OCTODEC
INVESTMENTS LIMITED

Reviewed Results of the Group

for the year ended 31 August 2011

Distribution of 129,30 cents per linked unit for the year

Net asset value of 1 798 cents per linked unit

Total investments of R3,0 billion

Condensed Consolidated Statement of Financial Position

R'000	**Reviewed 31 August 2011**	Audited 31 August 2010 restated	Audited 31 August 2009 restated
ASSETS			
Non-current assets	**3 023 244**	2 797 736	2 447 723
Investment properties	**2 375 719**	2 222 810	2 003 782
Property, plant and equipment	**44 410**	30 476	14 847
Operating lease assets	**40 837**	36 666	36 484
Listed investment	**310 390**	266 078	154 039
Investments – equity accounted	**251 888**	241 706	238 571
Current assets	**42 040**	45 787	48 507
Total assets	**3 065 284**	2 843 523	2 496 230
EQUITY AND LIABILITIES			
Share capital and reserves	**1 242 957**	1 268 970	1 122 340
Share capital and premium	**90 302**	79 633	68 964
Non-distributable reserves	**1 106 314**	1 143 659	1 009 826
Retained earnings	**46 341**	45 678	43 550
Non-current liabilities	**1 462 887**	1 270 256	1 169 944
Debentures and premium	**363 024**	373 693	384 362
Interest bearing borrowings	**962 119**	754 635	659 632
Deferred taxation	**137 744**	141 928	125 950
Current liabilities	**359 440**	304 297	203 946
Interest bearing borrowings	**234 696**	191 636	95 260
Non-interest bearing	**67 611**	54 377	49 419
Linked unitholders	**57 133**	58 284	59 267
Total equity and liabilities	**3 065 284**	2 843 523	2 496 230
Linked units in issue ('000)	**89 297**	89 297	89 297
Net asset value per linked unit (cents)	**1 798**	1 840	1 687
Net asset value per linked unit (cents) – before providing for defered tax	**1 953**	1 998	1 828
Loan to investment value ratio (%)	**39,6**	33,8	30,8

Condensed Consolidated Statement of Comprehensive Income

R'000	% Change	**Reviewed year to 31 August 2011**	Audited year to 31 August 2010 restated
Revenue		**388 516**	333 680
– earned on contractual basis	15,2	**384 218**	333 498
– straight-line lease adjustment		**4 298**	182
Operating costs		**(185 891)**	(147 180)
Net rental income from properties		**202 625**	186 500
– earned on contractual basis	6,4	**198 327**	186 318
– straight-line lease adjustment		**4 298**	182
Administrative costs		**(17 594)**	(15 014)
Depreciation		**(3 670)**	(3 165)
Operating profit	7,7	**181 361**	168 321
Fair value adjustments of investment properties		**(22 026)**	82 771
– gross fair value adjustment		**(17 728)**	82 953
– attributable to straight-line lease adjustment		**(4 298)**	(182)
Investment income		**51 761**	48 232
– interest received		**1 729**	1 388
– listed investment		**24 172**	19 641
– associate			
share of after tax-profit		**8 796**	5 522
fair value adjustment/capital reserves		**13 160**	14 650
interest		**3 904**	7 031
Finance costs	23,1	**(111 346)**	(90 457)
– interest on borrowings		**(103 217)**	(84 395)
– interest capitalised		**3 213**	–
– fair value adjustments of interest rate derivatives		**(11 342)**	(6 062)
Amortisation of deemed debenture premium		**10 669**	10 669
Profit on sale of investment property		**464**	–
Profit before debenture interest		**110 883**	219 536
Debenture interest	(1,1)	**(114 890)**	(116 131)
(Loss)/Profit before taxation		**(4 007)**	103 405
Taxation charge		**1 130**	(8 049)
– deferred taxation		**1 305**	(7 537)
– normal taxation		**(175)**	(512)
Total comprehensive (loss)/income for the period attributable to equity holders		**(2 877)**	95 356
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)	(103,0)	**(3,2)**	106,8
Basic and diluted earnings per linked unit (cents)	(47,0)	**125,4**	236,8
Distribution per linked unit (cents)			
Dividends		**0,64**	0,65
Interest		**128,66**	130,05
Total	(1,1)	**129,30**	130,70

Condensed Consolidated Statement of Cash Flows

R'000	**Reviewed year to 31 August 2011**	Audited year to 31 August 2010
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	**177 063**	168 140
Adjustment for:		
– depreciation	**3 670**	3 165
– working capital changes	**17 031**	7 808
Cash generated from operations	**197 764**	179 113
Investment income	**29 805**	28 059
Finance costs	**(100 004)**	(84 395)
Taxation paid	**(175)**	(512)
Distribution to linked unit holders paid	**(116 622)**	(117 694)
Net cash inflow/(outflow) from operating activities	**10 768**	4 571
CASH FLOW FROM INVESTING ACTIVITIES		
Investing activities	**(254 171)**	(189 755)
Proceeds from disposal of investment properties	**4 255**	–
Net cash outflow used in investing activities	**(249 916)**	(189 755)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in interest bearing borrowings	**237 653**	189 957
Net cash generated from financing activities	**237 653**	189 957
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1 495)**	4 773
Cash and cash equivalents at beginning of year	**(21 299)**	(26 072)
Cash and cash equivalents at end of year	**(22 794)**	(21 299)

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 2011**	Audited year to 31 August 2010
Revenue			
– earned on contractual basis	15,2	**384 218**	333 498
Operating costs		**(185 891)**	(147 180)
Net contractual rental income from properties	6,4	**198 327**	186 318
Administrative costs		**(17 594)**	(15 014)
Depreciation		**(3 670)**	(3 165
Operating profit	5,3	**177 063**	168 139
Investment income			
– interest received		**1 729**	1 388
– listed investment		**24 172**	19 641
– associate		**12 700**	12 553
Distributable profit before finance costs	6,9	**215 664**	201 721
Finance costs	18,5	**(100 004)**	(84 395)
Distributable income before taxation	(1,4)	**115 660**	117 326
Taxation charge		**(175)**	(512)
Unitholders distributable earnings	(1,1)	**115 485**	116 814
Linked units in issue ('000)		**89 297**	89 297
Distributable earnings per linked unit (cents)	(1,1)	**129,3**	130,8
Distribution per linked unit (cents)	(1,1)	**129,3**	130,7

Condensed Consolidated Statement of Changes in Equity

R'000	Share capital	Non-distributable reserves	Retained earnings	Total
Balance at 1 September 2009 as previously reported	68 964	894 375	43 550	1 006 889
Change in accounting policy		115 451		115 451
Restated balances at 1 September 2009	**68 964**	**1 009 826**	**43 550**	**1 122 340**
Restated total comprehensive income for the year			95 356	95 356
As previously reported			82 923	82 923
Prior year adjustment			12 433	12 433
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
Restated fair value adjustments				
– investment properties, net of deferred taxation		71 694	(71 694)	–
As previously reported		60 756	(60 756)	–
Prior year adjustment		10 938	(10 938)	–
– associate, net of deferred tax		14 650	(14 650)	–
As previously reported		13 155	(13 155)	–
Prior year adjustment		1 495	(1 495)	–
– interest rate derivatives, net of deferred tax		(4 365)	4 365	–
Balance at 31 August 2010	**79 633**	**1 143 659**	**45 678**	**1 268 970**
Total comprehensive loss for the year			(2 877)	(2 877)
Transfer to capital – deemed debenture premium	10 669		(10 669)	–
Dividends paid			(580)	(580)
Adjustment to valuation of listed investment, net of deferred tax		(22 556)		(22 556)
Sale of investment properties		464	(464)	–
Fair value adjustments				
– investment properties, net of deferred taxation		(20 246)	20 246	–
– associate, net of deferred tax		13 160	(13 160)	–
– interest rate derivatives, net of deferred tax		(8 167)	8 167	–
Balances at 31 August 2011	**90 302**	**1 106 314**	**46 341**	**1 242 957**

Reconciliation – Earnings to Distributable Earnings

R'000	**Reviewed year to 31 August 2011**	Audited year to 31 August 2010
(Losses)/Earnings attributable to equity holders	**(2 877)**	95 356
Amortisation of deemed debenture premium	**(10 669)**	(10 669)
Profit on sale of investment properties	**(464)**	–
Fair value adjustments		
– associate, net of deferred tax	**(13 160)**	(14 650)
– investment properties, net of deferred tax	**20 246**	(71 694)
Headline loss before debenture interest	**(6 924)**	(1 657)
Debenture interest	**114 890**	116 131
Headline earnings attributable to linked unitholders	**107 966**	114 474
Straight-line lease adjustment, net of deferred tax	**(3 094)**	(131)
Fair value adjustments of interest rate derivatives, net of deferred tax	**8 167**	4 365
Deferred tax adjustments	**2 446**	(1 894)
Distributable earnings attributable to linked unitholders	**115 485**	116 814
Headline earnings per linked unit (cents)	**121,4**	128,2

Notes to the Financial Statements

Basis of preparation

The condensed consolidated financial information has been prepared in accordance with the framework, concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board, the information as required by IAS 34: Interim Financial Reporting, the JSE Listings Requirements and the requirements of the South African Companies Act.

These condensed consolidated results were prepared under the supervision of Mr A K Stein CA(SA), in his capacity as Group Financial Director.

The accounting policies adopted and methods of computation are consistent with those applied in the financial statements for the year ended 31 August 2010, except for the recognition of deferred tax.

Octodec, as well as its associate company, IPS Investments (Pty) Limited ("IPS") has early adopted the amendment to IAS 12 relating to income tax and which requires entities to apply the Capital Gains Tax ("CGT") rate at which deferred tax is recognised specifically on the fair value movements on investment property. Previously a blended tax rate was used with the land component attracting the CGT rate of 14% and buildings attracting the income tax rate of 28%. The effect of this change in the accounting policy in prior years is as follows:

	2010 R'000	2009 R'000
Increase in investment in associate	21 113	19 618
Decrease in deferred tax liabilities	106 772	95 833
Increase in reserves	(127 885)	(115 451)
Net asset value – previously reported	1 696	1 558
Net asset value – restated	1 840	1 687

Related party – City Property Administration (Proprietary) Limited is responsible for the property and asset management of the group.

Subsequent events – There have been no subsequent events that require reporting.

Contingent liability – The company has issued guarantees of R1 690 000 and R582 000 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 2011 amounted to R224,2 million in favour of its associate company, IPS.

Auditor's review

The condensed provisional financial information for the year ended 31 August 2011 has been reviewed by the group's auditors, Deloitte & Touche. The review was conducted in accordance with ISRE 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A copy of their unmodified review report is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

Comments

Review of results

Trading conditions in the retail property market deteriorated further during the year as a result of a weakening economy. It has become increasingly difficult to increase rentals on renewals and new tenants are reluctant to take on new space. Octodec's retail portfolio comprises 42,7% of the total portfolio value and is dominated by smaller retail centres. On aggregate no growth was achieved in rental income from the retail portfolio.

The total distribution per linked unit for the 12 months of 129,30 cents per linked unit (2010: 130,70 cents) represents a decrease of 1,1% on that paid in the previous corresponding period. The interim distribution was 65,00 cents per linked unit with a final distribution of 64,30 cents. Rental income and net rental income increased by 15,2% and 6,4%, respectively. The core portfolio, representing those properties held for the prior comparable 12 months, reflects rental income growth of 3,0%.

Property expenses increased to 48,4% (2011: 44,1%) of revenue which was mainly attributable to an increase in utilities and assessment rate expenses as well as repairs and maintenance costs incurred to improve the lettability of various vacant properties. Although our leases allow for the recovery of the increased utilities and assessment rates from tenants, this does impact negatively on the new rentals on expiry of leases. Distributable income was negatively affected by the increased costs of funding on the interest rate swaps entered into at a premium to the weighted average floating interest rates. This was done in order to fix interest rates in a low interest rate environment.

Property portfolio

Octodec continued to unlock the value of its Johannesburg and Pretoria portfolios by the redevelopment and refurbishment thereof. Various properties were upgraded during the period at a total cost of R95,2 million. This included Killarney Mall and Reliance, a complex of industrial units. The cinema complex and adjacent restaurant area at Killarney Mall were redeveloped and launched in May 2011. Leases for four new restaurants were concluded. An upgrade of the office block was also completed and is now substantially let. The total cost of the upgrade amounted to R48,3 million and is not expected to be yield enhancing in the short term.

The redevelopment of Dan's Place in the Johannesburg CBD commenced during the period. This residential development is expected to cost R45 million and will create 143 residential units. It is anticipated that the project will be completed by March 2012 and yield a return of 9,9% once fully let.

During the period under review five properties were purchased in the Johannesburg CBD for an aggregate purchase price of R96,9 million. The average initial yield amounts to 10,0%.

As anticipated the performance of IPS was negatively impacted by the phased take up of its mixed-use residential developments Kempton Place, Ricci's Place and Tali's Place. The residential development situated in Arcadia, Pretoria, is due for completion in November 2011 at a cost of R41,0 million. A significant increase in income from IPS is forecast for the next financial year.

Vacancies in the Octodec portfolio at 31 August 2011 amounted to 16,8% of total lettable area.

	31 August 2011 %	31 August 2010 %
Offices	**10,3**	10,8
Retail – Shops	**2,8**	2,4
Retail – Shopping Centres	**0,3**	1,4
Industrial	**3,4**	3,2
Total	**16,8**	17,8

The vacant lettable area at Gezina Shopping Centre and at Killarney Mall has reduced significantly. A large percentage of the vacancies in the portfolio are in respect of properties acquired with large vacancies and where little or no consideration was paid for the vacant space. As the opportunities arise the potential of these vacancies is being realised.

Borrowings

During the year the borrowings increased as a result of the acquisition of properties, the purchase of 4 643 804 Premium shares and development costs incurred. Octodec's gearing at the end of the year under review was 39,6% of the value of its investment portfolio against 33,8% at 31 August 2010.

Interest rates in respect of 62,2% of borrowings at 31 August 2011 have been hedged at an average annual interest rate of 10,5% maturing at various dates ranging from May 2013 to October 2018.

Details of borrowings are as follows:

R'000	**Nominal amount**	**Interest rate %**
Fixed rate borrowings expiry		
May 2013	53 250	12,72
November 2013	75 000	11,92
April 2018	100 000	12,06
October 2018	75 000	11,72
	303 250	12,06
Swap maturity		
January 2014	15 000	11,99
August 2017	200 000	8,96
September 2017	50 000	9,31
January 2018	50 000	9,43
May 2018	50 000	10,13
August 2018	50 000	9,4
	415 000	9,36
Total hedged borrowings	718 250	10,50
Variable rate borrowings	437 086	7,60
Total borrowings	1 155 336	9,50

Revaluation of property portfolio

It is the group's policy to perform directors' valuations of all the properties on a six-monthly basis and at year-end. At the year-end one-third of the properties are valued by external valuers. The decrease in the directors' valuation of the portfolio by R22 million to R2,46 billion represents a decrease of 0,9%.

Directorate

Unitholders are referred to the SENS release on 2 September 2011 advising that Mr Alec Wapnick resigned from the board of Octodec as executive chairman, with effect from 30 September 2011. A visionary and exceptional man, during his 55 years in the property industry, Mr Wapnick created amongst others, Octodec and Premium, which have combined assets of R7 billion. The Board wishes to express its profound gratitude and appreciation to the Chairman for his immeasurable contribution to the growth and development of the company. Mr Wapnick has been a guiding force within the company, which has benefited from his mentoring leadership and wise counsel. His passion, integrity, fair and considered approach and his work ethic have been an example to all with whom he has worked.

Jeffrey Wapnick who has made a tremendous contribution to the growth and development of Octodec in his capacity as Managing Director of the company will continue in his current capacity.

Sharon Wapnick, who has been a non-executive director on the board of Octodec since 1994, and who has a wealth of experience in the property industry assumed the position of non-executive Chairman with effect from 1 October 2011.

Prospects

The current economic environment, specifically the tightening of consumer spending is likely to further impact on distribution growth. However as a result of a major focus on the upgrading of properties, management is optimistic that Octodec will deliver an increase in distributions in the next financial year.

Unitholders are advised that the abovementioned forecast has not been reviewed nor reported on by the company's auditors.

DECLARATION OF DIVIDEND 43 AND INTEREST PAYMENT ("the distribution")

Notice is hereby given that dividend number 43 of 0,32 cent (2010: 0,33 cent) per ordinary share together with interest of 63,98 cents per debenture (2010: 65,27 cents), has been declared for the period 1 March 2011 to 31 August 2011, payable to linked unitholders recorded in the register on Friday, 18 November 2011. The last date to trade *"CUM"* distribution is Friday, 11 November 2011. The units will commence trading *"EX"* distribution on Monday, 14 November 2011. Payment date will be Monday, 21 November 2011.

No dematerialisation or rematerialisation of linked unit certificates may take place between Monday, 14 November 2011 and Friday, 18 November 2011, both days inclusive.

By order of the Board

S WAPNICK
Chairman

J P WAPNICK
Managing Director

21 October 2011

Directors
S Wapnick *(Chairman)*, J P Wapnick* *(Managing)*, A K Stein* *(Financial)*, M J Holmes#
M Z Pollack#, D P Cohen# **Executive* *#Independent non-executive*

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Octodec Investments Limited and its subsidiaries
(Incorporated in the Republic of South Africa)
(Registration number 1956/002868/06)
Share code: OCT ISIN: ZAE000005104
("Octodec" or "the company" or "the group")

City Property
Property Asset Manager
E-mail address: propworld@cityprop.co.za
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Segmental Information

Analysis by property usage – 2011 R'000	Industrial	Office	Retail	Commercial	Residential	Corporate unallocated	Total
Revenue							
Rentals and recoveries	**53 972**	**77 987**	**132 228**	**89 309**	**29 124**		**382 620**
Management fee						**1 598**	**1 598**
Straight-line lease adjustment	**28**	**(478)**	**1 815**	**2 460**	**473**		**4 298**
Total revenue	**54 000**	**77 509**	**134 043**	**91 769**	**29 597**	**1 598**	**388 516**
Operating profit	**27 707**	**42 594**	**63 896**	**53 848**	**14 580**	**(21 264)**	**181 361**
Assets							
Investment properties and operating leases	**346 419**	**489 850**	**808 553**	**605 332**	**166 402**		**2 416 556**
Plant and equipment	**702**	**10 450**	**27 050**	**4 737**	**1 471**		**44 410**
Other assets						**604 318**	**604 318**
Total assets	**347 121**	**500 300**	**835 603**	**610 069**	**167 873**	**604 318**	**3 065 284**
Analysis by property usage – 2010							
Revenue							
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
Total revenue	48 589	73 127	124 222	72 931	13 213	1 598	333 680
Operating profit	27 415	37 673	71 429	42 522	7 461	(18 179)	168 321
Assets							
Investment properties and operating leases	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						553 570	553 570
Total assets	318 506	464 763	841 396	536 461	128 827	553 570	2 843 523