2023
INTEGRATED REPORT

Octodec
INVESTMENTS LIMITED

Helen Joseph Street retail

TABLE OF CONTENTS

OCTODEC AT A GLANCE

Octodec Investments Limited (Octodec or the company), its subsidiaries and its associated company (the group) is a Real Estate Investment Trust (REIT) listed on the Johannesburg Stock Exchange (JSE) Ltd and A2X. With a rich history dating back to 1956, we have been listed on the JSE since 1990 and on the A2X (South Africa) since 14 March 2023. Octodec acquired REIT status in 2013.

OVER THE SPAN OF MORE THAN SIX DECADES, OCTODEC HAS CONSISTENTLY UNLOCKED VALUE IN URBAN SPACES

OUR VISION

To innovate in the property market and unlock long-term capital appreciation and income flows, through investment in a well-diversified multisector property portfolio. We remain cognisant of our role as a responsible corporate citizen and aim to achieve our vision, ambition and purpose in a manner that takes the interests of all our stakeholders into account.

OUR AMBITION

To provide spaces that positively impact the lives of our tenants, remain relevant and desirable to the markets they serve, with a special interest in upgrading spaces, and to become a landlord of choice in our operating nodes.

OUR PURPOSE

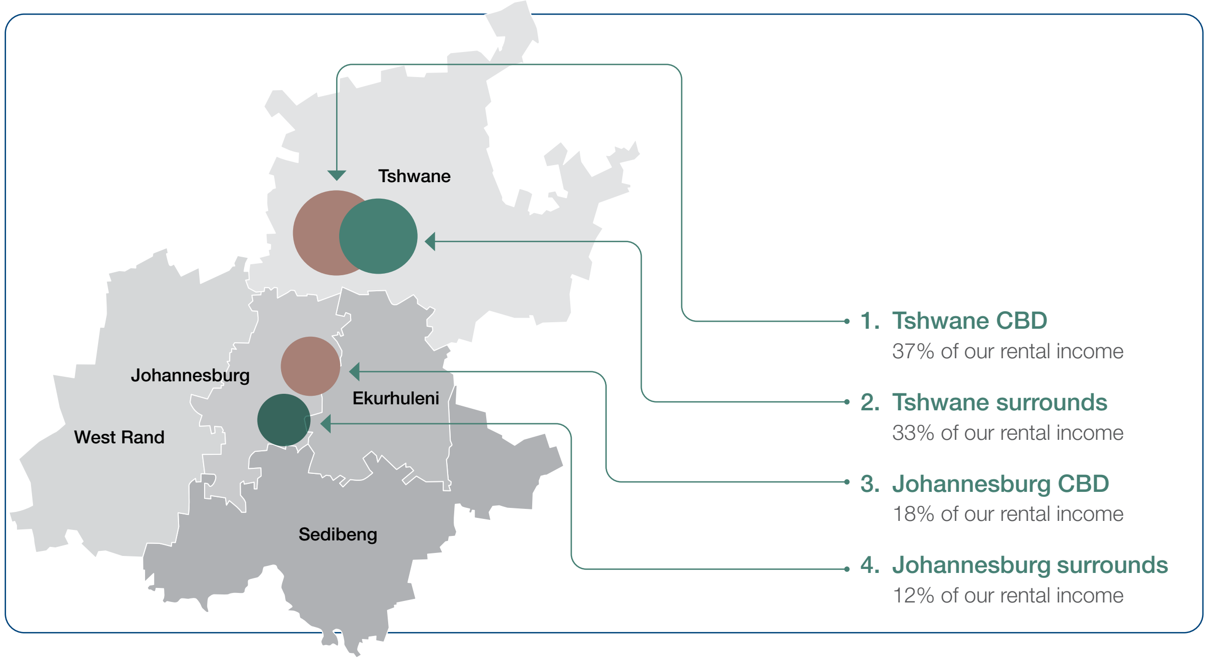
To manage our properties cost-effectively and provide our shareholders with sustainable returns – without compromising the integrity of our operations or the sustainability of our property portfolio.

OUR VALUES AND THE WAY WE WORK

Honesty and integrity are our foundation and quality is our cornerstone. We dare to pave the way for tenants to thrive in our well-managed community ecosystems. We understand the needs of the people in the Tshwane and Johannesburg CBDs and surrounds. We innovate and create spaces that are relevant, well maintained and practical. We paint our cities with passion and make it happen for our tenants every day.

Location is an essential element of our success

We manage our portfolio by maintaining strong property fundamentals in the Tshwane and Johannesburg central business district (CBD) nodes and thriving surrounding urban areas with high demand. Our focus is on urban renewal, uplifting the physical and social aspects of the areas in which we operate.



1. **Tshwane CBD**
   37% of our rental income
2. **Tshwane surrounds**
   33% of our rental income
3. **Johannesburg CBD**
   18% of our rental income
4. **Johannesburg surrounds**
   12% of our rental income

Gauteng is a vibrant and diverse province, with a growing population of professionals, entrepreneurs, small business owners, manufacturers and national retailers, making it the largest contributor to South Africa's GDP.

The cities of **Tshwane** and **Johannesburg** continue to attract ambitious young people and families seeking the convenience of city living. These economic hubs also house established Government departments and other office and retail tenants.

Sound property fundamentals

We maintain a well-balanced portfolio of quality residential and commercial buildings. Our mixed-use spaces create convenient community areas for our tenants, and our geographic concentration generates economies of scale and efficiencies for Octodec. Our well-managed properties and buildings serve as an ecosystem of residents, students, office workers, shop owners, shoppers and entrepreneurs. This provides a mutually beneficial and dynamic economic environment for our tenants to thrive.

Properties valued at R11.1 billion as at 31 August 2023.

Residential

34% of our portfolio income.

Octodec's residential apartments offer accommodation for young professionals, families and students, with access to:

- An exciting array of retail offerings
- Reduced commute time for tenants
- Affordable, secure housing options
- Secure play and recreation areas

We house 15 892 residential tenants in 9 243 residential units.

Commercial

66% of our portfolio income.

A diversified portfolio for retail, office and industrial tenants with access to:

- Vibrant retail spaces with high foot traffic
- Pockets of affordable space for small businesses
- Security and controlled access for thriving small industry

We provide places of work for 3 432 retail, office and industrial tenants.

Our strategy

Create sustainable value for our stakeholders

Optimise our portfolio

Manage our balance sheet and funding structure

Governance

Our corporate governance aligns with the outcomes recommended by King IV™ – an ethical culture, good performance, effective control and legitimacy. The board serves as the highest governing body and custodian of corporate governance, ensuring ethical and responsible leadership. The following board committees further support the board's duties without compromising its accountability:

A Audit committee

N Nominations committee

R Risk committee

S Social, ethics, remuneration and transformation (SERT) committee

An *ad hoc* independent subcommittee, chaired by Derek Cohen, the lead independent director, was established in July 2022 to oversee the negotiation and renewal of the asset and property management agreement ("the management agreement") with City Property Administration (Pty) Ltd (City Property), which was approved by shareholders at the general meeting held on 30 June 2023. Refer to page 4 and pages 74 to 75.

Our performance in 2023

Octodec demonstrated resilience amid challenging macroeconomic conditions. While revenue increased, we also faced higher expenses due to factors such as generator costs, repair expenses, professional fees and administrative costs. We remain confident in our chosen locations and portfolio and are committed to delivering consistent value to our stakeholders while adapting to the evolving needs of our tenants.

2023 performance highlights

Annual rental income increase of 2.8% to ↑
R1 995.1 m
(2022: R1 930.5)

Distributable income after tax of ↓
R455.8 m
(2022: R466.1 m)

Distributable income per share of ↓
171.2 cents
(2022: 175.1 cents)

Dividend per share of ↑
135 cents
(2022: 130 cents)

Cash generated from operating activities before dividend payment of ↑
R447.2 m
(2022: R391.1)

Like-for-like annual rental growth of ↑
4.1%
(2022: 3.4%)

Net property cost to income ratio of ↓
37.5%
(2022: 36.6%)

Net asset value (NAV) per share of ↑
R24.24
(2022: R23.28)

Loan-to-value (LTV) of ↑
37.7%
(2022: 39.2%)

All-in weighted average cost of funding of ↓
9.2%
(2022: 8.7%)

For more information visit www.octodec.co.za

ABOUT THIS REPORT

OCTODEC IS PLEASED TO PRESENT THIS INTEGRATED REPORT, COVERING THE FINANCIAL YEAR FROM 1 SEPTEMBER 2022 TO 31 AUGUST 2023. THIS REPORT REVIEWS OUR PERFORMANCE WITHIN THE OPERATING ENVIRONMENT, SHOWCASES OUR VALUE CREATION FOR STAKEHOLDERS AND HIGHLIGHTS OUR COMMITMENT AS A RESPONSIBLE CORPORATE CITIZEN, INCLUDING OUR SOCIAL AND ENVIRONMENTAL IMPACT.

REPORTING BOUNDARY

This report encompasses the comprehensive performance of the Octodec property portfolio.

Octodec INVESTMENTS LIMITED

Listed as a **REIT** on the JSE

Employs **191** people

Property and asset management services are outsourced to City Property.

CITY PROPERTY Addressing the Future

City Property's know-how is what sets our business apart and is a key driver of our sustainable growth

Employs **428** people

Octodec has contracted City Property, a private company with expertise in the management of inner-city properties, to support our tenant-centric approach. City Property carries out all responsibilities relating to the management of Octodec's properties in accordance with the management agreement between City Property and Octodec.

City Property is controlled by the Wapnick family. Sharon Wapnick and Jeffrey Wapnick are directors of City Property, and Jeffrey Wapnick exercises significant influence over City Property. City Property is a related party to Octodec.

In 2023, the *ad hoc* independent subcommittee successfully renegotiated and finalised the renewal of the management agreement following the expiration of the previous agreement. On the recommendation of the *ad hoc* independent subcommittee, the new management agreement was approved by the board and subsequently approved by shareholders at a general meeting held on 30 June 2023 in terms of the JSE Listings Requirements. The new management agreement commenced on 1 July 2023 and spans five years and two months until 31 August 2028. For further detail refer to the lead independent director's review on page 74.

City Property provides the specialist property portfolio management, leasing, administration and marketing skills necessary to deliver excellent customer service to 12 391 tenants across our 238 buildings on Octodec's behalf. City Property 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 ensure optimal management of Octodec's properties.

The Octodec board has oversight of and monitors the outputs generated by City Property in terms of the management agreement. Octodec employs only the group company secretary and secretarial assistant, compliance officer, building managers, cleaners and handymen.

The employees of City Property perform all other activities required by the management agreement. The risk management, internal audit services, compliance and regulatory management and occupational health and safety compliance services are provided by City Property employees, whose time and costs are shared between Octodec and City Property. City Property also employs the managing director and financial director of Octodec. See the remuneration review on pages 88 to 103 for detail.

This integrated report does not always distinguish between the activities of Octodec and the services City Property provides to Octodec in terms of the management agreement, as these are performed under the directive of Octodec.

REPORT PREPARATION AND ASSURANCE

THE CONTENT OF THIS REPORT REMAINS COMPARABLE WITH PREVIOUS YEARS AND MATERIAL PERFORMANCE INFORMATION IS REPORTED ON A LIKE-FOR-LIKE BASIS WITH PRIOR YEARS. THE LIKE-FOR-LIKE BASIS EXCLUDES THE IMPACT ON OUR BUSINESS AND OUR RESULTS ARISING FROM THE DISPOSAL OF PROPERTIES. THERE ARE NO RESTATEMENTS OF COMPARATIVE INFORMATION OTHER THAN WHERE INDICATED.

There have been no significant changes to the company's size, structure or ownership, nor the key functions over which it exercised control during the year.

This integrated report is presented in accordance with the principles, requirements, standards and guidance of the:

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

The abridged corporate governance report included in this report provides a concise overview of Octodec's governance framework and practices to stakeholders. A detailed explanation of the application of the King IV™ principles is available on our website at www.octodec.co.za/cg-downloads/king-iv-assessment-report/.

Furthermore, we have considered the principles outlined in the voluntary JSE Sustainability Guidance and are committed to enhancing our reporting disclosure in alignment with this framework. Please refer to the JSE Sustainability Guidance Index in our separate ESG report on our website at https://octodec.co.za/wp-content/uploads/2023/11/Standalone-ESG-report.pdf. Octodec has not pursued external assurance for the non-financial information disclosed in this report.

Our audited financial statements (pages 105 to 144) comply with IFRS and are audited by our external auditor Ernst & Young Incorporated, whose unqualified audit report can be found on page 112.

FORWARD-LOOKING STATEMENTS

Certain sections of this report contain forward-looking statements, which may be affected by factors beyond our control. This could result in the actual results, performance, objectives or achievements of Octodec, differing materially from the anticipated outcomes expressed or implied in these statements. The performance of the Octodec group is influenced by changes in the economic environment and market conditions, and stakeholders should consider this when reading this report.

Board approval

The board is responsible for the integrity of this integrated report.

The directors confirm that they have conducted both individual and collective reviews of the integrated report and online supplementary documents, and are of the opinion that they effectively cover Octodec's board-approved material matters and provide a fair representation of the group's integrated performance and prospects in accordance with the <IR> Framework.

This integrated report was approved by the board on 27 November 2023.

---

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

PERSPECTIVES, INSIGHTS AND DIRECTION FROM OUR LEADERSHIP

CHAIRMAN'S REVIEW

Sharon Wapnick
Chairman

Strategic resilience despite headwinds

OCTODEC DELIVERED A COMMENDABLE PERFORMANCE, PARTICULARLY IN THE RESIDENTIAL SECTOR, WHICH YIELDED ACCEPTABLE RETURNS AND HAD A POSITIVE IMPACT ON TENANTS' LIVES. DESPITE A DECREASE IN FINANCIAL EARNINGS, WE REMAINED COMMITTED TO MAINTAINING DIVIDEND LEVELS FOR SHAREHOLDERS.

We faced numerous challenges due to the negative macro-environment; however, we remain resilient and flexible in the face of these challenges.

South Africa's grey listing by the FATF added to the woes created by our energy crisis (295 days of loadshedding as at 2 November 2023), high unemployment (at an all-time high of 47%), frequent natural disasters and economic uncertainty among many others. Load shedding tipped South Africa to the brink of a financial crisis – in 2023 alone, the estimated cost to the South African economy could be as high as R1.6 trillion in lost economic activity.

This resulted in an operating environment marked by sluggish growth, high inflation, increasing fuel costs and persistently high-interest rates. These conditions impacted Octodec and our tenants, particularly the small, medium-sized entities (SMEs) and residential tenants in the lower- to mid-LSM.

The political landscape as a whole saw instability; this was noticeable in Gauteng with mayoral changes in Johannesburg and Tshwane. This strained the administrative-political interface, with political interference affecting government administration. The challenge has been to keep municipal administrations functioning smoothly during leadership changes and avoiding disruptions.

The costs of services like security, cleaning and maintenance increased above inflation, creating challenges in a market unable to afford such increases. Tenants look to landlords for the provision of essential services during times like these, where crisis after crisis is caused by ongoing and inherent systemic failures. Octodec has never been solely a landlord; we have and will always be, a part of the businesses and social communities around us. We are integral to the lives of our tenants.

We take this responsibility seriously and will always strive to do our best to improve lives and provide support where we can, while continuing to build a sustainable business for Octodec. An example of our commitment is that Octodec has stepped in to provide generators, where possible, for electricity during load shedding and other extended power outages due to infrastructure issues, theft and vandalism.

I am happy to report that despite the barrage of hurdles faced at a macro- and micro-level, we continued to remain relevant, resilient and flexible and to provide safe and well-maintained spaces for our tenants.

Addressing critical service delivery concerns

A critical concern for Octodec is the lack of service delivery we experience from our Councils. We find ourselves in a situation where, despite diligently remitting monthly payments to these Councils for services, and our constant engagements with them, the expected and agreed upon levels of service remain elusive.

Recent service delivery protests in Tshwane, the gas explosion in Lilian Ngoyi Street and the fire in a hijacked building in Marshall Street in August suggest inadequate by-law enforcement and governance by the

Johannesburg Council. These also highlighted the inability of our Councils to respond adequately and quickly to events. This is not only concerning due to the health and safety risk to people's lives, but also to the financial impact on businesses that in turn impact employment among so many other things.

Enduring service delivery failure is unacceptable and unsustainable and brings with it social, financial, and political risk. Improved performance and service delivery by the Councils is urgent and essential. I am confident that all property owners and stakeholders agree that change is required, and it is required quickly.

Therefore, we urge the Cities of Johannesburg and Tshwane to urgently take the necessary remedial action required to restore governance and improve service delivery. Our ability to intervene directly is limited but we continue to promote and encourage change. We remain focused on staying informed and being vigilant.

Octodec continues to prioritise health, safety and compliance at our buildings to ensure the well-being of our tenants and the broader community. What is encouraging is that property owners continue to demonstrate their commitment to the CBDs and have invested in their upliftment and regeneration.

The City Improvement Districts (CIDs) in the CBDs, led by capable leadership, have brought about noticeable positive changes to their respective areas. While these CIDs provide benefits, they come with associated costs that all CBD property owners share; this is over and above their regular assessment rates payments, refuse removal, sewage, and so on. For Octodec to provide the quality accommodation that it promises, we have at our own cost been compelled to deliver services that are the responsibility of the Councils.

We acknowledge and agree with the premise that corporates should be involved in initiating change. Therefore, we accept that property owners, such as Octodec, should play a role in maintaining the CBDs and other areas where we have properties. This, however, comes at a considerable cost. Government and local government need to realise that in the interests of sustainability, Municipalities cannot continue to levy charges for services they, for whatever reason, do not or cannot deliver.

Our properties uphold high standards for maintenance and security; however, not all property owners exhibit the same level of commitment and quality. This needs to change. Everyone has a right to dignity in their place of work and at home and this requires engagement and commitment from all involved, those responsible and those accountable. Communities must commit to taking responsibility for aspects that they can impact such as keeping the areas in which they work and live in clean.

To drive significant change, property owners and other CBD stakeholders must unite in a spirit of cooperation. Our collective goal should extend beyond improving individual properties and must include a future vision of the revitalisation of entire areas. Given the prevalent high unemployment rates, there is an opportunity for Council to offer employment to unemployed individuals to, for example, clean up our CBDs.

Ultimately, we need a shift in attitude and a departure from the status quo. The time has come for us to collectively address these issues and seek sustainable solutions to ensure the prosperity and revitalisation of our CBDs. This is an imperative for the future success of our cities and communities.

Renewal of the Octodec and City Property management agreement and shareholder engagement

The management agreement between Octodec and City Property has been successfully renewed, despite receiving less support from certain shareholders than anticipated. As a board, we have taken note and are committed to addressing any concerns that arise. The board has dedicated considerable time and attention to reviewing feedback from shareholders. There is, though, also in this feedback, a widespread recognition of the commendable work performed by City Property.

In response to shareholder feedback, the board is investigating the possibility and viability, including cost, of internalising the management function. A vital consideration is whether ultimately an internalisation will make a measurable positive impact on Octodec and its shareholders. Shareholders will be kept abreast of developments in this regard.

Additional topics that received board attention

The board's key areas of focus also included exploring development opportunities and potential disposals and acquisitions to refine Octodec's portfolio and boost distributable income. We emphasised maintaining a robust balance sheet, ensuring healthy cash flows, and adhering to bank covenants.

ESG considerations also received attention. The board has welcomed and embraced ESG principles and integrated them into our oversight of business management. It has become part of our DNA. We actively incorporate ESG into our risk assessments and mitigation strategies; including during the review of the group strategy, the consideration of refurbishments, disposals and acquisitions, and energy-related challenges.

Our long-standing commitment to strong governance and ethical conduct remains unwavering. We strive to operate ethically and responsibly to deliver the best outcomes for all stakeholders. We also oversaw the proper documentation and implementation of compliance management plans for both essential and topic-specific regulatory requirements.

ESG considerations and principles have become part of our DNA.

Additionally, we focused on enhancing internal controls within the information and communication technology environment, particularly in areas like cybersecurity.

The audit committee oversees these crucial areas, and in March, the board participated in a cybersecurity training. This emphasis on cybersecurity was not prompted by any specific incident but by the recognition that the world of technology is rapidly changing and companies must be prepared for all that this might entail and that we must be adaptable. Data protection and backups have always been priorities; however, the dynamic technology landscape necessitated our focused attention.

We are satisfied that the group has taken the necessary steps to mitigate risks, enhance systems and ensure the appropriate skills are available within City Property.

In closing

We do not anticipate substantial improvements to the operating environment in 2024. Successfully navigating this period will require sustained diligence, dedicated effort and candid discussions.

The Octodec board is dedicated and industrious. Our directors are approachable, open to discussions and maintain a collegial rapport. I thank my fellow Board members and the Management and employees of Octodec and City Property for their dedication and support during a challenging year. Without all of you, Octodec's success would not be possible.

Sharon Wapnick
Chairman

27 November 2023

INSIGHTS FROM OUR MANAGING DIRECTOR

OCTODEC'S ROBUST PORTFOLIO HAS PROVEN RESILIENT THROUGH THE PERSISTENTLY DIFFICULT CONDITIONS OF THE PAST NUMBER OF YEARS. I WOULD LIKE TO THANK OUR EMPLOYEES FOR THEIR DEDICATION TO EXCELLENCE AND OUR TENANTS FOR THEIR LOYALTY AND CONSTRUCTIVE FEEDBACK. THE TRUE MEASURE OF OUR PROPERTIES' APPEAL LIES IN THE CONTENTMENT OF OUR TENANTS.

Jeffrey Wapnick
Managing director (MD)

Q: In the context of global geopolitical tensions leading to higher energy costs, increased interest rates, inflation and socio-economic and operational challenges in 2023, how resilient was Octodec's portfolio?

A: Our property portfolio is unique due to its geographical concentration, which can be challenging but is offset by diversification across our various sectors. Vacancies are diminishing, particularly in the residential sector.

I am proud of our residential performance, even during economic downturns. Rising interest rates have led to higher demand for more affordable housing options. Our residential offering, which makes up 34% of our total portfolio, primarily targets the in-demand low- to mid-Living Standards Measure (LSM) rental market, which is largely driven by urbanisation.

Our convenience shopping centres consistently excel because they serve essential community needs. In terms of street shops, performance varies between Johannesburg and Tshwane, but both are recovering well post-COVID-19. A challenge in the CBDs has been that banks are moving away from their traditional large-format CBD branches, due to digitisation. As a result, we have been looking at alternatives for these spaces, including converting them into smaller spaces to appeal to a broader retail base.

Killarney Mall's income increased despite higher vacancies. We are working with architects to optimise the space to improve tenant mix and occupancy, and we are negotiating expansions with certain anchor tenants.

Despite municipal challenges, our light industrial tenants are performing well. Our small-scale industrial properties are well-maintained, but some of the surroundings suffer neglect in terms of infrastructure upkeep and maintenance by the Councils.

The office sector remains subdued. However, a significant proportion of Octodec's offices serve Government departments and entrepreneurs which provides a good balance of tenant stability and adaptability. We have introduced free Wi-Fi and shared meeting spaces in certain of our office buildings as a value-add to our tenants.

Q: Please provide insight into the impact of the gas explosion on 20 July in Johannesburg's Lilian Ngoyi Street, which caused damage spanning from Von Brandis Street in the east to Loveday Street in the west.

A: There are eight Octodec buildings in the vicinity of the explosion. Fortunately, there was no harm to Octodec tenants or employees and all our buildings remained structurally intact. We promptly provided backup generator power and water to buildings whose services were interrupted until regular services were reinstated by 31 July. The explosion has been reported to our insurers, and the impact on vacancies has been minimal with our overall residential vacancies in Johannesburg increasing by 1%, from 5% to 6% since the explosion.

In response to the evacuation of Lara's Place, we opened Anderson Place, a largely unoccupied office building in Marshalltown, to house displaced tenants. Evacuees received tea, coffee, blankets and even Wi-Fi where possible.

This unforeseen explosion emphasised the need for the ongoing maintenance of the extensive underground pipeline network in the city and its surroundings, spotlighting declining regional infrastructure maintenance. While the incident may raise concerns about CBD operations, it also highlighted Octodec's ability to manage portfolio risks with agility. An essential factor was having a capable team of building managers and security companies who – led by Robert Gibson, Head of Department for the Johannesburg commercial portfolio – adeptly handled the situation.

Q: How has Octodec responded to the National Student Financial Aid Scheme's (NSFAS) reduction of the annual accommodation allowance cap from R60 000 in 2022 to R45 000 in 2023?

A: The allowance cap significantly impacted many of our student tenants' capacity to afford rents. We responded by lowering rents on specific units at The Fields to accommodate NSFAS-supported students. We are also actively engaging with NSFAS and industry peers to seek a solution to the accommodation cap allowances.

In addition, we cater to the demand for affordable, furnished student accommodations, especially for NSFAS-supported students. While the allowance cap has posed challenges for many of our student tenants, it underscores the suitability of our shared apartment solutions, where students can use their diminished allowance to rent a room in a comfortable and quality apartment with all the amenities they need.

Q: The City Property management agreement was renewed this year; do you have any comment?

A: The successful completion of the City Property management agreement renegotiation was a highlight this year. Appreciation is due to all those who worked on the details, as well as the board of directors, for their role in facilitating a seamless and favourable outcome. Our lead independent director, Derek Cohen, explains the process and key elements of the agreement on pages 74 and 75 of this report.

Q: How well has Octodec performed strategically?

A: Octodec's strategy has three main objectives: Creating sustainable value for shareholders, optimising our portfolio and strengthening our balance sheet.

Our tenants face difficult market conditions, making it challenging to ensure sustainable rental increases across the portfolio in the face of low employment rates, high inflation and interest rates. However, Octodec's core competencies and extensive experience positions us to create lasting value for shareholders by optimising our diverse and affordable portfolio of properties to meet tenant needs.

To improve the quality of our portfolio, we identify properties that are no longer core to our business for disposal and we are selective in deploying capital into investments that deliver attractive yields and meet our standards of performance into the future. To safeguard our balance sheet, it is essential to be prudent and assess the feasibility and profitability for every investment undertaken.

We sold and transferred seven properties to the value of R109.4 million in 2023, and invested R123.9 million in refurbishments in response to the demand for high quality, affordable spaces.

A highlight for 2023 and moving into 2024, is the renovation project for the vacant building located in the City of Tshwane into the HealthConnect Medical Centre. This project is a testament to our unwavering commitment to meeting community needs and a response to the growing demand for quality medical suites in the area. We are also investigating the conversion of a vacant office building into a residential building to meet the needs of the lower LSM market.

As part of our annual strategic review, we carefully assessed the evolving landscape, evaluating the ongoing relevance of our current strategy. This assessment guided our efforts to adapt and shape an updated strategy. City Property and Octodec's executive and management teams developed a strategy to realise this vision. Our revised vision centres on Octodec's legacy of innovating to generate sustainable economic value and meet the needs of the communities we serve.

Particularly during challenging periods, it is crucial that we reaffirm our commitment to enhancing our buildings to support flourishing community ecosystems, while maximising shareholder returns.

Q: In a competitive landscape, how does Octodec adapt to evolving tenant needs while maintaining affordability?

A: We offer a compelling value proposition tailored to the evolving requirements of tenants. Despite market fluctuations, our focus remains on creating dignified yet cost-effective living, working and shopping spaces. We aim for innovation within our means, delivering value at a sustainable rate, considering the challenge of high capital costs.

To further enable entry-level affordability, we have enhanced our spaces by equipping 26 existing residential apartments with semi-furnished options, for sharing. The demand for this entry-level space is evident, and we provide affordable options without compromising on our standards of maintenance, cleanliness and security at our buildings.

Our commitment to enhancing tenant experiences is evident in innovative offerings such as our sought after recreation areas, playgrounds and the cashless laundry facilities. These amenities contribute to tenant satisfaction and retention.

In addition, Octodec takes a proactive and comprehensive approach to environmental sustainability. We strive to integrate sustainability principles into all facets of our operations and have linked them to the Key Performance Indicators for City Property.

For example, we upgraded the lighting systems in 7 buildings from outdated fluorescent tubes. This switch not only enhances brightness but also reduces consumption, aligning with our environmental and cost-conscious goals. Initiatives involving solar energy adoption and water saving are also being implemented across our properties.

The implementation of digitised marketing and leasing processes by City Property not only aid efficiency, but also help reduce vacancies.

Q: As you work towards your vision of socio-economic development and vibrant communities, how does Octodec address negative media sentiment and investor perceptions of challenges in the CBDs?

A: Our success is indelibly linked to the prosperity of the CBDs in Johannesburg and Tshwane.

With a history of transforming Gauteng's inner cities through property redevelopment and community engagement, Octodec is more than a mere rent collector. We prioritise partnership and community upliftment over sheer profit. We encourage investors to attend our regular CBD tours to experience first-hand the work we are doing both inside and outside of our properties.

Octodec is a proactive contributor to solutions. As an example, in the CBDs, we have introduced planters and greenery along the exterior of many of our buildings. This not only adds to the visual charm but also offers a welcome contrast to the urban landscapes. This initiative benefits our tenants and the broader community, all achieved without the need for substantial capital investment.

In addition, Octodec, via its property manager City Property, was proudly involved in the launch of the Church Square Revival Project, a public-private community initiative led in conjunction with the City of Tshwane. Working in close collaboration with the communities, the rejuvenation project aims to make Church Square, one of the most iconic and historically significant precincts in the country, a cleaner, more accessible tourist destination and public space.

We actively seek to enhance the communities around us by supporting causes linked to education, empowering underprivileged families and aiding communities in need.

Our recent social initiatives underscore this dedication. Collaborating with the Dis-Chem Foundation, FutureLife, and Nivea, we have provided over two million nutritious meals to children through an anti-hunger initiative. Additionally, our Kibooks online reading platform – which is free to Octodec tenants – promotes literacy and empowerment among young readers. The establishment of an Early Childhood Development (ECD) centre at Pete's Place and a Community Clinic in partnership with Dis-Chem at Perl Modes serves tenants and the local community, while The Fields now boasts an event space hosting movie screenings and mental health talks for student tenants.

Apart from their regular tenant-related responsibilities, our building managers assume a pivotal role in nurturing community connections. Their relationships with various inner-city stakeholders, including community leaders, taxi drivers, hawkers and more contribute to ensuring safer, cleaner CBD environments and preserving spaces that uphold dignity for everyone.

City Property executive engaged our building managers and other employees through one-on-one "tea-and-a-talk" sessions, as well as the "City Square" group event held in August. As always, we received valuable feedback and insights from them as the ones with their "boots on the ground". I want to express my sincere gratitude for the dedication of our exceptional team and employees, who have gone above and beyond during challenging periods. Your unwavering commitment does not go unnoticed. I also want to extend my sincere thanks and appreciation to my chairman and Board of Directors for their valuable ongoing guidance and support.

OUR PORTFOLIO OF VIBRANT MULTISECTOR AND MIXED-USE SPACES

A VIEW OF OUR RESIDENTIAL SECTOR

WE MAINTAIN OUR COMPETITIVE ADVANTAGE BY PROVIDING QUALITY APARTMENTS AT AFFORDABLE PRICES.

Percentage of Octodec's portfolio income
34%

Rental income from Tshwane and surrounds
69%

Rental income from Johannesburg and surrounds
31%

Number of tenants across 64 residential properties
8 959

Occupancy rate
93.5%

Percentage of our tenants who are students
30.81%

Percentage of residential applicants who are Government employees
23.9%

Average net monthly salary per applicant*
R21 150

- Traditional apartment blocks
- Mixed-use spaces
- Student accommodation

GLA (m²)
418 094

Rental income (R'000)
R510 120
(2022: R462 808)

Number of tenants
8 959

Note: All information on rental income and properties disclosed from pages 11 to 20 and pages 48 to 59 of this report includes 100% of the equity-accounted joint venture.

* *11.7% of applicants earn more than R35 000 per month.*

We focus on ensuring that our value proposition remains attractive to tenants with well-maintained and safe buildings, play areas for children, braai facilities and recreation areas for relaxation, dedicated on-site building managers and 24/7 security.

Easy interaction

Our digital engagement platforms facilitate faster and more efficient lease applications, feedback and processing.

Customised accommodation

We offer fully or semi-furnished shared apartments to help meet the rising demand for affordable, clean and safe accommodation, specifically for students who receive assistance from NSFAS.

Value-adds for our tenants

We have successfully introduced cashless laundry facilities at The Fields, Sharon's Place, The Hangar, Jeff's Place, and Steyn's Place. These on-site laundries offer tenants a 24/7, time-saving and hassle-free laundry experience.

In addition, we have implemented free Wi-Fi across our properties. This value-added benefit has been well-received by our tenants and has become increasingly popular.

Rewarding loyalty

Our Residential Rewards Programme offers vouchers for lease renewals and ensures we maintain loyalty with good quality tenants.

A LOOK INTO OUR COMMERCIAL SECTOR

LOCATION IS THE PRIMARY COMPETITIVE ADVANTAGE TO OUR WELL-DIVERSIFIED COMMERCIAL PORTFOLIO OF PROPERTIES WITHIN CORE COMMUTER AND ACTIVITY ZONES.

Percentage of Octodec's portfolio income
66.0%

Rental income from office spaces
18.7%

Rental income from retail street shops and shopping centres
35.7%

Rental income from industrial spaces
7.1%

Rental income from parking
4.5%

Number of commercial tenants
3 432

We offer tenants commercial spaces across diverse types of retail, office and industrial buildings, including a medical centre and two hotels.

Our portfolio creates an ecosystem – retail tenants benefit from high foot traffic in the CBD commuter and activity zones. They also have access to potential customers from nearby offices, including our tenants, residing in our residential properties.

In the surrounding urban areas, our well-managed industrial parks for small, medium-sized entities (SMEs) are sought-after, while our community shopping centres, in carefully selected locations, continue to serve their respective communities.

Retail shopping centres

- Neighbourhood community shopping centres

GLA (m^2)

97 700

Rental income (R'000)

R183 401

Number of tenant leases

214

Retail street shops

- A mix of local, small-scale retail options as well as national tenants

GLA (m^2)

342 712

Rental income (R'000)

R352 038

Number of tenant leases

1 015

Offices

- Government office space
- Small office space
- Hybrid office-retail

GLA (m^2)

456 790

Rental income (R'000)

R280 386

Number of tenant leases

1 532

Industrial

- Workshops
- Mini factories
- Small industrial operators

GLA (m^2)

213 665

Rental income (R'000)

R105 941

Number of tenant leases

348

Parking

- Covered
- Structured
- Basement

Number of parking bays

23 746

Rental income (R'000)

R68 016

Number of tenant leases

323

Frank's Place

SHOWCASING OCTODEC'S TOP 10 PROPERTIES BY VALUE

THE FIELDS, HATFIELD, TSHWANE

Value
R819.0 million

Sector
Mixed use, consisting of residential, retail and offices

Commercial rental income
32.2%

Residential rental income
67.8%

Size
56 399m²

Percentage of portfolio value
7.3%

Residential occupancy
77.0%

Commercial occupancy
81.9%

- 766 apartments with 383 NSFAS accredited apartments converted into furnished accommodation to meet the student demand
- 1 112 basement parking bays
- City Lodge hotel
- Virgin Active gym in the precinct
- Biometric access, 24-hour security and CCTV cameras

THE FIELDS OFFERS OFF-CAMPUS STUDENT ACCOMMODATION, RETAIL SHOPS, HIGH-QUALITY OFFICE SPACES, RESTAURANTS AND A HOTEL.

KILLARNEY MALL, JOHANNESBURG

Value
R517.9 million

Sector
Shopping centre and offices

Commercial rental income
100%

Size
47 470m²

Percentage of portfolio value
4.6%

Commercial occupancy
81.2%

- 124 retail stores, 27% of which are national brands
- 65 office and five medical suites
- Entertainment areas, including a cinema and restaurants
- Ample parking, with 24-hour security surveillance

KILLARNEY BENEFITS FROM ITS STRATEGIC AND EASILY ACCESSIBLE LOCATION, SITUATED WITHIN 100 METRES OF THE M1. WITH A STRONG EMPHASIS ON MEETING THE NEEDS OF THE SURROUNDING RESIDENTS, IT SERVES AS A CONVENIENT COMMUNITY HUB.

WOODMEAD VALUE MART, WOODMEAD, JOHANNESBURG

Value
R433.7 million

Sector
Shopping centre

Commercial rental income
100%

Size
17 168m²

Percentage of portfolio value
3.9%

Commercial occupancy
100%

- 42 retail stores
- 631 free open parking bays
- On-site security, with 24-hour CCTV cameras

WOODMEAD VALUE MART IS AN UPSCALE STRIP MALL THAT PRIORITISES VALUE-FOR-MONEY OFFERINGS AND HOUSES A SELECTION OF HIGH-QUALITY RETAIL SHOPS.

LOUIS PASTEUR, TSHWANE CBD

Value
R302.1 million

Sector
Healthcare

Commercial rental income
100%

Size
24 799m²

Percentage of portfolio value
2.7%

Commercial occupancy
99.8%

- Hospital and 199 medical suites
- Four levels of parking bays
- Security provided with 24-hour CCTV cameras

LOUIS PASTEUR IS A WELL-ESTABLISHED AND DYNAMIC FACILITY THAT PROVIDES A RANGE OF SPECIALISED MEDICAL SERVICES, INCLUDING A HOSPITAL.

SHARON'S PLACE, TSHWANE CBD

Value

R250.4 million

Sector

Ground floor retail and residential

Commercial rental income	Residential rental income	Size
31.9%	**68.1%**	**21 241m²**
Percentage of portfolio value	Residential occupancy	Commercial occupancy
2.2%	**97.0%**	**99.4%**

- 399 residential units
- National tenants include Shoprite, Clicks, Hungry Lion and KFC
- Leisure area with ball sports facilities and a secure play area for children
- Landscaped inner-city garden
- Access to the A Re Yeng bus service and the Gautrain
- 288 parking bays
- Security provided, with 24-hour CCTV cameras and biometric access

SHARON'S PLACE SERVES AS A CENTRAL HUB IN THE CBD, OFFERING COMFORTABLE LIVING OPTIONS WITH ACCESS TO CONVENIENT SHOPPING AND TRANSPORT OPPORTUNITIES FOR YOUNG PROFESSIONALS AND FAMILIES.

KEMPTON PLACE, KEMPTON PARK

Value

R243.6 million

Sector

Ground floor retail and residential

Commercial rental income	Residential rental income	Size
16.3%	**83.7%**	**35 437m²**
Percentage of portfolio value	Residential occupancy	Commercial occupancy
2.2%	**99.0%**	**25.6%**

- 469 residential units
- 29 retail shops
- Landscaped garden with courtyards and leisure areas
- Soccer field, basketball court, jungle gym and recreational area
- Easy access to O.R. Tambo International Airport and Gautrain
- Security provided with 24-hour CCTV cameras

KEMPTON PLACE IS A CENTRALLY LOCATED, VIBRANT AND SECURE RESIDENTIAL AND RETAIL SPACE IN KEMPTON PARK, EKURHULENI.

WAVERLEY PLAZA, WAVERLEY, TSHWANE

Value
R226.9 million

Sector
Shopping centre

Commercial rental income
100%

Size
11 567m²

Percentage of portfolio value
2.0%

Commercial occupancy
93.7%

- 38 retail shops and restaurants
- 25 offices
- Ample free parking
- Security provided with 24-hour CCTV cameras

WAVERLEY PLAZA IS A CONVENIENTLY LOCATED COMMUNITY SHOPPING CENTRE THAT OFFERS EVERYTHING FROM ESSENTIALS TO ENTERTAINMENT.

CENTRE WALK, TSHWANE CBD

Value
R220.8 million

Sector
Ground floor retail and offices

Commercial rental income
100%

Size
25 477m²

Percentage of portfolio value
1.4%

Commercial occupancy
96.9%

- 23 shops and 17 offices
- 377 undercover parking bays
- Security provided with 24-hour CCTV cameras

CENTRE WALK IS AN INVITING ARCADE FEATURING A COMBINATION OF OFFICE SPACES AND RETAIL SHOPS, CONVENIENTLY SITUATED NEAR BUS ROUTES.

THE PARK SHOPPING CENTRE, TSHWANE EAST

Value
R212.1 million

Sector
Shopping centre including small office block

Commercial rental income
100%

Size
12 061m²

Percentage of portfolio value
1.9%

Commercial occupancy
96.5%

- 25 offices and 34 shops and restaurants
- Ample free parking, and security with 24-hour CCTV cameras

THE PARK SHOPPING CENTRE IS A CONTEMPORARY COMMUNITY HUB THAT COMBINES OFFICE AND RETAIL SPACES.

JEFF'S PLACE, TSHWANE CBD

Value
R182.2 million

Sector
Residential

Residential rental income
100%

Size
14 809m²

Percentage of portfolio value
1.6%

Residential occupancy
99.0%

- 348 residential units
- Safe and secure play area and braai facilities
- 223 structured parking bays
- Security provided with 24-hour CCTV cameras

JEFF'S PLACE IS A RESIDENTIAL BUILDING CONVENIENTLY SITUATED NEXT TO THE PRETORIA MAGISTRATE'S COURT AND POLICE STATION.

Nzunza House

THE BUSINESS DRIVERS THAT UNLOCK VALUE

PROVEN RESILIENCE – OUR STRATEGY

THE PURPOSE OF OCTODEC'S STRATEGY IS TO GUIDE THE GROUP'S BUSINESS ACTIVITIES, ALIGN STRATEGIC OBJECTIVES WITH BUSINESS GOALS AND REMAIN RELEVANT AND COMPETITIVE IN THE CHALLENGING OPERATING ENVIRONMENT.

Our strategy is determined through an annual strategic review conducted by the board. During this review, we reflect on our strategic objectives, ensuring alignment with business goals and relevance in the current competitive landscape, with certain focus areas being prioritised due to the operating environment. The board also considers stakeholder engagement, risk management, Octodec's material matters and emerging trends.

We maintain a mindful approach towards distributions to shareholders, balancing sustainability and compliance with the REIT JSE Listings Requirements. We strike a balance between shareholder returns and future capital requirements, ensuring that our balance sheet is well-positioned to support growth.

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 as set out in the management agreement with City Property. Further details of key performance measures and targets are included in our remuneration review from page 88.

One on Mutual

Refer to pages 96 to 100 for the 2023 key performance areas.

Strategic objective

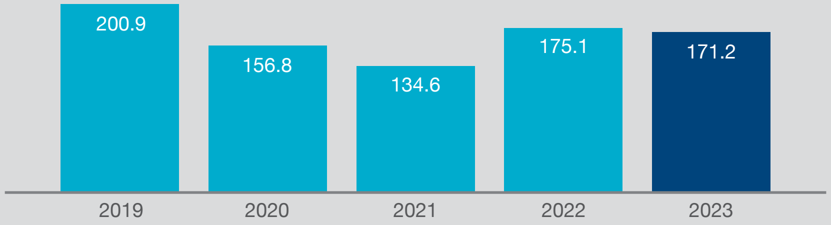
Performance

Create sustainable value for our shareholders

- Reduce our vacancies through active asset management
- Explore, create and take advantage of opportunities to generate rental streams from non-traditional sources
- Deliver on tenant expectations
- Focus on tenant retention initiatives for the office and retail sectors
- Enhance our tenant offering by providing value-added services and benefits
- Assist our tenants in difficult times, with tenant retention in mind
- Focus on tight control of property expenses

- Increase in revenue of 3.3%
- Decrease in distributable income of 2.2%
- Dividend per share of 135 cents (2022: 130 cents)
- Marginal increase in occupancy to 85.8% (2022: 85.6%)

Distributable income per share (R)

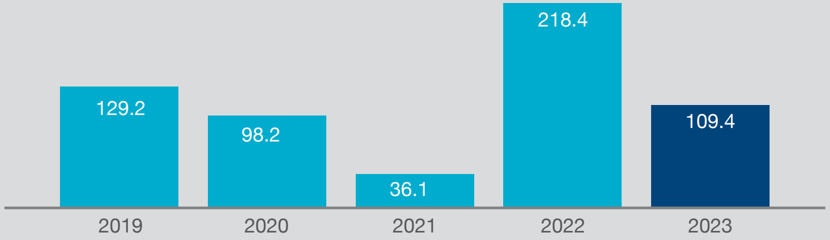


Optimise our property portfolio

- Invest in long-term sustainable properties in our strategic nodes that offer growth opportunities
- Maintain our positioning in the CBDs and the residential sector
- Develop and upgrade our properties to enhance and extract value
- Improve the existing portfolio by selling non-core and underperforming properties

- Disposed of 7 properties for R109.4 million net of commission
- Focused on refurbishing and improving our current portfolio
- Continued the roll-out of Wi-Fi to our residential and office buildings
- R16.3 million invested in solar energy

Disposals (R'million)

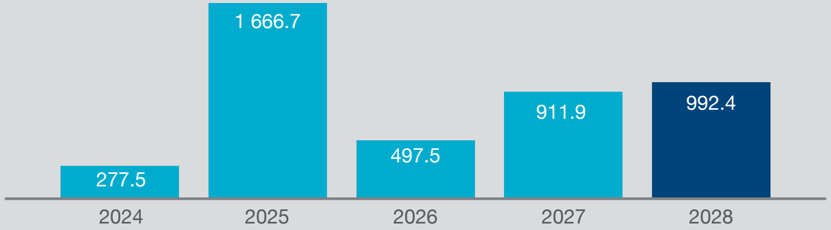


Manage our balance sheet and funding structure

- Diversify our sources of funding
- Manage interest rate risk proactively
- Manage the risk in refinancing borrowings
- Manage cash resources prudently

- Reduced LTV from 39.2% to 37.7%
- Refinanced maturing facilities of R2.9 billion with a tenor of 2 to 5 years

Loan expiry profile (R'million)



LOOKING AHEAD – OUR STRATEGY FROM 2024

After facing challenges in a changing environment for several years, we initiated a strategic review aimed at formulating an updated strategy for the medium term. The executive and management team of City Property considered the strategy and presented to the Octodec board a proposed vision for 2024, as well as the strategy to achieve the vision. Following thorough review and deliberation, the Octodec board approved the new strategy on 12 May 2023. Future reporting will track performance against this approved strategy.

Vision

Our revised vision is:

TO INNOVATE AND CREATE SUSTAINABLE ECONOMIC VALUE THROUGH OUR INVESTMENT IN A MULTI-SECTOR PROPERTY PORTFOLIO.

We are invested in the needs of the communities we serve, and we work with them toward a visionary future. By transforming buildings, we positively impact on people's lives and create thriving community ecosystems where people aspire to live, work, shop and play. Our offices, apartments, retail spaces and warehouses are fit-for-purpose, eco-friendly and modern.

We create the cities of tomorrow, today.

Strategy

Refer to pages 101 to 103 for the 2024 key performance areas.

Octodec's revised strategy guides our business activities in pursuit of our vision.

Short-term (one to five years)	Medium to long-term (five to ten years)
Our aim is to create thriving communities and improve the lives of people in and around our buildings. We will develop and leverage our property portfolio to continue providing safe and desirable spaces. We will continue to invest in our properties to provide water and energy security where reasonably possible, to enable our tenants to operate sustainably.	We will apply our insight and understanding to identify opportunities to grow and develop our portfolio responsibly and sustainably in and beyond our strategic nodes.

Strategic objectives

Create sustainable value for our stakeholders	Enhance our property portfolio	Manage our balance sheet and funding structure	Enhance the value of human capital contribution
Reduce our vacancies through active property management	Invest in long-term renewable energy solutions, where practically possible	Maintain diverse sources of funding through borrowings from multiple lenders	Create and maintain an environment that promotes performance, transformation, and compliance
Enhance our tenant offering by providing value-added services and benefits Manage tenant retention	Manage energy efficiencies Investigate and invest in alternative water solutions and manage water efficiency	Maintain a long-term weighted average borrowings maturity profile	Attract, retain and develop appropriately skilled people operating in an inspiring environment
Manage the impact of a rising cost base to maintain our distributable income	Enhance community-focused precincts to achieve urban excellence	Maintain gearing levels at below 40% to value	Embed a culture that translates vision and values into practised, desired behaviours
Grow and develop our portfolio in and beyond our strategic nodes	Dispose of non-performing assets and recycle our capital proceeds into earnings-enhancing assets	Manage interest rate risk through long-term interest rate derivatives and maintaining a hedging profile in line with the prevailing interest rate cycle	

Health Connect medical suites

OUR BUSINESS MODEL HELPS BUILD PROSPEROUS COMMUNITIES

HOW WE DELIVER VALUE BY CREATING SPACES AND AN ENVIRONMENT FOR COMMUNITIES TO THRIVE.

Our strong capital base, diversified property portfolio and know-how

Financial capital

Our financial resources and prudent financial management

- R6.6 billion equity
- R4.3 billion debt funding
- R735.3 million unutilised debt facilities available on demand

Manufactured capital

Our property portfolio of well-located and attractive residential, commercial and mixed-use spaces

- Properties valued at R11.2 billion*
- Total GLA 1 528 961 m²
- R155.9 million cashflow invested in our properties
- Monthly average of R8.8 million spent on repair or maintenance jobs

Intellectual capital

City Property's know-how and competitive advantage

- Utilising City Property's knowledge and experience in financial, property and asset management

Human capital

Our people have a depth and breadth of expertise

- Strong and skilled board assisted by a qualified company secretary and compliance officer
- Our building managers, cleaning staff and handymen assist us in managing our portfolio and servicing our tenants' needs

Social and relationship capital

Making a positive impact in the areas in which we operate through our strong links with local communities

- R13.0 million invested in supplier development programme
- R3.2 million invested in social upliftment efforts

Natural capital

The energy utilised and water consumed by our tenants and our water, energy and waste management and recycling efforts

- 1 529 432kl water over 1 528 961 m² GLA*
- 112 566 MWh electricity over 1 528 961 m² GLA*

Enabled by our core competencies

Investing and developing

Allocating capital to deliver growth and returns

Re-imagining spaces

Upgrading and refurbishing our properties

Managing our spaces

Relationships, maintenance and optimal use of technology and resources

Optimising our portfolio yield

Capitalising on yield enhancing opportunities and strengthening our balance sheet

Extracting benefits from

238*

Owned and actively managed properties providing attractive residential and commercial spaces in the CBDs of Tshwane, Johannesburg and surrounding urban areas.

---

* *Includes 100% of the equity accounted joint venture*

To create sustainable value for our stakeholders

• 171.2 cents per share – after tax distributable income • R940.4 million net property income, excluding straight-lining rental adjustment • R74.5 million generation of funds from operating activities	**Investors and potential investors, banks, and debt capital market participants** • We maintain good relationships with our investors and funders, strong financial controls, diversified revenue growth and sound operating principles. • Financial director's review, page 44
• R1.5 billion rental income (excluding recoveries) • 4.1% year-on-year increase in like-for-like rental income	**Tenants and potential tenants** • Octodec provides multisector and mixed-use quality spaces that are safe, clean and well-managed for the flow of people seeking urban living, working and shopping. • Financial director's review, page 44 | Property portfolio overview, page 48
City Property is a known and trusted tenant-facing brand in Octodec's market	**City Property** • Octodec and City Property's management represent a combined experience of 74 years in property fundamentals in South Africa. • City Property relationship, page 4
• Employment provided to 191 employees • R41.0 million paid in salaries and benefits supporting livelihoods • 10 modules of training provided for 297 employees	• Our leadership is engaged in ongoing mentoring and skills development of our employees. • Our board and leadership team, page 76 | Our people, page 68
As strategic investors in the CBD nodes of Gauteng, our relationship with Councils, industry forums and a variety of inner-city stakeholders is essential to maintaining dignified spaces for all citizens of these areas	**Councils of Tshwane, Johannesburg and other authorities, inner city stakeholders, and property and industry forums** • Social development and sustainability are built into everything we do. • Social impact, page 67 | Stakeholders, page 38
• 29 installed smart water check meters to detect leaks • 2 solar installations and a further 3 in progress • 813 tonnes of measured waste recycled in 2023	• We monitor our environmental impacts and implement offsetting management, recycling and renewable energy solutions. • Environmental impact, page 63

HOW MATERIAL MATTERS SHAPE OUR REPORTING

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.

A material matters review was conducted with Octodec's executive as well as City Property's executive committee members and senior management on 26 June 2023 to consider the material matters pertinent to Octodec's ability to create and preserve value over time. We reviewed the validity of the matters determined in 2022 and benchmarked them against five local property companies. We considered our top risks and opportunities and Octodec's strategy and mapped these to the material matters identified for the year.

These material matters were determined within the context of conducting business in South Africa – a backdrop of countrywide poor infrastructural support, safety concerns amid social unrest, and a weak economic climate.

The following matters were reviewed, and after thorough deliberation by the board of directors, they were approved on 8 August 2023.

Key changes from 2022 to 2023

Some of the 2022 material matters were consolidated and refined to clearly delineate and reflect the individual impacts of the challenges of political instability and social unrest in South Africa, the unstable electricity supply and water infrastructure and the poor economic climate.
The material matters were also enhanced to reflect changes in our context and to provide more clarity.

The City Property relationship material matter was expanded and reworded to include specific focus areas of City Property's mandate from Octodec, specifically related to:

- Culture, human capital and succession planning
- Safety, health, environment and quality (SHEQ)
- IT systems, infrastructure and cyber security measures

A new material matter – community upliftment in the nodes we operate in – was added, as urban regeneration and upliftment are central to Octodec's ambitions as reflected in the 2024 approved vision (see page 24). This is considered material in terms of value-creation opportunities.

Octodec Staff

Octodec's 2023 material matters

Overview	Impact	Octodec's focus areas
The confidence of investors, analysts and potential tenants in the long-term outlook of CBDs		
54.9% of Octodec's assets relate to areas inside of the CBDs. The Tshwane CBD remains an important hub of Government and educational activities, with 24.2% of Octodec's office space occupied by government tenants. This supports the retail and residential spaces. However, the CBDs face perceptions of being relatively more affected by the macroeconomic challenges than other areas, exacerbated by negative media reports focusing on inner city environments. Our understanding of the evolution of inner-city environments and the role of CBDs in the current economy results in well-managed, fit-for-purpose spaces which are sought after by the tenants who choose these central locations. 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.	The perceived risk around operating in the CBDs can potentially impact the Group's access to potential investors, funders and future revenue streams from potential tenants.	• Profile Octodec's diverse portfolio • Engage providers of capital in a manner that enhances their understanding of the quality of our portfolio and the group's unique capabilities to mitigate risk in the portfolio and ensure valuations align with the intrinsic value of the properties • Promote the value proposition of conducting business and residing in the CBD to potential tenants and their customers • Regular engagement with the City of Tshwane and Johannesburg Metropolitan Municipalities and other role players in the CBDs to deal with service delivery issues • Engage with city improvement districts and other similar organisations to improve the safety and cleanliness of the CBDs
The challenges of political instability and social unrest in South Africa		
The combination of macroeconomic, infrastructure and service delivery challenges may result in an escalation of looting and social unrest in the country, with resultant damage to properties. This is exacerbated by geo-political factors. Potential changes in insurance policies and cover may impact the cost of insuring against such events.	Potential damage due to social unrest requires a focus on protecting our stakeholders and properties. The potential cost of insurance increases and additional cover requirements for specific events.	• Octodec's continued focus on community building • Increased vigilance related to the protection of our buildings, employees and tenants • Ensure that the private security companies we have engaged are equipped to protect our assets • Extensive engagement with stakeholders, including the police and other forums, to ensure we act quickly in the face of potential unrest • Continuous assessment to ensure we are adequately insured
Unstable electricity supply and water infrastructure		
The inability of Eskom to provide reliable electricity supply impacts our business and that of our tenants. The quality and reliability of our water supply are also under threat. The increased levels of loadshedding and increases in fuel prices in 2023 have further exacerbated these challenges.	Increased cost of delivering a reliable service to our tenants and their ability to conduct sustainable business, and the resultant potential impact on vacancies. Increased carbon footprint due to Eskom's reliance on coal and diesel-fired power stations, and bigger reliance on generators. This creates an opportunity to find more sustainable and environmentally friendly solutions.	• Provide generators to secure and service residential and commercial buildings, and solar for industrial and retail shopping centres • Develop contingency plans for a potential grid-failure • Implement alternative sources of energy, including the installation of more solar power in our buildings to provide a more sustainable solution which is cheaper and more environmentally friendly than diesel or gas generators • Further explore sustainable water management solutions • Provide a water inlet at the buildings to facilitate the delivery of water through the use of water tanks and investigate alternative water sources such as boreholes

Overview	Impact	Octodec's focus areas
Poor economic climate		
South Africa is characterised by limited economic growth, increased unemployment, and higher inflation and interest rates. This, together with higher fuel prices, lead to higher demand for renting (as opposed to buying property) and living closer to work and/or transport hubs.	Tenant affordability and potential increased vacancies. Conversely, it creates opportunities for increased demand in the residential space. Growth through developments or refurbishments may not be supported by the required returns. The increase in the cost of materials and weaker exchange rate have also increased the cost of building and maintenance. A significant increase in the cost of borrowings.	• Manage our balance sheet, ensuring an appropriate LTV level, and hedging borrowings at a fair cost to protect the group from interest rate volatility • Focus on tenant retention, including opportunities for value-adding initiatives and refurbishments • Apply a balance between developing and adapting our buildings to remain relevant to changing circumstances, and maintaining a healthy balance sheet • A considered and balanced approach to major new developments considering the trade-offs
Dynamic and evolving tenant requirements		
People, tenants and businesses' needs and wants are continuously evolving, requiring innovation and flexibility from Octodec. This includes technological advancements creating consumer expectations for Wi-Fi access, online property management interfaces and social media engagement. New entrants to our market bring different offerings, impacting these expectations further. The quality of infrastructure around our properties also impacts the location's appeal.	Our ability to meet our tenants' current and future needs in terms of quality, affordability, desirability and superior customer service. Octodec's service and product offering creates opportunities for new entrants to the affordable rental market. Increased competition, market volatility and changing dynamics.	• Continue to enhance our competitive value proposition • Explore innovative solutions to ensure our properties remain attractive to current and potential tenants • Digital transformation to use technology advances to meet tenant expectations • Upskilling our building managers and support staff to work in a digital world • Maintain our meticulous approach to maintenance and repairs • Balance the cost of delivering on evolving expectations with tenant affordability in the context of higher inflation and interest rates, and the corresponding decrease in their disposable income
City Property relationship		
City Property, a related party, manages Octodec's business operations and properties and is the brand known by the tenants. The owners of City Property directly and indirectly own 37.4% of the shares in Octodec. Although interests are aligned, it is subject to robust Board oversight and management.	How well City Property performs its role directly impacts Octodec.	• Prudent management of this material relationship, with independent and suitable governance and appropriate risk management, to ensure that service and other deliverables are maintained at the required standard • Transparent reporting, open communication and a continued trust relationship • Oversight of especially those aspects that directly impact the management of our properties: – Culture, human capital, succession planning, etc. – SHEQ – IT systems, infrastructure and cyber security measures • The new agreement between Octodec and City Property was approved by shareholders on 30 June 2023. The Wapnick family were excluded from voting
Community upliftment in the nodes we operate in		
Octodec operates in an integrated manner with the communities around our buildings. The economic constraints require a greater level of caring for the communities, to uplift and support them in areas that can make a sustainable change – making sure they live in a dignified way.	Contributing to communities and their well-being, and providing a safe environment to work, live, shop and play. Support the current and future business pipeline for Octodec while creating opportunities for specialised service and product offerings.	• Engaging with tenants in a dignified and humane manner, considering their circumstances • Collaborate and partner with stakeholders to enhance the quality of life of the people in the areas in which we operate • Innovate to create new residential offerings that allow access to new entrants at the more affordable end of the rental market

Inner Court

NAVIGATING RISKS AND LEVERAGING OPPORTUNITIES

Enterprise risk management and governance

WE MAINTAIN A COMPREHENSIVE AND INTEGRATED APPROACH TO RISK MANAGEMENT. OUR ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK SERVES AS A FOUNDATION FOR ALIGNING OUR GROUP'S STRATEGY, PROCESSES, PEOPLE, TECHNOLOGY AND KNOWLEDGE.

Our ERM framework enables both executive management and the board to assess and manage the uncertainties we encounter in our pursuit of protecting and enhancing stakeholder value. Within this framework, we establish our risk appetite, tolerance levels, and implement robust monitoring mechanisms. Octodec is dedicated to deploying a robust ERM function that supports effective internal control, ensuring trustworthy information for decision-making. This empowers us to navigate dynamic market conditions.

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 and well tested internal control environment to support the integrity of information used for internal decision-making, strategy development and planning by management, the board and its committees.

Octodec's risks are monitored in line with its ERM policy and framework through comprehensive registers which allow it to actively identify, monitor and manage the risks and opportunities available to the business.

Independent assurance

External assurance providers, such as the external auditors, are seen to be independent and provide robust assurance.

Governing body

The board, internal and external assurance providers provide oversight to ensure the effective governance and performance of Octodec.

Internal audit

Internal audit provides reasonable assurance of the overall effectiveness of governance, risk management and internal controls.

Executive management

Management is responsible and accountable for developing appropriate processes and systems to support a culture of monitoring performance and compliance throughout the business.

Internal control measures

Each department consistently and proactively evaluates probable future scenarios to consider how emerging trends and developments impact Octodec's business model, consumer trends and key business/regulatory drivers.

Risk appetite and tolerance

Our risk appetite, determined by the ERM framework, is reinforced by specific management processes and approvals.

Executive management consistently reviews and monitors significant risks, with recommendations from the audit and risk committees and approval from the board to determine the overall risk profile.

Octodec maintains a moderate tolerance for risk, managing inherently significant and/or high risks to align with the company's tolerance. The risk matrix guides the business in rating risks as significant or high.

Operating in the external environment, we proactively address uncertainties, positioning ourselves for sustained success and growth. We focus on maximising the areas we can control, while minimising the impact on the areas where we have no control over the outcome.

When a risk remains residually high or significant, key individuals closely monitor the associated activities, and Octodec may tolerate it where appropriate.

Risk governance

In 2023, the board actively monitored internal control improvements through enhanced risk processes within the ERM framework. The board is satisfied with the effectiveness of the group's ERM framework and risk management practices.

Risk management in 2023

Executive management reviewed the external and internal context, as well as global and local risks, summarising the risks and opportunities that have the most significant impact on delivering our strategic objectives. The risk assessment was presented to the risk committee for review and any outcomes were incorporated into the risk descriptors and mitigating action points for each of the group's top risks as listed below. The salient features of the 2023 risk assessment were as follows:

External content

- Political and policy uncertainty:
  - Expropriation without compensation – renewed focus because of upcoming elections
  - Political uncertainty and instability leading into 2024 national elections
- Economic stagnation:
  - Interest rate hikes
  - High inflation
  - Low economic growth
  - The unemployment rate and youth unemployment rate remain among the highest in the world
- Socio-economic factors:
  - Continued loadshedding (pressure on diesel, generators and service providers who supply and maintain these items)
  - Water scarcity/contamination – floods impact on clean water supply
  - Increased social unrest/business disruption

Internal content

- Business continuity planning and disaster management planning in terms of the electricity crisis, including alternative power resources
- Higher operational costs to address the electricity crisis
- Uninsurable risks related to the electricity crisis
- Hardening of insurance market, making it unaffordable to insure certain risk categories
- Unintended consequences of the sluggish economy, including fraudulent behaviour of would-be tenants
- Municipal infrastructure deterioration
- Talent management – recruitment and retention

Trends

- Cost sharing (shared working and living spaces)
- Environmentally friendly accommodation
- Moving "off the grid" – less impact from loadshedding
- Continued (and increasing) urbanisation
- Flexible and remote working arrangements
- Building communities and leveraging off the communities that we have

Emerging risks

- Impact of loadshedding on food security, tenants' ability to trade and the mental well-being of employees and tenants
- Access to safe and reliable water supply
- Failing municipalities resulting in worsening service delivery
- Continued hardening of the insurance market

Planned areas of future focus

- Continue to refine the combined assurance risk management monitoring framework and culture that will provide further 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 improvements through enhanced risk processes, including the effectiveness of the integrated combined assurance framework

Octodec's top risks

THE TOP RISKS REMAINED CONSISTENT WITH LAST YEAR, WITH MINOR ADJUSTMENTS TO CERTAIN RISK DESCRIPTORS AND MITIGATING ACTION POINTS FOLLOWING THE DETAILED RISK ASSESSMENT DESCRIBED ON PAGE 33.

Year-on-year movement: ↓ Deteriorating → Stable ↑ Improving **Classification:** S Short-term M Medium-term L Long-term

1 Risks surrounding human capital (including suppliers and local authorities)

S M L →

Description

- Quality of service provided by suppliers and local authorities
- Risk of losing key employees
- Unable to attract and retain skills required for current and future business needs and those of our service providers
- Inability to adequately manage organisational transformation to ensure diversity and desired culture and ethics

Mitigation

- Being flexible and pragmatic with work-from-home options
- Building relationships with local authorities, water and power suppliers to ensure that issues are resolved in the quickest possible time and that there is continuity in our relationships
- Ongoing investment in the knowledge and skills of employees through on-the-job training
- The payment of competitive remuneration packages, which are benchmarked annually
- Employment equity policy supports the achievement of required employment equity levels
- Employee value proposition project in progress
- Documented internal processes and to retain intellectual property to ensure that the way of working is transferred
- Identify and train skilled and experienced leaders as succession candidates for senior positions
- Implementation of a succession plan

2 Dependency on Eskom electricity, municipal water supply and lack of service delivery from all spheres of government

S M L ↓

Description

- Increased interruptions to electricity, increased loadshedding and unreliable water supply
- Compromised water quality and pressure
- Poor service delivery by municipal authorities
- Failing road/rail infrastructure impacting retailers' ability to stock shelves
- Continued increase in utility tariffs
- Excessive time spent in court to evict non-paying tenants

Mitigation

- Building relationships with local authorities, water and power suppliers to ensure that issues are resolved within the quickest possible time
- Actively lobbying for constructive change through various forums
- Endeavouring to supply backup electricity with generators, where feasible, and continuing to investigate and identify alternative sources of power to complement the use of generator power
- Monitoring and managing power and water consumption per property to ensure that tenant recoveries are optimised

3 Affordability of the target market remains under pressure

S M L ↓

Description

- Rising costs
- Low GDP growth environment
- Increase in interest rates
- Pressure on disposable income
- Lack of job creation and an increase in unemployment

Mitigation

- Diversified portfolio to limit exposure to single tenant failure
- Innovative development of affordable and attractive rental options based on shared and semi-furnished solutions
- Digital marketing efforts to reach more potential tenants
- Maintaining appropriate credit control and tenant vetting processes

4 Inability to grow distributions in line with (or in excess of) inflation

S M L

Description

- Revenue growth below inflation
- Increased costs
- Increasing interest rates

Mitigation

- Balanced approach to capital management
- Diversified portfolio to limit exposure to single-tenant failure
- Focusing on maintaining our LTV ratio below 40% and continuously improve our ICR
- Maintaining appropriate credit control and tenant vetting processes
- Executing on our strategy
- Cost management

5 Increased regulatory burden and scrutiny, including the increased inability to transform at acceptable levels

S M L

Description

- High cost of compliance
- Onerous regulatory landscape
- Existing legislation constantly changing
- Slow transformation

Mitigation

- Ongoing monitoring of the changing regulatory universe in which we operate, undertaken by individuals within internal legal, risk and compliance functions
- Lease agreement obligates tenants to ensure compliance with regulatory requirements within the leased premises, to the extent applicable
- Rigorous application of our transformation targets
- In 2023, the risk committee oversaw the process to be adopted and implemented by City Property to embed an improved compliance management process, which included the development and implementation of a compliance management strategy and implementation plan. Refer to the abridged corporate governance report on page 86 for detail

6 Slow economic growth, failing structural reforms and policy uncertainty

S M L

Description

- Rising inflation
- Continuous interruption to power supply because of loadshedding
- Increased social unrest and protest action
- Diminished economic activity
- Weakening of the country's fiscal position
- Build-up of debt-burdening government budgets
- Increasing unemployment
- Failure to implement required economic reforms to promote economic growth, development and employment
- Policy uncertainty
- Unpredictability of coalition-based governmental regimes
- Weakening currency

Mitigation

- Investigating initiatives to attract tenants to our properties and provide value-added cost savings to enhance affordability
- Balanced approach to capital allocation

7

Diminishing key stakeholder (investors, funders, employees, suppliers and tenants) confidence may continue to impact our ability to meet stakeholders' expectations

S M L

Description

- Diminishing confidence of funders and investors in the property industry, in the inner cities and/or in the portfolio of Octodec
- Perceptions surrounding the risk of doing business in the CBD, impact the ability to access capital at favourable rates

Mitigation

- Driving initiatives to enhance stakeholders' understanding of the reality and potential of the CBDs we operate in
- Building and maintaining relationships with stakeholders through regular interactions such as roadshows, pre-close and results presentations as well as site visits
- Assisting urban renewal initiatives in improving specific areas, encouraging surrounding property owners to upgrade and maintain their properties

8

Increased pressure on IT network infrastructure and cyber security (including data fraud, amongst others) impacting our systems and those of third parties with whom we operate

S M L

Description

- Increased cyber attacks
- Systems and/or network downtime
- Non-adherence to internal processes
- Lack of user understanding

Mitigation

- Managing and maintaining our ICT infrastructure through a dedicated in-house team and service providers with appropriate service-level agreements
- Ongoing upgrading of the overall IT infrastructure and keeping it well maintained
- Continuously storing and backing up data on an off-site disaster recovery system to ensure an 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
- UPS, backed up by a generator, during loadshedding

9

Rapid speed of disruptive technologies and other market forces resulting in permanent shifts in consumer and social behaviour and preferences

S M L

Description

- Constantly evolving competitive marketplace
- Consumers reassessing their choices: spending less, using more automated and/ or digital platforms
- Increase in remote working and the use of telecommunication tools

Mitigation

- Investigating and implementing appropriate new technologies and digital platforms
- Exploring innovations to find smarter ways to operate, 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

10

Increasing threat of damage to property infrastructure, intensity of protest action and concerning crime trends

S M L

Description

- Increased discontent over the stagnation of living standards and quality of life
- Lack of service delivery
- Increase in strike days and service delivery protests
- Unemployment, particularly youth unemployment
- Rising costs
- Weakening, or non-existent law enforcement
- Hardening of insurance market, resulting in uninsurability or alternatively, excessively high insurance premiums payable

Mitigation

- Continually improving our relationships with key stakeholders and authorities to improve our ability to actively assist in resolving conflict situations
- Regularly monitoring potential conflict, enabling us to implement appropriate measures to reduce damage to the properties and/or harm to our stakeholders
- Ensuring appropriate insurance cover is in place to the extent possible
- Security measures at our properties, as well as in and around our broader footprint

Opportunities

Within our risk management framework, we recognise and pursue areas of opportunity that allow Octodec to create and sustain value for our group and stakeholders. These opportunities include:

Strategic opportunities

- Creating multisector community ecosystems that cater to the evolving needs of our communities
- Leveraging the concentration of our properties in strategic nodes to optimise efficiencies and reduce costs
- Embracing long-term growth and sustainability as urbanisation drives increased CBD activity and migration from rural to urban areas

For more details on these opportunities, refer to the managing director's review on page 44 and the material matters section on page 28.

Operational opportunities

- Enhancing tenant engagement through digital platforms and data analysis
- Implementing streamlined business process automation to drive cost efficiency

See the City Property chief operating officer's review on page 48.

At the operational level, we are focused on seizing opportunities such as ESG opportunities:

- Developing and refurbishing buildings to provide quality accommodation that enhances the well-being of our tenants and the communities they reside in
- Adapting residential and commercial spaces to better align with tenant needs and preferences, while incorporating value-added features
- Promoting environmental sustainability by improving energy, water, and waste management practices, and encouraging our tenants to do the same

Refer to the ESG report on page 60.

The Tannery Industrial Park

OUR COLLABORATIVE APPROACH TO STAKEHOLDER ENGAGEMENT

OUR APPROACH TO STAKEHOLDER ENGAGEMENT IS CENTRED AROUND COLLABORATION AND WORKING TOGETHER WITH STAKEHOLDERS TO PROMOTE THE SUCCESS OF OUR CITIES AND SURROUNDING URBAN AREAS.

Incorporating engagement into our value creation process, we prioritise open and transparent communication, actively considering all concerns and opportunities raised to foster more meaningful interactions.

Managing and governing stakeholder relationships

Throughout the group, from management to operational levels, we have established procedures to monitor and assess the ongoing effectiveness of our communication efforts. The board, with support from the SERT committee, holds ultimate responsibility for ensuring robust and transparent stakeholder relationships. Refer to page 96 for the 2023 KPIs linked to increased stakeholder engagement.

In 2023, a priority for the SERT committee was to enhance the governance of stakeholder relationships by implementing targeted interventions to improve their quality and effectiveness. This involved developing improved reporting mechanisms to actively address stakeholders' needs, interests, expectations and concerns.

Octodec's key stakeholders

Our tenants and potential tenants

The trend of urbanisation has led to an increased demand from the emerging middle class for the convenience and connectivity of CBD living and working. In response to this, Octodec offers high-quality spaces that cater to multiple sectors and are designed for mixed-use purposes. These spaces are characterised by their safety, cleanliness, and effective management, creating ecosystems where residential, retail, office, small business and Government tenants interact and support one another.

In the surrounding urban areas, our community shopping centres provide attractive retail destinations that meet the specific needs of local communities. These centres are conveniently located to ensure easy accessibility.

To maintain effective communication with our tenants, City Property employees engage them through various channels, including face-to-face interactions, our dedicated contact centre, digital communication platforms and an ethics hotline.

Our key takeaways from the 2023 tenant survey we conducted were that tenants praised City Property for its professional service and representatives' respectful demeanour. However, areas needing attention include improving response times and keeping tenants informed about query statuses.

Prioritising tenant safety through collaboration

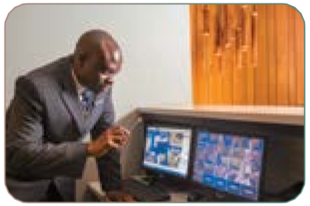
Octodec's commitment to tenant welfare goes beyond property management.

We consistently engage with tenants to address their concerns, provide support and enhance their overall experience. In response to a series of thefts and robberies impacting Johannesburg tenants, we collaborated with tenants to tackle the pressing issue of crime and improve safety within and around our properties.

We initiated a meeting involving the affected tenants, the retail improvement district (RID) and the South African Police Service (SAPS) to collectively address the issue. The key actions and outcomes of this collaborative effort were:

- The decision to increase the guarding presence in the RID to deter criminal activities effectively
- Opting to employ a shared armed response company to streamline emergency reactions
- Octodec committed to sharing pertinent information and CCTV footage with the SAPS to aid their investigations
- The decision to explore higher-quality CCTV cameras aimed at capturing clearer images of perpetrators to assist law enforcement

The increased security presence and coordinated responses helped prevent further incidents and demonstrated the impact of collaborative efforts to improve the CBD.


Our employees

We prioritise the personal growth and stability of our employees. We are committed to providing ongoing mentoring and skills development opportunities to enhance their professional development. Details regarding specific areas of training for 2023 can be found on page 69.

We believe in a culture of ethics awareness, where we inform, educate and communicate ethical practices to our employees. We also provide emotional support services through Independent Counselling and Advisory Services (ICAS) to ensure the well-being of our team members.

Enhancing employee well-being through winter comfort hampers

While walking through the Tshwane CBD to engage with tenants, Zahid Noordin, Head of Department Tshwane commercial portfolio, visited a few of the Octodec building employees on a cold winter morning. Many of these employees are forced to commute by public transport and they expressed the difficulties of their long commutes in the dark and cold mornings.

A warm and nutritious meal was the request from the building employees. Recognising their concerns, executive management took heed of their request and sprang into action. In response to the employee's needs, winter warmer hampers were distributed to the building employees. These hampers were designed to offer comfort and convenience during their daily journeys and work hours.

Each hamper included items like tea, coffee, milk and soup, as well as travel mugs to ensure our employees can enjoy their beverages securely during their commutes, whilst they continue to proudly build our communities.

Although it was a relatively small gesture, the initiative garnered positive feedback from our employees and demonstrated our commitment to employee-centric decision-making. It showcases our ongoing efforts to create a workplace where employees feel heard, valued and motivated to contribute to our collective success.

Our investors and potential investors

We create value for our investors based on long-term business sustainability. With a management team that has collective experience of 74 years in navigating various property cycles in South Africa, we leverage solid property fundamentals to deliver favourable outcomes.

To ensure effective communication with our investors, we conduct pre-close, interim, and annual results presentations, which are available as webinars on our website. We also attend one-on-one meetings with the larger investors and provide a dedicated telephone line and email address for inquiries.

We encourage our investors to join us on our CBD tours, providing them with the opportunity to see our properties first-hand and gain a deeper understanding of our operations.

Outcomes of our 2023 investor survey

We conducted a facilitated investor survey ahead of our year-end results. The key insights gained included:

- Investors and analysts require more comprehensive reporting, including metrics such as rent per square metre per sector, reversion data, average lease expiries and trading density growth, which are detailed in the analysis of our portfolio performance (page 55).
- Understanding load shedding's effect on our operations, distributions, and potential tax implications. This is covered in the operational performance section (page 48). Investors and analysts are interested to know whether Octodec considers potentially insourcing the property management function for efficiency. Our response can be found in the chairman's review (page 6).
- Analysts emphasise understanding our capital allocation plans, especially considering decreasing distributions. Given the capital-intensive nature of residential property, shareholders are interested in how we prioritise maintenance, which is explained in the operational performance section (page 48).

These findings underscore our commitment to transparency and delivering value to our shareholders.

> *Octodec's investment proposition is both clear and well-defined. It has consistently maintained a straightforward and easily understandable approach, making it accessible to newcomers in the property sector.* – *Anonymous analyst participant*

City Property

City Property plays a crucial role in managing Octodec's properties, directly impacting the overall performance of the group. It is imperative for us to closely monitor and manage this significant relationship, employing suitable governance and effective risk management practices to ensure that service levels are maintained at the required standard while maintaining an arm's length relationship.

City Property's reputation as a recognised and trusted tenant-facing brand strengthens Octodec's competitive advantage, strengthening our position in the industry.

Please refer to the reporting boundary on page 4 and the lead independent director's review on page 74 for detail on the renewed management agreement.

Councils of Johannesburg and Tshwane and other authorities

As strategic investors in the CBD nodes of Gauteng, Octodec is committed to enhancing its relationship with Councils and maintains open channels of communication to work together for the benefit of the cities and all stakeholders within them.

We engage extensively with these Councils to devise solutions addressing crime and urban deterioration within the CBDs. Our engagement includes monthly meetings to address specific billing inquiries with the council, as well as periodic discussions on matters related to service delivery.

Effective engagement with City Councils in 2023

In 2023, we made progress toward closer collaboration with the City Councils of both Johannesburg and Tshwane, which we hope will lead to more transparent and impactful interactions and tangible progress in future.

Following the Lilian Ngoyi (Bree Street) explosion in Johannesburg, we were able to directly engage with key stakeholders at the City Council. A meeting with the executive mayor and city manager of Johannesburg focused on the explosion, resulting in a joint roadmap outlining funding processes and repair schedules. This marked a shift from past efforts and opened doors for constructive dialogue. In addition, we engaged with the Johannesburg Department of Economic Development (DED). Beyond the immediate incident, Octodec and the DED also explored investors' pre-existing challenges. Identified issues ranged from billing problems and crime to infrastructure maintenance and service delivery gaps. In response, the DED pledged to devise action plans with commitments to improved policing and enhanced cleanliness within the area.

Tshwane's volatile political landscape saw multiple mayors in quick succession. However, the current mayor has indicated that he is committed to understanding City Property and Octodec's background, challenges and goals. He has provided us with the contact information for his mayoral committee members and encouraged us to maintain communication with them if we encounter issues with Council service delivery.

Communities in which we operate and inner city stakeholders

Octodec is a pioneer in developing mixed-use spaces within the Tshwane and Johannesburg CBDs, contributing to the upliftment of these communities beyond our tenant base. We actively engage with various stakeholders to foster positive relationships and make practical improvements in the areas where we operate. Some of our initiatives include:

- Collaborating with landlord associations and non-Government organisations in the CBDs to address shared challenges and promote community development
- Establishing partnerships with taxi associations operating around our buildings to enhance transportation accessibility and connectivity for the community
- Engaging with hawker associations and informal traders to support their entrepreneurial endeavours and foster a vibrant local economy
- Investing in practical enhancements to elevate the appeal and quality of our property locations, such as installing flower boxes outside buildings in Tshwane and adding artwork and sculptures to our properties
- Showcasing our dedication to social responsibility and community betterment by aiding communities in need within our operational areas through collaborative initiatives, like distributing nutritious meals to residential tenants and the public

Refer to the social impact section on page 67 for detail on our urban regeneration initiatives and corporate social investment.

Banks and debt capital market participants

Our strict financial controls, risk management and sound operating principles provide assurance to debt funders. We maintain good, long-term relationships with our bankers and funders, and keep them informed of changes in our portfolio. Additionally, they are regularly invited to, and typically visit our portfolio to witness first-hand the properties that are secured for facilities granted.

Octodec has a robust valuation process in place, including a review of the valuations and approval by the audit committee and board, to provide the assurances further outlined on pages 120 to 123 of this report.

Suppliers and service providers

A dependable supply chain is vital to the success of our business. We prioritise the support of and engagement with our suppliers, ensuring timely settlement of their accounts to promote their business success.

We take pride in employing local suppliers, mostly from small businesses located in the same geographical area as our buildings.

Driving enterprise development with a focus on property valuations by black suppliers

In our ongoing commitment to supplier development and diversity, the board of Octodec recognised the need for black-owned companies in the property valuation sector.

Management identified an enterprise development programme aimed at identifying black-owned companies with expertise in property valuation. This partnership facilitated the inclusion of Mogalakwena Valuers and Intengo Valuers, two dynamic enterprises, in a comprehensive one-year journey of mentorship, coaching, marketing exposure and supply chain integration.

The collaboration aimed to address the industry's diversity gap by nurturing black property valuation businesses. The programme provided Mogalakwena Valuers and Intengo Valuers with tailored business support to enhance their skills, expand their market presence, and establish themselves as credible players in the sector.

Thanks to the successful completion of the programme, these companies are now officially incorporated into Octodec's supplier database.

> *The programme has been an invaluable platform for us to refine our skills and broaden our horizons. The expert guidance provided allowed us to successfully complete valuations, proving our ability in the field.* – *Mogalakwena Valuers*

> *Being part of this initiative has been a transformative journey. We've gained not only practical experience but also the confidence to establish ourselves as prominent players in property valuation.* – *Intengo Valuers*

Property and industry forums

Collaborative forums enable us to effectively address and resolve shared challenges. Through active participation and cooperation, we help find solutions and improve the overall performance of our sector.

SA REIT 10 YEARS OF IMPACT

City Improvement District Initiatives

SAPOA SOUTH AFRICAN PROPERTY OWNERS ASSOCIATION

A RECAP OF OUR PERFORMANCE IN 2023

UNDERSTANDING OUR DYNAMIC OPERATING CONTEXT

Macroeconomic context

In 2023, South Africa grappled with significant challenges including an energy crisis, supply disruptions, high inflation and interest rates, and unrest and demonstrations due to poor service delivery.

Consumers continued to face financial strain due to the rising cost of living. According to the Bureau for Economic Research, the forecast for South African real GDP in the 2023 calendar year stands at a mere 0.2%.

The unprecedented levels of loadshedding had a profound negative impact on the economy, affecting our business and that of our tenants. The irregularity of both electricity and water supply posed further concerns.

The confluence of macroeconomic challenges, infrastructure issues and service delivery problems have led to an escalation of crime and social unrest, occasionally causing property damage and endangering tenants.

Although there was a slight improvement in unemployment rates following the Covid-19 pandemic and related restrictions, unemployment remains a pressing issue.

The NSFAS capped students' accommodation allowance at R45 000 per year in March 2023. This severely affected many of our student tenants' ability to afford rentals.

Against the backdrop of this pressured economic climate, we continue to exercise caution on our capital expenditure, remaining focused on strengthening the balance sheet to ensure sustainability and prospects for future growth.

Octodec's diverse and adaptable portfolio means that we can easily meet the needs of current and prospective tenants. Our proven ability to adapt to emerging trends allows us to cater to the demand for quality accommodation, convenience shopping, small-scale industrial spaces, and flexible office solutions.

Property sector trends

Loadshedding drives demand for energy solutions. Tenants expect landlords to provide a stable energy supply and to help lower the cost of occupation through alternative energy offerings.

Octodec faces a challenge in meeting these expectations due to the unsuitability of many inner-city properties for solar power installations, resulting in the use of generators as an alternative. Where possible, we are accelerating the installation of solar panels. See page 65.

Higher demand for renting as opposed to buying property due to poor economic conditions. This presents an opportunity for Octodec as we provide affordable rental spaces within easy reach of economic hubs and transportation.

Shopping behaviour has shifted towards a preference for convenient community and neighbourhood centres for daily needs. The performance of this sector has proven more resilient as a result.

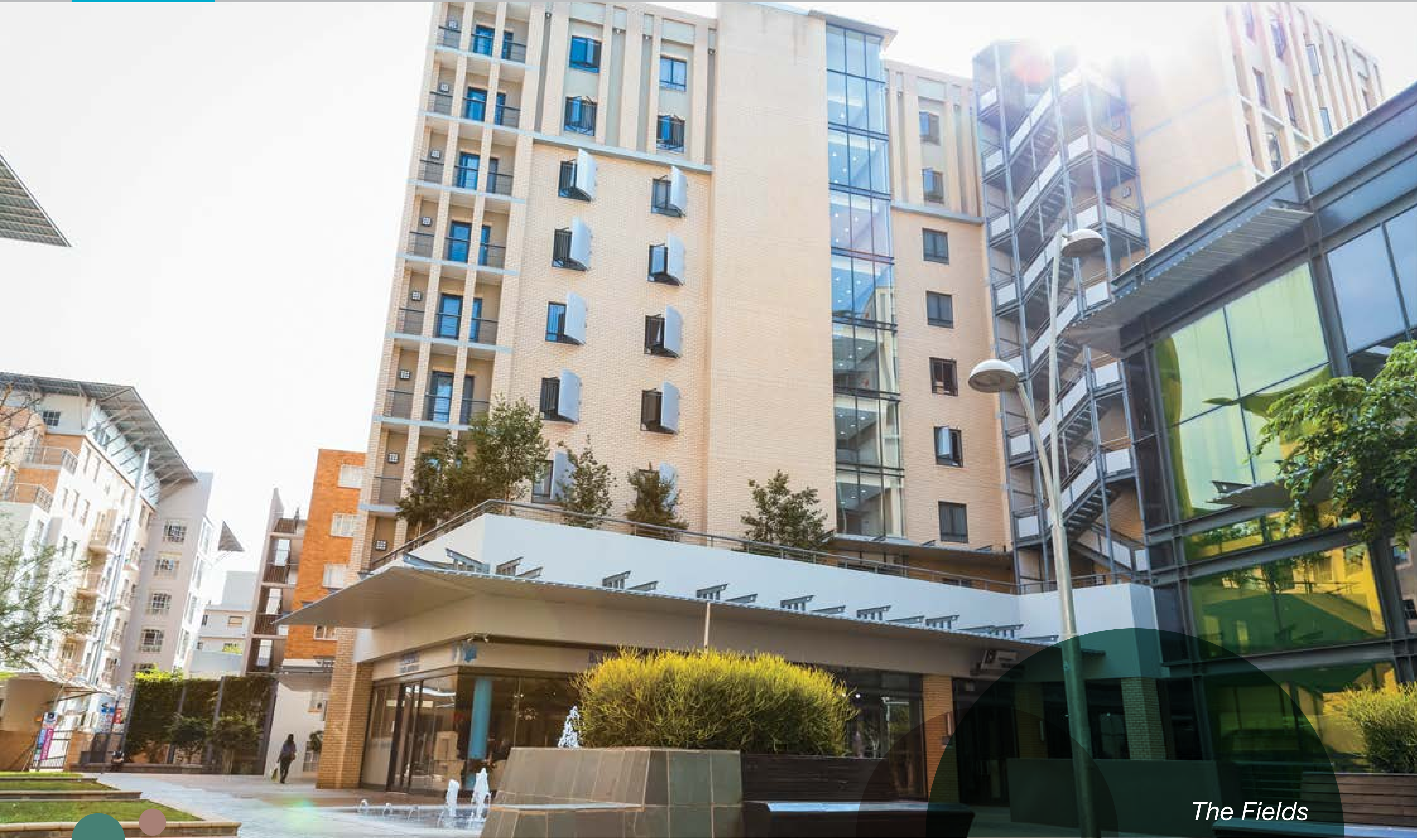
Increased demand for properties to include lifestyle-enhancing amenities. This includes technological development in providing Wi-Fi access, online property management interfaces and social media engagement.

We accelerated the rollout of free Wi-Fi to most of our residential buildings and two additional office properties.

Unemployment and tough economic conditions have necessitated entrepreneurship, with small businesses seeking affordable industrial space.

Excess supply and reduced demand for office space has resulted in increased vacant space.

As a result, we have explored alternatives such as hybrid and shared space models and where feasible, conversion of office space into medical facilities or residential.



The Fields

A REVIEW OF OUR FINANCIAL PERFORMANCE

WE OPERATED IN A DIFFICULT ENVIRONMENT IN FY2023, ADVERSELY IMPACTED BY LONG PERIODS OF LOAD SHEDDING. HOWEVER, OUR PERFORMANCE HAS BEEN STRONG AND WE ARE APPROACHING PRE-PANDEMIC LEVELS WITH REGARD TO VACANCIES, WITH REVENUE HAVING JUST BREACHED 2019 LEVELS. COSTS HAVE, HOWEVER, ESCALATED, REDUCING OUR DISTRIBUTABLE INCOME. WE REMAIN CAUTIOUS IN TERMS OF OUR GROWTH OUTLOOK IN THE PREVAILING HIGH INFLATION AND INTEREST RATE ENVIRONMENT, TAKING INTO ACCOUNT THE IMPACT OF PROLONGED POWER CUTS ON BUSINESS AND OUR FINANCIAL PERFORMANCE.

Anabel Vieira
Financial director

Context to our financial performance

Octodec's residential sector performance improved considerably, delivering a modest growth in income, as occupancies increased from July 2022 after lockdown restrictions were eased. Thereafter occupancies remained stable throughout the year. However, the office and retail street shops sectors have lagged with high vacancies and pressure on rental income. The weak performance from these sectors was cushioned by the improvement in industrial and retail shopping centres, which vacancies remain low with increased rental income.

In the last two years management focused on strengthening the balance sheet through the disposal of properties and repayment of debt. This assisted in maintaining finance costs under control in an environment of high interest rates. We continue to maintain tight control over expense management and our overall cost increase is below average inflation.

2023 performance highlights

Rental Income of ↑
R1 995.1m
(2022: 1 930.5m)

Distributable income per share of ↓
171.2c
(2022: 175.1 cents)

Dividend of ↑
135.0c
per share declared
(2022: 130 cents)

Net Asset Value per share of ↑
R24.24
(2022: R23.28)

Net profit for the year ↑
R610.5m
(2022: (R605.1m))

Average portfolio occupancy of ↑
85.8%
(2022: 85.6%)

Average portfolio collections of ↓
98.9%
(2022: 103.3%)

Tenants' arrears at ↓
4.2%
(2022: 3.3% of revenue)

Portfolio with a value of ↑
R11.1b
(2022: R10.9b)

LTV of ↑
37.7%
(2022: 39.2%)

Borrowings of →
R4.3b
(2022: R4.4b)

Proceeds from sales ↓
R109.4m
(2022: R218.4m)

Funds from operations

Octodec achieved distributable income before tax of R459.8 million compared to R465.9 million in FY2022 and, after tax, R455.8 million compared to R466.1 million in FY2022.

	% Change	**31 August 2023 R'000**	31 August 2022 R'000
Revenue	3.3	**1 995 095**	1 930 520
Other income	100.0	**12 329**	–
Property operating expenses	5.3	**(1 067 118)**	(1 013 460)
Net property income	2.5	**940 306**	917 060
Administrative and corporate expenses	21.3	**(102 664)**	(84 614)
Share of income from joint venture	60.2	**3 948**	2 465
Distributable profit before finance costs	0.8	**841 590**	834 911
Net finance costs	3.4	**(381 759)**	(369 037)
Distributable profit before tax	(1.3)	**459 831**	465 874
Current Tax		**(4 073)**	193
Distributable income attributable to shareholders	(2.2)	**455 758**	466 067
Weighted average number of shares		**266 197 535**	266 197 535
Distributable income per share (cents)	(2.2)	**171.2**	175.1

Dividend Policy

Octodec's dividend policy is based on the premise of retaining sufficient funds for maintenance and development and acquisition opportunities as and when these opportunities arise. Furthermore, our policy is underpinned by the need to maintain a strong balance sheet with an acceptable loan to value ratio, while at the same time taking into consideration our shareholders' expectations around distributions.

In determining the distribution, we use distributable income (SA REIT funds from operations) and deduct the anticipated amount for refurbishments and developments, while ensuring that the distribution complies with the JSE Listings Requirements of a minimum distribution of 75% of distributable income (taxable income), taking into account the solvency and liquidity of the underlying property-controlled subsidiaries. The distribution for FY2023 as a percentage of distributable income is 78.9% at group level and 99.1% at company level, ensuring that the group remains a REIT.

Based on the above policy, the board of Octodec declared a final dividend of 75.00000 cents per share on 30 October 2023, payable to shareholders on Monday, 27 November 2023. The total dividend for the year is 135.00000 cents (FY2022: 130.00000 cents) per share, a 3.8% increase on the prior year.

Net property income

Revenue increased by 3.3% from R1 930.5 million to R1 995.1 million, mainly due to a stellar performance from our residential sector, which income grew by 10.2% year-on-year. This was, however, offset by negative rental reversions mainly in the retail street shops and office sectors. Rental income excluding recoveries, increased by 2.8% overall, and on a like-for-like basis, excluding the impact of the disposal of properties, rental income increased by 4.1%. This reflects a higher increase in recoveries, on the back of increased administered costs which have been passed on to our tenants.

Property operating costs increased 5.3% year-on-year. The increase in property expenses was contained, largely due to assessment rates remaining flat; this was because of the favourable outcome of several municipal appeals in the prior year, whereby credits were received in the current year, as well as the successful resolution of various municipal accounts under dispute, resulting in further credits to the company. These gains were, however, offset by an increase in bad debts as well as repairs and maintenance costs due to a number of scheduled maintenance projects carried out during the year. This was further impacted by an increase in generator costs of R11.2 million (FY2022: R4.8 million) because of the extensive load shedding experienced during FY2023. The cost of free Wi-Fi provided to our tenants of R12.6 million (FY2022: R5.3 million) resulted in higher operating costs, but indirectly benefited Octodec through tenant retention and higher rentals.

Administrative and corporate expenses increased due to the inclusion of the incentive paid to City Property for exceeding its Hurdle Rate in FY2022, which was paid in FY2023, together with an increase in external audit and information technology costs. No incentive fee was payable for FY2023 performance as the results did not exceed the Hurdle Rate.

Below are the group's cost-to-income ratios, set out on a gross and net basis.

	31 August 2023 %	31 August 2023 %
Property costs		
Gross basis	**53.5**	52.5
Net basis (net of recoveries)	**37.5**	36.6
Total property and administration costs		
Gross basis	**58.6**	56.9
Net basis (net of recoveries)	**44.4**	42.4

Property costs, both on a gross and net basis, have increased when compared to the prior year. This is largely attributable to inflationary pressure and increases in administered costs, which despite the credits received from Council in the current year, still reflect increases in these expenses.

Net finance costs increased by 3.4% from R369.0 million to R381.8 million. This was primarily due to higher interest rates as well as additional funding used to fund our interest in Octodec's joint venture, thereby reducing the joint venture's external borrowings and increasing our return on investment as can be seen from our share of income.

Borrowings and cash flow management

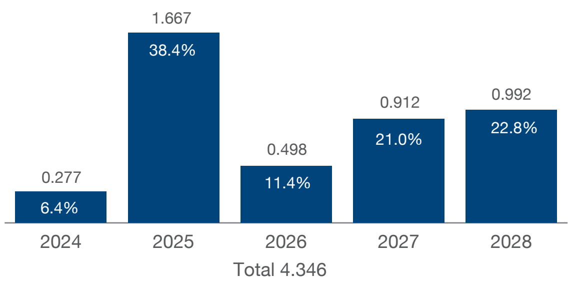
	31 August 2023 R'000	**Weighted average interest rate per annum %**	31 August 2022 R'000	Weighted average interest rate per annum %
Bank loans	**4 015.6**	**10.4**	3 676.6	7.9
Domestic Medium Term Note (DMTN) Programme				
Secured	**–**	**–**	368.3	7.7
Unsecured	**330.4**	**10.4**	330.3	7.8
Total borrowings	**4 346.0**	**10.4**	4 375.2	7.9
Cost of swaps		**(1.2)**		0.8
Total cost of borrowings		**9.2**		8.7

Octodec has refinanced all loans which matured during the current year as well as some of the loans maturing in FY2024, for tenors ranging between two to five years. Octodec had unutilised available banking facilities amounting to R735.3 million at 31 August 2023 (FY2022: R624.0 million). As we refinance our maturing facilities, it is important that financing costs are contained. The refinancing was concluded at lower margins, but in the high interest rate environment, financing costs will negatively impact distributable income.

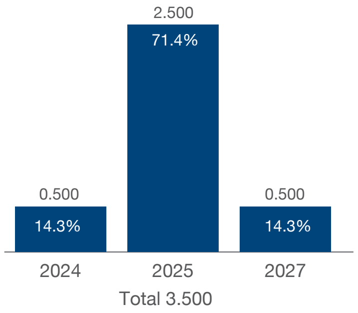
The weighted average term to expiry of the loans is 2.9 years (FY2022: 2.1 years) and the group's LTV decreased from 39.2% at 31 August 2022 to 37.7% at 31 August 2023, largely due to the positive revaluation of the property portfolio of 1.5%, and the movement in the fair value of interest rate swaps. The LTV remains well within our guided range and our covenant levels of 50%.

As at 31 August 2023, 80.4% of Octodec's borrowings were hedged (FY2022: 80.0%) with a weighted average term of 1.5 years (FY2022: 2.0 years). The all-in average weighted interest cost of borrowings is 9.2% per annum (FY2022: 8.7%).

Loan expiry profile – R'billion and %



Interest rate derivatives expiry profile – R'billion and %



Domestic Medium Term Note (DMTN) Programme

As at 31 August 2023, Octodec participated in a DMTN Programme through its subsidiary, Premium Properties Ltd (Premium). The total unsecured listed issuance was at R330.4 million or 7.6% (FY2022: R330.3 million or 7.6%) of the group's borrowings. Subsequent to the financial year end, following the approval by the note holders as well as the JSE Ltd, the DMTN Programme has been transferred to Octodec. Global Credit Rating's long and short-term national scale ratings remained unchanged at A-(ZA) and A2(ZA) respectively, with a stable outlook.

Covenants

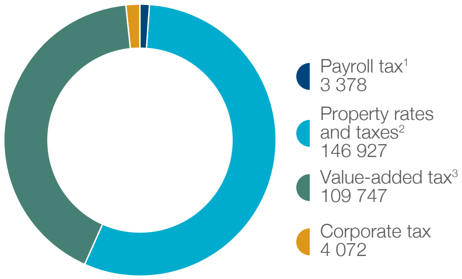
		Actual		
	Required	Funder 1	Funder 2	Funder 3
Group interest cover ratio – total portfolio (times)	Minimum – 2.0	2.2		
Interest cover ratio by secured property to lender (times)	Minimum – 1.8 to 2.0	2.5	2.2	2.3
LTV ratio – total portfolio (%)	Maximum – 50	39.2*		
LTV ratio by secured property to lender (%)	Maximum – 50 to 55	**35.8**	**41.2**	**43.7**

* *Calculated in accordance with loan agreements*

Tax transparency

Octodec is a committed, socially responsible corporate citizen and we continue to pay our taxes, on time. The taxes we pay have a positive economic impact on the communities we operate in. The group's tax contributions for the 2023 financial year are set out below.

Tax type and amount (R'000)



---

[1] *PAYE deducted from employees and directors, where applicable, and paid to authorities*

[2] *Rates and taxes paid to local municipalities*

[3] *Value-added tax collected less amount claimed from authorities*

Investment property valuation

The property portfolio was valued at R11.1 billion (FY2022: R10.9 billion) based on the capitalisation of income method.

Investment property valuations and assumptions

	31 August 2023	31 August 2022
Property portfolio (R'000)	**11 090 700**	10 890 365
Increase/decrease in valuation (R'000)	**179 055**	(82 386)
Increase/decrease in valuation (%)	**1.7**	(0.7)
Range of capitalisation rates (%)	**8.5 to 14.5**	8.50 to 14.50
Weighted average capitalisation rates (%)	**9.8**	9.8

In line with the group accounting policy, the entire portfolio is valued internally every six months; one third of the portfolio is valued externally every year, with half thereof valued externally in February and the remaining half in August. The valuation method, which is the capitalisation of income method, has remained unchanged from the prior year, with changes to the valuation inputs such as expense ratios, vacancy factors and the capitalisation rates.

For further details on investment property, refer to pages 120 to 123.

Outlook for FY2024

Octodec has continued to experience an increase in residential leasing activity with reduced vacancies in the residential portfolio in 2023, which has had a positive impact on the group's results. We continue to roll out the value-add enhancements successfully introduced to other residential buildings, rendering them a more attractive proposition for prospective tenants.

We are cognisant of the impact that rising inflation, increasing energy costs and high interest rates will have on our tenants and on Octodec.

The failure of municipalities to deliver services combined with the ongoing power outages will undoubtedly have a negative impact on an already weak economy. We therefore remain cautious in our approach to developments, including new builds and conversions, focusing on maintaining a healthy balance sheet and providing a steady distribution to our shareholders.

I want to thank the Octodec Board of Directors and the City Property executive and management team for their dedication and hard work in navigating through what was a challenging, but successful year.

Anabel Vieira
Financial director

27 November 2023


The Park Wash Bar

A DEEP DIVE INTO OUR OPERATIONAL PERFORMANCE

OCTODEC'S OPERATIONAL PERFORMANCE IN THE PAST YEAR HAS DEMONSTRATED THE RESILIENCE OF OUR DIVERSIFIED PORTFOLIO.

Charlene Conradie
Chief operating officer

The various sectors we operate in create an interconnected ecosystem within the communities where we operate. The demand for high-quality spaces in the CBDs and surrounding areas continues to be robust.

Overcoming operational challenges to support our tenants

Our commitment to providing quality properties and ensuring tenant satisfaction drives us to create safer and more appealing environments in collaboration with stakeholders.

Continuous load shedding and power outages in the Johannesburg CBD results in dark common areas and non-functioning lifts not being operational in several office buildings. This led to an increase in vacancies in the Johannesburg office sector. Funds have been prioritised for the installation of generators at these buildings to improve tenant occupancy.

We have already installed generators to power the common areas in most of our residential buildings. Generators not only address the power supply to the buildings but ensure water supply in cases where pumps are fitted due to low water pressure in buildings. Water is pumped to the top of the building where water tanks provide water to the building. The residential buildings in Johannesburg are also fitted with power connections to enable mobile, rented generators to be connected to the building which can provide power in periods of prolonged power outages.

> *Fortunately, loadshedding has had a minimal impact on our buildings located in Tshwane CBD, which is the administrative capital of South Africa and where several Government departments are situated.*

Crime levels and failing infrastructure in the CBDs have affected tenant confidence. To address concerns, we are actively collaborating with municipalities, voluntary CIDs and private security stakeholders to create safer and well-operating environments. Despite the additional expenses involved, we remain committed to maintaining the welfare and safety of our tenants. We are exploring cost management initiatives such as the installation of CCTV cameras and off-site security monitoring to contain these additional costs

Tenant affordability is an ongoing concern due to the rising cost of living

Above-inflation increases in utility and general living costs strain tenants' affordability. In addition, many applicants have significant debt burdens. However, rising interest rates are also having a positive impact on the rental market, as certain individuals opt to rent over purchasing. The popularity of two-bedroom units has also helped to maintain demand, as individuals can share the rent.

The NSFAS reduction in student accommodation allowance has severely impacted student affordability and contributed to the higher-than-expected vacancies at The Fields in Hatfield. We are collaborating with industry peers to liaise with Government on the approval of the NSFAS accommodation allowance for the next academic year. We are continuing to invest in creating relevant spaces and value-added offerings to ensure The Fields remains competitive in the student accommodation market of Hatfield.

Tenant retention remains a focus, and we offer assistance, for example by offering downsizing options and reduced rentals, where relevant, to support our tenants. This requires a balancing act between rental increases and tenant affordability. We carefully consider each application for rental relief on a case-by-case basis, considering vacancies and market rentals. We also continue our residential rewards programme with loyal tenants, offering vouchers to renew for another year at an escalated rental.

Our diversified portfolio is resilient and adaptable to tenant needs

In an ever-changing socio-economic landscape, Octodec maintains a strong and diversified portfolio to address the evolving demands of our tenants.

Our office sector remains stable, with flat vacancy rates, while retail shopping centres maintain a robust occupancy rate, although street shops outside CBD nodes face some challenges. We are actively exploring solutions to repurpose large vacant retail spaces to better serve tenant demands. Our industrial sector thrives due to its flexibility, catering to startups and medium-sized businesses alike. Our well-diversified tenant mix and continued demand for our vacant spaces underscore our portfolio's success.

The pages that follow provide a detailed performance overview per sector.

Lara's Place

Operational performance summary

RESIDENTIAL SECTOR REVIEW

Our residential sector has exceeded expectations, achieving improved occupancy levels that match pre-pandemic levels.

There is an ongoing demand for affordable and secure accommodation for young professionals, students and families in the CBDs and surrounding areas. This has led to the improved performance of our residential portfolio, renewed tenant interest and a decrease in vacancies. Low vacancy rates also reflect the trend of individuals moving closer to their workplaces and CBD transport hubs to mitigate the impact of high transport costs. We have implemented measured rental increases where there is strong demand for our properties.

Residential unit information

Unit type	Number of units		Average monthly rentals (R)	
	2023	2022	**2023**	2022
Bachelor unit	**3 134**	3 134	**3 750**	3 550
One-bedroom unit	**3 284**	3 285	**4 400**	4 200
Two-bedroom unit	**1 492**	1 495	**5 700**	5 400
Three-bedroom and other	**551**	561	**5 300 to 6 450**	4 950 to 6 150
Shared units	**782**	768	**5 000**	4 600

Performance overview	
Income growth:	
Rental income – overall	Residential rental income increased by 10.2% year on year on the back of a significant improvement in occupancy compared to 2022.
Rental income – Tshwane	68.8%
Rental income – Johannesburg	31.2%
Vacancies:	
Trend	Residential vacancies decreased by 0.5% to 6.5% in 2023. Excluding The Fields which provides accommodation to students funded by NSFAS, vacancies were at 5.4%.
Arrears:	
Trend	Residential arrears were at 3.81% of rental income and recoveries or 13.91 days, which is in line with prior years.

During the year, we examined the open spaces within our properties to identify opportunities for value-added enhancements based on our tenants' needs. At Steyn's Place, we created a spacious rooftop play area with braai facilities and added a cashless, automated laundry facility.

We also introduced play areas in smaller residential buildings that have limited space for entertainment, to ensure children have a safe place to play. We carefully selected locations for these play areas to ensure they are situated in specific areas that minimise disruption to other tenants.

These smaller investments have made a significant impact on our tenants' enjoyment of Octodec's properties.

Number of properties
65
(FY2022: 65)

Number of tenants
8 959
(FY2022: 8 929)

GLA (m²)
418 094
(FY2022: 415 490)

Residential sector performance

	2023	2022
Rental income (R'million)	**510.1**	462.8
Rental income growth (%)	**10.2**	7.6
Rental income growth (like for like) (%)	**10.3**	7.9
Total vacancies at year-end (% of GLA)	**6.5**	7.0
Tshwane (excl. Hatfield)	**4.8**	7.2
Johannesburg	**7.4**	6.7
The Fields	**23.7**	7.1
Kempton Place	**1.2**	3.5

Priorities for 2024

Our priority is to reduce our vacancies, ensuring that our properties remain attractive and desirable to potential tenants.

We recognise the importance of catering to student needs in Hatfield, and we are creating an enhanced student centre, green areas for recreation and an events space to support our student community.

To minimise the negative impact of power outages we continue to provide mobile or fixed generators at our properties, ensuring uninterrupted power supply during outages. We will continue our successful roll-out of cashless automated laundry facilities to additional properties and continue the expansion of Wi-Fi services to the remaining residential buildings.

To create more appealing living spaces, we continue to refurbish select buildings' common areas, refreshing their appearance and making them more relevant to our tenants.

We are implementing effective strategies to contain costs while maintaining the quality of our properties and services.

COMMERCIAL SECTOR REVIEW

In an uncertain economic environment, we continue to ensure a diverse balance across our different types of commercial offerings to sustain the interrelated needs of our tenants.

Sector review

During the last five years, management has reported rental income, GLA and vacancies based on the type of tenant occupying the properties, rather than on the type of property. This resulted in movements between "specialised and other" and office, retail and industrial due to the fact that when a tenant vacated, the GLA was re-allocated to the property type. To avoid these movements, management has reorganised the sectors into five principal sectors based on rental income, namely residential, retail – street shops, retail – shopping centres, office, industrial and parking. No GLA is assigned to parking areas. These sectors remain unchanged, except that the "specialised and other" is now grouped together with the five principal sectors. The comparative amounts have been restated where relevant.

Office

The performance of Octodec's office portfolio has been commendable despite the challenges posed by loadshedding and a sluggish economy. In the office sector vacancies remain flat, indicating that our existing tenant portfolio in this sector is stable but unlikely to grow in the short term. Our ability to contain our vacancy rates reflects the desirability of our spaces, and we are successfully concluding deals at market-related rentals.

Although the convenience of location and our well-maintained buildings remain attractive to new tenants, affordability remains a concern to some of our existing tenants, especially in pockets of small office space. Government, who occupy larger pockets of office space have renewed their leases.

Our Johannesburg offices have been more impacted by loadshedding which results in limited lighting, non-functioning lifts and the absence of water, which can limit tenant operations and their ability to meet rental obligations. We proactively address these challenges by providing mobile generators during prolonged periods of loadshedding.

We have introduced free Wi-Fi and shared meeting rooms at selected office buildings in both Tshwane and Johannesburg.

The collaboration with CIDs has been effective in supplementing poor Council service delivery through enhanced security and cleaning measures. The presence of CCTV cameras and additional security has contributed to deterring crime and preventing break-ins.

Number of tenants
1 532
(FY2022: 1 543)

GLA (m²)
456 790
(FY2022: 465 263*)

---

* *Refer to sector review above relating to the restatement of the 2022 comparative amounts in respect of GLA, rental and vacancies.*

Top 10 office tenants by lettable area

Lessee	GLA m²
Louis Pasteur Private Hospital	13 691
The City of Tshwane Metropolitan Municipality	12 086
Special Investigating Unit	12 025
Basa Tutorial Institute	11 782
Department of Rural Development & Land Reform	9 528
Commission for Conciliation, Mediation and Arbitration	8 922
South African Police Service	7 226
National Department of Public Works	7 073
Small Enterprise Development Agency	6 299
Department of Justice	5 868
Total	94 500

Leasing information September 2022 - August 2023

	New deals		
Office	**No of Deals**	**GLA (m²)**	**Rental per month**
Government	4	3 022	296 052
Non-government	515	30 417	1 919 761
Grand Total	519	33 439	2 215 813

	Renewals		
Office	**No of deals**	**GLA (m²)**	**Rental per month**
Government	6	19 780	2 684 688
Non-government	561	52 341	3 394 410
Grand Total	567	72 121	6 079 098

Performance

	2023	2022*
Let to Government (by % of total rental income from offices)	53.8	56.7
Other (by % of total rental income from offices)	46.2	43.3
Rental income (R'million)	280.4	296.2
Rental income reduction (%)	(5.3)	(1.3)
Rental income reduction (like for like) (%)	(5.3)	(2.5)
Average rental per m²	61.4	63.7
Total vacancies at year end (% of GLA)	38.5	38.1
Core vacancies at year end (% of GLA)	23.7	23.6
Mothballed office space (GLA m²)	67 503	67 478
Mothballed office space (%)	14.8	14.5

Priorities for 2024

In the office sector, we have outlined several key initiatives for the coming year. Our priority is to install generators at buildings that are most affected by loadshedding to ensure uninterrupted power supply to these properties.

Given the positive feedback received from the rollout of free Wi-Fi and meeting rooms in the current year, we plan to roll out free Wi-Fi services to a few more buildings, enhancing connectivity and convenience for our tenants.

We are exploring the option of offering semi-furnished offices to cater to the evolving needs of potential tenants.

RETAIL SECTOR REVIEW

In the retail sector, our shopping centres have performed well, boasting an impressive occupancy rate of 93.2%. However, retail street shops located outside the CBD nodes have experienced pressure due to difficulties in securing tenants, with core occupancy rates reducing marginally to 16.6% from 17.8% in FY2022. The majority of vacancies occur as banks downsize due to technological shifts in customer behaviour, while others, like dealerships, consolidate in response to decreased demand in certain areas. In Johannesburg, we have seen improved demand for space in certain areas, and we have successfully secured a lease with Dunns at Education Centre and Arlington House for 324m² and 382m² respectively.

However, securing tenants in some areas has been more challenging due to factors such as service delivery issues and crime concerns. Additionally, some large banks and Government institutions have adopted the hybrid work model for their employees and this has impacted the footfall in certain retail areas.

Loadshedding poses another obstacle, with retailers having faced up to six hours of power outages per day for some periods during the year. This reduced the number of retail hours in a day. To assist tenants in our shopping centres, we have installed generators to provide backup power. Even with backup power available, the higher cost to tenants reduces their margins.

At Killarney, customers visit the mall for basic consumer goods but have reduced spending on luxury items, indicating a shift in consumer behaviour towards more essential purchases. The profile of the mall has changed from small and bespoke to convenience.

In Tshwane, the retail sector has proven resilient. However, we are facing challenges with large-space retail vacancies that do not meet the needs of tenants. We are actively exploring options to address this by repurposing those spaces to attract suitable tenants.

Adaptation to these changing dynamics is essential to ensure the resilience and success of our retail portfolio.

Number of tenants

214
(FY2022: 214)

GLA (m²)

97 700
(FY2022: 97 132)

Top 10 retailers by lettable area

Lessee	GLA m²
Shoprite Checkers	**35 523**
Pepkor	**19 769**
Pick n Pay	**12 921**
Foschini Retail Group	**10 177**
Mr Price Group	**7 019**
McCarthy Group	**6 696**
Standard Bank	**6 409**
Nedbank	**5 034**
Woolworths	**4 885**
Spar / Tops	**4 712**
Total	**113 145**

Shopping centres

Johannesburg	National tenant %	GLA m²
Killarney Mall	**46**	21 638
Woodmead Value Mart	**21**	3 543

Tshwane	National tenant %	GLA m²
The Park	**35**	4 193
Waverley Plaza	**61**	7 052
Gezina City	**n/a**	n/a
Blaauw Village	**81**	6 103

Shopping centre performance

	2023	2022
Rental income (R'million)	**183.4**	174.2
Rental income growth (%)	**5.3**	5.9
Rental income growth (like for like) (%)	**5.3**	4.6
Average rental per m²	**187.7**	179.3
Total vacancies at year-end (% of GLA)	**7.0**	7.7
Core vacancies at year-end (% of GLA)	**6.8**	7.4

Street shop performance

	2023	2022*
Rental income (R'million)	**352.0**	359.2
Rental income reduction/growth (%)	**(2.0)**	3.0
Rental income growth (like for like) (%)	**1.2**	1.8
Average rental per m^2	**102.7**	100.7
Total vacancies at year-end (% of GLA)	**21.4**	20.6
Core vacancies at year-end (% of GLA)	**16.6**	17.8

Number of tenants

1 015
(FY2022: 1 032)

GLA (m²)

342 712
(FY2022: 356 723*)

Priorities for 2024

Despite the economic downturn, we remain determined to achieve rental growth through strategic planning and adaptation to market dynamics. We aim to attract tenants to the CBDs by highlighting the potential advantages of these locations and to improve the overall tenant mix and enhance the quality of tenants.

Tenant retention is paramount, and we are implementing measures to ensure tenant satisfaction and loyalty. Additionally, our commitment to improving safety and security in specific nodes will contribute to a positive shopping experience.

Exploring the possibility of redevelopment presents opportunities for rejuvenating existing properties and maximising their potential. Furthermore, finding the right positioning for Killarney Mall is a key priority, and we have conducted thorough market analysis and consumer research to identify the most advantageous positioning strategy for the mall.

INDUSTRIAL SECTOR REVIEW

Octodec's industrial sector portfolio is well positioned due to our wide variety of units, catering to both start-ups and medium-sized businesses. Due to the flexible nature of the spaces we offer, we can configure spaces to tenant needs without incurring major capital outlay. The portfolio boasts a well-diversified tenant mix across various locations. Our vacant units are consistently in high demand and are swiftly leased.

In this sector, vacancies increased due to the expiration of several leases in our industrial spaces, primarily located in Tshwane West and North. However, there has been significant growth in rental rates in the industrial sector, driven by heightened demand, particularly from SMEs. As a result, we anticipate the vacant spaces will be leased quickly.

Challenges in the industrial sector included loadshedding and unscheduled power outages, which hinder tenants' ability to trade and grow their businesses. Load shedding and power surges cause damage to municipal infrastructure, leading to extended power outages while Council repairs the infrastructure. This results in added costs due to the need for diesel where generators were installed on the premises. Above-inflation increases in utilities, combined with the extra costs related to loadshedding, limited our ability to increase rental rates.

Despite the industrial sector bearing the overall brunt of interrupted water and electricity service delivery, global supply shortages and rising fuel costs, the sector remained resilient.

Top 10 industrial tenants by lettable area

Lessee	GLA m^2
Transpharm	**6 873**
Sizwe Foods	**4 112**
African Food Industries	**3 729**
Salvage Car Dealers	**3 322**
Le Petit Pain	**2 887**
Dark Wing Projects	**2 715**
Sterlings	**2 600**
Iso Foods	**2 560**
South African Revenue Services	**2 557**
Impilo Products	**2 291**
Total	**33 646**

Industrial performance

	2023	2022*
Rental income (R'million)	**105.9**	102.1
Rental income growth/reduction (%)	**3.8**	(4.3)
Rental income growth/reduction (like for like) (%)	**8.6**	(2.1)
Average rental per m^2	**49.6**	45.8
Total vacancies at year-end (% of GLA)	**9.2**	7.2
Core vacancies at year-end (% of GLA)	**8.7**	6.8

Number of tenants

348
(FY2022: 371)

GLA (m²)

213 665
(FY2022: 222 852*)

Priorities for 2024

We will continue to focus on the marketing of our industrial portfolio, capitalising on the strong demand. In Johannesburg, we see potential rental growth opportunities through the redevelopment or refreshing of existing units. In addition, we plan to roll out solar plants at some of our smaller industrial spaces, which will provide uninterrupted power supply.

---

* *Refer to sector review on page 51 relating to the restatement of the 2022 comparative amounts in respect of GLA, rental and vacancies.*

Our overarching priorities for the coming year

Looking ahead, maintaining clean and secure buildings remains a top priority, as we understand the importance of providing a safe and comfortable environment for our tenants.

Across the portfolio, we are dedicating resources to provide reliable power and water supply, while also implementing value-added services such as Wi-Fi and cashless, automated laundry facilities. We recognise the demand for these convenient services, and we are investing in additional resources to offer these at more of our buildings.

We value the well-being of our building employees, and we refurbish their units and pause areas, to create comfortable spaces for them.

Building health connections – Ina Building in Tshwane transforms into the HealthConnect Medical Centre

The Ina Building, strategically positioned at the corner of Sisulu and Francis Baard Streets, previously served as an archiving space. Its proximity to the Louis Pasteur Medical Centre and Louis Pasteur Hospital presented a unique opportunity to establish a symbiotic relationship between the two structures. By repurposing the vacant Ina Building as the HealthConnect Medical Centre, we will meet the need for additional medical suites within the existing medical centre.

The comprehensive renovation encompasses both exterior and interior enhancements to establish a centre of medical excellence that offers a welcoming and comforting setting for patients. The ground floor continues to accommodate retail spaces, while the upper floors are being transformed into modern medical suites, featuring reception areas and consultation rooms.

Physical links between the Louis Pasteur Medical Centre and the HealthConnect Medical Centre on the first and fourth floors ensure seamless connectivity for the convenience of patients and healthcare professionals. To ensure efficient and convenient access, new bed and stretcher lifts are being installed, enabling smooth movement throughout the facility. Furthermore, a covered link bridge is being created to connect the Louis Pasteur parking garage to the first floor of the HealthConnect Medical Centre, offering a sheltered pathway for patients and visitors.

We are thrilled to launch the HealthConnect Medical Centre, which evidences our deep-rooted commitment to creating thriving communities and addressing the evolving healthcare needs of the surrounding areas. By collaborating with the Louis Pasteur hospital, we will create a hub of medical excellence that fosters a warm and comforting environment for patients. – Jeffrey Wapnick, Octodec MD

AN ANALYSIS OF OUR PORTFOLIO PERFORMANCE

WITH 72% RESIDENTIAL AND 28% COMMERCIAL TENANTS, OUR RESIDENTIAL AND COMMERCIAL LEASING PERFORMANCE WAS STABLE.

Lease expiry profile

The leases concluded with a large percentage of our tenants are typically of a short-term nature, where lease periods are generally for a period of 12 months. This has been a consistent characteristic of our portfolio since inception and forms part of our strategy. This is typical especially of the residential market and leases with small to medium-sized enterprises.

The average stay of a residential tenant is 22.9 months, excluding Hatfield tenants who are traditionally students leasing for 10 months through the Government-funded NSFAS.

The average length of stay of our commercial tenants, measured by those tenants that have vacated in the current year, is as follows:

Lease expiry profile at 31 August 2023

	By rental income %					By GLA m² (%)						
	August 2024	August 2025	August 2026	August 2027	August 2028 and beyond	August 2024	August 2025	August 2026	August 2027	August 2028 and beyond	Vacant	Total
Sector												
Residential	99.8	0.2	–	–	–	93.0	0.5	–	–	–	6.5	100.0
Commercial												
Retail												
Street shops	43.8	23.1	13.8	9.4	9.9	35.8	17.7	11.7	6.2	7.2	21.4	100.0
Shopping centres	30.3	30.6	21.0	5.5	12.6	23.1	30.7	18.0	5.7	15.5	7.0	100.0
Offices	64.4	20.2	7.6	3.3	4.5	38.1	12.4	4.7	1.5	4.8	38.5	100.0
Industrial	49.0	33.5	9.4	2.1	6.0	46.2	27.1	9.7	2.0	5.8	9.2	100.0
Parking	80.2	12.8	3.5	1.0	2.5	–	–	–	–	–	–	–
Total commercial	49.6	24.3	12.3	5.7	8.1	37.6	18.5	9.0	3.4	6.7	24.8	100.0
Total commercial and residential	67.3	15.8	8.0	3.7	5.2	52.9	13.5	6.5	2.5	4.8	19.8	100.0

10 major lease expiries by GLA m²

Building	Tenant	Lease expiry	GLA m²	Renewal status
CCMA Place	Commission For Conciliation, Mediation & Arbitration	2023/09/30	**3 598**	Extended the lease for 8 months at a 6% escalation while the tenant is finalising the tender process
Marlborough House	CCMA	2023/10/31	**5 800**	Extended the lease for 8 months at a 6% escalation while the tenant is finalising the tender process
The Fields	SEDA	2023/12/31	**6 568**	Tenant is busy with an internal restructure and has not yet started renewal negotiations, with the lease allowing for an extension not beyond 10 months at a 7% escalation
Standard Bank Chambers	Hack Stupel & Ross Attorneys	2024/02/29	**2 392**	Negotiations on renewal to start closer to renewal date
Centre Walk	Department of Rural Development & Land Reform	2024/03/31	**9 528**	Tenant may be relocating to their newly constructed building
Centre Walk	Pick n Pay Supermarket (NF48)	2024/04/30	**2 424**	A proposal for a 5-year lease at a rent freeze in year 1 of the renewal escalating at 6% thereafter has been submitted
John Street	Metals Centre	2024/05/31	**2 011**	Negotiation on renewal to start closer to the renewal date
Castle Mansions	Ackermans, Division of Pepkor Trading	2024/06/30	**2 531**	Negotiations on renewal to start closer to renewal date
Bram Fischer Towers	The Department of Correctional Services	2024/06/30	**2 033**	A lease term has been agreed for a 5-year lease renewal at an inflation related increase with an annual escalation of 6%
The Fields	City Lodge	2024/08/31	**9 709**	Negotiations on renewal to start closer to renewal date

Reversions by sector

Sector	Area m²	New lease reversion %	Area m²	Renewal reversion %
Commercial				
Retail – street shops	19 313	(4.5)	72 608	(10.0)
Retail – shopping centres	1 648	1.1	15 901	1.8
Offices	7 818	(2.4)	77 828	(2.6)
Industrial	14 575	6.4	63 909	5.4
Total commercial (GLA)	43 354	(1.7)	230 246	1.7
Residential (units)	3 309	1.4	1 142	5.0

The table alongside reflects the reversions on new leases and renewals for those spaces that were vacant and filled in the current financial year and therefore reflects a small percentage of the total new leases and renewals, but provides a more accurate analysis of reversions.

The residential portfolio, together with the retail shopping centres and the industrial sectors, has experienced positive reversions both on new leases and renewals. The negative reversions in retail street shops were largely attributable to a national retailer and a hotel renewing leases at a negative reversion of 39% and 40% respectively, and some small retail spaces in the outer lying areas of the CBD where it is difficult to attract new tenants. However, leases and renewals in the CBD with high footfall are attracting positive rental reversions. The negative reversions in the office sector are indicative of the current oversupply of office space, as well as a decrease in rental in respect of one of our more established education colleges in Johannesburg due to lower student numbers. Currently, and going forward, the focus in the office sector is on tenant retention.

Vacancies

Vacancies by sector

	31 August 2023							31 August 2022						
	Total GLA m²	Vacancies GLA m²	Total vacancies %	Properties held for redevelopment or disposal including mothballed space m²	Core vacancies GLA m²	Core vacancies %	Core vacancies as % of lettable GLA	Total GLA m²	Vacancies GLA m²	Total vacancies %	Properties held for redevelopment or disposal including mothballed space m²	Core vacancies GLA m²	Core vacancies %	Core vacancies as % of lettable GLA
Residential	418 094	27 296	6.5%	–	27 296	6.5%	6.5%	415 490	29 245	7.0%	–	29 245	7.0%	7.0%
Commercial														
Retail														
Street shops	342 712	73 459	21.4%	(16 416)	57 043	16.6%	17.5%	356 723	73 577	20.6%	(10 109)	63 468	17.8%	18.3%
Shopping Centres	97 700	6 876	7.0%	(278)	6 598	6.8%	6.8%	97 132	7 495	7.7%	(278)	7 217	7.4%	7.5%
Offices	456 790	175 768	38.5%	(67 503)	108 265	23.7%	27.8%	465 263	177 116	38.1%	(67 478)	109 638	23.6%	27.6%
Industrial	213 665	19 717	9.2%	(1 083)	18 634	8.7%	8.8%	222 852	16 139	7.2%	(1 083)	15 056	6.8%	6.8%
Total	**1 528 961**	**303 116**	**19.8%**	**(85 280)**	**217 836**	**14.2%**	**15.1%**	**1 557 460**	**303 573**	**19.5%**	**(78 948)**	**224 624**	**14.4%**	**15.2%**

Larger vacancies above 8 000m²

Property name	Location	Sector	Property GLA m²	Vacancy m²	% Vacancy	Reason for vacancy
Shoprite – Eloff Street	Johannesburg CBD	Office	31 693	30 939	97.6%	Mothballed – for residential conversion or disposal
Inner Court	Johannesburg CBD	Retail and office	23 228	19 144	82.4%	Vacant office space - investigating disposal opportunity
Reinsurance House	Johannesburg CBD	Office	15 033	15 033	100.0%	Mothballed – for residential conversion or disposal
Prinschurch	Tshwane CBD	Retail and office	13 133	11 856	90.3%	Mothballed office space – for potential residential conversion
Killarney Mall	Johannesburg	Retail and office	47 470	8 880	18.7%	Vacant retail and office space
Education Centre	Johannesburg CBD	Retail and office	10 936	8 475	77.5%	Mothballed office space – for potential residential conversion
Van Riebeeck Medical Building	Tshwane CBD	Retail and office	8 167	8 167	100.0%	Mothballed – for residential conversion or disposal

Mothballed space

The mothballed space, as a total of Octodec's portfolio, increased by 6 332m² to 85 280 m² (2022: 78 948m²), due to certain retail space becoming redundant, with no access to the upper floors as a result of the configuration of certain retail space. The fully mothballed space consists of 3 properties (45 539m²) with a carrying value of R92.0 million. Octodec is pursuing the disposal of these properties. There are a further three partially mothballed properties (24 740m²) with a carrying value of R49.8 million which are currently being held for possible conversion into residential accommodation in the future. The remaining mothballed space (15 001m²) requires refurbishments to be let.

Vacancy profile by location

	Total GLA m^2	Vacancies GLA m^2	% of Total vacancies	Total vacancies %	Core vacancies GLA m^2	Core vacancies %
Tshwane CBD	507 705	95 880	31.6%	18.9%	63 882	12.6%
Tshwane and surrounding areas	505 381	54 707	18.0%	10.8%	54 305	10.7%
Johannesburg CBD	378 666	132 163	43.6%	34.9%	79 561	21.0%
Johannesburg and surrounding areas	137 209	20 366	6.6%	14.8%	20 088	14.6%
Total	**1 528 961**	**303 116**	**100.0%**	**19.8%**	**217 836**	**14.2%**

Lease escalations per sector

	Leases with escalations		Weighted average lease escalation	Leases with no escalations		Occupied GLA m^2	Vacant GLA m^2	Total GLA m^2
Sector	GLA m^2	% of occupied GLA	%	GLA m^2	% of occupied GLA			
Residential	4 520	1.2%	0.0%	386 278	98.8%	390 798	27 296	418 094
Commercial	417 654	50.0%	6.0%	417 393	50.0%	835 047	275 820	1 110 867
Retail								
Street shops	149 808	55.6%	5.9%	119 445	44.4%	269 253	73 459	342 712
Shopping Centres	62 832	69.2%	5.9%	27 992	30.8%	90 824	6 876	97 700
Offices	110 476	39.3%	5.9%	170 546	60.7%	281 022	175 768	456 790
Industrial	94 538	48.7%	6.8%	99 410	51.3%	193 948	19 717	213 665
Total	**422 174**	**34.4%**	**6.0%**	**803 671**	**65.6%**	**1 225 845**	**303 116**	**1 528 961**

The Fields shared furnished unit

Larger capital projects undertaken in 2023

Property	Location	Details	Total development cost R'000	Incurred in 2023 R'000	Completion date
Blaauw Village	Tshwane North	Solar Installation	8 007	1 567	December 2023
Intersite	Hatfield	Relocation of tenant to Intersite	5 642	4 667	March 2023
Louis Pasteur – Health Connect	Tshwane CBD	Conversion to medical suites and link to hospital	66 983	19 186	February 2024
Shoprite Lilian Ngoyi	Tshwane CBD	Upgrade to Shoprite store and façade upgrade	53 014	22 514	October 2023
Shoprite Lilian Ngoyi	Tshwane CBD	Tenant installation	19 241	19 241	February 2023
Shoprite Trekmin	Tshwane Gezina	Tenant installation	8 000	8 000	November 2022
Sildale Park	Silverton	Solar Installation	7 963	4 442	November 2023
The Fields	Hatfield	Furnished student accommodation	12 196	9 650	February 2023
The Fields	Hatfield	Relocation of tenants to The Fields	8 267	3 339	November 2022
The Fields	Hatfield	New event space	30 357	455	November 2023
The Tannery	Silverton	Solar Installation	6 790	1 371	November 2022
Woodmead	Johannesburg and surrounds	Solar Installation	9 671	6 127	October 2023
			236 131	100 559	

Disposals

Octodec remains committed to the disposal of non-core properties, including the disposal of mothballed office buildings, in order to apply this capital to yield-enhancing developments. However, the current environment of high interest rates and a hardened approach by financiers has slowed down the disposal of properties in the current year. A number of sale agreements have been signed, but these are subject to suspensive conditions that the purchasers obtain funding. Against this backdrop, Octodec has sold and transferred 7 properties for a total net consideration of R109.4 million, details of which are set out below:

Sold and transferred

Property name	Date	Location	Sector	Proceeds net of commission R'000	Fair value gain/(loss) on disposal R'000	Exit yield %
Midrand McCarthy	12 September 2022	Midrand	Retail – street shops (Auto Dealership)	30 799	(161)	9.3
Swemvoor	21 September 2022	Tshwane Gezina	Shops and offices	4 675	(360)	12.5
Midtown	14 October 2022	Tshwane CBD	Street shops and offices	29 522	(148)	0.5
Mitchpap	21 December 2022	Tshwane West	Street shops and industrial	7 480	(3 420)	9.9
Erf Six Five One	27 January 2023	Tshwane North	Industrial	3 515	(485)	11.5
Potproes (4) (Jetset Park)	19 May 2023	Tshwane CBD	Street shops and industrial	18 818	18	2.3
Rezmep (4)	25 August 2023	Tshwane CBD	Street shops	14 550	1 350	14.3
				109 359	(3 206)	6.7

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

HOW OUR ESG APPROACH TRANSLATES INTO IMPACTS

SINCE 2022, OCTODEC HAS INCORPORATED THE PRINCIPLES OUTLINED IN THE VOLUNTARY JSE SUSTAINABILITY AND CLIMATE GUIDANCE INTO OUR ESG REPORTING.

Refer to our separate ESG report on our website at https://octodec.co.za/esg/ for detail.

Environmental impacts

Octodec adopts a comprehensive and proactive approach to environmental sustainability.

This involves – where possible – integrating sustainability principles into all aspects of our operations and the KPIs of City Property in respect of property management.

We have prioritised investigating robust methods to measure and report on our impacts concerning Greenhouse Gas (GHG) emissions and resource (energy, water and waste) efficiency.

By setting ambitious but realistic targets and regularly measuring and monitoring our environmental performance, we should be able to drive continuous improvement and ensure a long-term positive impact on the environment, as well as improved efficiencies.

See page 63 for an outline of our environmental impacts and initiatives in 2023.

Social impacts

Our social impacts and initiatives focus on social investment and development, on our people and enterprise and supplier development.

Octodec prioritises urban regeneration and upliftment, as reflected in our 2024 approved vision (page 24) and newly added material matter (page 28).

We actively contribute to communities' well-being, offering a safe environment for work, living and recreation. Innovating with new residential and commercial options, we make the rental market more attractive to new entrants.

Our integrated approach ensures dignified living despite economic constraints. We engage with tenants empathetically, considering their circumstances.

Collaborating with industry peers and stakeholders amplifies our social responsibility efforts in the areas we operate.

We also prioritise meaningful and stable employment, personal growth and relevant skills development for our employees, while upholding a culture of ethics awareness. Employee well-being is ensured through – among other things – fair remuneration and emotional support services.

Refer to page 67 for an overview of our social impacts and initiatives in 2023 and page 88 for our remuneration review.

Corporate governance

Octodec's approach to corporate governance substantially aligns with the outcomes recommended by King IV™.

As the highest governing body and custodian of corporate governance, our board ensures ethical and responsible leadership, driving sustainable and meaningful value.

Our governance framework, including various policies and decision-making processes, ensures compliance with legal and regulatory requirements and promotes streamlined outcomes-based decisions.

Through this framework, supported by board committees and administrative structures, we prioritise accountability to stakeholders, sound leadership, effective decision-making, strong risk management and comprehensive and transparent integrated reporting for sustainable value creation.

Read our abridged corporate governance report, which includes an outline of the key governance priorities for 2023, from page 74.

SERT COMMITTEE CHAIRMAN'S REVIEW

Dear stakeholders

It is my pleasure to provide you with an overview of the activities of the SERT committee for the year.

Committee priorities for 2023

The committee met three times during the year to review performance in the following areas, as required by its terms of reference:

- The governance of stakeholder relationships, introducing specific interventions to improve their quality and effectiveness; improved financial and other reporting was developed to showcase how Octodec addresses stakeholders' needs, interests, expectations and concerns
- The enhancement of Octodec's ethics and whistle-blowing programmes, recognising the increased pressure on employees
- The implementation of Octodec's transformation strategy to improve its B-BBEE rating, reputation and overall impact
- The implementation of the group human resources strategy and key policies to ensure integration and effective management of employees
- The implementation of Octodec's environment, health and safety, and quality initiatives through City Property
- Considered plans presented by management to address safety-related compliance in Octodec's properties

Committee mandate

The statutory committee operates in terms of section 72(4) of the Companies Act (read together with Regulation 43 of the Companies Regulations, 2011) and King IV™, and as a committee of the board for all other duties assigned by the board on behalf of the group and is governed by board-approved terms of reference, which are reviewed and approved annually by the board.

Guidelines for the SERT committee include the anti-corruption principles of the Organisation for Economic Co-operation and Development (OECD), the Employment Equity Act, No 55 of 1998, as well as elements of the JSE Socially Responsible Index criteria and the Broad-Based Black Economic Empowerment Act, No 53 of 2003.

The SERT committee is responsible for monitoring the Group's compliance with relevant legislation and regulations, and prevailing codes of best practice relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relations and labour and employment.

Remuneration

The SERT committee is responsible, *inter alia*, for the sound governance and oversight of Octodec's remuneration policy and implementation. Material matters related to remuneration are covered in our remuneration review presented from page 88.

Ethical business practices

The committee oversees organisational ethics in accordance with the recommendations of King IV™. Octodec adheres to a comprehensive code of ethics, employees' whistle-blowing policy, and external whistle-blowing policy, all of which align with the principles outlined in King IV™.

The values and principles of the United Nations Global Compact are incorporated into our code of ethics, policies, and procedures. We recognise and respect individuals' right to anonymity when reporting non-compliance, and the Be Heard "hotline", which is outsourced to an independent service provider, Be Heard Now (Pty) Ltd, serves as an accessible channel for reporting concerns.

The SERT committee actively reviews feedback received through the hotline. In 2023 no contraventions of the code of ethics or gift register policy were reported, and there were no instances of unethical or inappropriate behaviour.

Employee information sessions were held for City Property employees to raise awareness on how to provide feedback to management on reported incidents or suspicious behaviour within the group.

Positioning statement on fraud and corruption

Employees should:

- Not offer, promise, or give undue pecuniary or other advantage to public officials or the employees of service providers. Likewise, employees should not request, agree to, or accept, undue pecuniary or other advantage from public officials or service provider employees
- Ensure that a well-documented process is followed with regard to the appointment and payment of all service providers and/or brokers by the business in rendering services to Octodec, regardless of their size
- Not make illegal contributions to candidates for public office or political parties or other political organisations

Human rights commitment

The group supports the protection of human life and dignity within our spheres of influence by subscribing to the principles laid down in the Constitution of the Republic of South Africa.

Octodec complies with the 10 principles set out in the United Nations Global Compact Principles, specifically relating to labour and working conditions. We do not tolerate, within our operations or those of our suppliers, any form of child labour, forced or compulsory labour, or other significant actual and potential negative social impacts.

Furthermore, as representatives of Octodec, all employees are expected to familiarise themselves with the norms, laws and customs of the various cultures of our stakeholders, including business partners and the communities in which we operate, and to engage in a manner that aligns with the Group's commitment to respect and dignity.

In 2023, there were no allegations or confirmed incidents of discrimination or human rights incidents at Octodec.

Social and environmental responsibility

Octodec's values, code of ethics, policies and procedures incorporate the values and principles outlined in the United Nations Global Compact, with a specific emphasis on social and environmental responsibility. We are pleased to note that a culture of integrity is fostered within our workplaces, ensuring responsible conduct in all our activities.

The committee thoroughly examined management's reports on environmental, health and public safety matters, which encompassed the impact of the group's activities, products and services. Regular updates were provided on the status of various fire, health and safety projects within Octodec's property portfolio. Notably, we believe that we have successfully implemented initiatives for water, energy, and waste management, as detailed in this report from page 63.

These initiatives upheld Octodec's commitment to the environment, health and safety.

Human resources

Octodec, to the best of its ability, adheres to the Department of Labour's Codes of Good Practice, striving to maintain ethical conduct, prevent misconduct and address issues such as theft, fraud and conflicts of interest through established legislative frameworks, policies and procedures. Our compliance with the International Labour Organisation's protocols on decent work and working conditions was assessed and independently validated.

Key human resources topics were discussed during meetings, including the review of HR and talent strategies aimed at developing future-fit skills, the submission of annual employment equity reports, workplace skills plans and training reports.

Transformation

Octodec remains committed to upholding United Nations Global Compact Principles aligned with our B-BBEE strategy, emphasising human rights, fair employment policies and the application of consistent labour practices.

While our ownership element has contributed to a low B-BBEE score, we tend to concentrate our efforts on other scorecard elements, such as enterprise and supplier development, socio-economic development, and economic development.

The committee oversaw the implementation of Octodec's transformation strategy and budget to improve our B-BBEE rating, reputation and overall impact. Our rating improved to a level 6 B-BBEE rating but was discounted to a level 7 B-BBEE rating, for not achieving the sub-minimum target in ownership.

For more information on our supplier development initiatives in 2023, please refer to page 69. Page 41 provides details on an enterprise development initiative we are undertaking.

Stakeholder relationships

Our stakeholder engagement process emphasises proactive and robust engagement with key stakeholders, promoting transparency and maintaining strong relationships.

Ensuring the continued effectiveness of our stakeholder engagement process was a critical priority in 2023. The committee received regular feedback on the progress of this engagement process. Throughout the year, we focused on better understanding the genuine needs, interests and expectations of our stakeholders and how Octodec responded thereto. This insight informs our approach to business activities, risk identification and adaptation to social, technological and regulatory changes. For more information on our key stakeholder engagements in 2023, please refer to page 38.

Key focus areas for 2024

The committee will focus on the following areas:

- Oversee achievement of the measured positive impact of ongoing embedment of the EVP
- Continue to oversee the implementation of Octodec's transformation strategy
- Continue to oversee the governance of stakeholder relationships by addressing stakeholders' needs, interests, expectations and concerns
- Recognise the increased pressure on employees and continue to focus on ethical behaviour as a practice that is never compromised
- Continue to oversee plans presented by management that address safety-related compliance in Octodec's properties

In closing

The committee has reviewed and updated its annual work plan and is satisfied that it complied with its responsibilities in terms of the board-adopted formal terms of reference during the financial year.

The committee is satisfied that Octodec continues to meet its environmental and societal commitments and that the company's remuneration, practices are fair. 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.

Derek Cohen
Lead independent director

OUR COMMITMENT TO ENVIRONMENTAL RESPONSIBILITY

OCTODEC MAINTAINS A STRONG COMMITMENT TO ENVIRONMENTAL SUSTAINABILITY AND RECOGNISES ITS SIGNIFICANCE IN ENSURING A THRIVING BUSINESS.

1 077.5 kWp
Solar installations completed at 2 sites

1 527.6 kWp
Solar installations in progress at 3 sites

29
Sensus Smart water meters installed at our properties

813 tonnes
total waste recycled

1 800kg
e-waste disposal conducted according to strict policies and protocols

GHG emissions

GHG emissions refer to the release of greenhouse gases into the earth's atmosphere. These gases trap heat from the sun and contribute to the greenhouse effect, leading to global warming and climate change. Human activities, such as burning fossil fuels and industrial processes are the primary sources of GHG emissions. Reducing these emissions is crucial to mitigate the effects of climate change and promote a sustainable future.

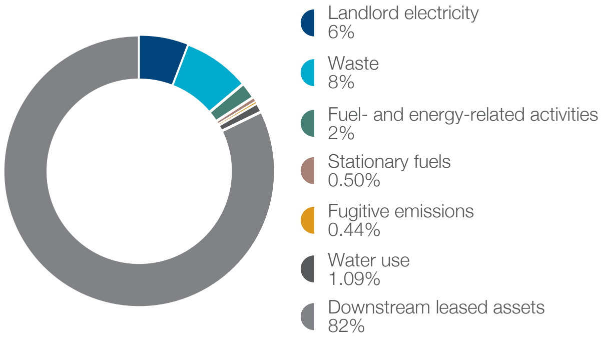
Carbon footprint

We enlisted the services of an external provider to carry out our first carbon footprint assessment.

The organisational boundary for the assessment included our full portfolio of properties. GHG emissions were measured in accordance with the GHG Protocol Corporate Standard (WRI & WBCSD, 2004) using the operational control approach. All Scope 1 and Scope 2 emissions were measured while selected Scope 3 emissions were included.

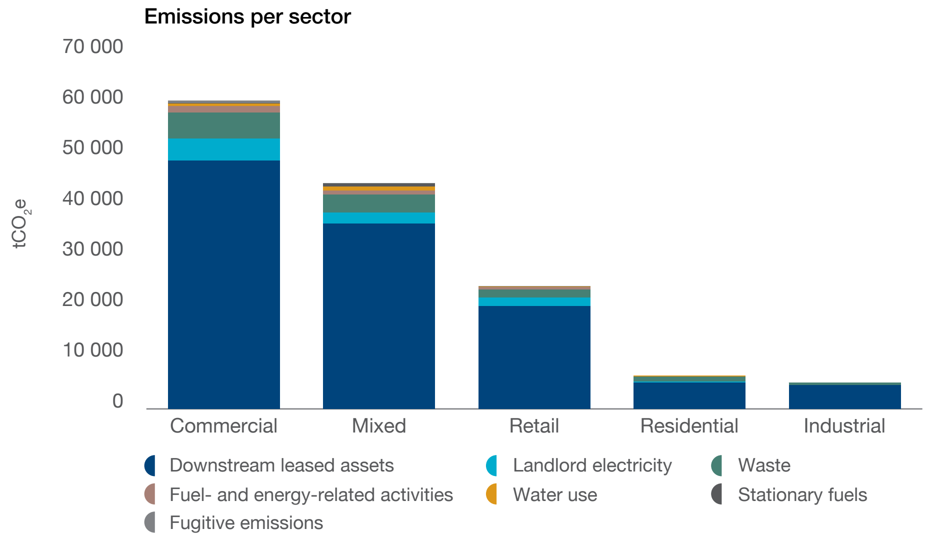
The findings from the assessment revealed an emissions profile that aligns with industry norms, where most emissions originate from downstream leased assets. These emissions result from electricity consumption and stationary combustion/generator fuel used by tenants.

Octodec carbon footprint FY2023



Scope	Category	tCO$_2$e					Total tCO$_2$e	% of Total
		Retail	Commercial	Residential	Industrial	Mixed		
Scope 1	Stationary fuels	13	64	0.3	–	636	**713**	1%
	Fugitive emissions (Kyoto gases)	–	488	–	–	31	**519**	0.4%
Scope 2	Purchased electricity: Landlord	1 613	4 396	240	58	2 220	**8 527**	6%
Sub-total scope 1 & 2		1 626	4 949	241	58	2 886	**9 760**	7%
Scope 3	Water consumption	101	487	167	28	753	**1 536**	1%
	Fuel- and energy-related activities	494	1 354	73	18	825	**2 764**	2%
	Waste generated	1 628	5 063	920	416	3 523	**11 549**	8%
	Downstream leased assets	20 331	49 027	5 160	4 670	36 568	**115 755**	82%
Sub-total scope 3		22 554	55 930	6 319	5 132	41 669	**131 605**	93%
Other direct	Fugitive emissions (non-Kyoto gases)	70	28	–	–	4	**101**	0.1%
Total emissions		24 250	60 908	6 560	5 190	44 559	**141 466**	**100%**

Note: Fuel- and energy-related activities includes upstream emissions not included in Scope 1 or 2, as follows: well-to-tank emissions associated with generator fuel use controlled by the landlord, emissions arising from transmission and distribution losses of electricity within the national grid, and well-to-tank emissions associated with the generated electricity and the transmission and distribution losses. Mobile combustion is not relevant to Octodec as the company does not own or control any vehicles. Exclusions: refrigerant gas refills in tenant-controlled systems were not included as data was not available. As such, the Scope 3 category downstream leased assets is slightly under-estimated. Waste: where waste is managed by a body corporate, data on waste quantities generated in 2023 was unavailable.



Intensity metrics

Intensity metrics, as opposed to absolute emissions, account for the dynamic aspects of an institution, which tend to impact on emissions. Due to the potential for significant variations in Scope 3 emissions year on year, intensity metrics always include Scope 1 and 2 emissions only. These metrics will be monitored annually to track our emissions performance on an ongoing basis.

Scope 1, 2 & other direct emissions (tCO$_2$e) per:	
Full time equivalent (FTE)	51
Property	40
GLA (1 000m^2)	6
Turnover (Rm)	5

Future focus areas

In light of our first independent carbon footprint assessment, the following future focus areas have been identified:

- Expanding the installation and use of renewable electricity sources where possible to minimise our carbon footprint
- The ongoing promotion of energy-efficient practices among tenants
- Continuous enhancements in data accuracy, with particular attention to fuel quantities and electricity consumption, and the resolution of any material variations across the portfolio
- A commitment to ensuring compliance with the National Greenhouse Gas Emissions Reporting Regulations for generators under our operational control

Resource efficiency

We prioritise resource efficiency, implementing effective maintenance practices and sustainable waste management and recycling solutions across our portfolio. Dedicated engineering, utility and metering teams ensure responsible consumption monitoring, measuring and reporting.

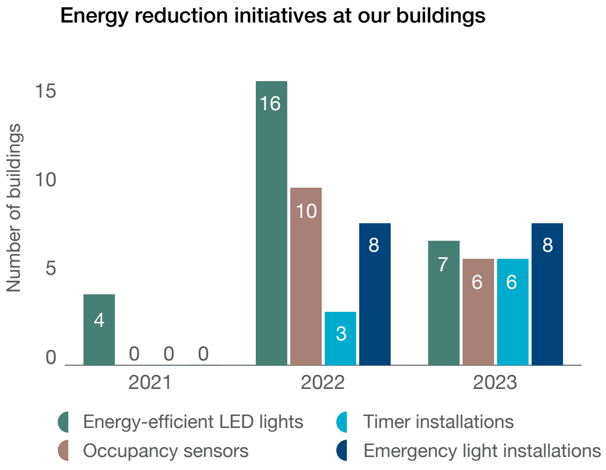
Energy efficiency

We implement energy efficiency measures to decrease energy consumption, lower carbon emissions and reduce occupancy costs for tenants where feasible.

Timers, sensors, light replacements and emergency lighting

The following initiatives are undertaken to reduce high electricity consumption in buildings and assist safe evacuation during emergencies:

- Replacement of old technology lighting with new energy-efficient light emitting diode (LED) lights
- Installation of occupancy sensors to ensure that most lights are only switched on when required
- Timers are installed to ensure that some lights are off when they are not required
- Timers are also installed to ensure optimal use of heating, ventilation and air conditioning equipment



Solar installations

Our challenge in implementing solar solutions across all our buildings stems from their architectural suitability. Their tall and narrow design is not conducive to solar installations. We have identified buildings where solar potential exists, and the following table demonstrates the progress we have made in installing solar across the portfolio.

Description	Buildings	Plant Sizes	Cost	Consumption	Energy saving
Total installations at 31 August 2023	Waverley Plaza	500kWp	R4.9 million	1 641 504 over two years	R2 188 628 million over two years
	The Tannery	577.5kWp	R5.1 million	739 700 over one year	R1 035 100 million over one year
Installations in progress	Woodmead Mart	540kWp	R7.4 million	–	–
	Blaauw Village	540kWp	R6.3 million	–	–
	Sildale Park	420kWp	R5.8 million	–	–
Under investigation	Silver Place	462.9kWp	–	–	–
	The Park	500kWp	–	–	–
	Killarney Mall	880kWp	–	–	–

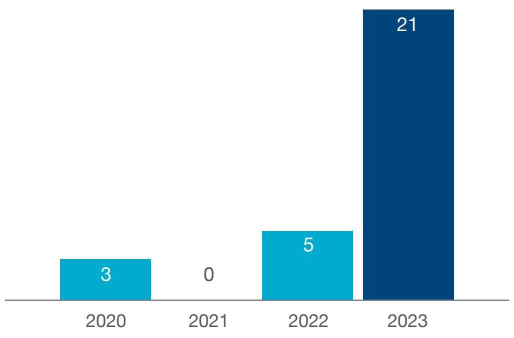
The first-year energy savings from the Tannery installation, which was completed in September 2022, is R1 million.

Water management

The Sensus Smart water meter, provides the capability to remotely access (on a real-time basis) the consumption pattern of each building, optimising operations and realising savings.

Any cases of high consumption are referred to a dedicated utilities team that investigates each instance immediately. Our garden suppliers ensure the use of low-maintenance, indigenous plants, irrigated via resource-friendly driplines. We also make use of artificial plants.

Sensus Smart water meter installations



Tenant water-saving initiatives and sustainability

As a water-scarce country, we encourage water-saving with tenant communication drives and building signage.

We make use of borehole water at the Waverley Plaza and Killarney Mall shopping centres to irrigate the gardens and supply water to the toilets.

Control measures are in place for any potential, isolated cases of tenant water contamination. We continue to investigate further proposals for sustainability and water savings.

The ongoing supply of clean, safe water by the Council is essential to our tenants, refer to the chairman's review on page 6.

Waste management

Octodec utilises the services of specialised recycling companies and ensures on-site waste management and specialised waste bins for our tenants.

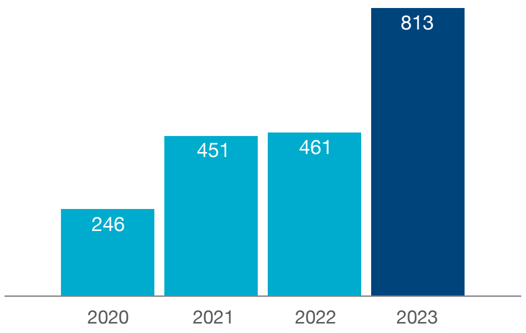
Increase in recycling:

- 1 800kg e-waste disposal conducted according to strict policies and protocols (2022: 89.7kg)
- 813 tonnes of recyclable waste (paper, cardboard, plastic, glass, cans) (2022: 460 tonnes)

Decrease in waste:

- 6 812 tonnes of non-recyclable waste (2022: 8 060 tonnes)
- 20 tonnes of single-use plastics consumed (2022: 29 tonnes)
- 24 tonnes of specialised waste (wood, dough, fluorescent tubes) (2022: 54 tonnes)

Total recycling in tonnes



The biggest challenge facing waste management is the closure of landfills.

- Six landfills closed in the Johannesburg area within the last year
- Only 12 licensed landfills are left open in the Johannesburg and Tshwane area
- All are expected to reach capacity within the next 10 years

Resource availability

When it comes to resource availability, Octodec refurbishes and repurposes existing buildings rather than creating new developments. This means our reliance on raw materials is relatively low. In our refurbishment projects, we strive to incorporate sustainable architectural principles where feasible.

Tenant impacts

To further our environmental oversight, we assess the environmental impact of our tenants. This initiative involves distributing questionnaires to tenants and conducting inspections by our property managers to identify and address any potential issues.

Royal Place

OCTODEC'S SOCIAL IMPACT STORY

WE EMPOWER COMMUNITIES AND ENRICH LIVES THROUGH URBAN REGENERATION AND A COMMITMENT TO EMPLOYEE GROWTH AND WELL-BEING.

Octodec houses **15 892** people in affordable apartments with play areas for children, recreation areas, laundry services and free Wi-Fi

R126.8 million
spent on security and cleaning services to enhance tenant well-being (2022: R122.5 million)

R15.8 million
invested in accelerating our supply chain's business success through various Enterprise and Supplier Development initiatives (2022: R17 million)

R231 million
spent on procurement from black-owned companies, which represents
23.8%
of total procurement
(2022: R278 million; 28%)

97.2% of the **473 suppliers**
Octodec procured from comply with B-BBEE requirements, representing an annual increase of 2.2%
(2022: 95%)

Total CSI spend
R3.2 million
(2022: R2.3 million):

- R0.5 million invested in education-related projects (2022: R0.6 million)
- R0.7 million in free rental space offered to select NPOs (2022: R0.5 million)
- R1.9 million invested in support of children and homeless people including 721 063 meals (2022: R1.2 million; 352 000 meals)

Urban regeneration

AS PIONEERS OF MIXED-USE SPACES IN THE CBDs, WE CONTINUOUSLY ADAPT TO THE EVOLVING NEEDS OF THOSE SEEKING THE CONVENIENCE OF URBAN LIVING; EATING, PLAYING, STUDYING, WORKING AND SHOPPING.

We rejuvenate spaces to inspire a sense of pride among tenants, offering them clean, secure and well maintained areas for living, eating, playing, studying, working, socialising and shopping.

Our high-quality properties, comprising mixed-use developments and encompassing various sectors, create vibrant precincts that foster robust economic activity in the CBDs and surrounding urban areas. We are dedicated to supporting the growth and success of small businesses, entrepreneurs and established enterprises.

Additionally, we actively engage with our supply chain, nurturing the growth of small businesses. We also maintain strong connections with both formal and informal stakeholders in the broader community. Through our corporate social investment initiatives, we focus on meaningful projects that address social inequality and make a positive impact.

R155.9 million
spent on upgrading buildings to provide lifestyle enhancements for our tenants, their patrons and visitors to the area

(2022: R70.0 million)

R105.4 million
spent on building maintenance and repairs to provide light, bright and safe spaces for the emerging middle class

(2022: R87.3 million)

> *I would like to thank Octodec for cleaning dumped rubbish, providing security to the city's night cleaners and beautifying the city by planting flowers. Together we can get the City of Tshwane back on track.* – *Councillor Cilliers Brink, Executive Mayor*

A legacy of urban regeneration, property redevelopment and value creation

Octodec has a rich history of urban regeneration and renewal, revitalising Gauteng's inner cities through property redevelopment and community involvement.

Founded by Alec Wapnick on 8 November 1956, Octodec derived its name from *Octodecim*, the Latin word for 18, representing its original 18 shareholders, including the Wapnick family, who remain core shareholders to this day.

Throughout our history, Octodec has acquired numerous properties in Johannesburg and Tshwane, spearheading transformative projects such as the Tshwane West redevelopment and the iconic Brooklyn Mall development.

Notably, we were the pioneers in converting unused office spaces into residential units in the Tshwane central business district, addressing the demand for quality and affordable accommodation. As early as 1998, we completed our first conversion project, marking the beginning of a longstanding commitment to providing exceptional residential solutions in the heart of the city.

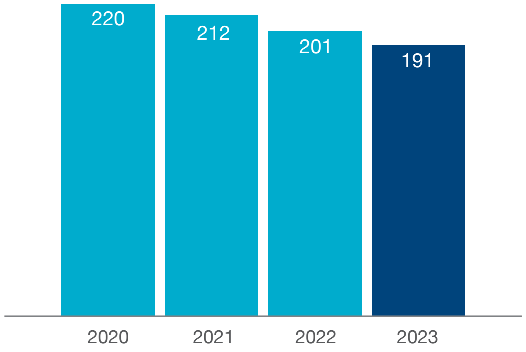
Today, Octodec's property portfolio offers both scale and concentration, enabling us to leverage management efficiencies and actively drive value creation. City Property plays a crucial role in the active management of these properties on behalf of Octodec, helping to ensure their continued success.

> *Octodec has always advocated for property owners and CBD stakeholders to come together in a cooperative spirit. Our shared objective should go beyond enhancing individual properties and encompass a visionary revitalisation of entire areas.*
> *– Sharon Wapnick, Octodec chairman*

Our people

Octodec employs 191 people with an average tenure of 11.3 years, indicating a stable and experienced workforce. Employees include the group company secretary and assistant company secretary, compliance officer, on-site building managers, cleaning staff and handymen.

Number of employees



> *We aim to provide meaningful and stable employment to Octodec employees and develop future-fit skills in an environment of accountability, collaboration, ethics and growth.*

Property and tenant management is outsourced to City Property (see page 4). While their employee practices are not part of the scope of this report, their performance directly impacts Octodec and maintaining open communication, transparent reporting and trust between Octodec executive management and City Property employees is essential (see page 40). City Property employs 428 people, including:

- 45 property managers
- 13 portfolio managers

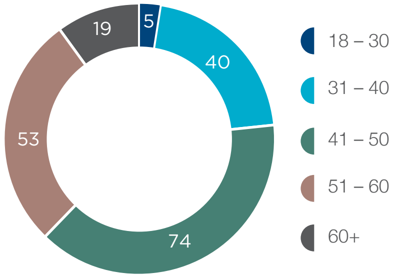
Diversity and inclusion

We embrace diversity and inclusion and our employment equity committee monitors compliance with the Department of Labour's targets.

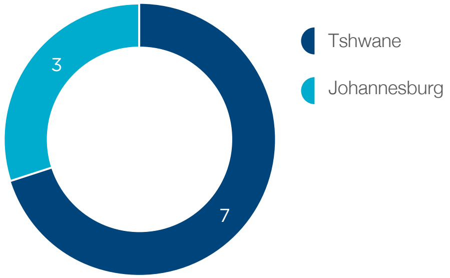
93%
of our employees are Black
(2022: 94%)

21%
of our employees are women
(2022: 25.5%)

Number of employees by age group



New employee hires by region



Octodec boasts a mature system of ethics and procedures. We maintain a whistle-blowing register tracking employee, supplier and tenant reports. Octodec values individuals' rights to remain anonymous when reporting non-compliance through the independent Be Heard hotline, refer to the SERT committee chairman's review.

Training and development

We continue to develop our employees' skills through on-the-job training and in-depth mentoring.

Training in 2023

Training	Number of employees
Nedbank fraud information session	25
Mental health and HIV/AIDS awareness	18
Emergency response training	29
Building managers course	48
Impairment procedures	1
New employee induction	7
Generator safety	1
Discovery Wellness Day	157
NQF4 and logbook training	2
CheckIt – Building managers' property inspection	9

In September 2023, we held a performance management training, in line with our objective to introduce performance-linked remuneration. 110 employees attended the Leading-Self training.

Remuneration

We ensure fair remuneration aligned with market benchmarks and offer on-site accommodation to most of our building managers. Refer to the remuneration review from page 88.

Health and safety

Octodec prioritises the provision of clean, safe and affordable housing as a key component of our strategy, particularly considering urbanisation trends.

We strive to offer well-managed living spaces for our residential tenants in the lower to middle-income groups, providing them with an alternative to overcrowded and less desirable environments.

To ensure the safety and well-being of our tenants, suppliers and visitors, we employ dedicated building managers who are available on-site 24/7.

Our commitment to health and safety includes occupational health and safety training for employees, regular fire drills and heightened tenant awareness of protocols.

A reviewed occupational health and safety policy was implemented in January 2023, and we are in the process of developing a long-term plan that will be overseen by the newly formed health and safety committee.

No significant occupational health and safety incidents or serious injuries were reported during the year.

Enterprise and supplier development

Octodec supports many small businesses in our value chain of building maintenance, refurbishments, developments, cleaning and security.

We ensure that our supplier base meets property-specific B-BBEE transformation goals. Refer to the stakeholder section on page 38 for more information.

R231 million
spent on procurement from black-owned companies, which represents
23.8%
of total procurement
(2022: R278 million; 28%)

97.2%
of the 473 suppliers Octodec procured from comply with B-BBEE requirements, representing an annual **increase of 2.2%**
(2022: 95%)

R15.8 million
invested in accelerating our supply chain's business success through various enterprise and supplier development initiatives
(2022: R17 million)

Less than 30 days
favourable payment terms to improve our suppliers' cash flow

Corporate social investment (CSI)

Our CSI approach is rooted in our commitment to urban regeneration. We believe in making a positive impact on the communities surrounding our properties.

When selecting non-profit organisations (NPOs) to support, we identify organisations that play a role in promoting education, empowering underprivileged families and assisting communities in need. We invest in initiatives that contribute to the overall growth and well-being of the neighbourhoods in which we operate, creating a positive ripple effect for the future.

R3.2 million

Total CSI spend

(2022: R2.3 million

R1.9 million

invested in support of children and homeless people including

721 063 meals

(2022: R1.2 million;
352 000 meals)

R500 000

invested in education related projects

(2022: R570 550)

R727 835

in free rental space offered to select NPOs
(2022: R535 653)

Empowering early childhood education through enterprise development

In 2023, we embarked on an enterprise development initiative to create an Early Childhood Development (ECD) centre at our residential building, Pete's Place, offering an invaluable resource for both tenants and the surrounding community.

Partnering with Cotlands, an established organisation with expertise in early childhood development, the aim was to address the need for high-quality ECD centres in the vicinity. We conducted a survey among tenants, which revealed a resounding demand for the ECD centre. The intention is to elevate the standards of early childhood education in the area, providing a nurturing and enriching experience for young learners.

An inspiring aspect of this initiative is Octodec's support of ECD teacher, Annah Gumbi, who used to work for Cotlands. Through this initiative, we are assisting her in setting up her own business as an entrepreneur.

We are refurbishing a floor at the building to accommodate the ECD Centre. The centre will include a toy library with educational toys, offering a paid service of exceptional quality. Beyond providing a physical space, Octodec is investing in the necessary tools to deliver quality education. Cotlands will remain actively involved, providing ongoing support and guidance to maintain high standards.

This collaboration between Octodec and Cotlands demonstrates a powerful partnership in driving positive change in the community. Through this initiative, we are laying the foundation for a brighter future for the children and families it serves, ultimately making a lasting impact on the community's well-being. If this pilot centre proves successful, we plan to replicate the model by establishing more ECD centres in other locations.

Our aim is to promote the exploration necessary to reach the highest form of learning through PLAY. – *Annah Gumbi*

Assisting communities in need

Feeding our future

According to the Statistics South Africa General Household Survey[1], just over 2.1 million South African households report experiencing hunger, and 683 221 of these households include children younger than five. The World Food Programme[2] has found that one in four children in South Africa is stunted due to malnutrition, leading to developmental delays that can have long-term consequences on their ability to learn and thrive in school.

We recognise the critical importance of addressing hunger among preschool children for their health, well-being, and future success. In May 2023, we became an official partner in a nationwide initiative dedicated to providing 2.4 million meals to preschool children in need across South Africa over the course of a year.

Together with Nivea, we joined this programme established by the Dis-Chem Foundation and FutureLife in 2020. Their dedication to combatting hunger inspired us to partner with them. The initiative has provided over two million highly nutritious meals in the past three years.

In 2022, Octodec donated to the Foundation, adding 222 000 meals to their campaign, and now we join them as an official partner to drive the campaign to reach even more children. Being part of this initiative allows Octodec to continue investing in our communities, which is integral to our commitment to building dignity and creating shared value.

> *Our partnership is not only about alleviating hunger among South Africa's children. As education and nutrition go hand-in-hand, this is about our future as a nation.*
> *– Mark Bunn, managing director of FutureLife*

[1] *Statistics South Africa, General Household Survey, 2021*
[2] *WITS University's South African Child Gauge® Report*

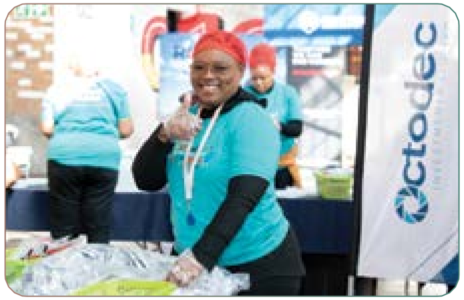
Ending childhood hunger starts with a meal

In another initiative to address the pressing issue of childhood hunger, Octodec and City Property employees joined forces to pack meals for Rise Against Hunger. The meals we packed are highly nutritious, comprising rice, soya, a dehydrated vegetable mix and essential minerals and vitamins, all formulated in line with UNICEF standards to combat malnutrition.

Octodec sponsored 112 903 meals, which will feed 490 children five meals a week for an entire year. As in previous years, the meals will be distributed to early childhood development centres across Gauteng through the Rise Against Hunger network.

This project has now spanned over five years, providing nearly 630 000 meals in total and serving as a powerful reminder of the positive change possible when Corporate South Africa comes together for a common goal.

> *This journey would not be possible without the incredible support of Octodec and City Property. From the bottom of our hearts, thank you for your dedication to our mission.*
> *– Brian Nell, CEO, Rise Against Hunger Africa*



Forever Friends

This NPO works closely with the Department of Social Development to assist abused and abandoned children and support their families and communities. Children who are placed in shelters receive a LifeLine Kit.

Octodec sponsored 200 LifeLine Kits to assist children who are rescued and taken to places of safety.

Unchain our children

A non-profit organisation that endeavours to assist in the combat against homelessness, child prostitution, child abuse, and other violations of human rights.

Octodec sponsored 150 backpacks containing essentials to assist children who are homeless and those who have been abused and orphaned.

Door of Hope

Situated in the heart of the Johannesburg CBD, this NPO has rescued abandoned babies for 22 years.

Octodec helped provide for the basic needs of these babies and their caretakers by assisting them to upgrade their kitchen, which was in dire need of renovation.

Community clinic

Dis-Chem approached Octodec to provide space for an accessible inner city clinic in Tshwane. The vision behind this clinic is to offer healthcare services that are affordable, emphasising the principle that value is attached to even a minimal cost. The clinic will offer appointment-based visits, reducing the need for patients to endure long queues, or walk-in visits. Basic medications will be available, and the clinic will refer patients with more severe conditions.

Octodec is upgrading a dedicated space to meet the clinic's requirements and will provide the clinic with occupation, rent-free, for a period of five years.

> *Opening our clinic will afford us the opportunity to increase medical access to people that are really in need, who don't have the money to go to private clinics or doctors, yet need preventative care.* – *Lizeth Kruger, Clinic Executive*

Education-related support

Empowering young minds with Kibooks

To help build a community of empowered learners and pave the way for a brighter, more prosperous South Africa, we introduced the Kibooks online reading platform for free to young readers residing in our buildings. By doing so, we aim to promote a culture of literacy and learning among the children in our communities.

Kibooks serves as a digital pocket library, specially designed to ignite the joy of reading in children of all ages. It includes over 6 000 titles in a diverse range of genres and themes, available in South Africa's 11 official languages.

To ensure that every family in our buildings is aware of this initiative, we have embarked on a communication campaign using posters. Our goal is to reach out to every household and encourage them to make use of Kibooks for the benefit of their children's education and enjoyment.

We have also extended access to Kibooks to our employees to promote a shared passion for reading and continuous learning.

> *My child enjoys Kibooks. Reading is becoming as easy as 1-2-3. She can independently navigate the app to explore various topics, stories, and subjects available on the Kibooks platform and I value this added service.*
> *As a parent, I appreciate the importance of reading – if your child can read well, it's easy to learn. Reading is an indispensable skill and enriches children's lives.* – *Matshwane Molomo*

POPUP (People Upliftment Programme)

POPUP is a skills training and development centre that focuses on developing the skills necessary for youth to find employment or start their own enterprises

Octodec sponsored 4 unemployed learners who are studying full time qualifications to become early childhood educators.

ACFS Community Education and Feeding Scheme

ACFS plays a leading role in empowering communities with skills that lead to self-reliance and independence.

Octodec sponsored equipment and stationery for the after-care centre in Kagiso which supports 252 girls and 128 boys (380 youths) as well as assisted ACFS to expand their reach in Kagiso to now support 1 607 children a day and reaches approximately 3 675 people in the area.

Walter Sisulu Environmental Centre

An award-winning environmental centre that focuses on educational activities that support teachers and motivate learners with outcomes-based exercises in a stimulating, fun and informative way.

Octodec sponsored 667 learners.

Free rental space for selected organisations

Dignity Dreams

Value of R185 000

Dignity Dreams' goal is to help girls and women reclaim the dignity that poverty denies them. It enables girls to make a lasting and positive impact on the communities they live in.

Octodec has assisted this cause for many years and continues to do so by providing a rent-free space from which Dignity Dreams operates.

Cotlands

Value of R190 000

Cotlands works towards making South Africa a more equal society by creating access to play-based early learning opportunities for young children.

Through this investment in our country's children, we are actively addressing the future of our nation. This is our third year of providing office space from which the Cotlands team can operate.

Santa Shoebox

Value of R205 000

This project collects and distributes personalised gifts of essential items and treats for underprivileged children throughout South Africa, with donated shoeboxes reaching over a million children.

Octodec offers free rental space from which this initiative can operate.

Kommunity Foundation NPC

Value of R117 000

A social development organisation running various grass roots programmes aimed at uplifting communities through education, skills development, environmental initiatives, rural development and the empowerment of the disenfranchised - women and youth.

Tshwane Barekisi Women's Desk

Free office space to the value of R32 000

They represent female informal traders and we assist them as part of our community engagement and community-building initiatives.

Santa Shoebox

CORPORATE GOVERNANCE

Lead independent director's review

Derek Cohen
Lead independent director

Our governance approach and priorities

As the lead independent director of the Octodec board, my responsibilities include offering guidance while monitoring the application of suitable corporate governance standards within Octodec, and handling potential conflicts of interest. Save for the conflicts of interest disclosures contained in this IAR, there are no recorded conflicts of interests in respect of the directors and executive management of Octodec.

Our governance framework is informed by principles of conducting business ethically, transparency accountability and sustainability. The governance framework of the group, as illustrated on pages 80 to 81, undergoes regular evaluations to ensure that the board demonstrates effective and ethical leadership, operates as a responsible corporate citizen, and makes decisions that promote the long-term sustainability of the business.

City Property relationship

As part of my responsibilities, I periodically conduct a thorough and independent review of all related party transactions between Octodec and City Property or the Wapnick family, including compliance with the management agreement.

In 2023, an *ad hoc* subcommittee consisting of independent non-executive directors, with myself as the chair, renegotiated and finalised the renewal of the management agreement between Octodec and City Property, as the previous agreement ended on 30 June 2023.

Process

The subcommittee appointed a large professional services and advisory firm to provide advisory services related to:

- The City Property cost base and profit margin
- A financial impact assessment of proposed management agreement changes

The subcommittee further appointed Cliffe Dekker Hofmeyr Incorporated as legal advisor, to assist in drafting the management agreement.

On finalisation, the new agreement was presented to the board for approval. The board, on the recommendation of the subcommittee, resolved, subject to obtaining the requisite shareholder approval, to enter into the management agreement, reappointing City Property as the property and asset manager for the Octodec group's property portfolio.

The agreement was subsequently approved at a general meeting of shareholders of the company held on 30 June 2023 and commenced on 1 July 2023 for a period of five years and two months to 31 August 2028.

78.22% of the total number of Octodec shares in issue were present/represented at the general meeting. The shares of the Wapnick family were considered for the determination of a quorum but their votes were not considered when determining the results of the voting. Both resolutions (approval of the management agreement and the enabling resolution) were passed with the necessary quorum and achieved a 58.74% in favour vote[1].

---

[1] *More detail is available on the SENS announcement, https://www.profiledata.co.za/JSE_SENS_PDF/history/2023/06/30/SENS_20230630_S477194.pdf*

Salient features of the new management agreement

City Property carries out all responsibilities relating to the management of Octodec's properties in accordance with the management agreement.

Property management	City Property is responsible for services relating to leasing and lease administration, facilities management, marketing and promotions, property accounting, parking management, events management, tenant installations, maintenance, utilities, projects, renovations, insurance and employment solutions, 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 conducts on behalf of Octodec, all asset management services, including services relating to general management, administering property acquisitions and sales (including identifying potential transactions), financial management, JSE reporting requirements, strategic management, compliance and regulatory management, risk management, internal audit, occupational health and safety compliance, environmental, social and governance services, and information and communication and technology services.
HR management and administration	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. HR policies at Octodec and City Property align with one another.
Stakeholder engagement	City Property is accessible to our tenants and other stakeholders across a variety of platforms and engages with stakeholders regularly.
Risk management	Octodec's risk management function sets the tone for risk management within the business and provides the framework for the identification and mitigation of risks in its everyday processes. Each department within City Property 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.
City Property remuneration	A formula is used to calculate the fee payable to City Property. It is required to compile a set of KPIs annually. The KPIs as well as sanctions imposed for failure to meet these KPIs, is agreed to between City Property and Octodec at the beginning of each financial year. The fees for property and asset management services have been determined on a similar basis as in the previous agreement, adjusted for increases in CPI and considering the additional regulatory and other requirements. Refer to the remuneration review on page 88 for the KPIs that apply to City Property for the 2023 and 2024 financial years. City Property's performance is reviewed twice a year by a committee of independent non-executive directors, after the finalisation of the mid-year results and at financial year-end.
Executive director remuneration	The executive directors, who are employed and remunerated by City Property, are responsible for the achievement of the agreed KPIs and targets.

Key changes

<table>
<tr><td>Asset management fee</td><td>The Enterprise Value Monthly Fee formula changed from –
Fee = ((((a + b + c) x 0,42%) – (d x JV share x 0,42%)) ¦ 12) – e
To
Fee = ((a + b) x 0,90%)/12
Where –
a = the average daily market capitalisation of the Company on the JSE for the month in respect of which such Fee is being calculated at the close of business on the trading day in question, utilising the daily volume weighted average traded price of a Share on the JSE as at the close of business for all trading days for the month in question, multiplied by the number of Shares in issue at the relevant time. For the purpose of determining the number of Shares in issue, the Manager shall be entitled to take into account any Shares still to be issued pursuant to an acquisition by the Company of an asset, the effective date of which occurs prior to the date on which such Shares are to be issued, provided that all the conditions precedent contained therein have been fulfilled or waived, as the case may be, provided however that the issue price of the Shares shall be incorporated in the calculation of the average monthly market capitalisation of the Company for the purpose of determining the Fee;
b = the aggregate amount of the indebtedness of the Company, on the day in question, to banks, lenders and/or other institutions in respect of loans secured by mortgage bonds registered over the underlying Properties (owned solely by the Company or any of its subsidiaries) as well as indebtedness of the Company to debt capital market note holders in respect of secured or unsecured note issuances as at the last day of the month concerned, provided that, if the Fee is less than R5 200 000.00 per month, the Manager shall be entitled to a Fee of R5 200 000.00 per month. This minimum Fee shall escalate on an annual basis at a rate equivalent to CPI on each anniversary of the Financial Year, commencing on 1 September 2024.</td></tr>
<tr><td>Growth in annual distributable income per year</td><td>Where the Company's annual distributable income before net finance costs increases above the Hurdle Rate, the Manager shall be entitled to an incentive Fee ("Incentive Fee") as follows:
<table>
<tr><th>Growth above Hurdle Rate</th><th>Amount of Incentive Fee</th></tr>
<tr><td>0.50%</td><td>R650 000.00</td></tr>
<tr><td>0.75%</td><td>R1 000 000.00</td></tr>
<tr><td>1.00%</td><td>R1 400 000.00</td></tr>
<tr><td>1.50%</td><td>R2 000 000.00</td></tr>
<tr><td>2.0% and greater</td><td>R3 000 000.00</td></tr>
</table>
The Incentive Fee shall escalate annually at a rate equivalent to CPI, compounded on each anniversary of each Financial Year end commencing on 1 September 2024.</td></tr>
</table>

In closing

I would like to express my appreciation for the dedication shown by the Octodec chairman and board members, who have invested a significant amount of their time into the affairs of Octodec. I extend my gratitude to my fellow non-executive directors for their valuable contributions throughout the process of renegotiating the management agreement with City Property.

Derek Cohen
Lead independent director

27 November 2023

Board of directors

Non-executive directors

Sharon Wapnick (60) N S R

Qualifications: BA LLB (*cum laude*)

Designation: Non-executive chairman

Date of original appointment as chairman:

1 October 2011

Date of appointment: 4 October 1994 (28 years, 11 months)

Significant other public company directorships: Transaction Capital Ltd

Sharon has considerable experience in the property sector as well as in legal-related property, commercial and corporate matters. Sharon is an attorney and a senior partner of Tugendhaft Wapnick Banchetti and Partners. She is a non-executive director of City Property.

Myron Pollack (75) R S

Qualifications: CA(SA)

Designation: Non-executive director
Myron is not considered to be independent as stipulated by the recommendations of King IV™ due to his shareholding in Octodec.

Date of appointment: 4 October 1994 (28 years, 11 months)

Significant other public company directorships: None

Myron practised as a chartered accountant for more than 30 years and successfully managed a privately owned, diversified property portfolio.

Executive directors

Jeffrey Wapnick (63) R

Qualifications: BCom

Designation: Managing director

Date of appointment: 2 October 1998 (24 years, 11 months)

Significant other public company directorships: None

Jeffrey has a depth of experience in management and the property industry, as well as property upgrading and development. Jeffrey is the Managing director of City Property.

Anabel Vieira (64)

Qualifications: CA(SA)

Designation: Executive director (financial director)

Date of appointment: 1 September 2021 (2 years)

Significant other public company directorships: None

Anabel has been employed by City Property, Octodec's asset and property manager since January 2016. During this time, she was responsible for the financial affairs of Octodec, playing an integral part in financial reporting. Prior to joining City Property, Anabel was a senior assurance partner at Grant Thornton for 23 years. For seven years she was the engagement audit partner of Premium Properties, which subsequently merged with Octodec in 2013.

Independent non-executive directors

Richard Buchholz (65) A I R

Qualifications: CA(SA)

Designation: Independent non-executive director

Date of appointment: 1 October 2021 (1 year,11 months)

Significant other public company directorships: Sasfin Holdings Ltd

Richard has 27 years experience in the financial services industry, mostly banking, as well as senior executive roles in audit, commercial banking and risk management. In addition, he has served as a non-executive director on the boards of several banks in Southern Africa, including in roles as a member and chairman of various board committees.

Derek Cohen (71) A I N R S

Qualifications: AEP (Unisa)

Designation: Lead independent director (LID)

Date of appointment: 1 October 2009 (13 years, 11 months)

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

Derek is a retired banker and professional director with extensive experience as a director in banking, insurance and finance, and provides consulting services with a specific focus on mergers, acquisitions and corporate finance-related matters.

Board committee memberships key

A Audit committee I Ad hoc independent subcommittee (for oversight of the renewed City Property management agreement) N Nominations committee R Risk committee S Social, ethics, remuneration and transformation (SERT) committee

Refer to page 83 for insight into the board's overall sector experience and core skills.

Independent non-executive directors *continued*

Pieter Strydom (75) A I R

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

Designation: Independent non-executive director

Date of appointment: 6 February 2012
(11 years, 7 months)

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

Pieter has 50 years experience in external auditing, special investigations and all disciplines of risk management.

Nyimpini Mabunda (46) R

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

Designation: Independent non-executive director

Date of appointment: 11 February 2019
(4 years, 7 months)

Significant other public company directorships: Lombard Insurance Company Ltd

Nyimpini is the chairman of Schindler Lifts (SA) (Pty) Ltd and a director of several listed and private companies. He is the former CEO of General Electric Southern Africa (Pty) Ltd. He is an accomplished CEO and Managing Director with over 25 years proven success across FMCG, telecoms and financial services in Africa and the United Kingdom. Nyimpini is an author of best selling business book *Take Charge*.

Louis van Breda (67) A I R

Qualifications: CA(SA)

Designation: Independent non-executive director

Date of appointment: 1 March 2020
(3 years, 6 months)

Significant other public company directorships: Premium Properties Ltd

Louis has sector knowledge and experience in construction, real estate and various other sectors. He is the independent chairman of two joint venture audit and risk committees of African Rainbow Minerals Ltd. Louis was a senior assurance partner at Ernst & Young.

Maggie Mojapelo (58) N S

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

Designation: Independent non-executive director

Date of appointment: 1 March 2020 (3 years, 6 months)

Significant other public company directorships: The Rand Mutual Assurance Company Ltd, RMA Life Assurance Company Ltd and GlaxoSmithKline South Africa Ltd

Maggie has extensive experience in senior executive roles with local and global companies IBM SA, Avon Justine, Nedbank and Coca-Cola. She is also the founder and executive director of The HR Touch (Pty) Ltd, an HR consulting and business management company. Her business management, corporate governance and leadership experience cover a variety of companies and industries, including roles as a member and chairman of various boards and board committees. Maggie is the chairperson of Edge Growth Business Development (Pty) Ltd. She also chairs the remuneration committee of Rand Mutual Assurance Company Ltd.

Group company secretary

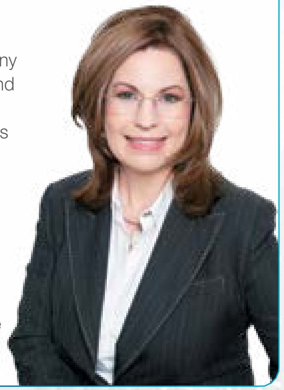
Elize Greeff (51)

Qualifications: B.Iur. LLB

Date of appointment: 1 June 2013

Significant other public company directorships: N/A

Elize was appointed group company secretary effective from 1 July 2018, replacing City Property as the appointed company secretary. Before joining Octodec, she represented City Property as the appointed company secretary to Octodec and the City Property portfolio of companies from 1 June 2013. She is a full-time employee of Octodec and is neither involved in an executive capacity nor serves on the boards of the various subsidiary companies within the group. She has more than 20 years of accumulated experience as a company secretary and corporate lawyer and has been company secretary for several listed and unlisted companies in both the private and public sectors in South Africa. Experienced in dealing with board meetings and translating governance theory into appropriate frameworks and processes, Elize serves as the independent gatekeeper of good corporate governance for the group.



> *Octodec's governance goes beyond compliance to boost performance and stakeholder value.*
>
> *– Sharon Wapnick, chairman*

Our governance structure

We adhere to the principles outlined in King IV™ and provide a detailed explanation of their customised application on our website at www.octodec.co.za/cg-downloads/king-iv-assessment-report/. This adherence to the principles ensures that we achieve our desired outcomes. This abridged corporate governance report provides a concise overview of Octodec's governance framework and practices to stakeholders. Our corporate governance philosophy and practices are aligned with the four governance outcomes recommended by King IV™.

Ensuring the right journey to deliver our vision

The board is the highest governing body and custodian of corporate governance within Octodec, ensuring that the group is led ethically and responsibly. The board is driven to deliver sustainable and meaningful value through our approach to governance: governance and our ethical culture not only ensure our social licence to operate, but they are also key enablers of the relationship of trust with our stakeholders and in delivering our purpose.

The governance framework articulates how decisions are made, to ensure compliance with legal and regulatory requirements and to drive streamlined outcomes-based decision-making. Several governance policies provide context for execution in terms of the delegation of authority. The board is confident that the group's governance framework, supported by its board committees and related administrative structures and compliance processes, contributes to sustainable value creation by driving:

- Accountability to stakeholders
- Sound leadership and effective decision-making
- Strong risk management and risk mitigation
- Comprehensive and transparent integrated reporting

Our corporate governance and philosophy and practices are aligned with the four governance outcomes advocated by King IV™, namely:

Ethical culture

We uphold the highest standards of corporate governance and ethical leadership, instilling trust and confidence within our diverse stakeholders, including tenants, employees, suppliers, regulators, investors and society at large. A strong ethical culture serves as a foundation for our core purpose, values and strategy. To safeguard this ethical culture, we regularly review our governance structures to align with best practices and adapt to regulatory changes.

The audit, risk and SERT committees report to the board on different aspects of ethics.

The board, assisted by the SERT committee, conducted its annual review of the group's code of ethics, which outlines the key behaviours and actions expected by directors, employees, suppliers and business partners. All employees are required to attest to the code of ethics on appointment.

A group-wide ethics communications campaign continues, with different illustrations of ethical behaviour frequently communicated to employees. In 2023, the board oversaw ethics training for employees.

Effective control

The group's corporate governance structure is regularly reviewed to ensure that the board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the sustainability of operations.

Areas of governance are delegated to the board's committees as set out in more detail on page 80. The board's delegation of authority within its governance framework contributes to role clarity and the effective exercise of responsibilities across the board's various committees and within the broader business. The delegation of authority was reviewed and found to be up-to-date and relevant.

The Octodec board leverages its strengths and experience, ensuring a well-rounded skillset to successfully navigate the future. Octodec's board is equipped to make sound decisions using appropriate procedures through the appointment of experienced and independently-minded directors from diverse backgrounds, and by clearly defining the roles and responsibilities of the chairman and the managing director.

Board discussions are robust because the board has a combination of skills, backgrounds, experiences, and perspectives to thoroughly examine management's strategic assumptions and guide the group through an ever-changing and dynamic environment.

Legitimacy

The board retains overall responsibility for the concept of integrated thinking as encapsulated in King IV™, which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting.

As part of its succession planning strategy, and with the assistance of the nominations committee, the board committees' memberships were reviewed to ensure that its members contribute according to their strengths and diverse experience.

The board ensures that the group's reports enable stakeholders to make informed assessments of its performance and longer-term prospects.

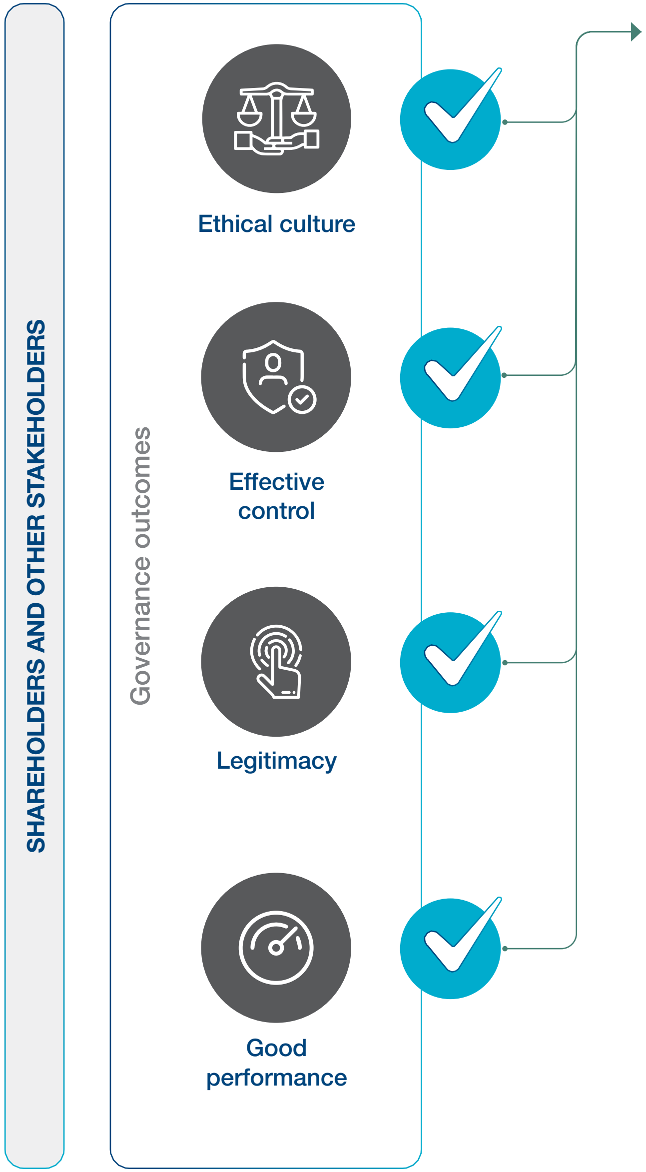
Good performance

There are well-entrenched structures within the group to ensure that proper assurance and oversight are given to strategic and operational performance. The board undertook several discussions during the year related to strategy, performance, governance and risk management. Material matters considered by the board, and decisions and actions arising, are set out in more detail from page 28.

The board is satisfied that during 2023, Octodec achieved the required outcomes of King IV™. The major significant control relied on for the achievement of King IV™ outcomes is the reliance on competent and experienced management and executives who have demonstrated their understanding and capability to provide the required documentation and processes necessary for the achievement of the outcomes.

> *The Octodec board is dedicated and industrious. Our directors are approachable, open to discussions and maintain a collegial rapport. – Sharon Wapnick, chairman*

One on Mutual



CHAIRMAN

The chairman sets the ethical tone for the board and the group and is responsible for leading the board and for its effectiveness.

The chairman promotes the highest standards of corporate governance, assisted by the group company secretary. Sharon Wapnick is, by virtue of her shareholding in the company, not independent. She was re-appointed as chairman on 30 October 2023.

The roles of the chairman of the board and managing director are kept separate and distinct and clearly articulated in the board charter. This ensures a balance of power and authority and precludes any one director from exercising unfettered powers of decision-making.

BOARD OF DIRECTORS

The board is the custodian of corporate governance and is the highest governing authority of the group.

The board leads by setting the tone at the top. It ensures that all business decisions and judgements are made with reasonable care, skill and diligence. The board's deliberations are guided by the board charter, which is 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.

The board is satisfied with the fulfilment of responsibilities in accordance with the board's charter.

THE BOARD COMMITTEES

Each of Octodec's board committees, which also act as the committees for Octodec's subsidiaries, is 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.

BOARD AND BOARD COMMITTEE ROLES

A board-approved delegation of authority is in place that promotes independent judgement, a balance of power, role clarity and effective discharge of duties at the board, board committee, executive and management levels. The board focuses on routine business from operational reports, significant acquisitions and disposal of properties, and project approvals, to matters of strategy, finance, capital expenditure, significant group-wide policies and frameworks, and other special items.

Reports from board committee chairmen on statutory duties and board-assigned responsibilities are also considered at each quarterly meeting. The role of the non-executive directors, who are independent of management, *inter alia*, is to protect shareholders' interests. Furthermore, they ensure that individual directors or groups of directors are subject to appropriate scrutiny in their decision-making.

A Audit committee

I *Ad hoc* independent subcommittee

N Nominations committee

R Risk committee

S Social, ethics, remuneration and transformation (SERT) committee

LEAD INDEPENDENT DIRECTOR

To guard against a perception that conflicts of interest could arise between the Wapnick family and other shareholders, the board annually elects an independent non-executive director to act as lead independent director.

The role is to provide leadership and advice to the board when the chairman has a conflict of interest, without detracting from the authority of the chairman. The position also provides an important point of contact for the broader investment and stakeholder community should they have concerns with the management of the group, or potential conflicts of interest, if requested by the board, in circumstances or transactions in which the chairman is perceived to be conflicted. He provides a communication channel between the chairman and non-executive directors, assists the chairman on all corporate governance issues and leads the biennial review of board effectiveness.

Derek Cohen was reappointed as lead independent director on 30 October 2023.

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 group'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.

FINANCIAL DIRECTOR

Anabel Vieira is accountable for financial performance.

This includes budgeting, cash-flow management, internal financial controls, financial analysis, planning (including scenario modelling) and ensuring that the group is adequately funded and has a strong balance sheet.

GROUP COMPANY SECRETARY

The board endorses the King IV$^{\text{TM}}$ principle of having an arm's length relationship with the group company secretary and has created an environment in which she can ensure full adherence to board procedures and relevant regulations. Elize Greeff, a full-time employee of Octodec, is not involved in an executive capacity on the boards of the subsidiary companies within the group. She has more than 20 years of accumulated experience as a company secretary and corporate lawyer and:

- Continues to demonstrate the requisite level of knowledge and experience to carry out her duties; is independent of 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 relevant laws and best practice
- Effectively performs the role of gatekeeper of good corporate governance

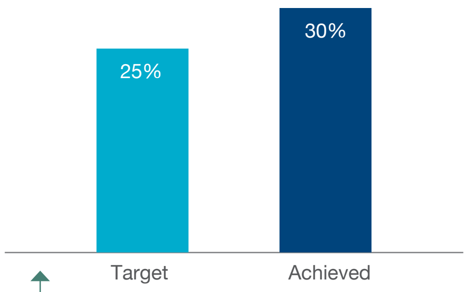
As required, having assessed Elize Greeff's abilities with the assistance of the nominations committee, based on her qualifications, expertise and levels of competence, the board is comfortable that the arrangements in place for accessing professional corporate governance services are effective.

Appointments and changes to board committees

Given the changes made in the 2021 financial year, the board has established a good balance between the experience of long-standing directors and the fresh insights from more recently appointed directors. There were no appointments or changes to the board or committees in 2023.

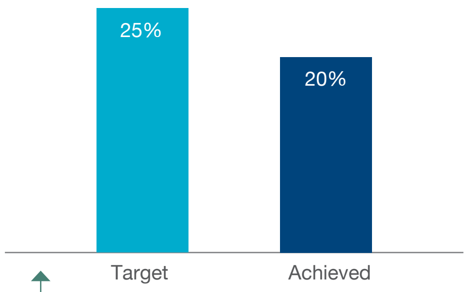
Diversity and inclusiveness

Female representation (%) – Female directors



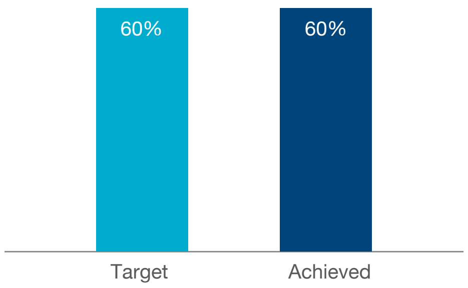
(FY2022: 3/10 directors or 30%)

Black representation (%) – Black directors



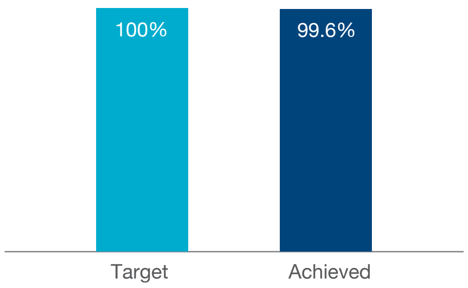
(FY2022: 2/10 directors or 20%)

Independence (%) – Independent directors



(FY2022: 6/10 directors or 60%)

Commitment (%) – Directors' attendance



(FY2022: 100%)

Gender diversity policy

In terms of Octodec's Policy on the Promotion of Race and Gender Diversity at the Board level, the existing FY2023 Board-approved voluntary targets for achieving gender diversity are the following:

Female representation: Target: 25% (FY2022: 3/10 or 30% and FY2021: 2/10 or 20%).

Race diversity policy

In terms of Octodec's Policy on the Promotion of Race and Gender Diversity at the Board level, the existing FY2023 Board-approved voluntary targets for achieving race diversity are the following:

Black representation: Target: 25% (FY2022: 2/10 or 20% and FY2021: 2/10 or 20%).

Sharon and Jeffrey have a combined experience of over 52 years as directors of the group. Their wealth of property knowledge assists the group in making decisions for the benefit of all stakeholders.

Board tenure and age	Executive directors	Non-executive directors	All directors
Average service length	13.5 years (FY2022: 12.5)	12.1 years (FY2022: 11.1)	12.4 years (FY2022: 11.4)
Average age	63.5 (FY2022: 62.0)	67.5 (FY2022: 63.4)	64.4 (FY2022: 63.1)

Our long-standing non-executive directors provide the board with valuable insight and perspective across the South African economic environment, and more particularly across the property and financial sectors.

King IV™ does not consider the length of a non-executive director's term in office as a determinant of independence. The board evaluates the independence of its independent directors, particularly in respect of the independent directors who have served on the board for an aggregate term exceeding nine years.

As Derek Cohen has served in an independent capacity on the board since 1 October 2009, and Pieter Strydom since 6 February 2012, an assessment of their independence by the board, on recommendation from the nominations committee, is performed annually. On 30 October 2023, the Board concluded that Derek and Pieter exercise objective judgement and that no interest, position, association or relationship is likely to influence unduly or cause bias in their decision-making, and that they will continue to serve in an independent capacity.

Board skills and experience

The board draws on a set of required skills and industry experience from its members to guide Octodec.

A skills matrix tracks the experience, balance of skills and level of knowledge of our directors. This table indicates the number of directors on the board who possess relevant sector experience. The board is satisfied that its composition reflects the appropriate balance of knowledge, skills, experience, competencies in industries and fields relevant to the group's business operations, diversity and independence to execute its roles and responsibilities effectively.

	Richard Buchholz	Derek Cohen	Nyimpini Mabunda	Maggie Mojapelo	Myron Pollack	Pieter Strydom	Louis van Breda	Anabel Vieira	Jeffrey Wapnick	Sharon Wapnick
Core skills										
Finance for governance and oversight	●	●	●		●	●	●	●	●	
Leadership for growth and sustainable business operations	●	●	●	●	●	●	●	●	●	●
Property industry expertise for governance			●		●	●	●	●	●	●
Legal, regulatory and corporate governance oversight	●				●	●	●			●
Risk and opportunity management for stability	●	●	●		●	●	●	●	●	●
Governance for clear strategy development and direction	●	●	●	●	●	●	●	●	●	●
High-risk areas										
Consumer marketing to align with tenant expectations		●	●	●					●	
Stakeholder relations and corporate and social affairs	●	●	●	●	●		●			●
Sustainability and ESG for value and resilience			●	●				●		●
Remuneration, HR and talent management expertise		●		●					●	●
Integrated thinking and transparent reporting aligned to frameworks and standards	●			●	●	●	●	●		●
Technology and information governance for efficiency and innovation	●		●	●		●	●		●	

Board, committees and director's evaluation

The board, with the assistance of the nominations committee, conducts performance assessments of the board, committees and individual members every alternate year, per the King IV™ recommendation. An internal evaluation process was followed by the board in 2022, to assess the performance of the board, committees and select directors, with discussion by the nominations committee on any immediate areas requiring attention. Although no material matters of concern were noted from the October 2022 evaluation, the board took cognisance of areas in which improvements could be made and plans are being put in place to implement these improvements. Top priorities for the board in the coming year are included on page 84.

With the assistance of the nominations committee, and on an annual basis, the board evaluates the performance of the chairman, lead independent director, managing director, financial director, the non-executive directors retiring by rotation and the group company secretary. The nominations committee conducted an annual assessment on the performance of the managing director in keeping with good governance principles as recommended by King IV™ and as required by the board charter. The nominations committee is comfortable that the performance of the managing director for the preceding year has been excellent.

The board is satisfied that the evaluation process is improving the board's performance and effectiveness.

Board training and development

As part of the ongoing board development programme, the board attended independent externally facilitated training on *cyber and information security governance* and *the increasing impact of sustainability on the integrated reporting and investor relations landscape.*

Board development focus areas for 2024 include board oversight and the monitoring of artificial intelligence risks and opportunities and bribery and corruption awareness training, which is in line with the areas of development as identified by the nominations committee.

Board committee memberships and attendance

In 2023, board attendance was 98.89%, with committee attendance 100%, reflecting a steadfast commitment to effective governance and active participation.

Director	Richard Buchholz	Derek Cohen	Nyimpini Mabunda	Maggie Mojapelo	Myron Pollack	Pieter Strydom[7]	Louis van Breda[7]	Anabel Vieira	Jeffrey Wapnick	Sharon Wapnick
Board[3]	9/9	9/9	9/9	9/9	8/9	9/9	9/9	9/9	9/9	9/9*
Audit[4]	8/8	8/8	1/1	1/1	7/7	8/8	8/8*	8/8	7/7	7/7
Nominations	–	1/1*	–	1/1	–	–	–	–	–	1/1
Risk[5]	3/3	3/3	3/3	–	3/3	3/3*	3/3	3/3	3/3	3/3
SERT[6]	–	3/3*	–	3/3	3/3	3/3	3/3	3/3	3/3	3/3
Ad hoc independent subcommittee	1/1	1/1*	–	–	–	1/1	1/1	1/1	1/1	–
Director development	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1	1/1

* *Chairman*
● *By invitation*
● *Permanent invitee*

[3] *Includes five scheduled board meetings, one special board meeting, the AGM, the general meeting and a strategic session*

[4] *External advisers and invitees who regularly attend audit committee meetings: Ernst & Young, shared City Property/Octodec chief risk officer, shared City Property/Octodec internal auditor, managing director and financial director of Octodec and the Finance Executive for Octodec from City Property*

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

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

[7] *Pieter Strydom and Louis van Breda attend the SERT Committee meetings on a voluntary basis without receiving committee meeting fees.*

Our board and board committee activities

The activities and matters discussed at board and board committee meetings are guided by annual work plans, which balance relevant reviews over the course of a financial year. 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-us/#corporate-governance-downloads.

Board

The board charter was reviewed and updated on 16 February 2023. The board focus areas represent issues, in addition to the normal annual plans, that require heightened intervention or focus in a particular year or specific strategic support and enablement by the board to achieve the company's strategic objectives.

2023 key focus areas and how they were addressed

- Reformed and refocused Octodec's strategic vision and medium to long-term strategy. The revised strategy, which will take effect from the 2024 financial year is outlined on page 24.
- Considered opportunities for development and acquisitions to enhance the portfolio and grow distributable income, one example is the development of the HealthConnect Medical Centre, which is detailed on page 54.
- Oversaw ESG initiatives, particularly those relating to the environment and climate change, following an ESG gap analysis, the outcomes of which are highlighted on page 63.
- Monitored balance sheet management to ensure a healthy cash flow and a balanced approach to capital and balance sheet management, ensuring compliance with bank covenants. Refer to the financial director's review on page 44.
- Documented and mandated compliance management plans in respect of core and topical regulatory obligations, as identified in the regulatory universe. Information about the strategy and implementation plan for compliance management, Octodec's structures for managing compliance and the key relevant laws and regulations applicable to the group are set out on page 86.
- Underwent training to ensure adequate knowledge of the risks and opportunities related to the information and communication technology environment, and documented and implemented internal controls. Refer to the chairman's review on page 6 for context.

2024 key focus areas

- Maintain a relentless focus on understanding Octodec's strategy and its future.
- Implement and monitor a succession plan for the managing director.
- Enhance the board's ability to govern through ongoing uncertainty and volatility, focusing on how management is addressing geopolitical and economic risks and uncertainty.
- Prioritise board's oversight through the lens of ESG, including climate risk and DEIB (Diversity, equity, inclusion, and belonging), embedded in risk and strategy discussions and monitor local and global regulatory developments. Clarify the role of the committees in overseeing Octodec's ESG and climate risks and the scope and quality of ESG/sustainability reports and disclosures.

Audit committee

Details of the audit committee can be found in its report in the audited consolidated financial statements on pages 107 to 109.

Nominations committee

The nominations committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

2023 key focus areas and how they were addressed

- Continued to implement improvements to formal and transparent executive succession planning. This includes oversight of succession planning at City Property. For context, refer to the material matters section on page 28, and the people section in the ESG report on page 68.
- Continued to review and improve board independence and 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 included the setting and achieving of voluntary race, gender and diversity targets at the board level. Refer to the diversity and inclusiveness section on page 82 for detail.
- Considered and recommended a board retirement and tenure policy for consideration, approval, and implementation by the board. Refer to the board diversity statistics on page 82 for context.

2024 key focus areas

- Continue to implement improvements to formal and transparent executive succession planning. This includes oversight of succession planning at City Property.
- Continue to review and improve board independence and 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 included the setting and achieving of voluntary race, gender and diversity targets at the board level.
- Consider and recommend a board retirement and tenure policy for consideration, approval, and implementation by the board.

Risk committee

The formal terms of reference were reviewed and approved on 21 June 2023. The committee is comfortable that it has fulfilled its mandate and met the composition requirements of its terms of reference.

2023 key focus areas and how they were addressed

- Continued to embed an integrated assurance risk management monitoring framework and culture to provide adequate assurance to the board that material risks are monitored and mitigated to acceptable levels of tolerance, cost-effectively and optimally.
- Continued to monitor internal control improvements through enhanced risk processes, including maturing the effectiveness of the integrated combined assurance framework.
- Continued to entrench the regulatory universe to facilitate regulatory risk prioritisation and mitigate the risk of non-compliance.

Refer to the risks and opportunities section of this report on page 32 for progress on the areas overseen by this committee.

2024 key focus areas

- Continue to refine 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 improvements through enhanced risk processes, including maturing the effectiveness of the integrated combined assurance framework.

SERT committee

Details of the activities of the SERT committee can be found on pages 61 and 62.

Ad hoc independent subcommittee of the board

2023 key focus areas and how they were addressed

- Finalised and recommended the approval of the new management agreement to the board, effective from 1 July 2023. Refer to the lead independent director's report on pages 74 and 75 for context.
- Approved the terms of the lease agreements of investment properties leased to City Property and related party transactions and fees.

2024 key focus areas

- Continue to independently review all related party transactions between Octodec and City Property as and when they occur.

Compliance

One of the primary functions, responsibilities and duties of the board includes the governance of compliance by the group with applicable laws and adherence to adopted non-binding rules, codes and standards. In terms of the management agreement, City Property renders compliance and regulatory management services to the group which involves monitoring and assessing the impact of legal and regulatory responsibilities on the business of the group and using its best endeavours to ensure due compliance with all statutory provisions and adherence to non-binding rules, regulations, codes and standards in general.

The governance structures for compliance management and oversight are as follows:

Octodec board

Oversees, with the assistance of the risk committee, compliance across the group and maintains our relationship with regulators.

City Property executive management

Manages compliance and regulatory services on behalf of Octodec, including monitoring the impact of legal and regulatory duties on the group's business and ensuring full compliance with statutory provisions and non-binding rules and standards.

Octodec and City Property employees

All employees must adhere to internal compliance policies, considering regulatory requirements, codes of conduct, corporate governance and ethical business practices for effective and appropriate implementation.

The most material current and pending laws and regulations applicable to Octodec are:

- Companies Act, No.71 of 2008
- Consumer Protection Act, No 68 of 2008
- Employment Equity Act, No 55 of 1998
- Financial Intelligence Centre Act, No. 38 of 2001
- Income Tax Act, No 58 of 1962
- JSE Listings and Debt Listings Requirements
- National Building Regulations and Building Standards Act, No. 103 of 1977
- National Environmental Management Act, No. 107 of 1998
- National Heritage Resources Act, No. 25 of 1999
- Occupational Health and Safety Act, No 85 of 1993
- Promotion of Access to Information Act, No 2 of 2000
- Protection of Personal Information Act, No. 4 of 2013
- Rental Housing Act, No 50 of 1999

Pending legislation that is likely to impact Octodec includes:

- Employment Equity Amendment Bill, 2021
- Expropriation Bill, 2020
- General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, No 22 of 2022
- Occupational Health and Safety Amendment Bill, 2020

2023 compliance focus areas and how they were addressed

The risk committee oversaw the process as City Property adopted and embedded an enhanced compliance management process, which included the development and implementation of a compliance management strategy and implementation plan.

The compliance management policy and framework is reviewed biennially.

There were no material regulatory sanctions or penalties issued against the group resulting from non-compliance in 2023.

We have appointed a dedicated compliance officer with effect from 1 August 2023.

2024 key focus areas

The committee will continue to refine the regulatory universe to facilitate regulatory risk prioritisation and mitigate the risk of non-compliance.

Information technology governance

Information technology (IT) is an enabler for Octodec to achieve its strategic business objectives and is therefore integrated through all business activities. Octodec's Information Technology is governed by board-approved IT policies that follow industry best practices. The ICT controls include, but are not limited to, asset management, incident management, change management, access management and disaster recovery management. A balance is maintained between the use of technology and the management of risk to ensure continual uninterrupted business operations. A key operational focus area is improved efficiency in value creation through digitisation and automation.

Octodec's IT is managed by City Property in terms of the management agreement. A City Property IT steering committee, strategically aligned to the business, provides regular reporting on subject matters such as technology trends and innovations, the value obtained from technology investment, business resilience, cyber security and other risks, ethical disposal of redundant and end-of-life technology and information, and compliance with relevant legal requirements such as POPIA.
No breaches in customer privacy were reported.

The board, with the assistance of the audit committee, monitors the measures that have been implemented to ensure the protection of IT infrastructure and systems. Existing internal controls are aligned to the Information Technology Infrastructure.

In 2023, a three-year IT strategy was approved by the board, outlining core technology focus areas. Due to the emphasis on cyber risk, the audit committee recommended that the board review the IT strategy with reference to the charter, policies, and internal control framework. This review is ongoing, and the board will continue to oversee the enhancement of further IT general controls in 2024.

During 2023, a comprehensive IT audit was performed by CyRiskCo (Pty) Ltd to establish the quality and maturity of the IT control environment. CY3Rn was used as the audit software and detailed tests were conducted to verify the efficacy of the assertions made by management as well as the service providers who support the IT infrastructure and software. The scope of the audit included a control review of the disaster recovery capability and the execution of a formal vulnerability and penetration test.

The audit revealed a satisfactory outcome and demonstrated that Octodec and City Property have a high level of resilience and are adequately protected against any form of cyber attack. Unfortunately, as for any business, the possibility of zero-day attacks remains a concern, and thus adequate attention is continually applied on a consistent basis to the development, implementation, maintenance and testing of the Incident Response Plan.

The audit committee oversees the IT governance and their areas of focus for 2024 are set out in the audit committee report on page 107.


Prime Cure

REMUNERATION REVIEW

THE COMMITTEE CONTINUES TO MONITOR ALL PAY AND BENEFIT ARRANGEMENTS TO ENSURE FAIRNESS AND APPROPRIATENESS OF PAY POLICIES AND PRACTICES ACROSS THE GROUP, THEREBY MAINTAINING THE VALUE PROPOSITION TO OUR EMPLOYEES, ON WHOM WE DEPEND FOR SECURING THE LONG-TERM SUSTAINABILITY OF THE BUSINESS.

Derek Cohen
Chairman of the SERT committee

Background statement

Dear shareholders,

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

Octodec only employs building staff (building managers, cleaners and handymen), the group company secretary, the assistant company secretary, and more recently, the compliance officer who was appointed on 1 August 2023. Therefore, this remuneration review only deals with Octodec employees and with the directors' remuneration, in terms of the Companies Act (see our reporting boundary on page 4). It also deals separately with the remuneration paid to City Property for the services performed as property and asset manager from pages 94 to 103 of this report.

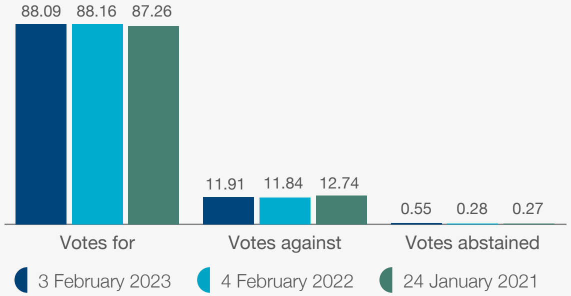
The board recognises total remuneration as a critical tool for ensuring that employees enable the business to create value sustainably. The board oversees remuneration practices and procedures administered by City Property in terms of the management agreement. City Property uses total remuneration to attract and retain talented high-calibre, high-performing employees.

Voting results at the previous AGM

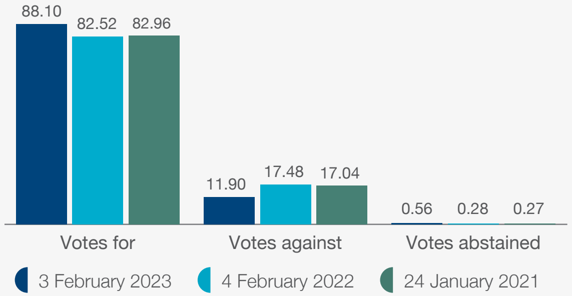
There were no material concerns or items raised by shareholders based on the remuneration policy changes that were implemented in the previous reporting period. The positive response to our improved disclosures is evidenced by the substantial improvement in voting outcomes at the FY2022 AGM. We received an 88.10% vote in favour of the implementation report. The remuneration policy continued to receive high voting support, with 88.09% voting in favour. The few shareholders who voted against the remuneration policy and implementation reports did not request further engagements with Octodec.

In terms of the JSE Listings Requirements, shareholders are required to endorse, by way of a non-binding advisory vote, the remuneration policy and implementation report as presented in this report. Results of voting at the AGMs since 2021 are shown in the table below:

Remuneration policy (%)



Remuneration implementation report (%)



Octodec is committed to developing and sustaining quality, long-term relationships with all key stakeholders, including shareholders. Our philosophy is to engage openly and inclusively to benefit from stakeholders' insights and address concerns and priorities.

Constructive feedback is shared with our board and relevant board committees and contributes significantly to Octodec's positioning, supported by adequate structures, to deliver long-term value for all its stakeholders. We are aware of our competitive and challenging operating environment and continuously examine any relevant issues raised by our stakeholders to further develop and strengthen Octodec.

Internal and external factors that influenced remuneration

Factors that informed the review of remuneration in FY2023 included:

External factors

- Challenging macroeconomic environment that has been exacerbated by uncertainty and market volatility
- Competitive labour market competing for scarce skills in the property sector

Internal factors

- Octodec's performance for the year under review and the affordability of the increased salary cost.
- The impact of the prescribed minimum wage for lower-income employees.
- The salary adjustments across various employee categories for the past 24 months. The previous salary increases in guaranteed pay in January 2021 (0%), January 2022 (4%) and January 2023 (6.5%) were compared to Octodec's peers.
- The forecasted salary adjustments across various employee categories for the next 12 months.
- The projected inflation rate.
- The attractiveness of our total remuneration offering.

Key areas of focus and decisions

The SERT committee, in addition to the key focus areas disclosed in the SERT committee chairman's review on page 61, 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:

Approval of the directors' fees for the period 1 September 2024 to 31 August 2025 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 used the services of an external independent advisor, Reward Partners (Pty) Ltd, to assist with the following matters:

- Following the 2022 bespoke market benchmarking, a job grading moderation, job mapping and salary benchmarking exercise was undertaken, facilitated by REMchannel® in 2023. Once the overall financial impact is known, mitigating strategies will be presented to the SERT committee for consideration and implementation.
- In 2023 Octodec commenced with the development and implementation of an effective, all-inclusive talent management strategy. The development and management of the organisational talent matrix will *inter alia* improve the adequateness of succession plans for Octodec and City Property executive and senior management teams. The process is unfolding and the first phase of the talent management strategy was completed in May 2023. Actions that inform this strategy, such as job grading, planned performance management and measurement, individual development plans and psychometric assessment to confirm potential and learning agility needed to acquire future fitness have been completed.
- Reviewing and providing technical advice on the performance management and job evaluation policies
- Ensuring the effectiveness and refinement of the remuneration policy

The SERT committee is confident that the remuneration policy is appropriate since no material problems were encountered in attracting and retaining key skills.

2024 key focus areas

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 (EVP) and encouragement of sustained performance excellence.
- To oversee the implementation of a group-wide remuneration-linked performance management strategy.
- The consistent application of the remuneration policy to ensure that remuneration for employees remains competitive, fair and appropriate.
- To oversee the employees' remuneration benchmarking to be facilitated by REMchannel®.
- The integration of ESG metrics disclosures as they relate to remuneration policy and practices.

PART 1

Remuneration philosophy, strategy and policy

OUR TOTAL REMUNERATION PHILOSOPHY, STRATEGY AND POLICY IS OUR PRIMARY GOVERNANCE TOOL FOR THE MANAGEMENT OF REMUNERATION ACROSS THE GROUP, INFORMING ALL REMUNERATION DECISIONS, PROCESSES AND PRACTICES WITHIN OCTODEC.

The philosophy, strategy and policy are regularly reviewed by the SERT committee to ensure they remain relevant and subscribe to all requirements of good governance and best practice.

Our remuneration philosophy and strategy

OUR TOTAL REMUNERATION PHILOSOPHY AIMS TO ENSURE THAT OUR REMUNERATION STRATEGY PROMOTES THE ACHIEVEMENT OF OUR STRATEGIC OBJECTIVES IN THE SHORT, MEDIUM AND LONG-TERM AND CONTINUALLY IMPROVES VALUE CREATION FOR OUR STAKEHOLDERS.

While ensuring that our total remuneration offering remains attractive and competitive, it also commits us to remunerate our employees fairly, responsibly and transparently.

The primary focus of our total remuneration strategy is to provide a total remuneration package that will facilitate the attraction and retention of high-calibre, high-performing employees who subscribe to our shared values, ethical culture and aspiration to be a good corporate citizen.

Key elements of remuneration

Guaranteed package

Benefits and allowances

Incentives

This consists of a cash component together with compulsory, albeit flexible, benefits and allowances consolidated into a total guaranteed package structure. The guaranteed package is reviewed annually, and increases are subject to company performance, affordability as well as sector and broader labour market dynamics.

Providing benefits and allowances to our employees forms part of the total remuneration offering and gives effect to our commitment to continually improve our EVP through the flexibility that employees gain through these elements.

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

The purpose of our non-guaranteed incentive scheme is to foster a culture of performance and to motivate employees to sustainably achieve and exceed the performance requirements of their roles.

Short-term incentives (STIs)

Participation	**All employees**
Criteria for payment	STI payments are dependent on Octodec's affordability and individual performance.
Quantum of payment	STIs are determined as a percentage of the monthly total guaranteed package. The range payable will be at the discretion of management, subject to review by the SERT committee and ultimate approval by the board, and in line with the approved remuneration policy.

Long-term incentives (LTIs)

Octodec has no LTI scheme in place.

Our remuneration policy

Our remuneration policy provides the framework around which the total remuneration philosophy and strategy can be executed optimally and effectively. The key principles of our policy include:

- Adoption of a total remuneration approach that includes all elements of remuneration (i.e., guaranteed cash, benefits and incentives)
- Promotion of fair, transparent and ethical remuneration practices that comply 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 undertakes to provide Octodec with a fully comprehensive, end-to-end HR management and administrative service, which includes payroll, with respect to 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.

Remuneration of directors

Executive directors

The managing director and the financial director of Octodec, who are prescribed officers as defined by the Companies Act, are employed and remunerated by City Property and only receive a retainer and board meeting attendance fees from Octodec as set out on page 93.

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 following key principles:

- The remuneration of our directors should be consistent with best practice and sufficient to attract and retain talent to our board and reflect the responsibility, complexity, risk and extent of involvement required for each role.
- The quantum and structure of our directors' remuneration are reviewed annually by the SERT committee, who makes recommendations to the board on any changes deemed appropriate.
- The remuneration is benchmarked at the median, against a peer group of JSE-listed companies every two years.
- 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 at the AGM, board meetings and board committee meetings which they attend as members or 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.
- The non-executive directors are appointed by the shareholders and subject to retirement by rotation and may be re-elected by shareholders in accordance with the MOI. They are not full-time employees of the company and consequently have no employment contracts with Octodec, and they do not participate in the STIs. They also have no contractual arrangements for loss of office.

Refer to the proposed directors' remuneration on page 160 of the notice of AGM. The total remuneration philosophy, strategy and policy, and directors' remuneration policy are available on our website at www.octodec.co.za/about-us/#corporate-governance-downloads.

Non-binding advisory vote

Shareholders are requested to endorse part 1 of this report by way of a non-binding advisory vote. Refer to the non-binding advisory vote 1 of the notice of the AGM on page 163 to endorse the remuneration policy. 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 2024 integrated report.

PART 2

Implementation of the remuneration policy for the financial year

THIS REPORT DEALS WITH THE IMPLEMENTATION OF OCTODEC'S REMUNERATION POLICY AND THE OUTCOMES OVER THE FINANCIAL YEAR.

The total remuneration philosophy, strategy and policy are continually assessed to ensure they remain aligned with and continue to support the strategic objectives of Octodec.

Retaining and attracting talent

Employee retention for 2023 was

91%

(2022: 92%)

The average tenure was

11.3 years

(2022: 11.9 years)

Employee remuneration

Adjustments to total guaranteed packages were considered and approved for internal promotions and appointments.

The Paterson system is used to grade positions in Octodec. Similar positions are aligned within a salary band taking into consideration an employee's experience, qualifications, the nature of work and the level of responsibility. This practice accords with Octodec's commitment to fair remuneration and equal pay for work of equal value.

The table below reflects the remuneration paid to employees of Octodec:

	31 August 2023 R	31 August 2022 R
Basic salaries and benefits	**24 594 217**	26 182 054
Short-term incentive	**1 986 025**	1 004 680
Contribution to a pension or provident fund and group life	**2 616 255**	2 722 797
Accommodation value	**5 641 221**	6 132 358
Total guaranteed remuneration and benefits	**34 837 718**	36 041 889

An increase of 6.5% on the guaranteed package of all employees effective from 1 January 2023 was approved, and an STI of 100% of monthly salary was paid to all employees in November 2022.

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

The table below reflects the directors' fees for services as directors, paid by Octodec, based on the approved remuneration structure as per the AGM of 24 January 2022, for the year 1 September 2022 to 31 August 2023, as well as the fees for the prior period.

Executive directors receive an annual retainer as well as a fee for attending board meetings. In addition, non-executive directors who are not members of a particular board subcommittee do not receive fees for their attendance at such meetings, unless the non-executive director in question is a standing invitee of a board subcommittee (e.g., the chairman of the board has a standing invitation to attend group audit committee meetings), or the chairman of the respective board subcommittee specifically invites a non-executive director to attend a board subcommittee meeting for a specific purpose.

Fee structure	**12 months to 31 August 2023 R**	12 months to 31 August 2022 R
Annual retainer		
Board chairman	**715 500**	715 500
Lead independent director	**357 220**	357 220
Non-executive director	**297 860**	297 860
Executive directors	**297 860**	297 860
Fee per meeting		
Board meeting (including AGM)	**17 914**	17 914
Meeting fee for a non-executive director's attendance at a subcommittee meeting of the board	**21 412**	21 412
Chairman of a subcommittee of the board	**26 182**	26 182
Meeting fee for a non-executive director's 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

	Annual retainer R		Meeting fees R		Total R	
Remuneration paid	**2023**	2022	**2023**	2022	**2023**	2022
Sharon Wapnick (non-executive chairman of the board)	**715 500**	715 500	**460 994**	421 668	**1 176 494**	1 137 168
Derek Cohen (LID, chairman of the nominations committee, SERT committee and subcommittee)	**357 220**	357 220	**527 668**	431 208	**884 888**	788 428
Richard Buchholz	**297 860**	273 038	**418 170**	296 692	**716 030**	569 730
Gerard Kemp (retired 4 February 2022)	**–**	148 930	**–**	148 930	**–**	297 860
Nyimpini Mabunda	**297 860**	297 860	**246 874**	232 458	**544 734**	530 318
Maggie Mojapelo	**297 860**	297 860	**268 286**	232 458	**566 146**	530 318
Myron Pollack	**297 860**	297 860	**421 668**	403 754	**719 528**	701 614
Pieter Strydom (chairman of the risk committee)	**297 860**	297 860	**432 480**	389 550	**730 340**	687 410
Louis van Breda (chairman of the group audit committee)	**297 860**	297 860	**456 330**	355 100	**754 190**	652 960
Anabel Vieira	**297 860**	297 860	**161 226**	293 196	**459 086**	591 056
Jeffrey Wapnick	**297 860**	297 860	**161 226**	314 608	**459 086**	612 468
Total (excluding value-added tax (VAT))	**3 455 600**	3 579 708	**3 554 922**	3 519 622	**7 010 522**	7 099 330

	Basic salary and bonus R		Back pay R	Benefits (including retirement and medical aid) R		Total remuneration R	
Group company secretary	**2023**	2022	**2023**	**2023**	2022	**2023**	2022
Elize Greeff	**1 923 286**	1 816 478	**166 775**	**176 493**	165 663	**2 266 554**	1 982 141

Following the benchmarking of directors' fees by Reward Partners (Pty) Ltd in 2022, an increase of 5% for the 2024 financial year was proposed and approved at the 2023 AGM. The SERT committee has considered the directors' fees for FY2025 and recommended that no increase be proposed for the 2025 financial year considering the poor economic environment. The special resolution covering the proposed remuneration of Octodec's directors for the period 1 September 2024 to 31 August 2025, which proposes no increase in respect of payments made to directors for their services as directors for the 2025 financial year, will be proposed at the AGM. Refer to special resolution number 3 on page 160 of the notice of the AGM.

Non-binding advisory vote

Shareholders are requested to endorse part 2 of this report by way of a non-binding advisory vote. Refer to non-binding advisory vote 2 of the notice of the AGM on page 163, to endorse the remuneration implementation report. 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 2024 integrated report.

Remuneration linked to strategy and performance

City Property and executive directors' key performance measures and targets

In terms of the management agreement, a copy of which can be viewed on our website under *Circulars* at www.octodec.co.za/investor-information/#circularsWrap. City Property is responsible for the effective management of day-to-day operations as well as the asset management of Octodec. Clause 14 of the new management agreement states that City Property must submit proposed KPIs and penalties for failure to meet the KPIs, to the SERT committee, who will recommend such KPIs to the board. The board will consider the KPIs together with the annual budget for the respective financial year, having regard to the material areas of concern for the Company in the Financial Year in question, *inter alia*, using the following categories and criteria as the framework for determining the KPIs for the respective financial year:

- Delivery of sustainable short-term and long-term (pre-/post-tax) shareholder returns
- Optimisation of the returns from the property portfolio
- Effective and efficient management of the company's balance sheet and income statement as well as management of the company's funding and cash flow requirements
- Efficient management of current and future developments to be carried out by the company, including meeting the development timetables and anticipated yields
- Ensuring high levels of customer satisfaction
- Attraction, development, retention and motivation of high-performance employees
- Continually improving sustainability performance
- Establishing a succession plan in respect of the managing director and other key employees of the manager as identified by the company
- Developing a B-BBEE strategy and implementing a B-BBEE plan, in line with the company's requirements, to achieve B-BBEE compliance in line with the timelines set by the board

City Property is remunerated for the services outlined on page 94 through the payment of an asset management fee which is based on "enterprise value" calculated as the sum of the average daily market capitalisation of Octodec plus the aggregate amount of the indebtedness of Octodec. If the asset management fee is lower than the prescribed minimum (R4.2 million per month from 1 September 2022 to 30 June 2023 and R4.5 million for July and August 2023), the minimum amount is payable. In addition, the management agreement makes provision for the payment of an incentive linked to growth in the annual distributable income before finance costs, as described below.

Where the company's annual distributable income before net finance costs increases above the hurdle rate, the manager shall be entitled to an incentive fee ("incentive fee") as follows:

Growth above hurdle rate	Amount of incentive fee
0.50%	R650 000.00
0.75%	R1 000 000.00
1.00%	R1 400 000.00
1.50%	R2 000 000.00
2.0% and greater	R3 000 000.00

The incentive fee shall escalate annually at a rate equivalent to CPI, compounded on each anniversary of each financial year end commencing on 1 September 2024.

With regard to the above, the agreed FY2023 key performance areas (KPAs) and key performance indicators (KPIs), as set out on pages 96 to 103, were reviewed by the SERT committee and recommended to the board for consideration. The board has reviewed the outcome of the FY2023 KPAs and KPIs and is satisfied that City Property delivered on its KPI targets, to the extent possible under the current economic environment.

The SERT committee and independent subcommittee also considered whether Octodec's annual distributable income before finance charges had exceeded the hurdle rate. It was concluded that Octodec's results had not exceeded the hurdle rate and that no incentive was due to City Property for FY2023.

For FY2023, the asset management fee was calculated based on the minimum amount, as the enterprise value as defined in both the old and new agreement was below the minimum amount.

The amount paid to City Property for FY2023 is as follows:

Basic asset management fee based on minimum amount	R50 521 154
Incentive fee relating to FY2022 paid in FY2023	R6 726 968

Kempton Place

2023 key performance indicators

Priority areas: 2023	Activity	Target measure (KPI)	Target weight (%)	Below target: less than 80% of target = zero achievement	Target = 100% achievement	Above target: capped at 120% stretch target	Achieved weight (%)	Notes
Communication/marketing	Actively engage with the business sector, including industry bodies, to form strategic alliances and mobilise, where necessary, in dealing with issues that arise from the public sector	Attend monthly meetings at City of Tshwane and quarterly meetings at the CIDs	5.0%	Not all meetings attended	All meetings attended	N/a	2.5%	N1
Increase stakeholder engagement	Continued engagement with various stakeholders, including investors, community in which we operate, tenants and employees	Investors – 2 pre-close webinars, interim and year end presentations and meetings with larger fund managers/investors	10.0%	Limited meetings with fund managers/ investors	2 pre-close webinars and interim and year end presentations as well as 10 meetings with larger fund managers/investors	2 pre-close webinars and interim and year end presentations as well as more than 10 meetings with larger fund managers/investors	7.0%	N2
		6 newsletters/posters to tenants on new products/services		Less than 6	6 newsletters/posters to tenants on new products/services	More than 6		
		Monthly communication to employees		Fewer than 12	Improved communication to employees	More than 12		
	Enhance communication regarding the Octodec brand	Media publications on thought leadership (4 per year); Media and speaking opportunities (3 per year); Increased Octodec news and articles on LinkedIn (18 for the year)		Did not achieve the communication targets	Achieved	Surpassed the number of communication targets set		
Rightsizing the portfolio to improve Octodec's ability to unlock value by:			10.0%				4.0%	N3/N4
Continuous review of Octodec's top assets by value	Identify non-performing properties and properties located in less desirable areas for possible disposal (e.g. Pretoria West)	R150 million		< than R150 million	R150 million	> than R150 million		
Identify property and development opportunities to unlock value and enhance the portfolio	Properties identified for development will be explored	Louis Pasteur refurbishment including a new façade		Not started	Louis Pasteur refurbishment, including a new façade	Started and completed		
		Vacant Ina Building to be reconfigured to accommodate doctors' rooms		Not started	Vacant Ina Building to be reconfigured to accommodate doctors' rooms	Started and completed		
		Vuselela refurbishment of common areas		Not started	Vuselela refurbishment of common areas	Started and completed		

2023 key performance indicators *continued*

Priority areas: 2023	Activity	Target measure (KPI)	Target weight (%)	Below target: less than 80% of target = zero achievement	Target = 100% achievement	Above target: capped at 120% stretch target	Achieved weight (%)	Notes
Focus on providing value-added services to attract and retain tenants and protect our assets	Identify suitable solution and conclude Wi-Fi proof of concept (POC) at commercial buildings; Rollout of wash bars at larger properties in vacant space, creating additional revenue stream	Wi-Fi installed at two office buildings and cashless laundry facilities installed at four buildings	5.0%	Not achieved	Achieved	Surpassed target	2.5%	N5
Update residential product offering, with a focus on affordability	Changing existing configurations at Howzit Hilda and Nedbank Plaza via new hybrid model, creating a combination of additional shared/furnished/semi-furnished accommodation	Nedbank Plaza – 10 apartments	10.0%	Less than 10 apartments	Nedbank Plaza – 10 apartments	More than 10 apartments	10.0%	
		Howzit Hilda – 4 apartments		Less than 4 apartments	Howzit Hilda – 4 apartments	More than 4 apartments		
	Furnished accommodation rollout at The Fields to be accelerated, to comply with NSFAS requirements	182 units		Less than 182 units	182 units	More than 182 units		
Improving on ESG through implementation of relevant and authentic initiatives and improved ESG reporting	Installation of solar panels which will yield an acceptable ROI	Two buildings (shopping centre and a mixed-use residential and retail building)	10.0%	None started or completed	Two buildings (shopping centre and a mixed-use residential and retail building)	More than 2 started and completed	9.6%	
	Water management at buildings	24 bulk meters installed to manage water wastage and consumption		Less than 24 bulk meters	24 bulk meters installed to manage water wastage and consumption	More than 24 bulk meters		
	Continued emphasis of reporting on ESG in our integrated report and/or other supplementary reports	Addressing the gaps identified in the gap analysis carried out in FY2022		No improvement on FY2022	Addressing the gaps identified in the gap analysis carried out in FY2022	Significant improvement on FY2022		
Technology: new applications and usage across the business	Automated commercial leasing platform, to enhance customer experience, to be developed in phases	Phase 1, which will, on completion, consist of an automated, real-time vacancy list that can assist in promoting our available properties and unit details on the CPA website	2.0%	Not achieved	Phase 1, which will, on completion, consist of an automated, real-time vacancy list that can assist in promoting our available properties and unit details on the CPA website	Achieved more than Phase 1	1.6%	

2023 key performance indicators *continued*

Priority areas: 2023	Activity	Target measure (KPI)	Target weight (%)	Below target: less than 80% of target = zero achievement	Target = 100% achievement	Above target: capped at 120% stretch target	Achieved weight (%)	Notes
Assess funding structure, including the DMTN Programme, with a view to containing financing costs	Refinancing of maturing debt and updating and moving the DMTN Programme to Octodec	Refinance 2024 maturing debt	5.0%	Only partially refinanced	Refinance 2024 maturing debt	Refinanced 2024 maturing debt as well as portion of 2025 maturing debt	5.2%	
		Start preparatory work to move the DMTN Programme to Octodec company		No progress made	Start preparatory work to move the DMTN Programme to Octodec company	Outstanding progress made		
Financial results to be achieved	Revenue growth	Meet Consumer Price Index (CPI)	20.0%	80.0% of CPI	Meet Consumer Price Index (CPI)	120.0% of CPI	15.0%	N6/N7
	Distributable income at NPI level	5%		3.0%	5.0%	7.5%		
	Expenditure (property) ratio to be maintained	Below 38%		38.0% and higher	Below 38.0%	38.0% or less		
	Vacancies	Residential average of 9% (excluding Hatfield)		Higher than 9.0%	Residential average of 9.0% (excluding Hatfield)	Lower than 9.0%		
		Commercial average of 16% (assuming Midtown is disposed of during the year)		Higher than 16.0%	Commercial average of 16.0% (assuming Midtown is disposed of during the year)	Lower than 16.0%		
	Collections	100% of billings collected		95% of billings collected	100% of billings collected	105% of billings collected		
	Customer service	NPS of 20		NPS of 20	NPS of 20			
	Funding ratios	LTV reduced to below 40%		LTV reduced to below 40%	LTV reduced to below 40%	LTV remained at or exceeded 40%		
	Interest cover ratio	Maintained above 2.1 times		Maintained above 2.1 times	Maintained above 2.1 times			

2023 key performance indicators *continued*

Priority areas: 2023	Activity	Target measure (KPI)	Target weight (%)	Below target: less than 80% of target = zero achievement	Target = 100% achievement	Above target: capped at 120% stretch target	Achieved weight (%)	Notes
Transformation and people risk management			7.5%				7.5%	
Create and maintain an environment that promotes transformation, compliance and effective management of people risks	Implement Octodec's board-approved B-BBEE plan	Monitor, review and report		Not achieved	Achieved	n/a		
	Diversification of skills and implementing the company's employment equity (EE) plans	EE plan reviewed and to be implemented		Not achieved	Achieved	n/a		
Appropriately skilled employees operating in an environment that promotes accountability, collaboration and growth			12.5%				12.5%	
Develop and implement a three-year learning and development (L&D) strategy	Develop a three-year L&D strategy and implement Phase One	Formulate L&D strategy; Conduct skills audit and needs analyses; Implement L&D strategy, including impact evaluation		Not achieved	Achieved	n/a		
Develop and implement an integrated performance management system	Implement Phase One of an integrated performance management system	Research and table a proposed approach; Align systems and processes with a performance management approach; Prepare and train managers and people on mindset, approach, impact and the practice of performance management as an ongoing conversation, and implement the performance management system		Not achieved	Achieved	n/a		
Talent management and succession planning	Appoint and onboard a management committee	Manco appointed and onboarded		Not achieved	Manco appointed and onboarded	n/a		
	Table a first phase talent management strategy that focuses on leadership, scarce- and mission-critical skills	Prepare and implement first phase of talent management strategy; Implement retention strategy as part of EVP		Not achieved	Achieved	n/a		

2023 key performance indicators *continued*

Priority areas: 2023	Activity	Target measure (KPI)	Target weight (%)	Below target: less than 80% of target = zero achievement	Target = 100% achievement	Above target: capped at 120% stretch target	Achieved weight (%)	Notes
Empower our people								
Providing meaningful employment to employees	Develop and implement a fit-for-purpose employee value proposition (EVP)	Finalise and implement the EVP plan, including the metrics required to track the impact	3.0%	80.0%	Finalised and implemented the EVP plan. including the metrics required to track the impact	n/a	3.0%	
			100.0%				80.4%	

N1 One of the activities to address the communication priorities is to meet with Council on a regular basis to address issues of service delivery, billings, etc. The Council in Tshwane has been under immense pressure, resulting in most meetings being cancelled indefinitely.

N2 One of management's priorities was to improve our engagement with our investors and to raise Octodec's profile. One of the initiatives was to be more vocal in the media, etc., but this did not happen, with media interviews being limited to our results presentations only.

N3 Although management has been successful in several sales agreements, these are subject to suspensive conditions, most of which are for the purchaser to obtain funding. In the current economic environment of high interest rates, purchasers have found it difficult to obtain funding from financial institutions, with the result that these agreements did not materialise.

N4 The budget prepared by management and approved by the board made provision for the refurbishment of the Louis Pasteur façade and upgrade of common areas. However, due to the major tenant being under business rescue, this has been postponed until there is more certainty on the finalisation of the business rescue plan.

N5 The current provider of Wi-Fi services was in negotiations to dispose of its business, and this uncertainty prompted management to hold back the work until there was certainty on who the new owner would be.

N6 It is challenging to operate in the current economic environment, with low growth, high unemployment and high interest rates and fuel prices. This impacts our tenants and puts pressure on rentals, while costs rise. Consequently, management was unable to achieve growth in rental income and distributable income in line with CPI.

N7 Vacancies in the office sector have put pressure on the overall commercial vacancy. The economy, together with an oversupply of office space, makes it difficult to attract and retain tenants in the office sector.

2024 key performance indicators

The SERT committee considered the 2024 KPAs and KPIs as set by City Property management and recommended these to the board for approval, which approval was obtained on 18 September 2023.

Strategic pillars	Strategic objectives	Activities	Target measure (KPI)	Weight (%)	Sub weight (%)	Below target: less than 80% of target = zero achievement	Target = 100% achievement	Above target: capped at 120% stretch target	Implementation date
Create sustainable value for our stakeholders	Identify CBD nodes that offer potential and develop our current existing buildings to grow the return on the properties	Execution of projects based on outcomes of feasibility studies that will enhance the area over time	2 yield-enhancing projects	30.0%	10.00%	<2	2	>2	31 August 2024
	Reduce our vacancies through active property management (vacancy %)	Ensuring the right tenant mix and repurposing property for potential occupation	Reducing commercial vacancies to 17.0%		2.50%	>17.0%	17.0%	<17.0%	31 August 2024
			Maintain residential vacancies at 7% and below, excluding The Fields		2.50%	>7%	7.0%	<7%	Average for year
			To reduce The Fields vacancies to 10% over the academic period and 80% during the university holidays		2.50%	>25.0%	25.0%	<25.0%	Average for year
	Enhance our tenant offering by providing value-added services and benefits	Infrastructure in place to accommodate water tankers	15% of residential portfolio		1.00%	<15.0%	15.0%	>15.0%	31 August 2024
		Provision of mobile or fixed generators	9 residential buildings to be fitted with fixed generators for common areas 6 commercial buildings to be fitted with fixed generators		1.00%	<15	15	>15	31 August 2024
		Rollout of cashless laundries to additional properties	6 wash bars		2.00%	<6	6	>6	31 August 2024
		Rollout of Wi-Fi to office buildings	4 office buildings		2.00%	<4	4	>4	31 August 2024
		Rollout of Wi-Fi to residential buildings	Rollout of Wi-Fi to 9 smaller residential buildings		1.00%	<9	9	>9	31 August 2024
	Manage tenant retention	Ensuring high levels of customer satisfaction*	Improve residential tenant retention to 50%		1.50%	<50%	50.00%	>50%	Throughout the year
			Improve commercial tenant retention to 90%		1.50%	<90%	90.00%	>90%	Throughout the year
			NPS of 25 and higher		2.50%	<25	25	>25	Throughout the year

* *In terms of asset and property management agreement.*

2024 key performance indicators *continued*

Strategic pillars	Strategic objectives	Activities	Target measure (KPI)	Weight (%)	Sub weight (%)	Below target: less than 80% of target = zero achievement	Target = 100% achievement	Above target: capped at 120% stretch target	Implementation date
Enhance our property portfolio	Identify locations that are no longer feasible or that do not meet the group strategy to dispose of same properties	Actively pursue the sale of properties	R250 million or above	20.00%	10.0%	<R250 000	R250 000	>R250 000	31 August 2024
	Invest in long-term renewable energy solutions and manage water efficiency	Install solar photovoltaic panels	3 buildings		2.0%	<3	3	>3	31 August 2024
		Install small-scale solar photovoltaic panels with battery integrated systems	10 buildings		3.0%	<10	10	>10	31 August 2024
		Install alternatives of aerated taps, electronic switch taps or similar solutions	4 shopping centres and 2 education occupied buildings		2.5%	<6	6	>6	31 August 2024
		Install bulk meters to manage water consumption and achieve 90% to 95% water recovery rate	20 meters		2.5%	<20	20	>20	31 August 2024
Manage our balance sheet and funding structure	Delivery of sustainable short-term and long-term (pre-/post-tax) shareholder returns*	Growth in distributable income y-o-y	CPI	30.0%	5.0%	< CPI less 2%	CPI	CPI + 2%	31 August 2024
	Optimisation of the returns from the property portfolio*	Growth in net property income y-o-y	CPI		5.0%	< CPI less 2%	CPI	CPI + 2%	31 August 2024
	Manage the impact of a rising cost base to maintain and grow our distributable income	Overall management of expenses	To maintain net property expenses at below 38%		5.0%	>38%	38%	<38%	31 August 2024
	Maintaining a healthy balance sheet to ensure long-term sustainability	Actively manage hedging profile	Hedging at between 70% and 80%		5.0%	Hedging below 70% in unfavourable interest rate environment	Hedging at between 70% and 80%	Hedging above 80% in unfavourable interest rate environment	31 August 2024
		Refinancing spread to extend weighted average	2.0 years		5.0%	<2.0	2.0	>2.0	31 August 2024
		Maintaining an acceptable gearing ratio	LTV below 40%		5.0%	>40.0%	40.0%	<40.0%	31 August 2024

---

* *In terms of asset and property management agreement.*

2024 key performance indicators *continued*

Strategic pillars	Strategic objectives	Activities	Target measure (KPI)	Weight (%)	Sub weight (%)	Below target: less than 80% of target = zero achievement	Target = 100% achievement	Above target: capped at 120% stretch target	Implementation date
Enhance the value of human capital contribution	Create and maintain an environment that promotes performance, transformation and compliance	Align culture, strategy, processes and communication to reinforce and embed desired levels of performance, transformation and compliance	Achievement of targeted performance curve in line with business performance	20.0%	3.0%	No	Yes	Yes	31 August 2024
		Continue implementing the approved B-BBEE plan	Progress in line with the approved plan		5.0%	No	Yes	Yes	31 August 2024
	Attract, retain and develop appropriately skilled people operating in an inspiring environment	Succession plan for CEO, FD, senior management, critical roles and scarce skills	Succession plan in place for all identified roles		8.0%	No	Yes	Yes	31 August 2024
		Continue with implementation of learning and development strategy, implementation of performance management system, and review the talent management strategy	Implementation of performance management system		2.0%	No	Yes	Yes	31 August 2024
	Embed a culture that translates vision and values into practised, desired behaviours	Continue with implementation of EVP	Improvement on baseline measures, through engagement surveys and staff retention percentage		2.0%	No	Yes	Yes	31 August 2024
				100.0%	100.0%				

Remuneration paid to the executive directors by City Property

Directors

As stated on page 91 of this report, the executive directors are employed and remunerated by City Property. In terms of the JSE Listings Requirements, the remuneration paid to the executive directors of Octodec by the employer company, City Property, is disclosed below. It is important to note that City Property's operations are not limited to Octodec and include other activities, and consequently, the remuneration of the executives is for all of City Property's activities, and therefore only a portion of the remuneration of the managing director is attributable to Octodec, as reflected below.

2023	A Vieira R	J Wapnick R	S Wapnick R	Total R
Basic salary	**3 462 318**	**7 303 341**	**916 992**	**11 682 651**
Bonus	**1 250 000**	**–**	**–**	**1 250 000**
Pension fund contribution	**287 682**			**287 682**
	5 000 000	**7 303 341**	**916 992**	**13 220 333**
% attributable to Octodec	**100%**	**60%**	**100%**	
	R5 000 000	**4 382 005**	**916 992**	**10 298 997**

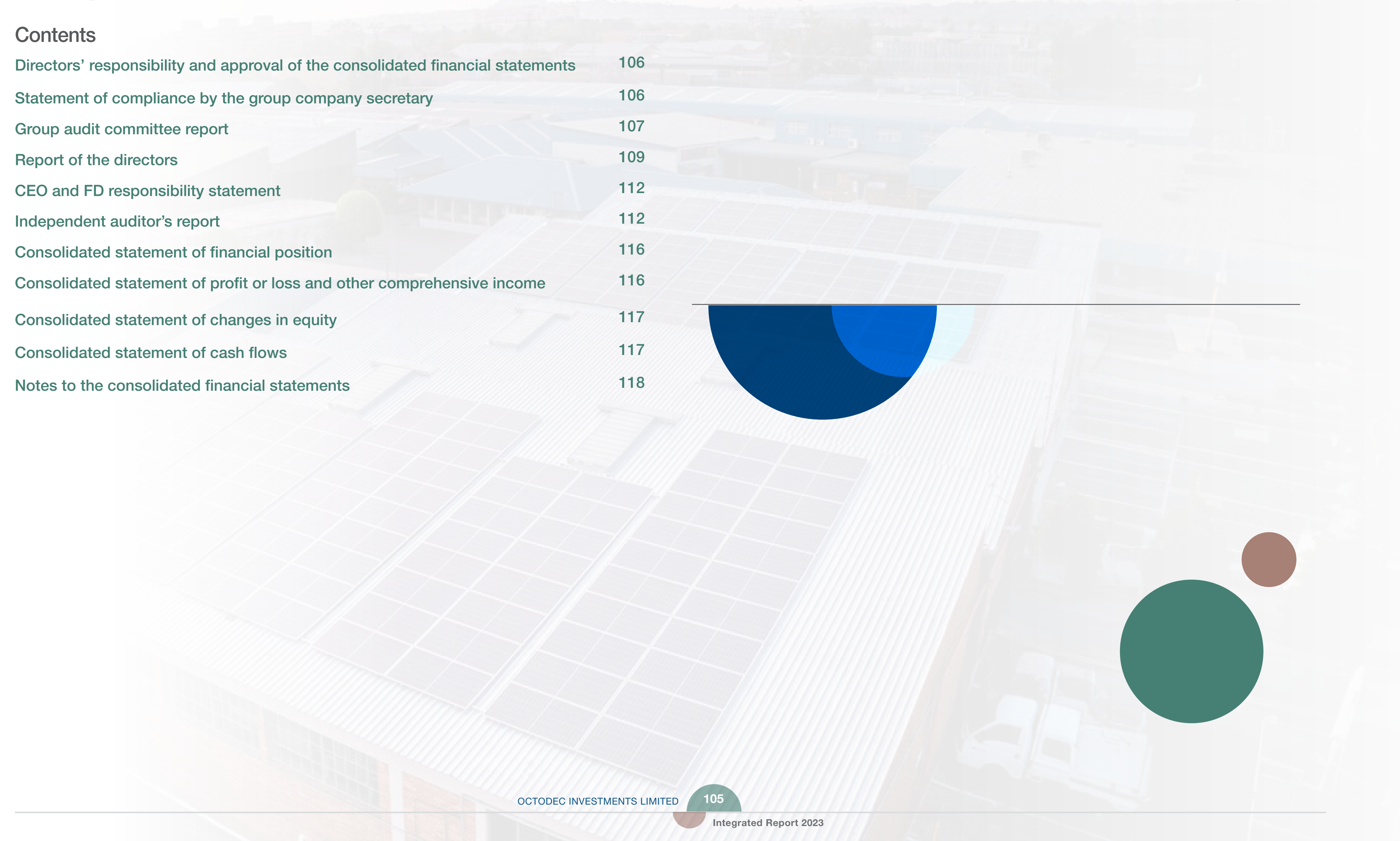
2022	A Vieira R	J Wapnick R	S Wapnick R	Total R
Basic salary	2 188 973	4 507 957	867 636	7 564 566
Bonus	1 750 000	2 850 382	–	4 600 382
Pension fund contribution	211 027	–	–	211 027
	4 150 000	7 358 339	867 636	12 375 975
% attributable to Octodec	100%	60%	100%	
Attributable to Octodec	4 150 000	4 415 003	867 636	9 432 639

Octodec and City Property have no LTI scheme, and executives are eligible for an annual bonus (STI) as determined and paid by City Property.

Louis Pasteur

AUDITED FINANCIAL STATEMENTS

Contents



DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors have reviewed the group's cash flow forecast to 28 February 2025 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 consolidated financial statements set out on pages 106 to 144, which have been prepared on the going concern basis, were approved by the board on 27 November 2023 and were signed on its behalf by:

Sharon Wapnick Chairman	**Jeffrey Wapnick** Managing director
Tshwane	Tshwane

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 2023 that are required to be lodged by a public company with the Companies and Intellectual Property Commission of South Africa, and that all such returns are true, correct and up to date.

Elize Greeff
Group company secretary

27 November 2023
Tshwane

GROUP AUDIT COMMITTEE REPORT

Octodec's independent group audit committee's (the committee) report for the year ended 31 August 2023 is in line with the Companies Act, the JSE Listings Requirements, King IV™, Debt Listings Requirements, and other applicable regulatory requirements.

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 an audit committee for Octodec, but it also fulfils the role of a group committee for its subsidiaries as permitted by section 94(2)(a) of the Companies Act.

The committee has adopted formal terms of reference, as approved by Octodec's Board of directors, which are reviewed and updated as necessary on an annual basis (or more frequently if required). The detailed duties and responsibilities of the committee are set out in its terms of reference, which are available on Octodec's website at www.octodec.co.za.

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. The committee also assists the board in overseeing information technology (IT) governance. The governance of risk at Octodec is delegated to the risk committee which oversees the governance of financial and other risks that affect the integrity of financial reporting by Octodec.

Composition, meetings, and attendance

The committee comprised of four independent non-executive directors who satisfied the requirements of section 94(4) of the Companies Act. As a collective and having regard to the size and nature of the group, the committee members collectively possess the appropriate financial and related qualifications, skills, expertise, and experience required to discharge their responsibilities. The composition of the committee, their qualifications, skills and experience and attendance of meetings by its members and standing invitees during the 2023 financial year, are included on pages 83 and 84.

Separate meetings were held with the external auditor and internal auditor to allow open discussion without the presence of management. The committee chairman also meets separately with external and internal auditors between committee meetings. During these meetings, no matters of material concern were raised.

All committee members are also members of the risk committee, which provides members with insight into the group ERM policy and framework, key risks, and compliance coverage in the group. The cross-committee membership enhances the committee's oversight of financial and other risks that may affect the integrity of the company's external reports (such as financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting, and information and technology risks).

The committee chairman reports to the board at quarterly board meetings on the committee's activities and matters discussed at each meeting, highlighting key items deliberated and those requiring the board's attention.

Key focus areas for the year ended 31 August 2023

Beyond discharging its required duties as set out in its terms of reference, the committee also concentrated on the key areas of focus as set out in the 2022 report. This included:

- The refinement of the integrated combined assurance model
- Focusing on cybersecurity, and ensuring that robust IT systems and processes are in place
- Ensuring that the group's financial systems, processes and controls remain effective in meeting Octodec's requirements
- Monitoring the weighted loan and interest hedging expiry profile, the LTV ratio, debt covenants and liquidity
- A robust focus on property valuations in this uncertain environment and the impact on the balance sheet
- Exploring the need for external assurance on ESG reporting

Significant matters

The committee has considered the Key Audit Matters (KAMs) reported in the external audit report on page 113. In addition, the committee considered significant matters arising during the year. These included:

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 pages 120 to 123 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 outlined in the financial statements.

JSE Listings Requirements on attestation

The JSE Listings Requirement relating to the sign-off by the chief executive officer and financial director on the effectiveness of internal controls over financial reporting for the group can be found on page 112.

External auditor quality and independence

The committee considered and satisfied itself with the audit quality, independence, and suitability of Ernst & Young Inc. and Gail Moshoeshoe, in their respective capacities as the appointed external audit firm and designated engagement 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 assessment, in addition to considering the documents presented by Ernst & Young Inc., as required by the JSE Listings Requirements, and found it to be satisfactory. This is the second year of the firm as auditor of the company and group.

Group audit committee report *continued*

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 to the terms, nature, scope, quality and proposed audit fee for the 2023 financial year, which is considered appropriate for the work that was done. The audit fees are disclosed in note 22 to the financial statements.

Risk management policy

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 complied with the policy during the year.

Evaluation of the expertise and experience of the financial director and the finance function

The committee considered and satisfied itself with 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.

Solvency and liquidity

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

Effectiveness of internal financial controls

The committee has reviewed the written assessment performed by internal audit on the design, implementation, and effectiveness of the group's internal financial controls. Based on the results of this review, the information provided by management and the risk management process, together with the work and engagement with the independent assurance providers, the committee is of the opinion that the internal financial controls in place are adequate and effective and form a sound basis for the preparation of reliable financial statements.

Internal audit

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 results of audits performed in terms of the approved plan were reviewed, and the committee is satisfied with the quality and performance of internal audit.

As part of the three-year rolling internal audit plan, independent external reviews were performed on the Enterprise Risk Management process and Information Technology Management. The external assurance providers concluded that:

- The Enterprise Risk Management process currently operates at an appropriate maturity level in terms of internationally recognised maturity models
- The Information Technology Management key operational controls were overall adequate and effective

Combined assurance

In respect of the co-ordination of assurance activities, the committee:

- Considered the plans, collaboration and work outputs of the external and internal auditors and concluded they were adequate to address all significant risks facing the group
- Reviewed Octodec's risk appetite and tolerance statements as the basis of the combined assurance model
- Monitored the key risk indicators and the refinement and enhancement thereof
- Evaluated the effectiveness of the combined assurance model

The committee is of the view that the combined assurance model is meeting the needs of the company and will continue to be further enhanced.

Compliance with JSE's report back on proactive monitoring

The committee, in the finalisation of the consolidated financial statements for the year ended 31 August 2023, considered all reports issued by the JSE and, where necessary, has taken appropriate action to address the applicable findings and focus areas identified by the JSE.

Consolidated financial statements, results, and integrated report

The committee has considered the financial reporting procedures adopted by Octodec and has reviewed the 2023 group and company financial statements and the going concern assessment applicable to the consolidated financial statements of the group for the year ended 31 August 2023, and is of the view that, in all material respects, these financial statements and the related results announcements complied with the provisions of the Companies Act, IFRS and the JSE Listings Requirements.

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

The external auditors have provided shareholders with an independent opinion on pages 112 to 115, that the financial statements for the year ended 31 August 2023 fairly present, in all material respects, the financial results for the year, and the financial position of the group at 31 August 2023.

There were no complaints from within or outside the group, relating to accounting practices, internal audit, the content or auditing of the group's financial statements, internal financial controls, or related matters.

Recommendation and approval

The committee recommended the consolidated financial statements, results announcements and integrated report for the year ended 31 August 2023 to the board for approval on 27 November 2023.

The board subsequently approved the consolidated financial statements, which will be open for discussion at the upcoming AGM.

Key focus areas for the year ending 31 August 2024

The committee has set the following key areas of focus for the 2024 financial year, which include continuing items from the year under review:

- Monitor the enhancement of the second line of defence contained in the Combined Assurance model through more focused reporting by Compliance, SHEQ and Risk Management
- Focus on ensuring the group's financial systems, processes and controls remain effective in meeting Octodec's requirements
- Continue to monitor the weighted loan and interest hedging expiry profile, the LTV ratio and ICR, debt covenants and liquidity
- Continue to focus on property valuations and their impact on the balance sheet
- Assess the need for external assurance on ESG reporting
- Monitor the optimisation of the Governance, Risk and Compliance (GRC) structure across all technology teams; Cyber user awareness training; and; internal information asset controls

Concluding remarks

The committee is satisfied that it has complied with and discharged all statutory duties in terms of Section 94(7) of the Companies Act and the JSE Listings Requirements, as well as with the functions and responsibilities assigned to it by the board under its terms of reference and committee mandate, for the 2023 financial year.

Louis van Breda
Chairman of the committee

27 November 2023

REPORT OF THE DIRECTORS

for the year ended 31 August 2023

To the shareholders of Octodec Investments Limited

The directors have pleasure in submitting their report for the year ended 31 August 2023.

Preparation of the consolidated financial statements

The consolidated financial statements were prepared in accordance with IFRS, the 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 Mrs A Vieira CA(SA), in her capacity as group financial director.

The separate financial statements contain information about Octodec as an individual company and do not contain consolidated financial information as the parent of a group. The separate financial statements of the company are available on the company's website, www.octodec.co.za, and at the registered office of the company.

Nature of business

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

Share capital

The authorised stated capital comprises 500 000 000 (2022: 500 000 000) shares of no par value. There were no issues of shares in the current year and, consequentially, 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 2023.

Dividends

Octodec's dividend policy is based on the premise of retaining sufficient funds for maintenance and development and acquisition opportunities as and when these arise, maintaining a strong balance sheet with an acceptable loan to value ratio, while at the same time taking into consideration our shareholders' expectations in respect of distributions. In determining the funds for distribution, we use distributable income (SA REIT funds from operations) and deduct the anticipated amount for refurbishments and developments, while ensuring that the distribution complies with the JSE Listings Requirements of a minimum distribution of 75% of distributable income (taxable income), taking into account the solvency and liquidity of the underlying property-controlled subsidiaries. The distribution for FY2023 as a percentage of distributable income is 78.9% at group level and 99.1% at company level, ensuring that the group remains a REIT.

Based on the above policy, the board has declared a final dividend of 75.0 cents (FY2022: 80.0 cents) per share. The total dividend for the year increased by 3.8% to 135.0 cents (FY2022: 130.0 cents) per share.

Report of the directors *continued*

Subsidiaries

The company has a 100% interest in the under-mentioned 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

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 (held by Joybee (Pty) Ltd)
Joybee Properties (Pty) Ltd
OPC Properties (Pty) Ltd
Savyon Building (Pty) Ltd
Vuselela Investments (Pty) Ltd
Simprit Properties Share Block (Pty) Ltd (held by Centpret Properties (Pty) Ltd)

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

Joint ventures and joint operations

The group holds the following interests:

Prensas Properties (Pty) Ltd – 50% interest in the joint venture owning the Blaauw Village shopping centre; and
The Manhattan properties in which a 50% undivided share is owned and is accounted for as a joint operation.

Management contract

The group's investment properties are managed by City Property in terms of the asset and property management agreement which was renewed on 30 June 2023 for a period of five years and two months from 1 July 2023 to 31 August 2028. City Property is a related party as it is wholly owned by the Wapnick family.

Events after the reporting date

The following events have taken place subsequent to 31 August 2023:

- The DMTN Programme has been transferred from Premium to Octodec, with R330.4 million of unsecured notes being transferred to the company. Premium has been delisted from, and Octodec listed on, the debt market of the JSE. The following changes were made to the programme:
  - the substitution of the Existing Issuer (Premium) with the Existing Guarantor (Octodec) as the New Issuer such that the Existing Guarantor (as New Issuer), assumes all rights and obligations of the Existing Issuer pursuant to the Terms and Conditions of the Programme;
  - the increase of the Programme Amount to R5 billion; and
  - the removal of the Guarantee by Octodec in respect of the Notes outstanding.
- DMTN Note PMM57 amounting to R50 million was successfully refinanced through the issuance of OCT001 amounting to R100 million for a 3 year tenor.
- A dividend of 75 cents per share was declared on 30 October 2023 and paid to shareholders in November 2023.

Directorate

The directors of the company during the year under review and up to the date of this report were:

Executive directors

JP Wapnick (managing director)

A Vieira (financial director and debt officer)

Non-executive directors

S Wapnick (chairman)

DP Cohen (lead independent director)

RWR Buchholz (independent non-executive director)

NC Mabunda (independent non-executive director)

EMS Mojapelo (independent non-executive director)

MZ Pollack (non-executive director)

PJ Strydom (independent non-executive director)

LP van Breda (independent non-executive director)

Directors' remuneration

We refer you to the detailed information on directors' remuneration set out on page 143 of this report.

Report of the directors *continued*

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:

	2023		
	Direct beneficial	**Indirect beneficial**	**Total**
S Wapnick	**38 842**	**–**	**38 842**
JP Wapnick	**39 374**	**–**	**39 374**
S Wapnick and JP Wapnick (combined)[1]	**–**	**100 333 533**	**100 333 533**
MZ Pollack[2]	**1 795 068**	**2 204 345**	**3 999 413**
	1 873 284	**102 537 878**	**104 411 162**

	2022		
	Direct beneficial	Indirect beneficial	Total
S Wapnick	38 842	–	38 842
JP Wapnick	39 374	–	39 374
S Wapnick and JP Wapnick (combined)[1]	–	100 227 433	100 227 433
MZ Pollack[2]	1 795 068	2 204 345	3 999 413
	1 873 284	102 431 778	104 305 062

[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] *Combined 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. 1 460 912 shares have been pledged to Standard Bank as collateral for overdraft facilities.*

Changes in shareholding between the financial year end and the date of this report

There have been no changes in the number of shares held by directors between 31 August 2023 to the date of this report.

Going concern

The current liabilities exceed the current assets by R0.4 billion (2022: R0.7 billion), mainly due to the fact that an amount of R277.5 million will be maturing in FY2024. (Refer to note 15). The group has R735.3 million (2022: R624.0 million) in cash and unutilised banking facilities available as at 31 August 2023 to fund its working capital requirements and to refinance maturing debt, if required.

The board has reviewed the cash flow projections for the eighteen months to 28 February 2025 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.

Auditor

Ernst & Young is the independent auditor of the group, with Gail Moshoeshoe CA(SA) as the engagement partner. A proposal for the re-appointment of Ernst & Young with Gail Moshoeshoe as the engagement partner, will be put forward at the AGM for approval.

Group company secretary

Elize Greeff
CPA House
101 Du Toit Street
Tshwane, 0002

PO Box 15, Tshwane, 0001

CEO AND FD RESPONSIBILITY STATEMENT

Each of the directors, whose names are stated below, hereby confirm that:

- The consolidated financial statements set out on pages 106 to 144, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the consolidated financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- The internal financial controls are adequate and effective and can be relied upon in compiling the consolidated financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the audit committee and the auditor any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- We are not aware of any fraud involving directors.

Signed by the CEO and the FD

JP Wapnick Managing director	**A Vieira (CA) SA** Financial director
27 November 2023 Tshwane	27 November 2023 Tshwane

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 116 to 144, which comprise the consolidated statement of financial position as at 31 August 2023 , 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 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards 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 of the Group and 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 of the Group and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report *continued*

Key Audit Matters

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. These matters were 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Valuation of investment properties (Note 5) The Group's investment properties to the value of R11bn (2022: R11bn), including those classified as held-for-sale, are measured at fair value, comprise 97% (2022: 97%) of total assets of the Octodec Investments Limited Group as at 31 August 2023. The portfolio consists of residential, retail, office, and industrial properties. The Group apply the Capitalisation of income method in determining the fair value of properties. This method is based on the premise that an investor/owner occupier would determine the price that they are willing to pay for the property by capitalising the net annual income that the property is capable of generating. • The income capitalisation method involves multiple inputs that demand judgment and are subject to complexity. Key inputs encompass expense ratios, capitalisation rates, and long-term vacancy rates. The use of different valuation inputs could produce significantly different estimates of fair value. The valuation of investment properties remains a key audit matter due to its significance to the consolidated audited annual financial statements as a whole, and the aforementioned inputs used in the valuation of investment property are inherently judgemental. In the current year, there was a major gas explosion that occurred in July along the Lilian Ngoyi Street in the Johannesburg Central Business District. This resulted in increased judgement being applied by management relating to the assumptions used in the valuation of investment properties located in the impacted area and thus required significant audit attention. The disclosures are set out in the consolidated financial statements in note 5 in accordance with IAS 40 Investment property and IFRS 13 Fair Value Measurement.	Our procedures included, amongst others, the following: • We obtained an understanding of and evaluated the design of management's internal process for determining the fair value of investment property. • We agreed all investment properties' fair values to the management and external specialist valuations. • With the support of our EY specialists, we assessed the method and inputs applied in determining the fair value of investment properties, especially given the major gas explosion that occurred in July along the Lilian Ngoyi Street in the Johannesburg Central Business District. This included: – Checked that the valuation method applied by management and their external specialists in determining the fair value of investment properties are consistent with generally accepted property valuation techniques in the property industry and International Financial Reporting Standards; – Compared the capitalisation rates to Rode, South African Property Owners Association reports, and management external specialists valuation reports; – Compared the inputs such as expense ratios and long range vacancy rates to lease agreements and tenancy schedules; and – Determined whether management's values, compared to our independent valuation, are within reasonable ranges. • We evaluated the objectivity, capability and competence of the management external specialist used by assessing their qualifications and industry experience. • We inspected that each property within the portfolio had been subject to an external valuation during the three-year rotational basis. • We assessed the disclosures in terms of the requirements of IAS 40, Investment Property and IFRS 13, Fair Value Measurement.

Independent auditor's report *continued*

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 169 page document titled "Octodec Investments Limited Integrated Report 2023", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's reports thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc has been the auditor of Octodec Investments Limited for 2 years.

Ernst &Young Inc.
Director – Gail Moshoeshoe
Registered Auditor

28 November 2023

102 Rivonia Road
Sandton

Consolidated statement of financial position

at 31 August 2023

	Notes	**2023 R'000**	2022 R'000
ASSETS			
Non-current assets		**11 096 877**	10 848 512
Investment property	5	**10 905 950**	10 633 189
Straight-line rental income accrual	6	**88 584**	100 879
Unamortised tenant installations and lease costs	8	**46 066**	22 132
Investment property at fair value		**11 040 600**	10 756 200
Furniture, fittings and equipment	7	**1 536**	939
Interest in and loan to joint venture	9	**44 356**	47 761
Derivative financial instruments	16	**10 385**	43 612
Current assets		**343 542**	261 999
Accounts receivable and prepayments	11	**178 562**	183 733
Derivative financial instruments	16	**51 267**	10 471
Taxation receivable	29	**–**	1 241
Cash and bank balances	12	**113 713**	66 554
Non-current assets held for sale	13	**50 100**	134 165
Total assets		**11 490 519**	11 244 676
EQUITY AND LIABILITIES			
Equity		**6 559 626**	6 321 840
Stated capital	14	**4 210 134**	4 210 134
Non-distributable reserve	14	**1 493 585**	1 326 464
Retained income		**855 907**	785 242
Non-current liabilities		**4 234 529**	3 967 674
Long-term borrowings	15	**4 068 493**	3 816 601
Lease liabilities	17	**10 901**	10 930
Deferred taxation	18	**155 135**	140 143
Current liabilities		**696 364**	955 162
Trade and other payables	19	**416 327**	393 607
Short-term borrowings	15	**277 463**	558 596
Lease liabilities	17	**29**	27
Derivative financial instruments	16	**–**	2 932
Taxation payable	29	**2 545**	–
Total equity and liabilities		**11 490 519**	11 244 676

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 August 2023

	Notes	**2023 R'000**	2022 R'000
Revenue	20	**1 982 537**	1 939 072
Revenue		**1 995 095**	1 931 091
Straight-line rental income accrual		**(12 558)**	8 552
COVID-19 rental discount		**–**	(571)
Sundry income	21	**12 329**	–
Property expenses	22	**(1 030 480)**	(980 047)
Expected credit loss – accounts receivables and utility accrual		**(36 638)**	(33 413)
Net property income		**927 748**	925 612
Administrative and corporate expenses	22	**(102 664)**	(84 614)
Fair value changes		**186 349**	141 635
Investment property	5	**179 055**	(82 386)
Derivative financial instruments	34.2	**10 500**	234 845
Disposal of investment property		**(3 206)**	(10 824)
Profit on disposal of movable assets		**142**	–
Securities transfer tax on restructure of subsidiary		**–**	(1 250)
Share of (loss)/income of joint venture	23	**(288)**	8 751
Profit before finance costs		**1 011 287**	990 134
Net finance costs	24	**(381 759)**	(369 037)
Finance income		**13 256**	12 397
Finance costs		**(395 015)**	(381 434)
Profit before taxation		**629 528**	621 097
Taxation	25	**(19 065)**	(15 970)
Profit for the year and total comprehensive profit attributable to shareholders		**610 463**	605 127
Weighted shares in issue ('000)		**266 198**	266 198
Shares in issue ('000)		**266 198**	266 198
Basic and diluted profit per share (cents)		**229.3**	227.3

Consolidated statement of changes in equity

for the year ended 31 August 2023

	Stated capital R'000	Non-distributable reserve R'000	Retained income R'000	Total R'000
Balance at 31 August 2021	4 210 134	1 194 706	578 071	5 982 911
Total comprehensive income for the year	–	–	605 127	605 127
Dividends paid	–	–	(266 198)	(266 198)
Transfer to non-distributable reserve				
Deferred tax	–	(16 163)	16 163	–
Fair value changes				
– Investment property	–	(82 386)	82 386	–
– Investment property – joint venture	–	6 286	(6 286)	–
– Derivative financial instruments	–	234 845	(234 845)	–
– Disposal of investment property	–	(10 824)	10 824	–
Balance at 31 August 2022	**4 210 134**	**1 326 464**	**785 242**	**6 321 840**
Total comprehensive income for the year	**–**	**–**	**610 463**	**610 463**
Dividends paid	**–**	**–**	**(372 677)**	**(372 677)**
Transfer to non-distributable reserve				
Deferred tax	**–**	**(14 992)**	**14 992**	**–**
Fair value changes				
– Investment property	**–**	**179 055**	**(179 055)**	**–**
– Investment property – joint venture	**–**	**(4 236)**	**4 236**	**–**
– Derivative financial instruments	**–**	**10 500**	**(10 500)**	**–**
– Disposal of investment property		**(3 206)**	**3 206**	**–**
Balance at 31 August 2023	**4 210 134**	**1 493 585**	**855 907**	**6 559 626**

Consolidated statement of cash flows

for the year ended 31 August 2023

	Notes	2023 R'000	2022 R'000
Cash flows from operating activities			
Cash generated from operations	28	**862 578**	792 454
Interest received		**13 256**	12 397
Finance costs paid		**(428 369)**	(388 892)
Dividends paid		**(372 677)**	(266 198)
Taxation paid	29	**(287)**	(24 894)
Net cash flows from operating activities		**74 501**	124 867
Cash flows from investing activities			
Additions to investment property		**(123 870)**	(54 812)
Acquisition of furniture, fittings and equipment		**(880)**	(457)
Increase in tenant installation and lease costs		**(4 309)**	(6 364)
Proceeds from disposal of investment property		**109 359**	218 446
Proceeds from disposal of movable assets		**142**	–
Repayment of loan receivable		**–**	73 429
Loan advanced to joint venture		**–**	(16 900)
Payment received on loan to joint venture		**3 117**	1 500
Net cash flows from investing activities		**(16 441)**	214 842
Cash flows from financing activities			
Proceeds from borrowings		**2 559 656**	1 421 702
Repayment of borrowings		**(2 570 528)**	(1 736 806)
Repayment of lease liabilities		**(29)**	(24)
Early settlement of derivatives		**–**	(16 385)
Net cash flows from financing activities		**(10 901)**	(331 513)
Net increase in cash and bank balances		**47 159**	8 196
Cash and bank balances at the beginning of the year		**66 554**	58 358
Cash and bank balances at the end of the year	12	**113 713**	66 554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2023

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 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 consolidated 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 4. The accounting policies adopted and methods of computation are consistent with those applied in the consolidated financial statements of the previous year.

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

3. Critical accounting judgements and estimates

In the application of the group's accounting policies below, the directors are required to make judgements that have a significant impact on the amounts recognised in the consolidated 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 rate. Any change to these inputs can have a significant impact on the financial position of the group.

3.2 Impairments

Calculation of expected credit losses

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

Calculation of lifetime expected credit losses

The group has adopted the simplified approach for the calculation of the expected credit loss on 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. A provision is raised for all trade receivables.

4. Significant accounting policies

4.1 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; and
(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.

4. Significant accounting policies *continued*

4.2 Financial instruments

4.2.1 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.

4.2.2 Financial assets

The financial assets are classified into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)

The group has the following financial assets:

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

Financial assets at amortised cost

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

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

After initial recognition, the financial assets are measured at amortised cost using the effective interest method. The group's cash and bank balance, trade and other receivables and 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.

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.

4.2.3 Expected credit loss of financial assets

Expected credit loss (ECL) and lifetime expected credit loss (LECL)

LECL represents the expected credit losses (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 a 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 borrower
- Failure to meet current repayment obligations

Trade and other short-term receivables

The group recognises LECLs for trade 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 for residential and commercial lease receivables separately since they possess different credit risk characteristics.

The expected credit losses of loans and trade and other receivables are recognised in the statement of profit or loss and other comprehensive income for the year.

4.2.4 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.

4. Significant accounting policies *continued*

4.2 Financial instruments continued

4.2.5 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.

4.3 Fair value

The group measures financial instruments, which include interest rate swaps, 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 values 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)

4.4 New or revised Standards and Interpretations

4.4.1 Standards and interpretations effective and adopted in the current year

There were no new or revised standards and interpretations that the group adopted or early adopted during the current financial year.

4.4.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following relevant standards, which have been published and are mandatory for the group's accounting period beginning on or after the effective date indicated below:

Standard	Effective date	Impact
IFRS 17 Insurance contracts	1 January 2023	Not applicable to the group
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	No material impact
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	No material impact
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	No material impact
Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024	No material impact

5. 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 (fair value changes) 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.

5. Investment property *continued*

Fair value

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

Borrowing costs

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

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

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

	Notes	**2023 R'000**	2022 R'000
Reconciliation of investment property			
Carrying value at beginning of year		**10 633 189**	10 866 380
Acquisitions and additions		**122 469**	64 384
Disposals		**(28 051)**	(132 670)
Fair value changes		**178 343**	(81 109)
Transferred to held for sale		**–**	(83 795)
		10 905 950	10 633 189
Reconciliation of valuation to carrying value – investment property			
Valuation of portfolio at end of year		**11 090 700**	10 890 365
Less:			
Straight-line rental income accrual	6	**(88 584)**	(100 879)
Unamortised tenant installations and lease costs	8	**(46 066)**	(22 132)
Non-current assets held for sale	13	**(50 100)**	(134 165)
Carrying amount at end of year		**10 905 950**	10 633 189

The investment properties are valued biannually by a finance 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 by external independent valuers at least once over a rolling three-year period. In the current year 87 (2022: 89) properties representing 25.4% (2022: 26.1%) of the portfolio, with a carrying amount of R2.8 billion (2022: R2.8 billion) were externally valued. The board confirms that there have been no material changes to the information used and assumptions applied by the registered valuers.

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.

Entity	Valuator	Qualifications
Mills Fitchet Global	William Hewitt	NDPV, MIEA, FIVSA, RICS Registered Valuer
Gert van Zyl Valuations	Gerhardus Jacobus Van Zyl	Professional Associate Valuer
Premium Valuations Services	Yusuf Vahed	Professional Valuer

Mills Fitchet Global valued the properties using the discounted cash flow model, and Gert van Zyl Valuations and Premium Valuation Services used the capitalisation of income method. The entire property portfolio was also internally valued using the capitalisation of income method, which represents the carrying amount on the statement of financial position and the above note. There were no significant differences between the internal and external valuations.

Fair value information

Valuation of investment property is subject to a significant amount of judgement and estimation and any change in assumptions and estimations will result in different property values. The inputs in the calculation which are subject to a significant degree of estimation are the capitalisation rate the long-range vacancy factor and the expense ratio. Due to the mixed use of many properties, it is not possible to summarise the inputs by sector. To provide more insight into the valuations, the tables set out below reflect the ranges and number of buildings and values within the ranges.

5. Investment property *continued*

The following unobservable inputs were used by the group at 31 August 2023:

	31 August 2023					31 August 2022				
	Number of properties	**Fair value R'000**	**Weighted average capitalisation rate %**	**Weighted average long-range vacancy factor %**	**Weighted average expense ratio %**	Number of properties	Fair value R'000	Weighted average capitalisation rate %	Weighted average long-range vacancy factor %	Weighted average expense ratio %
Capitalisation Rate										
8.50% – 8.75%	**2**	**645 800**	**8.6**	**1.8**	**27.9**	6	2 204 700	8.7	7.6	31.3
9.00% – 10.00%	**78**	**7 020 500**	**9.5**	**6.7**	**31.8**	75	5 197 700	9.7	6.1	30.9
10.25% –11.50%	**138**	**3 090 400**	**10.6**	**9.9**	**28.3**	145	3 154 900	10.6	9.3	27.0
Greater than 11.50%	**9**	**177 600**	**10.5**	**18.2**	**24.2**	7	97 700	12.2	18.2	27.4
Total	**227**	**10 934 300**	**9.8**	**7.8**	**30.2**	233	10 655 000	9.8	7.5	29.7
Long-range vacancy factor										
1.00% – 5.00%	**99**	**5 365 200**	**9.8**	**3.0**	**27.5**	104	4 897 100	9.8	2.9	26.8
6.00% – 10.00%	**84**	**3 474 300**	**9.8**	**7.9**	**33.8**	87	3 629 900	9.7	7.6	33.1
11.00% – 15.00%	**20**	**1 441 200**	**9.6**	**14.0**	**30.8**	20	1 437 500	9.5	12.6	29.5
Greater than 15.00%	**24**	**653 600**	**10.4**	**23.1**	**33.4**	22	690 500	10.7	21.8	31.6
Total	**227**	**10 934 300**	**9.8**	**7.8**	**30.2**	233	10 655 000	9.8	7.5	29.7
Expense ratio										
5.00% – 15.00%	**11**	**236 800**	**10.8**	**2.6**	**11.0**	11	260 900	10.3	2.9	10.0
15.01% – 25.00%	**59**	**2 403 100**	**9.9**	**4.7**	**21.1**	68	2 054 500	10.2	4.9	21.1
25.01% – 35.00%	**96**	**5 308 400**	**9.8**	**9.0**	**30.7**	106	6 339 000	9.7	7.8	30.4
Greater than 35.00%	**61**	**2 986 000**	**9.7**	**9.9**	**37.4**	48	2 000 600	9.7	9.2	37.2
Total	**227**	**10 934 300**	**9.8**	**7.8**	**30.2**	233	10 655 000	9.8	7.5	29.7

The balance of the portfolio of 10 properties (2022: 12 properties) with a carrying value of R156.4 million (2022: R235.4 million) represents properties held for sale, land or mothballed properties. Where a firm offer has been received, the properties were valued at the net offer consideration. Land and mothballed buildings have been valued using bulk rates determined from sales of similar properties using the lower range of the average selling price and adjusted downwards by a further 10% to 35% where relevant, to take into account the current economic climate. A 5% average selling price increase/(decrease) would result in an increase/(decrease) of R7.8 million. There are no other material significant unobservable inputs or interrelationships between such inputs.

5. Investment property *continued*

Sensitivity to changes in valuation inputs

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.

	2023 R'000	2022 R'000
1% Increase in capitalisation rates, while all other inputs remain constant	**(1 012 174)**	(982 641)
1% Decrease in capitalisation rates, while all other inputs remain constant	**1 242 140**	1 205 970
2% Increase in long-range vacancy factor, while all other inputs remain constant	**(314 449)**	(229 430)
2% Decrease in long-range vacancy factor, while all other inputs remain constant	**314 449**	229 430
2% Increase in expense ratio, while all other inputs remain constant	**(237 254)**	(302 047)
2% Decrease in expense ratio, while all other inputs remain constant	**237 254**	302 047

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 4.3 in the accounting policies).

	2023 R'000	2022 R'000
Reconciliation of fair value changes to investment property		
Investment property	**178 343**	(81 109)
Non-current assets held for sale	**712**	(1 277)
	179 055	(82 386)

Investment property pledged as security

The group has encumbered the majority of its investment properties with a fair value of R10.2 billion (2022: R9.9 billion) to secure mortgage loan facilities as set out in note 15. 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 146 to 154.

6. 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.

	2023 R'000	2022 R'000
Carrying value at beginning of year	**100 879**	93 626
Straight-line rental income accrual	**(12 246)**	8 562
Disposals	**(49)**	(640)
Transferred to non-current assets held for sale	**–**	(670)
	88 584	100 879

7. Furniture, fittings and equipment

Furniture, fittings 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 is recognised on a straight-line basis over the current estimated useful lives of the asset. The estimated useful lives of assets for the current and comparative periods are:

• Furniture and equipment	5 – 6 years
• Computer equipment	3 years

	2023 R'000	2022 R'000
Furniture, fittings and equipment		
Cost	**3 342**	2 462
Accumulated depreciation	**(1 806)**	(1 523)
Carrying value	**1 536**	939
Movement during the year:		
Carrying value at beginning of year	**939**	–
Additions	**880**	457
Depreciation charge	**(283)**	(193)
Transferred from plant and equipment	**–**	675
	1 536	939

8. 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 a straight-line basis.

	2023 **R'000**	2022 R'000
Carrying value at beginning of year	**22 132**	24 668
Additions	**33 400**	6 364
Disposals	**–**	(100)
Amortisation	**(9 466)**	(8 799)
	46 066	22 132

9. 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, Prensas Properties (Pty) Ltd ("Prensas"), 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. Octodec and the other joint venture partner have joint control over Prensas Properties (Pty) Ltd and neither party can take decisions on their own without the consent of the other, therefore the joint venture is accounted for using the equity method in these consolidated financial statements.

	2023 **R'000**	2022 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	**24 419**	27 561
	24 420	27 562
Loan to joint venture	**19 936**	20 199
Loan 1	**5 977**	–
Loan 2	**13 959**	20 199
	44 356	47 761

Loan 1 of R6.0 million (2022: Rnil) bears interest at prime plus 3% (2022: prime plus 3%) per annum and there are no terms of repayment.

Loan 2 of R14.0 million (2022: R20.2 million) bears interest at prime plus 3% (2022: prime plus 3%) per annum, payable monthly in arrears. The capital is repayable over a period of seven years, taking into account the available cash flows generated by the joint venture company.

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.

9. Interest in and loan to joint venture *continued*

Summarised financial information of the joint venture as at 31 August 2023

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

	2023 R'000	2022 R'000
Assets		
Non-current	**99 000**	109 600
Investment property	**94 558**	103 534
Straight-line rental income accrual	**3 997**	5 447
Unamortised tenant installations and lease costs	**445**	619
Current	**1 794**	1 509
Accounts receivable and prepayments	**1 793**	1 426
Taxation receivable	**–**	82
Cash and bank balances	**1**	1
	100 794	111 109
Equity and liabilities		
Equity	**48 114**	55 124
Share capital	**1**	1
Non-distributable reserve	**30 886**	39 765
Retained earnings	**17 227**	15 358
Non-current liabilities	**51 607**	54 785
Shareholder loan accounts	**39 741**	40 167
Deferred taxation	**11 866**	14 618
Current liabilities	**1 073**	1 200
Trade and other payables	**919**	1 200
Taxation due	**154**	–
	100 794	111 109
Results of operations		
Revenue	**20 811**	20 240
Property operating expenses	**(12 494)**	(11 522)
Net property income	**8 317**	8 718
Administrative and corporate expenses	**(900)**	(720)
Fair value changes to investment property	**(10 805)**	15 676
(Loss)/profit before finance costs	**(3 388)**	23 674
Net finance charges	**(5 806)**	(3 265)
Finance income	**14**	7
Finance costs	**(5 820)**	(3 272)
(Loss)/profit before taxation	**(9 194)**	20 409
Taxation	**1 899**	(4 590)
(Loss)/profit for the year and total comprehensive income	**(7 295)**	15 819

Commitments and contingencies of joint venture

During the current year, the partners agreed to install a solar energy solution at the Blaauw Village Shopping Centre and they have committed to their respective share of providing the necessary funding for this capital requirement, of which Octodec has committed an amount of R3.2 million.

10. 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.

10. Joint operation *continued*

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.

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:

	2023 R'000	2022 R'000
Assets		
Non-current		
Investment property	60 100	62 500
Current	337	357
Accounts receivable and prepayments	294	291
Cash and bank balances	43	66
	60 437	62 857
Equity and liabilities		
Equity	(3 226)	(5 587)
Non-distributable reserve	(30 937)	(28 537)
Retained earnings	27 711	22 950
Non-current liabilities		
Long-term borrowings	63 386	68 361
Current liabilities		
Trade and other payables	277	83
	60 437	62 857
Results of operations		
Revenue	8 604	8 122
Property operating expenses	(3 874)	(3 604)
Net property income	4 730	4 519
Fair value changes to investment property	(2 400)	(2 300)
Profit before finance income	2 330	2 219
Finance income	31	19
Profit for the year and total comprehensive income	2 361	2 238

11. Accounts receivable and prepayments

	2023			2022		
	Carrying amount R'000	**Expected credit loss R'000**	**Net R'000**	Carrying amount R'000	Expected credit loss R'000	Net R'000
Financial instruments						
Trade receivables	94 217	(45 217)	49 000	70 117	(32 422)	37 695
Other receivables – utility recoveries	72 868	(1 457)	71 411	62 398	(3 199)	59 199
Loans to B-BBEE suppliers	3 044	(3 044)	–	3 090	(3 090)	–
Interest rate derivatives	7 077	–	7 077	–	–	–
Sundry receivables	3 882	–	3 882	49 057	–	49 057
	181 088	(49 718)	131 370	184 662	(38 711)	145 951
Non-financial instruments						
Payments in advance	25 506	–	25 506	20 634	–	20 634
Other receivables – municipal refunds	16 329	–	16 329	11 517	–	11 517
Deposits	5 357	–	5 357	5 200	–	5 200
VAT receivable	–	–	–	431	–	431
	47 192	–	47 192	37 782	–	37 782
	228 280	(49 718)	178 562	222 444	(38 711)	183 733

All trade and other receivables are short-term in nature. Interest is charged at prime plus 4% per annum (2022: prime plus 4% per annum) on arrear tenant balances and loans to employees. The loans to B-BBEE suppliers are interest free.

Refer to note 34.1 in respect of the ECL of trade receivables and other receivables – utility recoveries. No provision has been raised in respect of sundry receivables. The balance of the sundry receivables was reviewed, and based on the payment experience, it was concluded that no ECL is required, and consequently, no provision for ECL was raised.

12. Cash, bank balances and overdraft

	2023 R'000	2022 R'000
Cash on hand and bank balances	80 776	38 960
Bank account held for residential tenant deposits	32 937	27 594
	113 713	66 554

Cash and cash equivalents of R32.9 million (2022: R27.6 million) relating to residential tenant deposits are held on behalf of tenants of the subsidiaries in a separate interest-bearing bank account in terms of the Rental Housing Act, No 50 of 1999. The group policy is to restrict these funds 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 19 "Trade and other payables", which is inclusive of both commercial and residential tenant deposits.

12. Cash, bank balances and overdraft *continued*

The group has overdraft facilities of R25.4 million (2022: R25.4 million) which are reviewable on an annual basis. The group's overdraft facilities are unsecured and bear interest at the prime overdraft rate. The overdraft facilities were not utilised at 31 August 2023.

The group banks with Nedbank which has a credit rating of long-term zaAA and short term of zaA-1+ with a positive outlook. 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.

13. 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:

	2023 R'000	2022 R'000
Property name		
Midrand McCarthy*	**–**	30 960
Midtown*	**–**	29 670
Potmeul	**7 400**	7 400
Potproes (4) – Jet Set Park*	**–**	18 800
Rosnew	**42 700**	42 300
Swemvoor (2)*	**–**	5 035
	50 100	134 165

* *Properties disposed of during the year*

Octodec is committed to disposing of the 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 5.

14. 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 where required 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 and expected credit losses on loans receivable, net of deferred tax where applicable, are transferred to a non-distributable reserve, as these are not distributable to shareholders.

Stated capital	**2023 R'000**	2022 R'000
Authorised		
500 000 000 ordinary shares of no par value	**500 000**	500 000
Issued		
266 197 535 (2022: 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.

Non-distributable reserve		
Capital reserve arising on disposal of investment property	**7 622**	10 828
Fair value changes to investment property	**540 654**	376 591
Fair value changes to derivative financial instruments	**53 897**	43 397
Fair value changes to joint venture reserves	**24 069**	28 305
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**	1 177
Fair value changes to unlisted equity shares	**(5 551)**	(5 551)
Impairment of loans	**(2 545)**	(2 545)
	1 493 585	1 326 464

Notes to the consolidated financial statements *continued*

15. Borrowings

Loans at amortised cost	Interest rate %	Expiry date	Interest payment frequency	**2023 R'000**	2022 R'000
Secured loans					
Nedbank Limited (Nedbank)					
Loan 1*				**–**	397 595
Loan 2*				**–**	481 343
Loan 3*				**–**	149 422
Loan 4*				**653**	440 489
Loan 5	3-month JIBAR plus 1.75	31 August 2025	Quarterly	**648 050**	–
Loan 6	3-month JIBAR plus 2.00	31 August 2026	Quarterly	**19 156**	–
Loan 7	3-month JIBAR plus 2.10	31 August 2027	Quarterly	**348 950**	–
Loan 8	3-month JIBAR plus 2.20	31 August 2028	Quarterly	**498 500**	–
Standard Bank of South Africa Ltd (Standard Bank)					
Loan 1#				**–**	494 491
Loan 2	Prime less 1.40	30 June 2025	Monthly	**20 218**	91 479
Loan 3	3-month JIBAR plus 1.89	30 June 2025	Quarterly	**199 873**	199 721
Loan 4	3-month JIBAR plus 1.98	30 June 2026	Quarterly	**273 786**	273 612
Loan 5	3-month JIBAR plus 2.09	30 June 2027	Quarterly	**199 827**	199 714
Loan 6	3-month JIBAR plus 2.03	30 June 2027	Quarterly	**363 285**	–
Loan 7	3-month JIBAR plus 2.08	30 June 2028	Quarterly	**494 013**	–
ABSA Group Ltd (ABSA)					
Loan 1	3-month JIBAR plus 1.80	30 June 2025	Quarterly	**224 789**	224 598
Loan 2	3-month JIBAR plus 1.95	06 March 2024	Quarterly	**225 050**	224 940
Loan 3	3-month JIBAR plus 2.375	08 October 2024	Quarterly	**124 924**	124 811
Loan 4	3-month JIBAR plus 2.475	08 October 2025	Quarterly	**124 842**	124 739
Loan 5	3-month JIBAR plus 2.10	30 June 2025	Quarterly	**249 684**	249 576
				4 015 600	3 676 530
DMTN Programme					
Unsecured loans – listed					
PMM 56 – issuance 18 months				**–**	179 960
PMM 57 – issuance 24 months	3-month JIBAR plus 2.05	10 October 2023	Quarterly	**50 741**	50 487
PMM 58 – issuance 36 months	3-month JIBAR plus 2.15	28 February 2025	Quarterly	**99 920**	99 866
PMM 59 – issuance 24 months	3-month JIBAR plus 1.90	28 February 2025	Quarterly	**99 845**	–
PMM 60 – issuance 36 months	3-month JIBAR plus 2.05	28 February 2026	Quarterly	**79 850**	–
Secured loans – unlisted					
PMM 46 – Standard Bank of South Africa Ltd				**–**	368 354
				330 356	698 667
				4 345 956	4 375 197

* *Refinanced on 31 August 2023.*

\# *Refinanced on 29 June 2023.*

15. Borrowings *continued*

	2023 R'000	2022 R'000
Disclosed in statement of financial position		
Non-current	**4 068 493**	3 816 601
Current	**277 463**	558 596
	4 345 956	4 375 197

The loans and notes are repayable on the maturity dates. The facilities are secured by mortgage bonds over various properties with a fair value of R10.2 billion (2022: R9.9 billion).The group has R735.3 million (2022: R624.0 million) of cash, overdraft and unutilised debt facilities available on demand as at 31 August 2023 to settle maturing facilities.

	2023 R'000	2022 R'000
Reconciliation of borrowings		
Balance at the beginning of the year	**4 375 197**	4 681 553
Proceeds from borrowings	**2 559 656**	1 421 702
Repayment of borrowings	**(2 570 528)**	(1 736 806)
Movement in accrued interest and unamortised borrowing costs	**(18 369)**	8 748
Balance at the end of the year	**4 345 956**	4 375 197

Loan covenants

The table below reflects the required covenants by the respective lenders calculated in accordance with the loan agreements. No covenants were breached during the year.

		31 August 2023 Actual			31 August 2022 Actual		
	Required	**Nedbank**	**Standard Bank**	**ABSA**	Nedbank	Standard Bank	ABSA
Group interest cover ratio – total portfolio (times)	Minimum – 2.0		**2.2**			2.3	
Interest cover ratio by secured property per lender (times)	Minimum – 1.8 to 2.0	**2.5**	**2.2**	**2.3**	2.8	3.3	4.4
LTV ratio – total portfolio (%)	Maximum – 50		**39.2**			39.8	
LTV ratio by secured property per lender (%)	Maximum – 50 to 55	**35.8**	**41.2**	**43.7**	35.7	43.5	45.1

16. Derivative financial instruments

	2023 **R'000**	2022 R'000
Interest rate derivatives		
Carrying value at beginning of year	**51 151**	(200 078)
Fair value changes	**10 501**	234 845
Early settlement of interest rate derivatives	**–**	16 384
	61 652	51 151
Disclosed in statement of financial position		
Derivative financial instruments		
Non-current assets	**10 385**	43 612
Current assets	**51 267**	10 471
Current liabilities	**–**	(2 932)
	61 652	51 151

The notional principal amount of the outstanding contracts for the group at year end was R3.5 billion (2022: R3.5 billion) (refer to note 34.2).

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 34.4 for the detailed classification of the financial instruments.

17. Lease liabilities

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.

	2023 **R'000**	2022 R'000
Lease liabilities		
Carrying value at beginning of year	**10 957**	10 981
Finance costs (note 24)	**1 019**	1 021
Lease payments	**(1 046)**	(1 045)
	10 930	10 957
Disclosed in statement of financial position		
Non-current	**10 901**	10 930
Current	**29**	27
	10 930	10 957

The right-of-use assets consist of Woodmead Value Mart and Intersite buildings which are carried at fair value and classified as investment property.

	2023 **R'000**	2022 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	**43 689**	44 735
	48 918	49 964

18. Deferred taxation

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

18. Deferred taxation *continued*

	2023 R'000	2022 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	**(113 109)**	(124 131)
Building allowances – pre conversion to a REIT	**233 175**	233 175
Wear and tear allowance	**18 423**	18 431
Fair value changes – derivative financial instruments	**16 646**	12 668
	155 135	140 143
Reconciliation of movement for the year		
Carrying value at beginning of year	**140 143**	123 981
Tax losses available for set-off against future taxable income utilised	**11 022**	7 671
Wear and tear allowance	**(8)**	(127)
Fair value changes – derivative financial instruments	**3 978**	13 250
Change in tax rate	**–**	(4 632)
	155 135	140 143

A deferred tax asset of R13.2 million (2022: R15.1 million) has not been recognised as it is group policy not to raise a deferred tax asset because profits are normally distributed to shareholders. In the current year, certain subsidiary companies paid a dividend of less than 100% of their taxable income and utilised their assessed losses to the extent allowable.

19. Trade and other payables

Financial instruments	**2023 R'000**	2022 R'000
Trade payables	**28 380**	25 556
Tenant deposits – commercial and residential tenants	**88 457**	83 966
Accruals – utilities and assessment rates	**146 996**	136 248
Accruals – repairs and maintenance	**12 965**	9 730
Accruals – capital expenditure	**13 867**	15 268
Accruals – interest on borrowings	**–**	7 906
Accruals – assessment rates	**879**	1 895
Accruals – tenant installation costs	**30 174**	–
Other accruals	**26 125**	33 999
Unclaimed dividends	**2 930**	2 761
	350 773	317 329
Non-financial instruments		
VAT payable – current	**6 084**	17 063
Rent received in advance	**59 470**	59 215
	65 554	76 278
	416 327	393 607

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.

20. 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.

	2023 **R'000**	2022 R'000
Revenue		
Contractual rental income	**1 461 136**	1 422 665
Recoveries	**509 514**	484 517
Other revenue	**24 445**	23 909
Revenue	**1 995 095**	1 931 091
COVID-19 rental discount	**–**	(571)
Straight-line rental income accrual	**(12 558)**	8 552
	1 982 537	1 939 072

21. Sundry income

	2023 **R'000**	2022 R'000
Business interruption claim relating to Covid-19 loss received	**5 722**	–
Insurance proceeds in respect of property damage in prior years	**5 217**	–
Other sundry items	**1 390**	–
	12 329	–

22. Property, administrative and corporate expenses

Property expenses

	2023 **R'000**	2022 R'000
Fees for services		
Collections fees	**128 636**	125 868
Commissions	**21 652**	23 419
Other		
Amortisation of tenant installation costs and commission paid	**9 466**	8 865
Assessment rates	**146 442**	149 317
Cleaning costs	**54 883**	52 273
Depreciation of furniture, fittings and equipment	**283**	244
Employee costs	**37 893**	37 716
Insurance	**16 605**	16 889
Lease payments – contingent	**7 800**	7 694
Lease payments – short-term or low-value leases	**5 006**	3 412
Other property expenditure	**86 918**	58 024
Repairs and maintenance costs	**117 881**	97 298
Security costs	**72 060**	70 406
Utilities	**324 955**	328 622
	1 030 480	980 047

Administrative and corporate expenses

	2023 **R'000**	2022 R'000
Auditors' remuneration		
External audit fee – current year	**5 500**	4 178
External audit fee – prior year	**1 356**	–
Internal audit fees	**68**	116
Fees for services		
Asset management fees	**53 066**	49 680
Incentive fee paid relating to prior year	**6 729**	–
Fees paid for other services provided by management company	**5 707**	5 856
Directors' emoluments	**7 040**	7 145
Salaries	**3 072**	2 587
VAT apportionment – prior period	**273**	(311)
Other administrative costs	**19 853**	15 363
	102 664	84 614

23. Share of (loss)/income of joint ventures

	2023 R'000	2022 R'000
Management fees	**450**	360
Interest received	**2 910**	631
Equity-accounted (loss)/profit	**(3 648)**	7 760
Share of profits	**588**	1 474
Share of fair value change to investment property	**(4 236)**	6 286
	(288)	8 751

24. Net finance costs

	2023 R'000	2022 R'000
Interest income	**13 256**	12 397
Tenants	**9 487**	8 403
Bank	**3 727**	2 157
Other	**42**	1 837
Finance costs	**(395 015)**	(381 434)
Interest rate derivatives	**11 956**	(95 924)
Borrowings	**(404 878)**	(284 088)
Lease liabilities	**(1 019)**	(1 021)
Reversal of interest paid to SARS	**43**	–
Other suppliers	**(1 117)**	(401)
	(381 759)	(369 037)

25. 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.

	2023 R'000	2022 R'000
Taxation included in profit or loss		
Current taxation	**(4 073)**	193
Deferred taxation	**(14 992)**	(16 163)
	(19 065)	(15 970)
Reconciliation of the income tax expense for the year to accounting profit		
Profit before tax	**629 528**	621 097
Income tax expense calculated at 27% (2022: 28%)	**169 973**	173 907
Fair value changes to investment property and derivative financial instruments	**(48 345)**	(42 688)
Non taxable income	**(24 525)**	(36 579)
Non-taxable equity (loss)/income	**1 144**	(2 229)
Non-deductible expenses – of a capital nature	**16 865**	14 691
Income received in advance	**15 422**	16 306
Allowances		
Wear and tear	**(10 234)**	(10 403)
Provision for doubtful debts	**(5 041)**	(3 990)
Prepaid expenses	**(3 295)**	(2 755)
Loss on settlement of interest rate derivatives	**–**	(3 402)
Reversal of allowances/deductions granted in previous years	**6 437**	4 728
Exempt capital (gain)/loss	**–**	(809)
Lease payments	**(282)**	(293)
Qualifying distribution	**(97 029)**	(96 896)
Limitation of REIT distribution	**–**	22
Assessed losses utilised/limited	**(1 896)**	(1 822)
Deferred tax asset not raised in prior year	**–**	12 668
Other timing differences	**(129)**	146
Change in income tax rate	**–**	(4 632)
	19 065	15 970
Effective tax rate	**3.0%**	2.6%

The group has tax losses amounting to R467.7 million (2022: R516 million) which can be utilised against future taxable income.

26. Leases

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.

	2023 R'000	2022 R'000
Lease payments recognised in profit or loss		
Lease payments – variable	**7 800**	7 694
Lease payments – short-term or low-value leases	**5 006**	3 412
	12 806	11 106

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 6).

Rental income is disclosed under revenue (refer to note 20).

	2023 R'000	2022 R'000
Commitments under non-cancellable lease agreements		
Non-cancellable rental lease agreements		
Within one year	**713 364**	879 016
One to five years	**881 835**	960 915
More than five years	**83 444**	118 005
	1 678 643	1 957 936

Rental receivable represents contractual rental income and fixed operating costs recovered for leases in existence at year end.

Leases are entered into for periods ranging between one and ten years. Residential leases are for a 12-month period and provide for a monthly agreement at expiry.

27. Earnings, headline earnings and distributable 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 1/2023 issued by SAICA.

Given the nature of its business, Octodec uses distributable income per share as its key performance measure, as it is considered a more relevant performance measure than earnings or headline earnings per share. Accordingly, Octodec uses distribution per share as the relevant measure of its financial results for trading statement purposes. Refer to page 45 for the calculation of distributable income per share.

	2023 R'000	2022 R'000
Reconciliation of earnings to headline earnings		
Profit after taxation	**610 463**	605 127
Headline earnings adjustments		
Securities transfer tax on restructure of subsidiary	**–**	1 250
Fair value changes		
Investment property	**(179 055)**	82 386
Investment property – joint ventures	**4 236**	(6 286)
Disposal of investment properties	**3 206**	10 824
Deferred tax – change in tax rate	**–**	(4 632)
Insurance proceeds in respect of property damage	**(5 217)**	–
Headline earnings attributable to shareholders	**433 633**	688 669
Actual and weighted number of shares in issue (000)	**266 198**	266 198
Basic headline and diluted headline earnings per share (cents)	**162.9**	258.7

28. Cash generated from operations

	2023 R'000	2022 R'000
Profit before taxation:	629 528	621 097
Adjusted for:		
Straight-line rental income accrual	12 558	(8 552)
Fair value changes to investment property	(179 055)	82 386
Fair value changes to interest rate derivatives	(10 500)	(234 845)
Fair value changes on disposal of investment property	3 206	10 824
Profit on disposal of movable assets	(142)	–
Expected credit loss of trade and other receivables	36 638	33 413
Share of loss/(income) from joint venture	288	(8 751)
Finance costs	395 015	381 434
Investment income	(13 256)	(12 397)
Depreciation and amortisation	9 749	9 109
Operating income before working capital changes	884 029	873 718
Movement in trade and other receivables	(24 390)	(51 037)
Movement in trade and other payables	2 939	(30 227)
	862 578	792 454

29. Taxation paid

	2023 R'000	2022 R'000
Amount receivable/(payable) at the beginning of the year	1 241	(23 846)
Amounts charged to the statement of profit or loss and other comprehensive income	(4 073)	193
Less amounts receivable/(payable) at the end of the year	2 545	(1 241)
	(287)	(24 894)

30. Contingencies and guarantees

Contingencies

The group has experienced a substantial increase in billing errors by the Johannesburg and Tshwane Councils and has logged disputes in respect of these errors. Although the group generally pays the amount due and recognises the credit once corrected, these errors have become substantial, with the result that the group has made a decision to only pay the correct amounts. The amount owing to the Councils in respect of incorrect billings is R21.1 million (2022: R0).

In addition, the group also objected to a number of municipal valuations in Johannesburg. As it is not possible to determine the outcome of the objections, the group settles the assessment rates based on the current valuation and recognises the credit once the objection or appeal has been successful. However, where the objection is due to an error by the Council, the amounts are not paid to the Council. The amount owing to the Council in respect of assessment rates incorrectly charged is R1.5 million (2022: R6.5 million).

Guarantees

The group has issued guarantees for the provision of certain services to its subsidiaries:

	2023 R'000	2022 R'000
Tshwane Metropolitan Municipality	22 654	22 654
City Power – Johannesburg	1 188	1 188
Eskom	190	190

31. Commitments

Capital expenditure

As at 31 August 2023, the group had commitments of R80.6 million (FY2022: R100.1 million) in respect of approved and committed capital expenditure relating to the refurbishment of properties, including the conversion of HealthConnect, solar installations, committed tenant installations and property contracts. These developments will be financed from existing unutilised banking facilities and undistributed cash retained in the business.

32. 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 that they are incurred. The group has no obligation to cover any unfunded benefits.

	2023 R'000	2022 R'000
Amount contributed by the group to the fund	1 861	1 998

33. Capital management

The group's policy is to have an adequate capital base so as to maintain stakeholder confidence and to sustain future development of the business. The capital comprises shareholders' equity, including capital and reserves. Octodec's dividend policy is based on the premise of retaining sufficient funds for maintenance and development and acquisition opportunities as and when these arise, maintaining a strong balance sheet with an acceptable loan to value ratio, while at the same time taking into consideration our shareholders' expectations in respect of distributions. In determining the funds for distribution, the group uses distributable income (SA REIT funds from operations) and deducts the anticipated amount for refurbishments and developments, while ensuring that the distribution complies with the JSE Listings Requirements of a minimum distribution of 75% of distributable income (taxable income), taking into account the solvency and liquidity of the underlying property-controlled subsidiaries. The distribution for FY2023 is 78.9% of group distributable income, and 99.1% of company taxable income, ensuring that the company remains a REIT.

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 37.7% (2022: 39.2%) of its total investment portfolio.

	2023 **R'000**	2022 R'000
Total borrowings (note 15)	**4 345 956**	4 375 197
Less: Cash and cash equivalents	**(80 776)**	(38 960)
Cash and bank balances	**113 713**	66 554
Less: Bank balance held in regard to residential tenant deposits	**(32 937)**	(27 594)
Less: Derivative financial instruments (asset and liability)	**(61 652)**	(51 151)
Net debt	**4 203 528**	4 285 086
Total assets per statement of financial position	**11 490 519**	11 244 676
Less: Derivative financial instruments (asset)	**(61 652)**	(54 083)
Less: Cash and bank balances	**(113 713)**	(66 554)
Less: Trade and other receivables	**(178 562)**	(183 733)
Carrying amount of property-related assets	**11 136 592**	10 940 306
LTV ratio	**37.7%**	39.2%

34. 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 financial risks are set out below.

The group's financial instruments consist mainly of deposits with banks, bank overdrafts, loans from banks and DMTN 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

34.1 Credit risk

Trade receivables

Credit risk relates mainly to cash deposits, cash equivalents and trade and other receivables. The group deposits cash only with Nedbank Limited, which has a high credit rating. 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 guaranties equal to one month's rental are requested from high-risk tenants, before taking on the tenant. The group monitors the financial position of defaulting 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 the ECL 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 continues to weigh heavily on the group's tenants. Tight credit control and tenant management remains in place to control and monitor the tenant arrears. The LECL for the current year was calculated on the same basis as in the prior year using the provision matrix below.

	2023		2022	
The provision matrix is applied as follows:	**Commercial** **%**	**Residential** **%**	Commercial %	Residential %
120 days and over	**100.0**	**100.0**	100.0	100.0
90 days and over	**75.0**	**100.0**	75.0	100.0
60 days and over	**25.0**	**50.0**	30.0	60.0
30 days and over	**5.0**	**25.0**	10.0	30.0
Current	**2.0**	**3.0**	2.5	5.0

The provision matrix was changed in 2023 to reflect the improved credit loss experience.

34. Financial risk management *continued*

34.1 Credit risk *continued*

Trade receivables *continued*

Ageing of trade receivables	**Carrying amount 2023 R'000**	**Commercial Expected credit loss 2023 R'000**	**Unimpaired amount 2023 R'000**	Carrying amount 2022 R'000	Commercial Expected credit loss 2022 R'000	Unimpaired amount 2022 R'000
30 days or less	**42 099**	**10 439**	**31 660**	29 916	4 149	25 767
31 to 60 days	**8 051**	**2 489**	**5 562**	5 856	1 739	4 117
61 to 90 days	**6 562**	**2 386**	**4 176**	3 525	1 966	1 559
91 days and over, legal and ex-tenants	**17 804**	**15 443**	**2 361**	18 765	15 970	2 795
	74 516	**30 757**	**43 759**	58 062	23 824	34 238
Percentage ECL to carrying amount		**41.3%**			41.0%	

Ageing of trade receivables	**Carrying amount 2023 R'000**	**Residential Expected credit loss 2023 R'000**	**Unimpaired amount 2023 R'000**	Carrying amount 2022 R'000	Residential Expected credit loss 2022 R'000	Unimpaired amount 2022 R'000
30 days or less	**8 443**	**3 494**	**4 949**	5 354	2 155	3 199
31 to 60 days	**1 437**	**1 298**	**139**	1 157	1 054	103
61 to 90 days	**1 329**	**1 275**	**54**	1 161	1 110	51
91 days and over, legal and ex-tenants	**8 492**	**8 393**	**99**	4 383	4 279	104
	19 701	**14 460**	**5 241**	12 055	8 598	3 457
Percentage ECL to carrying amount		**73.4%**			71.3%	
Total commercial and residential	**94 217**	**45 217**	**49 000**	70 117	32 422	37 695
Total percentage ECL to carrying amount		**48.0%**			46.2%	

The net amounts of R43.8 million in respect of commercial tenants and R5.2 million in respect of residential tenants (2022: R34.2 million and R3.5 million respectively), represent the amounts that are still considered recoverable after taking into account the deposits held and VAT adjustments. The total percentage ECL to carrying amount increased to 48.0% compared to 46.2% in the prior year due to an increase in tenant arrears.

	2023 Commercial and residential R'000	2022 Commercial and residential R'000
Reconciliation of provision for impairment of trade receivables		
Carrying value at beginning of year	**32 422**	39 008
Additional provisions for the year (excluding utility accrual ECL)	**38 341**	33 184
Amounts written off as uncollectable	**(25 546)**	(39 770)
	45 217	32 422

34. Financial risk management *continued*

34.1 Credit risk *continued*

Other receivables – utility and assessment rate recoveries

Ageing of trade receivables	**Carrying amount 2023 R'000**	**Expected credit loss 2023 R'000**	**Unimpaired amount 2023 R'000**	Carrying amount 2022 R'000	Expected credit loss 2022 R'000	Unimpaired amount 2022 R'000
Utility recoveries to be billed to tenants within next 30 days	**72 868**	**1 457**	**71 411**	62 398	3 199	59 199
Percentage ECL to carrying amount		**2.0%**			5.1%	

34.2 Interest rate risk

The group is exposed to interest rate risk because it borrows funds at variable interest rates. The group manages this risk by entering into interest rate swap contracts. It is the group's policy to maintain debt hedging of between 70% and 80% of its long-term borrowings. At the reporting date, 80.4% (2022: 80.0%) 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 2023, the group had borrowings of R4.3 billion (2022: R4.4 billion) at various interest rates. The all-in weighted average cost of borrowings, including the cost of interest rate swaps, was 9.2% (2022: 8.7%) per annum. A breakdown of the borrowings is detailed in note 15 and exposure to liquidity risk is set out in note 34.3.

	Weighted average variable rate per annum %		**Nominal amount of hedged variable loans R'000**	
	2023	2022	**2023**	2022
Loans and notes at variable interest rates	**10.4**	7.9	**4 345 956**	4 375 197

	Weighted average all-in margin over/(below) variable rate per annum %		**Notional principal value R'000**		**Carrying amount assets/(liabilities) R'000**		**Change in fair value R'000**	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Expiry profile of derivatives								
Current – 1 year	**(2.0)**	–	**500 000**	–	**10 385**	–	**(10 385)**	–
Non-current – 1 to 2 years	**(1.5)**	1.20	**2 500 000**	1 000 000	**51 267**	7 540	**(43 727)**	(7 540)
Non-current – 2 to 5 years	**(0.8)**	1.00	**500 000**	2 500 000	**–**	43 612	**43 612**	(227 305)
Receive floating rates, pay fixed rate	**(1.2)**	0.80	**3 500 000**	3 500 000	**61 652**	51 152	**(10 500)**	(234 845)

	Total cost of borrowings %		**Exposure of borrowings to interest rate movements R'000**	
	2023	2022	**2023**	2022
Unhedged portion of borrowings	**9.2**	8.7	**845 956**	875 197

34. Financial risk management *continued*

34.2 Interest risk *continued*

Interest rate trends are constantly monitored and appropriate steps taken to ensure that the group's exposure to interest rate movements is managed. The group monitors changes in the forward-looking interest swap curve in order to extend the interest rate derivatives' expiry period, at an acceptable cost.

The group analyses its interest rate risk on a continuous basis and calculates the impact of a change in interest rates on profit before tax by using different scenarios. A 0.5% per annum change in interest rates would increase/decrease profit after tax by R3 087 739 (2022: R3 150 709). The calculations are done monthly to ensure that the maximum additional expense is within limits and debt covenants are met.

	2023 R'000	2022 R'000
Change in fair value of interest rate derivatives		
Opening balance	51 152	(200 078)
Fair value gains	10 500	234 845
Unrealised portion of the fair value movement	(1 073)	353 027
Realised portion of the fair value movement	11 573	(118 182)
Early settlement	–	16 385
Asset	61 652	51 152

34.3 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 group has encumbered the majority of its investment properties with a fair value of R10.2 billion (2022: R9.9 billion) to secure mortgage loan facilities as set out in note 15. In the event that the group cannot meet its obligations per its loan facility agreements, there are no restrictions on the realisability of investment property or distribution of the related income to settle the obligations relating to the borrowings disclosed below and in note 15.

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.

	Current – 12 months maturity R'000	**Non-current 1 to 2 years R'000**	**Non-current 2 to 5 years R'000**	**More than 5 years R'000**
2023				
Borrowings including future finance costs	714 679	2 055 621	2 918 536	–
Lease liabilities	1 046	2 092	3 138	42 642
Trade and other payables	350 773	–	–	–
2022				
Borrowings including future finance costs	868 909	1 949 534	2 244 599	–
Lease liabilities	1 046	2 092	3 138	43 688
Derivative financial instruments	2 932	–	–	–
Trade and other payables	317 329	–	–	–

Refer to the commitment disclosure for future lease payments in note 17.

34. Financial risk management *continued*

34.4 Classification of financial assets and liabilities

	Classification of financial assets and liabilities				Fair value hierarchy
	Fair value through profit or loss R'000	At amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000	Level 2 R'000
2023					
Financial assets					
Loan to joint venture	–	19 936	–	19 936	–
Accounts receivable (net)	–	131 370	47 192	178 562	–
Cash and bank balances	–	113 713	–	113 713	–
Derivative financial instruments	61 652	–	–	61 652	61 652
Financial liabilities					
Borrowings	–	4 345 956	–	4 345 956	–
Trade and other payables	–	350 773	65 554	416 327	–
2022					
Financial assets					
Loan to joint venture	–	20 199	–	20 199	–
Accounts receivable (net)	–	145 952	37 781	183 733	–
Cash and bank balance	–	66 554	–	66 554	–
Derivative financial instruments	54 083	–	–	54 083	54 083
Financial liabilities					
Borrowings	–	4 375 197	–	4 375 197	–
Derivative financial instruments	2 932	–	–	2 932	2 932
Trade and other payables	–	317 329	76 278	393 607	–

35. 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: RWR Buchholz; DP Cohen; NC Mabunda; EMS Mojapelo; MZ Pollack; PJ Strydom; LP van Breda; A Vieira; JP Wapnick; and S Wapnick.

Group company secretary: E Greeff

Subsidiary companies: Refer to interest in subsidiaries in the Directors Report on page 110.

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.

35.1 City Property

The following related party transactions took place during the year under review; the fees charged are in terms of the management agreement.

	2023 **R'000**	2022 R'000
Related party transactions*		
Income		
Rent received	**10 842**	10 331
Expenditure		
Asset management fees	**53 066**	49 680
Collection fees	**128 635**	125 865
Commissions	**15 801**	20 719
Commissions paid on sale and purchase of investment property, refurbishments, developments and repairs	**13 165**	10 635
Fees paid in respect of shared resources and supervisory fees	**5 707**	5 856
Incentive relating to FY2022	**6 729**	–
Related party balances		
Trade and other receivables	**1 366**	1 331
Trade and other payables	**(3 220)**	(2 642)

* *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.*

35.2 Tugendhaft Wapnick Banchetti and Partners

	2023 **R'000**	2022 R'000
Related party transactions		
Expenditure		
Professional and legal fees	**1 395**	44

35.3 Subsidiaries

	2023 **R'000**	2022 R'000
Related party transactions		
Dividends received		
IPS Investments (Pty) Ltd	**105 140**	94 280
Killarney Mall Properties (Pty) Ltd	**21 000**	20 800
Premium Properties Ltd	**344 300**	342 000
Presmooi (Pty) Ltd	**240 100**	207 900
Waverley Plaza Properties (Pty) Ltd	**–**	29 460
	710 540	694 440
Asset management fees recovered		
IPS Investments (Pty) Ltd and its subsidiaries	**10 579**	11 689
Killarney Mall Properties (Pty) Ltd	**3 080**	2 970
Octprop Properties (Pty) Ltd	**71**	77
Premium Properties Ltd and its subsidiaries	**31 504**	32 630
Presmooi (Pty) Ltd	**18 182**	16 054
Tribeca Properties (Pty) Ltd	**232**	308
Waverley Plaza Properties (Pty) Ltd	**–**	1 693
	63 648	65 421
Related party balances due from		
IPS Investments (Pty) Ltd	**1 325 676**	1 243 957
Killarney Mall (Pty) Ltd	**493 648**	477 417
Octprop Properties (Pty) Ltd	**25 788**	11 382
Premium Properties Ltd	**1 203 165**	647 721
Presmooi (Pty) Ltd	**2 306 433**	2 011 553
Tribeca Properties (Pty) Ltd	**38 679**	35 999
Waverley Plaza Properties (Pty) Ltd	**–**	65 931
	5 393 389	4 493 960

The above related party transactions and balances relating to the subsidiary companies are for information purposes only, as they are eliminated on consolidation.

35. Related parties *continued*

35.4 Directors' remuneration

	2023 **R'000**	2022 R'000
Directors' remuneration		
S Wapnick (chairman)	**1 176**	1 137
DP Cohen (lead independent director)	**885**	788
R Buchholz	**716**	570
GH Kemp (Resigned 4 February 2022)	**–**	298
NC Mabunda	**545**	530
EMS Mojapelo	**566**	530
MZ Pollack	**720**	702
PJ Strydom	**730**	687
LP van Breda	**754**	653
A Vieira	**459**	591
JP Wapnick	**459**	613
	7 010	7 099
VAT and Skills Development Levy contributions	**30**	36
	7 040	7 135

35.5 Group company secretary's remuneration

	2023				2022		
	Salary and bonus R'000	**Back pay R'000**	**Pension fund contri-butions R'000**	**Total R'000**	Salary and bonus R'000	Pension fund contri-butions R'000	Total R'000
Elize Greeff	**1 923**	**167**	**176**	**2 266**	1 816	166	1 982

35.6 Directors' remuneration – paid by City Property

As disclosed on page 91 of this report, the executive directors are employed and remunerated by City Property. In terms of the JSE Listings Requirements, the remuneration paid to the executive directors of Octodec, by the employer company, City Property, is disclosed below. It is important to note, that City Property's operations are not limited to Octodec and include other activities; consequently the remuneration of the executive directors is for all of City Property's activities, and therefore only a portion of their remuneration is attributable to Octodec as reflected below:

	A Vieira[^] **R'000**	**J Wapnick[^]** **R'000**	**S Wapnick[@]** **R'000**	**Total** **R'000**
2023				
Basic salary and benefits	**3 462**	**7 181**	**917**	**11 560**
Bonus	**1 250**	**–**	**–**	**1 250**
Pension fund and medical aid contribution	**288**	**122**	**–**	**410**
Total remuneration	**5 000**	**7 303**	**917**	**13 220**
Total remuneration attributable to Octodec	**5 000**	**4 382**	**917**	**10 299**
Attributable to Octodec	**100%**	**60%**	**100%**	
2022				
Basic salary and benefits	2 189	4 508	868	7 565
Bonus	1 750	2 850	–	4 600
Pension fund contribution	211		–	211
Total remuneration	4 150	7 358	868	12 376
Total remuneration attributable to Octodec	4 150	4 415	868	9 433
Attributable to Octodec	100%	60%	100%	

[^] *Executive*

[@] *S Wapnick is a non-executive director and City Property remunerates her for certain services provided*

35.7 Long-term incentive schemes

Neither Octodec nor City Property have a long-term incentive scheme in place.

36. Rental income by sector

The group does not have operating segments that meet the definition of IFRS 8 and, consequently, no segmental report has been provided. Rental income is, however, grouped into six major operating sectors, based on the type of premises from which the rental is derived.

Further sector results cannot be allocated due to the “mixed use” of certain of the properties.

Over the past five years, management has reported rental income, GLA and vacancies based on the type of tenant occupying the properties, rather than on the type of property. This resulted in movements between “specialised and other” and office, retail and industrial because, when a tenant vacated, the GLA was re-allocated to the property type. To avoid these movements, management has reorganised the sectors into five principal sectors based on rental income, namely residential, retail – street shops, retail – shopping centres, office, industrial and parking. No GLA is assigned to parking areas. These sectors remain unchanged, except that the “specialised and other” are now grouped together with the five principal sectors. The comparative amounts have been restated where relevant.

Rental income by sector	31 August 2023 R’000	%	Restated** 31 August 2022 R’000	%
Residential	**510 120**	**34.3%**	462 808	32.0%
Retail – street shops	**352 038**	**23.7%**	359 197	24.8%
Retail – shopping centres	**169 080**	**11.4%**	160 963	11.1%
Offices	**280 386**	**18.9%**	296 178	20.5%
Industrial	**105 941**	**7.1%**	102 057	7.1%
Parking	**68 016**	**4.6%**	64 800	4.5%
Total rental income	**1 485 581**	**100.0%**	1 446 003	100.0%
Straight-line rental income accrual	**(12 558)**		8 552	
Recoveries*	**509 514**		484 517	
Revenue	**1 982 537**	**100%**	1 939 072	100%

* *Recoveries are not evaluated at sector level*
** *Restated. Refer to above.*

37. Events after the reporting date

The following events have taken place subsequent to 31 August 2023:

- The DMTN Programme has been transferred from Premium to Octodec, with R330.4 million of unsecured notes being transferred to the company. Premium has been delisted from, and Octodec listed on, the debt market of the JSE. The following changes were made to the programme:
  - the substitution of the Existing Issuer (Premium) with the Existing Guarantor (Octodec) as the New Issuer such that the Existing Guarantor (as New Issuer), assumes all rights and obligations of the Existing Issuer pursuant to the Terms and Conditions of the Programme;
  - the increase of the Programme Amount to R5 billion; and
  - the removal of the Guarantee by Octodec in respect of the Notes outstanding.
- DMTN Note PMM57 amounting to R50 million was successfully refinanced through the issuance of OCT001 amounting to R100 million for a 3 year tenor.
- A dividend of 75 cents per share was declared on 30 October 2023 and paid to shareholders in November 2023.

38. Going concern

The current liabilities exceed the current assets by R0.4 billion (2022: R0.7 billion), mainly due to the fact that an amount of R277.5 million will be maturing in FY2024. (Refer to note 15). The group has R735.3 million (2022: R624.0 million) in cash and unutilised banking facilities available as at 31 August 2023 to fund its working capital requirements and to refinance maturing debt, if required.

The board has reviewed the cash flow projections for the eighteen months to 28 February 2025 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 consolidated financial statements have therefore been prepared on the going concern basis.

APPENDICES

PROPERTY PORTFOLIO INFORMATION

for the year ended 31 August 2023

Geographic profile by rentable area and by revenue

All of the existing properties are located in Gauteng.

Sectoral profile by rentable area and by revenue

	% of GLA	% of gross rentals
Residential	27.3%	34.0%
Retail – street shops	22.4%	23.5%
Retail – shopping centres	6.4%	12.2%
Offices	29.9%	18.7%
Industrial	14.0%	7.1%
Parking*	–	4.5%
Total	100.0%	100.0%

* *No GLA is allocated to parking*

Vacancy profile by sector by rentable area

	% of GLA
Residential	6.5%
Retail – street shops	21.4%
Retail – shopping centres	7.0%
Offices	38.5%
Industrial	9.2%
Total	19.8%

Tenant profile

	% of GLA
A	17.0%
B	5.1%
C	32.5%
D	25.6%
Vacancies	19.8%
Total	100.0%

Grade A includes a national tenant with a footprint throughout South Africa and a presence in all or most provinces. Major franchises represent a franchisee with a footprint throughout South Africa and a presence in all or most provinces.

Grade B includes national tenants and franchisees that do not meet the criteria for Grade A tenants.

Grade C includes all other tenants such as SMEs and sole proprietors which comprise approximately 3 120 tenants.

Grade D comprises of residential tenants.

Weighted average rental per square metre and weighted average rental escalation profile by rentable area per sector

	Rental R	Escalation %
Residential (per unit)	4 563.0	n/a*
Retail – street shops (m^2)	102.7	5.9%
Retail – shopping centres (m^2)	187.7	5.9%
Offices (m^2)	61.4	5.9%
Industrial (m^2)	49.6	6.8%

* *Residential leases are for a 12-month period and therefore have no escalation*

The average annualised property yield is 8.4%

Property portfolio information *continued*

Lease expiry profile at 31 August 2023

	By rental income %					By GLA m^2 (%)						
	August 2024	August 2025	August 2026	August 2027	August 2028 and beyond	August 2024	August 2025	August 2026	August 2027	August 2028 and beyond	Vacant	Total
Sector												
Residential	99.8	0.2	–	–	–	93.0	0.5	–	–	–	6.5	100.0
Commercial												
Retail												
Street shops	43.8	23.1	13.8	9.4	9.9	35.8	17.7	11.7	6.2	7.2	21.4	100.0
Shopping centres	30.3	30.6	21.0	5.5	12.6	23.1	30.7	18.0	5.7	15.5	7.0	100.0
Offices	64.4	20.2	7.6	3.3	4.5	38.1	12.4	4.7	1.5	4.8	38.5	100.0
Industrial	49.0	33.5	9.4	2.1	6.0	46.2	27.1	9.7	2.0	5.8	9.2	100.0
Parking	80.2	12.8	3.5	1.0	2.5	–	–	–	–	–	–	–
Total commercial	49.6	24.3	12.3	5.7	8.1	37.6	18.5	9.0	3.4	6.7	24.8	100.0
Total commercial and residential	67.3	15.8	8.0	3.7	5.2	52.9	13.5	6.5	2.5	4.8	19.8	100.0

Investment properties owned by the group

		GLA per sector										
Property name	Description of buildings	**Residential**	**Industrial**	**Offices**	**Retail – shopping centres**	**Retail – street shops**	**Total GLA m^2**	**Vacancy (%)**	**Rental income**	**Weighted average rental per m^2 at 31 August 2023 – commercial**	**Weighted average rental per unit at 31 August 2023 – Residential**	**% of portfolio value**
Tshwane, Centurion												
FNB Centurion	Shops and parking	–	–	–	–	1 855	1 855	4.9%	2 330 203	113	–	0.16%
Lenchen Centre	Shops	–	–	–	–	3 331	3 331	0.0%	4 477 762	115	–	0.34%
Lenchen Park	Shops and workshops	34	5 435	–	–	–	5 469	0.6%	5 743 521	88	–	0.43%
Prime Cure House	Offices and parking	–	–	2 689	–	–	2 689	100.0%	46 839	–	–	0.20%
The Hangar	Shop, 260 flats and parking	20 598	–	–	–	166	20 764	0.5%	20 170 894	536	6 406	1.14%
Total		20 632	5 435	2 689	–	5 352	34 108	8.5%	32 769 219	107	6 406	2.27%
Tshwane, Hatfield												
Howzit Hilda	18 flats and parking	1 251	–	–	–	–	1 251	36.9%	2 210 931	–	4 923	0.20%
Intersite	Gym, offices and parking	–	–	2 490	–	3 189	5 679	0.5%	4 752 046	75	–	0.47%
Protea Hotel	Hotel, shops and parking	–	–	–	–	5 363	5 363	3.5%	4 529 587	74	–	0.32%
The Fields	Hotel, shops, offices and 765 flats	27 888	–	10 371	–	18 140	56 399	20.5%	92 693 336	107	4 163	7.32%
Total		29 139	–	12 861	–	26 692	68 692	17.8%	104 185 900	97	4 185	8.31%
Tshwane, Hermanstad												
Steyns Industrial Park	Warehouses	–	11 668	–	–	–	11 668	10.6%	5 929 416	43	–	0.45%
Talkar†	Warehouses	–	6 873	–	–	–	6 873	0.0%	7 444 400	90	–	0.40%
Total		–	18 541	–	–	–	18 541	6.7%	13 373 816	60	–	0.85%

Property portfolio information *continued*

		GLA per sector										
Property name	**Description of buildings**	**Residential**	**Industrial**	**Offices**	**Retail – shopping centres**	**Retail – street shops**	**Total GLA m^2**	**Vacancy (%)**	**Rental income**	**Weighted average rental per m^2 at 31 August 2023 – commercial**	**Weighted average rental per unit at 31 August 2023 – Residential**	**% of portfolio value**
Johannesburg and surrounding areas												
3 West Street	Shops, offices and parking	–	–	1 722	–	1 642	3 364	47.6%	1 789 813	80	–	0.12%
CCMA Place	Shops, offices and parking	–	–	3 503	–	649	4 152	0.5%	4 457 753	93	–	0.26%
Erand Gardens†	Offices and parking	–	–	2 371	–	–	2 371	32.5%	2 695 403	140	–	0.22%
Kempton Place	Shops, educational facilities and 469 flats	25 422	–	1 047	–	8 968	35 437	21.9%	29 978 950	146	4 656	2.18%
Killarney Mall	Shopping centre, auto dealership, offices and parking	–	–	10 790	36 680	–	47 470	19.3%	71 521 765	153	–	4.63%
Kyalami Crescent	Warehouses and mini factories	–	9 469	–	–	–	9 469	10.0%	5 700 421	52	–	0.44%
McCarthy Midrand (sold)	Auto dealership	–	–	–	–	–	–	–	113 420	–	–	0.00%
Motor City Strijdom Park	Shops and workshop	–	–	–	–	6 729	6 729	0.0%	6 075 890	75	–	0.43%
The Manhattan*^~	180 flats	11 049	–	–	–	–	11 049	1.3%	7 599 097	–	6 800	0.54%
Woodmead Value Mart	Shopping centre and parking	–	–	–	17 168	–	17 168	0.0%	51 191 794	249	–	3.88%
Total		36 471	9 469	19 433	53 848	17 988	137 209	14.8%	181 124 306	151	5 024	12.70%
Johannesburg, CBD												
Anderson Place	Shops, offices and parking	–	–	5 180	–	205	5 385	82.8%	1 855 197	187	–	0.25%
Arlington House	Shops and offices	–	–	–	–	2 888	2 888	21.3%	3 487 584	134	–	0.29%
Bram Fischer Towers	Shops, offices and parking	45	–	9 784	–	1 896	11 725	44.0%	7 721 051	102	5 658	0.55%
Brisk Place	Shops and 93 flats	3 850	–	12	–	2 387	6 249	16.3%	5 806 294	75	3 827	0.31%
Castle Mansions	Shops and 177 flats	8 315	–	–	–	5 771	14 086	3.6%	18 365 362	136	4 532	1.17%
City Block*	Workshops	–	4 074	–	–	–	4 074	37.5%	1 063 074	35	–	0.07%
CPA Place	Shops, offices, 92 flats and parking	4 033	–	666	–	760	5 459	4.3%	6 952 204	127	4 523	0.38%
Dan's Place	Shops and 150 flats	6 793	–	–	–	2 401	9 194	9.9%	9 286 718	98	4 123	0.50%
Education Centre	Shops, mothballed offices and parking	–	–	8 341	–	2 595	10 936	77.5%	4 732 383	161	–	0.45%
Elephant House	Offices and parking	–	–	4 777	–	–	4 777	58.2%	1 839 678	69	–	0.11%
Essenby	Shops and 116 flats	5 648	–	–	–	1 934	7 582	29.2%	5 880 071	134	4 264	0.36%
Fedsure House (sold at end of prior year)	Shops, offices and parking	–	–	–	–	–	–	0.0%	70 362	–	–	0.00%
Focus House	Shops and offices	–	–	2 683	–	350	3 033	50.1%	1 515 767	80	–	0.08%
Frank's Place	Shops, 106 flats and parking	10 071	–	–	–	3 398	13 469	6.9%	16 336 929	127	4 479	1.00%
Howard House*	Shops and offices	24	–	1 243	–	311	1 578	14.1%	1 319 958	93	1 824	0.07%
Inner Court	Shops, offices and parking	–	–	12 760	–	10 468	23 228	82.5%	6 728 721	138	–	0.92%
Jeppe House	Shops and educational facilities	–	–	5 674	–	2 663	8 337	0.7%	5 808 681	58	–	0.39%

Property portfolio information *continued*

		GLA per sector										
Property name	**Description of buildings**	**Residential**	**Industrial**	**Offices**	**Retail – shopping centres**	**Retail – street shops**	**Total GLA m²**	**Vacancy (%)**	**Rental income**	**Weighted average rental per m² at 31 August 2023 – commercial**	**Weighted average rental per unit at 31 August 2023 – Residential**	**% of portfolio value**
Johannesburg, CBD *continued*												
John Street	Warehouses	–	15 431	–	–	–	15 431	7.4%	7 976 189	44	–	0.55%
Klamson Towers	Shops and offices	19	–	5 085	–	1 431	6 535	50.3%	3 565 502	89	–	0.27%
Lara's Place	Shops, offices, 142 flats and parking	6 242	–	783	–	973	7 998	16.9%	8 959 536	129	4 322	0.51%
Lister Medical Centre	Healthcare facilities and parking	–	–	11 913	–	3 292	15 205	52.5%	14 553 490	161	–	0.66%
London House*	Shops and offices	–	–	3 956	–	334	4 290	32.4%	2 046 601	57	–	0.12%
Lusam Mansions	Shops, store room and 82 flats	2 712	–	146	–	506	3 364	8.6%	4 271 859	118	3 821	0.21%
Marlborough House	Shops, offices and parking	–	–	7 429	–	829	8 258	12.5%	11 383 920	128	–	0.70%
Mr Price	Shops and offices	–	–	1 662	–	1 751	3 413	35.5%	3 646 567	129	–	0.27%
Nzunza House	Shops, offices and parking	–	–	7 761	–	884	8 645	53.0%	5 138 846	106	–	0.57%
Plaza Place	Shops, 214 flats and parking	8 106	–	–	–	1 436	9 542	10.2%	10 061 158	88	3 765	0.55%
Record House	Shops and 41 flats	1 865	–	–	–	503	2 368	0.0%	2 594 871	132	3 819	0.12%
Reinsurance House*	Mothballed offices	–	–	15 034	–	–	15 034	100.0%	123 192	–	–	0.19%
Reliance Centre	Offices and warehouses	–	6 564	526	–	–	7 090	15.8%	3 242 324	41	–	0.24%
Ricci's Place	Shops, 281 flats and parking	11 124	–	–	–	1 726	12 850	10.4%	15 508 370	145	4 138	0.89%
Royal Place	Shops, offices, 155 flats and parking	6 491	–	6 717	–	2 549	15 757	23.6%	15 568 443	114	4 064	1.00%
Selby 515	Factories	–	6 416	–	–	–	6 416	0.0%	3 768 280	49	–	0.23%
Shoprite – Eloff Street	Shops and mothballed offices	–	–	22 338	–	9 355	31 693	97.6%	1 155 527	139	–	0.48%
Splendid Place	Shops, 150 flats and parking	8 313	–	–	–	1 046	9 359	1.7%	9 040 932	155	4 289	0.48%
Tali's Place	Shops, 337 flats and parking	13 635	–	2 555	–	2 727	18 917	15.6%	18 114 351	91	3 845	1.04%
Temple Court	Shops and 45 flats	2 307	–	–	–	331	2 638	7.9%	3 036 791	169	4 446	0.15%
The Brooklyn	Shops and 154 flats	4 338	–	–	–	2 157	6 495	3.1%	7 127 761	47	3 367	0.39%
Union Club	Shops and 72 flats	2 969	–	–	–	955	3 924	13.4%	4 373 476	164	3 447	0.23%
Vuselela Place	Shops, offices, 193 flats and parking	8 664	–	24	–	944	9 632	9.6%	10 466 787	153	4 179	0.60%
Wits Technikon†	Educational facilities	–	–	16 937	–	–	16 937	0.0%	7 361 701	36	–	0.43%
Works@Main*	Shops, offices, educational facilities and parking	–	–	3 935	–	940	4 875	41.0%	1 501 985	43	–	0.09%
Total		115 564	32 485	157 921	–	72 696	378 666	34.9%	273 358 493	87	4 081	17.87%
Tshwane, Arcadia												
470 Pretorius Street†	Vacant land	–	–	–	–	–	–	0.0%	–	–	–	0.02%
Apollo Centre*	Shops, offices, educational facilities and parking	87	–	7 991	–	1 000	9 078	28.7%	5 620 264	71	–	0.36%
Benrico	Shops, educational facilities and parking	22	–	1 939	–	503	2 464	91.0%	579 119	79	–	0.10%
BP Leyds Street†	Garage, vacant land and parking	–	–	–	–	1 411	1 411	0.0%	2 144 372	127	–	0.14%

Property portfolio information *continued*

		GLA per sector										
Property name	**Description of buildings**	**Residential**	**Industrial**	**Offices**	**Retail – shopping centres**	**Retail – street shops**	**Total GLA m^2**	**Vacancy (%)**	**Rental income**	**Weighted average rental per m^2 at 31 August 2023 – commercial**	**Weighted average rental per unit at 31 August 2023 – Residential**	**% of portfolio value**
Tshwane, Arcadia *continued*												
Corner Place	112 flats and parking	4 167	–	–	–	–	4 167	1.1%	6 695 035	–	4 944	0.36%
Craig's Place	154 flats and parking	5 384	–	–	–	–	5 384	1.6%	9 089 996	–	4 907	0.56%
Leo's Place	Shops, 167 flats and parking	6 087	–	106	–	175	6 368	7.1%	9 519 321	324	4 659	0.57%
Ludwigs*†	Showroom	–	1 529	–	–	–	1 529	0.0%	189 939	44	–	0.05%
MBA Building*	Offices and parking	75	–	3 050	–	–	3 125	18.5%	2 481 349	85	4 432	0.16%
McCarthy Church Street†	Auto dealership	–	–	308	–	2 533	2 841	0.0%	4 000 561	117	–	0.24%
Nedbank Plaza	Shops, offices, 144 flats and parking	10 807	–	4 548	–	11 373	26 728	27.8%	20 717 560	104	4 876	1.37%
Numall†	Shops, educational facilities and parking	–	–	–	–	5 220	5 220	7.5%	6 101 184	101	–	0.40%
Provisus	Offices and educational facilities and parking	–	–	5 479	–	375	5 854	5.6%	7 220 054	114	–	0.49%
Tiny Town 3*#	Vacant land	–	–	–	–	–	–	0.0%	–	–	–	0.05%
Tiny Town 2*	14 cottages	1 270	–	–	–	–	1 270	2.0%	1 214 534	–	7 639	0.07%
Total		27 899	1 529	23 421	–	22 590	75 439	18.8%	75 573 288	98	4 906	4.94%
Tshwane, CBD												
012Central*	Shops and offices	2 501	2 667	4 728	–	8 615	18 511	27.4%	10 827 199	66	17 100	0.53%
228 Pretorius Street*	Shops and educational facilities	84	–	2 844	–	641	3 569	9.3%	3 297 350	78	4 432	0.22%
250 Pretorius Street*	Shops, offices and educational facilities	69	–	3 029	–	963	4 061	23.5%	3 159 101	101	4 432	0.19%
28 Church Square	Shops, offices and parking	93	–	6 545	–	302	6 940	1.8%	8 524 583	104	3 392	0.61%
Alec's Place	Shops and 95 flats	5 273	–	–	–	484	5 757	3.4%	6 914 664	169	5 577	0.38%
Amanda Court	Shops, 23 flats and parking	1 537	–	–	–	1 453	2 990	9.7%	2 896 188	95	5 012	0.17%
AVN†	Shops, offices and parking	–	–	7 073	–	–	7 073	0.0%	9 768 370	115	–	0.56%
Bank Towers	Offices and parking	99	–	5 604	–	1 923	7 626	55.9%	4 819 417	100	4 432	0.34%
Bosch Building*†	Parking	–	–	–	–	–	–	1.0%	577 703	–	–	0.04%
Burlan	Shop and offices	–	–	1 072	–	879	1 951	0.0%	1 498 859	64	–	0.10%
Callaway	Educational facilities and parking	–	663	–	–	1 339	2 002	0.0%	577 427	24	–	0.04%
Capitol Towers North	Shops, offices and parking	–	–	12 086	–	1 887	13 973	0.2%	17 930 115	107	–	0.96%
Central House	Shops, offices, educational facilities and parking	43	–	3 651	–	1 934	5 628	7.2%	5 717 729	96	3 333	0.34%
Central Towers	Shops and offices	–	–	5 605	–	1 854	7 459	46.7%	4 996 099	103	–	0.34%
Centre Place	Shops, 234 flats and parking	7 476	–	–	–	4 070	11 546	13.0%	16 111 469	151	4 090	0.93%
Centre Walk	Shops, offices and parking	337	–	19 731	–	5 676	25 744	3.0%	33 155 169	113	4 140	1.97%
City Corner	Shops	–	–	–	–	1 460	1 460	68.1%	1 578 720	116	–	0.12%
City Place	Shops, 298 flats and parking	10 503	–	–	–	2 032	12 535	3.3%	22 965 843	342	4 335	1.30%

Property portfolio information *continued*

		GLA per sector										
Property name	**Description of buildings**	**Residential**	**Industrial**	**Offices**	**Retail – shopping centres**	**Retail – street shops**	**Total GLA m^2**	**Vacancy (%)**	**Rental income**	**Weighted average rental per m^2 at 31 August 2023 – commercial**	**Weighted average rental per unit at 31 August 2023 – Residential**	**% of portfolio value**
Tshwane, CBD *continued*												
City Towers[†]	Shop and office	–	–	2 164	–	780	2 944	73.5%	1 795 222	192	–	0.13%
CPA House	Shops, offices and parking	–	–	4 579	–	3 314	7 893	0.3%	8 728 179	93	–	0.63%
Curpro[*#]	Offices and parking	–	–	157	–	–	157	0.0%	458 083	243	–	0.03%
Cuthchurch	Basement, shops, offices and educational facilities	83	–	4 419	–	5 237	9 739	13.2%	6 892 070	70	3 633	0.43%
Daloria	Shops, place of worship and parking	74	–	–	–	1 538	1 612	16.3%	1 274 994	79	–	0.08%
Demar Building	Shops, 70 flats and parking	4 047	–	–	–	1 551	5 598	21.3%	4 734 607	161	5 072	0.30%
Du Proes[*]	Shops, educational facilities and place of worship	–	153	–	–	1 606	1 759	12.8%	829 837	45	–	0.05%
Dupro (7)[#]	Vacant land	–	–	–	–	–	–	–	620 000	–	–	0.08%
Dusku[*†]	Motor showroom	–	–	–	–	336	336	0.0%	341 460	85	–	0.02%
Eland House[*]	Shops, 21 flats and parking	1 600	–	–	–	411	2 011	3.8%	2 237 919	203	5 507	0.12%
Empire building[*]	Shops	–	–	–	–	922	922	0.0%	633 605	57	–	0.04%
Filkem House[*]	Shops, offices and basement	–	–	893	–	645	1 538	41.0%	2 135 335	120	–	0.12%
Govpret	Shops, offices and parking	–	–	5 868	–	348	6 216	0.0%	9 344 425	125	–	0.55%
Hacklu Enterprises[*]	Shops	–	–	–	–	683	683	4.5%	976 098	124	–	0.05%
Indacom[*]	Shops, warehouses, offices and place of worship	–	3 068	974	–	1 875	5 917	3.8%	1 546 209	23	–	0.11%
Jardown	Shops, offices and warehouse	–	3 063	2 966	–	2 274	8 303	55.3%	3 825 416	78	–	0.25%
Jeff's Place	384 flats and parking	14 793	–	–	–	16	14 809	0.9%	24 823 674	–	4 829	1.63%
Joan's Place	Shops, 28 flats and parking	886	–	–	–	207	1 093	3.3%	1 571 379	149	4 019	0.08%
Letari Building[*]	Shops, warehouses, educational facilities and place of worship	15	1 442	495	–	1 031	2 983	29.0%	565 420	23	–	0.06%
Lisa's Place	97 flats and parking	3 734	–	–	–	–	3 734	5.7%	5 348 282	–	4 671	0.29%
Locarno House	Shops and offices	–	–	5 098	–	272	5 370	15.9%	6 102 143	113	–	0.39%
Louis Pasteur (1)/ HealthConnect	Shops and offices	–	–	3 924	–	1 060	4 984	83.3%	560 796	56	–	0.40%
Louis Pasteur (2) Louis Pasteur Medical Centre	Shops, offices, hospital and parking	94	–	20 869	–	3 836	24 799	0.2%	44 602 395	151	4 669	2.70%
Louis Pasteur	Healthcare facilities, shops, offices, warehousing and parking	303	158	3 237	–	2 473	6 171	8.6%	6 162 236	89	–	0.38%
Midtown (Sold)	Shops, offices and parking	–	–	–	–	–	–	–	200 477	–	–	0.00%
Navy House	Shops, offices and parking	60	–	5 576	–	1 305	6 941	8.9%	4 894 759	73	4 100	0.25%

Property portfolio information *continued*

		GLA per sector										
Property name	**Description of buildings**	**Residential**	**Industrial**	**Offices**	**Retail – shopping centres**	**Retail – street shops**	**Total GLA m²**	**Vacancy (%)**	**Rental income**	**Weighted average rental per m² at 31 August 2023 – commercial**	**Weighted average rental per unit at 31 August 2023 – Residential**	**% of portfolio value**
Tshwane, CBD *continued*												
Olivetti House*	Offices and parking	–	–	3 232	–	604	3 836	10.6%	3 733 795	89	–	0.22%
One on Mutual	Shops, office, 142 flats and parking	6 188	–	470	–	1 736	8 394	14.6%	14 203 953	337	5 891	0.91%
Orpheum Mansions*	Shops, 22 flats and parking	1 579	–	–	–	1 139	2 718	7.0%	2 649 934	103	5 510	0.12%
Parking@Sophie de Bruyn*#	Parking	–	–	–	–	–	–	0.0%	299 853	–	–	0.03%
Perl Modes Building	Shops and college	–	–	930	–	1 240	2 170	6.4%	1 057 515	61	–	0.10%
Pete's Place	Shops and 181 flats	7 615	–	–	–	127	7 742	7.3%	9 626 712	114	4 533	0.50%
Potmeul*#	Vacant land	–	–	–	–	–	–	–	–	–	–	0.07%
Potproes(4) Jet Set Park (Sold)	Filling station, shops and workshops	–	–	–	–	–	–	–	2 151 579	54	–	0.00%
Poyntons	Shop and offices	–	–	–	–	3 035	3 035	0.0%	2 571 289	71	–	0.17%
Praetor Forum	Shop, offices and parking	–	–	4 518	–	1 587	6 105	0.0%	7 983 699	118	–	0.49%
Premium Towers	Shop and offices	118	–	5 061	–	2 662	7 841	34.9%	6 942 812	121	4 432	0.42%
Pretjolum	Shops, office, workshop, warehousing, educational facilities, place of worship and parking	24	1 358	1 024	–	4 468	6 874	31.6%	3 680 710	65	–	0.27%
Prime Towers	Shops, offices and educational facilities	–	–	3 620	–	498	4 118	14.3%	4 519 669	102	–	0.23%
Prinsben*	Shops	14	–	–	–	1 312	1 326	58.3%	837 243	116	–	0.05%
Prinschurch*	Shops, offices and parking	–	–	11 358	–	1 775	13 133	90.3%	2 599 483	144	–	0.29%
Prinsman	Shops, educational facilities, place of worship, 175 flats and parking	5 355	–	–	–	6 949	12 304	100.0%	16 956 606	111	4 169	1.00%
Prinsproes*	Shops, educational facilities and parking	–	–	2 622	–	2 000	4 622	84.7%	354 581	48	–	0.07%
Prinstruben*	Shops	–	–	–	–	2 209	2 209	69.5%	295 812	35	–	0.03%
Protea Towers	Offices, parking and place of worship	–	–	8 550	–	821	9 371	16.4%	9 230 253	97	–	0.57%
Provincial House*	Shops and offices	–	–	1 197	–	1 850	3 047	39.3%	277 384	12	–	0.03%
Rapier	Shops	–	–	–	–	920	920	0.0%	2 576 994	233	–	0.17%
Ross Electrical*†	Shop	–	–	–	–	263	263	0.0%	346 632	110	–	0.01%
Russell's Place*	Shops, 191 flats and parking	7 979	–	–	–	1 049	9 028	14.1%	11 117 196	221	4 691	0.61%
Samchurch*	Shops, basement and vacant land	–	–	–	–	189	189	0.0%	805 641	355	–	0.29%
SchoeCourt*	Shops, warehousing and place of worship	–	1 449	–	–	1 002	2 451	16.6%	722 911	38	–	0.05%
Scott's Corner	Shops	–	–	–	–	4 810	4 810	0.0%	6 503 832	113	–	0.40%
Sharon's Place	Shops, 399 flats and parking	15 485	–	–	–	5 756	21 241	3.4%	33 859 927	156	4 983	2.24%
Shepstru	Shops and place of worship	–	–	–	–	3 050	3 050	7.4%	1 144 972	39	–	0.06%

Property portfolio information *continued*

		GLA per sector										
Property name	**Description of buildings**	**Residential**	**Industrial**	**Offices**	**Retail – shopping centres**	**Retail – street shops**	**Total GLA m²**	**Vacancy (%)**	**Rental income**	**Weighted average rental per m² at 31 August 2023 – commercial**	**Weighted average rental per unit at 31 August 2023 – Residential**	**% of portfolio value**
Tshwane, CBD *continued*												
Shoprite	Shops and offices	–	–	3 780	–	13 292	17 072	61.5%	9 302 956	119	–	0.98%
SKD (3)*	Offices	–	1 162	–	–	–	1 162	0.0%	312 250	22	–	0.03%
Standard Bank Chambers	Offices and bank	–	–	7 687	–	95	7 782	45.2%	5 436 574	90	–	0.42%
Station Place	Shops, educational facilities, 369 flats and parking	12 667	–	4 199	–	732	17 598	3.2%	20 036 329	45	4 124	1.15%
Steyn's Place	Shops, 381 flats and parking	15 756	–	–	–	1 911	17 667	5.1%	25 379 794	194	4 817	1.50%
Steynscor	Shops, offices and parking	–	–	1 042	–	2 770	3 812	14.1%	9 214 217	236	–	0.67%
Time Place	Shops and 144 flats	5 256	–	–	–	743	5 999	4.4%	8 603 905	162	4 466	0.52%
Toitman*	Educational facilities	–	–	550	–	1 574	2 124	0.0%	1 945 799	76	–	0.13%
Tom's Place	320 flats and parking	11 160	–	–	–	–	11 160	3.4%	18 531 912	–	4 832	1.11%
Tuel*	Shops	–	–	–	–	1 093	1 093	7.0%	780 791	64	–	0.06%
Valcourt*	Shops, offices and place of worship	767	1 018	881	–	846	3 512	33.7%	439 140	15	–	0.03%
Vanstrub*	Shops and warehouse	–	1 989	–	–	2 434	4 423	14.8%	2 594 675	58	–	0.15%
Van Riebeeck Building*	Mothballed offices	–	–	6 851	–	1 316	8 167	100.0%	–	–	–	0.15%
Total		143 667	18 190	200 759	–	145 089	507 705	18.9%	546 150 444	105	4 702	34.61%
Tshwane, East												
The Park Shopping Centre	Shopping centre, offices and parking	–	–	1 310	10 751	–	12 061	3.5%	24 771 543	177	–	1.90%
Odeon Forum†	Offices and parking	–	–	3 102	–	–	3 102	0.0%	6 785 027	182	–	0.42%
Total		–	–	4 412	10 751	–	15 163	2.8%	31 556 570	178	–	2.32%
Tshwane, North												
Blaauw Village^*	Shopping centre	–	–	–	7 274	–	7 274	0.1%	14 321 593	165	–	0.88%
Erf Agt Nul Nege*	Shops and place of worship	–	–	402	–	1 353	1 755	22.9%	944 107	69	–	0.04%
Erf Six Five One (Sold)	Workshops and place of worship	–	–	–	–	–	–	0.0%	270 604	–	–	0.00%
Normed	Shops, offices and parking	–	–	2 656	–	3 208	5 864	18.4%	4 250 946	78	–	0.28%
Rosnew*	Shops, workshop and petrol station	–	1 402	–	–	5 035	6 437	18.3%	6 872 930	108	–	0.38%
Total		–	1 402	3 058	7 274	9 596	21 330	12.5%	26 660 180	122	–	1.58%
Tshwane, Other												
Persequor Park	Offices and parking	–	–	8 074	–	–	8 074	0.0%	13 795 955	142	–	0.82%
91 Rauch*#	Land	–	–	–	–	–	–	0.0%	–	–	–	0.03%
Rentmeester Park†	Offices and parking	176	–	12 083	–	–	12 259	0.0%	16 912 935	122	4 617	1.19%
Total		176	–	20 157	–	–	20 333	0.0%	30 708 890	130	4 617	2.04%

Property portfolio information *continued*

		GLA per sector										
Property name	**Description of buildings**	**Residential**	**Industrial**	**Offices**	**Retail – shopping centres**	**Retail – street shops**	**Total GLA m²**	**Vacancy (%)**	**Rental income**	**Weighted average rental per m² at 31 August 2023 – commercial**	**Weighted average rental per unit at 31 August 2023 – Residential**	**% of portfolio value**
Tshwane, West												
Asland	Warehouse and workshops	–	4 807	469	–	–	5 276	6.1%	1 822 976	32	–	0.11%
Carlzeil*	Workshops and warehouses	29	6 796	–	–	290	7 115	4.3%	2 698 214	35	–	0.18%
Goleda (1) Carl Street*	Shops, showroom, warehouse, workshops and 10 flats	–	3 961	–	–	–	3 961	0.0%	772 083	16	–	0.04%
Henwoods*	Factories	–	3 577	–	–	–	3 577	14.8%	1 986 037	50	–	0.13%
H&S Mansions*	Shops, factories and 10 flats	724	2 055	–	–	1 085	3 864	13.2%	1 033 456	20	4 676	0.07%
Imbuia*	11 flats and parking	960	–	–	–	–	960	0.0%	631 162	–	5 692	0.04%
Ischurch*	Shops, workshops, place of worship and 8 flats	472	3 297	208	–	2 857	6 834	23.7%	2 578 493	38	4 316	0.13%
Jakaranda*	33 flats and parking	2 527	–	–	–	–	2 527	5.9%	1 817 691	–	4 740	0.10%
Kiaat*	40 flats and parking	2 974	–	–	–	–	2 974	0.0%	2 103 131	–	4 793	0.11%
Lasmitch Properties*†	Warehouse and showroom	–	2 105	–	–	–	2 105	0.0%	752 630	28	–	0.05%
Lutbridge*	Shops and warehouse	–	4 197	723	–	886	5 806	28.2%	1 836 025	35	–	0.15%
Metromitch*	Shops, warehousing, workshops, offices, educational facilities, place of worship, 33 flats and parking	2 903	3 532	1 183	–	3 799	11 417	11.0%	5 017 598	35	4 901	0.29%
Mimosa*	18 flats and parking	1 569	–	–	–	–	1 569	22.3%	1 047 328	–	5 719	0.06%
Mitchpap (Sold)	Shops, warehouses and place of worship	–	–	–	–	–	–	–	528 141	–	–	
Nedwest Centre	Shops and warehouses	23	7 216	–	–	2 128	9 367	2.9%	5 400 120	54	–	0.36%
Panag Investments*	Shops and workshops	–	1 237	–	–	733	1 970	18.5%	874 190	45	–	0.07%
Rovon Investments*	Shops, workshops, warehouses and place of worship	–	3 869	–	–	435	4 304	9.8%	2 009 456	42	–	0.13%
Soutwest Properties*	Warehouses and workshops	–	1 839	–	–	–	1 839	20.4%	1 232 717	69	–	0.10%
Syringa*	40 flats and parking	3 219	–	–	–	–	3 219	18.1%	1 841 472	–	5 087	0.12%
Total		15 400	48 488	2 583	–	12 213	78 684	11.0%	35 982 920	39	4 965	2.24%
Tshwane, Silverton and surrounding areas												
Brianley*	Warehouse and workshops	–	7 839	3 621	–	–	11 460	11.4%	5 160 834	41	–	0.31%
Sildale Park	Industrial park	–	22 734	–	–	73	22 807	6.8%	14 280 320	54	–	1.03%
Silver Place	Shops, offices, place of worship, 232 flats and parking	15 708	–	1 328	–	9 104	26 140	3.3%	24 671 017	82	5 472	1.59%
Tomzeil	Warehouse and workshops	–	6 191	375	–	–	6 566	0.0%	3 334 927	43	–	0.21%
The Tannery Industrial Park	Industrial park and parking	–	35 474	1 179	–	889	37 542	8.7%	19 862 759	47	–	1.48%
Total		15 708	72 238	6 503	–	10 066	104 515	6.7%	67 309 857	52	5 472	4.62%

Property portfolio information *continued*

		GLA per sector										
Property name	**Description of buildings**	**Residential**	**Industrial**	**Offices**	**Retail – shopping centres**	**Retail – street shops**	**Total GLA m²**	**Vacancy (%)**	**Rental income**	**Weighted average rental per m² at 31 August 2023 – commercial**	**Weighted average rental per unit at 31 August 2023 – Residential**	**% of portfolio value**
Tshwane, Sunnyside												
Karelia Flats	48 flats and parking	2 172	–	–	–	–	2 172	0.0%	2 555 685	–	4 426	0.13%
Les Nize Flats	55 flats and parking	1 672	–	–	–	–	1 672	8.1%	2 720 351	–	4 096	0.14%
Savyon Place	Shops, 28 flats and parking	2 196	–	–	–	687	2 883	9.4%	3 119 940	194	5 592	0.19%
Selmar	19 flats and parking	1 290	–	–	–	–	1 290	6.1%	1 078 948	–	5 350	0.07%
Sunnyside Galleries	Shops, educational facilities, place of worship and 5 flats	416	–	–	–	3 806	4 222	17.2%	3 583 994	80	5 905	0.20%
The Village	Shops, place of worship and parking	–	–	698	–	4 325	5 023	33.1%	3 051 469	60	–	0.20%
Unity Heights	Shops, 24 flats and parking	2 032	–	–	–	590	2 622	6.8%	2 528 566	176	6 284	0.16%
Total		9 778	–	698	–	9 408	19 884	15.3%	18 638 953	87	4 815	1.09%
Tshwane, Waverley, Gezina, Moot												
Gerlan[†]	Auto dealership	–	1 346	337	–	2 172	3 855	0.0%	7 864 776	170	–	0.44%
Gezina City Shopping Centre[†]	Shopping centre	–	500	–	16 218	–	16 718	3.2%	14 059 534	73	–	1.13%
Motor City Capital Park	Shops, workshops and parking	–	3 417	–	–	4 086	7 503	1.4%	6 138 430	73	–	0.42%
Swemvoor (Sold)	Shops and offices	–	–	–	–	–	–	–	53 397	–	–	0.00%
Trekmin	Shops, 48 flats and parking	3 660	625	–	–	4 764	9 049	10.2%	8 564 959	105	5 184	0.54%
Waverley Plaza Shopping Centre	Shopping centre, offices and parking	–	–	1 958	9 609	–	11 567	6.3%	25 829 563	197	8 439	2.03%
Total		3 660	5 888	2 295	25 827	11 022	48 692	4.7%	62 510 659	117	5 256	4.56%
Total		418 094	213 665	456 790	97 700	342 712	1 528 961	19.8%	1 499 903 495	98	4 563	100.00%
Investment properties 100% held		418 094	213 665	456 790	90 426	342 712	1 521 687	19.9%	1 485 581 902	97	4 563	99.12%
Investment properties 50% held		–	–	–	7 274	–	7 274	0.1%	14 321 593	165	–	0.88%
		418 094	213 665	456 790	97 700	342 712	1 528 961	19.8%	1 499 903 495	98	4 563	100.00%

[*] *Unsecured properties. Refer long-term borrowings (notes 5 and 15) in respect of secured properties*

[†] *Single tenanted property*

[^] *Property in which the group has a 50% interest*

[#] *Land*

[~] *Total GLA included but only 50% share of rental income disclosed*

SA REIT RATIOS

	31 August 2023 R'000	31 August 2022 R'000
SA REIT Funds from Operations (SA REIT FFO) per share		
Profit or loss per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	**610 463**	605 127
Adjusted for:-		
Accounting/specific adjustments:-	**(162 005)**	(144 848)
Fair value adjustments to:		
• Investment property	**(179 055)**	82 386
• Debt instruments held at fair value through profit or loss	**(10 500)**	(234 845)
Gains or losses on the modification of financial instruments		
Deferred tax movement recognised in profit or loss	**14 992**	16 163
Straight-lining operating lease adjustment	**12 558**	(8 552)
Adjustments arising from investing activities:-		
Gains or losses on disposal of:		
• Investment property and property, plant and equipment	**3 064**	10 824
Other adjustments:-		
Adjustments made for equity-accounted entities	**4 236**	(6 286)
Securities transfer tax paid on restructure of subsidiary	**–**	1 250
SA REIT FFO	**455 758**	466 067
Number of shares outstanding at end of year (net of treasury shares)	**266 198**	266 198
SA REIT FFO per share (Rand)	**1.71**	1.75
Company-specific adjustments (per share)	**–**	–
SA REIT FFO per share (Rand)	**1.71**	1.75

	31 August 2023 R'000	31 August 2022 R'000
SA REIT Net Asset Value (SA REIT NAV)		
Reported NAV attributable to the parent	**6 559 626**	6 321 840
Adjustments:		
Dividend to be declared	**(199 648)**	(212 958)
Fair value of certain derivative financial instruments	**(61 652)**	(51 151)
Deferred tax	**155 135**	140 143
SA REIT NAV	**6 453 461**	6 197 874
Shares outstanding		
Number of shares in issue at period-end (net of treasury shares)	**266 198**	266 198
SA REIT NAV per share (Rand)	**24.24**	23.28
SA REIT cost-to-income ratio		
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**1 030 480**	980 047
Administrative expenses per IFRS income statement	**102 664**	84 614
Other expenses, if directly related to property operations, with clear explanations of these items		
Impairment of accounts receivable	**36 638**	33 413
Operating costs	**1 169 782**	1 098 074
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 485 581**	1 446 004
Utility and operating recoveries per IFRS income statement	**509 514**	484 517
Gross rental income	**1 995 095**	1 930 521
SA REIT cost-to-income ratio	**58.6%**	56.9%

SA REIT Ratios *continued*

	31 August 2023 R'000	31 August 2022 R'000
SA REIT administrative cost-to-income ratio		
Expenses		
Administrative expenses as per IFRS income statement	**102 664**	84 614
Administrative costs	**102 664**	84 614
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 485 581**	1 446 004
Utility and operating recoveries per IFRS income statement	**509 514**	484 517
Gross rental income	**1 995 095**	1 930 521
SA REIT administrative cost-to-income ratio	**5.1%**	4.4%
SA REIT GLA vacancy rate		
Gross lettable area of vacant space (m^2)	**303 116**	303 573
Gross lettable area of total property portfolio (m^2)	**1 528 961**	1 557 460
SA REIT GLA vacancy rate	**19.8%**	19.5%
Cost of debt		
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**10.4%**	7.9%
Pre-adjusted weighted average cost of debt	**10.4%**	7.9%
Adjustments:		
Impact of interest rate derivatives	**(1.2)%**	0.8%
Amortised transaction costs imputed into the effective interest rate	**–**	–
All-in weighted average cost of debt	**9.2%**	8.7%

	31 August 2023 R'000	31 August 2022 R'000
SA REIT loan to value		
Gross debt	**4 345 956**	4 375 197
Overdraft	**–**	–
Less:		
Cash and bank balance	**(80 776)**	(38 960)
Cash and bank balance per statement of financial position	**(113 713)**	(66 554)
Less: Bank balance held in regard to residential tenant deposits	**32 937**	27 594
Add/Less:		
Derivative financial instruments (liability)	**(61 652)**	(51 151)
Net debt	**4 203 528**	4 285 086
Total assets – per Statement of Financial Position	**11 490 519**	11 244 676
Less:		
Cash and cash equivalents	**(113 713)**	(66 554)
Derivative financial assets	**(61 652)**	(54 083)
Goodwill and intangible assets	**–**	–
Trade and other receivables	**(178 562)**	(183 733)
Carrying amount of property-related assets	**11 136 592**	10 940 306
SA REIT loan to value (SA REIT LTV)	**37.7**	39.2

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 31 August 2023

Shareholder spread	Number of Shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	1 315	33.12%	313 503	0.12%
1 001 – 10 000	1 664	41.91%	6 988 665	2.63%
10 001 – 100 000	729	18.36%	23 336 330	8.77%
100 001 – 1 000 000	209	5.26%	63 555 721	23.88%
Over 1 000 000	53	1.35%	172 003 316	64.60%
Total	3 970	100.00%	266 197 535	100.00%

Distribution of shareholders	Number of Shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance Companies	36	0.91%	2 668 144	0.85%
Close Corporations	42	1.06%	27 250 462	10.32%
Collective Investment Schemes	119	3.00%	67 073 891	27.18%
Custodians	12	0.30%	2 524 235	0.90%
Foundations & Charitable Funds	41	1.03%	4 028 083	1.61%
Hedge Funds	6	0.15%	81 790	0.01%
Insurance Companies	2	0.05%	10 118	0.01%
Investment Partnerships	10	0.25%	106 284	0.05%
Managed Funds	8	0.20%	2 401 220	0.83%
Medical Aid Funds	9	0.23%	2 106 860	0.82%
Organs of State	1	0.03%	2 195 745	4.12%
Private Companies	179	4.51%	74 793 088	27.50%
Public Companies	2	0.05%	866 770	0.33%
Public Entities	1	0.03%	48 810	0.02%
Retail Shareholders	3 117	78.51%	32 721 108	10.98%
Retirement Benefit Funds	96	2.42%	18 630 054	4.55%
Scrip Lending	1	0.03%	133	0.16%
Stockbrokers & Nominees	16	0.40%	2 303 437	0.16%
Trusts	272	6.84%	26 387 303	9.60%
Total	3 970	100.00%	266 197 535	100.00%

* *Pursuant to the provisions of Section 56 of the Companies Act, No 71 of 2008, disclosures from foreign nominee companies have been included in this analysis*

Shareholder type	Number of Shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-Public Shareholders	29	0.73%	104 411 162	39.22%
Directors and Associates	29	0.73%	104 411 162	39.22%
Public Shareholders	3 941	99.27%	161 786 373	60.78%
Total	3 970	100.00%	266 197 535	100.00%

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Catalyst Fund Managers	16 553 343	6.22%
Abax Investments	12 400 000	4.66%
Old Mutual Investment Group	12 377 089	4.65%
Sesfikile Capital	10 212 294	3.84%
M & G Investments	8 040 561	3.01%
Total	59 583 287	22.38%

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Lefkopaul CC	20 209 741	7.59%
Tomneff Investments (Pty) Ltd	18 331 418	6.89%
Old Mutual Group	15 409 616	5.79%
Nedbank Group	13 221 821	4.97%
City Property Administration (Pty) Ltd	12 680 413	4.76%
Sanlam Group	9 810 445	3.69%
Bosjacob (Pty) Ltd	8 395 911	3.15%
Total	98 059 365	36.84%

Share Price Performance	
Opening Price 1 September 2022	R9.25
Closing Price 31 August 2023	R9.20
Closing High for period	R11.11
Closing Low for period	R8.50
Number of shares in issue	266 197 535
Volume traded during period	43 898 959
Ratio of volume traded to shares issued (%)	16.49%
Rand value traded during the period	R407 566 991
Market capitalisation at 31 August 2023	R2 449 017 322

NOTICE OF ANNUAL GENERAL MEETING

Octodec
INVESTMENTS LIMITED

(Registration number: 1956/002868/06)
(Incorporated in the Republic of South Africa)
ISIN: ZAE000192258
JSE share code: OCT
JSE alpha code: OCTI
(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 THAT WILL BE HELD ON THURSDAY, 1 FEBRUARY 2024 AT 10:00 (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 168 of the integrated report to which this notice is attached applies, *mutatis mutandis,* to this notice.

Record date

In terms of sections 59(1)(a) and (b) of the Companies Act, the board has set the record date for 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 to receive notice of the AGM) as Friday, 1 December 2023

b) Participate in and vote at the AGM (being the date on which a shareholder must be registered in the company's securities register to participate in and vote at the AGM) as Friday, 26 January 2024

The last day to trade in the company's shares to be recorded in the securities register of the company and to be able to attend, participate and vote at the AGM is Tuesday, 23 January 2024.

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 2023, 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 from page 61 of the integrated report of which this notice forms part.

Resolutions for consideration and approval

Special resolution 1 – To approve financial assistance to subscribe for securities and 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 a 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 is 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 an independent third party has been instructed in this regard, 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 authorised the repurchase and 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 and that, since the test was performed, there have been no material changes to the financial position of the group

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 the notice of the annual general/general meeting

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 the notice of the annual general/general meeting

m) The capital and reserves of the company and the group are adequate for a period of 12 (twelve) months after the date of the notice of the annual general/general meeting

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 the notice of the annual general/general meeting

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 157

b) Share capital of the company – note 14 of the financial statements on page 127

The directors may utilise this general authority to acquire their shares as and when suitable opportunities present themselves.

Directors' responsibility statement

The directors in office whose names appear on pages 76 to 77 of the integrated report collectively and individually accept full responsibility for the accuracy of the information relevant to special resolution 2 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported 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 avail themselves of the provisions of special resolution number 2, but will continually review the company's position, having regard to prevailing circumstances and market conditions, in considering whether to avail themselves of 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 2024 to 31 August 2025

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 2024 for a period of 12 (twelve) months ending 31 August 2025, as follows:

	Proposed 12 months to 31 August 2025 R	Current 12 months ending 31 August 2024 R
Annual retainer		
Board chairman	**751 275**	751 275
Lead independent director	**375 801**	375 801
Non-executive directors	**312 753**	312 753
Executive directors	**312 753**	312 753
Fee per meeting		
Board meeting (including AGM)	**18 810**	18 810
Meeting fee for a non-executive director's attendance at a subcommittee meeting of the board	**22 483**	22 483
Chairman of a subcommittee of the board	**27 491**	27 491
Meeting fee for a non-executive director's attendance at an ad hoc subcommittee meeting of the board	**22 483**	22 483
Chairman of an *ad hoc* subcommittee of the board	**27 491**	27 491

The reason for and effect of special resolution 3

In terms of sections 66(8) and 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.

The role of directors is under increasing focus of late, with greater accountability and risk attached to the position. Octodec compensates and remunerates its directors according to their scope of responsibility and contribution to the group, considering industry norms as well as the external market and benchmarks.

The board, on the recommendation of the SERT committee, has considered the directors' fees for the period ending 31 August 2025. Considering the poor economic environment, no increase in the directors' fees has been proposed for the period 1 September 2024 to 31 August 2025.

Effective from 1 March 2022, executive directors receive an annual retainer and fees for attending board, but not committee meetings, as indicated in special resolution 3 above. In addition, non-executive directors who are not members of a particular board subcommittee will no longer receive fees for their attendance at such meetings unless the non-executive director in question is a standing invitee of a board subcommittee (e.g., the chairman of the board has a standing invitation to attend group audit committee meetings), or the chairman of the respective board subcommittee specifically invites a non-executive director to attend a board subcommittee meeting for a specific purpose. 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 2024, the abovementioned meeting fees will, together with the retainer, be payable quarterly in arrears.

Accordingly, the approval of the shareholders is sought to pay the remuneration to directors, in respect of services rendered as directors in terms of section 66 of the Companies Act, as detailed above.

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 re-investment 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 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 re-invest 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 re-invest their distributions, the passing of special resolution 4 will allow present or future directors or officers of the company to re-invest 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 place of those retiring in accordance with the company's MOI. The directors retiring are Maggie Mojapelo and Louis van Breda.

Maggie Mojapelo and Louis van Breda offer themselves for re-election.

Ordinary resolution 1.1 – Re-election of Maggie Mojapelo

"RESOLVED THAT Maggie Mojapelo be and is hereby re-elected as a director of the company."

Ordinary resolution 1.2 – Re-election of Louis van Breda

"RESOLVED THAT Louis van Breda be and is hereby re-elected as a director of the company."

The reason for and effect of ordinary resolutions 1.1 – 1.2

In accordance with the company's MOI, one-third of the non-executive directors are required to retire at each AGM and may offer themselves for re-election. Maggie Mojapelo and Louis van Breda being eligible, offer themselves for re-election. The nominations committee has reviewed the composition, gender and racial balance of the board and evaluated the independence (where applicable), performance and contributions of the directors listed above. Furthermore, the nominations committee has considered their knowledge, skills, experience, past performance and contributions to the company and recommended to the board that they be proposed for re-election by shareholders. The board has considered the proposal of the nominations committee and recommends the re-election of Maggie Mojapelo and Louis van Breda by way of separate resolutions. Brief résumés of the nominees are set out on pages 76 and 77 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 10% (ten percent) of the weighted average price on the JSE of the company's shares over 30 (thirty) 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 to be entitled to such dividend) occurs during the 30 (thirty) 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 appropriate, to issue ordinary shares as may be required, *inter alia,* in terms of capital raising exercises, and to maintain a healthy capital adequacy ratio. This general authority is subject to the restriction that it is limited to 10% (ten percent) of the number of shares in issue as provided in a) above, being 26 619 753 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 authorising the directors of the company 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 10% (ten percent) (being an equivalent of 26 619 753 shares) in the aggregate of the number of shares in the company's issued share capital at the date of this notice of AGM excluding treasury shares, 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 shall 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 the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities

g) Any such issue will only be made to public shareholders as defined by the JSE, and not related parties, provided that if the company undertakes an equity raise via a bookbuild process, shares may be allotted and issued to related parties on the basis that such related parties may only participate in the equity raise at the maximum bid price at which they are prepared to take up shares or at the book close price in accordance with the provisions contained in paragraph 5.52(f) of the JSE Listings Requirements

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 authorisation of shareholders as may be required in terms of their MOI as contemplated in ordinary resolution number 2 above, but also to obtain the prior authorisation 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 company's MOI and the JSE Listings Requirements. The authority granted in terms of ordinary resolution 3 to issue shares for cash, and the exercise thereof will be subject to the conditions contained in the resolution. Such issue may not exceed 10% (ten percent) (being 26 619 753 shares) of the number of shares issued as of the date of this notice of AGM.

Statement of board's intention

The directors confirm that there is no specific intention to issue any shares for cash as of the date of this notice of AGM.

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 re-appointment 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 Louis van Breda (chairman) (subject to the passing of ordinary resolution 1.2)

4.2 Richard Buchholz

4.3 Derek Cohen

4.4 Pieter Strydom

Brief résumés of these directors are set out on pages 76 and 77 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 of the Companies Act specifies that one-third of the members of the audit committee must have appropriate academic qualifications or experience in the areas listed in the regulation. The board, on the recommendation of the nominations committee, has assessed the performance of the group audit committee members standing for re-election and has found them suitable for re-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 re-appointment of the independent external auditor

"RESOLVED THAT Ernst & Young Inc., with the designated audit partner being Gail Moshoeshoe, be and is hereby appointed as independent external auditor of the group with effect for the financial year ending 31 August 2024 until the next AGM."

The reason for and effect of ordinary resolution 5

In accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the group audit committee has reviewed the credentials and accreditation information relating to Ernst & Young Inc. and Gail Moshoeshoe to assess their suitability for appointment. The assessment encompassed a review of, *inter alia,* the relevant IRBA inspection reports, transparency reports, proof of registration and qualifications report. The group audit committee is comfortable that Ernst & Young Inc. and Gail Moshoeshoe are suitable for appointment as the independent and designated auditor, respectively, of the group for the ensuing year. The board agrees with this assessment and accordingly proposes their appointment.

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 6 – Specific authority to issue shares to shareholders who elect the distribution re-investment 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 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) 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 re-invest 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 re-investment programme implemented at the company's discretion, shareholders will be provided with an election form on which they can indicate whether they wish to re-invest 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 and sign all such documents as may be necessary 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, 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 resolution will be considered. 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 50% + 1 (fifty percent plus one) 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, endorse, with or without modification, the following non-binding advisory vote:

"RESOLVED THAT shareholders endorse the remuneration policy for the year ended 31 August 2023 as set out on pages 90 and 91 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, 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 2023, the details of which are set out on pages 92 and 93 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 remuneration implementation report are 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 non-binding 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, consider the outcome of the votes when considering amendments to the company's remuneration policy and how this 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 these to the group company secretary at cosec@octodec.co.za. As detailed in the SERT committee report, the company continues to regularly engage with shareholders on its remuneration matters but will 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

The company has determined it prudent and appropriate to make the meeting accessible through electronic participation only, 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) at proxy@tmsmeetings.co.za or on 084 433 4836/081 711 4255/061 440 0654 as soon as possible, but ideally no later than 10:00 on Tuesday, 30 January 2024 to register to gain access to its electronic communication platform (the Platform), to enable all of the shareholders who are present at the AGM to communicate concurrently with each other without an intermediary, and to participate reasonably effectively 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 before the commencement of the AGM, to be verified and provided with access to the Platform. 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 whether to participate virtually or not.

Shareholders are strongly encouraged to submit votes by proxy before the meeting.

Shareholders will be liable for their network charges and these will not be at the expense of Octodec or TMS. Neither Octodec nor TMS can be held accountable should loss of network connectivity or network failure due to power outages or insufficient airtime or internet connectivity 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 a shareholder or as a 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, 26 January 2024 (voting record date) will be entitled to virtually attend and vote at this AGM. Accordingly, the last date to trade to be able to participate and vote at the AGM is Tuesday, 23 January 2024. The record date for shareholders to be entitled to receive notice of this meeting is Friday, 1 December 2023.

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, 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 but who wishes to be represented at the AGM. 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 at proxy@tmsmeetings.co.za or The Meeting Specialist (Pty) Ltd, JSE Building, One Exchange Square 2 Gwen Lane, Sandown, 2196, by 10:00 on Tuesday, 30 January 2024. Any forms of proxy not lodged by this time must be e-mailed to TMS to be received by them before the proxy exercises 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, are 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 either by 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.

Octodec does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised shareholder to notify such shareholder of the AGM or any business to be conducted thereat.

By order of the board

Elize Greeff
Group company secretary

Octodec Investments Limited
101 Du Toit Street
Tshwane

27 November 2023

Form of proxy

Octodec
INVESTMENTS LIMITED

(Registration number: 1956/002868/06)
(Incorporated in the Republic of South Africa)
ISIN: ZAE000192258
JSE share code: OCT
JSE alpha code: OCTI
(Approved as a REIT by the JSE)
(Octodec or the company)

For use by the ordinary shareholders in respect of the AGM of Octodec to be held through electronic participation on **Thursday, 1 February 2024,** commencing at **10:00,** or 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 168 of the integrated report to which this form of proxy is attached applies, *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 to consider and, if deemed fit, pass, 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, by 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 subscribe for securities and to related and inter-related companies			
2. **Special resolution 2:** To authorise the company and/or its subsidiaries to acquire its shares			
3. **Special resolution 3:** Approval of directors' remuneration for the period 1 September 2024 to 31 August 2025			
4. **Special resolution 4:** Authority to issue shares to directors who elect the distribution re-investment alternative			
5. **Ordinary resolutions 1.1 – 1.2:** To re-elect the directors required to retire in terms of the MOI:			
1.1 Maggie Mojapelo			
1.2 Louis van Breda			
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			

	Number of votes (1 vote per share)		
	In favour of	Against	Abstain
8. **Ordinary resolutions 4.1 – 4.4:** To approve the re-appointment of members of the group audit committee:			
4.1 Louis van Breda (chairman)			
4.2 Richard Buchholz			
4.3 Derek Cohen			
4.4 Pieter Strydom			
9. **Ordinary resolution 5:** To approve the re-appointment of the independent external auditor			
10. **Ordinary resolution 6:** Specific authority to issue shares to shareholders who elect the distribution re-investment 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 ________________________________ 2023/2024

Signature/s ________________________________
Name in BLOCK LETTERS (full name if signing in a representative capacity)

____
Assisted by (where applicable)

Please read the notes on page 167.

Notes

Instructions on signing and lodging the AGM form of proxy

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 a 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 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 10:00 on Tuesday, 30 January 2024, failing which they may be electronically submitted to TMS before the proxy exercises 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 terms of these notes if she is satisfied with how the shareholder wishes to vote.

GLOSSARY

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
CID	City Improvement District
City Property	City Property Administration (Pty) Ltd
Companies Act	Companies Act, No 71 of 2008
CPI	Consumer Price Index
CSDP	A central securities depository participant, appointed by individual Octodec shareholder(s) for the purpose of and regarding dematerialisation in terms of the Securities Services Act, No 36 of 2004
CSI	Corporate social investment
DED	Department of Economic Development
DEIB	Diversity, equity, inclusion, and belonging
DMTN	Domestic Medium-Term Note
ECD	Early Childhood Development
ECL	Expected credit loss
ERM	Enterprise risk management
ESG	Environmental, social and governance
EVP	Employee value proposition
FTE	Full time equivalent
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
GHG emissions	Greenhouse gas emissions
GLA	Gross lettable area
GRC	Governance, Risk and Compliance
Group	Octodec, its subsidiaries and associated company
HQLA	High-quality liquid asset
HR	Human resources
IAS	International Accounting Standard
ICAS	Independent Counselling and Advisory Services
ICR	Interest cover ratio
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
International <IR> Framework	International Integrated Reporting Framework

IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
IT	Information technology
JSE	Johannesburg Stock Exchange Ltd
JV	Joint venture
King IV™	King Report on Corporate Governance™ for South Africa, 2016
KPA	Key performance areas
KPI	Key performance indicator
LED	Light emitting diode
LID	Lead independent director
LSM	Living Standards Measure
LTI	Long-term incentive
LTV	Loan to value
Management agreement	Asset and property management agreement entered into between Octodec and City Property
MOI	Memorandum of Incorporation
NAV	Net asset value
NAVPS	Net asset value per share
NPO	Non-profit organisation
NPS	Net promoter score
NSFAS	National Student Financial Aid Scheme
OECD	Organisation for Economic Co-operation and Development
Prime	Prime interest rate offered by Nedbank Ltd and Standard Bank of SA Ltd
PV	Photovoltaic
REIT	Real Estate Investment Trust as defined in section 1 of the Income Tax Act, No 58 of 1962
RID	Retail improvement district
SAICA	South African Institute of Chartered Accountants
SAPOA	South African Property Owners Association
SAPS	South African Police Service
SENS	Stock Exchange News Service
SERT committee	Social, ethics, remuneration and transformation committee
SME	Small, medium-sized entity
STI	Short-term incentive
VAT	Value added tax
WALE	Weighted average lease expiry

CORPORATE INFORMATION

Octodec Investments Limited

Incorporated in the Republic of South Africa
Registration number: 1956/002868/06
JSE Share code: OCT
JSE alpha code: OCTI
ISIN: ZAE000192258
LEI: 3789I36JI0BKTUSZ8813
(Approved as a REIT by the JSE)

Registered address

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

Directors

S Wapnick (chairman)[1], JP Wapnick (managing director)[2], A Vieira (financial director)[2], DP Cohen[3], RWR Buchholz[4], NC Mabunda[4], EMS Mojapelo[4], MZ Pollack[1], PJ Strydom[4], LP van Breda[4]

[1] *Non-executive director*
[2] *Executive director*
[3] *Lead independent director*
[4] *Independent non-executive director*

Group company secretary

Elize Greeff
CPA House, 101 Du Toit Street, Tshwane, 0002
Tel: 012 357 1564
E-mail: elizeg@octodec.co.za

Sponsors

Equity market

Java Capital
Contact person: Shivani Bhikha
6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196
PO Box 522606, Saxonwold, 2132
Tel: 011 722 3050
E-mail: sponsor@javacapital.co.za

Debt market

Nedbank Corporate and Investment Banking, a division of Nedbank Limited
Contact person: Doris Thiele
3rd Floor, Block F 135 Rivonia Campus, 135 Rivonia Road,
Sandown, Sandton 2196
Tel: 010 234 8646

Auditor

Ernst & Young Inc.
Contact person: Gail Moshoeshoe CA(SA)
102 Rivonia Road, Sandton
Private Bag X14, Sandton, 2146
Tel: 011 502 0601
e-mail: gail.moshoeshoe@za.ey.com

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Contact person: Leon Naidoo
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132
Tel: 011 370 5000
E-mail: leon.naidoo@computershare.co.za

Investor relations

Instinctif Partners
Contact person: Bryan Silke
2nd Floor, Oxford Parks, 8 Parks Boulevard, Dunkeld, Johannesburg, 2196
Tel: 011 447 3030
E-mail: investorrelations@octodec.co.za

Forms of proxy

The Meeting Specialist (Pty) Ltd
JSE Building, One Exchange Square, 2 Gwen Lane, Sandown, 2196
PO Box 62043 Marshalltown, 2107
E-mail: proxy@tmsmeetings.co.za

www.octodec.co.za

17356

octodec.co.za