Octodec
INVESTMENTS LIMITED

Reviewed provisional annual results for the year ended 31 August 2022

2022 Performance highlights

Rental income (R'million)
R1 930.5
(2021: R1 838.7)

Profit (loss) for the year (R'million)
R605.1
(2021: (R174.8))

Distributable income after tax (REIT funds from operations R'million)
R466.1
(2021: R358.4)

Distributable income per share (cents)
175.1
(2021: 134.6)

Dividend per share (cents)
130.0
(2021: 50.0)

Net asset value (NAV) per share
R23.28
(2021: R23.20)

Cash generated from operating activities before dividend payment (R'million)
R391.1
(2021: R357.4)

Loan to value (LTV)
39.7%
(2021: 43.2%)

All-in annual weighted average cost of funding
8.7%
(2021: 8.5%)

* *The property portfolio information on this page, as well as that continued on pages 2 to 12, includes 100% of our interest in the joint venture.*

Contents

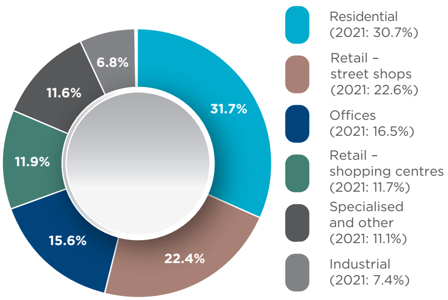
Commentary

Introduction

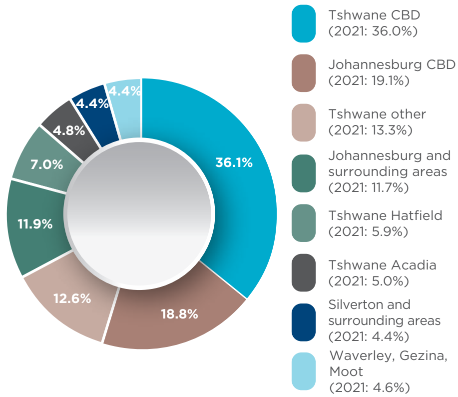
Octodec Investments Limited (Octodec or the company), its subsidiaries and associated company (the group) is a real estate investment trust (REIT) listed on the JSE Ltd (JSE) with a diversified portfolio of 246 residential, retail, office, industrial and specialised properties situated in the major metropolitan areas of Tshwane and Johannesburg. The portfolio, including an equity-accounted joint venture, has a lettable area of 1 557 460m^2 and is valued at R11.0 billion.

Octodec has contracted City Property Administration (Pty) Ltd (City Property) to perform its asset and property management functions. The contract, which expires in July 2023, is currently being reviewed for renewal.

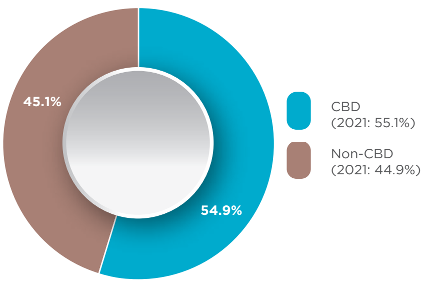
Rental income by sector



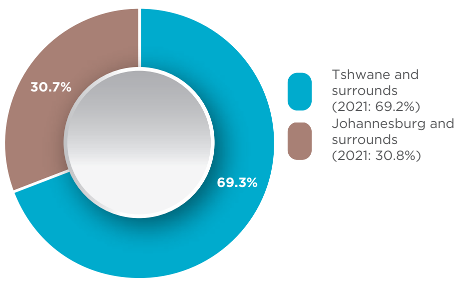
Geographical analysis of rental income



CBD versus non-CBD rental income



Tshwane versus Johannesburg rental income



** *COVID-19 rental discount for the current year is R571 000 (FY2021: R30.8 million). The COVID-19 rental relief as a percentage of rental income is immaterial in respect of both years; hence all amounts in the current year are reported inclusive of the COVID-19 rental discount, except where otherwise indicated. The comparative amounts have been restated to include the COVID-19 rental discount given in the prior year.*

Review of results

	% change	31 August 2022 R'000	31 August 2021 R'000
Revenue earned on contractual basis	3.3	**1 931 091**	1 869 511
COVID-19 rental discount	(98.1)	**(571)**	(30 845)
Revenue earned after COVID-19 rental discount	5.0	**1 930 520**	1 838 666
Property operating expenses	3.9	**(1 013 460)**	(975 663)
Net property income	6.3	**917 060**	863 003
Administrative and corporate expenses	12.2	**(84 614)**	(75 420)
Share of income from joint venture	(0.5)	**2 465**	2 477
Distributable profit before finance costs	5.7	**834 911**	790 060
Net finance costs	(5.1)	**(369 037)**	(388 914)
Distributable profit before tax	16.1	**465 874**	401 146
Current tax		**193**	(42 737)
Distributable income attributable to shareholders	30.0	**466 067**	358 409
Weighted average number of shares		**266 197 535**	266 197 535
Distributable income per share (cents)	30.0	**175.1**	134.6

Revenue earned on a contractual basis after COVID-19 rental discounts (largely applicable in the first six months of the reporting period) increased by 5.0% from R1 838.7 million to R1 930.5 million, mainly due to a reduction in assistance provided to tenants in the form of rental discounts. This was, however, offset by negative rental reversions mainly in the industrial, retail and specialised sectors, resulting in a smaller increase of 3.3% in rental earned on a contractual basis from R1 869.5 million to R1 931.1 million for FY2022.

While the first six months of the reporting period were still impacted by COVID-19 lockdowns, all restrictions were lifted at the end of June 2022. During the reporting period, only minor restrictions were placed on tenants' businesses, and consequently fewer rental discounts were granted to tenants in the current year.

Property operating expenses increased by 3.9%. The increase in property expenses was contained largely through a decrease in bad debts to 1.6% of gross revenue compared to 1.9% in the prior year, as well as the hands-on management of property expenditure, driving efficiencies where possible.

Net finance costs decreased by 5.1% from R388.9 million to R369.0 million. This was primarily achieved through the settlement of some unfavourable hedging instruments at the beginning of the financial year, as well as the reduction of utilised facilities.

Distributable income before tax increased by 16.1% from R401.1 million to R465.9 million, and distributable income after tax increased by 30.0% from R358.4 million to R466.1 million, as a result of the reduction in taxation payable in the current year following the increased dividends paid.

Cost-to-income ratios

The cost-to-income ratios are as follows:

	31 August 2022 %	31 August 2021 %
Property costs		
Gross basis	**52.5**	53.1
Net basis (net of recoveries)	**36.6**	37.9
Total property and administration costs		
Gross basis	**56.9**	57.2
Net basis (net of recoveries)	**42.4**	43.4

Property costs, both on a gross and net basis, improved marginally when compared to the prior year. This is largely attributable to improved occupancy which translates into higher revenue and, as a result, a lower cost-to-income ratio. Octodec has managed to contain most property costs through hands-on management of the buildings, with a focus on maintenance management, but at the same time ensuring that our buildings remain well maintained and attractive to tenants.

Dividend policy

Octodec's dividend policy is based on the premise of retaining sufficient funds for developments and acquisitions, as and when these opportunities arise, maintaining 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 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 FY2022 is approximately 100% of taxable income, ensuring that the group remains a REIT.

Based on the above policy, the board of Octodec declared a final dividend of 80.0 cents per share on 28 October 2022, payable to shareholders on Monday, 21 November 2022. The total dividend for the year is 130.0 cents (FY2021: 50.0 cents) per share, a 160% increase on the prior year.

The board has considered the solvency and liquidity of the group and is satisfied that the group has adequate cash resources and funding facilities.

Performance review

At a group level, revenue, before COVID-19 rental discounts, increased by 3.3%, and revenue on a like-for-like basis, excluding the impact of the disposal of properties as well as COVID-19 rental discounts, increased by 3.4%.

Residential sector

Octodec's residential income increased 7.6% year on year and 7.9% on a like-for-like basis. This pleasing result was largely due to the return of students to universities for in-person classes, together with initiatives such as the introduction of shared and/or furnished accommodation at some of our residential buildings and value-add services such as complimentary Wi-Fi to tenants in various other buildings. These initiatives, complemented by a focused and well-executed marketing strategy, have resulted in reduced vacancies in our residential buildings. Furthermore, the lifting of lockdown restrictions has also increased traffic at OR Tambo International airport and has resulted in a marked improvement in the occupancy at one of our larger residential buildings, Kempton Place in Kempton Park. Due to the positive outcome of the above initiatives, it is our intention to roll out these offerings to more residential buildings in order to further reduce vacancies and increase income.

Because of the higher-than-normal vacancies over the past two years caused by the COVID-19 pandemic, management has retained rentals at the same level as in the prior year, with its focus on filling the vacancies. With vacancies almost at pre-COVID-19 levels, the focus will shift to increasing rentals per unit, while at the same time being cautious of the impact that high inflation and increased interest rates will have on disposable income of tenants, and the consequential impact on vacancies.

Retail shops and retail shopping centres

Octodec's retail portfolio is unique, as its retail street shops are largely concentrated in the Tshwane and Johannesburg CBDs. Over the last two years, this segment of the market has, in particular, felt the impact of the lockdown restrictions, in that many offices and Government departments are still applying the work-from-home policy, at least on a rotational basis, and therefore footfall has not yet returned to pre-COVID-19 levels in the CBDs. Rental from our retail shops increased by 3.0% year on year and by 2.0% on a like-for-like basis, due to several negative rental reversions concluded during the year, as well as a small increase in vacancies.

Octodec's portfolio of retail shopping centres, which largely comprise convenience shopping centres, has performed well during the lockdown period and continues to perform strongly, with vacancies at 7.4%, a slight increase on the prior year. Rental income from our shopping centres increased by 5.9% year on year and by 4.6% on a like-for-like basis and we are confident that this sector will continue to perform strongly.

Offices

Although Octodec's office portfolio is somewhat different to a typical REIT office portfolio, in that the office buildings are multi-tenanted by a large number of small professionals and businesses, the tenants have still been impacted by the current challenging economic climate. In addition, the oversupply of office space as a result of hybrid or work-from-home models has put pressure on occupancy levels at our office buildings, which is commensurate with the broader sector. Core office vacancies have increased, mainly due to two colleges that vacated from the educational facilities sector, and this vacant space is now included with offices. Rental income has reduced by 1.3% and by 2.5% on a like-for-like basis, due to negative rental reversions. Given the oversupply in this sector, we do not expect rental from offices to improve in the foreseeable future and consequently our focus is on tenant retention.

Industrial

Octodec's industrial portfolio consists of smaller warehouses and light industry and has performed relatively well during the year under review. The portfolio has, however, experienced negative rental reversions and a resetting of rentals. In spite of the rental pressures, occupancy in the industrial sector has improved considerably, with a number of our industrial buildings 100% occupied.

Rentals in the industrial portfolio decreased by 4.3% and, on a like-for-like basis, decreased by 2.1%, impacted by negative rental reversions. Going forward, we believe that market rentals have reset and that this sector will perform well.

Specialised and other

This sector, which consists of healthcare, auto dealerships, hotels, educational facilities and places of worship, has been impacted by the after-effects of the lockdown. In particular, hotels have found it difficult to return to pre-COVID-19 occupancies, with events and conferences in person still under pressure, and many of these still being held virtually. Octodec has two hotels in the Hatfield area, both of which have been given significant rent reductions, with a decrease in rental income of 9.4%.

However, put in perspective, hotels contribute less than 1% of the total rental income to Octodec's portfolio, and management is working closely with the hotel group in question to look at alternative income-generating opportunities.

Although educational facilities and places of worship are experiencing increased student numbers and congregants respectively, they have experienced tough trading conditions and are only now emerging from the impact of the pandemic. We are seeing an improvement, especially in places of worship and some colleges, with new enquiries and improved collections from these two sectors.

Reversions by sector

Sector	Area m²	New lease reversion %	Area m²	Renewal reversion %
Commercial				
Offices	7 937	(12.4)	72 242	(3.7)
Retail shopping centres	2 924	8.9	10 911	0.4
Retail shops	13 331	(7.3)	69 758	(14.8)
Industrial	22 864	(4.0)	67 764	(3.7)
Total commercial	**47 056**	**(5.7)**	**220 675**	**(7.7)**
Residential	**3 172**	**(0.9)**	**843**	**5.3**

Retail shopping centres have experienced positive reversions both on new leases and renewals, and the residential sector is also experiencing positive reversions on renewals. The negative reversions in the office sector are indicative of the current oversupply of office space, as well as the fact that many of Octodec's office tenants are small business owners or individual entrepreneurs or professionals who had been severely impacted by the lockdowns. Currently, and going forward, the focus in the office sector is on tenant retention.

Collections

The table below illustrates the collections as a percentage of total billings for the year:

	Total %	Commercial %	Residential %
September 2021	90.7	90.9	90.2
October 2021	101.2	102.8	95.8
November 2021	106.2	107.7	100.9
December 2021	99.1	100.8	93.3
January 2022	93.6	95.4	87.2
February 2022	110.4	109.2	114.9
March 2022	101.1	93.9	126.0
April 2022	97.1	95.0	103.5
May 2022	111.5	110.9	113.2
June 2022	105.7	107.6	100.0
July 2022	102.9	103.6	100.9
August 2022	120.3	121.5	116.4
Average for the year	103.3	103.3	103.5

Although Octodec's properties were not directly impacted by the civil unrest in July 2021, collections for September 2021 were negatively impacted due to the impact of the unrest on the economy. The collections in December and January are generally lower and are in line with prior years, mainly due to the lower trading volumes during the holiday season when student tenants go back home and businesses close for the holidays. The average collections for the year of 103.3% have contributed to the lower receivables at year end and are also reflected in the lower bad debts incurred during the year.

Arrears

Tenant arrears have improved from August 2021 and are currently at 3.3% of rental income (FY2021: 5.5%) or 11.9 days. Tenant arrears and the expected credit loss are as follows:

August 2022	Commercial tenants R'000	Residential tenants R'000	Total R'000
Amount owing	**58 062**	**12 055**	**70 117**
Expected credit loss (ECL)	**23 824**	**8 598**	**32 422**
% ECL on amount owing	**41.0%**	**71.4%**	**46.2%**

August 2021	Commercial tenants R'000	Residential tenants R'000	Total R'000
Amount owing	97 712	14 520	112 232
Expected credit loss (ECL)	28 022	10 986	39 008
% ECL on amount owing	28.7%	75.7%	34.8%

The increase in the expected credit loss provision percentage from FY2021 to FY2022 is due to the fact that the amount owing at FY2022 comprises a larger proportion of tenants with disputed balances or in financial difficulties, for which a full provision has been raised. Most tenants pay the amount due in the current month or in advance and are therefore not reflected in the above receivables.

The above percentages remain well within the board's risk tolerance levels.

Investment property

Given the current economic climate, Octodec has not undertaken any significant new developments but has focused on maintaining and carrying out smaller upgrades of properties, as well as bringing new offerings to the market.

Against this backdrop, Octodec has undertaken the following projects:

Residential

Octodec has refurbished the common and entertainment areas at Plaza Place and Royal Place, two mixed-use residential and retail buildings in the Johannesburg CBD, to ensure that these properties remain relevant and attractive to both existing and prospective residential tenants. We have also embarked on a new offering of shared and/or furnished accommodation, which is directed at the lower income tenant, providing an alternative to the current offering. At The Fields, which predominantly caters for student accommodation, we converted a further 101 units into shared and furnished accommodation for the current year intake and are converting another 182 units for the January 2023 intake. We have also expanded the availability of key amenities, such as laundry facilities, to meet the increased demand.

Commercial

We have upgraded and repurposed the retail space at Inner Court for Mr Price and OK Furnishers as well as at The Park for a new tenant, Apple Tree, and built a new drive-through KFC at Waverley Plaza. Because of a tenant taking up increased space at one of our office buildings, we relocated a number of tenants and configured and upgraded the office space in two of our office buildings in Hatfield to accommodate these tenants.

Following the conclusion of the lease with Shoprite for the retail space at Shoprite, Lilian Ngoyi, we have embarked on the refurbishment of the retail space, which is anticipated to be completed in October 2022. Furthermore, to improve our electricity consumption and contain costs, a number of energy management projects have been carried out at some of our buildings, and solar panels were installed at an industrial building.

Commitments

As at 31 August 2022, the group had commitments of R100.1 million (FY2021: R23.7 million) in respect of approved and committed capital expenditure relating to refurbishment of properties, including the upgrade of Shoprite, Lilian Ngoyi Street in Tshwane, committed tenant installations and property contracts. These developments will be financed from existing unutilised banking facilities and undistributed cash retained in the business.

Disposals

With the lifting of COVID-19 lockdown restrictions, we have seen an improvement in the conclusion of sales of properties previously identified for sale. Against this backdrop, Octodec has sold and transferred 20 properties for a total net consideration of R218.4 million, details of which are set out below:

Already transferred

	Date	Location	Sector	Proceeds net of commission R'000	Fair value gains/(losses) on disposal R'000	Exit yield %
Marsfield	1/9/2021	Tshwane West	Residential	5 429	(571)	6.3
Hannyhof (2)	3/9/2021	Hermanstad, Tshwane	Residential	2 737	137	7.0
Goleda (2) & (5)	15/9/2021 & 3/2/2022	Tshwane West	Industrial	6 127	(672)	12.9
North Place	23/09/2021	Tshwane North	Mixed-use residential & retail	9 450	(2 150)	5.8
SKD (1) & (2)	29/10/2021 & 2/6/2022	Tshwane CBD	Retail	6 658	257	7.5
Ou Holland	4/11/2021	Gezina, Tshwane	Mixed-use residential & retail	7 708	(192)	11.0
Kings City Parkade	10/11/2021	Johannesburg CBD	Parking	46 590	2 890	9.5
181 Industrial	25/11/2021	Hermanstad, Tshwane	Industrial	23 428	(3 772)	7.5
Janvoel	9/12/2021	Silverton, Tshwane	Retail	5 318	(682)	11.0
Silvertondale 36	31/1/2022	Silverton, Tshwane	Industrial	5 119	419	20.9
Empisal	17/2/2022	Johannesburg CBD	Office	5 700	(500)	10.1
Potproes (1), (2) and (3)	28/04/2022	Tshwane CBD	Retail	11 400	600	2.2
Bradlows Corner	03/05/2022	Johannesburg CBD	Mixed-use office & retail	7 397	(2 256)	6.2
Rosemitch	27/5/2022	Tshwane West	Industrial	4 856	656	(7.4)
Trekfred	27/6/2022	Gezina, Tshwane	Mixed-use residential & retail	15 035	(1 466)	14.3
Fedsure House	31/8/2022	Johannesburg CBD	Mixed-use office & retail	55 438	(3 362)	(0.7)
				218 390	(10 664)	6.3
Loss on disposal of other assets				56	(160)	0.0
				218 446	(10 824)	6.3

Unconditional agreements

Sale agreements in respect of five properties for a total gross consideration of R126.5 million have been concluded, of which three properties have already been transferred at the date of this report, and transfer of the remaining properties is expected before the end of the next financial year.

Investment property valuations

The property portfolio consisting of 246 properties, including the joint venture, was valued at R11.0 billion (FY2021: R11.1 billion).

In line with the group accounting policy, the entire portfolio is valued internally every six months; one third of the buildings are valued externally every year, with half thereof valued externally in February and the remaining half in August.

The valuation method, which is based on the capitalisation of income, has remained unchanged from the prior year, with minimal changes to the valuation inputs such as expense ratios, vacancy factors and the capitalisation rate. Further information on the valuation of the portfolio can be found on pages 17 to 19 of this report.

Borrowings and cash flow management

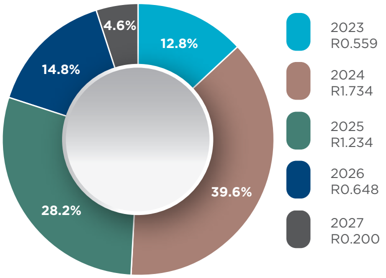
	31 August 2022 R'000	**Weighted average interest rate per annum %**	31 August 2021 R'000	Weighted average interest rate per annum %
Bank loans	**3 676.6**	**7.9**	4 007.4	5.7
Domestic Medium Term Note (DMTN) Programme				
Secured	**368.3**	**7.7**	367.4	5.5
Unsecured	**330.3**	**7.8**	306.7	5.6
Total borrowings	**4 375.2**	**7.9**	4 681.5	5.7
Cost of swaps		**0.8**		2.8
Total cost of borrowings		**8.7**		8.5

Octodec has applied the proceeds from the disposal of properties, as well as the proceeds from the loan to the joint venture partner, to reduce bank loans. In addition, Octodec has refinanced all loans which matured during the current year for periods ranging from three to five years, as well as a loan maturing in 2023 for a further period of three years. Octodec had unutilised available banking facilities amounting to R624.0 million at 31 August 2022 (FY2021: R359.1 million).

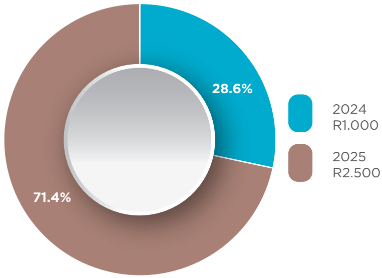
The weighted average term to expiry of the loans is 2.1 years (FY2021: 1.6 years) and the group's LTV decreased from 43.2% at 31 August 2021 to 39.7% at 31 August 2022, largely due to the repayment of debt, which was in line with Octodec's strategy to reduce debt and strengthen its balance sheet. The LTV remains well within our guided range and our covenant levels of 50%.

As at 31 August 2022, 80.0% of Octodec's borrowings were hedged (FY2021: 96.1%) with a weighted average term of 2.0 years (FY2021: 2.7 years). The all-in average weighted interest cost of borrowings is 8.7% per annum (FY2021: 8.5%).

Loan expiry profile - R'billion and %



Interest rate derivatives expiry profile - R'billion and %



Octodec participates in a DMTN Programme through its subsidiary, Premium Properties Ltd. As at 31 August 2022, the total unsecured listed issuance was at R330.3 million or 7.6% (FY2021: R306.7 million or 6.6%) of the group's borrowings. Global Credit Rating's long and short-term national scale ratings are A-(ZA) and A2(ZA) respectively, with a stable outlook, having improved from a negative outlook in the prior year.

Covenants

		Actual		
	Required	Funder 1	Funder 2	Funder 3
Group interest cover ratio – total portfolio (times)	Minimum – 2.0		2.3	
Interest cover ratio by secured property to lender (times)	Minimum – 1.8 – 2.0	2.8	3.3	4.4
LTV ratio – total portfolio (%)	Maximum – 50		39.7	
LTV ratio by secured property to lender (%)	Maximum – 50 – 55	35.7	43.5	45.1

Cash generated from operations

	Reviewed 31 August 2022 R'000	Audited 31 August 2021 R'000
Profit/(loss) before taxation	621 097	(115 089)
Adjusted for:		
Straight-line rental income accrual	(8 552)	4 353
Fair value changes to investment property	82 386	641 050
Fair value changes to interest rate derivatives	(234 845)	(125 639)
Fair value changes on disposal of investment property	10 824	7 945
Expected credit loss of trade and other receivables	33 413	40 899
Expected credit loss of loan receivable	–	(10 250)
Share of income from joint venture	(8 751)	(3 701)
Finance costs	381 434	403 067
Investment income	(12 397)	(14 153)
Depreciation and amortisation	9 109	12 698
Operating income before working capital changes	873 718	841 180
Decrease in trade and other receivables	(51 037)	(78 914)
(Decrease)/increase in trade and other payables	(30 227)	14 635
Cash generated from operations	792 454	776 901

Vacancies by sector

	GLA m²	Total vacancies %	Properties held for redevelopment or disposal including mothballed space	Core vacancies %
31 August 2022				
Residential	415 490	7.0	–	7.0
Commercial				
Retail – street shops	305 961	20.5	–	20.5
Retail – shopping centres	97 538	7.7	(0.3)	7.4
Offices	389 868	46.3	(19.9)	26.4
Industrial	210 630	7.7	(0.5)	7.2
Specialised and other				
Educational facilities	61 111	–	–	–
Healthcare facilities	34 356	21.0	–	21.0
Places of worship	16 424	–	–	–
Auto dealerships	12 624	–	–	–
Hotels	13 458	–	–	–
Total	1 557 460	19.5	(5.1)	14.4

	GLA m²	Total vacancies %	Properties held for redevelopment or disposal including mothballed space	Core vacancies %
31 August 2021				
Residential	419 094	15.9	–	15.9
Commercial				
Retail – street shops	310 818	18.4	–	18.4
Retail – shopping centres	97 530	7.6	(0.3)	7.3
Offices	420 192	48.8	(25.2)	23.6
Industrial	235 204	12.0	(0.3)	11.7
Specialised and other				
Educational facilities	63 938	–	–	–
Healthcare facilities	36 884	16.6	(1.2)	15.4
Places of worship	12 739	–	–	–
Auto dealerships	11 707	–	–	–
Hotels	13 458	–	–	–
Total	1 621 564	22.8	(6.6)	16.2

Vacancies as a percentage of gross lettable area (GLA) in the Octodec portfolio, including properties held for redevelopment, have reduced from 22.8% at 31 August 2021 to 19.5% at 31 August 2022. The group's core vacancies, which exclude the GLA relating to properties held for redevelopment or disposal, decreased from 16.2% at 31 August 2021 to 14.4% at 31 August 2022.

Mothballed space

The mothballed space, as a total of Octodec's portfolio, has reduced by 26 593m² to 78 948m² (FY2021: 105 541m²) due to the disposal of Fedsure House in Johannesburg CBD, a mixed-use building with mothballed offices. The remaining mothballed space consists of three properties, fully mothballed with a carrying value of R94.3 million. Octodec is pursuing the disposal of these properties. There are a further three partially mothballed properties with a carrying value of R48.2 million which are allocated to the mothballed space. These properties are currently being held for possible conversion into residential accommodation in the future.

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 especially typical of the residential market and leases with small to medium-sized enterprises.

	August 2023	August 2024	August 2025	August 2026	August 2027 and beyond
Sector					
Residential	99.9	–	–	0.1	–
Commercial					
Retail					
Retail – shops	45.2	22.6	16.3	4.7	11.2
Retail – shopping centres	27.5	22.2	25.9	13.5	10.9
Offices	74.5	13.4	8.5	1.5	2.1
Industrial	57.7	19.1	19.4	2.2	1.6
Specialised and other					
Educational facilities	64.8	3.6	20.0	11.6	–
Healthcare facilities	23.3	14.6	48.7	1.8	11.6
Places of worship	67.9	20.2	11.9	–	–
Auto dealerships	77.2	22.8	–	–	–
Hotels	92.0	–	–	8.0	–
Total commercial	52.6	18.1	17.3	5.2	6.8
Total commercial and residential	68.8	12.0	11.4	3.3	4.5

	August 2023	August 2024	August 2025	August 2026	August 2027 and beyond	Vacant
Sector						
Residential	92.7	0.1	–	0.2	–	7.0
Commercial						
Retail						
Retail – shops	38.4	16.3	12.6	3.7	8.4	20.6
Retail – shopping centres	24.3	15.8	27.1	11.2	13.9	7.7
Offices	38.4	8.2	4.8	0.9	1.4	46.3
Industrial	56.6	16.0	15.1	2.9	1.7	7.7
Specialised and other						
Educational facilities	65.4	3.7	22.6	8.3	–	–
Healthcare facilities	15.0	9.0	43.8	1.4	9.8	21.0
Places of worship	70.5	15.4	14.1	–	–	–
Auto dealerships	70.2	29.8	–	–	–	–
Hotels	72.8	–	–	27.2	–	–
Total commercial	42.5	12.5	12.9	3.6	4.5	24.0
Total commercial and residential	55.9	9.2	9.4	2.7	3.3	19.5

Events after the reporting date

The following events have taken place subsequent to period-end:

- Three properties with a carrying value of R65.7 million were sold and transferred for a total consideration of R66.1 million.
- The board of Octodec declared a final dividend of 80.00000 cents per share on 28 October 2022, payable to shareholders on Monday, 21 November 2022.

Dividends

The board of Octodec has declared a final cash dividend of 80.00000 cents per share for the second half of the financial year ended 31 August 2022, payable out of the company's distributable income.

The salient dates relating to the final dividend are as follows:

	2022
Last day to trade *cum* dividend	Tuesday, 15 November
Shares trade *ex* dividend	Wednesday, 16 November
Record date	Friday, 18 November
Payment date	Monday, 21 November

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 November 2022 and Friday, 18 November 2022, both days inclusive.

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable as income and will be exempt from income tax in terms of the exemption in section 10(1)(k)(i) of the Income Tax Act. Any dividend received by a non-resident from a REIT is subject to dividend tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation agreements (DTA) between South Africa and the country of residence of the non-resident shareholders. Assuming dividend tax will be withheld at a current rate of 20%, the net dividend amount due to non-resident shareholders is 64 cents per share.

A reduced dividend tax in terms of the applicable DTA may only be relied on if the non-resident shareholder has submitted the following forms to his/her CSDP or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

- A declaration that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- A written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Services (SARS).

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the company, as the case may be, to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Tax implications for South African resident shareholders

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders. They are not exempt from income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act, because they are dividends distributed by a REIT.

These dividends are, however, exempt from dividend withholding tax (dividend tax) in the hands of South African resident shareholders, provided that the South African resident shareholders have made submissions to the CSDP or broker, as the case may be, in respect of uncertificated shares, or the company in respect of certificated shares, a DTD (EX) (Dividend tax declaration that the dividend is exempt from dividends tax and a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Services (SARS)).

If resident shareholders have not submitted the above-mentioned documentation to confirm their status as a South African resident, they are advised to contact their CSDP or broker, as the case may be, to arrange for the documents to be submitted prior to payment of the cash dividend.

Shareholders are encouraged to consult with their professional advisors should they be in any doubt as to the appropriate action to take.

The number of shares in issue at the date of this declaration is 266 197 535 and Octodec's tax reference number is 9925/033/71/5.

Prospects

Octodec has experienced an increase in residential leasing activity with reduced vacancies in the residential portfolio in 2022, which has had a positive impact on the group's results. We are optimistic as we continue to roll out the measures previously introduced to other residential buildings, rendering them a more attractive proposition for prospective tenants.

Although there has been a continued downward resetting of rentals across most sectors, it is pleasing, from an Octodec perspective, to see that a number of renewals are being concluded at increased rentals and we continue to experience demand from large retailers for space in both Johannesburg and Tshwane CBDs.

At the same time, 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.

Sharon Wapnick
Chairman

Jeffrey Wapnick
Managing director

28 October 2022

Notes to the condensed consolidated provisional financial statements

Basis of preparation

The reviewed condensed consolidated provisional financial statements are prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act, No 71 of 2008 (Companies Act). The condensed consolidated provisional financial statements have been prepared in accordance with the conceptual framework and the measurement and recognition requirements of International Financial Reporting Standards (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 and, as a minimum, contains the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated provisional financial statements are consistent with those applied in the preparation of the previous consolidated audited financial statements for the year ended 31 August 2021.

These results have been prepared under the historical cost convention except for investment properties, which are measured at fair value, and certain financial instruments which are measured at either fair value or amortised cost.

The directors have considered the cash flow projections to 28 February 2024 and in light thereof, the directors believe that the company and its subsidiaries have adequate resources to continue in operation for the ensuing 12-month period.

These condensed consolidated provisional financial statements were prepared under the supervision of Mrs A Vieira CA(SA), in her capacity as group financial director.

The condensed consolidated provisional financial statements were reviewed by Ernst & Young Inc. and their unmodified report is available for inspection at the company's registered address. The auditor's report does not necessarily report on all of the information contained in this announcement/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 Octodec's registered office.

Fair value measurement

The group measures investment properties as well as interest rate swaps at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed when the carrying value of these instruments does 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)

	Reviewed 31 August 2022		Audited 31 August 2021	
	Level 2 R'000	Level 3 R'000	Level 2 R'000	Level 3 R'000
Derivative financial instruments				
Liabilities	**(2 932)**		(200 078)	
Assets	**54 083**		–	
Non-financial instruments				
Investment property		**10 756 200**		10 985 400
Investment property held for sale		**134 165**		147 700

Transfers between levels

There have been no transfers made between Levels 1, 2 or 3 during the year under review. 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.

Financial instruments

Financial instruments include interest rate swaps which are measured at fair value through profit and loss.

The fair values of the interest rate swaps are determined on a mark-to-market valuation 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 South African swap curve.

Classification of financial instruments

	Fair value through profit or loss R'000	At amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
ASSETS				
31 August 2022 (reviewed)				
Derivative financial instruments	**54 083**	**–**	**–**	**54 083**
Accounts receivable and prepayments	**–**	**145 952**	**37 781**	**183 733**
Cash and bank balances	**–**	**66 554**	**–**	**66 554**
31 August 2021 (audited)				
Loan receivable	–	73 429	–	73 429
Accounts receivable and prepayments	–	139 815	26 294	166 109
Cash and bank balances	–	58 358	–	58 358
LIABILITIES				
31 August 2022 (reviewed)				
Borrowings	**–**	**4 375 197**	**–**	**4 375 197**
Derivative financial instruments	**2 932**	**–**	**–**	**2 932**
Trade and other payables	**–**	**317 329**	**76 278**	**393 607**
31 August 2021 (audited)				
Borrowings	–	4 681 553	–	4 681 553
Derivative financial instruments	200 078	–	–	200 078
Trade and other payables	–	343 572	87 683	431 255

Investment property

Investment properties are valued biannually by the internal finance valuations team at City Property, and the portfolio valuation is reviewed and approved by the board. In terms of the JSE Listings Requirements, all the properties are valued at least once over a rolling three-year period by external independent valuers. In the current period 89 properties, representing 26.1% of the portfolio, with a carrying amount of R2.8 billion were externally valued.

The portfolio was valued by the following valuers who are all registered valuers in terms of section 19 of the Property Valuers Profession Act, No 47 of 2000 and have extensive experience in property valuations.

Entity	Valuator	Qualifications
Jones Lang LaSalle	Joshua Askew	FRICS
Mills Fitchet Global	William Hewitt	NDPV, MIEA, FIVSA, RICS Registered Valuer
Gert van Zyl Valuations	Gerhardus Jacobus van Zyl	Professional Associate Valuer
Premium Valuation Services	Yusuf Vahed	Professional Valuer

Jones Lang LaSalle and Mills Fitchet Global valued the properties using the discounted cash flow model and Gert van Zyl Valuations, the capitalisation of income method. Premium Valuation Services applied a combination of the discounted cash flow and capitalisation of income methods. The entire property portfolio was also internally valued using the capitalisation of income method.

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. 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, we have set out below the ranges and number of buildings and values within the ranges.

The following unobservable inputs were used by the group at 31 August 2022:

	Reviewed 31 August 2022				
	Number of properties	Fair value R'000	Weighted average capitalisation rate %	Weighted average long range vacancy factor %	Weighted average expense ratio %
Capitalisation rates					
8.25% - 8.75%	6	2 204 700	8.7	7.6	31.3
9.00% - 10.00%	75	5 197 700	9.7	6.1	30.9
10.25% -11.50%	145	3 154 900	10.6	9.3	27.0
Greater than 11.50%	7	97 700	12.2	18.2	27.4
Total	233	10 655 000	9.8	7.5	29.7
Long-range vacancy factor					
1.00% - 5.00%	104	4 897 100	9.8	2.9	26.8
6.00% - 10.00%	87	3 629 900	9.7	7.6	33.1
11.00% -15.00%	20	1 437 500	9.5	12.6	29.5
Greater than 15.00%	22	690 500	10.7	21.8	31.6
Total	233	10 655 000	9.8	7.5	29.7
Expense ratio					
6.00% - 15.00%	11	260 900	10.3	2.9	10.0
15.01% - 25.00%	68	2 054 500	10.2	4.9	21.1
25.01% - 35.00%	106	6 339 000	9.7	7.8	30.4
Greater than 35.00%	48	2 000 600	9.7	9.2	37.2
Total	233	10 655 000	9.8	7.5	29.7

	Number of properties	Fair value R'000	Weighted average capitalisation rate %	Weighted average long range vacancy factor %	Weighted average expense ratio %
		Audited 31 August 2021			
Capitalisation rates					
8.25%	1	64 800	8.3	2.0	29.7
8.50% - 8.75%	3	1 342 400	8.7	10.1	30.2
9.00% - 10.00%	82	6 004 800	9.6	7.1	30.6
10.25% -11.50%	157	3 230 300	10.6	9.2	26.9
Greater than 11.50%	10	160 800	12.2	17.7	27.3
Total	253	10 803 100	9.8	8.2	29.4
Long-range vacancy factor					
1.00% - 5.00%	108	4 428 400	9.8	3.1	26.6
6.00% - 10.00%	95	4 112 500	9.8	8.3	32.1
11.00% -15.00%	27	1 599 900	9.7	13.8	28.5
Greater than 15.00%	23	662 300	10.7	21.7	31.0
Total	253	10 803 100	9.8	8.2	29.4
Expense ratio					
6.00% - 15.00%	14	247 900	10.2	2.9	12.3
15.01% - 25.00%	72	2 048 400	10.2	6.4	20.7
25.01% - 35.00%	120	6 888 000	9.7	8.7	30.2
Greater than 35.00%	47	1 618 800	9.7	9.4	37.2
Total	253	10 803 100	9.8	8.2	29.4

The balance of the portfolio consisting of 12 properties (2021: 13 properties) with a carrying value of R235.4 million (31 August 2021: R330.0 million) represents properties held for sale, land, or mothballed properties. Where a firm offer has been received, the properties were valued at the offer consideration less costs to sell. Land and mothballed buildings have been valued using bulk or land rates determined from sales of similar properties and adjusted downwards for the impact of the current economic climate.

Sensitivity to changes in valuation inputs

Significant increases/decreases in any of the above inputs in isolation will result in a lower/higher fair value measurement. The effect of changes in these inputs is set out below:

	Reviewed 31 August 2022 R'000	Audited 31 August 2021 R'000
1% increase in capitalisation rates, while all other inputs remain constant	**(982 641)**	(999 170)
1% decrease in capitalisation rates, while all other inputs remain constant	**1 205 970**	1 225 405
2% increase in long-range vacancy factor, while all other inputs remain constant	**(229 430)**	(235 956)
2% decrease in long-range vacancy factor, while all other inputs remain constant	**229 430**	235 956
2% increase in expense ratio, while all other inputs remain constant	**(302 047)**	(306 405)
2% decrease in expense ratio, while all other inputs remain constant	**302 047**	306 405

Carrying value and movement in investment property

	Reviewed 31 August 2022 R'000	Audited 31 August 2021 R'000
Opening balance	11 133 100	11 764 010
Fair value changes	(82 386)	(641 050)
Straight-line rental income accrual	8 552	(4 353)
Depreciation and amortisation	(8 916)	(12 698)
Acquisitions, disposals and other movements		
Developments and subsequent expenditure	69 963	71 198
Disposals (carrying value)	(229 269)	(44 007)
Reclassification to Furniture, fittings and equipment	(679)	–
	10 890 365	11 133 100
Disclosed in the statement of financial position:		
Investment property at fair value	10 756 200	10 985 400
Non-current assets held for sale	134 165	147 700
	10 890 365	11 133 100

Related-party transactions

Octodec and City Property, are related parties in that Jeffrey Wapnick and Sharon Wapnick are directors of Octodec and City Property and members of the Wapnick family are shareholders of both companies.

Total payments made to City Property, in terms of the asset and property management agreement, amounted to R212.8 million (31 August 2021: R193.5 million)*. This included fees for collections, leasing, property and asset management, commission on acquisitions and disposals, upgrades, and developments as well as repairs. Octodec received R10.3 million (31 August 2021: R9.7 million) from City Property in respect of rent and operating costs recovered.

The following amounts were owing by/(to) City Property:

	Reviewed 31 August 2022 R'000	Audited 31 August 2021 R'000
Due to City Property	(2 642)	(3 364)
Due by City Property	1 331	–

* *The amounts paid to City Property 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 statement of financial position*

Consolidated statement of financial position

	Reviewed 31 August 2022 R'000	Audited 31 August 2021 R'000
ASSETS		
Non-current assets	**10 848 512**	11 009 010
Investment property	**10 633 189**	10 866 380
Plant and equipment	**–**	726
Straight-line rental income accrual	**100 879**	93 626
Unamortised tenant installations and lease costs	**22 132**	24 668
Investment property at fair value	**10 756 200**	10 985 400
Furniture, fittings and equipment	**939**	–
Interest in and loan to joint venture	**47 761**	23 610
Derivative financial instruments	**43 612**	–
Current assets	**261 999**	297 896
Accounts receivable and prepayments	**183 733**	166 109
Loan receivable	**–**	73 429
Derivative financial instruments	**10 471**	–
Cash and bank balances	**66 554**	58 358
Taxation receivable	**1 241**	–
Non-current assets held for sale	**134 165**	147 700
	11 244 676	11 454 606
EQUITY AND LIABILITIES		
Equity	**6 321 840**	5 982 911
Stated capital	**4 210 134**	4 210 134
Non-distributable reserve	**1 326 464**	1 194 706
Retained income	**785 242**	578 071
Non-current liabilities	**3 967 674**	2 884 318
Long-term borrowings	**3 816 601**	2 664 050
Derivative financial instruments	**–**	85 329
Lease liabilities	**10 930**	10 957
Deferred taxation	**140 143**	123 982
Current liabilities	**955 162**	2 587 377
Short-term borrowings	**558 596**	2 017 503
Trade and other payables	**393 607**	431 255
Lease liabilities	**27**	24
Taxation payable	**–**	23 846
Derivative financial instruments	**2 932**	114 749
	11 244 676	11 454 606

Consolidated statement of profit or loss and other comprehensive income

	Reviewed 31 August 2022 R'000	Audited 31 August 2021 R'000
Revenue	1 939 072	1 834 313
earned on contractual basis	1 931 091	1 869 511
straight-line rental income accrual	8 552	(4 353)
COVID-19 rental discount	(571)	(30 845)
Property expenses	(980 047)	(934 764)
Expected credit loss – accounts receivable	(33 413)	(40 899)
Property income	925 612	858 650
Administrative and corporate expenses	(84 614)	(75 420)
Fair value changes		
investment property	(82 386)	(641 050)
interest rate derivatives	234 845	125 639
disposal of investment property	(10 824)	(7 945)
Securities transfer tax paid on restructure of subsidiary	(1 250)	–
Reversal of impairment of loan receivable	–	10 250
Share of income from joint venture	8 751	3 701
share of after tax profit	1 834	1 748
share of fair value gains	6 286	1 224
interest received	631	729
Profit before finance costs	990 134	273 825
Net finance costs	(369 037)	(388 914)
finance income	12 397	14 153
finance costs	(381 434)	(403 067)
Profit/(loss) before taxation	621 097	(115 089)
Taxation	(15 970)	(59 730)
current	193	(42 737)
deferred	(16 163)	(16 993)
Profit/(loss) for the year and total comprehensive income attributable to shareholders	605 127	(174 819)
Weighted shares in issue – ('000)	266 198	266 198
Shares in issue ('000)	266 198	266 198
Basic and diluted profit/(loss) per share (cents)	227.3	(65.7)

Consolidated statement of changes in equity

	Stated capital R'000	Non-distributable reserve R'000	Retained income R'000	Total R'000
Balance at 31 August 2020 (audited)	4 210 134	1 723 581	490 213	6 423 928
Total comprehensive loss for the year	–	–	(174 819)	(174 819)
Dividends paid	–	–	(266 198)	(266 198)
Transfer to non-distributable reserve				
Deferred tax	–	(16 993)	16 993	–
Reversal of expected credit loss of loan receivable	–	10 250	(10 250)	–
Fair value changes				
investment property	–	(641 050)	641 050	–
investment property – joint venture	–	1 224	(1 224)	–
disposal of investment property	–	(7 945)	7 945	–
interest rate derivatives	–	125 639	(125 639)	–
Balance at 31 August 2021 (audited)	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)	–
disposal of investment property	–	(10 824)	10 824	–
interest rate derivatives	–	234 845	(234 845)	–
Balance at 31 August 2022 (reviewed)	**4 210 134**	**1 326 464**	**785 242**	**6 321 840**

Consolidated statement of cash flows

	Reviewed 31 August 2022 R'000	Audited 31 August 2021 R'000
Cash generated from operations	**792 454**	776 901
Interest income	**12 397**	14 153
Finance costs	**(388 892)**	(414 737)
Tax paid	**(24 894)**	(18 891)
Dividends paid	**(266 198)**	(266 198)
Net cash flows from operating activities	**124 867**	91 228
Cash flows from investing activities		
Additions to investment property	**(61 176)**	(71 198)
Acquisitions of furniture, fittings and equipment	**(457)**	–
Repayment of loan receivable	**73 429**	721
Payment received on loan to joint venture	**1 500**	3 000
Loan advanced to joint venture	**(16 900)**	(1 202)
Proceeds from disposal of investment property	**218 446**	36 061
Net cash flows from investing activities	**214 842**	(32 618)
Cash flows from financing activities		
Repayment of lease liabilities	**(24)**	(22)
Early settlement of derivatives	**(16 385)**	–
Proceeds from borrowings	**1 421 702**	559 694
Repayment of borrowings	**(1 736 806)**	(568 880)
Net cash flows from financing activities	**(331 513)**	(9 208)
Net increase in cash and bank balance	**8 196**	49 402
Cash and bank balance at beginning of the year	**58 358**	8 956
Cash and bank balance at end of the year	**66 554**	58 358

Reconciliation of profit or loss and other comprehensive income to headline earnings

	Reviewed 31 August 2022 R'000	Audited 31 August 2021 R'000
Total comprehensive income/(loss) attributable to shareholders	**605 127**	(174 819)
Headline earnings adjustments		
Securities transfer tax paid on restructure of subsidiary	**1 250**	–
Fair value changes		
investment property	**82 386**	641 050
investment property – joint venture	**(6 286)**	(1 224)
disposal of investment property	**10 824**	7 945
Deferred tax – change in tax rate	**(4 632)**	–
Headline earnings attributable to shareholders	**688 669**	472 952
Headline and diluted headline earnings per share (cents)	**258.7**	177.7

Rental income by sector

	Reviewed 31 August 2022 R'000	%	Audited 31 August 2021 R'000	%
Retail	**487 119**	**33.7**	468 887	33.8
Offices	**227 600**	**15.7**	230 582	16.6
Residential	**462 808**	**32.0**	430 102	31.0
Industrial	**99 192**	**6.9**	103 667	7.5
Specialised and other:				
Parking	**64 800**	**4.5**	62 308	4.5
Healthcare facilities	**41 813**	**2.9**	31 790	2.3
Auto dealerships	**14 495**	**1.0**	13 989	1.0
Hotels	**9 438**	**0.7**	10 417	0.8
Places of worship	**4 916**	**0.3**	3 984	0.3
Educational facilities	**33 822**	**2.3**	32 948	2.2
Total rental income	**1 446 003**	**100.0**	1 388 674	100.0
Straight-line rental income accrual	**8 552**		(4 353)	
Recoveries*	**484 517**		449 992	
Revenue	**1 939 072**		1 834 313	

* *Recoveries are not evaluated at sector level*

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 five major operating sectors, based on the type of premises from which the rental is derived and the type of tenant that occupies the premises.

Further sector results cannot be allocated due to the "mixed use" of certain of the properties.

Reconciliation of income to distributable income

	31 August 2022 R'000	31 August 2021 R'000
Total comprehensive income/(loss) attributable to shareholders	605 127	(174 819)
Fair value changes		
Investment property	82 386	641 050
Investment property – joint venture	(6 286)	(1 224)
Disposal of investment property	10 824	7 945
Interest rate derivatives	(234 845)	(125 639)
Straight-line rental income accrual	(8 552)	4 353
Reversal of expected credit loss of loan receivable	–	(10 250)
Security transfer tax paid on restructure of subsidiary	1 250	–
Taxation – deferred	16 163	16 993
Distributable income attributable to shareholders	466 067	358 409
Represented by:		
Revenue		
earned on contractual basis	1 930 520	1 838 666
Property operating expenses and expected credit loss	(1 013 460)	(975 663)
Property income	917 060	863 003
Administrative and corporate expenses	(84 614)	(75 420)
Share of income from joint venture	2 465	2 477
Profit before finance costs	834 911	790 060
Net finance costs	(369 037)	(388 914)
Net profit before tax	465 874	401 146
Taxation – current	193	(42 737)
Distributable income attributable to shareholders	466 067	358 409

Weighted average number of shares	266 197 535	266 197 535
Distributable income per share	175.08	134.64

SA REIT Ratios

	31 August 2022 R'000	31 August 2021 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	605 127	(174 819)
Adjusted for:	(144 848)	526 507
Accounting/specific adjustments:		
Fair value adjustments to:		
• Investment property	82 386	641 050
• Debt instruments held at fair value through profit or loss	(234 845)	(125 639)
Asset impairments (excluding goodwill) and reversals of impairment	–	(10 250)
Deferred tax movement recognised in profit or loss	16 163	16 993
Straight-lining operating lease adjustment	(8 552)	4 353
Adjustments arising from investing activities:		
Gains or losses on disposal of:		
• Investment property and property, plant and equipment	10 824	7 945
Other adjustments:		
Adjustments made for equity-accounted entities	(6 286)	(1 224)
Securities transfer tax paid on restructure of subsidiary	1 250	–
SA REIT FFO	466 067	358 409
Number of shares outstanding at end of year (net of treasury shares)	266 198	266 198
SA REIT FFO per share (Rand)	1.75	1.35
Company-specific adjustments (per share)	–	–
SA REIT FFO per share (Rand) - Adjusted	1.75	1.35
SA REIT Net Asset Value (SA REIT NAV)		
Reported NAV attributable to the parent	6 321 840	5 982 911
Adjustments:		
Dividends to be declared	(212 958)	(133 098)
Fair value of certain derivative financial instruments	(51 151)	200 078
Deferred tax	140 143	123 982
SA REIT NAV	6 197 874	6 173 873
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	266 198	266 198
SA REIT NAV per share (Rand)	23.28	23.20

	31 August 2022 R'000	31 August 2021 R'000
SA REIT cost-to-income ratio		
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	980 047	934 764
Administrative expenses per IFRS income statement	84 614	75 420
Other expenses, if directly related to property operations, with clear explanations of these items		
Impairment of accounts receivable	33 413	40 899
Operating costs	1 098 074	1 051 083
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	1 446 004	1 388 670
Utility and operating recoveries per IFRS income statement	484 517	449 996
Gross rental income	1 930 521	1 838 666
SA REIT cost-to-income ratio	56.9%	57.2%
SA REIT administrative cost-to-income ratio		
Expenses		
Administrative expenses as per IFRS income statement	84 614	75 420
Administrative costs	84 614	75 420
Contractual rental income per IFRS income statement (excluding straight-lining)	1 446 004	1 388 670
Utility and operating recoveries per IFRS income statement	484 517	449 996
Gross rental income	1 930 521	1 838 666
SA REIT administrative cost-to-income ratio	4.4%	4.1%
SA REIT GLA vacancy rate		
Gross lettable area of vacant space (m^2)	303 573	370 507
Gross lettable area of total property portfolio (m^2)	1 557 460	1 621 564
SA REIT GLA vacancy rate	19.5%	22.8%

	31 August 2022 R'000	31 August 2021 R'000
Cost of debt		
Variable interest-rate borrowings		
Floating reference rate plus weighted average margin	7.9%	5.7%
Pre-adjusted weighted average cost of debt	7.9%	5.7%
Adjustments:		
Impact of interest rate derivatives	0.8%	2.8%
Amortised transaction costs imputed into the effective interest rate	–	–
All-in weighted average cost of debt	8.7%	8.5%
SA REIT loan-to-value		
Gross debt	4 375 197	4 681 553
Less:		
Cash and bank balance	(38 960)	(34 079)
Cash and bank balance per statement of financial position	(66 554)	(58 358)
Less: Bank balance held in regard to residential tenant deposits	27 594	24 279
Add/Less:		
Derivative financial instruments	2 932	200 078
Net debt	4 339 169	4 847 552
Total assets – per Statement of Financial Position	11 244 676	11 454 606
Less:		
Cash and cash equivalents	(66 554)	(58 358)
Derivative financial assets	(54 083)	–
Trade and other receivables	(183 733)	(166 109)
Carrying amount of property-related assets	10 940 306	11 230 139
SA REIT loan-to-value (SA REIT LTV)	39.7%	43.2%

Company information

Octodec Investments Limited

Incorporated in the Republic of South Africa

Registration number: 1956/002868/06

JSE share code: OCT

ISIN: ZAE000192258 (Approved as a REIT by the JSE)

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[1] *Non-executive director*
[2] *Executive director*
[3] *Lead independent director*
[4] *Independent non-executive director*

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