019**
Rental income by sector (R'million)			
Retail – street shops	**361**	**317**	370
Retail – shopping centres	**154**	**142**	158
Offices	**245**	**232**	247
Residential	**484**	**483**	505
Industrial	**110**	**98**	110
Specialised and other	**193**	**174**	177
Total	**1 547**	**1 446**	1 567

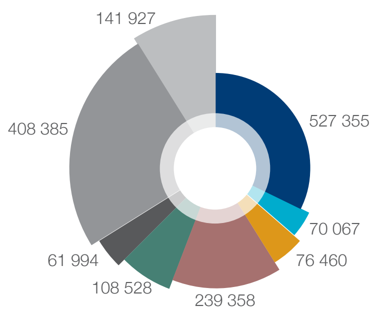
Rental income by geographic area[1] (R'million)



Property value by geographic area[1] (R'million)



GLA by geographic area (m²)



- Tshwane CBD
- Tshwane Arcadia
- Tshwane Hatfield
- Tshwane Other
- Silverton and surrounds
- Johannesburg CBD
- Waverly, Gezina and Moot
- Johannesburg and surrounds

[1] *Pre-COVID-19 relief*

	Rental income (R'million)			Property value (R'million)		GLA (m²)	
	Pre-COVID-19 relief 2020	Post-COVID-19 relief 2020	2019	2020	2019	2020	2019
Geographical analysis							
Tshwane CBD	**546**	**510**	544	**4 104**	4 469	**527 355**	512 580
Tshwane Hatfield	**104**	**97**	101	**873**	962	**70 067**	69 654
Tshwane Arcadia	**76**	**72**	78	**547**	593	**76 460**	73 136
Tshwane Other	**197**	**185**	195	**1 464**	1 495	**239 358**	243 222
Tshwane Silverton and surrounds	**65**	**59**	66	**476**	512	**108 528**	111 266
Tshwane Waverly, Gezina and Moot	**65**	**60**	63	**502**	571	**61 994**	62 331
Johannesburg CBD	**309**	**290**	334	**2 394**	2 771	**408 385**	410 440
Johannesburg and surrounds	**185**	**173**	186	**1 494**	1 558	**141 927**	142 069
Total	**1 547**	**1 446**	1 567	**11 854**	12 931	**1 634 074**	1 624 698

TOP 10 PROPERTIES BY VALUE

Tshwane | Johannesburg

The Fields

Hatfield

51 commercial tenants
843 residential tenants

Mixed use
57 315m²*

6.4% Percentage value of portfolio

78.5% Occupancy

Killarney Mall

Killarney

127 commercial tenants

Shopping centre
47 470m²

5.2% Percentage value of portfolio

83.4% Occupancy

Woodmead Value Mart

Woodmead

37 commercial tenants

Shopping centre
17 913m²

3.2% Percentage value of portfolio

99.4% Occupancy

Louis Pasteur

CBD

One hospital
91 commercial tenants

Healthcare and other
24 705m²

2.2% Percentage value of portfolio

99.3% Occupancy

Centre Walk

CBD

30 commercial tenants

Mixed use
25 407m²

2.1% Percentage value of portfolio

94.4% Occupancy

* *the residential GLA increased due to the remeasurement of the units*

Tshwane Johannesburg

Sharon's Place

CBD

2.1% Percentage value of portfolio

86.0% Occupancy

9 commercial tenants
347 residential tenants

Mixed use
21 195m²

Kempton Place

Kempton Park

2.1% Percentage value of portfolio

73.0% Occupancy

23 commercial tenants
369 residential tenants

Mixed use
35 352m²

Jeff's Place

CBD

1.5% Percentage value of portfolio

89.9% Occupancy

342 residential tenants

Residential
14 793m²

The Park Shopping Centre

Tshwane East

1.6% Percentage value of portfolio

90.8% Occupancy

43 commercial tenants

Shopping centre
11 926m²

Waverley Plaza

Waverley

1.4% Percentage value of portfolio

96.2% Occupancy

53 commercial tenants

Shopping centre
11 301m²

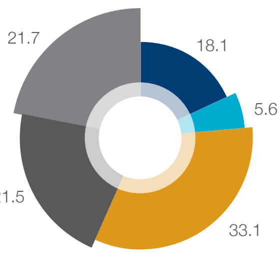
PERFORMANCE OVERVIEW

Tenants and leasing

Tenant profile

Octodec maintains a diverse tenant base in our portfolio, with the majority of tenants living, working and supplying goods and services in the CBDs of South Africa and surrounding areas.

Tenancy profile % of GLA m²



- Grade A – large national tenants, listed tenants, Government and major franchises
- Grade B – national tenants, other franchises and medium-size professional firms
- All other tenants
- Residential tenants
- Vacancies

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 franchises represents a franchisee with a footprint throughout South Africa and 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 expiry profile

Our tenant base includes 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 18 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. 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.

Our portfolio has always operated on this basis, and this is discussed further on page 13.

Lease expiry profile as at 31 August 2020

	By rental income %					By GLA m² %					
Sector	2021	2022	2023	2024	2025 and beyond	Vacant	2021	2022	2023	2024	2025 and beyond
Residential	100.0					17.0	83.0				
Commercial											
Retail – street shops	41.9	25.2	18.9	7.2	6.8	14.8	41.8	18.7	14.4	4.5	5.8
Retail – shopping centres	43.9	18.1	13.3	10.1	14.5	3.7	48.9	13.4	12.6	7.7	13.7
Offices	50.5	11.0	30.6	1.7	6.1	46.3	27.0	6.1	15.9	1.0	3.7
Industrial	59.4	18.9	13.0	3.0	5.7	13.2	53.6	16.2	11.6	2.4	3.0
Specialised and other											
Educational facilities	31.4	19.3	34.0	0.4	15.0	–	24.7	17.0	42.0	0.4	15.9
Healthcare facilities	19.5	17.4	13.0	1.1	49.0	15.6	14.8	10.7	8.3	0.9	49.7
Places of worship	83.7	10.5	3.8	2.0	–	–	84.2	9.8	3.4	2.6	–
Auto dealerships	16.1	23.2	49.6	11.1	–	26.1	7.1	23.5	32.9	10.4	–
Hotels	100.0	–	–	–	–	–	100.0	–	–	–	–
Total commercial	46.8	18.2	20.6	5.0	9.4	23.3	38.6	12.9	15.6	2.8	6.8
Total residential and commercial	63.6	12.4	14.1	3.4	6.5	21.7	50.0	9.6	11.6	2.1	5.0

10 major lease expiries by GLA (m^2) – FY2021

Building	Tenant	Lease expiry	GLA m^2	Renewal status
The Fields	City Lodge	November 2020	**9 709**	Rental negotiations have commenced. A significant reduction in rental is anticipated.
Inner Court	Jet Eloff Street	February 2021	**9 688**	Jet vacated post year end. Currently in negotiations with a national retailer to re-let approximately 2 115 m^2 of the existing space.
The Fields	Small Enterprise Development Agency	December 2020	**6 568**	A further lease extension has been proposed for an additional year expiring in December 2021 at a slight rent reduction.
Protea Hotel	Fortis Hotel Manor	February 2021	**3 841**	Early renewal effective 1/9/2020 for five years at a reduced rental.
CCMA Place	Commission for Conciliation, Mediation and Arbitration	May 2021	**3 598**	Tenant has advised that they will be going out on tender.
Apollo Centre	Tshwane College of Commerce & Computer Studies	April 2021	**3 275**	Having occupied the property since mid-2011, the tenant is well-established in the educational node that Apollo Centre forms part of and we are confident that the lease will be renewed.
Lasmitch Properties	AutoZone	July 2021	**3 272**	Tenant has confirmed that they will be renewing the lease. Negotiations will take place closer to the lease expiry date.
Woodmead Mart	Flower Spot	October 2020	**3 227**	Vacated – subdivided into three shops: – 2 321m^2 lease signed with West Pack Lifestyle – 372m^2 lease with tenant for signature – 113m^2 lease signed All leases will be for a five-year period.
Odeon Forum	The Technology Innovation Agency	February 2021	**3 102**	A renewal offer for a three and five-year lease was submitted to tenant.
Kyalami Crescent	Le Petit Pain	February 2021	**2 887**	The tenant occupies 30.5% of the commercial park and intends to renew its lease owing to its investment at the site.
Total			**49 167**	

Sharon's Place

Lease escalations

Lease escalations – pre-COVID-19 relief

Sector	Leases with escalations GLA m²	Leases with escalations %*	WALE %	Leases with no escalations** GLA m²	Leases with no escalations** %*	Total occupied GLA m²	Vacancy GLA m²	Total GLA m²	Total GLA %	Weighted average rental R/m²	No of tenants
Residential	–	–	–	349 204	100.0	349 204	71 705	420 909	25.7	108.9	7 993
Commercial											
Retail – shops	148 876	54.1	6.9	126 518	45.9	275 394	47 903	323 297	19.8	102.9	1 005
Retail – shopping centre	45 839	50.8	6.3	44 475	49.2	90 314	3 482	93 796	5.7	138.2	223
Offices	115 241	52.1	6.5	105 995	47.9	221 236	190 372	411 608	25.2	87.7	1 475
Industrial	85 300	41.9	6.9	118 292	58.1	203 592	31 008	234 600	14.4	43.4	407
Specialised and other											
Educational facilities	57 741	84.8	1.0	10 377	15.2	68 118	–	68 118	4.2	49.7	51
Healthcare facilities	25 936	83.7	7.7	5 048	16.3	30 984	5 731	36 715	2.2	108.3	163
Auto dealerships	11 626	100.0	8.3	–	–	11 626	4 096	15 722	1.0	92.8	3
Hotels	–	–	–	13 458	100.0	13 458	–	13 458	0.8	112.7	3
Places of worship	3 812	24.0	7.7	12 039	76.0	15 851	–	15 851	1.0	34.6	52
Parking	–	–	–	–	–	–	–	–	–	–	2 048
Total	494 371	38.6	6.4	785 406	61.4	1 279 777	354 297	1 634 074	100.0	91.4	13 423

* *Percentage of total GLA occupied*

** *Includes monthly leases and leases expiring prior to 31 August 2021, with no escalations during the period from 31 August 2020 to 31 August 2021*

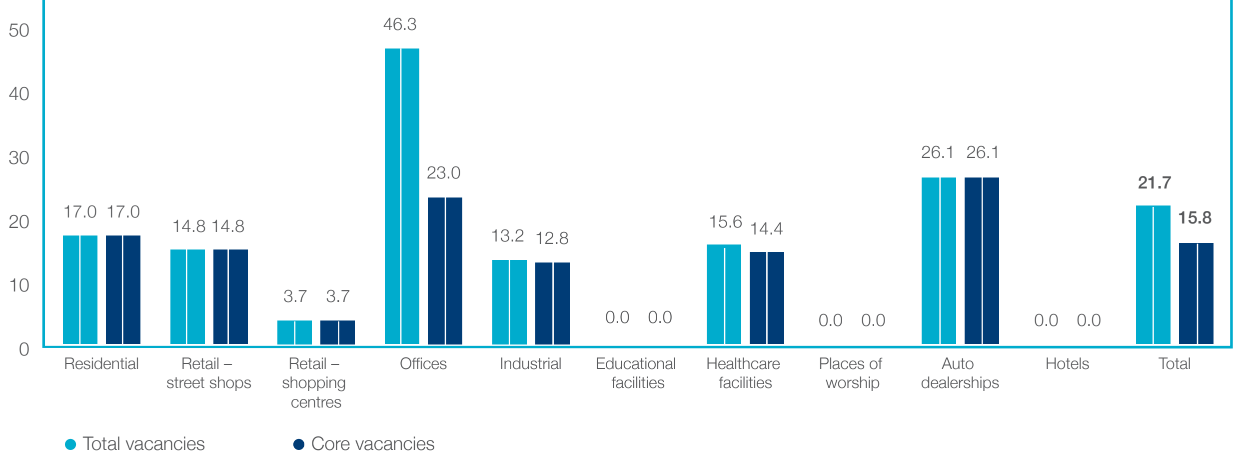
One on Mutual

Vacancies by sector

	Total vacancies by sector as at 31 August 2020				Total vacancies by sector as at 31 August 2019			
	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*	**420 909**	**17.0**	**–**	**17.0**	428 245	6.7	–	6.7
Commercial	**–**	**–**	**–**	**–**	–	–	–	–
Retail – street shops	**323 297**	**14.8**	**–**	**14.8**	336 435	14.4	–	14.4
Retail – shopping centres	**93 796**	**3.7**	**–**	**3.7**	94 012	4.7	–	4.7
Offices	**411 608**	**46.3**	**(23.3)**	**23.0**	412 627	43.0	(24.7)	18.3
Industrial	**234 600**	**13.2**	**(0.4)**	**12.8**	246 363	10.2	(0.9)	9.3
Specialised and other	**–**	**–**	**–**	**–**	–	–	–	–
Educational facilities	**68 118**	**–**	**–**	**–**	58 903	–	–	–
Healthcare facilities	**36 715**	**15.6**	**(1.2)**	**14.4**	36 612	15.6	(1.2)	14.4
Places of worship	**15 851**	**–**	**–**	**–**	18 054	–	–	–
Auto dealerships	**15 722**	**26.1**	**–**	**26.1**	15 722	23.5	–	23.5
Hotels	**13 458**	**–**	**–**	**–**	13 458	–	–	–
	1 634 074	**21.7**	**(5.9)**	**15.8**	1 660 431	17.7	(6.3)	11.4

* *The residential GLA in 2019 was increased due to the re-measurement of the residential units*

Vacancies by sector (%)



Vacancies

Vacancies in the Octodec portfolio at 31 August 2020, including properties held for redevelopment, amounted to 21.7% (FY2019: 17.7%) of the GLA. The group's core vacancies, which exclude the GLA relating to properties held for development or disposal, amounted to 15.8% (FY2019: 11.4%).

Despite an increased focus on reducing vacancies, the COVID-19 lockdown resulted in an increase in vacancies due to its impact on our tenants.

- Residential vacancies increased from 6.7% to 17.0% due to COVID-19 lockdown leading to increased unemployment and some students returning home, and increased new supply, aggressively marketed by competitors in the Johannesburg CBD. We are rolling out specific marketing campaigns, focused on financial savings with no deposit and reduced rent specials to attract new tenants. Our focus is on retaining tenants by offering rent reductions, relief and rewards where appropriate.
- Commercial vacancies increased with the exception of retail.
  - The decrease in shopping centre vacancies was mainly due to the improved occupancy levels at The Park, following the completion of its refurbishment in October 2019
  - Octodec's well-let retail shopping centres, comprising mainly convenience and neighbourhood centres, proved to be relatively defensive during this period
- Octodec owns office properties with 95 821m² of mothballed space (FY2019: 101 859m²). These properties offer opportunities for residential conversion or office redevelopment. Octodec is actively considering the disposal of some of these properties.

Our larger vacancies (above 8 000m²) by sector

Property	Location	GLA m²	Reason for vacancy
Shoprite – Eloff Street	Johannesburg CBD	22 951	Mothballed – for residential conversion or disposal
Fedsure House	Johannesburg CBD	19 896	Mothballed – for residential conversion or disposal
Reinsurance House	Johannesburg CBD	15 034	Mothballed – for residential conversion or disposal
Inner Court	Johannesburg CBD	12 830	Vacant offices
The Fields	Tshwane, Hatfield	12 308	High vacancies in offices, residential and retail
Prinschurch	Tshwane CBD	11 305	Mothballed – for residential conversion or office upgrade
Nedbank Plaza	Tshwane, Arcadia	10 190	High vacancies in offices, residential and retail
Kempton Place	Kempton Park	9 555	High vacancies in residential and retail
Education Centre	Johannesburg CBD	8 381	Mothballed – for residential conversion or disposal
Van Riebeeck Medical Building	Tshwane CBD	8 167	Mothballed – for residential conversion or disposal
Midtown	Tshwane CBD	8 045	Mothballed – for office upgrade or disposal

Vacancy profile by location

Location	Vacant GLA m²	% of total vacancies	% of total GLA m²	% held for development	% of core vacancies
Tshwane – Hatfield	13 828	3.9	0.8	0.0	0.8
Johannesburg and surrounding areas	20 927	5.9	1.3	(0.2)	1.1
Johannesburg CBD	146 851	41.4	9.0	(4.1)	4.9
Tshwane – Silverton and surrounding areas	9 446	2.7	0.6	(0.1)	0.5
Tshwane – Arcadia	18 116	5.1	1.1	0.0	1.1
Tshwane CBD	112 266	31.7	6.9	(1.5)	5.4
Tshwane – Other	29 961	8.5	1.8	0.0	1.8
Tshwane – Waverley, Gezina, Moot	2 902	0.8	0.2	0.0	0.2
Total	354 297	100.0	21.7	(5.9)	15.8

Midtown

Capital expenditure

While we did not undertake any significant capex projects during the year, 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 on investment properties amounted to R77 million.

The various smaller maintenance projects undertaken improve tenant retention and enhance the value of the portfolio, and also contribute to the improvement of the areas in which we are predominantly invested.

Capital expenditure in excess of R5 million

Property	Location	Details	Total development cost R'000	Incurred in 2020 R'000	Completion date
The Park Shopping Centre	Tshwane East	Completion of centre upgrade	**40 740**	**12 783**	October 2019
Provisus	Tshwane Arcadia	Air conditioning replacement, partial office upgrade and compliance works	**15 422**	**10 317**	November 2020
Govpret	Tshwane CBD	Air conditioning replacement	**7 021**	**6 671**	August 2020
Capital Towers North	Tshwane CBD	Arcade upgrade, fire compliance and air conditioning replacement	**11 943**	**6 556**	November 2020

Future developments

We continue to consider the merits of projects in the Johannesburg and Tshwane CBDs in the long term. 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

No new acquisitions were undertaken due to the uncertainty in the property market as a result of a weak economy.

Disposals

In line with the board's strategy to dispose of non-core properties, the group disposed of eight properties during the year at an average exit yield of 12.5% and at a profit compared to carrying value amounting to R1.7 million. At the date of this report, a further three properties were sold for a total consideration of R5.9 million. One property has been transferred post-year end and the transfer of the two remaining properties is expected to take place within the current calendar year.

Octodec is committed to disposing of the remaining identified properties and is actively marketing their sales. However, progress is impeded by the reluctance of banks and funders to finance purchasers of properties in the current uncertain environment.

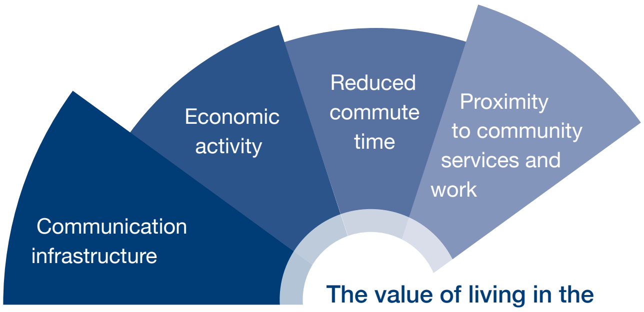
Properties disposed of and transferred by 31 August 2020

		Location	Total consideration R'000	Profit/(loss) on disposal R'000	Transfer date	Exit yield %
	6 properties	Tshwane	**32 695**	**928.2**	September 2019 to March 2020	**7.4**
	1 property	Johannesburg CBD	**52 404**	**915.4**	October 2019	**17.0**
	1 property	Alberton	**13 095**	**(105.0)**	November 2019	**4.7**
Total	8 properties		**98 194**	**1 738.6**		**12.5**

PROPERTY PORTFOLIO REVIEW

Residential

*Our residential property portfolio's concentration of **9 350 apartments** and **in excess of 20 000 occupants** in Tshwane and Johannesburg is well positioned to take advantage of urbanisation and densification trends.*



The value of living in the inner cities

*Our residential tenants make up **25.7% of our portfolio GLA** and provide **31.3% of our rental income.***

Year in review

There is a need for affordable, quality and secure accommodation. However, increased operational costs and rising living costs are placing strain on tenant affordability and impacting rental growth. Octodec strives to provide value for money and constantly improves residential offerings to mitigate any loss of tenants to competitors entering the market. This includes rolling out fibre to residential units (four completed and seven in progress in FY2020) and specific rewards programmes aimed at tenant retention.

Octodec's well-maintained and managed buildings remained 89% occupied during the initial COVID-19 lockdown period (26 March – 30 April 2020). We continually communicated with our tenants, ensured safety protocols were in place and provided hand sanitisers. Our approach to rent collections during the pandemic was based on individual negotiations with struggling tenants.

COVID-19 resulted in a decrease in collections and an increase in vacancies as some tenants could no longer afford the rent. We expect collections to rebound to pre-COVID-19 rates of almost 100% in the medium term. Letting remains good, although the effect cannot yet be seen in the vacancy numbers due to the increase in tenants vacating due to arrears. The focus has been to retain tenants, maintain buildings and deliver a high level of customer service.

Focus areas for the year

- Tenant retention and building maintenance
- Increase collections and reduce arrears
- Decrease vacancies and maximise rental growth
- Tighter cost and cash flow management without compromising on quality
- Technology projects (Wi-Fi rollout)
- Improved customer service

Marketing initiative to win one year's worth of free rent: "SHHHH – DID SOMEONE SAY FREE RENT?"

Outlook and future focus

As the impact of the COVID-19 pandemic unfolds, the outlook for 2021 remains uncertain. We expect collections and vacancies to remain challenging in the short to medium term, impacting cash flow and rental growth. In the medium to long term, we are confident that there will be continued demand for residential accommodation.

Our focus remains on maintaining high customer service levels to retain and attract tenants; adding extra value with smart design in upgraded buildings; better energy efficiency and enhanced technological automation to enable our tenants to transact with us online. All of these are dependent on the financial stability of the business during and after the COVID-19 pandemic. Cost control is of increasing importance.

Octodec is committed to ensuring the residential offerings meet and exceed tenant expectations and we are optimistic about the long-term sustainability of this portfolio.

Performance

Key performance statistics

	2020	2019
Number of properties	**71**	72
Number of tenant leases	**7 993**	8 649
Number of residential units	**9 350**	9 413
Johannesburg (%)	**36**	36
Tshwane (%)	**64**	64
GLA m²*	**420 909**	428 245
Rental income – pre-COVID-19 relief		
Rental income (R'million)	**484**	505
Growth in rental income (like for like) (%)	**(2.6)**	3.5
Rental income – post-COVID-19 relief		
Rental income (R'million)	**483**	505
Growth in rental income (like for like) (%)	**(2.9)**	3.5
Total vacancies and core vacancies at year end (% of GLA m²)	**17.0**	6.7

* *The residential GLA in 2019 was increased due to the re-measurement of the residential units*

27 Average size m²
3 541 Number of units
Bachelor unit
R3 800
Average monthly rentals**

43 Average size m²
3 470 Number of units
One-bedroom unit
R4 450
Average monthly rentals**

63 Average size m²
1 646 Number of units
Two-bedroom unit
R5 700
Average monthly rentals**

94 Average size m²
693 Number of units
Three-bedroom and other
R6 400
Average monthly rentals**

** *These average monthly rentals exclude The Fields*

Refer to Spotlight on furnished accommodation at The Fields, Hatfield on page 54

Spotlight on furnished accommodation for students at The Fields, Hatfield

Total project cost: R2 million

Located in the heart of Hatfield within a short walking distance of the University of Pretoria, The Fields is an innovative mixed-use development catering for off-campus student accommodation, shops, prime-grade offices, hotels and restaurants.

Background

Octodec's traditional accommodation offering at The Fields consisted of unfurnished bachelor, one-bedroom, two-bedroom, loft and penthouse units, which were billed per unit.

Changing market

In recent years, competition in the Hatfield area has intensified, and new accommodation providers have entered the student housing market, providing an all-inclusive accommodation package. One of the new entrants introduced a further 988 beds into the market at the beginning of the 2020 academic year, resulting in increasing vacancies at The Fields.

Our response

To address this, Octodec reviewed and adjusted rental prices at The Fields to be comparable with or more attractive than that offered by the competition. We determined all-inclusive rates by combining rental, utilities and Wi-Fi. These prices are now charged on a per person basis, ranging from R3 000 to R4 100 per person, to enable accommodation sharing, and each student is charged in relation to their *pro rata* share.

Furnished and shared accommodation pilot project

Further to the adaption in our rentals, we undertook a pilot project to furnish 41 units (131 beds) to cater for students arriving from other provinces. These units can be rented with multiple leases per flat, allowing students the choice of a single apartment to themselves or the option to share with friends, depending on their budget. All these options are available furnished or unfurnished.

We carefully sourced suppliers and formulated an affordable, quality and attractive student offering that is comparable and competitive in the market.

The outcome

The pilot was launched at the start of the 2020 academic year and was well received, with a good return on investment, demonstrating the demand for an affordable and quality furnished offering. This traction was disrupted by the impact of COVID-19, which saw many of the students returning home amid the uncertainty. Despite this, and based on the positive feedback on the pilot project, we are adding 56 more units with 150 beds at a cost of R1.9 million in 2021.

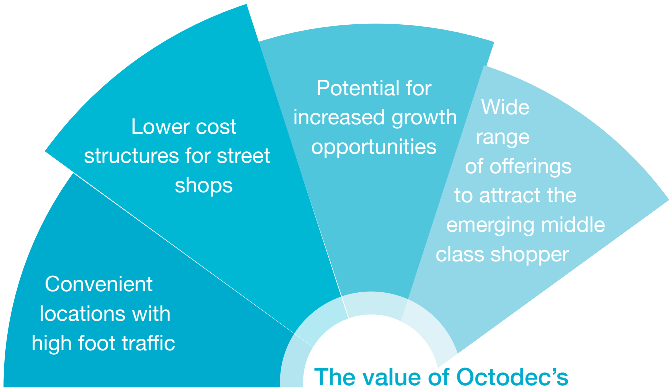
Visit us at thefieldspretoria.co.za

Retail

*Octodec's retail portfolio comprises a mix of **CBD retail shops** and **shopping centres in strategic nodes**.*

Our street shops are quality retail spaces on the ground floors of buildings and in walkways and arcades in the Tshwane and Johannesburg CBDs. We have invested in upgrades to contemporary retail standards in these spaces.

Our shopping centres are attractive community shopping centres. For each centre, we carefully select a mix of tenants that offer one-stop neighbourhood convenience.



The value of Octodec's street and shopping centre retail offering

*Retail street shops make up **19.8% of our portfolio GLA** and provide **23.4% of our rental income**.*

*Neighbourhood shopping centres make up **5.7% of our portfolio GLA** and provide **9.9% of our rental income**.*

Year in review

This year presented many challenges for the retail sector, with small businesses temporarily closing during the COVID-19 pandemic and some larger, national retailers vacating premises altogether. Octodec's diversified retail portfolio mitigated the overall impact on the group.

Less activity in the CBDs during the lockdown period impacted consumer spending in the cities. This was somewhat offset by Octodec's community shopping centre portfolio, with the accompanying trend for more localised shopping patterns during the pandemic.

Consumers are increasingly price conscious. This is beneficial for many of Octodec's smaller street shop retailers who offer value for money products. Nevertheless, increasing unemployment and more online spending is a concern for all our retail tenants.

Due to the external economic climate, upgrades are temporarily on hold while ongoing maintenance is prioritised. There is a higher risk of business rescue and tenant default. We monitor this closely and react quickly to negotiate assistance or lease termination, with a focus on retaining quality operators.

Focus areas for the year

- Completion of The Park in October 2019
- Negotiating COVID-19 rental discounts and endeavouring to reduce tenant defaults
- Providing COVID-19 safety measures

Outlook and future focus

The effect of COVID-19 restrictions on non-essential retail business remains to be quantified in terms of loss of income to the retail sector in South Africa as a whole. Cash-strapped consumers are shopping less with e-commerce gaining traction at the expense of bricks and mortar offerings.

Octodec is committed to working closely with retail tenants to drive foot traffic and create environments in which shoppers feel safe and comfortable. Our strategy is to continue to partner with our tenants to react quickly to market changes and offer more flexible leasing options.

Performance

Key performance statistics

	2020	2019
Number of tenants	**1 228**	1 284
Street shops (GLA m²)	**323 297**	336 435
Shopping centres (GLA m²)	**93 796**	94 012
GLA m²	**417 093**	430 447
Rental income – pre-COVID-19 relief		
Street shops rental income (R'million)	**361**	370
Shopping centres rental income (R'million)	**154**	146
Total rental income (R'million)	**515**	516
Growth in rental income year-on-year (like for like)		
Street shops rental income growth (%)	**(1.7)**	0.3
Shopping centres rental income growth (%)	**6.4**	2.2
Rental income – post-COVID-19 relief		
Street shops rental income (R'million)	**317**	370
Shopping centres rental income (R'million)	**142**	146
Total rental income (R'million)	**459**	516
Growth in rental income year-on-year (like for like)		
Street shops rental income growth (%)	**(13.8)**	0.3
Shopping centres rental income growth (%)	**(1.7)**	2.2
Retail total and core vacancies at year end (% of GLA m²)	**12.3**	12.3
Retail and street shops total and core vacancies (% of GLA m²)	**14.8**	14.4
Shopping centres total and core vacancies (% of GLA m²)	**3.7**	4.7

Our top 10 retail lessees

	Lessee	GLA m²
1	Shoprite Checkers	**26 322**
2	Pepkor	**20 736**
3	Pick n Pay	**13 060**
4	Standard Bank	**10 861**
5	Edcon (Jet and CNA)	**10 265**
6	Bidvest	**10 226**
7	Foschini Retail Group	**8 373**
8	Mr Price Group	**5 651**
9	AutoZone	**5 501**
10	Nedbank	**5 034**

Street shops performance

Our retail street shops are well-located and continue to offer shoppers a wide variety of offerings.

Retail tenants were assisted where necessary with COVID-19 relief in order to give the good-standing tenants the best chance of bouncing back when trade returns to normal. We have seen shoppers returning to the CBD and have not experienced any increased vacancies in our core retail nodes. However, we continue to experience rental reversions on renewal of leases.

We concluded the year on a high with another exciting deal in the CBD of Pretoria, with Adidas opening in October 2020, occupying almost 800m², and we are confident that they will add further value to the CBD.

Jet vacated from one of our buildings, and we are in the midst of concluding a new deal for a portion of the previously occupied space.

Our focus will remain on assisting those tenants who are proven operators in order to enable their survival through this difficult period.

Our street shops have an advantage over the typical shopping centres, with easy access to a variety of shops: fashion, services, food and the like.

Shopping centre performance

Johannesburg

Killarney Mall

Killarney Mall currently has 15 retail vacancies (10.0% of GLA). The mall remained open through the lockdown period; however, trade proved challenging for "non-essential" retailers, some of whom closed down. PNA opened a new store of nearly 1 000m². Premier Homeware, a high-end kitchen appliance store, opened at the end of October. After a tough few months, rentals and collections are returning to normal and the outlook is positive. The foot count was impacted by COVID-19 but it is improving at a fast pace to the levels seen in 2019.

Vacancy factor of

10.0%

at 31 August 2020 and rental income growth pre-COVID-19 relief of

3.3%

Woodmead Value Mart

Tenants offering sport fashion apparel have proven to be resilient in the current trading environment. Following the vacating of Flower Spot (16% of GLA), this space was subdivided into three new areas which will be occupied by exciting new tenants.

Vacancy factor of

0.6%

at 31 August 2020 and rental income growth pre-COVID-19 relief of

6.4%

Tshwane

The Park

The Park remained well supported during the COVID-19 restricted trading period and turnovers returned to normal in recent months.

Vacancy factor of

3.6%

at 31 August 2020 and rental income growth pre-COVID-19 relief of

19.6%

Waverley Plaza

The centre is well supported by the community and tenants proved resilient through the restricted trading conditions during the various lockdown levels.

Vacancy factor of

3.8%

at 31 August 2020 and rental income growth pre-COVID-19 relief of

6.5%

Gezina City

Gezina City's largest single tenant (92% of total GLA) recently renewed its lease.

Vacancy factor of

0.2%

at 31 August 2020 and rental income growth pre-COVID-19 relief of

4.1%

Blaauw Village

Blaauw Village is occupied by 82% national tenants and all leases were renewed.

Vacancy factor of

1.6%

at 31 August 2020 and rental income growth pre-COVID-19 relief of

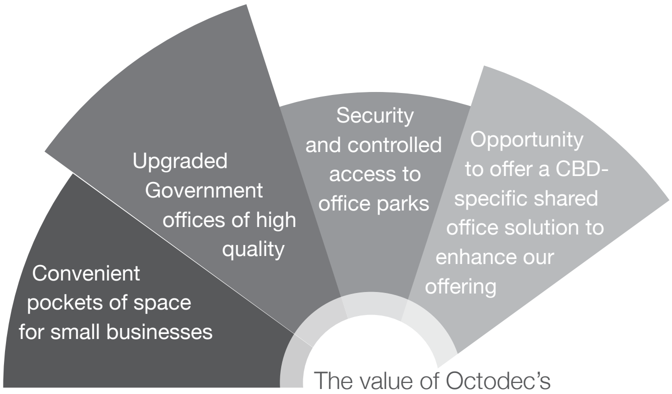
5.7%

Office

Octodec's office portfolio ranges from smaller, ***individualised pockets of office space*** *to larger premises suited to* ***Government*** *and* ***large corporate tenants****.*

The Rentmeester and Persequor office parks in Tshwane are examples of offerings suited to the requirements of Government and large corporates.

The Towers brand was specifically developed to meet the increasing demand for smaller, individualised offerings from newly qualified graduates starting out in the CBD, professionals and small enterprises.



The value of Octodec's diverse office offering

Total office space makes up ***25.2% of our total portfolio GLA*** *and provides* ***15.8% of our rental income****.*

Government offices represent ***51.0 % of our office rental income****.*

Year in review

Despite a challenging year for our office tenants due to the COVID-19 work restrictions, Octodec's Government tenants provided a stabilising factor in our office portfolio performance, with their collections remaining at 100%.

This, combined with the variety of Octodec's unit size offerings and mix of traditional and non-traditional office space for smaller tenants provides a degree of buffering from the risk of maintaining a portfolio in this oversupplied sector.

Reduced tenant affordability and a reluctance to commit to long-term leases is evident. Octodec's lease negotiations were entered into with tenant retention and flexible leasing in mind.

Focus areas for the year

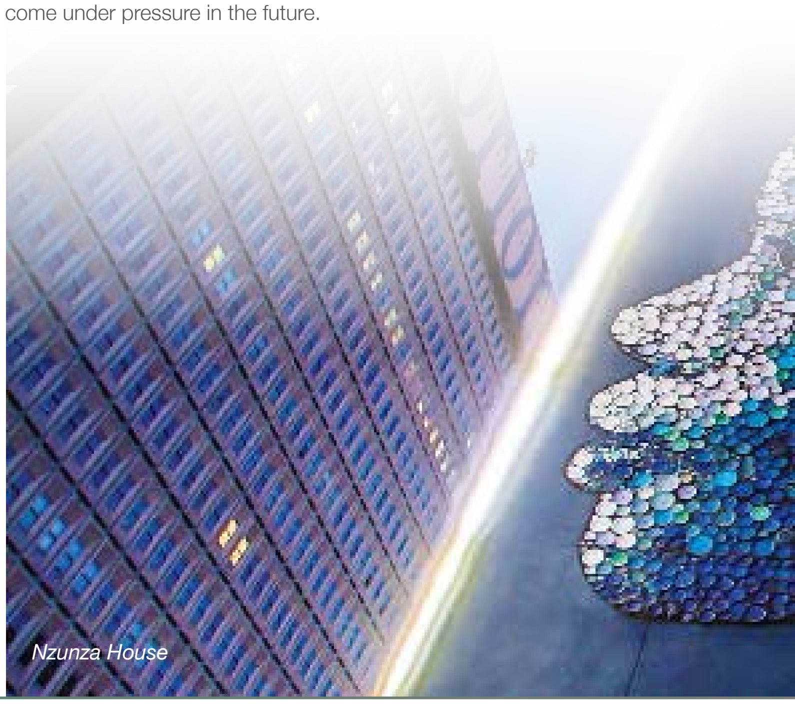
- Working together with tenants to ensure tenant retention
- Considering shared space options
- Offering attractive rentals and flexible short-term leases to entice start-up businesses and minimise barriers to entry for entrepreneurs

Outlook and future focus

It is uncertain how changing work patterns will affect the sector in the long term. Octodec monitors these trends closely to ensure that the portfolio remains relevant in a post-COVID-19 environment.

Octodec's offering of pockets of smaller office space is ideally poised to support the growing young entrepreneurial market and home-grown small business sector which is likely to see growth as a result of unemployment and the impact of COVID-19 on the economy.

COVID-19 affected office occupation, with large numbers of employees working from home, and rentals are expected to come under pressure in the future.


Nzunza House

Performance

Key performance statistics

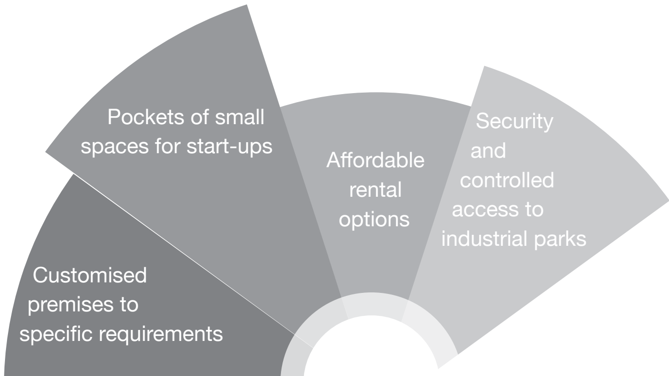
	2020	2019
Number of tenants	1 475	1 592
Let to Government (by % of total rental income from offices)	51.0	49.4
Other (by % of total rental income from offices)	49.0	50.6
GLA m²	411 608	412 627
Mothballed office space (GLA m²)	95 821	101 859
Mothballed office space (opportunities to sell, develop or partnerships) (%)	23.3	24.7
Rental income – pre-COVID-19 relief		
Rental income (R'million)	245	263
Growth in rental income year-on-year (like for like) (%)	(0.3)	0.6
Rental income – post-COVID-19 relief		
Rental income (R'million)	232	263
Growth in rental income year-on-year (like for like) (%)	(5.7)	0.6
Total vacancies at year end (% of GLA m²)	46.3	43.0
Core vacancies at year end (% of GLA m²)	23.0	18.3

Top 10 Government, *quasi* Government and municipal lessees

	Lessee	GLA m²
1	City of Tshwane Metropolitan Municipality	12 219
2	Department of Public Works	11 059
3	Special Investigating Unit	9 611
4	Department of Rural Development and Land Reform	9 528
5	Department of Justice	9 426
6	Commission for Conciliation, Mediation and Arbitration	9 398
7	South African Police Service	7 226
8	The Small Enterprise Development Agency	6 568
9	National Prosecuting Authority	5 488
10	Department of Home Affairs	4 374

Industrial

Our industrial offering includes small warehouses, mini factories, workshops and industrial parks. This portfolio is ***aimed at attracting small businesses to certain nodes****.*



The value of Octodec's industrial spaces

The industrial sector makes up ***14.4% of our total portfolio GLA*** *and provides* ***7.1% of our rental income****.*

Year in review

Power interruptions from Eskom continue to plague this sector, which was further hampered by the COVID-19 pandemic and subsequent impact on business continuity.

Although this sector is demonstrating flat growth, Octodec's offering of affordable smaller units for light industrial and mini-warehouse facilities reduces the barrier to entry for the emerging small manufacturers.

Outlook and future focus

The industrial sector may be slower to recover than others in a recessionary climate. However, demand for warehousing space may increase as e-commerce gains traction. Octodec will continue to customise premises to meet specific tenant requirements.

Focus areas for the year

- Attracting new tenants to our spaces
- Improvement in rental collections and decreasing arrears

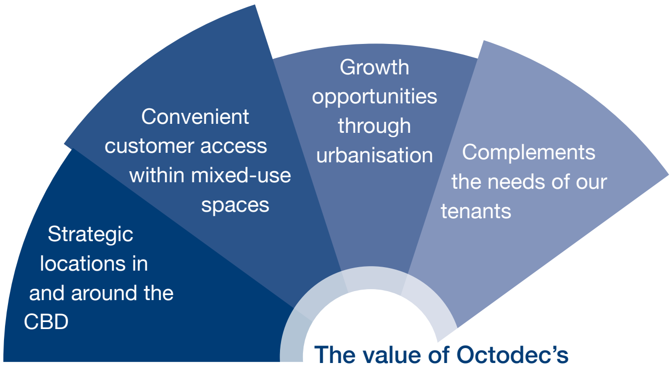
Performance

Key performance statistics

	2020	2019
Number of tenants	**407**	431
GLA m²	**234 600**	246 363
Rental income – pre-COVID-19 relief		
Rental income (R'million)	**110.0**	110.0
Growth in rental income year-on-year (like for like) (%)	**2.4**	3.6
Rental income – post-COVID-19 relief		
Rental income (R'million)	**98.0**	110.0
Growth in rental income year-on-year (like for like) (%)	**(9.3)**	3.6
Total vacancies at year end (% of GLA m²)	**13.2**	10.2
Core vacancies at year end (% of GLA m²)	**12.8**	9.3

Specialised and other

This specialised portfolio ***contributes to the needs of the communities we serve*** *in strategic nodes.*



The value of Octodec's specialised sector

Our specialised and other properties make up ***9.2% of our total portfolio GLA*** *and represent* ***12.5% of our rental income****.*

Year in review

Stringent regulations governing physical distancing during the COVID-19 pandemic meant that many of our tenants in this sector were unable to trade for a significant portion of the year. Travel and leisure activity was limited, universities and colleges were closed, and many tenants reduced trading hours.

In these circumstances, Octodec's focus is on tenant retention and assistance in rental reductions where necessary. Despite these tough operating conditions for tenants, Octodec has maintained vacancies at an acceptable level. Credit control in this sector has been tightened in the short to medium term while the focus is on reducing arrears and assisting many of our tenants.

Outlook and future focus

The hospitality and leisure industry was hard hit by the COVID-19 restrictions and may take longer to recover than other sectors. Educational facilities were also closed for a portion of the year and the resulting online options may change the way students access education in the future.

Octodec remains committed to the sustainability of this portfolio in the long term due to the strategic location and nature of the portfolio as supportive of the communities in which the company operates.

Focus areas for the year

- Tenant retention and assistance in rental reductions where necessary
- Expenditure control
- Reducing arrears

To comply with the JSE Listings Requirements and meaningfully analyse and understand the rental income from all sectors, 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 includes various parking facilities, such as stand-alone parking lots and parking within our buildings

Performance

Key performance statistics

Sector	2020 R million	2019 R million
Rental income – pre-COVID-19 relief		
Hotels	**20.7**	20.1
Places of worship	**7.1**	7.5
Educational facilities	**40.2**	31.0
Auto dealerships	**15.8**	16.9
Healthcare facilities	**37.0**	37.4
Parking	**72.5**	68.0
Rental income – post-COVID-19 relief		
Hotels	**18.3**	20.1
Places of worship	**5.6**	7.5
Educational facilities	**30.7**	31.0
Auto dealerships	**15.3**	16.9
Healthcare facilities	**33.3**	37.4
Parking	**71.0**	68.0

Growth on core rental income year-on-year (like for like)	Pre-COVID-19 relief %	Post-COVID-19 relief %
Hotels	**3.1**	(8.7)
Places of worship	**(4.3)**	(25.3)
Educational facilities	**4.1**	(20.4)
Auto dealerships	**(9.1)**	(12.1)
Healthcare facilities	**(2.0)**	(11.8)
Parking	**6.8**	5.0
Total	**2.2**	(7.8)

Sector	Number of tenants	Total GLA m^2	GLA %
Hotels	2	13 458	0.8
Places of worship	52	15 851	1.0
Educational facilities	51	68 118	4.2
Auto dealerships	3	15 722	1.0
Healthcare facilities	163	36 715	2.2
Parking	2 048	–	–
Total	2 319	149 864	9.2

PROPERTY PORTFOLIO INFORMATION

Property name	Residential	Industrial	Offices	Retail – shopping centres	Retail – street shops	Special-ised and other	Total GLA m²	Weighted average rental per m² at 31 August 2020 – commer-cial R	Weighted average rental per unit at 31 August 2020 – residen-tial R	Rental income R'000	Vacancy at 31 August 2020 %
Tshwane, Centurion											
FNB Centurion[1]	–	–	–	–	1 863	–	1 863	192	–	2 833	35.0
Lenchen Centre[1]	–	–	–	–	3 331	–	3 331	89	–	3 372	2.7
Lenchen Park[1]	–	5 435	–	–	–	–	5 435	82	–	4 827	–
Prime Cure House[1,2]	–	–	2 689	–	–	–	2 689	108	–	3 576	–
The Hangar[1]	20 654	–	–	–	102	–	20 756	42	6 478	19 459	19.7
Total	20 654	5 435	2 689	–	5 296	–	34 074	99	6 478	34 067	14.2
Tshwane, Hatfield											
Howzit Hilda[1]	1 251	–	–	–	–	–	1 251	–	7 130	1 149	62.7
Intersite[1]	–	–	2 379	–	3 189	–	5 568	146	–	5 944	4.5
Protea Hotel[1]	–	–	–	–	1 697	3 666	5 363	44	–	3 898	9.0
Talland[2]	–	–	–	–	570	–	570	29	–	180	–
The Fields[1]	29 661	–	8 941	–	8 921	9 792	57 315	142	3 135	86 246	21.5
Total	30 912	–	11 320	–	14 377	13 458	70 067	125	3 103	97 417	19.7
Tshwane, Hermanstad											
Erf One Eight One	–	12 784	–	–	–	–	12 784	34	–	3 614	20.4
Hannyhof Centre	–	–	–	–	553	–	553	72	–	459	70.3
Hardwood	–	1 112	–	–	–	–	1 112	35	–	437	–
Steyns Industrial Park	–	10 653	–	–	–	1 015	11 668	40	–	5 345	–
Talkar[1,2]	–	6 873	–	–	–	–	6 873	75	–	5 910	–
Total	–	31 422	–	–	553	1 015	32 990	46	–	15 765	9.1
Johannesburg and surrounding areas											
3 West Street[1]	–	–	1 746	–	1 642	–	3 388	110	–	2 111	32.3
CCMA Place[1]	–	–	3 503	–	649	–	4 152	102	–	4 667	6.9
Druthon Centre[5]	–	–	–	–	–	–	–	–	–	225	–
Erand Gardens[1,2]	–	–	2 663	–	–	–	2 663	52	–	2 372	–
Kempton Place[1]	25 422	–	3 097	–	5 786	1 047	35 352	61	5 020	30 846	27.0
Killarney Mall[1]	–	–	10 977	32 397	–	4 096	47 470	136	–	72 955	16.6
Kyalami Crescent[1]	–	9 469	–	–	–	–	9 469	60	–	5 295	–
McCarthy Midrand[1,2]	–	–	–	–	–	3 692	3 692	68	–	2 250	–
Motor City Strijdom Park	–	–	11	–	6 769	–	6 780	85	–	4 965	4.7
The Manhattan[3]	11 048	–	–	–	–	–	11 048	–	7 682	7 610	15.1
Woodmead Value Mart[1]	–	–	–	17 913	–	–	17 913	193	–	39 648	0.6
Total	36 470	9 469	21 997	50 310	14 846	8 835	141 927	124	6 637	172 944	14.7
Johannesburg, CBD											
Anderson Place[1]	–	–	5 180	–	205	–	5 385	116	–	4 357	69.1
Arlington House[1]	–	–	384	–	2 521	–	2 905	148	–	4 305	13.2
Armadale[5]	–	–	–	–	–	–	–	–	–	1 081	–
Bradlows Corner	–	–	926	–	1 523	–	2 449	131	–	862	74.7
Bram Fischer Towers[1]	–	–	9 784	–	1 896	–	11 680	95	–	9 255	41.2
Brisk Place[1]	3 850	–	12	–	2 387	–	6 249	71	4 220	5 350	13.9
Castle Mansions[1]	8 315	–	–	–	5 771	–	14 086	125	4 961	14 940	17.7
City Block	–	4 074	–	–	–	–	4 074	32	–	718	54.5
CPA Place[1]	4 033	–	666	–	760	–	5 459	107	4 729	6 535	17.5
Dan's Place[1]	6 793	–	–	–	2 401	–	9 194	110	4 442	8 693	21.2
Education Centre[1]	–	–	8 355	–	2 581	–	10 936	184	–	4 840	76.6
Elephant House[1]	–	–	4 777	–	–	–	4 777	113	–	2 287	50.8
Empisal	–	–	826	–	802	–	1 628	65	–	630	50.7

Property name	GLA per sector: Residential	Industrial	Offices	Retail – shopping centres	Retail – street shops	Special-ised and other	Total GLA m²	Weighted average rental per m² at 31 August 2020 – commer-cial R	Weighted average rental per unit at 31 August 2020 – residen-tial R	Rental income R'000	Vacancy at 31 August 2020 %
Essenby[1]	5 648	–	–	–	1 934	–	7 582	195	4 623	7 578	22.3
Fedsure House	–	–	19 869	–	27	–	19 896	–	–	1 295	100.0
Focus House[1]	–	–	2 656	–	350	27	3 033	90	–	1 444	30.1
Frank's Place[1]	10 071	–	–	–	3 398	–	13 469	118	4 893	15 560	16.7
Howard House	27	–	1 243	–	311	–	1 581	114	–	1 573	19.2
Inner Court[1]	–	–	12 760	–	10 788	–	23 548	77	–	11 676	54.5
Jeppe House[1]	–	–	59	–	2 610	5 674	8 343	72	–	5 267	0.7
John Street[1]	–	15 439	–	–	–	–	15 439	44	–	7 358	3.6
Kings City Parkade[1]	–	–	–	–	1 578	–	1 578	252	–	7 769	14.9
Klamson Towers[1]	–	–	5 085	–	1 431	–	6 516	110	–	4 774	29.4
Lara's Place[1]	6 242	–	783	–	973	–	7 998	146	4 661	8 852	27.8
Lister Medical Centre[1]	–	–	–	–	3 158	11 913	15 071	127	–	11 746	37.0
London House	–	–	3 978	–	334	–	4 312	91	–	1 815	25.7
Lusam Mansions[1]	2 712	–	146	–	506	–	3 364	105	4 144	3 660	30.7
Marlborough House[1]	–	–	7 429	–	829	–	8 258	125	–	10 806	11.2
Mr Price[1]	–	–	1 662	–	1 751	–	3 413	169	–	4 263	28.1
Nzunza House[1]	–	–	7 761	–	884	–	8 645	119	–	8 037	35.1
Plaza Place[1]	8 106	–	–	–	1 436	–	9 542	55	4 140	10 146	15.2
Presmooi	–	–	424	–	2 836	414	3 674	67	–	2 054	11.5
Record House[1]	1 865	–	–	–	503	–	2 368	185	3 912	2 650	10.1
Reinsurance House	–	–	15 034	–	–	–	15 034	–	–	–	100.0
Reliance Centre[1]	–	6 564	526	–	–	–	7 090	44	–	2 580	28.1
Ricci's Place[1]	11 124	–	–	–	1 726	–	12 850	146	4 427	15 776	23.3
Royal Place[1]	6 491	–	6 717	–	2 549	–	15 757	129	4 309	16 106	24.0
Selby 515[1]	–	6 416	–	–	–	–	6 416	50	–	3 155	6.1
Shoprite – Eloff Street[1,2]	–	–	22 338	–	9 402	–	31 740	33	–	3 322	72.3
Splendid Place[1]	8 313	–	–	–	988	–	9 301	145	4 671	8 744	9.8
Tali's Place[1]	14 148	–	2 555	–	2 727	–	19 430	75	4 217	17 219	21.1
Temple Court[1]	2 307	–	–	–	331	–	2 638	149	4 681	2 896	8.4
The Brooklyn[1]	4 338	–	–	–	2 157	–	6 495	62	3 489	6 709	14.5
Union Club[1]	2 813	–	–	–	955	–	3 768	187	3 696	4 351	24.1
Vuselela Place[1]	8 600	–	24	–	944	–	9 568	178	4 434	11 065	14.8
Wits Technikon[1,2]	–	–	–	–	–	16 937	16 937	33	–	4 068	–
Works@Main	–	–	3 935	–	974	–	4 909	48	–	1 413	56.3
Total	115 796	32 493	145 894	–	79 237	34 965	408 385	87	4 167	289 580	36.0
Tshwane, Arcadia											
470 Pretorius Street[2]	–	917	–	–	–	–	917	38	–	127	–
Apollo Centre	–	–	3 111	–	1 000	4 880	8 991	85	–	4 373	27.1
Benrico[1]	–	–	–	–	503	1 939	2 442	66	–	882	5.2
BP Leyds Street[1,2]	–	–	–	–	1 411	–	1 411	79	–	1 780	–
Corner Place	4 167	–	–	–	–	–	4 167	–	5 001	6 255	10.8
Craig's Place[1]	5 384	–	–	–	–	–	5 384	–	4 942	8 767	18.5
LPA Beleggings[2,5]	–	–	–	–	–	–	–	–	–	81	–
Leo's Place	6 087	–	106	–	175	–	6 368	176	4 719	8 979	20.9
Ludwigs[2]	–	1 529	–	–	–	–	1 529	47	–	908	–
MBA Building	–	–	3 050	–	–	–	3 050	95	–	2 880	9.3
McCarthy Church Street[1,2]	–	–	–	–	–	2 760	2 760	124	–	4 025	–
Monaco[5]	–	–	–	–	–	–	–	–	–	26	–
Nedbank Plaza[1]	10 806	–	4 548	–	11 373	–	26 727	104	6 551	19 787	38.1
Numall[1]	–	–	–	–	1 103	4 117	5 220	85	–	4 989	13.7
Provisus[1]	–	–	5 172	–	–	682	5 854	100	–	6 723	13.9
Tiny Town 3[4]	–	–	–	–	–	–	–	–	–	–	–
Tiny Town 1	310	–	–	–	–	–	310	–	1 750	42	100.0
Tiny Town 2	1 245	–	85	–	–	–	1 330	–	7 676	990	34.8
Total	27 999	2 446	16 072	–	15 565	14 378	76 460	92	5 110	71 614	23.7

Property name	GLA per sector: Residential	Industrial	Offices	Retail – shopping centres	Retail – street shops	Special-ised and other	Total GLA m²	Weighted average rental per m² at 31 August 2020 – commer-cial R	Weighted average rental per unit at 31 August 2020 – residen-tial R	Rental income R'000	Vacancy at 31 August 2020 %
Tshwane, CBD											
012central	425	1 812	3 223	–	5 480	7 582	18 522	52	5 145	7 089	39.5
228 Pretorius Street	–	–	–	–	641	2 844	3 485	98	–	3 695	–
250 Pretorius Street	69	–	2 922	–	963	107	4 061	118	–	3 360	23.7
28 Church Square[1]	–	–	6 545	–	302	–	6 847	95	–	7 452	0.1
Alec's Place[1]	5 273	–	–	–	484	–	5 757	143	5 865	6 138	19.9
Amanda Court[1]	1 506	–	–	–	1 453	–	2 959	95	5 251	2 655	0.4
AVN[1,2]	–	–	7 073	–	–	–	7 073	90	–	8 548	–
Bank Towers[1]	–	–	5 792	–	1 735	–	7 527	119	–	7 915	25.0
Bosch Building[2]	–	–	–	–	–	–	–	–	–	435	–
Boschurch	–	–	–	–	922	–	922	78	–	691	–
Burlan[1]	–	–	1 072	–	244	635	1 951	108	–	853	54.9
Callaway[1]	–	–	–	–	576	1 426	2 002	52	–	617	28.8
Capitol Towers North[1]	–	–	12 086	–	1 887	–	13 973	97	–	16 034	0.3
Central House[1]	43	–	3 615	–	1 898	36	5 592	140	–	5 260	16.3
Central Towers	–	–	6 321	–	804	334	7 459	121	–	6 326	24.2
Centre Place[1]	7 476	–	766	–	3 304	–	11 546	171	4 310	16 323	25.0
Centre Walk[1]	–	–	20 015	–	5 392	–	25 407	113	–	34 336	5.6
City Corner[1]	–	–	–	–	913	547	1 460	113	–	1 775	9.0
City Place[1]	10 503	–	–	–	1 974	–	12 477	111	4 514	20 780	14.4
City Towers[1]	–	–	2 164	–	780	–	2 944	208	–	1 717	73.5
CPA House[1]	–	–	4 579	–	3 314	–	7 893	82	–	7 010	1.2
Curpro[2,4]	–	–	157	–	–	–	157	–	–	562	100.0
Cuthchurch[1]	–	–	474	–	5 237	3 945	9 656	73	–	5 700	15.7
Daloria[1]	–	–	–	–	1 538	–	1 538	62	–	791	12.3
Demar Building[1]	3 995	–	–	–	1 551	–	5 546	47	5 074	4 632	22.0
Du Proes	–	–	–	–	373	1 386	1 759	67	–	989	–
Dupro (7)[4]	–	–	–	–	–	–	–	–	–	250	–
Dusku[2]	–	–	–	–	336	–	336	60	–	269	–
Eland House	1 600	–	–	–	411	–	2 011	143	5 502	1 821	6.4
Filkem House	–	–	3	–	645	890	1 538	139	–	1 798	–
Govpret[1]	–	–	5 868	–	348	–	6 216	96	–	7 894	3.0
Hacklu Enterprises	–	–	–	–	683	–	683	127	–	805	–
Indacom	–	2 423	366	–	1 127	2 001	5 917	30	–	2 025	11.7
Jardown[1]	–	3 063	1 646	–	1 999	1 595	8 303	51	–	3 859	35.7
Jeff's Place[1]	14 793	–	–	–	–	–	14 793	–	4 775	23 101	10.1
Joan's Place[1]	886	–	–	–	207	–	1 093	126	4 174	1 531	14.5
Letari Building	–	1 097	–	–	1 031	840	2 968	39	–	972	–
Lisa's Place	3 734	–	–	–	–	–	3 734	–	4 950	5 263	10.5
Locarno House	–	–	5 098	–	272	–	5 370	96	–	5 020	15.9
Louis Pasteur[1]	–	158	7 161	–	2 849	25 389	35 557	102	–	37 054	12.3
Midtown	–	–	7 442	–	1 097	–	8 539	162	–	1 839	94.2
Navy House[1]	–	–	5 576	–	1 305	–	6 881	116	–	4 302	33.9
Olivetti House	–	–	3 232	–	604	–	3 836	77	–	2 975	11.9
One on Mutual[1]	6 188	–	488	–	1 718	–	8 394	114	5 785	12 428	26.3
Orpheum Mansions	1 579	–	–	–	474	665	2 718	44	5 502	1 924	12.6
Parking@Sophie de Bruyn[4]	–	–	–	–	–	–	–	–	–	270	–
Perl Modes Building[1]	–	–	–	–	587	1 583	2 170	84	–	1 588	2.1
Pete's Place[1]	7 385	–	–	–	127	–	7 512	194	4 559	9 464	12.5
Potmeul[4]	–	–	–	–	–	–	–	–	–	–	–
Potproes	–	2 882	–	–	5 702	638	9 222	52	–	3 637	24.1
Poyntons[1]	–	–	–	–	3 035	–	3 035	83	–	2 418	–
Praetor Forum[1]	–	–	4 518	–	1 587	–	6 105	115	–	7 618	17.3
Premium Towers[1]	–	–	6 232	–	1 491	–	7 723	139	–	6 931	29.8
Pretjolum[1]	–	1 062	127	–	3 944	1 709	6 842	61	–	3 280	15.6
Prime Towers[1]	–	–	3 547	–	498	73	4 118	111	–	3 567	15.0
Prinsben	–	–	–	–	1 129	183	1 312	92	–	916	19.7
Prinschurch	–	–	11 358	–	1 775	–	13 133	129	–	2 948	86.1
Prinsman	5 355	–	25	–	6 175	749	12 304	76	4 459	14 883	13.4
Prinsproes	–	–	–	–	1 643	2 979	4 622	39	–	1 192	12.3

Property name	GLA per sector							Weighted average rental per m² at 31 August 2020 – commer-cial R	Weighted average rental per unit at 31 August 2020 – residen-tial R	Rental income R'000	Vacancy at 31 August 2020 %
	Residential	Industrial	Offices	Retail – shopping centres	Retail – street shops	Special-ised and other	Total GLA m²				
Prinstruben	–	–	–	–	2 209	–	2 209	47	–	927	66.3
Protea Towers[1]	–	–	8 545	–	821	5	9 371	100	–	8 241	22.9
Provincial House	–	–	1 197	–	1 850	–	3 047	109	–	227	43.8
Rapier[1]	–	–	–	–	920	–	920	228	–	2 158	–
Ross Electrical	–	–	–	–	263	–	263	95	–	278	–
Russell's Place[1]	7 979	–	–	–	1 049	–	9 028	127	4 692	10 638	17.0
Samchurch	–	–	–	–	189	–	189	236	–	525	27.0
SchoeCourt	–	1 449	–	–	681	321	2 451	44	–	681	44.1
Scott's Corner	–	–	–	–	4 810	–	4 810	102	–	5 465	–
Sharon's Place[1]	15 459	–	–	–	5 736	–	21 195	144	4 865	31 539	14.0
Shepstru[1]	–	–	23	–	1 727	1 300	3 050	50	–	1 122	18.9
Shoprite[1]	–	–	4 029	–	14 871	–	18 900	66	–	12 384	20.9
SKD	–	2 631	50	–	533	828	4 042	39	–	1 561	6.2
Standard Bank Chambers[1]	–	–	7 782	–	–	–	7 782	100	–	7 755	8.4
Station Place[1]	12 667	–	4 199	–	732	–	17 598	158	4 430	19 259	36.7
Steyn's Place[1]	15 756	–	–	–	1 893	–	17 649	144	4 900	24 122	13.3
Steynscor	–	–	1 042	–	2 770	–	3 812	212	–	7 268	5.6
Time Place[1]	5 256	–	–	–	743	–	5 999	159	4 438	7 856	13.2
Toitman	–	–	–	–	–	2 124	2 124	21	–	1 272	–
Tom's Place[1]	11 160	–	–	–	–	–	11 160	–	4 969	17 794	15.8
Tuel	–	–	–	–	1 093	–	1 093	82	–	838	–
Valcourt	–	–	1 114	–	557	904	2 575	56	–	550	54.1
Vanstrub	–	1 989	–	–	2 434	–	4 423	79	–	2 136	25.8
Viskin[2,5]	–	–	–	–	–	–	–	–	–	6	–
Van Riebeeck Building	–	–	8 167	–	–	–	8 167	–	–	–	100.0
Volks Building[1]	–	–	–	–	–	–	–	–	–	332	–
Total	139 087	18 566	175 639	–	130 445	63 618	527 355	93	4 725	510 455	21.3
Tshwane, East											
The Park Shopping Centre[1]	–	–	1 266	10 660	–	–	11 926	172	–	19 444	9.2
Odeon Forum[1,2]	–	–	3 102	–	–	–	3 102	176	–	7 117	–
Total	–	–	4 368	10 660	–	–	15 028	173	–	26 561	7.3
Tshwane, North											
Blaauw Village[1,3]	–	–	–	7 265	–	–	7 265	145	–	11 210	1.6
Erf Agt Nul Nege	–	–	402	–	1 096	257	1 755	63	–	1 016	30.1
Erf Six Five One	–	1 355	–	–	–	–	1 355	51	–	648	–
Normed[1]	–	–	2 656	–	3 208	–	5 864	73	–	3 761	24.5
Ramreg	978	–	–	–	993	–	1 971	84	4 148	1 558	9.2
Rosnew	–	1 402	–	–	5 035	–	6 437	111	–	6 606	13.4
Total	978	2 757	3 058	7 265	10 332	257	24 647	107	4 148	24 797	12.7
Tshwane, Other											
Persequor Park[1]	–	–	8 074	–	–	–	8 074	114	–	12 760	–
Rentmeester Park[1]	176	–	12 083	–	–	–	12 259	95	–	15 981	4.1
Total	176	–	20 157	–	–	–	20 333	103	–	28 741	2.5
Tshwane, West											
Asland[1]	–	4 807	469	–	–	–	5 276	37	–	1 978	10.5
Carlzeil[1]	–	7 574	813	–	290	–	8 677	35	–	2 304	17.7
Goleda	–	5 879	–	–	411	765	7 055	25	–	1 374	21.0
Henwoods	–	3 577	–	–	–	–	3 577	56	–	1 831	7.4
H&S Mansions	708	2 055	6	–	1 085	–	3 854	26	4 454	1 191	9.0
Imbuia	960	–	–	–	–	–	960	–	5 527	709	9.1
Ischurch	472	2 913	208	–	2 857	384	6 834	36	4 368	2 159	23.7
Jakaranda	2 451	–	–	–	–	–	2 451	–	4 644	1 838	3.1
Kiaat	2 974	–	–	–	–	–	2 974	–	4 646	2 154	–
Lasmitch Properties[2]	–	201	–	–	3 071	–	3 272	35	–	1 067	–
Lutbridge	–	4 197	729	–	886	–	5 812	44	–	1 729	29.5
Metromitch	2 818	3 128	484	–	3 163	1 739	11 332	34	4 860	4 598	16.9
Mimosa	1 569	–	–	–	–	–	1 569	–	5 672	1 148	5.5
Mitchpap	–	1 779	–	–	1 262	1 373	4 414	35	–	1 504	5.8

Property name	Residential	Industrial	Offices	Retail – shopping centres	Retail – street shops	Special-ised and other	Total GLA m²	Weighted average rental per m² at 31 August 2020 – commer-cial R	Weighted average rental per unit at 31 August 2020 – residen-tial R	Rental income R'000	Vacancy at 31 August 2020 %
	GLA per sector										
Nedwest Centre	–	7 216	–	–	2 128	–	9 344	53	–	4 110	29.1
Panag Investments	–	1 237	–	–	733	–	1 970	45	–	964	–
Rosemitch[1]	1 152	2 697	–	–	–	–	3 849	26	4 700	2 347	19.6
Rovon Investments	–	3 405	–	–	435	464	4 304	41	–	1 824	10.8
Soutwest Properties	–	1 839	–	–	–	–	1 839	77	–	1 450	–
Syringa	3 219	–	–	–	–	–	3 219	–	4 963	2 300	10.8
Total	16 323	52 504	2 709	–	16 321	4 725	92 582	39	4 582	38 581	15.4
Tshwane, Silverton and surrounding areas											
Brianley	–	7 414	3 012	–	–	1 034	11 460	39	–	4 307	1.9
Janvoel	–	916	–	–	882	–	1 798	37	–	541	11.3
Sildale Park	–	22 734	35	–	73	–	22 842	51	–	11 710	3.9
Silver Place[1]	15 708	–	347	–	9 104	981	26 140	88	5 458	21 901	9.3
Silverfas[5]	–	–	–	–	–	–	–	–	–	640	–
Silvertondale 36	–	1 472	346	–	–	–	1 818	56	–	1 073	–
Tomzeil[1]	–	6 191	395	–	–	–	6 586	39	–	3 014	–
The Tannery Industrial Park[1]	–	35 709	1 286	–	889	–	37 884	47	–	15 947	15.1
Total	15 708	74 436	5 421	–	10 948	2 015	108 528	51	5 430	59 133	8.7
Tshwane, Sunnyside											
Karelia Flats[1]	2 172	–	–	–	–	–	2 172	–	4 723	2 363	28.1
Les Nize Flats[1]	1 624	–	–	–	–	–	1 624	–	4 231	2 563	8.9
Savyon Place[1]	2 196	–	–	–	687	–	2 883	166	5 885	2 346	21.2
Selmar[1]	1 290	–	–	–	–	–	1 290	–	5 659	953	31.2
Sunnyside Galleries[1]	284	–	–	–	3 200	606	4 090	94	4 933	3 609	2.1
The Village[1]	–	–	–	–	4 205	818	5 023	66	–	2 413	18.4
Unity Heights[1]	2 032	–	–	–	590	–	2 622	168	6 540	2 236	15.3
Total	9 598	–	–	–	8 682	1 424	19 704	90	5 058	16 483	16.1
Tshwane, Waverley, Gezina, Moot											
Bouwer Broers	–	–	–	–	2 719	–	2 719	43	–	931	–
Gerlan[1,2]	–	–	–	–	–	5 174	5 174	139	–	6 063	–
Gezina City Shopping Centre[1]	–	–	–	16 218	–	–	16 218	73	–	14 079	0.2
Motor City Capital Park	–	3 417	–	–	4 044	–	7 461	73	–	5 551	0.9
Orion	1 494	–	–	–	391	–	1 885	38	4 661	1 327	19.5
Ou Holland	1 674	–	–	–	958	–	2 632	68	5 194	1 736	16.8
Swemvoor	–	1 030	–	–	1 353	–	2 383	29	–	715	0.3
Trekfred	–	–	–	–	2 792	–	2 792	76	–	1 716	23.0
Trekmin	3 660	625	326	–	4 438	–	9 049	81	5 171	7 624	7.6
Troymona	380	–	–	–	–	–	380	–	8 886	107	–
Waverley Plaza Shopping Centre[1]	–	–	1 958	9 343	–	–	11 301	180	–	19 881	3.8
Total	7 208	5 072	2 284	25 561	16 695	5 174	61 994	97	5 101	59 730	4.7
Total	420 909	234 600	411 608	93 796	323 297	149 864	1 634 074	89	4 443	1 445 868	21.7
Investment properties 100% held	420 909	234 600	411 608	86 531	323 297	149 864	1 626 809	89	4 443	1 434 657	21.8
Investment properties 50% held	–	–	–	7 265	–	–	7 265	145	–	11 211	1.6
	420 909	234 600	411 608	93 796	323 297	149 864	1 634 074	89	4 443	1 445 868	21.7

[1] *Properties securing long-term borrowings (notes 6 and 19)*
[2] *Single tenanted property*
[3] *Properties in which the group has a 50% interest*
[4] *Land*
[5] *Sold*

OUR **IMPACT**

Our people

*By using their **skills, competencies and experience,** our people make it possible for us to achieve our aspiration of **creating value** beyond financial return and **achieving our strategic objectives**.*

*We recognise that **our people** are one of the key driving forces of our organisation.*

220
employees
219
Building employees

Group company secretary

(FY2019: 224)

9 years
average length of service

95%
of our employees are black

(FY2019: 94%)

20%
of our employees are female

(FY2019: 20%)

140
training sessions provided to our employees

(FY2019: 108)

Octodec's onsite building employees manage our portfolio and our relationships with our tenants. We remunerate fairly and embed our employees with our value system of honesty and integrity. We develop our employees' skills through training and invest in their wellness.

Human resources strategy

- We articulate the purpose and prospects of our business
- Our company culture is embedded at every level
- We treat our people fairly
- We engage meaningfully with our people

Our HR and transformation strategy aims to:

- Understand challenges/obstacles that prevent optimal performance
- Understand areas that require development with a view to creating opportunities by securing relevant training, both departmentally and individually
- Provide a safe, positive and inspiring working environment
- Understand and respond to the needs and concerns of employees
- Provide feedback and input that can help improve the working environment

Learning and development

Skills development remains critical to the growth and development of the property portfolio.

	Male employees				Female employees				
Training programme	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Total**
Induction	5				1				**6**
Learnership: electrical engineering	2								**2**
Building managers coaching sessions	35				3			1	**39**
Employment Equity	9			1	1			2	**13**
Ethics awareness training	14				2	1			**17**
Liberty roadshow (primary care)	40	1			21	1			**63**
Total	**105**	**1**		**1**	**28**	**2**		**3**	**140**

A: African C: Coloured I: Indian W: White

Our commitment to social development

Octodec's diversified portfolio of niche properties generates both ***direct and indirect value*** *to the local communities and stakeholders they serve.*

We believe in the country and its people*, which creates a great sense of purpose in what we do.*

R2.2 million	R179.6 million	86.6%	
invested in non-cash enterprise development	spent on procurement from black-owned companies	of 508 suppliers comply with B-BBEE requirements	Favourable payment terms (less than 30 days) are negotiated with suppliers to improve their cash flow
(FY2019: R2.8 million)	(FY2019: R161.0 million)	(FY2019: 87.0%)	

Octodec invests in long-term, sustainable property solutions. We ensure that the needs and concerns of our tenants, combined with efficient operations, drive our business strategy.

Thanks to our unique understanding of our properties, nodes and the people who live and work there, we are able to design, construct and manage residential and retail spaces that deliver value, convenience and lifestyle enhancements to our tenants, their patrons and visitors to the area.

Urban regeneration

Octodec invests in the CBDs to better those environments. We contribute towards the rejuvenation of our inner cities by constantly improving our buildings and uplifting the surrounding areas. Our tenants have benefited as a result of our investment into practical and lifestyle-enhancing improvements. We provide light, bright, safe and contemporary spaces.

We work together with voluntary City Improvement Districts to support initiatives that seek to improve the public spaces around our properties. 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, including cleaning, security and other initiatives that make these areas more appealing.

Local economic growth

Octodec wants its small business tenants to succeed and contribute to the growth of small business that is so important in South Africa. Their success benefits us all. Octodec supports many small businesses in our supply chain of building maintenance, redevelopment and upgrades. These businesses contribute to our economy by attracting growth and innovation.

Entrepreneur growth

Octodec employs the services of Raizcorp as part of our supplier development programme. Raizcorp incubates entrepreneurs to accelerate their business success. Octodec sponsored individuals from 12 companies selected from our existing suppliers as well as other businesses, in a variety of industries to join the comprehensive Raizcorp Prosperator Project.

As at August 2020, two of the entrepreneurs under enterprise development have successfully completed their programme. Nine of the entrepreneurs from both enterprise and supplier development are scheduled to complete their programme before the end of the 2020 calendar year and the last one will complete the programme in 2021 calendar year. The areas of focus for the entrepreneurs included improving sales and marketing, bookkeeping, business and financial management and people management. While the entrepreneurs were also severely impacted by the lockdown and COVID-19 pandemic, indications are that their business performance is beginning to improve as a result of the learning achieved.

Our corporate social investment

*Octodec **assists communities in need** around the areas where we operate with meaningful initiatives that we have selected for **our socioeconomic development programme**.*

*We are defined by our actions, not our words. **We expand by giving back.***

Total CSI spend **R1 009 979** (FY2019: R728 622)	=	**R350 000** invested in education related projects (FY2019: R150 000)	+	**R659 979** (including non-monetary spend of R70 000) invested in support of children and homeless people, including 120 690 meals (FY2019: R500 000; 100 000 meals)

Rise Against Hunger

Rise Against Hunger is committed to packing meals to meet the needs of the hunger crisis in South Africa utilising their warehouses around the country. They have redesigned and re-imagined their traditional packing lines to ensure the safety of all their employees.

Octodec sponsored 120 690 meals.

POPUP (People Upliftment Programme)

POPUP is a fully-fledged skills training and development centre that focuses on empowering youth to develop the skills necessary for them to find employment or start their own enterprises.

Octodec sponsored 18 unemployed youths for various short courses, six of whom are completing the Early Childhood Development course that includes a small monthly stipend from us.

ACFS (Community Education and Feeding Scheme)

ACFS is a non-profit organisation (NPO) committed to food security, subsistence and transformation. They address malnutrition, poverty, hunger, and play a leading role in empowering communities with skills that lead to self-reliance and independence. This year, in response to the COVID-19 pandemic and subsequent lockdown, ACFS created weekly emergency food hampers to support vulnerable families.

Octodec sponsored an integrated programme in Tsakane that reached 325 children, 25 teenage girls, and 114 women in the Garden Project. It also distributed 3 497 family food parcels.

Stationery Drive

For the past four years Killarney Mall has worked to support Thembelenkosini Care Givers who provide an aftercare service where children have a safe haven to play, do their homework and learn valuable life skills. Killarney Mall, together with our tenants, external sponsors and the community undertook to collect stationery in December 2019 in order to provide stationery to Thembelenkosini Care Givers in early 2020. We were able to provide stationery stock for up to one year for the children at Thembelenkosini and food for lunches for the children for six months.

Walter Sisulu Environmental Centre

This education centre focuses on curriculum based educational activities that support teachers and motivate learners with outcomes-based activities that are stimulating, fun and informative.

Octodec sponsored 1 200 learners to participate in the education programme.

Forever Friends

This NPO works closely with the Department of Social Development to assist and ease the pain and trauma of abused and abandoned children. They provide street children and children who are removed from abusive homes with a Life Line Kit when they are placed in shelters. Each kit contains clothing, footwear, a full range of toiletries, a towel, face cloth, a book, sweets and a soft toy for comfort.

Octodec sponsored the non-clothing content for 300 Life Line Kits.

Millions Comfort Campaign

Along with many of the major feminine hygiene brands, Octodec has joined the Caring4Girls Programme to donate millions of sanitary pads to girls who do not have access to them, with the objective of keeping girls in schools.

Octodec sponsored 1 000 packets of sanitary pads.

Dignity Dreams

Dignity Dreams believes that every woman in South Africa deserves access to safe and hygienic sanitary products. Their goal is to help women reclaim the dignity that poverty denies them and to enable women to make a lasting and positive impact on the communities they live in and society as a whole.

Octodec has assisted this cause for many years by providing a rent-free space valued at R70 000 for the year.

Resource efficiencies

*Octodec **proactively monitors energy consumption** and implements sustainable options for waste management through our waste management partners.*

*We are continually seeking options to reduce consumption through **innovative technology** or **intensive management**.*

Octodec is committed to preserving our natural resources. We do this through the continual 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, and we apply National Energy Regulator of South Africa (NERSA) mandated regulations to the tariffs we charge our tenants to ensure they are fair.

Waste management

Waste to energy initiatives are being investigated as longer term, more sustainable options for the disposal of waste that cannot be recycled. We are considering the viability of renewable sources of energy.

Total waste[1]

General waste[2]
5 596 514kg

Recyclable waste[3]
246 518kg

Industrial waste
260 004kg

Specialised waste
197 336kg

Paper	22 548kg
Cardboard	171 925kg
Plastic	27 998kg
Glass	14 820kg
Cans (tinplate)	9 281kg

Wood	194 000kg
Dough	3 015kg
Fluorescent Tubes	321kg

The following table shows the highlights of the recycling outcomes reported by a few of our larger properties.

Recycled waste highlights (kg)

Site	Paper	Cardboard	Plastic	Glass	Cans
Killarney Mall	11 854	14 529	10 482	13 186	1 043
The Tannery	283	2 954	1 353	443	113
Nzunza House	1 289	1 429	1 613	956	311
Sildale	772	2 403	1 987	115	172
Lenchen Park and Centre	1 789	1 628	1 245	115	205
Sharon's Place	5 382	4 628	9 984	0	7 080
Kyalami Crescent	1 179	595	1 334	5	357
Total	22 548	28 166	27 998	14 820	9 281

[1] *Measured buildings: we measure and report on waste from 158 of 167 buildings*
[2] *Excludes recyclable waste*
[3] *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*

Waste management partners

We use the services of both conventional and specialised recycling companies, some of which are showcased here.

Conventional waste companies recycle cardboard, paper, plastic, glass and tinplate can waste.

- **Apple Green** is our main conventional recycling programme partner and is a member of the United Nation's Intergovernmental Panel on Climate Change, regulated by the Institute of Environmental Management and Assessment. They recycle all waste types and we are investigating waste to compost and waste to energy initiatives with them.
- **A Bach Waste** is a waste recycler supporting community and school recycling efforts. They also collect food waste at shopping centres and commercial and residential buildings that have food tenants.

Specialised recycling companies recycle our light tubes and bulbs, wood and food waste.

- **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.

We have installed the **Odorcure Molok System** at five properties. This popular waste solution is uniquely designed to eliminate odours, contamination or maggots by cooling waste underground.

Compliance, training and guidance

Waste suppliers provide training to their on-site sorters, as well as training on how to handle chemicals. Specialised training is provided both on and off-site. At selected sites, waste informative placards are placed to show tenants which types of waste can be recycled.

Our property managers have 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.

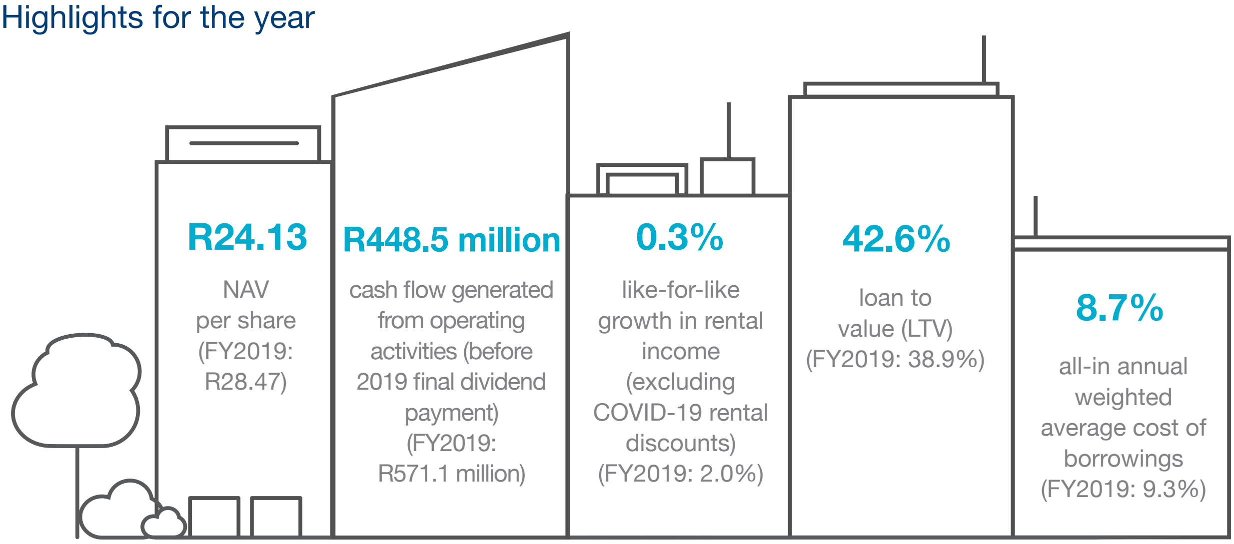
Water wise

The majority of our garden suppliers have low maintenance water wise initiatives in place. They provide selected sites with industry recognised water wise plants, such as indigenous plants, succulents and cacti, irrigated via drip-lines. 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 from leaves and bark chips to reduce the amount of water that our plants need. We have also introduced low maintenance artificial plants.

Killarney Mall

FIVE YEAR FINANCIAL REVIEW

Highlights for the year



Five year review

	2020	2019	2018	2017	2016
Investment property and straight-line rental accrual (R'000)	**11 764 010**	12 846 539	12 743 363	12 549 048	12 065 688
Shareholders' funds (R'000)	**6 423 928**	7 578 599	7 824 398	7 828 229	7 413 800
Interest-bearing borrowings (R'000)	**4 690 740**	4 978 079	4 846 533	4 826 334	4 779 027
Revenue – earned on contractual basis net of COVID-19 rental discounts (R'000)	**1 886 052**	1 990 886	1 893 806	1 836 251	1 767 871
Net property income – earned on contractual basis* (R'000)	**854 367**	982 777	946 020	914 802	906 337
Interest received (including interest income from joint venture (JV)) (R'000)	**16 281**	21 580	28 994	28 750	20 455
Interest paid (net of interest capitalised) (R'000)	**451 542**	467 385	438 881	408 702	394 751
Distribution (R'000)*	**–**	534 984	541 444	536 432	510 750
Profit/(loss) on sale of investment property (R'000)	**1 739**	2 629	(916)	2 943	8 490
Net operating profit to rental income (%)	**45.3**	49.3	49.8	51.3	50.1
Net operating profit to property investments (%) (average yield)	**7.3**	7.6	7.4	7.3	7.5
Expenses (net of recoveries) to rental income (%)	**40.4**	36.7	35.6	36.0	34.8
Shares in issue ('000)	**266 198**	266 198	266 198	266 864	254 551
Distribution per share (cents)*	**–**	200.9	203.4	203.1	201.5
Growth in distribution per share (%)*	**–**	(1.2)	0.1	0.8	6.5
Net asset value per share (NAVPS) (cents)	**2 413**	2 847	2 939	2 933	2 913
Market price per share (cents)	**598**	1 592	2 958	2 274	2 299
Market capitalisation at year end (R'000)	**1 591 861**	4 237 864	5 478 345	6 068 495	5 852 127

* *Refer to chairman's review on page 6*

FINANCIAL DIRECTOR'S REVIEW

At the beginning of FY2020 we were concerned about the impact of the slow economic growth in South Africa and were expecting a challenging year, with performance expected to be similar to FY2019. For the six-month period ended 28 February 2020 we reported results which were substantially on track to achieve this, until mid-March when Government announced a state of disaster in response to COVID-19.

We have finished the year on a sound financial footing and are benefiting from the work completed over the past few years to build and maintain the strength of our balance sheet. The company's history of disciplined capital management and continued focus on our strategic priority to optimise our balance sheet, has positioned Octodec well to deal with the economic fallout due to COVID-19. This was supported by Global Credit Ratings (GCR) confirming Octodec's long-term national scale issuer rating of A-(za) and short-term issuer rating of A2(za). The rating outlook changed to "negative" from "stable". The negative outlook reflects the REIT sector's and the industry's susceptibility to elevated covenant and funding risk exacerbated by COVID-19 related disruptions.

Distributable earnings and distribution

Within the space of a few months, COVID-19 has acted as a major disruptor for our business and impacted the performance of the portfolio. Total distributable earnings decreased by 22.0% compared to FY2019, from R535.0 million to R417.4 million, or 200.9 cents to 156.8 cents per share.

Octodec has deferred its decision regarding its final dividend for FY2020 until February 2021, in line with the extension of two months afforded to REITs by the JSE to distribute at least 75% of its distributable earnings by no later than four months after its financial year end. If a decision to pay dividends is taken, Octodec intends to pay no more than the minimum distribution requirement of 75% of its distributable earnings for FY2020 to retain its REIT status. The Octodec board will make a decision on the final dividend after consideration of, inter alia, liquidity requirements, interest cover and LTV ratios. Our historic policy of distributing 100% of distributable earnings is not sustainable, and reducing the distribution and retaining capital will help protect our balance sheet and position us well to navigate the economic recovery phase.

The simplified income statement and reconciliation to our statutory profits below aims to disclose the basis on which the distributable earnings is calculated for the year ended 31 August 2020. 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.

	%	Audited 31 August 2020 R'000	Audited 31 August 2019 R'000
Revenue			
Earned on contractual basis	(0.1)	1 989 630	1 990 886
COVID-19 rental and recoveries discounts		(103 578)	–
Earned after rent relief granted	(5.3)	1 886 052	1 990 886
Property operating expenses and impairment provision	1.2	(940 655)	(929 594)
Property income	(10.9)	945 397	1 061 292
Administrative and corporate expenses	(15.9)	(91 030)	(78 515)
Operating profit	(13.1)	854 367	982 777
Share of income from joint venture		2 262	3 253
Profit before finance costs		856 629	986 030
Net finance costs	(2.8)	(436 198)	(448 541)
Profit after finance costs	(21.8)	420 431	537 489
Amount attributable to Edcon rent reduction		(3 046)	(2 505)
Distributable earnings attributable to shareholders	(22.0)	417 385	534 984

"The company's history of **disciplined capital management and continued focus on our strategic priority** to optimise our balance sheet, has positioned Octodec well to deal with the economic fallout due to COVID-19."

Reconciliation of earnings to distributable earnings:

	Audited 31 August 2020 R'000	Audited 31 August 2019 R'000
Total comprehensive (loss)/income attributable to shareholders	**(891 780)**	295 647
Profit on sale of investment properties	**(1 739)**	(2 629)
Gain on derecognition of investment in joint venture	**–**	(3 029)
Fair value changes		
Investment property	**1 054 865**	138 873
Investment property – joint venture	**(1 674)**	(342)
Unlisted equity shares – Edcon	**3 046**	2 505
Interest rate derivatives	**226 024**	91 221
Straight-line rental income accrual	**5 556**	8 191
Impairment of loans receivable	**12 795**	–
Taxation – deferred	**13 338**	7 052
Amount attributable to Edcon rent reduction	**(3 046)**	(2 505)
Distributable earnings attributable to shareholders	**417 385**	534 984

Net property income

Gross contractual revenue decreased by 0.1% to R1.990 billion for FY2020. The year-on-year decrease in rental income after COVID-19 discounts amounted to 5.3%. The ratio of property expenses, both on a gross and net basis, increased relative to rental income when compared to FY2019, largely due to reduced rental income. While most property costs were reduced or contained during the lockdown period, an increase in bad debts and expected credit loss (ECL) provisions of R20.5 million against trade receivables impacted the expense ratio. We have been prudent in our consideration of the impact of the ongoing COVID-19 pandemic on our accounting recognition for ECL provision against trade receivables. Refer to note 36 of the annual financial statements (AFS) for further information on the ECL provisions.

FY2020 administration costs of R91 million increased by 15.9% compared to FY2019. 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 R3.657 million per month. Further details of these fees are set out on page 138 of the AFS.

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

	Audited 31 August 2020 %	Audited 31 August 2019 %
Property costs		
Gross basis	**49.9**	46.7
Net basis (net of recoveries)	**34.1**	31.6
Total property and administration costs		
Gross basis	**54.7**	50.6
Net basis (net of recoveries)	**40.4**	36.7

Finance costs

Net finance costs decreased by 2.8% to R436.2 million (FY2019: R448.5 million) as a result of the recent decreases in bank lending rates and a decrease in borrowings to R4.69 billion (FY2019: R4.98 billion). The weighted average interest rate for borrowings, before and after costs relating to the hedging of interest rates, was 5.3% and 8.7% respectively. While unprecedented decreases in interest rates have taken place over recent months, bank margins have increased, and this trend is expected to continue. Octodec's interest rate risk is 95.9% hedged, and therefore we do not benefit to the full extent from the recent decrease in interest rates.

Balance sheet optimisation

With the uncertainty caused by COVID-19, unprecedented weak local economic conditions and global financial markets, we put in place a number of measures to increase our focus on liquidity management, including:

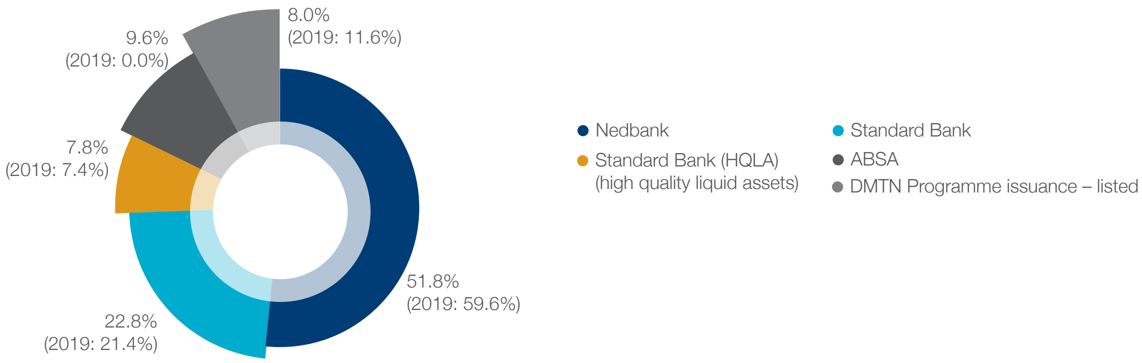
- Halting incurring costs on new projects and curtailing expenditure on existing upgrades
- Extensive and regular forecasting, sensitivity analysis and modelling of cash flows and stress-testing balance sheet metrics under different potential scenarios
- Diversifying our source of funders by securing a three and four-year term loan facility in the amount of R225 million each with ABSA
- Increasing our cash resources and undrawn banking facilities to R413.5 million from R245.3 million at 28 February 2020
- Extending our hedging maturity profile and increasing overall interest rate swaps as a percentage of debt at favourable interest rates
- Proactively engaging with our banks to extend upcoming debt maturities and relax the group ICR covenants, given the impact of COVID-19 relief measures and trade receivable impairments on profitability for FY2020
- Regularly presenting collections, liquidity position and cash flow forecasts to the board

The improved collections post the COVID-19 hard lockdown were particularly pleasing, reflecting our strong operating cash flows from our diversified tenant base and benefits of the deferral of development and other expenditure. The liquidity management measures and interventions introduced to mitigate the impact of COVID-19 continue to remain firmly in place. We continue to:

- Ensure disciplined and conservative financial management with a board imposed LTV target of between 40% and 45% in the short to medium term and below 40% in the longer term
- Maintain a policy of interest rate hedging of at least 80% of our debt to minimise adverse fluctuations in interest rates, for a weighted average term to maturity of at least 2.5 to 3.0 years
- Minimise cost of funding
- Manage refinance risk by terming out our loans to at least 2.5 years
- Manage our ICR of at least 2 times cover
- Continue to diversify our source of funding
- Continue to generate strong cash flows from operations
- Optimise the management of our treasury function

Issue	2020 outcomes	2021 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 FY2020 is 42.6% (FY2019: 38.9%), well within our covenant levels of 50%. The increase in LTV is mainly attributable to the downward revaluation of the property portfolio amounting to R1.055 billion. Our net proceeds of R98.2 million from capital recycling activities assisted us in reducing debt.	To continue and aim to reduce LTV levels by way of property disposals and an improved performance of the property portfolio. Distribution pay-out not to exceed the minimum distribution requirement of 75% of distributable earnings, and capital expenditure to be limited to 25% of distributable earnings.
Interest rate hedging	We entered into additional swap contracts and extended maturities on certain short dated swap contracts to three and four years and took advantage of the favourable swap interest rates. This has resulted in a hedged position in FY2020 of 95.9% of debt, with a hedge maturity of 2.7 years.	To maintain at levels of at least 80% of debt, with a maturity profile of between 2.5 and 3.0 years.
Minimising cost of funding	We continued to ensure that our cost of funding is aligned with competitive pricing from our funders.	Our average weighted cost of funding, excluding and including the cost of hedging, is at 5.3% and 8.7% respectively. We continue to investigate various options to reduce our cost of funding.
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. Our bankers approved the extension of terms of all bank loans maturing prior to 30 June 2021, leaving R592.8 million (12.6%) of debt expiring in FY2021. The debt maturity profile as at the end of FY2020 is at 2.4 years.	To maintain a maturity profile of at least 2.5 years and ensure that not more than 25% of our debt matures within any financial year.
Managing our ICR of at least two times cover	Our ICR was at 2.0 times for the 31 August 2020 measurement period. Our bankers approved the relaxation of group ICR covenants for the 31 August 2020 measurement period to 1.75 times.	To put greater focus on managing the ICR which is expected to be similar to FY2020.
Continuing to diversify our source of funding	We continued to minimise refinance risk through diversified sources and providers of finance.	To continue to diversify our funding sources, while remaining sensitive to pricing.
Strong group cash flow from operations	The group generated strong cash flow from operations before interest of R909.6 million (FY2019: R1 024.0 million) and R448.5 million (FY2019: R571.1 million) after net finance costs, which was utilised mainly to fund the final 2019 dividend, investment activity and reducing debt. The group has R413.5 million (FY2019: R585.5 million) of facilities available as at 31 August 2020.	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, taking the most extreme scenarios into account.

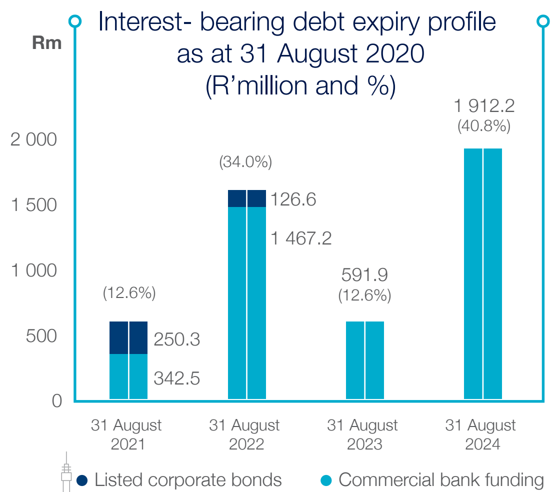
Current funding sources

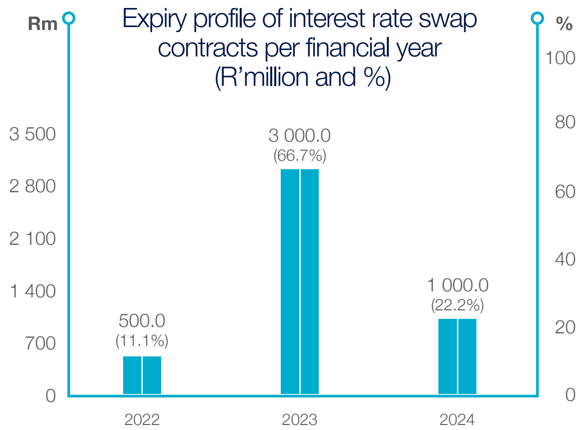


Review of financial position and working capital

	31 August 2020		31 August 2019	
	Amount R'million	Weighted average interest rate per annum %	Amount R'million	Weighted average interest rate per annum %
Interest-bearing borrowings				
Bank borrowings	3 946.4	5.6	4 030.0	8.8
Nedbank	2 430.2	5.8	2 965.0	8.9
Standard Bank	1 067.2	5.2	1 065.0	8.6
ABSA	449.0	5.3	–	0
DMTN Programme	744.3	5.2	948.1	8.5
Listed – unsecured	376.9	5.1	578.8	8.4
Unlisted – secured – Standard Bank (HQLA)	367.4	5.4	369.3	8.8
Total borrowings	4 690.7	5.3	4 978.1	8.7
Cost of swaps		3.4		0.6
Total cost of borrowings		8.7		9.3

	31 August 2020	31 August 2019
LTV (%)	42.6	38.9
Borrowings hedged (%)	95.9	85.4
Weighted average term of debt (years)	2.4	2.9
Weighted average term of interest rate swaps (years)	2.7	3.0
Weighted annual average cost of borrowings (all-in cost) (%)	8.7	9.3
Undrawn debt facilities available and cash on hand on demand (R'million)	413.5	585.5





DMTN strategy

Octodec participates in a DMTN Programme through its subsidiary, Premium Properties Ltd that is guaranteed by Octodec. The debt capital market generally offers more attractive pricing but is extremely sensitive to market sentiment. In consequence, a number of investors have taken a negative view of the South African REIT sector and did not re-invest into our unsecured listed commercial paper on maturity. This resulted in Octodec having to repay a net amount of R201.9 million in the period under review.

At the end of FY2020, the total issuance was at R376.9 million (FY2019: R578.8 million), or 8.0% (FY2019: 11.6%) of the group's borrowings.

We are carefully monitoring the impact that COVID-19 as well as the weaker economy will continue to have on the debt capital market. We have sufficient liquidity to repay our investors if the negative market sentiment persists.

Investment property

The group's property portfolio valuation, excluding its share in joint venture, amounted to R11.8 billion at the end of FY2020 (FY2019: R12.8 billion). 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.

The entire property portfolio recorded a net valuation decline of R1.055 billion with a significant portion occurring in the second half, reflecting current market conditions impacted by COVID-19 and the macroeconomic environment. The decreases were across all the sectors in which we operate.

COVID-19 has created unprecedented economic uncertainty in relation to the inputs underpinning the property valuation. Given the volatility in markets and the lack of certainty around economic recovery, it is possible there will be movements in key inputs such as rental income, vacancies and the capitalisation rates after 31 August 2020. The uncertainty exists largely as a result of the assessment of rentals on expiry of leases, the potential of increased vacancies in the market and the difficulty for many businesses to maintain turnover in the current environment.

We will continue to closely monitor market conditions on asset valuations, particularly in the context of the impact of COVID-19 and our trading conditions.

For further details on investment property refer to pages 121 to 124 of the AFS.

Fair value changes and NAV

Our statutory loss of R891.8 million was largely due to a decline in investment property valuations of R1.055 billion (FY2019: R138.9 million loss) and the mark-to-market valuation of interest rate swap contracts amounting to a loss of R226.0 million for FY2020 (FY2019: R91.2 million loss). As a result, at the end of FY2020, the NAV per share was R24.13 decreasing from R28.47 at the end of FY2019.

SA REIT Association Best Practice Recommendation

The SA REIT Association issued a second edition Best Practice Recommendations (BPR), which deals with best practice reporting for SA REITs. The second edition BPR is effective for financial years starting after 1 January 2020. Octodec will endeavour to comply with the recommendations contained in the BPR for FY2021.

Outlook for FY2021

Although it is difficult to predict the outcome of FY2021 with certainty, in the coming months we will be committed to the continuation of our strategy and positioning the business for the future. We are mindful of the importance of distributions to many of our shareholders and aim to balance this with our future capital needs to ensure our portfolio is well positioned for the uncertainty that lies ahead and for the recovery phase thereafter.

Due to uncertainty arising from COVID-19 and the further impact on our operating conditions, Octodec will not be providing distributable earnings guidance at this point.

Anthony Stein
Financial director

9 December 2020

ABRIDGED CORPORATE GOVERNANCE REPORT

Our board

Non-executive directors

Sharon Wapnick (57*)

Qualifications:
BA LLB *(cum laude)*

Designation:
Non-executive Chairman

Date of appointment as Chairman:
1 October 2011

Date of appointment:
4 October 1994
(25 years 9 months*)

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

Significant other public company directorships:
Transaction Capital Ltd

Number of non-significant directorships:
35

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

Experience:
Sharon 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.

* *Ages and tenures as at 31 August 2020*

Myron Pollack (72*)

Qualifications:
CA(SA)

Designation:
Non-executive director

Date of appointment:
4 October 1994
(25 years 9 months*)

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

Significant other public company directorships:
None

Number of non-significant directorships:
4

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, environment/sustainability, technology and information governance, integrated thinking, reporting and IIRC <IR> Framework, legal, corporate finance, mergers and acquisitions, banking and insurance industry experience, supply chain operations, internal and external audit, tax, treasury, IFRS, management consulting, stakeholder engagement and investor relations

Experience:
Myron, in partnership with his late father, practised as a Chartered Accountant for more than 30 years. The accountancy practice was sold in 2001. During his tenure there, Myron successfully developed and managed a privately owned, diversified property portfolio.

Myron 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 (53*)

Qualifications:
CA(SA)

Designation:
Financial director

Date of appointment:
1 July 2009
(11 years 1 month*)

Board committee memberships:
Member of the risk committee

Significant other public company directorships:
Premium Properties Ltd

Number of non-significant directorships:
17

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, integrated thinking, reporting and IIRC <IR> Framework, corporate finance, mergers and acquisitions, internal and external audit, tax, treasury, IFRS, JSE Listings Requirements, stakeholder engagement and investor relations

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
(21 years 9 months*)

Board committee memberships:
Member of the risk committee

Significant other public company directorships:
Premium Properties Ltd

Number of non-significant directorships:
64

Skills and expertise:
Finance, industry experience (property), general leadership, management and business operations, risk and opportunity management, strategy development, corporate and social affairs, environment/sustainability, human resources and remuneration, consumer marketing, supply chain operations, 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.

* *Ages and tenures as at 31 August 2020*

Independent non-executive directors

Derek Cohen (68*)

Qualifications:
AEP (Unisa)

Designation:
Lead independent non-executive director

Date of appointment:
1 October 2009
(10 years 9 months*)

Board committee memberships:
Chairman of the nominations committee and the independent subcommittee 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:
5

Skills and expertise:
Corporate and property finance, general leadership, management and business operations, legal, regulatory and corporate governance, risk and opportunity management, strategy development, technology and information governance, human resources and remuneration, mergers and acquisitions, banking and investment banking experience, internal and external audit, treasury JSE Listings Requirements, management consulting and investor relations

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.

Gerard Kemp (66*)

Qualifications:
MSc (Mining Engineering), DPLR, MDP

Designation:
Independent non-executive director

Date of appointment:
1 October 2013
(6 years 9 months*)

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:
3

Skills and expertise:
Corporate finance, industry experience (property), general leadership, management and business operations, risk and opportunity management, strategy development, corporate and social affairs, environment/sustainability, human resources and remuneration, integrated thinking, reporting and IIRC <IR> Framework, mergers and acquisitions, investment banking and mining industry experience, JSE Listings Requirements, management consulting, stakeholder engagement and investor relations

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.

* *Ages and tenures as at 31 August 2020*

Nyimpini Mabunda (43*)

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

Designation:
Independent non-executive director

Date of appointment:
11 February 2019
(1 year 5 months*)

Board committee memberships:
None

Significant other public company directorships:
None

Number of non-significant directorships:
14

Skills and expertise:
General leadership, management, business operations, risk and opportunity management, strategy development, corporate and social affairs, consumer marketing, insurance and telecommunications industry experience, management consulting, digital transformation and investor relations

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 chief executive officer of General Electric South Africa (Pty) Ltd and sits on various portfolio company boards for Ethos Private Equity.

Maggie Mojapelo (55*)

Qualifications:
BA (Hons) (Education), MAP, Dip HR, MBA

Designation:
Independent non-executive director

Date of appointment:
1 March 2020
(6 months*)

Board committee memberships:
Member of the SERT committee

Significant other public company directorships:
The Rand Mutual Assurance Company Ltd and RMA Life Assurance Company Ltd

Number of non-significant directorships:
4

Skills and expertise:
Industry experience (property), general leadership, management and business operations, strategy development, corporate and social affairs, technology and information governance, human resources and remuneration, consumer marketing, transport, manufacturing, financial, technology, beverage, fast moving goods, insurance, banking and mining industry experience, supply chain operations, management consulting, internal and external audit and investor relations

Experience:
Maggie is the founder and an executive director of The HR Touch (Pty) Ltd, a human resources consulting and business management company. She is currently the chairperson of Edge Growth Business Development (Pty) Ltd and chairperson of the remuneration committee of Rand Mutual Assurance Company Ltd. Maggie has extensive HR and board experience and is a member of notable industry organisations.

* *Ages and tenures as at 31 August 2020*

Independent non-executive directors

Pieter Strydom (72*)

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

Designation:
Independent non-executive director

Date of appointment:
6 February 2012
(8 years 5 months*)

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

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:
2

Skills and expertise:
Corporate finance, industry experience (property), general leadership, management and business operations, legal, regulatory and corporate governance, risk and opportunity management, technology and information governance, integrated thinking, reporting and IIRC <IR> Framework, banking and insurance industry experience, internal and external audit, tax, treasury, IFRS and management consulting

Experience:
Pieter has 48 years of experience in external auditing, special investigations and all disciplines of risk management.

Louis van Breda (64*)

Qualifications:
CA(SA)

Designation:
Independent non-executive director

Date of appointment:
1 March 2020
(6 months*)

Board committee memberships:
Member of the audit and risk committees

Significant other public company directorships:
None

Number of non-significant directorships:
1

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, environment/ sustainability, technology and information governance, integrated thinking, reporting and International <IR> Framework, mergers and acquisitions, industry experience (mining), internal and external audit and IFRS

Experience:
Louis has deep sector knowledge and experience in construction and real estate, manufacturing and engineering, aerospace and defence and mining and metals. He is currently the independent chairman of the audit committees of Nkomati Nickel (a joint venture between African Rainbow Minerals Ltd and Norilsk Nickel) and ARM Coal (Pty) Ltd (a joint venture between African Rainbow Minerals Ltd and Glencore Plc). Prior to his retirement, he was a senior assurance partner at Ernst & Young for over 30 years.

* *Ages and tenures as at 31 August 2020*

Governance structure

Octodec's corporate governance structure is designed to create sustainable value.

Our governance structures and processes enable oversight and ensure that the group is on the right journey to deliver our vision. The governance framework articulates how decisions are made, to ensure compliance with legal and regulatory requirements but also to drive streamlined outcomes-based decision-making. A number of governance policies provide context for execution in terms of the delegation of authority.

Further detail on our governance structures and alignment to the principles of King IV are available on our website at www.octodec.co.za/about-transparency/king-iv-assessment-report.

Board and committees

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, and are fully aligned with the King IV principles, practices and outcomes and sets out the board's composition, procedures and responsibilities. The Memorandum of Incorporation (MOI) addresses the special powers of the company and the board.

Each of Octodec's board committees, which also act as the committees for Octodec's subsidiaries, are chaired by an independent non-executive director and mandated by specific terms of reference. The terms of reference are fully aligned with King IV principles and include specific statutory requirements. These are reviewed and updated annually as necessary by the board committees and the board to ensure alignment with best practice and statutory requirements.

The board charter and detailed duties of each committee as set out in their respective terms of reference are available on Octodec's website www.octodec.co.za/about-transparency/board-charter-terms-of-reference.

The activities and matters discussed at board and board committee meetings are guided by annual work plans over the course of a financial year.

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, from the review of operational reports, significant acquisitions and disposal of properties, project approvals, to matters of strategy, finance, capital expenditure, significant group-wide policies and frameworks and other special items.

The chairmen of the board committees report back on the statutory duties and board-assigned responsibilities 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 and distinct. For the entire period under review, non-executive director, Sharon Wapnick, was the Chairman of the board and Jeffrey Wapnick was the managing director. The separate roles of the Chairman and managing director are clearly articulated in the board charter, to ensure a balance of power and authority and preclude any one director from exercising unfettered powers of decision-making.

Chairman	The Chairman, who sets the ethical tone for the board and the group, is responsible for leading the board and for its effectiveness. As Sharon Wapnick is not independent, Derek Cohen is the LID. The Chairman promotes the highest standards of corporate governance, assisted by the group company secretary.
LID	The appointment of the LID becomes effective and he starts serving actively in this capacity where the Chairman is absent or not able to perform her duties for whatever reason or where the independence of the Chairman of the board is questionable or impaired. The LID actively serves in this capacity for as long as the circumstances that caused the Chairman's absence, inability or conflict exists. The LID provides a communication channel between the Chairman and non-executive directors. The LID supports the Chairman on all corporate governance issues and leads the biennial review of board effectiveness.
Managing director	Jeffrey Wapnick is accountable to the board for all aspects of the performance and management of the group. This includes the development and effective implementation of the board-approved medium- and long-term strategy and vision that will realise the company's core purpose and values and generate satisfactory levels of shareholder value, while managing risk. He plays a key role in providing a link between management and the board and ensuring that board decisions are communicated and implemented.

King IV

Following the 2019 independent assessment of Octodec's compliance with King IV, the board is comfortable that the King IV principles are all applied, bespoke application explained in detail and their application leads to the intended outcomes. Octodec continues to focus on improving certain practices. Octodec's application of the King IV principles can be found on our website: https://www.octodec.co.za/about-transparency/king-iv-assessment-report/

Board and committee evaluation

The board, with the assistance of the nominations committee, conducts performance assessments of the Chairman, the board, committees and individual members every alternate year, as per the King IV recommendation. In October 2020, the board assessed its own performance and the appropriateness and effectiveness of its procedures and processes.

The evaluation assessed ethical leadership, the board's role in setting and overseeing the strategic plan, risk management and opportunity governance, technology, compliance and remuneration governance, assurance, stakeholder relationships, efficiency of core board processes, board dynamics and culture, governance structures, board composition, board expertise, time management, board support, the committees and chairmen as well as priorities for change. Evaluation results were tabled at the nominations committee and board meetings held in October and November 2020, respectively.

Although no material matters of concern were noted from the evaluation, the board took cognisance of areas in which improvements could be made, and plans are being put in place to implement these improvements.

Appointments and changes to board committees

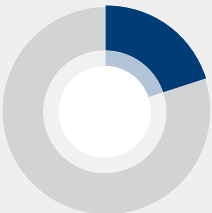
The nominations committee oversaw the appointment of two new independent non-executive directors, Maggie Mojapelo and Louis van Breda, and the reconstitution of the board committees, which took effect from 1 March 2020.

The terms of the independent non-executive directors' appointments are detailed in their formal letters of appointment and they completed detailed induction sessions enabling them to rapidly contribute optimally.

Following Pieter Strydom's resignation from his position as a member of the SERT committee, Maggie Mojapelo joined the SERT committee. Myron Pollack resigned from his position as a member of the audit committee and Louis van Breda was appointed to the audit and risk committees on 1 March 2020. The group's audit committee now comprises four independent non-executive directors.

Inclusiveness: Gender, age, racial and skills diversity

Female representation:

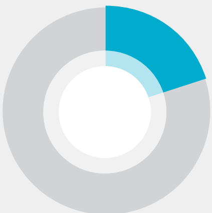


20%
(FY2019: 1/8 or 12.5%)

2/10 directors are female

Target 25%

Black representation:



20%
(FY2019: 1/8 or 12.5%)

2/10 directors are black

Target 25%

Independence:

60%
(FY2019: 4/8 or 50%)

6/10 directors are independent

Commitment:

Directors' attendance

99.5%
(FY2019: 98%)

Target 100%

Tenure and age:

Executive directors

Average years **16.55** (FY2019: 15.55)

Average age **56.00** (FY2019: 55.50)

Non-executive directors

Average years **10.14** (FY2019: 12.30)

Average age **62.00** (FY2019: 62.50)

All directors

Average years **11.42** (FY2019: 13.11)

Average age **60.80** (FY2019: 60.75)

Diversity of skills and expertise:

Finance

7/10 directors (FY2019: 7/8)

70% (FY2019: 87.5%)

Industry experience (property)

9/10 directors (FY2019: 7/8)

90% (FY2019: 87.5%)

General leadership, management and business operations

10/10 directors (FY2019: 8/8)

100% (FY2019: 100%)

Legal, regulatory and corporate governance

6/10 directors (FY2019: 4/8)

60% (FY2019: 50%)

Risk and opportunity management

9/10 directors (FY2019: 8/8)

90% (FY2019: 100%)

Strategy development

9/10 directors (FY2019: 7/8)

90% (FY2019: 87.5%)

Board committee memberships and attendance

Director	Board[1]	Audit[5]	Nominations	Risk[6]	SERT[7]	Subcommittee
Derek Cohen	13/13	5/5	1/1*	4/4	3/3	2/2*
Gerard Kemp	13/13	5/5	1/1	4/4	3/3*	2/2
Nyimpini Mabunda	13/13	2/5	–	1/4-	–	1/2
Maggie Mojapelo[2]	5/13	1/5	–	1/5	2/3	–
Myron Pollack	13/13	5/5	1/1	4/4	3/3	2/2
Anthony Stein	13/13	5/5	1/1	4/4	3/3	2/2
Pieter Strydom[3]	13/13	5/5*	1/1	4/4*	2/3	2/2
Louis van Breda[4]	7/13	2/5	–	2/4	–	–
Jeffrey Wapnick	13/13	5/5	1/1	4/4	3/3	2/2
Sharon Wapnick	13/13*	5/5	1/1	4/4	3/3	–

* *Chairman*

– *Not applicable*

By invitation | Permanent invitee

[1] *Includes six scheduled board meetings, the AGM, three strategic sessions and three special COVID-19 related meetings*

[2] *Appointed to the board effective from 1 March 2020 and tendered apologies for the meetings held on 10 and 11 March 2020*

[3] *Resigned from the SERT committee from 1 March 2020*

[4] *Appointed to the board effective from 1 March 2020*

[5] *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*

[6] *External advisers and invitees who regularly attend risk committee meetings: shared City Property/Octodec chief risk officer, shared City Property/Octodec internal auditor*

[7] *External advisers and invitees who regularly attend SERT committee meetings: independent remuneration consultant, HR executive: City Property, shared City Property/Octodec chief risk officer, managing director and financial director of Octodec*

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 is performed annually. The 2020 assessment concluded that Derek 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 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.

Our board and board committee activities

Board

"The board actively oversaw and assured COVID-19 crisis management in ways Octodec has never had to do before."

Sharon Wapnick
Chairman of the board

Overview

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.

The board considers the valuations of the properties in the company's portfolio, disposals, acquisitions, major upgrades, developments and redevelopments proposed by management. It ensures proposals are in line with the company's overall strategy and that appropriate due diligence procedures are followed when acquiring or disposing of properties, which are considered biannually, or at such shorter intervals as deemed necessary.

The board charter was reviewed and updated in November 2019.

2020

2020 key focus areas

Beyond its usual duties, the board specifically focused on the following:

- Oversaw and assured Octodec's COVID-19 crisis management to safeguard the group's key assets, value drivers, reputation, viability and future value

2021

2021 key focus areas

- Reform and refocus Octodec's strategic vision and medium to long-term strategy
- Continue investing time to understand the real impact of COVID-19 and the consequential decisions, as well as subsequent interventions
- Actively oversee and assure the group's COVID-19 crisis management
- Develop a forward-looking agenda to ensure the group strategically aligns itself with the "new normal" post-COVID-19
- Effective implementation of the capital recycling programme post stabilisation of the economic climate to reduce the elevated LTV ratio resulting from portfolio revaluations
- Continued enhancement of the integrated thinking and reporting processes

Group audit committee

"The group audit committee plays a critical role during the COVID-19 pandemic and economic crisis by providing valuable, independent financial oversight."

Pieter Strydom
Chairman of the group audit committee

Overview

The group audit committee members are independent non-executive directors and are elected by the shareholders at the AGM (see page 156).

The group audit committee is an independent statutory committee in terms of section 94(2) of the Companies Act. Its primary responsibility is as audit committee for Octodec, but it also fulfils the role of a group committee for all its subsidiaries as permitted by section 94(2)(a) of the Companies Act.

The committee's role is to provide independent oversight of the effectiveness of Octodec's internal financial control environment, its assurance functions and services, and the integrity of the annual financial statements and related reporting. It also monitors IT governance. Although the governance of risk is delegated to the risk committee, the group audit committee oversees the governance of financial and other risks that affect the integrity of Octodec's financial reporting.

The formal terms of reference were reviewed and updated in April 2020. The committee is satisfied that it complied with its legal, regulatory and other responsibilities during the financial year ended 31 August 2020. The statutory group audit committee report is included on pages 105 to 107 of the AFS.

2020

2020 key focus areas

Beyond its usual duties, the group audit committee specifically focused on the following matters:

- Monitored financial soundness and sustainability in the context of COVID-19 and severe economic challenges and market volatility by regularly reviewing financial results, actual and forecasted cash flows, various financial scenarios and compliance with debt covenants
- Reviewed the outcome of the external independent assessment of the group's combined assurance model, which was aligned with best practice, to entrench the assurance principles within the group. The combined assurance plan was reviewed and updated to include the re-assessment of the risk appetite and related tolerance levels
- Considered the requirements arising from the mandatory audit firm rotation after 1 April 2023 and initiated a project to appoint a new audit firm effective for the financial year commencing 1 September 2021

2021

2021 key focus areas

- Continue to focus on ensuring the group's financial systems, processes and controls remain effective in meeting Octodec's requirements
- Monitor the effectiveness of the implementation of the revised integrated combined assurance model and plan
- Consider internal audit assessments on the group's combined assurance model and activities and different lines of defence
- Continue to monitor the weighted loan expiry profile, LTV ratio, debt covenants, liquidity and balance sheet integrity
- Ongoing focus on enhancing all aspects of IT governance oversight, ensuring robust IT and cyber security processes
- Complete the mandatory audit firm rotation
- An independent review will be performed to assess whether the internal insurance process is adequately controlled and operating effectively, inclusive of the insurance coverage cover, property assets and whether risks are appropriately mitigated through insurance
- Ensuring that the finance team of City Property has adequate skills and capacity

Nominations committee

"A strong board with diverse and relevant experience is going to be critical in the year ahead."

Derek Cohen
Chairman of the nominations committee

Overview

The majority of the nominations committee members are independent non-executive directors, chaired by the LID.

The committee continues to review the leadership and succession needs of Octodec and assists with the nomination and appointment of directors to the Board and committees. Recommendations are made to the board regarding any changes deemed necessary.

The formal terms of reference were reviewed and updated in October 2020. The committee is satisfied that it complied with its terms of reference during the financial year.

2020

2020 key focus areas

The nominations committee specifically focused on the following matters:

- Reviewed the board's skills and experience matrix, considering the non-executive skill sets required for the implementation of the company's strategy and to respond to the change in board composition from a skills, experience, diversity, age, gender, race and independence perspective
- Oversaw the nomination and appointment of Maggie Mojapelo and Louis van Breda as independent non-executive directors, effective from 1 March 2020
- Recommended the reconstitution of the board committees, which took effect from 1 March 2020
- Considered the findings of the biennial performance evaluation of the Chairman, the board, committees and individual directors (pages 85 to 86)
- The two external and independently facilitated director development sessions scheduled for the year did not materialise due to COVID-19

2021

2021 key focus areas

- The committee will continue to focus on a process of formal and transparent executive succession planning in 2021
- Continue to review and improve board independence and the board committees' composition, in addition to standard succession planning, to determine whether the talent is diverse, aligned with the company's strategy and can add value to the long-term sustainability of Octodec. This includes the setting and achieving of voluntary race and gender diversity targets at board level
- Recommence external and independently facilitated director development sessions for ongoing board refreshment

Risk committee

"The group's risk registers have been expanded to specifically address the COVID-19 pandemic, thereby ensuring that suitable controls are implemented to reduce the risk to Octodec."

Pieter Strydom
Chairman of the risk committee

Overview

The majority of the risk committee members are independent non-executive directors, chaired by an independent non-executive director. The 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 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.

The formal terms of reference was reviewed and updated in April 2020. The committee is satisfied that it complied with its terms of reference during the financial year.

2020

2020 key focus areas

Beyond its usual duties, the risk committee specifically focused on the following matters:

- Considered the impact of COVID-19 on the business continuity and disaster management plan, which provided a framework for building organisational resilience
- Focused on COVID-19 business-related risks and implemented suitable controls
- Reviewed the outcomes of the external independent assessment of the efficiency and effectiveness of the risk management processes
- Reviewed the updated ERM policy and framework
- Approved the implementation of key risk indicators and tolerance levels in critical areas within the business to enable second line of defence predictive monitoring
- Monitored the response to COVID-19 regulatory changes
- For further information regarding our response to regulatory changes refer to page 37 of the integrated report

2021 key focus areas

2021

- Continue to 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
- Continue to monitor internal control environment improvements through enhanced risk processes, including maturing the effectiveness of the integrated combined assurance framework
- Continue to entrench the regulatory universe to facilitate regulatory risk prioritisation and mitigate the risk of non-compliance

Subcommittee

"The subcommittee plays a pivotal role in supporting the strategic relationship and good governance between Octodec and City Property."

Derek Cohen
Chairman of the subcommittee

Overview

The subcommittee, chaired by the LID, comprises mainly of independent directors.

Although the subcommittee was originally established to address the renegotiation of the management agreement with City Property, the committee plays an important role as it assists the board by providing independent oversight and monitoring the implementation of the management agreement and protects the interests of shareholders in related-party transactions.

2020 key focus areas

2020

- Biannually monitored City Property's and Octodec's compliance with the management agreement
- Reviewed the process and results of the monthly review of the management fees that were paid to City Property, details of which are on pages 145 and 146
- Considered and recommended the approval of the various COVID-19 related measures that had been initiated outside of the scope of the normal operations following the outbreak of the pandemic

2021 key focus areas

2021

- 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

SERT committee

"The committee ensures organisational stability and that the remuneration framework is appropriately flexible, to act in shareholders' best interests in unpredictable circumstances."

Gerard Kemp
Chairman of the SERT committee

Overview

The majority of the SERT committee members are independent non-executive directors, chaired by an independent non-executive director.

The SERT committee is an independent statutory committee in terms of section 94(2) of the Companies Act. The committee ensures that the group's activities support its intent to be a responsible corporate citizen, and assists the board in setting the tone for an ethical organisational culture by overseeing the group's conduct with due regard to value creation in society.

The committee is 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.

In April 2020, the amended terms of reference of the committee, which include the governance of stakeholder engagement through a stakeholder management policy, was approved. The committee is satisfied that it complied with its legal, regulatory and other responsibilities during the financial year.

The statutory committee report is included on pages 92 to 93.

2020 key focus areas

2020

Beyond its usual duties, the SERT committee specifically focused on the following:

- Business continuity during COVID-19 and the implications of the lockdown measures on the group's sustainability
- Reviewed and updated the board-approved corporate citizenship policy
- Oversaw the group supplier and enterprise development initiatives
- Monitored human capital transformation and updated the employment equity and learning and development policies
- Considered the outcomes of the GIBS Ethics Barometer survey completed in 2019
- Monitored Be-Heard whistleblowing facility and reviewed the new external whistleblowing policy
- Reviewed the new stakeholder management policy
- Considered the recommendations of the committee's external remuneration advisors
- Monitored the progress of an independent remuneration benchmarking exercise
- Determined the appropriateness of the payment of short-term incentives (STIs) and increases and recommended the payment of an extra-ordinary recognition award to qualifying Octodec's building employees

2021 key focus areas

2021

- Review the total remuneration philosophy, strategy and policy and revised HR strategy
- Oversee the development of a group-wide remuneration-linked performance strategy
- Revisit Octodec's transformation strategy to improve Octodec's B-BBEE rating
- Oversee the governance of stakeholder relationships
- Further improve and enhance the maturity of the ethics-related processes and policies
- Consider and monitor the implementation of the findings of the 2020 independent remuneration benchmarking exercise

SERT COMMITTEE CHAIRMAN'S REVIEW 2020

Dear stakeholder

It is my pleasure to provide you with an overview of the activities of the SERT committee for the year. I also share with you our remuneration review presented on pages 94 to 102.

Reconstitution of the committee

The committee was reconstituted with effect from 1 March 2020, with the resignation of Pieter Strydom and appointment of Maggie Mojapelo. The committee thanks Pieter Strydom for his invaluable contribution to the committee over the years and welcomes the experience and new perspectives Maggie Mojapelo will bring to the committee.

Social, ethics and transformation focus

Octodec's social responsibility

Octodec is committed to responsible corporate citizenship. The company supports the South African transformation agenda and plays an important role in the rejuvenation of the CBDs.

Our committee aims to ensure that Octodec's activities reflect this intent and 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 equality within the organisation and, in keeping with this philosophy, we continually review and monitor the company's policy and practices.

In the three meetings held during the year, the committee:

- Focused on business continuity during COVID-19 and the implications of the lockdown measures on the group's sustainability. The committee placed emphasis on employee morale, the implementation of strict occupational health and safety protocols and Octodec's stakeholder interaction and reputation.
- 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).
- Reviewed and updated the board-approved Corporate Citizenship policy.
- Provided oversight on B-BBEE progress by approving the re-appointment of a BEE verification agent and recommending the 2021 B-BBEE budget, pertaining to the enterprise and supplier development and socioeconomic development B-BBEE scorecard elements, to the board for approval.
- Oversaw the group supplier and enterprise development initiatives through an independent provider that offers sustainable business incubation services and business development programmes for seven enterprise development and five supplier development entrepreneurs.
- Monitored human capital transformation with specific reference to employment equity and skills development. Reviewed and updated the employment equity and learning and development policies, which had been approved by the board.
- Considered the outcomes of the GIBS Ethics Barometer survey that was completed at the end of 2019.
- Monitored the Be-Heard whistleblowing facility and reviewed the board-approved external whistleblowing policy.
- Reviewed the new board-approved stakeholder management policy.

Stakeholder engagement

Although the board is responsible for leading stakeholder engagement, it delegated its oversight function to the committee during the year, thereby ensuring that we fulfil our obligations to those impacted by the business.

*We consider our stakeholders needs and concerns as we believe these are **key to understanding our market** and therefore fundamental to our decision making.*

As we enter a new financial year in the midst of a global pandemic, balancing the needs and expectations of our stakeholders has never been more important or challenging. The committee is committed to a continual, open and transparent dialogue with stakeholders to maintain good relationships. Further information on our stakeholder engagement and how we address their key concerns can be found on pages 39 to 41.

Remuneration focus

*No changes were proposed to the total **remuneration philosophy**, strategy and policy during the year.*

Octodec uses the services of Reward Partners (Pty) Ltd to provide external, independent and objective remuneration advice. The committee is satisfied that they provided independent, unbiased advice and remained objective throughout the engagement process.

Remuneration review, page 94

Fair and responsible pay

Recent world events have highlighted the importance of having a flexible remuneration policy together with appropriate permissible discretions to ensure that we can continue to run Octodec successfully. This enables the committee to act in the best interests of the business and its shareholders in unknown and unpredictable circumstances.

The committee ensures that the remuneration of Octodec's 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.

"Our committee aims to ensure that **Octodec's activities reflect this intent and fulfils its responsibilities** in support of transformation, sustainable development, inclusive growth and societal value creation."

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.

Effectiveness of the remuneration policy

The committee believes that the remuneration policy achieved its objectives during the year based on 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 board adopted the committee's formal terms of reference in April 2020, which are reviewed and updated as necessary. The committee has subsequently reviewed and updated its annual work plan and is satisfied that it complied with its responsibilities during the financial year. The committee's performance was reviewed as part of the 2020 board evaluation which is covered on pages 85 to 86.

In closing

The committee is satisfied that Octodec continues to meet its environmental and societal commitments, and that the company's remuneration practices are fair and market-related. We are comfortable that Octodec's policies and frameworks remain relevant and sustain the company's commitment to social and economic development, fair labour practices and environmental responsibility.

The committee will focus on the following areas in 2021, in addition to the standard matters reserved for its consideration:

- In response to COVID-19, consider industry benchmarks and determine the appropriateness of the payment of STIs and increases
- Review the total remuneration philosophy, strategy and policy, considering potential amendments to metrics and objectives and potential changes to work practices beyond COVID-19, and continued relevance and appropriateness while under cost-containment pressure
- Revisit Octodec's transformation strategy
- Oversee the governance of stakeholder relationships, review and refine the reporting thereof, and ensure its effectiveness
- Further improve and enhance the maturity of the ethics-related processes and policies, specifically overseeing that management addresses the deficiencies highlighted in the 2019 GIBS Ethics Barometer survey

I would like to thank the board, my fellow committee members and executive directors for their support and commitment during 2020. I further extend my gratitude to our shareholders for their continued support during what has been an unprecedented year.

Due to COVID-19, the AGM on 22 January 2021 is accessible only through electronic participation. The notice of the AGM, together with explanatory notes and guidance on how to access the meeting and vote electronically, can be found on pages 152 to 158. I will be able to answer any questions in relation to this committee report at the AGM.

Gerard Kemp
Chairman of the SERT committee

9 December 2020

REMUNERATION REVIEW

Part I:
Background statement

Dear shareholders,

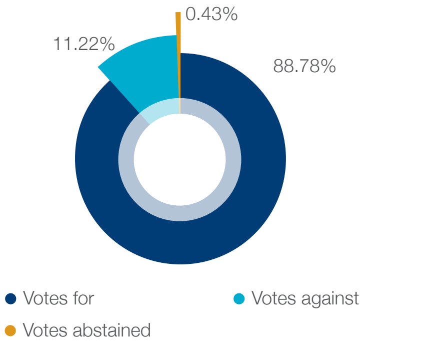
The SERT committee is tasked by the board to establish and independently oversee the implementation of our total remuneration philosophy, strategy and policy. This will support the achievement of the group's strategy and grow stakeholder value on a sustainable basis.

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 at a remuneration that is aligned with shareholder interests.

Voting results at the previous AGM

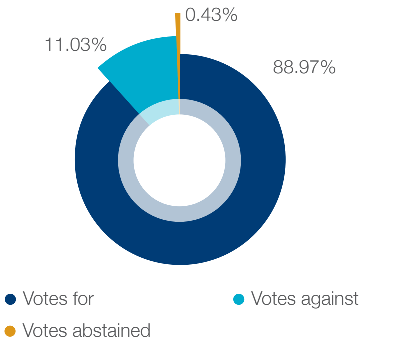
In terms of the JSE Listings Requirements, shareholders are required to endorse, by way of non-binding advisory votes, the remuneration policy and implementation report as presented in this report. Voting results on Octodec's remuneration policy at the 2020, 2019 and 2018 AGMs were as follows:

Remuneration policy – 24 January 2020



	25 January 2019	25 January 2018
Votes for	89.74%	79.18%
Votes against	10.26%	20.82%
Votes abstained	0.34%	0.41%

Remuneration implementation report – 24 January 2020



	25 January 2019	25 January 2018
Votes for	91.14%	81.14%
Votes against	8.86%	18.86%
Votes abstained	0.34%	0.41%

Engagement with shareholders preceded the AGM in January to understand shareholders concerns' and potential areas for improvement in terms of remuneration.

The company engaged with three of its institutional shareholders following submissions regarding the remuneration policy and implementation report. These submissions included the payment of board fees to executive directors, the lack of a long-term incentive (LTI) scheme to align the executive directors' interests with Octodec's longer-term objectives and additional disclosures on organisational KPIs.

The company has responded to these shareholders and provided explanations on the issues. The shareholders have taken note of the company's responses and no further issues have subsequently been raised.

Octodec continues to review its total remuneration policy annually to ensure that the policies and practices are aligned with best market practice and remain supportive of Octodec's strategic intent. The review of the total remuneration policy for the period under review indicates that policies and practices are in line with market practices and therefore will remain unchanged.

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, among others, we considered factors such as the impact of COVID-19 on the economy in general and the company in particular, inflation, forecasted salary adjustments in our sector and the competitiveness of the wage offering. Internally, we took into account considerations such as Octodec's financial performance for the year under review, our internal minimum wage, pay parity, employee turnover rates and the attractiveness of our total remuneration offering.

While the COVID-19 pandemic had a negative impact on the company performance and share price, the company has not deemed it necessary to apply any interventions affecting employees' guaranteed remuneration or job security.

No increases in directors' remuneration for the period 1 September 2021 to 31 August 2022 were presented to shareholders for voting. The board is of the opinion that any increase in directors' remuneration would be inappropriate in the light of the impact of COVID-19 on the company performance.

Key areas of focus, decisions and substantial changes

During the year under review, the SERT committee, in addition to the key focus areas disclosed in the SERT committee chairman's review on page 92, 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 2021 to 31 August 2022, 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

Use of consultants and their independence

Octodec uses the services of an external independent and objective advisor, Reward Partners (Pty) Ltd, 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 2021 overall annual remuneration increases and related incentives for general employees
- Benchmarking of directors' fees to formulate director fee proposals for the 2021/2022 financial year
- Review of the existing directors' remuneration policy and making of recommendations to the SERT committee
- Review of the total remuneration philosophy, strategy and policy and making of recommendations to the SERT committee

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

Effectiveness of the remuneration policy

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

Future areas of focus

The remuneration-related focus areas for the next reporting period are:

- The continued review and refinement of our total remuneration philosophy, strategy, policy and practices to ensure competitiveness in terms of our employee value proposition and encouragement of sustained performance excellence
- A review of the directors' remuneration policy to ensure alignment with best market practice, legislative requirements and King IV
- A full review of the performance management system to ensure alignment with the strategic objectives of the company and to streamline the annual performance management process
- The undertaking of a thorough and robust market benchmarking exercise to ensure that remuneration levels for general employees are competitive, fair and appropriate and to address any income disparities

Part II:
Remuneration philosophy, strategy and policy

Our total remuneration philosophy, strategy and policy inform 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 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 building employees fairly, responsibly and transparently and to ensure that our total remuneration offering remains attractive and competitive. It does not govern the remuneration payable to the employees of City Property.

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 a good corporate citizen.

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 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 provides 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 2020 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, including accounting for wage settlements for the industry and sector
- Independent market benchmarking to determine levels of competitiveness against the appropriate market sector 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

Providing 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, among 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.

Short-term incentives

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 five-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 packages, 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 LTI scheme in place at present as the executive directors and other senior employees involved in the management of Octodec are all employed by City Property.

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 receive directors' fees from Octodec as set out 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 98 and 99.

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 independent remuneration advisor, 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.

Refer to the proposed directors' remuneration on page 154 of the notice of AGM, which remain the same as the previously approved remuneration for the 12 months ending 31 August 2021.

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. Refer to the non-binding advisory note 1 of the notice of the AGM on page 157. 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 2021 integrated report.

Part III:
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 directors' key performance measures and targets

FY2020 Business scorecard performance outcomes

KPI Number	Metric	Target	Sub-element weighting %	Element weighting %	Below entry	Entry	Target	Above target	Stretch
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		•1				
1.2 Maintain NAVPS (as at 31 August 2019)	NAVPS	28.47	10	17.5	•2				
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	•3				
Vacancy and tenants									
1.4 Reduction in vacancies (as at 31 August 2019) for vacancies greater than 3 000m²	Number of properties	1	7.5					•4	
1.5 Tenant retention – reduce residential tenant churn rate	%	40	5		•5				
1.6 Maintain total core vacancies at the level recorded as at 31 August 2019	%	11.5	7.5	20	•6				
Financial									
2.1 Maintain LTV at current levels	%	38.9	7.5		•7				
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	7.5		•8				
2.4 Maintain dividends – total distribution per share	Cents/share	200.9	15	37.5	•9				

KPI Number	Metric	Target	Sub-element weighting %	Element weighting %	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	8	5	5			•		
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	Implementa-tion of one project or part thereof	5	5			•		
Customer									
4.1 Tenant complaint resolutions – maintain dispute resolution turnaround period (measured per complaint)	Number of days	12	2.5	7.5			•		
4.2 Tenant satisfaction assessments	NPS score*	>20	5				•		
Total score out of 100				100					

* *The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others*

Comments:

1. Planning on larger projects is well advanced. LTV and returns on investment are a constraint in this tough trading environment, as well as risks associated with the "construction mafia" and the uncertainty brought about by COVID-19. A curtailment on most upgrades and projects was implemented in March 2020 in response to the pandemic.
2. At the end of FY2020, the NAVPS was R24.13, decreasing from R28.47 at the end of FY2019, largely due to a decline in investment property valuations of R1.055 billion and the mark-to-market valuation of interest rate swap contracts amounting to a loss of R226.0 million for FY2020.
3. Disposals of properties with a value of R98.2 million concluded and transferred. Additional contracts for the sale of properties to the value of R5.9 million were concluded but transfer was not effected as at 31 August 2020. It is difficult for purchasers of properties to obtain funding in the current environment.
4. We successfully let in excess of 3 000m² of vacant space at two of our properties, Cuthchurch 1 and McCarthy Midrand.
5. As a result of COVID-19, certain tenants vacated our premises.
6. As a result of COVID-19, certain tenants vacated our premises.
7. As a result of COVID-19, there is increased pressure on our valuations and our LTV increased to 42.6%.
8. As a result of the weak trading environment, exacerbated by COVID-19, there was pressure on our growth in rental income.
9. As a result of the weak trading environment, exacerbated by COVID-19, our distribution income growth came under pressure.

2021 Business scorecard targets

KPI Number		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 and various small upgrades)	Number of major projects considered	1	5.0	
1.2	Maintain NAVPS (as at 31 August 2020)	NAVPS	R24.13	10.0	15.0
Property					
1.3	Disposal and transfer of non-core properties to the cumulative average value of R150 million for the financial year ending 31 August 2021	R'million	R150 million	7.5	7.5
Vacancy and tenants					
1.4	Reduction in vacancies (as at 31 August 2020) for vacancies greater than 3 000m^2	Number of properties	1	5.0	
1.5	Tenant retention – reduce residential tenant churn rate	%	50	5.0	
1.6	Maintain total core vacancies at the level recorded as at 31 August 2020	%	15.8	7.5	17.5
Financial					
2.1	Maintain LTV at current levels	%	42.6	7.5	
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 2020)	%	In excess of 0	7.5	
2.4	Maintain distributable earnings per share (as at 31 August 2020)	Cents/share	156.8	15.0	37.5
People and organisation					
3.1	Shareholder engagement with investor community (measured by external service provider/10)	Score out of 10	8.0	5.0	
3.2	Staff management, leadership behaviour and succession planning	– Ensuring fully committed and motivated employees – Ensuring minimum employee turnover – Ensuring ongoing stability within the areas of property management – Living the Octodec values and being a positive role model to the team – Transformation	Positive feedback from relevant stakeholders	5.0	
3.3	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 thereof	5.0	15.0
Customer					
4.1	Tenant complaint resolutions – maintain dispute resolution turnaround period (measured per complaint)	Number of days	12	2.5	
4.2	Tenant satisfaction	NPS	>20	5.0	7.5
Total score out of 100					100.0

Remuneration paid by City Property

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 2020. The remuneration paid by City Property to Sharon Wapnick, the non-executive Chairman, for the year ended 31 August 2020, is based on an approximation of her time spent on the affairs of Octodec.

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

	2020			
	AK Stein R	JP Wapnick R	S Wapnick R	Total R
Pension fund contribution	83 374			83 374
Salary and bonus	4 924 681	3 987 883	840 239	9 752 803
Total	5 008 055	3 987 883	840 239	9 836 177

Note: Octodec has no LTI scheme and executives are not eligible for STIs (page 97)

	2019			
	AK Stein R	JP Wapnick R	S Wapnick R	Total R
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

Remuneration paid by Octodec

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

The table below reflects the directors' remuneration payable by Octodec, based on the approved remuneration structure as per the AGM of 24 January 2020, for the period 1 September 2020 to 31 August 2021, as well as the fees paid for the current period.

Fee Structure	12 months to 31 August 2021 R	12 months to 31 August 2020 R
Annual retainer		
Board Chairman	715 500	715 500
LID	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
Attendance at subcommittee meeting of the board	21 412	21 412
Chairman of subcommittee of the board	26 182	26 182
Attendance at an *ad hoc* subcommittee meeting of the board	21 412	21 412
Chairman of an *ad hoc* subcommittee meeting of the board	26 182	26 182

Remuneration paid

	Annual retainer R		Board and committee meeting fees R		Total R	
	2020	2019	2020	2019	2020	2019
Non-executive directors						
Sharon Wapnick (non-executive Chairman of the board)	715 500	675 000	547 066	487 600	1 262 566	1 162 600
Derek Cohen (LID, chairman of the nominations committee and subcommittee)	357 220	337 000	604 200	537 000	961 420	874 000
Gerard Kemp (chairman of the SERT committee)	297 860	281 000	604 200	537 000	902 060	818 000
Nyimpini Mabunda[1]	297 860	154 550	336 444	67 600	634 304	222 150
Maggie Mojapelo[2]	148 930	n/a	193 132	n/a	342 062	n/a
Myron Pollack	297 860	281 000	589 890	519 000	887 750	800 000
Pieter Strydom (chairman of the audit and risk committees)	297 860	281 000	589 996	559 500	887 856	840 500
Louis Van Breda[2]	148 930	n/a	228 960	n/a	377 890	n/a
Executive directors and prescribed officers						
Anthony Stein	297 860	281 000	529 152	330 200	827 012	611 200
Jeffrey Wapnick	297 860	281 000	529 152	330 200	827 012	611 200
Total (excluding value added tax (VAT))	3 157 740	2 571 550	4 752 192	3 368 100	7 909 932	5 939 650

[1] *Appointed 11 February 2019*
[2] *Appointed 1 March 2020*

	Basic salary R		Benefits (including retirement and medical aid) R		Total R	
	2020	2019	2020	2019	2020	2019
Prescribed officer						
Elize Greeff (group company secretary)	1 662 631	1 445 476	175 099	144 547	1 837 730	1 590 023

The special resolution covering the proposed remuneration of Octodec's directors for the period 1 September 2021 to 31 August 2022 will be proposed at the AGM. Please refer to special resolution number 3 on page 154 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 vote 2 of the notice of the AGM on page 157. 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 2021 interim report.

CONTENTS

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 affairs 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 foreseeable future.

The directors confirm that Octodec has complied with the requirements of the Companies Act and that the company is operating in conformity with its MOI.

The financial statements set out on pages 103 to 149, which have been prepared on the going concern basis, were approved by the board on 9 December 2020 and were signed on their behalf by:

Sharon Wapnick
Chairman
Non-executive director

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 2020 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
9 December 2020

Tshwane

GROUP AUDIT COMMITTEE REPORT

Octodec's independent group audit committee (the committee) is pleased to ***present its report for the financial year ended 31 August 2020*** *in line with the Companies Act, the JSE Listings Requirements and King IV.*

Purpose and structure

The committee is an independent statutory committee in terms of section 94(2) of the Companies Act. Its primary responsibility is as audit committee for Octodec, but it also fulfils the role of a group committee as permitted by section 94(2)(a) of the Companies Act for its subsidiaries.

The committee has adopted formal terms of reference, which are reviewed and updated as necessary on an annual basis (or more frequently if required) by both the committee and the board.

The detailed duties of the committee are set out in its terms of reference, which is available on Octodec's website at https://www.octodec.co.za/wp-content/uploads/2020/11/OCT-TOR-0003-Rev.-03-Octodec-Audit-Committee-Terms-of-Reference-20-April-2020Approved.pdf.

In summary, the committee's primary objective is to provide independent oversight of the effectiveness of Octodec's internal financial control environment, its assurance functions and services, and the integrity of the annual financial statements and related reporting. As indicated in the prior year, the committee assists the board in overseeing information technology governance. The governance of risk at Octodec is delegated to the risk committee. However, the committee oversees the governance of financial and other risks that affect the integrity of financial reporting by Octodec.

Composition, meetings, attendance, and assessment

The committee comprised four non-executive directors, all of whom, including its Chairman, are independent directors, who satisfied the requirements of section 94(4) of the Companies Act. As a collective and having regard to the size and circumstances of the group, the committee members collectively possess the appropriate financial and related qualifications, skills, expertise, and experience required to discharge its responsibilities:

Pieter Strydom
MCom (*cum laude*) CA(SA)
Chairman

Derek Cohen
AEP

Gerard Kemp
MSc (Mining Engineering), DPLR, MDP

Louis van Breda
CA(SA)

Myron Pollack resigned from his position as a member of the committee, and Louis van Breda was appointed to the committee on 1 March 2020.

Abridged *curricula vitae* of each of the members can be viewed on pages 80 and 84.

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 attended these meetings by invitation. Separate meetings were held 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.

As part of the biennial evaluation of the board committees and members, the performance of the committee and its members were also assessed. The details of which are included on pages 85 and 86 of the abridged governance report.

Key focus areas for the year ended 31 August 2020

Beyond discharging its required duties as set out in its terms of reference, the committee specifically focused on the following matters:

- Monitored financial soundness and sustainability in the context of COVID-19, the severe economic challenges and market volatility by regularly reviewing financial results, actual and forecasted cash flows, various financial scenario's and compliance with debt covenants
- Reviewed the outcome of the external independent assessment of the group's combined assurance model, which was aligned with best practice, to entrench the assurance principles within the group. The combined assurance plan and framework was reviewed and updated to include the re-assessment of the risk appetite and related tolerance levels
- Considered the requirements arising from the mandatory audit firm rotation after 1 April 2023 and initiated a project to appoint a new audit firm effective for the financial year commencing 1 September 2021.

[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*

Annual confirmations

Financial statements, results, and integrated report

The committee reviewed the accounting policies, significant accounting matters as well as the going concern assessment applicable to the annual financial statements of the group for the year ended 31 August 2020 and ensured that these annual financial statements and the related results announcements were in compliance with the provisions of the Companies Act, IFRS and the JSE Listings Requirements. The annual financial statements, results announcements as well as the 2020 integrated report were recommended to the board for approval. Refer to the directors' report on page 110 for a detailed analysis of the going concern assumption.

The committee, in the finalisation of the consolidated financial statements for the year ended 31 August 2020, also considered matters, including those emanating from the JSE's proactive monitoring process on accounting policies and financial reporting as well as other matters communicated by the JSE in respect of reporting and disclosure, specifically for COVID-19 disclosures. The committee is of the opinion that the consolidated financial statements comply in all material respects with the requirements of the various Acts and regulations governing disclosure and reporting.

The committee is satisfied that appropriate financial reporting procedures exist and are operational in all entities in the group to effectively prepare, and report on, the annual financial statements.

The external auditors have provided shareholders with an independent opinion on pages 111 to 113 that the financial statements for the year ended 31 August 2020 fairly present, in all material respects, the financial results for the year and the financial position of the group at 31 August 2020.

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.

Key audit matters (KAMs)

The KAMs identified and reported on by Deloitte & Touche feature high on the agenda of the committee.

Valuation of investment property

Committee's response to matter

The committee considered the competencies and independence of the external valuers as well as the competencies of the internal valuation team, reviewed and robustly debated the significant detailed assumptions and judgements used by the external and internal valuers. Refer to page 123 of the annual financial statements for detailed assumptions and results of investment property valuations. The committee concluded that the investment property was fairly stated in accordance with the accounting policy as set forth in the financial statements.

External audit quality, independence and reappointment of the external auditor

The committee considered and satisfied itself with the audit quality, independence and suitability of Deloitte & Touche and Leon Taljaard, in their respective capacities as the appointed external audit firm and designated lead audit partner. In doing so, the committee considered the external auditor's suitability assessment and adherence in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements. The committee also reviewed audit quality based on the committee's own assessment in addition to considering the documents presented by Deloitte & Touche, as required by the JSE Listings Requirements, and found it to be satisfactory. The committee recommended the appointment of Deloitte & Touche as external auditor for the 2021 financial year and Leon Taljaard as the designated lead auditor. This will be the forty-fourth year of the firm as auditors of the company and group and the second year of the designated lead auditor.

Furthermore, the committee ensured that the scope of non-audit services rendered in respect of Octodec's non-audit services policy did not impair auditor independence. The committee, in consultation with executive management, agreed the audit fee for the 2020 financial year, which is considered appropriate for the work that was done. Audit fees are disclosed in note 25 to the financial statements.

Risk management policy

On the recommendation of the risk committee, the board has adopted and implemented a revised ERM policy and framework which is in accordance with industry practice. The ERM policy specifically prohibits Octodec from entering into derivative transactions which are not in the ordinary course of business. The committee 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 considered and satisfied itself of the appropriateness of the experience and expertise of the financial director and is satisfied with the adequacy and resources within 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 these procedures.

Solvency and liquidity

Based on the solvency and liquidity tests performed at least on a quarterly basis, the committee was comfortable in its declaration to the board that the company and group are going concerns.

Effectiveness of internal controls

The internal auditor has unrestricted access to the committee. The committee is satisfied that the internal audit function is independent and has the authority to adequately discharge its duties.

The committee considered and approved the updated internal audit charter, the internal audit plan and additional work performed by the internal auditor during the year. At every meeting, the committee considered the results of the reviews and ensured that processes were put in place by management to take the necessary corrective action where opportunities for improvement were identified.

Internal audit provided a written assessment regarding the group's system of internal controls and confirmed that, while there were areas for improvement, the internal control processes are at an acceptable level and can be relied upon.

Nothing was brought to the attention of the committee that would suggest a material breakdown of any internal control systems.

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.

Combined assurance

The committee considered Octodec's revised combined assurance model and framework in conjunction with the risk committee after taking into account the feedback received from internal audit and external assurance providers. Although significant strides have been made in maturing the combined assurance model, the committee recognises that the lines of defence need to be further capacitated and their reporting needs to mature. The committee is of the view that the combined assurance model has significantly improved since 2019.

Compliance with JSE's report back on proactive monitoring

The committee considered the JSE's report issued on 18 February 2020 and, where necessary, has taken appropriate action to address the important findings and focus areas identified by the JSE.

In August 2020 the JSE issued a report on their proactive review of the group's 2019 financial statements and the February 2020 interim financial results. Three items were identified. The JSE and Octodec concurred that no adjustments were required and agreed that enhanced disclosures for the fair value of investment properties were to be incorporated in the 2020 financial statements.

COVID-19

In light of the requirements of the JSE in respect of financial reporting, the committee carefully considered the disclosures in the trading update, results announcements and the financial statements in respect of COVID-19.

Key focus areas for the year ending 31 August 2021

The following areas, which include continuing items from the year under review, are:

- Continued focus on ensuring the group's financial systems, processes and controls remain effective in meeting Octodec's requirements
- Monitor the effectiveness of the implementation of the revised integrated combined assurance model and plan
- Consider internal audit assessments on the group's combined assurance model and activities and different lines of defence
- Continue to monitor the weighted loan expiry profile, the LTV ratio, debt covenants, liquidity and balance sheet integrity
- Ongoing focus on enhancing all aspects of information technology governance oversight ensuring robust IT and cyber security and processes
- Complete the mandatory audit firm rotation
- An independent review will be performed to assess whether the internal insurance process is adequately controlled and operating effectively, inclusive of the insurance coverage cover, property assets and whether risks are appropriately mitigated through insurance
- Ensuring that the finance team of City Property has adequate skills and capacity

Pieter Strydom
Chairman of the committee

9 December 2020

REPORT OF THE DIRECTORS

for the year ended 31 August 2020

To the shareholders of Octodec Investments Limited

The directors have pleasure in submitting their report for the year ended 31 August 2020.

Preparation of the annual financial statements

The audited consolidated annual financial statements were prepared in accordance with IFRS, South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act.

The consolidated financial statements were prepared under the supervision of Mr AK Stein CA(SA), in his capacity as group 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 (2019: 500 000 000) shares of no par value. There were no changes in the number of issued shares by the company from the prior year, with 266 197 535 shares in issue as at 31 August 2020.

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.

COVID-19 as well as a pre-existing weakening economic environment is having a major impact on South Africa's economy, which has impacted Octodec's ability to fund the group's capital expenditure requirements and at the same time maintain an acceptable (LTV) ratio. In these uncertain times, the long-term impact of the above factors cannot yet be assessed and quantified.

In light of market uncertainty, Octodec has deferred its decision regarding the declaration of its final dividend for FY2020 until February 2021. This is in line with the extension granted by the Financial Sector Conduct Authority on 28 June 2020. If a decision to declare a dividend is taken, Octodec intends to declare no more than the minimum distribution requirement of 75% of its distributable earnings for FY2020, so as to retain its REIT status. This is to enable greater capital flexibility, retain cash for essential capital expenditure to preserve our balance sheet and to reduce the risks which the company could be exposed to.

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
Waverley Plaza Properties (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
Jardtal Properties (Pty) Ltd, a subsidiary of Joybee Properties (Pty) Ltd
Joybee Properties (Pty) Ltd
OPC Properties (Pty) Ltd
Savyon Building (Pty) Ltd
Simprit Properties (Pty) Ltd, a subsidiary of Centpret Properties (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 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, 27.4% (2019: 24.5%) of the portfolio with a value of R3.2 billion (2019: R3.1 billion) was valued by external registered valuation experts. The judgements regarding the valuations and the inputs into the calculations have changed, but the methodology used has remained unchanged from the previous reporting period.

Net asset value

The NAVPS is R24.13 (2019: R28.47). The closing price per share at 31 August 2020 was R5.98 (2019: R15.92), representing a discount of 75.8% (2019: 44.1%) to the NAVPS.

Events after the reporting date

The directors are not aware of any events subsequent to 31 August 2020 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.

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)
EMS Mojapelo (independent non-executive director) – appointed 1 March 2020
MZ Pollack (non-executive director)
PJ Strydom (independent non-executive director)
LP van Breda (independent non-executive director) – appointed 1 March 2020

Directors' remuneration

We refer you to the detailed information on directors' remuneration set out on pages 147 to 148 in 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:

	2020		
	Direct beneficial Number of shares	Indirect beneficial Number of shares	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	515 191	696 139
MZ Pollack[2]	547 347	3 432 066	3 979 413
	806 511	103 514 690	104 321 201

	2019		
	Direct beneficial Number of shares	Indirect beneficial Number of shares	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

[1] *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] *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*

There were no changes in the directors' shareholding from 31 August 2020 and up to the date of this report.

Going concern

The current liabilities exceed the current assets by R820 million (2019: R1.143 billion), mainly due to the fact that the majority of unsecured notes and one secured loan will be maturing in the 2021 financial year. The group has R413.5 million (2019: R632.5 million) unutilised banking facilities available as at 31 August 2020, 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 reviewed the cash flow projections to 31 March 2022, and based on the cash flow projections, and having considered the solvency and liquidity tests taking the above into consideration, has concluded that the group has adequate resources to continue to operate for the foreseeable future. The financial statements have therefore 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 re-appointment 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 and its subsidiaries (the Group) set out on pages 114 to 149, which comprise the consolidated statement of financial position as at 31 August 2020, 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 2020, 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). 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 at 31 August 2020, and as disclosed in Note 6 of the consolidated financial statements, the Group investment property carrying value was R11.6 billion (2019: R12.7 billion) after a downward fair value adjustment of R1.1 billion (2019: R0.1 billion) for the year ended 31 August 2020. Investment property represents 97% of the Group's total assets. The Group's investment property balance comprises mainly of completed developments 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 as required by the JSE Listings Requirements. The valuation technique applied by the group is the income capitalisation method. The inputs with the most significant impact on the investment property valuations are: – Long-range vacancy rates; – Expense ratios; and – Capitalisation rates. The revaluation of investment property to their fair market value is considered to be a key audit matter due to the large degree of subjectivity and judgement included in the determination of these fair values and the significant impact that this has on the net asset value of the Group, a key performance indicator to shareholders. The Group uses four external valuers to determine the annual fair value of the investment properties in line with the JSE Listings Requirements, being Jones Lang LaSalle, Mills Fitchet Global, Realworx Property Valuations and Gert van Zyl Valuations. The valuers valued portfolios based on their expertise in the markets. Jones Lang LaSalle and Mills Fitchet Global valued the properties using the discounted cash flow model and Realworx and Gert van Zyl used the capitalisation of income method. The entire property portfolio was also internally valued using the capitalisation of income method. As detailed in note 6 of the consolidated financial statements, the valuers have issued their valuation reports with a material uncertainty clause due to the impact of the COVID-19 pandemic on the market activity and the economy. This does not mean the valuations cannot be relied upon, however, there is less certainty and a higher degree of caution is to be attached to the valuations when compared to the prior year.	In evaluating the valuations that were performed by management and specialists and reviewed by the directors of Octodec on the investment properties, focus was placed on the capitalisation rates, expense ratios and the long-range vacancy rates as these areas required significant judgement. We performed various procedures, including the following: **Design and implementation:** From the understanding obtained of the financial management 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 investment property disposals by the board 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 Group's external valuers, and verified 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. We evaluated and challenged the judgements applied by them in determining fair value, in particular: – the models used by the external valuers; and – the significant assumptions, including net income projections used, capitalisation rates, vacancy rates, expense ratios and any adjustment factors, including COVID-19 considerations. **Use of an independent external valuer:** We engaged a suitably qualified independent auditor's specialist to assess the reasonability and appropriateness of the valuation models, methodologies and inputs used by the external valuers on a sample of valuations that covered all external valuers and geographical locations. **Further procedures:** A sample selection was made based on certain property, valuation and financial characteristics. We tested the inputs used in the valuations, 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. We have assessed whether the disclosures in the financial statements are appropriate and in accordance with IFRS 13: Fair Value Measurement. While we note that there is increased estimation uncertainty in relation to the property valuations as a result of COVID-19, we have found the models used for the investment property valuations and assumptions applied by management in the valuation models to be within a reasonable range. The investment property disclosures in the consolidated financial statements are appropriate and comprehensive.

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 2020", which includes the Report of the Directors, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report. 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 and will 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.

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 audit committee 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 audit committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, 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 on Friday, 4 December 2015, we report that Deloitte & Touche has been the auditor of Octodec Investment Limited for 44 years.

Deloitte & Touche
Registered Auditor
Per: Leon Taljaard
Partner

5 Magwa Crescent
Waterfall City
Waterfall
9 December 2020

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

at 31 August 2020

	Notes	2020 R'000	2019 R'000
Assets			
Non-current assets		**11 664 307**	12 733 048
Investment property		**11 642 600**	12 637 240
Investment property	6	**11 519 990**	12 500 173
Straight-line rental income accrual	7	**98 354**	104 099
Plant and equipment	8	**756**	1 841
Unamortised tenant installations and lease costs	9	**23 500**	31 127
Interest in and loan to joint venture	10	**21 707**	21 044
Loan receivable	12	**–**	74 764
Current assets		**222 976**	201 633
Accounts receivable and prepayments	15	**128 094**	119 274
Loan receivable	12	**63 900**	–
Taxation receivable		**–**	675
Cash and bank balances	16	**30 982**	81 684
Non-current assets held for sale	17	**121 410**	209 300
Total assets		**12 008 693**	13 143 981
Equity and liabilities			
Equity		**6 423 928**	7 578 599
Stated capital	18	**4 210 134**	4 210 134
Non-distributable reserve	18	**1 723 581**	3 029 059
Retained earnings		**490 213**	339 406
Non-current liabilities		**4 541 652**	4 220 988
Long-term borrowings	19	**4 097 965**	4 027 644
Derivative financial instruments	14	**325 718**	99 694
Lease liabilities	20	**10 981**	–
Deferred taxation	21	**106 988**	93 650
Current liabilities		**1 043 113**	1 344 394
Trade and other payables	22	**428 290**	393 959
Short-term borrowings	19	**592 775**	950 435
Lease liabilities	20	**22**	–
Bank overdraft	16	**22 026**	–
Total equity and liabilities		**12 008 693**	13 143 981

CONSOLIDATED STATEMENT OF **PROFIT** OR **LOSS** AND **OTHER COMPREHENSIVE INCOME**

for the year ended 31 August 2020

	Notes	2020 R'000	2019 R'000
Revenue		1 880 496	1 982 695
Earned on contractual basis	23	1 989 630	1 990 886
Straight-line rental income accrual		(5 556)	(8 191)
COVID-19 rental discounts		(103 578)	–
Property expenses	24	(891 844)	(901 290)
Expected credit loss – trade receivables and utility accrual		(48 811)	(28 304)
Property income		939 841	1 053 101
Administrative and corporate expenses	25	(91 030)	(78 515)
Operating profit		848 811	974 586
Fair value changes			
investment property	6	(1 054 865)	(138 873)
interest rate derivatives	36.2	(226 024)	(91 221)
unlisted equity shares and notes	13	(3 046)	(2 505)
Impairment of loans receivable		(12 795)	–
Profit on sale of investment properties		1 739	2 629
Gain on derecognition of share in joint venture		–	3 029
Share of income of joint venture	26	3 936	3 595
(Loss)/profit before finance costs		(442 244)	751 240
Net finance costs	27	(436 198)	(448 541)
Finance income		15 344	18 844
Finance costs		(451 542)	(467 385)
(Loss)/profit before taxation		(878 442)	302 699
Taxation	28	(13 338)	(7 052)
(Loss)/profit for the year and total comprehensive income attributable to shareholders		(891 780)	295 647
Basic and diluted (loss)/earnings per share (cents)	30	(335.0)	111.1

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the year ended 31 August 2020

	Stated capital R'000	Non-distributable reserve R'000	Retained earnings R'000	Total R'000
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 venture	–	342	(342)	–
Interest rate derivatives	–	(91 221)	91 221	–
Unlisted equity shares and notes	–	(2 505)	2 505	–
Balance at 31 August 2019	4 210 134	3 029 059	339 406	7 578 599
Effect of change in accounting policy for initial application of IFRS 16	–	1 177	–	1 177
Adjusted balance at 1 September 2019	**4 210 134**	**3 030 236**	**339 406**	**7 579 776**
Total comprehensive loss for the year	**–**	**–**	**(891 780)**	**(891 780)**
Dividends paid	**–**	**–**	**(264 068)**	**(264 068)**
Transfer to non-distributable reserve				
Profit on sale of investment property	**–**	**1 739**	**(1 739)**	**–**
Deferred tax	**–**	**(13 338)**	**13 338**	**–**
Impairment of loans receivable	**–**	**(12 795)**	**12 795**	**–**
Fair value changes				
Investment property	**–**	**(1 054 865)**	**1 054 865**	**–**
Investment property – joint venture	**–**	**1 674**	**(1 674)**	**–**
Interest rate derivatives	**–**	**(226 024)**	**226 024**	**–**
Unlisted equity shares and notes	**–**	**(3 046)**	**3 046**	**–**
Balance at 31 August 2020	**4 210 134**	**1 723 581**	**490 213**	**6 423 928**

CONSOLIDATED STATEMENT OF **CASH FLOWS**

for the year ended 31 August 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities			
Cash generated from operations	31	909 633	1 023 979
Interest income		15 344	18 844
Finance costs		(476 454)	(471 737)
Dividends paid		(264 068)	(541 446)
Net cash flows from operating activities		184 455	29 640
Cash flows from investing activities			
Acquisition of and additions to investment property		(70 997)	(72 277)
Acquisition of plant and equipment		(27)	–
Increase in tenant installation and lease costs		(5 879)	(10 340)
Purchase of subsidiary		–	(35 585)
Proceeds on disposal of investment property		98 194	129 179
Repayment of loans receivable		614	3 264
Payment made to joint venture		(227)	(5 199)
Payment received from joint venture		3 500	2 861
Net cash flows from investing activities		25 178	11 903
Cash flows from financing activities			
Proceeds from borrowings		1 217 532	2 781 576
Repayment of borrowings		(1 499 873)	(2 804 347)
Repayment of lease liability		(20)	–
Net cash flows from financing activities		(282 361)	(22 771)
Net (decrease)/increase in cash and bank balances		(72 728)	18 772
Cash and bank balances at beginning of year		81 684	62 912
Cash and bank balances at end of year	16	8 956	81 684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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 notes 20 and 29 relating to the adoption of IFRS 16.

These financial statements are presented in Rand 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 in the financial statements 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.

The outbreak of COVID-19 has impacted the property sector and there is a heightened level of uncertainty. The external valuators have reported their valuations based on "material valuation uncertainty" and consequently less certainty and a higher degree of caution should be attached to the valuation than would generally be the case.

3.2 Impairments

3.2.1 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.

3.2.2 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 (LECL), 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 16 *Leases*. The adoption of the standard as well as its impact on the financial statements is disclosed under note 20 and 29.

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 Financial instruments

5.2.1 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 fair value through profit or loss (FVTPL) are expensed immediately in profit or loss.

5.2.2 Financial assets

The financial assets are classified into the following categories:

- Amortised cost
- FVTPL

The group has the following financial assets:

- Trade and other 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. Significant accounting policies continued

5.2 Financial instruments continued

5.2.3 Impairment of financial assets

Expected credit loss and lifetime expected credit loss

LECL represent the ECLs that will result from all possible default events over the expected life of a financial instrument. A 12-month ECL represents the portion of LECL 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 ECLs on financial instruments that are measured at amortised cost. The amount of ECLs 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 LECLs 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 ECL. The group considers the following factors in assessing whether credit risk has increased:

- The financial position of the debtor
- 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 LECLs for trade and other short-term receivables. The group considers that default has occurred when a lease receivable is more than seven days past due, legal proceedings have been instituted against the debtor or the tenant has vacated the premises. The LECLs 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 economic conditions at the reporting date.

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 in the statement of profit or loss and other comprehensive income for the year.

5.2.4 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 arising from changes in fair value are recognised in the statement of profit or loss and other comprehensive income.

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

5.2.5 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. Significant accounting policies continued

5.3 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 do 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)

5.4 New and amended IFRS standards that are not yet effective for the current year

A number of amendments to existing IFRS standards are applicable from 1 January 2020. The group will adopt these amendments to the standards when they become effective. The directors have considered these amendments and have concluded that they will not have a 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, unamortised 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 they are permanently withdrawn from use and no future economic benefits are expected from their 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 or 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.

6. Investment property continued

	Notes	2020 R'000	2019 R'000
Reconciliation of investment property*			
Carrying value at beginning of year		**12 500 173**	12 228 808
Additions to investment property		**70 891**	72 278
Disposals		**(7 700)**	(30 412)
Additions through business combination		**–**	308 445
Right-of-use asset		**12 200**	–
Fair value changes		**(1 053 714)**	(138 460)
Transferred (to)/from held for sale		**(1 860)**	59 514
		11 519 990	12 500 173
Reconciliation of valuation to carrying value – investment property			
Valuation of portfolio at end of year		**11 764 010**	12 846 540
Less: Items disclosed separately			
Straight-line rental income accrual	7	**(98 354)**	(104 099)
Plant and equipment	8	**(756)**	(1 841)
Unamortised tenant installations and lease costs	9	**(23 500)**	(31 127)
Non-current assets held for sale	17	**(121 410)**	(209 300)
Carrying amount at end of year		**11 519 990**	12 500 173

* *In the prior year properties were disclosed under 'developed' and 'under development'. The properties classified 'under development' have not commenced development and in the current economic climate, it is unlikely that development will start in the foreseeable future. The properties under development have been grouped together with developed properties in the current year and the prior year amounts have been restated.*

The investment properties are valued biannually by a dedicated valuations 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 107 (2019: 94) properties representing 27.4% (2019: 24.5%) of the portfolio, with a carrying amount of R3.2 billion (2019: R3.2 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.

6. Investment property continued

Entity	Valuator	Qualifications
Jones Lang LaSalle	Shawn Crous	MRICS RICS Professional Valuer
Mills Fitchet Global	William Hewitt	NDPV, MIEA, FIVSA, RICS Registered Valuer
Realworx Property Valuations	Stanton Alberts	Professional Associate Valuer
Gert van Zyl Valuations	Gerhardus Jacobus Van Zyl	Professional Associate Valuer

Jones Lang LaSalle and Mills Fitchet Global valued the properties using the discounted cash flow model and Realworx and Gert van Zyl Valuations 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.

	31 August 2020					31 August 2019				
Capitalisation rates	**Number of proper-ties**	**Fair value R'000**	**Weighted average capitali-sation rate %**	**Weighted average long range vacancy factor %**	**Weighted average expense ratio %**	Number of proper-ties	Fair value R'000	Weighted average capitali-sation rate %	Weighted average long range vacancy factor %	Weighted average expense ratio %
8.50% – 8.75%	7	2 199 500	8.5	8.6	31.0	8	2 689 832	8.4	4.2	28.0
9.00% – 10.00%	104	6 624 400	9.7	6.6	28.5	152	8 257 708	9.5	5.6	26.9
10.25% – 11.50%	136	2 328 200	10.6	8.0	26.6	96	1 298 420	10.7	9.7	24.0
Greater than 11.50%	11	216 700	12.0	20.9	27.1	6	138 880	12.5	15.9	20.7
Held for sale	1	2 900	12.0	10.0	15.8	10	139 000	11.5	6.2	29.4
Total	259	11 371 700	9.7	7.7	28.5	272	12 523 840	9.5	5.7	26.2
Long range vacancy factor										
1.00% – 5.00%	120	4 981 200	9.7	3.5	26.0	176	8 422 880	9.4	3.4	26.4
6.00% – 10.00%	95	4 276 500	9.6	8.0	30.9	54	2 878 135	9.3	7.9	28.1
11.00% – 15.00%	26	1 720 100	9.4	13.2	29.8	19	680 325	9.9	13.5	27.1
Greater than 15.00%	17	391 000	11.0	23.2	28.1	13	403 500	10.6	22.4	23.0
Held for sale	1	2 900	12.0	10.0	15.8	10	139 000	11.5	6.2	29.4
Total	259	11 371 700	9.7	7.7	28.5	272	12 523 840	9.5	5.7	26.2
Expense ratio										
6.00% – 15.00%	20	383 700	10.0	2.8	12.1	31	869 291	10.1	3.4	12.1
15.01% – 25.00%	86	2 496 900	10.1	7.4	20.9	97	3 460 307	9.7	7.6	20.9
25.01% – 35.00%	115	7 627 000	9.5	7.8	30.5	102	7 390 142	9.2	5.4	29.7
Greater than 35.00%	37	861 200	10.0	9.0	37.1	32	665 100	9.7	5.3	37.0
Held for sale	1	2 900	12.0	10.0	15.8	10	139 000	11.5	6.2	29.4
Total	259	11 371 700	9.7	7.7	28.5	272	12 523 840	9.5	5.7	26.2

The balance of the portfolio with a carrying value of R392 310 (2019: R322 700) represents properties held for sale, land or mothballed properties. Where a firm offer has been received, the properties were valued at the offer consideration less costs to sell. Land and mothballed buildings have been valued using bulk rates determined from sales of similar properties and adjusted downwards for the impact of the current economic climate.

6. Investment property continued

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.

	2020 R'000	2019 R'000
1% increase in capitalisation rates, while all other inputs remain constant	**(1 071 635)**	(1 217 789)
1% decrease in capitalisation rates, while all other inputs remain constant	**1 318 385**	1 505 343
2% increase in expense ratio, while all other inputs remain constant	**(320 428)**	(345 525)
2% decrease in expense ratio, while all other inputs remain constant	**320 438**	345 525
2% increase in long-range vacancy factor, while all other inputs remain constant	**(248 099)**	(270 375)
2% decrease in long-range vacancy factor, while all other inputs remain constant	**248 099**	270 375

In estimating the fair value of the properties, the highest and best use is taken into account. The judgements regarding the valuations and the inputs into the calculations have changed, but the methodology used has remained unchanged from the previous reporting period. Investment property has been categorised as a Level 3 in the fair value hierarchy, and no transfers have been made between Levels 1, 2 or 3 during the year under review. (Refer to fair value note 5.3 in accounting policies.)

Reconciliation of fair value changes to investment property

	2020 R'000	2019 R'000
Investment property	**(1 053 714)**	(138 459)
Non-current assets held for sale	**(1 151)**	(414)
	(1 054 865)	(138 873)

Investment property pledged as security

The group has encumbered certain of its investment properties with a fair value of R9.7 billion 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.

A schedule of investment properties owned by the group is set out on pages 63 to 67.

7. Straight-line rental income accrual

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

	2020 R'000	2019 R'000
Carrying value at beginning of year	**104 099**	111 282
Straight-line rental income accrual	**(5 738)**	(8 087)
Additions through business combination	**–**	1 131
Disposals	**(7)**	(38)
Transferred to non-current assets held for sale	**–**	(189)
	98 354	104 099

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

	2020 R'000	2019 R'000
Plant and equipment		
Cost	21 441	22 110
Accumulated depreciation	(20 685)	(20 269)
Carrying value	756	1 841
Movement during the year:		
Carrying value at beginning of year	1 841	3 463
Additions	27	–
Depreciation charge	(1 112)	(1 622)
	756	1 841

Assets amounting to R696 000 were written off during the current year reducing both the cost and accumulated depreciation.

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

9. Unamortised tenant installations and lease costs

Letting commission and tenant installation costs incurred in negotiating and arranging operating leases are deferred and amortised over the lease term on the straight-line basis.

	2020 R'000	2019 R'000
Carrying value at beginning of year	31 127	35 210
Additions	5 879	10 339
Additions through business combination	–	589
Classified as held for sale	–	(824)
Amortisation	(13 506)	(14 187)
	23 500	31 127

10. Interest in and loan to joint venture

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 venture is a property investment company deriving income from rentals. The company is incorporated in the Republic of South Africa and has the same financial year end as the company. The joint venture applies the same accounting policies as the group.

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

	2020 R'000	2019 R'000
Proportion of ownership interest/voting rights held by the group		
Name of joint venture		
Prensas Properties (Pty) Ltd (Prensas)	**50%**	50%
Investment in and loan to joint venture		
Cost of investment	**1**	1
Reserves since acquisition	**17 695**	14 995
	17 696	14 996
Loan to joint venture	**4 011**	6 048
	21 707	21 044

The loan of R4.0 million (2019: R6.0 million) bears interest at 12.0% (2019: 15.0%) per annum.

The ECL 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.

10. Interest in and loan to joint venture continued

Summarised financial information of the joint venture as at 31 August 2020

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

	2020 R'000	2019 R'000
Assets		
Non-current	90 400	85 500
Investment property	84 746	80 377
Straight-line rental income accrual	5 251	4 578
Unamortised tenant installations and lease costs	403	545
Current	5 974	7 263
Accounts receivable and prepayments	1 172	1 196
Current account – Octodec	4 801	2 906
Cash and bank balances	1	3 161
	96 374	92 763
Equity and liabilities		
Equity	35 392	29 992
Share capital	1	1
Non-distributable reserve	24 856	18 893
Retained earnings	10 535	11 098
Non-current liabilities	58 396	61 291
Shareholder loan accounts	14 104	18 630
Long-term borrowings	34 251	34 254
Deferred taxation	10 041	8 407
Current liabilities	2 586	1 480
Trade and other payables	2 221	1 480
Taxation due	365	–
	96 374	92 763
Results of operations		
Revenue	18 129	18 119
Property operating expenses	(9 291)	(10 112)
Property income	8 838	8 007
Administrative and corporate expenses	(600)	(600)
Operating profit	8 238	7 407
Fair value changes to investment property	4 315	5 337
Profit before finance costs	12 553	12 744
Net finance charges	(4 557)	(5 892)
Finance income	21	18
Finance costs	(4 578)	(5 910)
Profit before taxation	7 996	6 852
Taxation	(1 998)	(1 618)
Profit for the year and total comprehensive income	5 998	5 234

10. Interest in and loan to joint venture continued

	2020 R'000	2019 R'000
Reconciliation of the above summarised financial information to carrying amount of the interest in joint venture		
Net assets of the joint venture	35 392	29 992
50% proportion of the group's interest in the joint venture	17 696	14 996
Loan to joint venture	4 011	6 048
Carrying amount of the group's interest in the joint venture	21 707	21 044

Commitments and contingencies of joint venture

The group has signed sureties of R11 million for Prensas (2019: R11 million) for loan facilities provided by Nedbank.

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 (50% interest)

Octodec has a 50% interest in the undivided 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 rights to the assets and obligations for the liabilities of The Manhattan and therefore accounts for the interest in The Manhattan as a joint operation.

11. Joint operation continued

The Manhattan (50% interest) continued

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

	2020 R'000	2019 R'000
Assets		
Non-current		
Investment property	63 900	67 100
Current	385	342
Accounts receivable and prepayments	299	319
Cash and bank balances	86	23
	64 285	67 442
Equity and liabilities		
Equity	(13 395)	(15 467)
Non-distributable reserve	(27 137)	(23 937)
Retained earnings	13 742	8 470
Non-current liabilities		
Long-term borrowings	77 564	82 864
Current liabilities		
Trade and other payables	116	45
	64 285	67 442
Results of operations		
Revenue	8 468	8 291
Property operating expenses	(3 224)	(2 404)
Property income	5 244	5 887
Fair value changes to investment property	(3 200)	(1 400)
Profit before finance income	2 044	4 487
Finance income	28	29
Profit for the year and total comprehensive income	2 072	4 516

12. Loan receivable

	2020 R'000	2019 R'000
Loan to joint operation partner		
Amount advanced	74 150	74 764
Provision for impairment	(10 250)	–
	63 900	74 764
Disclosed in statement of financial position		
Non-current	–	74 764
Current	63 900	–
	63 900	74 764

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.

Expected credit loss

The current economic climate has negatively impacted the financial position of both the debtor as well as the value of the asset provided as security for the loan. The ECL of the financial asset has been considered taking into account the current economic conditions and current negotiations with the debtor, and there is a probability that the debtor may not honour the repayment terms in full by the due date. The loan has been impaired by an amount equal to the shortfall between the amount owing and the value of the secured asset, The Manhattan.

13. Unlisted equity investments

	2020 R'000	2019 R'000
Shares in New Holdco and notes in Edcon		
Consideration exchanged	5 551	2 505
Fair value changes	(5 551)	(2 505)
	–	–
Change of fair value of investment recognised in profit or loss during the year:	(3 046)	(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.

Edcon has been placed in business rescue and consequently the shares and notes have been impaired in full.

14. Derivative financial instruments

	2020 R'000	2019 R'000
Interest rate derivatives		
Carrying value at beginning of year	(99 694)	(8 473)
Fair value changes	(226 024)	(91 221)
	(325 718)	(99 694)

The notional principal amount of the outstanding contracts for the group at year end was R4.5 billion (2019: R4.25 billion) (refer to note 36.2).

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 no transfers have been made between Levels 1, 2 or 3 during the year under review. Refer to note 36.4 for the detailed classification of the financial instruments.

15. Accounts receivable and prepayments

	2020			2019		
	Carrying amount R'000	Impairment R'000	Net R'000	Carrying amount R'000	Impairment R'000	Net R'000
Financial instruments						
Trade receivables	88 833	(42 606)	46 227	73 973	(39 405)	34 568
Other receivables – utility and assessment rate recoveries	57 299	(2 923)	54 376	54 725	–	54 725
Loans to B-BBEE suppliers and employees	3 486	(3 153)	333	4 231	(608)	3 623
Sundry receivables	4 686	–	4 686	3 062	–	3 062
	154 304	(48 682)	105 622	135 991	(40 013)	95 978
Non-financial instruments						
Payments in advance	11 295	–	11 295	9 180	–	9 180
Other receivables – municipal refunds*	5 452	–	5 452	8 824	–	8 824
Deposits	5 379	–	5 379	5 292	–	5 292
VAT receivable	346	–	346	–	–	–
	176 776	(48 682)	128 094	159 287	(40 013)	119 274

* *Other receivables – municipal refunds was reclassified from financial instruments to non-financial instruments as the amount has been received from the City Council and will be applied as and when the expense for utilities and assessment rates is incurred. This is therefore not a financial asset exposed to credit loss.*

15. Accounts receivable and prepayments continued

All trade and other receivables are short term in nature. Interest is charged at prime plus 4% (2019: 4%) on arrear tenant balances and loans to employees. The loans to B-BBEE suppliers are interest free.

Refer to note 36.1 for the impairment of trade receivables and other receivables – utility and assessment rate recoveries. No provision has been raised in respect of sundry receivables. The ECL has been considered based on the payment experience and it was concluded that the ECL is not significant and no impairment is required.

16. Cash, bank balances and overdraft

	2020 R'000	2019 R'000
Cash on hand and bank balances	338	47 185
Bank overdraft	(22 026)	–
Bank account held for residential tenant deposits	30 644	34 499
	8 956	81 684
Disclosed in statement of financial position		
Current assets	30 982	81 684
Current liabilities	(22 026)	–
	8 956	81 684

Cash and cash equivalents of R30.6 million (2019: R34.5 million) relating to residential tenant deposits are held on behalf of tenants in a separate interest-bearing bank account in terms of the Rental Housing Act, No 50 of 1999. This account is restricted for the purposes of repaying the liability owing to residential tenants at the expiry of their lease, subject to the conditions contained in the lease agreement. The residential tenant deposits, inclusive of a provision for interest, are disclosed under note 22 'Tenant deposits', which is inclusive of both commercial and residential tenant deposits.

The group has overdraft facilities of R36.5 million (2019: R36.5 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 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.

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 International Accounting Standard (IAS) 40 *Investment Property*, at fair value less costs 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 less costs to sell.

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	2020 R'000	2019 R'000
Armadale*	–	51 500
Carlzeil (5)	960	–
Druthon Centre*	–	13 200
Fedsure House	58 800	60 100
Hannyhof Centre (1)*	–	5 300
Hannyhof Centre (2)	2 600	2 600
Hardwood	2 900	2 900
L.P.A. Beleggings*	–	2 800
Monaco*	–	1 200
Potmeul	7 400	7 400
Rosemitch (3) (Yard)	900	–
Rosemitch (5) (Warehouse)*	–	12 000
Rosnew	43 650	43 300
Talland (2)	4 200	4 200
Viskin*	–	2 800
	121 410	209 300

* *Properties disposed of during the year*

17. Non-current assets held for sale continued

Refer to pages 63 to 67 for details of each of the properties.

A decision was made by the board to dispose of a number of non-core investment properties in prior years. Agreements have been signed for the sale of three properties for a consideration of R5.9 million, of which one property has already been transferred after year end and transfer of the remaining properties is expected within the calendar year.

Octodec is committed to disposing of the remaining identified properties and is actively marketing their sales. However, progress is impeded by the reluctance of banks and funders to finance purchasers of properties in the current uncertain environment.

Fair value information relating to the investment properties held for sale is disclosed in note 6.

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.

	2020 R'000	2019 R'000
Stated capital		
Authorised		
500 000 000 ordinary shares of no par value	**500 000**	500 000
Issued		
266 197 535 (2019: 266 197 535) ordinary shares of no par value	**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.

	2020 R'000	2019 R'000
Non-distributable reserves		
Capital reserve arising on disposal of investment property	**29 597**	27 858
Fair value changes to investment property	**1 133 183**	2 201 386
Fair value changes to derivative financial instruments net of taxation	**(317 087)**	(91 063)
Fair value changes to joint venture reserves	**20 795**	19 121
Additions through business combination	**874 262**	874 262
Fair value on recognition of right-of-use asset on first time adoption of IFRS 16	**1 177**	–
Fair value changes to unlisted equity shares	**(5 551)**	(2 505)
Impairment of loans	**(12 795)**	–
	1 723 581	3 029 059

19. Borrowings

Loans at amortised cost	Interest rate %	Expiry date	2020 R'000	2019 R'000
Secured loans				
Nedbank				
Loan 1			–	416 658
Loan 2	Prime less 0.84	1 September 2023	394 766	594 697
Loan 3	Prime less 1.10	2 November 2020	148 539	148 493
Loan 4	Prime less 0.94	2 May 2022	399 943	399 862
Loan 5	Prime less 0.84	2 May 2024	477 928	488 077
Loan 6			–	356 014
Loan 7			–	560 949
Loan 8	3-month JIBAR plus 1.86	7 February 2024	815 087	–
Loan 9	3-month JIBAR plus 2.20	2 August 2021	193 952	–
Loan 1 has been consolidated into loan 9 and loans 6 and 7 have been consolidated into loan 8.				
Standard Bank				
Loan 1	3-month JIBAR plus 1.75	31 December 2021	494 730	294 801
Loan 2	Prime less 1.40	31 August 2022	97 926	333 494
Loan 3	3-month JIBAR plus 1.75	31 August 2022	474 579	436 937
ABSA				
Loan 1	3-month JIBAR plus 1.75	6 March 2023	224 514	–
Loan 2	3-month JIBAR plus 1.95	6 March 2024	224 463	–
The terms of repayment are as follows:				
Loans 2 to 5 from Nedbank and loan 2 from Standard Bank Interest is paid monthly and the capital amount is repayable on expiry of the loans.				
Loan 6 to 9 from Nedbank, loan 1 and 3 from Standard Bank and loan 1 and 2 from ABSA Interest is paid quarterly and the capital amount is repayable on expiry of the loans.				
			3 946 427	4 029 982

	Interest rate %	Expiry date	2020 R'000	2019 R'000
DMTN Programme				
Unsecured loans – listed				
PMM 38 – issuance 36 months			–	155 000
PMM 44 – issuance 18 months			–	110 000
PMM 48 – issuance 12 months			–	130 000
PMM 50 – issuance 12 months			–	75 000
PMM 51 – issuance 18 months	3-month JIBAR plus 1.85	28 February 2022	45 000	45 000
PMM 52 – issuance 6 months			–	60 000
PMM 53 – issuance 24 months	3-month JIBAR plus 1.60	8 October 2021	81 000	–
PMM 54 – issuance 18 months	3-month JIBAR plus 1.60	7 May 2021	120 000	–
PMM 55 – issuance 18 months	3-month JIBAR plus 1.65	28 August 2021	130 000	–
Accrued interest			889	3 758
			376 889	578 758

19. Borrowings continued

	Interest rate %	Expiry date	2020 R'000	2019 R'000
Secured loans – unlisted				
PMM 46 – Standard Bank (HQLA)	3-month JIBAR plus 1.95	29 June 2023	**367 424**	369 339
Terms of repayment:				
Interest is paid quarterly and the capital amount is repayable on expiry of the unsecured and secured loans.				
			4 690 740	4 978 079
Disclosed in statement of financial position				
Non-current			**4 097 965**	4 027 644
Current			**592 775**	950 435
			4 690 740	4 978 079

The group has R413.5 million (2019: R585.0 million) of unutilised debt facilities available on demand as at 31 August 2020. The facilities are secured by mortgage bonds over various properties with a fair value of R9.7 billion (2019: R9.7 billion).

Loan covenants

The table below reflects the required covenants by the respective lenders. No covenants were breached during the year.

		Actual		
	Required	Nedbank	Standard Bank	ABSA
Minimum group ICR – total portfolio (times)	1.75	2.0	2.0	2.0
Minimum ICR by secured property per lender (times)	1.8	1.9	2.9	2.9
Maximum LTV ratio – total portfolio (%)	50%	42.6	42.6	42.6
Maximum LTV ratio by secured property per lender (%)	50% – 55%	51.2	36.0	45.7

20. Lease liabilities

Adoption of IFRS 16

IFRS 16 *Leases* introduced new or amended requirements with respect to lease accounting. It introduced significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets. The requirements for lessor accounting have remained largely unchanged.

The group adopted IFRS 16 from 1 September 2019 using the modified retrospective approach and has therefore not restated the comparatives for the 2019 financial year as permitted under the specific transition provisions contained in the standard. The group elected to use the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and International Financial Reporting Interpretations Committee (IFRIC) 4 at the date of initial application.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the average incremental borrowing rate to the group of 9.31% as at 1 September 2019. The lease liability representing the present value of the unpaid lease payments at 1 September 2019 has been recognised on the statement of financial position. The group has two properties held under long-term land leases which are currently recognised as investment property at fair value. The group will continue to account for the right-of-use asset for land leases at fair value in accordance with IAS 40.

20. Lease liabilities continued

Adoption of IFRS 16 continued

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 September 2019:

	Balance as at 31 August 2019 R'000	IFRS adjustments R'000	Balance as at 1 September 2019 R'000
Investment property	12 500 173	12 200	**12 512 373**
Lease liability	–	11 023	**11 023**
Opening retained income	3 029 059	1 177	**3 030 236**

Policy applicable for the year ended 31 August 2020

Lessee accounting

The group recognises a right-of-use asset and a lease liability on the commencement date of the lease.

The right-of-use asset is measured at the initial amount of the lease liability adjusted for any lease payments made in advance, plus any initial direct costs incurred less any lease incentives received. The right-of-use asset is recognised under Investment Property and subsequently remeasured at fair value under IAS 40.

The lease liability is initially recognised at the present value of future lease payments discounted using the group's weighted average cost of debt at the inception of the lease. For leases with variable lease payments that are linked to turnover, the variable portion is excluded from the definition of lease payments and no lease liability is recognised for the variable lease payments. These variable lease payments are expensed in profit or loss as incurred.

	2020 R'000	2019 R'000
Lease liabilities		
Recognised on adoption of IFRS 16	**11 023**	–
Finance costs (note 27)	**1 025**	–
Lease payments	**(1 045)**	–
	11 003	–
Disclosed in statement of financial position		
Non-current	**10 981**	–
Current	**22**	–
	11 003	–

The right-of-use asset consists of Woodmead Value Mart and Intersite buildings which are carried at fair value and classified as investment property.

	2020 R'000	2019 R'000
Commitments		
Future minimum lease payments		
Within one year	**1 046**	1 046
Two to five years	**4 183**	4 183
More than five years	**46 826**	47 872
	52 055	53 101

Policy applicable for the year ended 31 August 2019

Refer to note 29.

21. 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 not recognised as the group 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.

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.

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.

In instances where the group believes that it is not probable that a particular tax treatment is accepted, the group has used the most likely amount or the expected value of the tax treatment in the determination of taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates.

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.

	2020 R'000	2019 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	**(62 863)**	(139 481)
Building allowances – pre conversion to a REIT	**241 811**	241 811
Wear and tear allowance	**19 241**	19 234
Fair value changes – derivative financial instrument	**(91 201)**	(27 914)
	106 988	93 650
Reconciliation of movement for the year		
Carrying value at beginning of year	**93 650**	86 596
Reversal of fair value changes to investment property on conversion to a REIT	**–**	(175)
Tax losses available for set-off against future taxable income utilised	**76 618**	26 755
Wear and tear allowance	**7**	(208)
Fair value changes – derivative financial instruments	**(63 287)**	(25 541)
Other allowances and prepayments	**–**	61
Correction of deferred tax – prior year	**–**	6 162
Acquired through business combination	**–**	–
Wear and tear allowance	**–**	202
Other allowances and prepayments	**–**	(61)
Building allowances – pre conversion to a REIT	**–**	59 819
Fair value adjustments to investment property	**–**	175
Tax losses available for set-off against future taxable income	**–**	(60 135)
	106 988	93 650

A deferred tax asset of R126.7 million (2019: R77.7 million) has not been recognised as profits are distributed to the shareholders and the likelihood of utilising the deferred tax asset is remote.

22. Trade and other payables

	2020 R'000	2019 R'000
Financial instruments		
Trade payables	21 496	47 414
Tenant deposits – commercial and residential tenants	89 988	96 358
Accrued utilities and assessment rates	139 027	104 792
Accrued repairs and maintenance	9 436	6 277
Accrued capital expenditure	10 294	9 625
Accrued interest	17 317	2 923
Other accruals	38 452	21 044
Provision for penalty and interest – SARS	–	4 114
Unclaimed dividends	2 760	2 576
	328 770	295 123
Non-financial instruments		
VAT payable – current	4 526	9 298
VAT and interest payable – prior periods	34 908	27 031
Rent received in advance	60 086	62 507
	428 290	393 959

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.

23. Revenue

Revenue comprises rental received from properties as well as other revenue arising from 'contracts with customers'. The group applies a revenue recognition method that faithfully depicts the group's performance in transferring control of the service provided to the customer. Revenue is recognised as follows:

Type of revenue	Recognition
Rental income	Rental income is recognised on the straight-line basis over the lease period and turnover-based rental 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.
Rental and recoveries discounts	COVID-19 rental relief granted to tenants was in the form of a discount given to the tenant. The discount was given on a tenant-by-tenant case depending on the impact that the lockdown measures had on the tenant. As this is not a contractual credit but an *ad hoc* credit against the contractual rental due by the tenant, it has been recognised as a discount under revenue.

for the year ended 31 August 2020

23. Revenue continued

	2020 R'000	2019 R'000
Revenue		
Rental income	1 510 605	1 529 294
COVID-19 rental and recoveries discounts	(103 578)	–
Other revenue	25 528	22 928
Straight-line rental income accrual	(5 556)	(8 191)
Recoveries	453 497	438 664
	1 880 496	1 982 695

24. Property expenses

	2020 R'000	2019 R'000
Fees for services		
Collections fees	115 262	124 449
Commissions	20 093	20 386
Other		
Amortisation of tenant installation costs and commission paid	13 639	14 297
Assessment rates	128 991	123 080
Depreciation of plant and equipment	1 118	1 692
Employee costs	38 710	36 925
Insurance	16 782	14 651
Lease payments – contingent	5 961	6 618
Lease payments – minimum lease payments	–	1 046
Lease payments – short-term or low-value leases	1 061	642
Other property expenditure	112 383	96 339
Repairs and maintenance costs	64 203	90 444
Security costs	69 571	65 941
Utilities	304 070	304 780
	891 844	901 290

25. Administrative and corporate expenses

	2020 R'000	2019 R'000
Auditors' remuneration		
External audit fee	3 600	3 006
Internal audit fees	359	88
Fees for services		
Management fees	46 685	44 188
Fees paid for other services provided by management company	8 326	5 492
Directors' emoluments	7 911	5 941
Salaries	2 654	2 380
VAT correction – prior period	4 305	75
Other administrative costs	17 083	17 345
	91 030	78 515

26. Share of income of joint venture

	2020 R'000	2019 R'000
Management fees	300	300
Interest received	937	2 736
Equity-accounted profit	2 699	559
Share of profits	1 025	217
Share of fair value changes to investment property	1 674	342
	3 936	3 595

27. Net finance costs

	2020 R'000	2019 R'000
Interest income	15 344	18 845
Tenants	5 267	7 636
Bank	3 703	3 025
Loans	6 374	8 184
Finance costs	(451 542)	(467 386)
Interest rate derivatives	(62 859)	(23 078)
Borrowings	(383 135)	(441 828)
Lease liabilities	(1 025)	–
SARS	(4 318)	(2 093)
Other suppliers	(205)	(387)
	(436 198)	(448 541)

28. Taxation

Current and deferred tax expenses are recognised in profit or 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 or 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.

	2020 R'000	2019 R'000
Taxation included in profit or loss		
Deferred taxation	(13 338)	(7 052)
Reconciliation of the income tax expense for the year to accounting profit		
(Loss)/profit before tax	(878 442)	302 699
Income tax expense calculated at 28% (2019: 28%)	(245 964)	84 756
Fair value changes to investment property and derivative instruments	358 649	64 426
Non-taxable income	(27 887)	(24 014)
Non-taxable equity income	(756)	(1 007)
Non-deductible expenses – of a capital nature	22 478	18 615
Income received in advance	16 446	17 358
Allowances		
Wear and tear	(9 311)	(10 521)
Provision for doubtful debts	(5 099)	(2 758)
Prepaid expenses	(3 132)	(2 534)
Finance costs	(1 852)	(10 520)
Reversal of allowances/deductions granted in previous years	5 167	4 205
Exempt capital gain	(487)	(1 188)
Lease payments	(293)	–
Qualifying distribution	(87 654)	(149 741)
Limitation of REIT distribution	7 427	12 921
Assessed losses utilised/limited	(15 060)	(163)
Prior period adjustment to deferred tax	–	6 162
Deferred tax asset not raised in current year	868	–
Other timing differences	(202)	1 170
Reversal of taxation liability on conversion of company acquired to REIT status	–	(115)
	13 338	7 052
Effective tax rate	(1.5%)	2.3%

The group has tax losses amounting to R677 million (2019: R776 million) which can be utilised against future taxable income.

Octodec has calculated its taxable income on the assumption that it will declare sufficient dividends to retain its REIT status. Should the board decide not to declare a dividend for the 2020 financial year, this will result in a current tax charge and tax liability of R28 million which will be recognised in the 2021 financial year.

29. Leases

Adoption of IFRS 16

Refer to note 20 – *Lease liabilities* for the information on the adoption of IFRS 16

Policy applicable for the year ended 31 August 2020

Lessee accounting

Where leases include a variable amount linked to turnover, the variable amount is excluded from the lease and is recognised in profit or loss as and when incurred. All short-term leases (period of less than 12 months) and leases of low-value assets are also recognised in profit or loss as and when incurred.

	2020 R'000	2019 R'000
Lease payments recognised in profit or loss		
Lease payments – variable	5 961	–
Lease payments – short-term and low-value leases	1 061	–
	7 022	–

Lease payments of a short-term nature relate to payments for rental of parking spaces and building encroachments as well some office equipment.

Lessor accounting

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 note 9).

Rental income is disclosed under revenue (refer to note 23 on page 138).

	2020 R'000	2019 R'000
Commitments under non-cancellable lease agreements		
Non-cancellable rental lease agreements		
Within one year	861 325	948 807
One to five years	1 033 110	1 074 160
More than five years	60 503	107 483
	1 954 938	2 130 450

Rental receivable represents contractual rental income and fixed operating costs recovered for leases in existence at year end.

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

Policy applicable for the year ended 31 August 2019

The group as lessee

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.

	2020 R'000	2019 R'000
Future minimum lease payments		
Within one year	–	1 046
Two to five years	–	4 183
More than five years	–	47 872
	–	53 101

The group as lessor – operating leases

There were no changes to leases as a lessor and these continue to be disclosed in the same manner as in the prior year and in accordance with the policy for the year ended 31 August 2020. Refer above.

30. 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 1/2019 issued by SAICA.

	2020 R'000	2019 R'000
Reconciliation of earnings to headline earnings		
Profit after taxation	(891 780)	295 647
Headline earnings adjustments		
Profit on sale of investment properties	(1 739)	(2 629)
Gain on derecognition of interest in joint venture	–	(3 029)
Fair value changes		
Investment property	1 054 865	138 873
Investment property – joint venture	(1 674)	(342)
Headline earnings attributable to shareholders	159 672	428 520
Actual and weighted number of shares in issue (000)	266 198	266 198

	Cents	Cents
Headline and diluted headline earnings per share	60.0	161.0
Earnings and diluted earnings per share	(335.0)	111.1

31. Cash generated from operations

	2020 R'000	2019 R'000
Profit before taxation	(878 442)	302 699
Adjusted for:		
Straight-line rental income accrual	5 556	8 191
Fair value changes to investment property	1 054 865	138 873
Fair value changes to interest rate derivatives	226 024	91 221
Fair value changes to unlisted equity shares and notes	3 046	2 505
Impairment of trade and other receivables	48 811	28 304
Impairment of loans receivable	12 795	–
Profit on sale of investment property	(1 739)	(2 629)
Gain on derecognition of share in joint venture	–	(3 029)
Finance costs	451 542	467 385
Investment income	(15 344)	(18 844)
Share of income from joint venture	(3 936)	(3 595)
Depreciation and amortisation	14 757	15 989
Operating income before working capital changes	917 935	1 027 070
Tax received	675	–
(Increase) in trade receivables	(63 222)	(15 000)
Increase in trade payables	54 245	11 909
	909 633	1 023 979

32. Contingencies

Guarantees

	2020 R'000	2019 R'000
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

33. Commitments

Capital expenditure

The Octodec group has commitments of R45.5 million (2019: R39.5 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.

34. 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.

	2020 R'000	2019 R'000
Amount contributed by the group to the fund	**2 136**	1 933

35. 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 the JSE Listings Requirements. In light of market uncertainty, Octodec has deferred its decision regarding the declaration of its final dividend for FY2020 until February 2021. This is in line with the extension granted by the Financial Sector Conduct Authority on 28 June 2020. If a decision to declare a dividend is taken, Octodec intends to declare no more than the minimum distribution requirement of 75% of its distributable earnings for FY2020, so as to retain its REIT status.

This is to enable greater capital flexibility, retain cash for essential capital expenditure to preserve our balance sheet and to reduce the risks which the company could be exposed to.

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 42.6% (2019: 38.9%) of its total investment portfolio.

	CONSOLIDATED	
	2020 R'000	2019 R'000
Total borrowings*	**5 055 610**	5 094 850
Less: Cash and cash equivalents	**(338)**	(47 185)
Net debt	**5 055 272**	5 047 665
Total investment portfolio*	**11 873 110**	12 964 054
LTV ratio	**42.6%**	38.9%

* *Total borrowings include 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 venture*

36. 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 35 to 38 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

36. Financial risk management continued

36.1 Credit risk

Trade receivables

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 the ECL 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. The current economic climate has weighed heavily on the group's tenants and tenant arrears increased from 3.4% to 4.2% of rental income at 31 August 2020. The group is cognisant that the increase in arrears is largely attributable to the economic climate and that many tenants will be unable to service their rental commitments. The group has revised its LECL assumptions accordingly.

The provision matrix is applied as follows:	**2020 %**	**2019 %**
120 days and over	**100.0**	100.0
90 days and over	**90.0**	50.0
60 days and over	**50.0**	25.0
30 days and over	**20.0**	1.2
Current	**5.0**	1.2

Ageing of trade receivables	**Carrying amount 2020 R'000**	**Expected credit loss 2020 R'000**	**Unimpaired amount 2020 R'000**	**Carrying amount 2019 R'000**	**Expected credit loss 2019 R'000**	**Unimpaired amount 2019 R'000**
30 days or less	**42 174**	**9 072**	**33 102**	29 849	7 011	22 838
31 to 60 days	**9 237**	**5 082**	**4 155**	6 162	3 489	2 673
61 to 90 days	**11 759**	**6 725**	**5 034**	5 249	2 972	2 277
91 days and over, legal and ex-tenants	**25 663**	**21 727**	**3 936**	32 712	25 933	6 779
	88 833	**42 606**	**46 227**	73 972	39 405	34 567
Percentage ECL to carrying amount		**48.0%**			53.3%	

The group has recorded a provision of R42.6 million (2019: R39.4 million) based on the above policy. A significant number of legal tenants and tenants whose prospect of recovery was very small have been written off, thereby reducing the amount due in the legal and ex-tenants category. The ratio of the ECL to the carrying amount is smaller compared to the prior year, because of the write-off of these tenant balances as well as the fact that a large portion of the amount owing is 30 days or less where the probability of recovery is much stronger.

Reconciliation of provision for impairment of trade receivables	**2020 R'000**	**2019 R'000**
Carrying value at beginning of year	**39 405**	24 856
Additions through business combination	**–**	320
Additional provisions for the year (excluding utility and assessment rate recoveries ECL)	**45 888**	28 308
Amounts written off as uncollectable	**(42 687)**	(14 079)
	42 606	39 405

The amount of R46.2 million (2019: R34.6 million), which is past due at reporting date and has not been provided for represents the amounts that are still considered recoverable, after taking into consideration, *inter alia* the deposits held and VAT adjustments.

36. Financial risk management continued

36.1 Credit risk continued

Trade receivables continued

Other receivables – utility and assessment rate recoveries

Ageing of utility and assessment rate recoveries	Carrying amount 2020 R'000	Expected credit loss 2020 R'000	Carrying amount 2019 R'000	Expected credit loss 2019 R'000
Utility and assessment rate recoveries to be billed to tenants within next 30 days	**57 299**	**2 923**	54 726	0
Percentage ECL to carrying amount		**5.1%**		0.0%

36.2 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 maintain debt hedging of at least 80% of its long-term borrowings. At the reporting date, 95.9% (2019: 85.4%) 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 2020, the group had borrowings of R4.7 billion (2019: R5.0 billion) at various interest rates. The all-in weighted average cost of borrowings, including the cost of interest rate swaps, was 8.7% (2019: 9.3%) per annum. A breakdown of the borrowings is detailed in note 19 and exposure to interest rate risk is set out in the tables below.

	Weighted average all-in margin over variable rate per annum %		Notional principal value R'000		Carrying amount of liability R'000		Change in fair value R'000	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Expiry profile of derivatives								
Current –12 months maturity	**–**	–	**–**	–	**–**	–	**–**	(1 886)
Non-current – 1 to 2 years	**–**	0.21	**–**	500 000	**–**	(3 440)	**3 440**	(57)
Non-current – 2 to 5 years	**3.6**	0.74	**4 500 000**	3 750 000	**(325 718)**	(96 254)	**(229 464)**	(89 278)
			4 500 000	4 250 000	**(325 718)**	(99 694)	**(226 024)**	(91 221)

	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 %	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Hedged variable loans	**5.3**	8.7	**4 690 740**	4 978 079	**190 740**	728 079	**95.9**	85.4

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 R686 664 (2019: R2.6 million). The calculations are done monthly to ensure that the maximum additional expense is within limits and debt covenants are met.

36.3 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 following table 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.

36. Financial risk management continued

36.3 Liquidity risk continued

	Current – 12 months maturity R'000	Non-current 1 to 2 years R'000	Non-current 2 to 5 years R'000
2020			
Borrowings including future finance costs	**842 174**	**1 790 710**	**2 680 106**
Trade and other payables	**328 770**	**–**	**–**
2019			
Borrowings including future finance costs	1 342 191	491 761	4 417 151
Trade and other payables	295 123	–	–

36.4 Classification of financial instruments

	Classification of financial assets and liabilities		Fair value hierarchy
	At amortised cost R'000	At fair value R'000	Level 2 R'000
2020			
Financial assets			
Cash and bank balances	**30 982**	**–**	**–**
Accounts receivable (net)	**105 622**	**–**	**–**
Loan receivable	**63 900**	**–**	**–**
Financial liabilities			
Derivative financial instruments	**–**	**325 718**	**325 718**
Lease liabilities	**11 003**	**–**	**–**
Trade and other payables	**328 770**	**–**	**–**
Bank overdraft	**22 026**	**–**	**–**
Borrowings	**4 690 740**	**–**	**–**
2019			
Financial assets			
Cash and bank balances	81 684	–	–
Accounts receivable	104 802	–	–
Loan receivable	74 764	–	–
Financial liabilities			
Derivative financial instruments	–	99 694	99 694
Trade and other payables	295 123	–	–
Borrowings	4 978 079	–	–

37. 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; EMS Mojapelo; MZ Pollack; AK Stein; PJ Strydom; LP van Breda and JP Wapnick.

Prescribed officer: Group company secretary – E Greeff

Subsidiary companies: Refer to interest in subsidiaries in the Directors' Report on page 108.

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 and Partners, a firm of attorneys that renders legal services and over which significant influence is exercised by S Wapnick.

37. Related parties continued

37.1 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:

	2020 R'000	2019 R'000
Related party transactions*		
Income		
Rent received	9 194	8 384
Expenditure		
Asset management fees paid	46 685	44 188
Collection fees	115 262	124 449
Commissions paid	15 487	16 534
Commissions paid on sale and purchase of investment property, refurbishments, developments and repairs	4 708	11 234
Fees paid in respect of shared resources and supervisory fees	8 326	5 492
Related party balances		
Trade and other receivables	775	1 067
Trade and other payables	3 239	2 220

* *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 or loss and other comprehensive income, statement of financial position and notes thereto. Rent received excludes VAT*

37.2 Tugendhaft Wapnick Banchetti and Partners

	2020 R'000	2019 R'000
Related party transactions		
Expenditure		
Professional and legal fees	130	1 006

37.3 Subsidiaries

	2020 R'000	2019 R'000
Related party transactions		
Dividends received		
Anke Properties (Pty) Ltd	–	5 116
IPS Investments (Pty) Ltd	113 225	176 300
Killarney Mall Properties (Pty) Ltd	23 000	32 600
Octprop Properties (Pty) Ltd	–	130
Premium Properties Ltd	285 000	386 100
Presmooi (Pty) Ltd	173 000	132 400
Ramreg Properties (Pty) Ltd	–	907
Tribeca Properties (Pty) Ltd	3 300	3 800
Waverley Plaza Properties (Pty) Ltd	19 600	25 200
Woodmead Mart (Pty) Ltd	35 065	30 690
	652 190	793 243

37. Related parties continued

37.3 Subsidiaries continued

	2020 R'000	2019 R'000
Asset management fees recovered		
Anke Properties (Pty) Ltd	–	254
IPS Investments (Pty) Ltd and its subsidiaries	10 481	11 176
Killarney Mall Properties (Pty) Ltd	2 916	2 997
Octprop Properties (Pty) Ltd	75	81
Premium Properties Ltd and its subsidiaries	28 946	30 975
Presmooi (Pty) Ltd	11 745	9 476
Ramreg Properties (Pty) Ltd	–	41
Tribeca Properties (Pty) Ltd	315	337
Waverley Plaza Properties (Pty) Ltd	1 287	1 439
Woodmead Mart (Pty) Ltd	2 372	2 476
	58 137	59 252
Related party balances		
IPS Investments (Pty) Ltd	1 792 897	1 896 457
Killarney Mall (Pty) Ltd	507 235	516 470
Octprop Properties (Pty) Ltd	14 374	26 215
Premium Properties Ltd	898 719	842 172
Presmooi (Pty) Ltd	2 302 139	1 833 954
Tribeca Properties (Pty) Ltd	47 022	48 078
Viskin (Pty) Ltd	–	(1)
Waverley Plaza Properties (Pty) Ltd	95 294	101 280
Woodmead Mart (Pty) Ltd	–	476 689
	5 657 680	5 741 314

37.4 Directors' and prescribed officers' remuneration

	2020 R'000	2019 R'000
Directors' remuneration		
S Wapnick (Chairman)	1 263	1 163
DP Cohen (lead independent director)	961	874
GH Kemp	902	818
NC Mabunda	634	222
EMS Mojapelo	342	–
MZ Pollack	888	800
AK Stein	827	611
PJ Strydom	888	841
JP Wapnick	827	611
LP van Breda	378	–
	7 910	5 940
VAT and Skills Development Levy contributions	1	1
	7 911	5 941

	2020			2019		
	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)	1 663	175	1 838	1 445	145	1 590

37. Related parties continued

37.5 Salaries paid by City Property to directors of Octodec

	2020			2019		
	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
AK Stein	4 925	83	5 008	4 336	78	4 414
JP Wapnick	3 988	–	3 988	4 143	–	4 143
S Wapnick	840	–	840	819	–	819
	9 753	83	9 836	9 298	78	9 376

There are no service contracts in place with the directors of Octodec. The proportionate salaries paid by City Property for 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 2020. S Wapnick, the non-executive Chairman, was remunerated by City Property on an approximation of her time spent on Octodec affairs.

38. 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
- Residential
- Offices
- Industrial
- Specialised and other, which includes:
  - Educational facilities
  - Healthcare facilities
  - Places of worship
  - Auto dealerships
  - Hotels
  - Parking

38. Segmental reporting continued

	2020		2019	
	R'000	%	R'000	%
Rental income by sector				
Retail	448 238	31.2	517 226	33.3
Offices	232 055	16.2	247 456	15.9
Residential	482 820	33.7	499 610	32.2
Industrial	97 308	6.8	110 287	7.1
Specialised and other				
Educational facilities	30 707	2.1	30 928	2.0
Healthcare facilities	33 338	2.3	37 434	2.4
Places of worship	5 550	0.4	7 534	0.5
Auto dealerships	15 290	1.1	16 911	1.1
Hotels	18 342	1.3	16 793	1.1
Parking	71 009	4.9	68 043	4.4
Total rental income	1 434 657	100.0	1 552 222	100.0
Straight-line rental income accrual	(5 556)		(8 191)	
Recoveries	451 395		438 664	
Revenue	1 880 496		1 982 695	

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 in properties situated in the Gauteng area and therefore the company has not reported on a geographical basis.

39. Events after reporting date

The directors are not aware of any other events subsequent to 31 August 2020 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.

40. Going concern

The current liabilities exceed the current assets by R820 million (2019: R1.143 billion), mainly due to the fact that the majority of unsecured notes and one secured loan will be maturing in the 2021 financial year. The group has R413.5 million (2019: R632.5 million) of facilities available as at 31 August 2020, 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 concluded that the group has adequate resources to continue to operate for the next 12 months. The financial statements have therefore been prepared on the going concern basis.

ANALYSIS OF **ORDINARY SHAREHOLDERS**

as at 31 August 2020

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	779	23.11	304 671	0.11
1 001 – 10 000	1 658	49.18	6 744 628	2.53
10 001 – 100 000	696	20.65	21 995 819	8.26
100 001 – 1 000 000	187	5.55	61 607 864	23.14
Over 1 000 000	51	1.51	175 544 553	65.96
Total	**3 371**	**100.00**	**266 197 535**	**100.00**
Distribution of shareholders				
Assurance companies	27	0.80	5 661 800	2.13
Close corporations	47	1.39	26 400 820	9.92
Collective investment schemes	122	3.62	70 781 323	26.59
Control accounts	2	0.06	100	0.00
Custodians	10	0.30	2 411 850	0.91
Foundations and charitable funds	64	1.90	4 787 698	1.80
Insurance companies	4	0.12	39 627	0.01
Investment partnerships	11	0.33	133 480	0.05
Managed funds	12	0.36	1 757 695	0.66
Medical aid funds	11	0.33	1 969 288	0.74
Organs of state	4	0.12	10 989 401	4.13
Private companies	147	4.36	74 665 487	28.04
Public companies	4	0.12	1 163 854	0.44
Retail shareholders	2 469	73.23	25 506 022	9.58
Retirement benefit funds	99	2.94	11 608 236	4.36
Scrip lending	4	0.12	506 405	0.19
Stockbrokers and nominees	17	0.50	860 230	0.32
Trusts	317	9.40	26 954 219	10.13
Total	**3 371**	**100.00**	**266 197 535**	**100.00**
Shareholder type				
Non-public shareholders				
Directors and associates	50	1.48	104 321 201	39.19
Public shareholders	3 321	98.52	161 876 334	60.81
Total	**3 371**	**100.00**	**266 197 535**	**100.00**

* *Pursuant to the provisions of Section 56 of the Companies Act, disclosures from foreign nominee companies have been included in this analysis.*

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares				
Old Mutual Investment Group			15 143 303	5.69
Ninety One			11 008 433	4.14
Public Investment Corporation			10 989 401	4.13
Prudential Investment Managers			10 041 032	3.77
Catalyst Fund Managers			10 008 076	3.76
Abax Investments			9 825 050	3.69
Allan Gray			8 943 124	3.36
Total			**75 958 419**	**28.54**
Beneficial shareholders with a holding greater than 3% of the issued shares				
Lefkopaul CC			19 486 570	7.32
Tomneff Investments (Pty) Ltd			18 331 418	6.89
Old Mutual Group			15 974 058	6.00
Nedbank Group			13 451 489	5.05
City Property Administration (Pty) Ltd			12 680 413	4.76
Government Employees Pension Fund			9 938 733	3.73
Allan Gray			8 500 147	3.19
Sanlam Group			8 484 108	3.19
Bosjacob (Pty) Ltd			8 395 911	3.15
Total			**115 242 847**	**43.28**

Share price performance

Opening price 2 September 2019	R15.91
Closing price 31 August 2020	R5.98
Closing high for period	R17.78
Closing low for period	R4.82
Number of shares in issue	266 197 535
Volume traded during period	65 328 380
Ratio of volume traded to shares issued (%)	24.54%
Rand value traded during the period	R781 763 891
Market capitalisation at 31 August 2020	R1 591 861 259

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, 22 January 2021, at 11:30 that will be held (subject to any adjournment, postponement or cancellation) through electronic participation only 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 glossary on page 163 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, 4 December 2020
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,15 January 2021

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, 12 January 2021.

Presentation of financial statements

The audited consolidated financial statements of the company and its subsidiaries, incorporating the reports of the auditors, the group audit committee and the directors for the year ended 31 August 2020, 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 92 to 93 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 inter-related 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 inter-related to the company, at such times and on such terms and conditions as the directors of the company in their sole discretion may determine, and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place until 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 inter-related 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-related company loans, a recognised and well-known practice, details of which are also set out in the notes to the financial statements.

Resolution approval threshold

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

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 which 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
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 151
b. Share capital of the company – note 18 of the financial statements on page 132

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 80 to 84 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.

Statement of board's intention

The directors of the company have no specific intention to effect the provisions of special resolution number 2, but will, however, continually review the company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 2.

Resolution approval threshold

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

Special resolution 3 – Approval of directors' remuneration for the period 1 September 2021 to 31 August 2022

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 2021 for a period of 12 (twelve) months ending 31 August 2022, as follows:

	Proposed 12 months to 31 August 2022 R	Current 12 months ending 31 August 2021 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

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. In accordance with cost-containment initiatives in response to COVID-19, no increase in the directors' fees has been proposed for the period 1 September 2021 to 31 August 2022.

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 2021, the abovementioned meeting fees will, together with the retainer, be payable quarterly in arrears.

Resolution approval threshold

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

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.

Resolution approval threshold

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

Ordinary resolution 1 – Re-election of directors

To elect, by way of separate resolutions, directors in the place of those retiring in accordance with the company's MOI. The directors retiring are Derek Cohen, Pieter Strydom and Sharon Wapnick, who, being eligible, offer themselves for re-election.

Ordinary resolution 1.1 – Re-election of Derek Cohen

"RESOLVED THAT Derek Cohen be and is hereby re-elected as a director of the company."

Ordinary resolution 1.2 – Re-election of Pieter Strydom

"RESOLVED THAT Pieter Strydom be and is hereby re-elected as a director of the company."

Ordinary resolution 1.3 – Re-election of Sharon Wapnick

"RESOLVED THAT Sharon Wapnick be and is hereby re-elected as a director of the company."

The reason for and effect of ordinary resolutions 1.1 – 1.3

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. Derek Cohen, Pieter Strydom and Sharon Wapnick are eligible for re-election. The nominations committee has considered Derek Cohen, Pieter Strydom and Sharon Wapnick's past performance and contribution to the company and recommends that they be re-elected as directors. The brief résumés of Derek Cohen, Pieter Strydom and Sharon Wapnick are set out on pages 80, 82 and 84 of the integrated report of which this notice forms part.

Ordinary resolution 1.4 – Confirmation of appointment of Maggie Mojapelo

To confirm the appointment of Maggie Mojapelo as a director, in accordance with the MOI of Octodec.

The reason for and effect of ordinary resolution 1.4

Maggie Mojapelo was recommended for appointment as a director by the board with effect from 1 March 2020. The appointment of Maggie Mojapelo 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 Maggie Mojapelo and recommends that she be elected as a director of the company. The brief résumé of Maggie Mojapelo is set out on page 83 of the integrated report of which this notice forms part.

Ordinary resolution 1.5 – Confirmation of appointment of Louis van Breda

To confirm the appointment of Louis van Breda as a director, in accordance with the MOI of Octodec.

The reason for and effect of ordinary resolution 1.5

Louis van Breda was recommended for appointment as a director by the board with effect from 1 March 2020. The appointment of Louis van Breda 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 Louis van Breda and recommends that he be elected as a director of the company. The brief résumé of Louis van Breda is set out on page 84 of the integrated report of which this notice forms part.

Resolution approval threshold

For each of these resolutions to be passed, votes in favour must represent at least 50% + 1 (fifty percent plus one) of all votes cast and/or exercised at the meeting in respect of each of these resolutions.

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.
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 9 December 2020 as provided in a. above, being 26 619 755 shares, on the terms more fully set out in ordinary resolution 2 above.*

Resolution approval threshold

For this resolution to be passed, votes in favour must represent at least 50% + 1 (fifty percent plus one) of all votes cast and/or exercised at the meeting in respect of this resolution.

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
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.

Statement of board's intention

The directors confirm that there is no specific intention to issue any shares for cash as at the date of this AGM notice.

Resolution approval threshold

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

Ordinary resolution 4 – To approve the reappointment of members of the group audit committee

To approve, by way of separate resolutions, the appointment of the following non-executive directors as members of the group audit committee:

4.1 Pieter Strydom (Chairman) (subject to passing of ordinary resolution 1.2)
4.2 Derek Cohen (subject to passing of ordinary resolution 1.1)
4.3 Gerard Kemp
4.4 Louis van Breda (subject to passing of ordinary resolution 1.5).

The brief résumés of these directors are set out on pages 82 and 84 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 has assessed the performance of the group audit committee members standing for election and has found them suitable for appointment. As the group audit committee consists of four independent non-executive directors, the board is satisfied that the proposed members of the group audit committee meet all relevant requirements.

Resolution approval threshold

For each of these resolutions to be passed, votes in favour must represent at least 50% + 1 (fifty percent plus one) of all votes cast and/or exercised at the meeting in respect of each of these resolutions.

Ordinary resolution 5 – To approve the reappointment of auditors

To reappoint, on the recommendation of the group audit committee, Deloitte & Touche as independent auditors of the company and group 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

As part of the annual review and nomination for reappointment process, the group audit committee will continue to consider the impact of mandatory audit firm rotation requirements in preparation for the effective date of 1 April 2023. Deloitte & Touche has indicated its willingness to continue in office and ordinary resolution 5 proposes the reappointment of Deloitte & Touche as the company and group'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 group audit committee has assessed the performance, independence and suitability of Deloitte & Touche and of Leon Taljaard and nominated them for reappointment as independent external auditors of the company and group, to hold office until the next AGM.

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

Resolution approval threshold

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

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.

Resolution approval threshold

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

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 any one director and/or the group company secretary be authorised accordingly.

Resolution approval threshold

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

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 2020 as set out on pages 96 to 97 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 2020, the details of which are set out on pages 97 to 102 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.

Resolution approval threshold

These ordinary resolutions are of an advisory nature only and although the board will consider the outcome of the vote when implementing its remuneration practices, failure to pass these resolutions will not legally preclude the company from implementing the remuneration policy and practices as contained in the remuneration review report.

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. Shareholders who wish to raise any concerns or submit any comments to the company on the remuneration policy or implementation report are requested to submit such to the managing director. As detailed in the SERT committee report, the company continues to regularly engage with shareholders on its remuneration matters but shall also further engage with shareholders who so require in the lead-up to the AGM.

In the case that the company receives 25% (twenty-five percent) or more votes against either the policy or report, individual shareholder engagements will be specifically arranged.

Electronic participation, identification, voting and proxies

Electronic participation

Resulting from the continued impact of the COVID-19 pandemic and the uncertainty surrounding the restrictions placed on public gatherings and/or the COVID-19 lockdown level that may be applicable when the company's AGM is to take place, the company has determined it prudent and appropriate to make the meeting accessible only through electronic participation, as provided for by the JSE Limited and in terms of the provisions of the Companies Act and the company's MOI.

Shareholders wishing to participate in this virtual AGM should contact The Meeting Specialist (Pty) Ltd (TMS) on proxy@tmsmeetings.co.za or alternatively on +27 11 520 7952/0/1 as soon as possible, but ideally no later than 09:30 on Wednesday, 20 January 2021 to register to gain access to its electronic communication platform (the Platform) for the purpose of enabling all of the shareholders, who are present at the AGM, to communicate concurrently with each other, without an intermediary, and to participate reasonably effectively in the AGM and exercise their voting rights at the AGM. Notwithstanding the aforegoing, any shareholder who wishes to attend the AGM is entitled to contact TMS at any time prior to the commencement of the AGM, in order to be verified and provided with access to the Platform by TMS. TMS is obliged to validate this information with your central securities depository participant (CSDP) before providing you with the necessary means to access the voting platform.

Shareholders are still able to vote normally through proxy submission, despite deciding to participate virtually or not.

Shareholders are strongly encouraged to submit votes by proxy before the meeting.

Shareholders will be liable for their own network charges and it will not be for the expense of Octodec or TMS. Neither Octodec nor TMS can be held accountable in the case of loss of network connectivity or network failure due to insufficient airtime/internet connectivity/power outages which would prevent you from voting or participating in the virtual meeting.

Identification, voting and proxies

In terms of section 63(1) of the Companies Act, any person attending or participating in the AGM must present reasonably satisfactory identification, and the person presiding at the AGM must be reasonably satisfied that the right of any person to participate in and vote (as shareholder or as proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include valid identity documents, driver's licences and passports. Shareholders registered as such on Friday, 15 January 2021 (voting record date) will be entitled to virtually attend and vote at this AGM. Accordingly, the last date to trade in order to be able to participate and vote at the AGM is Tuesday, 12 January 2021. The record date for shareholders to be entitled to receive notice of this meeting is Friday, 4 December 2020. Each shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to virtually attend, submit questions and, on a poll, to vote in the shareholder's stead. Votes will be done via poll and on a poll the holders of ordinary shares present in person or by proxy will each be entitled to one vote for every share held. The form of proxy for the AGM, which sets out the relevant instructions for its completion, is attached hereto for the convenience of any certificated shareholder and 'own name' registered dematerialised shareholder who cannot attend the AGM but who wishes to be represented thereat. Additional proxy forms are obtainable from Octodec's group company secretary, Octodec's website or TMS.

Shareholders who have dematerialised their shares through a CSDP or broker, other than "own-name" registered dematerialised shareholders, who wish to attend the AGM, must request their CSDP or broker to issue them with a letter of representation/letter of electronic participation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

In the interest of efficiency, shareholders are kindly requested to submit completed forms of proxy at the office of the meeting scrutineers of the company, whose details appear below, by 09:30 on Wednesday, 20 January 2021. Any forms of proxy not lodged by this time must be e-mailed to TMS immediately prior to the proxy exercising a shareholder's right virtually at the AGM.

Please note that a proxy may delegate his/her authority to act on a shareholder's behalf to another person, subject to the restrictions set out in the attached form of proxy as stipulated in section 58(3)(b) of the Companies Act.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the AGM and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended).

CSDPs, brokers or their nominees, as the case may be, recorded in the company's subregister as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, may vote by either appointing a duly authorised representative to virtually attend and vote at the AGM or by completing the attached form of proxy in accordance with the instructions thereon and returning it to TMS.

By order of the board

Elize Greeff
Group company secretary

Octodec Investments Limited
101 Du Toit Street
Tshwane
0002

9 December 2020

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)

For use by the ordinary shareholders in respect of the AGM of Octodec shareholders the company to be held through electronic participation on Friday, 22 January 2021, commencing at 11:30, or at any adjournment thereof.

Each shareholder is entitled to appoint one or more proxies (none of whom needs to be a shareholder of the company) to attend, speak and, on a poll, vote in place of that shareholder at the AGM.

The glossary on page 163 of the integrated report to which this form of proxy is attached apply, *mutatis mutandis*, to this form of proxy.

I/We ____

Telephone number ____________________ Cell phone number ____________________

E-mail address ____

being of (address) ____

being the holder/s of ____________ ordinary shares in the share capital of the company, do hereby appoint (see note 1):

1. ____ or failing him/her,

2. ____ or failing him/her,

3. the Chairman of the AGM

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

	Number of votes (1 vote per share)		
	In favour of	Against	Abstain
1. Special resolution 1: To approve financial assistance to related and 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 2021 to 31 August 2022			
4. Special resolution 4: Authority to issue shares to directors who elect the distribution reinvestment alternative			
5. Ordinary resolutions 1.1 – 1.3: To re-elect the directors required to retire in terms of the MOI:			
1.1 Derek Cohen			
1.2 Pieter Strydom			
1.3 Sharon Wapnick			
Ordinary resolution 1.4: To confirm the appointment of Maggie Mojapelo as director			
Ordinary resolution 1.5: To confirm the appointment of Louis van Breda 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 group audit committee:			
4.1 Pieter Strydom (Chairman)			
4.2 Derek Cohen			
4.3 Gerard Kemp			
4.4 Louis van Breda			
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			

Signed at ______________________________ on ____________________ 2020/2021

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

Please read the notes on page 161.

Notes:

Instructions on signing and lodging the AGM proxy form

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the AGM", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an X in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of ordinary shares than you own in the company, insert the number of ordinary shares in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must ideally, for administrative purposes, be received at the office of TMS by 09:30 on Wednesday, 20 January 2021 failing which they may be electronically submitted to TMS prior to the proxies exercising any shareholder rights at the AGM.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from virtually attending the AGM and submitting questions and voting in person thereat to the exclusion of any proxy appointed in terms hereof (subject to following the electronic participation protocol).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or waived by the Chairman of the AGM.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by TMS.
8. The Chairman of the AGM may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes if she is satisfied as to the manner in which the shareholder wishes to vote.

CITY PROPERTY RELATIONSHIP

City Property is a private company which specialises in property and asset management in key strategic nodes in Tshwane and Johannesburg. City Property carries out all responsibilities relating to the management of Octodec's properties in accordance with a management agreement, which is periodically reviewed, updated and approved by the Octodec board and shareholders. The management agreement also serves to manage the exposure of the Octodec properties to various risks. Salient areas of the management agreement, which relate to the content of this report, include:

Effective date	The management agreement became effective on 1 July 2018 for a period of five years.
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 management, internal audit, legal and compliance, HR, IT, as well as credit control.
HR management and administration	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. HR policies at Octodec and City Property align with one another.
Stakeholder engagement	City Property is generally accessible to our tenants and other stakeholders across a variety of platforms and they engage with the stakeholders on a regular basis.
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. Each department within City Property monitors Octodec's risks in line with its ERM policy and framework and has its own risk and opportunities register through which it actively identifies, monitors and manages the risks and opportunities.
Governance	The Octodec board has oversight of and monitors the outputs generated by City Property in terms of the management agreement. The board biannually monitors City Property's and Octodec's implementation of and compliance with the management agreement.
Executive director remuneration	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. The executive directors are remunerated by City Property.
City Property remuneration	A formula is used 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 Octodec board's consideration and approval (see pages 98 and 100 for the KPIs) that apply to City Property for FY2020. 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.

GLOSSARY

ABSA	ABSA Group Ltd
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
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
CSI	Corporate social investment
DMTN	Domestic Medium Term Note
ECL	Expected credit loss
ERM	Enterprise risk management
FAB	Finalise at Best
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
GLA	Gross lettable area
Group	Octodec Investments Limited, its subsidiaries and associated company
HQLA	High quality liquid asset
HR	Human resources
IAS	International Accounting Standard
ICT	Information and communications technology
ICR	Interest cover ratio
IFRS	International Financial Reporting Standards
IIRC <IR> Framework	International Integrated Reporting Council Integrated Reporting Framework
IRBA	Independent Regulatory Board for Auditors
ISAs	International Standards on Auditing
IT	Information technology
JSE	JSE Ltd
JSE Listings Requirements	Listings requirements of the JSE Ltd
King IV	King Report on Corporate Governance™ for South Africa, 2016
KPIs	Key performance indicators
LECL	Lifetime expected credit loss
LID	Lead independent director
LTI	Long-term incentive
LTV	Loan to value
Management agreement	Asset and Property Management Agreement
MOI	Memorandum of Incorporation
NAV	Net asset value
NAVPS	Net asset value per share
Nedbank	Nedbank Ltd
NPO	Non-profit organisation
NPS	Net promoter score
Prime	Prime interest rate offered by Nedbank Ltd and Standard Bank of South Africa 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
SARS	South African Revenue Service
SMME	Small, medium and micro enterprise
SERT committee	Social, ethics, remuneration and transformation committee
Standard Bank	Standard Bank of South Africa Ltd
STI	Short-term incentive
VAT	Value added tax
WALE	Weighted average lease expiry
WFH	Work from home

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

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[1] *Non-executive director*
[2] *Executive director*
[3] *Lead independent director*
[4] *Independent non-executive director*

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Forms of proxy

The Meeting Specialist (Pty) Ltd
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