

REVIEWED  
PRELIMINARY RESULTS  
OF THE GROUP

For the year ended 31 August 2010

HIGHLIGHTS

Distribution up by **1,4%** to **130,7 cents** per linked unit

Net asset value of **1 696 cents**

Total investments exceed **R2,7 billion**

Abridged Consolidated Statement of Financial Position		
	Reviewed 31 August 2010	Audited 31 August 2009
R'000		
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>2 776 623</b>	2 428 105
Investment properties	2 222 810	2 003 782
Property, plant and equipment	30 476	14 847
Operating lease assets	36 667	36 484
Listed investment	266 078	154 039
Investments – equity accounted	220 594	218 953
<b>Current assets</b>	<b>45 787</b>	48 507
<b>Total assets</b>	<b>2 822 410</b>	2 476 612
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>	<b>1 141 086</b>	1 006 889
Share capital and premium	79 633	68 964
Non-distributable reserves	1 015 774	894 375
Retained earnings	45 679	43 550
<b>Non-current liabilities</b>	<b>1 377 028</b>	1 265 777
Debentures and premium	373 693	384 362
Interest bearing borrowings	754 635	659 632
Deferred taxation	248 700	221 783
<b>Current liabilities</b>	<b>304 296</b>	203 946
Interest bearing borrowings	191 636	95 260
Non-interest bearing	54 376	49 419
Linked unit holders	58 284	59 267
<b>Total equity and liabilities</b>	<b>2 822 410</b>	2 476 612
Linked units in issue ('000)	89 297	89 297
Net asset value per linked unit (cents)	1 696	1 558
Net asset value per linked unit (cents) – before providing for deferred tax	1 975	1 806
Loan to investment value ratio (%)	34,1	31,1

Abridged Consolidated Statement of Comprehensive Income		
	Reviewed Year to 31 August 2010	Audited Year to 31 August 2009
R'000	% Change	
<b>Revenue</b>	<b>333 680</b>	321 824
– earned on a contractual basis	7,1	311 447
– straight line lease adjustment		10 377
Operating costs	(147 180)	(130 275)
<b>Net rental income from properties</b>	<b>186 500</b>	191 549
– earned on a contractual basis	2,8	181 172
– straight line lease adjustment		10 377
Administrative costs	(15 013)	(11 536)
Depreciation	(3 165)	(1 307)
<b>Operating profit</b>	<b>168 322</b>	178 706
Fair value adjustments of investment properties	82 771	(98 324)
– gross fair value adjustment		(87 947)
– attributable to straight line lease adjustment		(10 377)
Investment income	46 736	64 493
– interest received		1 446
– listed investment		13 262
– associate		
share of after tax profit	5 522	3 635
fair value adjustment/capital reserves	13 155	36 902
interest	7 031	9 248
Finance costs	(90 457)	(80 132)
– interest on borrowings		(80 132)
– fair value adjustments of interest rate derivatives	(6 062)	–
Amortisation of deemed debenture premium	10 669	10 669
Profit on sale of investment property	–	1 534
<b>Profit before debenture interest</b>	<b>218 041</b>	76 946
Debenture interest	1,4	(114 533)
<b>Profit/(loss) before taxation</b>	<b>101 910</b>	(37 587)
Taxation charge	(18 986)	29 475
– Deferred taxation	(18 474)	30 142
– Normal taxation	(512)	(667)
<b>Total comprehensive income/(loss) for the period attributable to equity holders</b>	<b>82 923</b>	(8 112)
Weighted linked units in issue ('000)	89 297	89 297
Linked units in issue ('000)	89 297	89 297
Basic and diluted earnings per share (cents)	1 122,2	92,9
Basic and diluted earnings per linked unit (cents)	87,0	222,9
<b>Distribution per linked unit (cents)</b>	<b>0,65</b>	0,64
Dividends		128,26
Interest		
<b>Total</b>	<b>1,4</b>	<b>130,70</b>

Abridged Consolidated Statement of Cash Flows		
	Reviewed Year to 31 August 2010	Audited Year to 31 August 2009
R'000		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net rental income from properties</b>	<b>168 140</b>	168 328
Adjustment for:		
– depreciation	3 165	1 307
– working capital changes	7 478	(12 980)
<b>Cash generated from operations</b>	<b>178 783</b>	156 655
Investment income	28 059	23 966
Finance costs	(84 395)	(80 132)
Taxation paid	(512)	(667)
Distribution to linked unit holders paid	(117 694)	(110 015)
<b>Net cash outflow from operating activities</b>	<b>4 241</b>	(10 193)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investing activities	(189 425)	(89 452)
Proceeds from disposal of investment properties	–	12 600
<b>Net cash outflow used in investing activities</b>	<b>(189 425)</b>	(76 852)
<b>CASH INFLOW FROM FINANCING ACTIVITIES</b>		
Increase in interest bearing borrowings	189 958	71 610
<b>Net cash generated from financing activities</b>	<b>189 958</b>	71 610
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4 774</b>	(15 435)
Cash and cash equivalents at beginning of year	(26 072)	(10 637)
<b>Cash and cash equivalents at end of year</b>	<b>(21 298)</b>	(26 072)

Segmental Information							
R'000	Industrial	Office	Retail	Commercial	Residential	Corporate unallocated	Total
<b>Analysis by property usage – 2010</b>							
<b>Revenue</b>							
Rentals and recoveries	48 862	71 559	123 762	74 446	13 271		331 900
Management fee						1 598	1 598
Straight-line lease adjustment	(273)	1 568	460	(1 515)	(58)		182
<b>Total revenue</b>	<b>48 589</b>	<b>73 127</b>	<b>124 222</b>	<b>72 931</b>	<b>13 213</b>	<b>1 598</b>	<b>333 680</b>
<b>Net rental income from properties</b>	<b>27 415</b>	<b>37 673</b>	<b>71 429</b>	<b>42 522</b>	<b>7 461</b>	<b>(18 178)</b>	<b>168 322</b>
<b>Assets</b>							
Investment properties	318 046	456 564	824 921	532 788	127 158		2 259 477
Plant and equipment	460	8 199	16 475	3 673	1 669		30 476
Other assets						532 457	532 457
<b>Total assets</b>	<b>318 506</b>	<b>464 763</b>	<b>841 396</b>	<b>536 461</b>	<b>128 827</b>	<b>532 457</b>	<b>2 822 410</b>
<b>Net rental income from properties</b>							
<b>Analysis by property usage – 2009</b>							
<b>Revenue</b>							
Rentals and recoveries	45 147	61 606	131 204	62 988	8 904		309 849
Management fee						1 598	1 598
Straight-line lease adjustment	422	7 518	1 325	1 022	90		10 377
<b>Total revenue</b>	<b>45 569</b>	<b>69 124</b>	<b>132 529</b>	<b>64 010</b>	<b>8 994</b>	<b>1 598</b>	<b>321 824</b>
<b>Net rental income from properties</b>	<b>27 474</b>	<b>40 373</b>	<b>66 840</b>	<b>34 215</b>	<b>3 763</b>	<b>6 041</b>	<b>178 706</b>
<b>Assets</b>							
Investment properties	299 494	396 376	825 640	460 890	57 866		2 040 266
Plant and equipment	118	4 991	5 348	3 457	933		14 847
Other assets						421 499	421 499
<b>Total assets</b>	<b>299 612</b>	<b>401 367</b>	<b>830 988</b>	<b>464 347</b>	<b>58 799</b>	<b>421 499</b>	<b>2 476 612</b>

Distributable Earnings			
The following additional information is provided and is aimed at disclosing to the users the basis on which the distributions are calculated.			
R'000	% Change	Reviewed Year to 31 August 2010	Audited Year to 31 August 2009
<b>Revenue</b>			
– earned on contractual basis	7,1	333 498	311 447
Operating costs		(147 180)	(130 275)
<b>Net rental income from properties</b>	<b>2,8</b>	<b>186 318</b>	181 172
Administrative costs		(15 013)	(11 536)
Depreciation		(3 165)	(1 307)
<b>Operating profit</b>	<b>(0,1)</b>	<b>168 140</b>	168 329
Investment income			
– interest received		1 388	1 446
– listed investment		19 641	13 262
– associate		12 553	12 883
<b>Distributable profit before finance costs</b>	<b>3,0</b>	<b>201 721</b>	195 919
Finance costs	5,3	(84 395)	(80 132)
<b>Distributable income before taxation</b>	<b>1,3</b>	<b>117 326</b>	115 787
Taxation charge		(512)	(667)
<b>Unit holders distributable earnings</b>	<b>1,5</b>	<b>116 814</b>	115 120
<b>Linked units in issue ('000)</b>		<b>89 297</b>	89 297
<b>Distributable earnings per linked unit (cents)</b>	<b>1,5</b>	<b>130,8</b>	128,9
<b>Distribution per linked unit (cents)</b>	<b>1,4</b>	<b>130,7</b>	128,9

Abridged Consolidated Statement of Changes in Equity				
R'000	Share capital	Non-distri- butable reserves	Retained earnings	Total
<b>Balance at 1 September 2008</b>	58 295	920 703	35 851	1 014 849
Total comprehensive loss for the year			(8 112)	(8 112)
Transfer to capital – deemed debenture premium	10 669		(10 669)	–
Dividends paid			(545)	(545)
Adjustment to valuation of listed investment, net of deferred tax		697		697
Profit on sale of investment properties		1 534	(1 534)	–
Fair value adjustments				
– Investment properties, net of deferred taxation		(65 461)	65 461	–
– associate, net of deferred tax		36 902	(36 902)	–
<b>Balances at 31 August 2009</b>	<b>68 964</b>	<b>894 375</b>	<b>43 550</b>	<b>1 006 889</b>
Total comprehensive income for the year			82 923	82 923
Transfer to capital – deemed debenture premium	10 669		(10 669)	–
Dividends paid			(580)	(580)
Adjustment to valuation of listed investment, net of deferred tax		51 854		51 854
Fair value adjustments				
– Investment properties, net of deferred taxation		60 756	(60 756)	–
– associate, net of deferred tax		13 155	(13 155)	–
– interest rate derivatives, net of deferred tax		(4 365)	4 365	–
<b>Balances at 31 August 2010</b>	<b>79 633</b>	<b>1 015 774</b>	<b>45 679</b>	<b>1 141 086</b>

Notes to the Financial Statements	
The condensed consolidated financial statements have been prepared in accordance with International Accounting Standards IAS 34, Interim Financial Reporting, the listing requirements of the JSE Limited and the requirements of the Companies Act 61 of 1973, as amended. The accounting policies adopted and methods of computation are consistent with those applied in the financial statements for the year ended 31 August 2009.	
<b>Related party</b> – City Property Administration (Proprietary) Limited is responsible for the property and asset management of the group.	
<b>Contingent liability</b> – The company has issued guarantees of R1,7 million and R0,6 million to the Tshwane Metropolitan Municipality and City Power – Johannesburg respectively for the provision of services to its subsidiaries. The company has provided a suretyship to Nedbank Property Finance, which at 31 August 2010 amounted to R219,0 million in favour of its associate company, IPS Investments (Pty) Limited ("IPS").	
<b>Independent review by external auditors</b> – These condensed consolidated financial statements have been reviewed by our auditors Deloitte & Touche, whose unmodified review report is available for inspection at the company's registered office.	

Reconciliation – Earnings to Distributable Earnings		
R'000	Reviewed Year to 31 August 2010	Audited Year to 31 August 2009
<b>Earnings/(losses) attributable to equity holders</b>	<b>82 923</b>	(8 112)
Amortisation of deemed debenture premium	(10 669)	(10 669)
Profit on sale of investment properties	–	(1 534)
Fair value adjustments		
– associate, net of deferred tax	(13 155)	(36 902)
– investment properties, net of deferred tax	(60 756)	65 461
<b>Headline (loss)/earnings before debenture interest</b>	<b>(1 657)</b>	8 244
Debenture interest	116 131	114 533
<b>Headline earnings attributable to linked unit holders</b>	<b>114 475</b>	122 777
Straight line lease adjustment		
net of deferred tax	(131)	(7 472)
Fair value adjustments of interest rate derivatives net of deferred tax	4 365	–
Deferred taxation adjustments	(1 894)	(185)
<b>Distributable earnings attributable to linked unit holders</b>	<b>116 814</b>	115 120
<b>Headline earnings per linked unit (cents)</b>	<b>128,2</b>	137,5

Gearing		
R'000	Nominal amount	Interest rate %
<b>Fixed rate borrowings expiry</b>		
November 2010	47 827	11,04
May 2013	53 250	12,72
November 2013	75 000	11,92
April 2018	100 000	12,06
October 2018	75 000	11,72
	351 077	11,89
<b>Swap maturity</b>		
August 2017	200 000	9,18
<b>Total hedged borrowings</b>	<b>551 077</b>	<b>10,91</b>
<b>Variable rate borrowings</b>	<b>367 513</b>	<b>8,50</b>
<b>Total borrowings</b>	<b>918 590</b>	<b>9,90</b>
Fair value adjustments on interest rate derivatives	6 062	
<b>Total gearing</b>	<b>924 652</b>	

Comments	
<b>Review of results</b>	
Trading conditions in the retail property market deteriorated further during the period as a result of a weakening economy. It has become increasingly more difficult to increase rentals on renewals and new tenants are reluctant to take on new space.	
Rental income and net rental income increased by 7,1% and 2,8% respectively. The operating cost ratio increased to 44,1% (2009: 41,8%) mainly due to the increased costs of repairs and maintenance during the year. Octodec paid an interim distribution of 65,10 cents per linked unit. The total distribution per linked unit for the year of 130,70 cents (2009: 128,90 cents) represents an increase of 1,4% on that paid in the previous corresponding period.	
The core portfolio, representing those properties held for 12 comparable months, reflects rental income growth of 2%. Octodec's retail portfolio comprises 43% of the total property portfolio value and is dominated by smaller retail centres. As a result of challenging market conditions, no growth was achieved in rental income from the retail portfolio.	

During the year five properties were acquired and transferred. These include McCarthy in Midrand, McCarthy in Arcadia as well as Castle Mansions and Record House which are situated in the Johannesburg CBD. The total purchase price amounted to R114,3 million. A further three Johannesburg CBD properties were acquired but not yet transferred at year end, for a total amount of R53,3 million.		
Various properties were upgraded during the year at a total cost of R37,5 million. These included CCMA House in the Benoni CBD, Killarney Mall and Klamson House.		
Vacancies at 31 August 2010 amounted to 18,0% of total lettable area.		
Further details are set out below:		
	31 August 2010	31 August 2009
Offices (%)	9,3	9,6
Retail (%)	1,7	2,0
Commercial (%)	3,8	3,8
Industrial (%)	3,2	5,3
<b>TOTAL (%)</b>	<b>18,0</b>	<b>20,7</b>

A large percentage of the vacancies is in respect of properties recently acquired or undergoing redevelopment or refurbishment. The vacant retail space is largely attributable to smaller line shops. Industrial vacancies have decreased, however the rentals achieved have not recorded any growth.	
Arrears at 31 August 2010 amounted to R21,2 million (31 August 2009: R21,5 million) against which a provision for doubtful debts of R6,5 million (31 August 2009: R4,6 million) has been raised.	
The performance of IPS was impacted by the anticipated phased take up of residential units at the mixed-use developments Kempton Place and Ricci's Place. Ricci's Place was completed in November 2009 and phases I and II of the Kempton development were completed in October 2009 and October 2010 respectively. The residential component of Kempton Place is currently 54% let.	
During the period, Octodec increased its holding in Premium Properties Limited to 16 987 658 million linked units (2009: 13 326 674 linked units) or 13,1% (2009: 10,2%).	

<b>Borrowings</b>	During the period the borrowings increased by R190,2 million as a result of the purchase of properties and development and upgrade costs incurred. Octodec's gearing at the end of the year under review was 34,1% of the total value of the portfolio as against 31,1% at 31 August 2009. The group remains financially sound with facilities available to fund future cash flow requirements.
Interest rates in respect of 59,7% of borrowings at 31 August 2010 have been fixed maturing at various dates ranging from November 2010 to October 2018. Octodec's current all inclusive interest rate is 9,9%.	
<b>Revaluation of property portfolio</b>	The directors have valued the property portfolio by applying market related yields. At each financial year end at least one-third of the property portfolio is valued on a rotational basis by an external valuer. The directors' valuation of the portfolio increased by R82,8 million, which gives rise to a net asset value of 1 696 cents per unit, an increase of 8,9% on the prior comparative period.
<b>Prospects</b>	The current economic environment has influenced the demand for space, causing a slower take up of vacancies and slowing rental growth. Despite this, the board believes that distributable earnings for the next financial year should show positive growth.
Unit holders are advised that the abovementioned information has not been reviewed or reported on by the Company's auditors.	

**Prospects**

The current economic environment has influenced the demand for space, causing a slower take up of vacancies and slowing rental growth. Despite this, the board believes that distributable earnings for the next financial year should show positive growth.

Unit holders are advised that the abovementioned information has not been reviewed or reported on by the Company's auditors.

**DECLARATION OF DIVIDEND 41 AND INTEREST PAYMENT  
("the distribution")**

Notice is hereby given that dividend number 41 of 0,33 cents (2009: 0,33 cents) per ordinary share together with interest of 65,27 cents per debenture (2009: 66,37 cents), has been declared for the period 1 March 2010 to 31 August 2010, payable to linked unit holders recorded in the register on Friday, 19 November 2010. The last date to trade "cum" distribution is Friday, 12 November 2010. The units will commence trading "ex" distribution on Monday, 15 November 2010. Payment date will be Monday, 22 November 2010.

No dematerialisation or rematerialisation of linked unit certificates may take place between Monday, 15 November 2010 and Friday, 19 November 2010, both days inclusive.

By order of the board.

**A WAPNICK**  
*(Chairman)*

**JP WAPNICK**  
*(Managing Director)*

21 October 2010