OCTODEC
INVESTMENTS LIMITED

REVIEWED PROVISIONAL RESULTS OF THE GROUP

FOR THE TWELVE MONTHS ENDED 31 AUGUST 2013

- Distribution up by **14,8%** to **157,60 cents** per linked unit
- Total investments of **R4 billion**
- Increase in net asset value of **18,7%** of **2 233 cents** per unit
- Weighted average cost of debt reduces to **8,4%** per annum
- Obtained **REIT** status effective from 1 September 2013

DIRECTORS' COMMENTARY

Introduction

Octodec's application for REIT status was granted with effect from 1 September 2013.

Octodec invests in the retail, industrial and office property sectors and has a growing residential component in its portfolio.

All rental income received by the group, less operating costs, administration costs and interest on debt, is distributed bi-annually. The group does not distribute fair value gains and capital profits.

Review of results

Trading conditions and consumer confidence remained subdued during the financial year. The property portfolio continued to deliver strong growth in earnings with rental income increasing following a number of successful upgrades of properties and a proactive approach to letting.

The total distribution per linked unit for the twelve months of 157,60 cents per linked unit (2012: 137,30 cents) represents an increase of 14,8% on that paid in the previous year.

The interim distribution was 78,70 cents per linked unit with a final distribution of 78,90 cents per linked unit. The increase in the price per unit on the JSE from R19,02 at 31 August 2012 to R19,66 at 31 August 2013 provided investors with capital growth of 3,4% for the year. The distribution of 157,60 cents per linked unit accounts for an income yield of 8,3% with a total return of 11,7% for the year.

Rental income and net rental income increased by 10,6% and 7,2% respectively compared to the prior year. The core portfolio, representing those properties held for the previous comparable year with no major development activity, reflects rental income growth of 6,7%. The increase in revenue was mainly due to contractual escalations, improved letting and an increase in the recovery of utility and assessment rate charges. The financial period saw limited improvement in the office and industrial rental markets generally resulting in increased vacancies. One of the objectives during the year was to improve the quality of the properties in order to attract new tenants. The performance of Killarney Mall, the company's flagship shopping centre, was extremely pleasing. The vacancies during the financial period reduced to below 2%. Despite rapidly escalating charges in respect of assessment rates and utility charges, the cost recovery percentage from tenants was maintained during the year. These escalating charges have impacted the total occupancy costs of tenants. Provisions and write-offs of bad debts were at acceptable levels of 0,9% (2012: 1,1%) of total tenant income.

Property and investment portfolio

Octodec continued to expand its property portfolio in Gauteng. It acquired a portfolio of office properties for an aggregate purchase consideration of R140,5 million. These properties are situated in well-established office nodes in Persequor Park, Menlyn and Centurion, Pretoria. The properties were transferred on 31 July 2013. Various properties were redeveloped and upgraded during the last twelve months at a total cost of R66,2 million. The upgrade of the mixed-use residential property Kerk Street in the Johannesburg CBD was completed in February 2013. A 5 233 m^2 retail development in the Pretoria CBD was completed in March 2013. This is occupied by Cambridge, which is part of the Walmart Group, and other retailers. Octodec disposed of its Eloff Ext. Mini Units property for an amount of R6,65 million.

Octodec is currently in the planning stages of the redevelopment of Bosman Place which is situated in the Johannesburg CBD. The property consists of a retail component and 13 000 m^2 of vacant offices. The offices will be converted into 225 residential units at a cost of approximately R90 million. The initial yield is expected to be 8,4%.

Octodec's investment in IPS continued providing acceptable earnings growth with profits earned from its associate company, excluding fair value gains increasing to R24,7 million. This was an increase of 41,4% on the prior year. The improved occupancy levels achieved during the period at Craig's Place and the mixed-use developments of Kempton Place and Tali's Place as well as a reduction in the cost of finance contributed to the growth achieved by IPS.

Vacancies in the Octodec portfolio at 31 August 2013, including properties held for redevelopment, amounted to 13,6% (2012: 12,9%) of total lettable area. Details of these vacancies are set out in the table below.

	Total lettable area m^2	Total vacancies %	Properties held for redevelop-ment %	Core vacancies %
31 August 2013				
Offices	**127 485**	**6,5**	**(3,3)**	**3,2**
Retail – shops	**141 355**	**0,7**	**(0,1)**	**0,6**
Retail – shopping centres	**85 168**	**0,6**	**–**	**0,6**
Industrial	**193 725**	**4,1**	**(0,1)**	**4,0**
Residential	**34 498**	**1,7**	**(1,7)**	**–**
Total	**582 230**	**13,6**	**(5,2)**	**8,4**
31 August 2012				
Offices	115 949	6,9	(4,3)	2,6
Retail – shops	139 016	2,4	(0,9)	1,5
Retail – shopping centres	84 088	0,2	–	0,2
Industrial	198 806	2,9	–	2,9
Residential	30 104	0,5	(0,3)	0,2
Total	567 963	12,9	(5,5)	7,4

Most of the properties remained fully let. As anticipated, a number of properties under development or those which were recently upgraded, for example Scott's Corner, had vacancies. In recent years certain properties, for example Bosman Building, were acquired by Octodec with large vacancies and for little consideration in respect of the vacant space which offered redevelopment opportunities. As the opportunities arise, the potential of these vacancies is being realised.

Octodec was successful in letting a number of properties that had been vacant for a considerable period. The residential vacancies consist, as expected, of vacant units at Essenby, Time Place and Castle Mansions which are currently undergoing upgrades.

Borrowings

Octodec's ratio of loans to value of its investment portfolio at year-end was 35,9% against 33,0% at 31 August 2012.

Interest rates in respect of 54,9% of borrowings at 31 August 2013 have been hedged, maturing at various dates ranging from November 2013 to October 2018. The average weighted interest rate of all borrowings is 8,4% per annum, with unutilised banking facilities in an amount in excess of R90,3 million.

Details of borrowings are as follows:

R'000	Nominal amount	Interest rate %
Fixed rate borrowings expiry		
November 2013	75 000	11,92
April 2018	100 000	12,06
October 2018	75 000	11,72
	250 000	11,92
Swap maturity		
January 2014	15 000	11,99
August 2017	200 000	9,00
September 2017	50 000	9,31
January 2018	50 000	9,43
April 2018	100 000	5,68
May 2018	50 000	10,13
August 2018	50 000	9,40
	515 000	8,65
Total hedged borrowings	765 000	9,72
Variable rate borrowings	628 790	6,80
Total borrowings	1 393 790	8,40

Revaluation of property portfolio

It is the group's policy to perform directors' valuations of all the properties at the interim stage and at year-end. At year-end, one third of the properties is valued by external registered valuers on a rotational basis.

The directors' valuation of the portfolio of R3,26 billion includes an increase of R131,5 million or 4,2% for the twelve-month period ended 31 August 2013.

Net asset value ("NAV")

The substantial increase in NAV per linked unit was a result of the elimination of deferred capital gains taxation on the fair value adjustment to investment property; following the conversion to a REIT on 1 September 2013.

Changes to the directorate

Mr Gerard Kemp (58) was appointed as an independent non-executive director, on 1 October 2013. Gerard will also serve on the audit, risk, social and ethics and remuneration and nominations committees. Gerard brings to the board a wealth of knowledge and experience in the areas of corporate finance, black economic empowerment and labour relations.

Prospects

Octodec is considering a number of redevelopment opportunities for certain existing properties which will enhance the quality of the property portfolio and result in sustainable distributions in the future. Growth in the local economy is expected to remain subdued. Barring unforeseen events, current indications are that the growth in distributions per linked unit for the next financial year should be in line with the sector average growth rate.

The abovementioned information has not been reviewed nor reported on by the company's auditors.

DECLARATION OF DIVIDEND 47 AND INTEREST PAYMENT ("the distribution")

Notice is hereby given that dividend number 47 of 0,39 cents (2012: 0,33 cents) per ordinary share (out of income reserves) and interest of 78,51 cents per debenture (2012: 65,77 cents), has been declared for the period 1 March 2013 to 31 August 2013. This is payable to linked unitholders recorded in the register on Friday, 15 November 2013. The last date to trade "CUM" distribution is Friday, 8 November 2013. The units will commence trading "EX" distribution on Monday, 11 November 2013. Payment date will be Monday, 18 November 2013.

No dematerialisation or rematerialisation of linked unit certificates may take place between Monday, 11 November 2013 and Friday, 15 November 2013, both days inclusive.

The dividend component of the distribution is subject to dividends withholding tax at 15%. In determining dividends withholding tax, secondary tax on companies ("STC") credits must be taken into account. The STC credits utilised as part of this declaration amount to R422 077,18 being 0,39 cents per share, and consequently no dividends withholding tax is payable by shareholders who are normally not exempt from dividends withholding tax. Shareholders will receive the dividend of 0,39 cents per share.

The number of linked units in issue at the date of this declaration is 108 224 917 and the company's tax reference number is 9925/033/71/5.

By order of the board.

S WAPNICK
Chairman

JP WAPNICK
Managing director

23 October 2013

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	% change	Reviewed Year to 31 August 2013	Audited Year to 31 August 2012
Revenue		**506 670**	461 403
– earned on contractual basis	10,6	**505 732**	457 452
– straight-line lease adjustment		**938**	3 951
Operating costs		**(254 820)**	(223 401)
Net rental income from properties		**251 850**	238 002
– earned on contractual basis	7,2	**250 912**	234 051
– straight-line lease adjustment		**938**	3 951
Administrative costs		**(21 933)**	(19 233)
Depreciation		**(3 357)**	(3 515)
Operating profit	5,3	**226 560**	215 254
Fair value adjustments of investment properties		**131 501**	163 509
Fair value adjustments of interest rate derivatives		**35 214**	(14 910)
Investment income		**77 781**	52 947
– interest received		**1 584**	1 153
– listed investment		**29 670**	26 588
– associate			
share of after tax profit		**19 567**	13 293
reserves		**21 797**	8 191
interest		**5 163**	3 722
Finance costs	(13,1)	**(110 638)**	(127 387)
– interest on borrowings		**(112 461)**	(129 200)
– interest capitalised		**1 823**	1 813
Amortisation of deemed debenture premium		**21 054**	10 906
Profit on sale of investment property		**15**	666
Profit before debenture interest		**381 487**	300 985
Debenture interest	33,0	**(169 718)**	(127 633)
Profit before taxation		**211 769**	173 352
Taxation charge		**171 690**	(63 413)
– Deferred taxation		**172 004**	(63 061)
– Normal taxation		**(314)**	(352)
Profit for the year		**383 459**	109 939
Other comprehensive income for the year		**18 792**	41 550
Total comprehensive income for the year attributable to equity holders		**402 251**	151 489
Weighted linked units in issue ('000)		**108 225**	89 866
Linked units in issue ('000)		**108 225**	108 225
Basic earnings per share (cents)	189,6	**354,3**	122,3
Fully diluted earnings per share (cents)	248,8	**354,3**	101,6
Basic earnings per linked unit (cents)	93,3	**511,1**	264,4
Fully diluted earnings per linked unit (cents)	132,8	**511,1**	219,5
Distribution per linked unit (cents)			
Dividends		**0,78**	0,68
Interest		**156,82**	136,62
Total	14,8	**157,60**	137,30

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed Year to 31 August 2013	Audited Year to 31 August 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Net rental income from properties	**225 622**	211 303
Adjustment for:		
– depreciation and amortisation	**12 059**	12 547
– working capital changes	**14 724**	7 567
Cash generated from operations	**252 405**	231 417
Investment income	**57 217**	31 463
Finance costs	**(110 638)**	(127 387)
Taxation paid	**(99)**	(535)
Distribution to linked unitholders paid	**(156 710)**	(114 185)
Net cash inflow from operating activities	**42 175**	20 773
CASH FLOW FROM INVESTING ACTIVITIES		
Investing activities	**(279 863)**	(313 522)
Proceeds from disposal of investment properties	**6 650**	4 610
Net cash outflow used in investing activities	**(273 213)**	(308 912)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of new units	**–**	290 624
Increase/(decrease) in interest-bearing borrowings	**250 366**	(11 779)
Net cash generated from financing activities	**250 366**	278 845
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**19 328**	(9 294)
Cash and cash equivalents at beginning of year	**(32 091)**	(22 797)
Cash and cash equivalents at end of year	**(12 763)**	(32 091)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Non dis-tributable reserves	Retained earnings	Total
Balance at 1 September 2011	**90 302**	**1 106 314**	**46 341**	**1 242 957**
Total comprehensive income for the year			151 489	151 489
Issue of new units	1 437			1 437
Transfer to capital – deemed debenture premium	10 906		(10 906)	–
Dividends paid			(598)	(598)
Adjustment to valuation of listed investment, net of deferred tax		41 550	(41 550)	–
Profit on sale of investment properties		666	(666)	–
Fair value adjustments				
– Investment properties, net of deferred taxation		90 386	(90 386)	–
– Associate, net of deferred tax		8 191	(8 191)	–
– Interest rate derivatives, net of deferred tax		(10 735)	10 735	–
Balances at 31 August 2012	**102 645**	**1 236 372**	**56 268**	**1 395 285**
Total comprehensive income for the year			402 251	402 251
Transfer to capital – deemed debenture premium	21 054		(21 054)	–
Dividends paid			(779)	(779)
Adjustment to valuation of listed investment, net of deferred tax		18 792	(18 792)	–
Profit on sale of investment properties		15	(15)	–
Fair value adjustments				
– Investment properties, net of deferred taxation		333 171	(333 171)	–
– associate, net of deferred tax		21 797	(21 797)	–
– interest rate derivatives, net of deferred tax		25 354	(25 354)	–
Balances at 31 August 2013	**123 699**	**1 635 501**	**37 557**	**1 796 757**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed 31 August 2013	Audited 31 August 2012
ASSETS		
Non-current assets	**3 971 862**	3 565 859
Investment properties	**3 168 970**	2 834 133
Plant and equipment	**6 525**	9 882
Lease costs capitalised	**35 565**	28 159
Operating lease assets	**45 726**	44 788
Listed investment	**365 819**	375 981
Investment in associate	**347 264**	272 916
Derivative financial instruments	**1 993**	–
Current assets	**50 982**	41 161
Total assets	**4 022 844**	3 607 020
EQUITY AND LIABILITIES		
Share capital and reserves	**1 796 757**	1 395 285
Share capital and premium	**123 699**	102 645
Non-distributable reserves	**1 635 501**	1 236 372
Distributable reserves	**37 557**	56 268
Non-current liabilities	**1 600 876**	1 717 544
Debenture capital and premium	**620 251**	641 305
Interest-bearing borrowings	**965 688**	827 123
Derivative financial instruments	**–**	33 221
Deferred taxation	**14 937**	215 895
Current liabilities	**625 211**	494 191
Interest-bearing borrowings	**461 656**	348 918
Non-interest-bearing	**78 588**	74 093
Linked unitholders for distribution	**84 967**	71 180
Total equity and liabilities	**4 022 844**	3 607 020
Linked units in issue ('000)	**108 225**	108 225
Net asset value per linked unit (cents)	**2 233**	1 882
Net asset value per linked unit (cents) – before providing for deferred tax	**2 247**	2 081
Loan to investment value ratio (%)	**35,9**	33,0

DISTRIBUTABLE EARNINGS

R'000	% change	Reviewed Year to 31 August 2013	Audited Year to 31 August 2012
Revenue			
– earned on contractual basis	10,6	**505 732**	457 452
Operating costs		**(254 820)**	(223 401)
Net rental income from properties	7,2	**250 912**	234 051
Administrative costs		**(21 933)**	(19 233)
Depreciation		**(3 357)**	(3 515)
Operating profit	6,8	**225 622**	211 303
Investment income			
– interest received		**1 584**	1 153
– listed investment		**29 670**	26 588
– associate		**24 730**	17 015
Distributable profit before finance costs	10,0	**281 606**	256 059
Finance costs	(13,1)	**(110 638)**	(127 387)
Distributable income before taxation	32,9	**170 968**	128 672
Taxation charge		**(314)**	(352)
Unitholders distributable earnings	33,0	**170 654**	128 320
Add: prepaid distribution		**–**	6 814
Unitholders distributable earnings	26,3	**170 654**	135 134
Weighted linked units in issue ('000)		**108 225**	89 866
Weighted distributable earnings per linked unit (cents)	4,8	**157,7**	150,4
Distribution per linked unit (cents)	14,8	**157,6**	137,3

RECONCILIATION – EARNINGS TO DISTRIBUTABLE EARNINGS

R'000	Reviewed Year to 31 August 2013	Audited Year to 31 August 2012
Earnings attributable to equity holders	**402 251**	151 489
Amortisation of deemed debenture premium	**(21 054)**	(10 906)
Profit on sale of investment properties	**(15)**	(666)
Equity reserves		
– associate	**(21 797)**	(8 191)
Fair value adjustments		
– listed investment, net of deferred tax	**(18 792)**	(41 550)
– investment properties	**(131 501)**	(163 509)
– deferred tax	**(201 670)**	73 123
Headline earnings before debenture interest	**7 422**	(210)
Debenture interest	**169 718**	127 633
Headline earnings attributable to linked unitholders	**177 140**	127 423
Straight-line lease adjustment, net of deferred tax	**(675)**	(2 845)
Fair value adjustments of interest rate derivatives, net of deferred tax	**(25 354)**	10 735
Deferred taxation adjustments	**19 543**	(6 993)
Prepaid distribution	**–**	6 814
Distributable earnings attributable to linked unitholders	**170 654**	135 134
Headline earnings per linked unit (cents)	**163,7**	141,8

SEGMENTAL INFORMATION

The group earns revenue in the form of property rentals. On a primary basis the group is organised into five major operating segments:

- Office
- Retail
- Shopping centres
- Industrial
- Residential

Rental income by sector:	2013 R'000	%	2012 R'000	%
Offices	**60 320**	**16,6**	60 247	18,1
Retail	**86 539**	**23,9**	74 348	22,3
Shopping centres	**115 295**	**31,8**	108 741	32,6
Industrial	**71 695**	**19,7**	67 014	20,1
Residential	**29 175**	**8,0**	23 090	6,9
Total rental income	**363 024**	**100,0**	333 440	100,0
Recoveries	**142 708**		124 012	
Revenue	**505 732**		457 452	

Further segmental results cannot be allocated on a reasonable basis due to the "mixed use" of certain of the properties. It is the company's policy to invest predominantly in properties situated in the Gauteng area, therefore, the company has not reported on a geographical basis.

NOTES TO THE FINANCIAL STATEMENTS

Basis of preparation: The condensed consolidated provisional financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional financial statements to be prepared in accordance with the conceptual framework, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and also, as a minimum, to contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of these financial statements are consistent with those applied in the previous annual financial statements.

These condensed consolidated results were prepared under the supervision of Mr AK 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 2012.

Deferred taxation: Octodec's application to the JSE Limited ("JSE") for Real Estate Investment Trust ("REIT") status has been approved by the JSE. Accordingly, Octodec has qualified as a REIT from the commencement of its next financial year, being 1 September 2013. In determining the aggregate capital gain or capital loss of a REIT or a controlled property company for purposes of the Income Tax Act, any capital gain or capital loss determined in respect of the disposal of immovable property; a share in a REIT; or a share in a controlled property company, must be disregarded. This resulted in a reversal of the group's deferred taxation liability amounting to R230,6 million at 1 September 2012.

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.

Commitments: Octodec has capital commitments in an amount of R56,6 million relating to various redevelopments of properties.

Contingent liability: The company has issued guarantees of R8,0 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 in favour of its 40% held associate company, IPS Investments Proprietary Limited ("IPS"). At 31 August 2013, the suretyship amounted to R224,2 million.

Auditor's review: These condensed consolidated financial statements for the year ended 31 August 2013 have been reviewed by Deloitte & Touche, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

OCTODEC INVESTMENTS LIMITED and its subsidiaries ("Octodec" or "the group" or "the company")
(Incorporated in the Republic of South Africa) (Registration number 1956/002868/06), Share code: OCT, ISIN: ZAE000005104, REIT status approved
Directors: S Wapnick† (Chairman), JP Wapnick* (Managing), AK Stein* (Financial), MZ Pollack†, DP Cohen^, PJ Strydom•, GH Kemp•
** Executive director • Independent non-executive director † Non-executive director ^ Lead independent non-executive director*
Registered office: CPA House, 101 Du Toit Street, Pretoria, 0002, PO Box 15, Pretoria, 0001, Tel: (012) 319 8781 Fax: (012) 319 8812
Transfer secretaries: Computershare Investor Services Proprietary Limited (Reg. No: 2004/003647/07), 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107, Tel: (011) 370 7700 Fax: (011) 688 7712
Property administrator, asset manager and company secretary: City Property Administration Proprietary Limited, email: octodec@cityprop.co.za

CITY PROPERTY

SA REIT ASSOCIATION