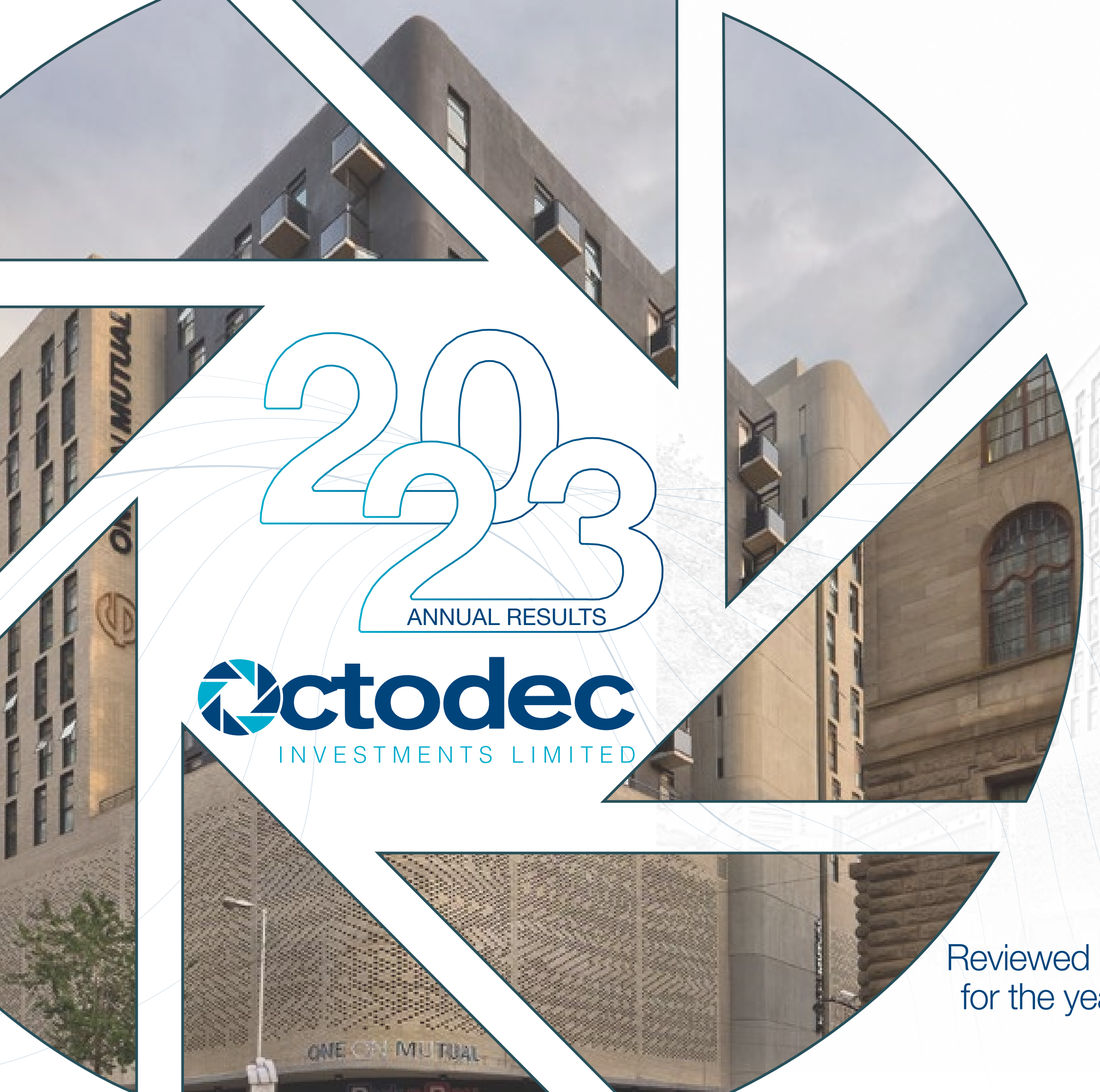


2023
ANNUAL RESULTS

Octodec
INVESTMENTS LIMITED

Reviewed condensed annual results
for the year ended 31 August 2023

CONTENTS

2023 PERFORMANCE HIGHLIGHTS

Rental income (R'million)
R1 995.1
(2022: R1 930.5)

Profit for the year (R'million)
R610.5
(2022: R605.1)

Distributable income after tax (REIT funds from operations R'million)
R455.8
(2022: R466.1)

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

Dividend per share (cents)
135.0
(2022: 130.0)

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

Cash generated from operating activities before dividend payment (R'million)
R447.2
(2022: R391.1)

Loan to value (LTV)
37.7%
(2022: 39.2%)

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

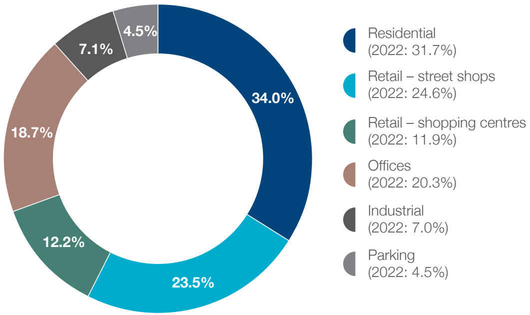
COMMENTARY

Introduction

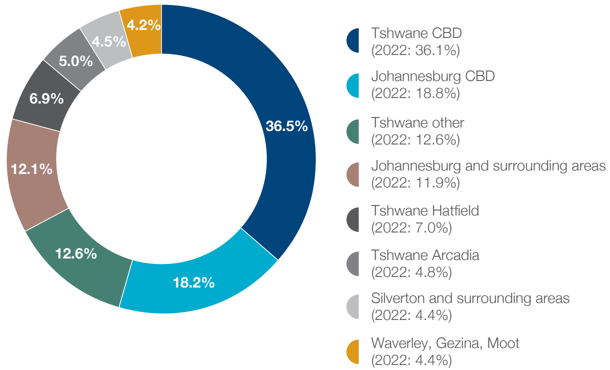
Octodec Investments Limited (Octodec or the company), its subsidiaries and associated company (the group) is a real estate investment trust (REIT) listed on the JSE Ltd (JSE) and A2X, with a diversified portfolio of 238 residential, retail, office and industrial properties situated in the major metropolitan areas of Tshwane and Johannesburg. The portfolio, including an equity-accounted joint venture, has a lettable area of 1 528 961m² and is valued at R11.2 billion*.

Octodec has contracted City Property Administration (Pty) Ltd (City Property) to perform its asset and property management functions. The previous contract, which expired on 30 June 2023, was renewed for a further period of five years and two months to 31 August 2028 to align it with the financial year end of Octodec.

Rental income by sector

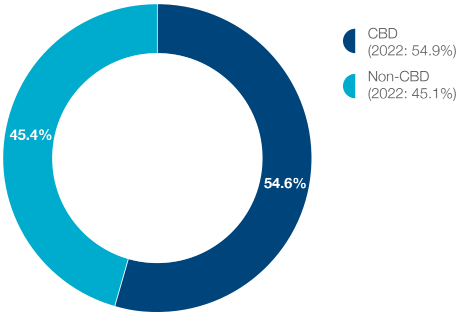


Geographical analysis of rental income

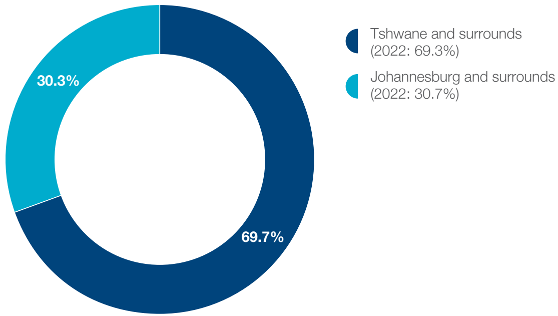


* *The property portfolio information on this page, as well as that continued on pages 4 to 13, includes 100% of the equity accounted joint venture*

CBD versus non-CBD rental income



Tshwane versus Johannesburg rental income



Review of results

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

Group revenue

Group revenue increased by 3.3% from R1 930.5 million to R1 995.1 million, mainly due to improved occupancy in our residential portfolio as well as rental lease escalations. This was achieved under difficult operating conditions, underpinned by a weak economy, high inflation and interest rates, increased fuel costs, as well as extensive load shedding and long periods of power outages due to failing infrastructure. This impacts the disposable income of our tenants as well as Octodec as it is more difficult to increase rentals in this environment, while at the same time maintaining our operating cost increases in line with inflation.

Included in other income are two once-off payments from our insurers relating to the business interruption claim for loss of income incurred during the lockdown period as well as a claim for damage at one of our buildings in prior years.

Costs

Property operating expenses increased by 5.3% year-on-year. The increase in property expenses was contained, largely due to assessment rates remaining flat; this was because of the favourable outcome of several municipal appeals in the prior year, whereby credits were received in the current year, as well as the successful resolution of various municipal accounts under dispute, resulting in further credits to the company. These gains were, however, offset by an increase in bad debts, further described under arrears on page 7, repairs and maintenance costs due to a number of scheduled maintenance projects carried out during the year, as well as an increase in generator costs of R11.2 million (FY2022: R4.8 million) because of the extensive load shedding experienced during FY2023. The cost of free Wi-Fi provided to our tenants of R12.6 million (FY2022: R5.3 million) resulted in higher operating costs, but indirectly benefitted Octodec through tenant retention and higher rentals.

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

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

Distributable income before tax decreased by 1.3% from R465.9 million to R459.8 million, and distributable income after tax decreased by 2.2% from R466.1 million to R455.8 million, as a result of an increased current tax charge, arising from the change in tax legislation to limit the use of assessed losses.

Cost-to-income ratios

The cost-to-income ratios are as follows:

	31 August 2023 %	31 August 2022 %
Property costs		
Gross basis	**53.5**	52.5
Net basis (net of recoveries)	**37.5**	36.6
Total property and administration costs		
Gross basis	**58.6**	56.9
Net basis (net of recoveries)	**44.4**	42.4

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

Dividend policy

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

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

Based on the above policy, the board of Octodec declared a final dividend of 75.0 cents per share on 30 October 2023, payable to shareholders on Monday, 27 November 2023. The total dividend for the year is 135.0 cents (FY2022: 130.0 cents) per share, a 3.8% 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, rental income excluding recoveries, increased by 2.8% and, on a like-for-like basis, excluding the impact of the disposal of properties, rental income increased by 4.1%.

Sector review

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

Residential sector

Octodec's residential income increased 10.2% year on year and 10.3% on a like-for-like basis. This outstanding result was due to improved occupancy at our residential buildings both in Tshwane and Johannesburg; this despite the impact of the higher vacancies at The Fields, which increased to 23% (FY2022: 7%) due to the reduction in the National Student Financial Aid Scheme (NSFAS) allowance from R6 000 to R4 500 per month. Occupancy at our other residential properties improved considerably at the end of FY2022 and remained stable throughout FY2023, resulting in the increased rental income compared to FY2022. We can attribute this improved occupancy to the initiatives introduced in the prior and current year such as complimentary Wi-Fi to tenants, the cashless laundry facilities, and enhanced recreation and play areas. These initiatives, complemented by a focused and well-executed marketing strategy, have resulted in a stable occupancy in our residential buildings. 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 rental income.

At The Fields, we reduced the rent charged on the units available to NSFAS students to R4 500 per month in line with the allowance. As this situation had unfolded over a period of time, the reduction in rental was not sufficient to reduce the vacancies, as many students had already found alternative accommodation or made use of other forms of allowances provided by NSFAS. We continue to engage with the responsible authorities for further clarity in order to better plan for FY2024. We have also introduced various activities and improved facilities for the students which has been very well received thus far by the current students.

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 few years, this segment of the market has felt the impact of the poor economic climate with high inflation and interest rates, reducing the disposable income of the CBD shoppers. Commercial banks have also changed the way they operate, no longer requiring large pockets of space, and this has impacted Octodec's retail street shops portfolio with increased vacancies. Rental from our retail shops decreased by 2.0% year on year but increased by 1.2% on a like-for-like basis.

Octodec's portfolio of retail shopping centres, which largely comprise convenience shopping centres, continues to perform exceptionally well, with vacancies at 6.8%, a small decrease on the prior year. Excluding Killarney Mall, which has higher vacancies, vacancies at our convenience shopping centres were at an all-time low of 0.4%. Rental income from our shopping centres increased by 5.3% year on year 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 many individual professionals and small businesses, the tenants have still been impacted by the current challenging economic climate. The oversupply of office space as a result of hybrid or work-from-home models continues to put pressure on occupancy levels at our office buildings, which is commensurate with the broader sector. Core office vacancies remained stable compared to FY2022, with Government renewing most of its leases. Rental income has however reduced by 5.3%, due to two significant negative rental reversions in the Government sector. However, the rest of the Government leases were renewed at a 6% escalation plus operating costs. These were previously not recovered from Government. This bodes well for FY2024, in the absence of any other unforeseen events.

Industrial

Octodec's industrial portfolio consists of smaller warehouses and light industry and has performed relatively well during the year under review. Although vacancies have increased from 6.8% to 8.7% at 31 August 2023, this is as a result of some large pockets of space in the outer lying areas of Tshwane West becoming vacant at year end as well as some tenant churn in Silverton. We expect vacancies in Silverton to reduce as there is a pipeline of enquiries for space in this area.

This portfolio has experienced rental growth of 3.8% and on a like-for-like basis of 8.6%, with average rentals per m^2 having increased from R45.8 per m^2 to R49.6 per m^2.

Reversions by sector

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

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

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

Collections

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

	Total %	Commercial %	Residential %
September 2022	90.8	90.4	92.0
October 2022	97.7	98.3	95.9
November 2022	95.7	95.9	95.2
December 2022	102.3	103.9	97.1
January 2023	91.6	91.6	91.7
February 2023	109.4	112.4	101.2
March 2023	97.6	94.8	105.4
April 2023	86.5	87.3	84.5
May 2023	109.3	107.4	114.5
June 2023	104.1	104.3	103.6
July 2023	97.4	98.4	94.6
August 2023	104.1	103.6	105.8
Average for the year	**98.9**	**99.0**	**98.5**

The collections for FY2023 have been pleasing, meeting our expectations, and reflecting the stellar work performed by the credit controllers.

Arrears

Tenant arrears have increased from August 2022 and are currently at 4.2% of rental income (FY2022: 3.3%) or 15.5 days (FY2022: 11.9 days). Tenant arrears and the expected credit loss are as follows:

August 2023	**Commercial tenants R'000**	**Residential tenants R'000**	**Total R'000**
Amount owing	**74 516**	**19 701**	**94 217**
Expected credit loss (ECL)	**30 757**	**14 460**	**45 217**
% ECL on amount owing	**41.3%**	**73.4%**	**48.0%**

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%

Commercial tenant arrears include an amount of R9.8 million owing by two Government tenants as well as tenants with disputed balances or in financial difficulties, for which a full provision has been raised at year end, with the exception of the Government tenants as it is anticipated that this amount will be fully recovered. The increase in residential tenant arrears is a function of increased billings as well as an increase in arrears for which full provision has been raised at year end. There have been no major changes in assumptions in the calculation of the expected credit loss as compared to FY2022.

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

Investment property

Octodec has a diversified portfolio of 238 residential, retail, office, and industrial properties with a gross lettable area (GLA) of 1 528 961m^2, valued at R11.2 billion, including 100% of our interest in the joint venture.

Reconciliation of GLA m^2

	m^2
GLA at the beginning of the year	**1 557 460**
Disposal of seven properties	**(29 031)**
Additional GLA built by tenant	**500**
Remeasurements	**32**
GLA at the end of the year	**1 528 961**

Octodec has retained a portion of its distributable income since 2022 in order to fund capital projects and tenant installations. In the current year the group has invested R155.9 million in developments, improvements as well as larger tenant installations, which will contribute to increased earnings.

Octodec has undertaken the following projects:

Residential

Octodec has refurbished the common and entertainment areas at Vuselela Place in the Johannesburg CBD and built a play and recreational area at Steyn's Place in Tshwane 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 182 units into shared and furnished accommodation for the current year intake and created dedicated pause areas for students to enjoy. We have also expanded the availability of key amenities such as cashless laundry facilities, to meet the increased demand, at a further three residential buildings.

Commercial

As a result 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.

We also completed the Shoprite redevelopment at Lilian Ngoyi Street in Tshwane CBD, with the remainder of phase two to be completed in FY2024. We commenced with the conversion of a vacant office building adjacent to Louis Pasteur Hospital in Tshwane CBD, into medical suites, to be named HealthConnect, which is anticipated to be completed in January 2024. Furthermore, to improve our electricity consumption and contain costs, a number of energy management projects have been carried out at some of our buildings. In addition, we have completed the installation of solar panels at two industrial buildings and commenced with the installation of solar panels at two shopping centres, Blaauw Village and Woodmead Value Mart, which should be completed shortly after the 2023 financial year-end.

Commitments

As at 31 August 2023, the group had commitments of R80.6 million (FY2022: R100.1 million) in respect of approved and committed capital expenditure relating to the refurbishment of properties, including the conversion of HealthConnect, solar installations, committed tenant installations and property contracts. These developments will be financed from existing unutilised banking facilities and undistributed cash retained in the business.

Disposals

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

Sold and transferred

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

Investment property valuations

The property portfolio consisting of 238 properties, including the joint venture, was valued at R11.2 billion (FY2022: R11.0 billion).

In line with the group accounting policy, the entire portfolio is valued internally every six months; one third of the portfolio is valued externally every year, with half thereof valued externally in February and the remaining half in August. The carrying value of investment property was based on the internal valuations and there were no significant differences between the values derived by the external valuers and the values determined internally.

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 25 to 28 of this report.

Borrowings and cash flow management

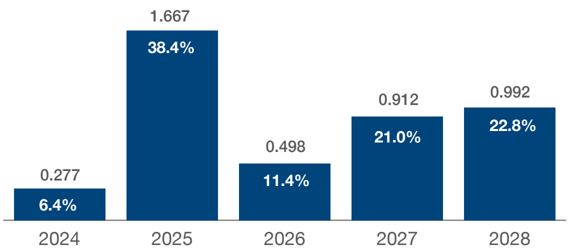
	31 August 2023 R'000	Weighted average interest rate per annum %	31 August 2022 R'000	Weighted average interest rate per annum %
Bank loans	**4 015.6**	**10.4**	3 676.6	7.9
Domestic Medium Term Note (DMTN) Programme				
Secured	**–**	**–**	368.3	7.7
Unsecured	**330.4**	**10.4**	330.3	7.8
Total borrowings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

Octodec has refinanced all loans which matured during the current year as well as some of the loans maturing in FY2024, with tenors ranging between three to five years. Octodec had unutilised available banking facilities amounting to R735.3 million at 31 August 2023 (FY2022: R624.0 million).

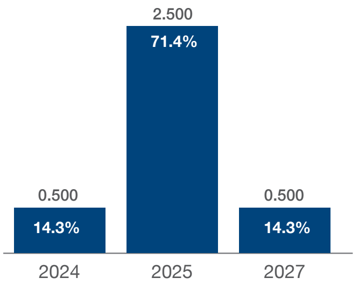
The weighted average term to expiry of the loans is 2.9 years (FY2022: 2.1 years) and the group's LTV decreased from 39.2% at 31 August 2022 to 37.7% at 31 August 2023, largely due to the positive revaluation of the property portfolio of 1.5%, and the movement in the fair value of interest rate swaps.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

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

Loan expiry profile – R'billion and %



Interest rate derivatives expiry profile – R'billion and %



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

Loan covenants

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

* *Calculated in accordance with the loan agreements*

Vacancies

Vacancies by sector

Vacancies as a percentage of gross lettable area (GLA) in the Octodec portfolio, including properties held for redevelopment, have increased marginally from 19.5% at 31 August 2022 to 19.8% at 31 August 2023. The group's core vacancies, which exclude the GLA relating to properties held for redevelopment or disposal, decreased from 14.4% at 31 August 2022 to 14.2% at 31 August 2023.

31 August 2023	**Total GLA m²**	**Vacancies GLA m²**	**Total vacancies %**	**Properties held for redevelopment or disposal including mothballed space m²**	**Core vacancies GLA m²**	**Core vacancies %**	**Core vacancies as % of lettable GLA**
Residential	**418 094**	**27 296**	**6.5%**	**–**	**27 296**	**6.5%**	**6.5%**
Commercial							
Retail							
Street shops	**342 712**	**73 459**	**21.4%**	**(16 416)**	**57 043**	**16.6%**	**17.5%**
Shopping centres	**97 700**	**6 876**	**7.0%**	**(278)**	**6 598**	**6.8%**	**6.8%**
Offices	**456 790**	**175 768**	**38.5%**	**(67 503)**	**108 265**	**23.7%**	**27.8%**
Industrial	**213 665**	**19 717**	**9.2%**	**(1 083)**	**18 634**	**8.7%**	**8.8%**
Total	**1 528 961**	**303 116**	**19.8%**	**(85 280)**	**217 836**	**14.2%**	**15.1%**

31 August 2022	Total GLA m²	Vacancies GLA m²	Total vacancies %	Properties held for redevelopment or disposal including mothballed space m²	Core vacancies GLA m²	Core vacancies %	Core vacancies as % of lettable GLA
Residential	415 490	29 245	7.0%	–	29 245	7.0%	7.0%
Commercial							
Retail							
Street shops	356 723	73 577	20.6%	(10 109)	63 468	17.8%	18.3%
Shopping centres	97 132	7 495	7.7%	(278)	7 217	7.4%	7.5%
Offices	465 263	177 116	38.1%	(67 478)	109 638	23.6%	27.6%
Industrial	222 852	16 139	7.2%	(1 083)	15 056	6.8%	6.8%
Total	1 557 460	303 572	19.5%	(78 948)	224 624	14.4%	15.2%

Vacancy profile by location

31 August 2023	Total GLA m²	Vacancies GLA m²	% of Total vacancies	Total vacancies %	Core vacancies m²	% Core vacancies
Tshwane CBD	507 705	95 880	31.6%	18.9%	63 882	12.6%
Tshwane and surrounding areas	505 381	54 707	18.0%	10.8%	54 305	10.7%
Johannesburg CBD	378 666	132 163	43.6%	34.9%	79 561	21.0%
Johannesburg and surrounding areas	137 209	20 366	6.7%	14.8%	20 088	14.6%
Total	**1 528 961**	**303 116**	**100.0%**	**19.8%**	**217 836**	**14.2%**

Mothballed space

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

Lease expiry profile

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

	By rental income %				
	August 2024	August 2025	August 2026	August 2027	August 2028 and beyond
Sector					
Residential	99.8	0.2	–	–	–
Commercial					
Retail					
Street shops	43.8	23.1	13.8	9.4	9.9
Shopping centres	30.3	30.6	21.0	5.5	12.6
Offices	64.4	20.2	7.6	3.3	4.5
Industrial	49.0	33.5	9.4	2.1	6.0
Parking	80.2	12.8	3.5	1.0	2.5
Total commercial	49.6	24.3	12.3	5.7	8.1
Total commercial and residential	67.3	15.8	8.0	3.7	5.2

	By GLA m² (%)						
	August 2024	August 2025	August 2026	August 2027	August 2028 and beyond	Vacant	Total
Sector							
Residential	93.0	0.5	–	–	–	6.5	100.0
Commercial							
Retail							
Street shops	35.8	17.7	11.7	6.2	7.2	21.4	100.0
Shopping centres	23.1	30.7	18.0	5.7	15.5	7.0	100.0
Offices	38.1	12.4	4.7	1.5	4.8	38.5	100.0
Industrial	46.2	27.1	9.7	2.0	5.8	9.2	100.0
Parking	–	–	–	–	–	–	–
Total commercial	37.6	18.5	9.0	3.4	6.7	24.8	100.0
Total commercial and residential	52.9	13.5	6.5	2.5	4.8	19.8	100.0

CSI Initiatives

This year we undertook a wide range of important social initiatives that talk to our purpose of creating a thriving environment of diversity and inclusion for our communities.

We are in the process of establishing an Early Childhood Development (ECD) Centre in partnership with our long-standing beneficiary, Cotlands. This initiative will assist our tenants who work full-time to entrust their young children with qualified daycare staff in a warm, nurturing and educational environment.

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

Dividends

The board of Octodec has declared a final cash dividend of 75.00000 cents per share for the second half of the financial year ended 31 August 2023, payable out of the company's distributable income.

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

	2023
Last day to trade *cum* dividend	Tuesday, 21 November
Shares trade *ex* dividend	Wednesday, 22 November
Record date	Friday, 24 November
Payment date	Monday, 27 November

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 November 2023 and Friday, 24 November 2023, 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 60.00000 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 2023, which has had a positive impact on the group's results. We continue to roll out the measures successfully 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 certain sectors, it is pleasing to see that most renewals are being concluded at increased rentals, and we continue to experience demand from large retailers for space in both Johannesburg and Tshwane CBDs.

We are excited to announce the launch of a new residential offering catering for the lower LSM market, through the conversion of an old and vacant office building in the Tshwane CBD. We continue to look for opportunities to extract value from our buildings, thereby increasing our revenue and distributions to our shareholders.

At the same time, we are cognisant of the impact that rising inflation, increasing energy and fuel 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.

Despite the difficult trading conditions we are experiencing, we anticipate that our distributable income will be maintained and that the distribution may increase by between 3% and 5% for the six months ended 28 February 2024 compared to the same period for FY2023.

This forecast is based on the following key assumptions:

- Forecast property income is based on contractual rental escalations and market-related renewals;
- The timeous completion of HealthConnect and the prompt leasing thereof;
- Adequate allowance has been made for vacancies and rent reversions;
- No major corporate and tenant failures will occur;
- Interest rates will increase by no more than 25bps during the 6 months ending 28 February 2024; and
- No unforeseen events.

The information in the Group prospects section has not been reviewed nor reported on by the Group's auditors.

Sharon Wapnick
Chairman

Jeffrey Wapnick
Managing director

30 October 2023

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Octodec Investments Limited

We have reviewed the condensed consolidated financial statements of Octodec Investments Limited, contained in the accompanying report, which comprise the condensed consolidated statement of financial position as at 31 August 2023, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes as set out on the pages titled 18 – 30.

Directors' responsibility for the condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for condensed reports, as set out in note Basis of preparation to the condensed consolidated financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these condensed consolidated financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of the condensed consolidated financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Octodec Investments Limited for the year ended 31 August 2023 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listing Requirements for condensed reports, as set out in note Basis of preparation to the condensed consolidated financial statements, and the requirements of the Companies Act of South Africa.

Ernst & Young Inc.
Director – Gail Moshoeshoe
Registered Auditor

31 October 2023
102 Rivonia Road
Sandton

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
ASSETS		
Non-current assets	**11 096 877**	10 848 512
Investment property	**10 905 950**	10 633 189
Straight-line rental income accrual	**88 584**	100 879
Unamortised tenant installations and lease costs	**46 066**	22 132
Fair value of investment property	**11 040 600**	10 756 200
Furniture, fittings and equipment	**1 536**	939
Interest in and loan to joint venture	**44 356**	47 761
Derivative financial instruments	**10 385**	43 612
Current assets	**343 542**	261 999
Accounts receivable and prepayments	**178 562**	183 733
Derivative financial instruments	**51 267**	10 471
Cash and bank balances	**113 713**	66 554
Taxation receivable	**–**	1 241
Non-current assets held for sale	**50 100**	134 165
	11 490 519	11 244 676
EQUITY AND LIABILITIES		
Equity	**6 559 626**	6 321 840
Stated capital	**4 210 134**	4 210 134
Non-distributable reserve	**1 493 585**	1 326 464
Retained income	**855 907**	785 242
Non-current liabilities	**4 234 529**	3 967 674
Long-term borrowings	**4 068 493**	3 816 601
Lease liabilities	**10 901**	10 930
Deferred taxation	**155 135**	140 143
Current liabilities	**696 364**	955 162
Short-term borrowings	**277 463**	558 596
Trade and other payables	**416 327**	393 607
Lease liabilities	**29**	27
Taxation payable	**2 545**	–
Derivative financial instruments	**–**	2 932
	11 490 519	11 244 676

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Revenue	**1 982 537**	1 939 072
revenue	**1 995 095**	1 931 091
straight-line rental income accrual	**(12 558)**	8 552
COVID-19 rental discount	**–**	(571)
Sundry income	**12 329**	–
Property expenses	**(1 030 480)**	(980 047)
Expected credit loss – accounts receivable	**(36 638)**	(33 413)
Net property income	**927 748**	925 612
Administrative and corporate expenses	**(102 664)**	(84 614)
Fair value changes		
investment property	**179 055**	(82 386)
interest rate derivatives	**10 500**	234 845
disposal of investment property	**(3 206)**	(10 824)
Profit on disposal of movable assets	**142**	–
Security transfer tax paid on restructure of subsidiary	**–**	(1 250)
Share of (loss)/profit from joint venture	**(288)**	8 751
share of after tax profit	**1 038**	1 834
share of fair value (loss)/gain	**(4 236)**	6 286
interest received	**2 910**	631
Profit before finance costs	**1 011 287**	990 134
Net finance costs	**(381 759)**	(369 037)
finance income	**13 256**	12 397
finance costs	**(395 015)**	(381 434)
Profit before taxation	**629 528**	621 097
Taxation	**(19 065)**	(15 970)
current	**(4 073)**	193
deferred	**(14 992)**	(16 163)
Profit for the year and total comprehensive income attributable to shareholders	**610 463**	605 127
Weighted shares in issue ('000)	**266 198**	266 198
Shares in issue ('000)	**266 198**	266 198
Basic and diluted profit per share (cents)	**229.3**	227.3

CONDENSED 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 2021 (audited)	4 210 134	1 194 706	578 071	5 982 911
Total comprehensive profit 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	–
derivative financial instruments	–	234 845	(234 845)	–
Balance at 31 August 2022 (audited)	4 210 134	1 326 464	785 242	6 321 840
Total comprehensive income for the year	**–**	**–**	**610 463**	**610 463**
Dividends paid	**–**	**–**	**(372 677)**	**(372 677)**
Transfer to non-distributable reserve				
Deferred tax	**–**	**(14 992)**	**14 992**	**–**
Fair value changes				
investment property	**–**	**179 055**	**(179 055)**	**–**
investment property – joint venture	**–**	**(4 236)**	**4 236**	**–**
disposal of investment property	**–**	**(3 206)**	**3 206**	**–**
derivative financial instruments	**–**	**10 500**	**(10 500)**	**–**
Balance at 31 August 2023 (reviewed)	**4 210 134**	**1 493 585**	**855 907**	**6 559 626**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Cash generated from operations	**862 578**	792 454
Interest received	**13 256**	12 397
Finance costs paid	**(428 369)**	(388 892)
Tax paid	**(287)**	(24 894)
Dividends paid	**(372 677)**	(266 198)
Net cash flows from operating activities	**74 501**	124 867
Cash flows from investing activities		
Additions to investment property	**(123 870)**	(54 812)
Acquisition of furniture, fittings and equipment	**(880)**	(457)
Increase in tenant installation and lease costs	**(4 309)**	(6 364)
Repayment of loan receivable	**–**	73 429
Payment received on loan to joint venture	**3 117**	1 500
Loan advanced to joint venture	**–**	(16 900)
Proceeds from disposal of movable assets	**142**	–
Proceeds from disposal of investment property	**109 359**	218 445
Net cash flows from investing activities	**(16 441)**	214 842
Cash flows from financing activities		
Repayment of lease liabilities	**(29)**	(24)
Early settlement of derivatives	**–**	(16 385)
Proceeds from borrowings	**2 559 656**	1 421 702
Repayment of borrowings	**(2 570 528)**	(1 736 806)
Net cash flows from financing activities	**(10 901)**	(331 513)
Net increase in cash and bank balances	**47 159**	8 196
Cash and bank balances at beginning of the year	**66 554**	58 358
Cash and bank balances at end of the year	**113 713**	66 554

RECONCILIATION OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TO HEADLINE EARNINGS

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Total comprehensive income attributable to shareholders	**610 463**	605 127
Headline earnings adjustments		
Security transfer tax paid on restructure of subsidiary	**–**	1 250
Fair value changes		
investment property	**(179 055)**	82 386
investment property – joint venture	**4 236**	(6 286)
disposal of investment property	**3 206**	10 824
Insurance proceeds in respect of property damage	**(5 217)**	–
Deferred tax – change in tax rate	**–**	(4 632)
Headline earnings attributable to shareholders	**433 633**	688 669
Headline and diluted headline earnings per share (cents)	**162.9**	258.7

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Basis of preparation

The reviewed condensed consolidated 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 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 financial statements are consistent with those applied in the preparation of the previous consolidated audited financial statements for the year ended 31 August 2022.

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 2025 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 financial statements were prepared under the supervision of Mrs A Vieira CA(SA), in her capacity as group financial director. The Condensed Consolidated Financial Statements for the year ended 31 August 2023 are unaudited and were approved in accordance with the directors' resolution on 30 October 2023 and authorised for publication on 1 November 2023.

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)

Assets and liabilities measured at fair value

	Reviewed 31 August 2023		Audited 31 August 2022	
	Level 2 R'000	**Level 3 R'000**	Level 2 R'000	Level 3 R'000
Derivative financial instruments				
Liabilities	**–**	**–**	(2 932)	–
Assets	**61 652**	**–**	54 083	–
Non-financial instruments				
Investment property	**–**	**11 040 600**	–	10 756 200
Investment property held for sale	**–**	**50 100**	–	134 165

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
FINANCIAL ASSETS				
31 August 2023 (Reviewed)				
Loan to joint venture	**–**	**19 936**	**–**	**19 936**
Derivative financial instruments	**61 652**	**–**	**–**	**61 652**
Cash and bank balances	**–**	**113 713**	**–**	**113 713**
Accounts receivable and prepayments	**–**	**131 370**	**47 192**	**178 562**
31 August 2022 (Audited)				
Derivative financial instruments	54 083	–	–	54 083
Cash and bank balances	–	66 554	–	66 554
Accounts receivable and prepayments	–	145 952	37 781	183 733
FINANCIAL LIABILITIES				
31 August 2023 (Reviewed)				
Loan to joint venture	**–**	**20 199**	**–**	**20 199**
Borrowings	**–**	**4 345 956**	**–**	**4 345 956**
Trade and other payables	**–**	**350 773**	**65 554**	**416 327**
31 August 2022 (Audited)				
Borrowings	–	4 375 197	–	4 375 197
Derivative financial instruments	2 932	–	–	2 932
Trade and other payables	–	317 329	76 278	393 607

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 87 properties, representing 25.4% of the portfolio, with a carrying amount of R2.8 billion, including 100% of the joint venture, 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	Valuer	Qualifications
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

Mills Fitchet Global valued the properties using the discounted cash flow model and Gert van Zyl Valuations and Premium Valuation Services used the capitalisation of income method. The entire property portfolio was also internally valued using the capitalisation of income method, which represents the carrying amount on the statement of financial position. There were no significant differences between the internal and external valuations. 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 2023:

	Reviewed 31 August 2023				
	Number of properties	Fair value R'000	Weighted average capitalisation rate %	Weighted average long-range vacancy factor %	Weighted average expense ratio %
Capitalisation rates					
8.50% – 8.75%	2	645 800	8.6	1.8	27.9
9.00% – 10.00%	78	7 020 500	9.5	6.7	31.8
10.25% –11.50%	138	3 090 400	10.6	9.9	28.3
Greater than 11.50%	9	177 600	10.5	18.2	24.2
Total	227	10 934 300	9.8	7.8	30.2
Long-range vacancy factor					
1.00% – 5.00%	99	5 365 200	9.8	3.0	27.5
6.00% – 10.00%	84	3 474 300	9.8	7.9	33.8
11.00% –15.00%	20	1 441 200	9.6	14.0	30.8
Greater than 15.00%	24	653 600	10.4	23.1	33.4
Total	227	10 934 300	9.8	7.8	30.2
Expense ratio					
5.00% – 15.00%	11	236 800	10.8	2.6	11.0
15.01% – 25.00%	59	2 403 100	9.9	4.7	21.1
25.01% – 35.00%	96	5 308 400	9.8	9.0	30.7
Greater than 35.00%	61	2 986 000	9.7	9.9	37.4
Total	227	10 934 300	9.8	7.8	30.2

	Audited 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					
8.50% – 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					
5.00% – 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

The balance of the portfolio consisting of 10 properties (2022: 12 properties) with a carrying value of R156.4 million (31 August 2022: R235.4.0 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 2023 R'000	Audited 31 August 2022 R'000
1% increase in capitalisation rates, while all other inputs remain constant	**(1 012 174)**	(982 641)
1% decrease in capitalisation rates, while all other inputs remain constant	**1 242 140**	1 205 970
2% increase in long-range vacancy factor, while all other inputs remain constant	**(314 449)**	(229 430)
2% decrease in long-range vacancy factor, while all other inputs remain constant	**314 449**	229 430
2% increase in expense ratio, while all other inputs remain constant	**(237 254)**	(302 047)
2% decrease in expense ratio, while all other inputs remain constant	**237 254**	302 047

Carrying value and movement in investment property

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Opening balance	**10 890 365**	11 133 100
Fair value changes	**179 055**	(82 386)
Straight-line rental income accrual	**(12 558)**	8 552
Amortisation of tenant installation and lease costs	**(9 466)**	(8 916)
Developments and subsequent expenditure	**155 869**	69 963
Disposals (carrying value)	**(112 565)**	(229 269)
Reclassification to Furniture, fittings and equipment	**–**	(679)
	11 090 700	10 890 365
Disclosed in the statement of financial position:		
Investment property at fair value	**11 040 600**	10 756 200
Non-current assets held for sale	**50 100**	134 165
	11 090 700	10 890 365

Cash generated from operations

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Profit before taxation	**629 528**	621 097
Adjusted for:		
Straight-line rental income accrual	**12 558**	(8 552)
Fair value changes to investment property	**(179 055)**	82 386
Fair value changes on interest rate derivatives	**(10 500)**	(234 845)
Fair value changes on disposal of investment property	**3 206**	10 824
Profit on disposal of movable assets	**(142)**	–
Expected credit loss of trade and other receivables	**36 638**	33 413
Share of (loss)/income from joint venture	**288**	(8 751)
Finance costs	**395 015**	381 434
Investment income	**(13 256)**	(12 397)
Depreciation and amortisation	**9 749**	9 109
Operating income before working capital changes	**884 029**	873 718
Movement in trade and other receivables	**(24 390)**	(51 037)
Movement in trade and other payables	**2 939**	(30 227)
Cash generated from operations	**862 578**	792 454

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. Sharon Wapnick is also a partner of Tugendhaft Wapnick Banchetti and Partners, who provide legal and debt collection services to the group.

City Property

Total payments made to City Property, in terms of the asset and property management agreement, amounted to R223.1 million (31 August 2022: R212.8 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 R10.8 million (31 August 2022: R10.3 million) from City Property in respect of rent and operating costs recovered.

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

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Due to City Property	**(3 220)**	(2 642)
Due by City Property	**1 366**	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*

Tugendhaft Wapnick Banchetti

Total amount paid to Tugendhaft Wapnick Banchetti and Partners during the year for services rendered amounted to R1.4 million and an amount of R0.4 million was owing to Tugendhaft Wapnick Banchetti and Partners at year end. All services procured from Tugendhaft Wapnick Banchetti and Partners were at the request of and approved by the independent subcommittee of the board.

Events after the reporting date

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

- The DMTN Programme has been transferred from Premium to Octodec, with R330.4 million of unsecured notes being transferred to the company. Premium has been delisted from the debt market of the JSE. Post year end, PMM57 amounting to R50 million was successfully refinanced through the issuance of OCT001 amounting to R100 million for a 3 year tenor.
- The board of Octodec declared a final dividend of 75.00000 cents per share on 30 October 2023, payable to shareholders on Monday, 27 November 2023.

RENTAL INCOME BY SECTOR

	Reviewed 31 August 2023 R'000	**%**	Restated** Audited 31 August 2022 R'000	%
Residential	**510 120**	**34.3**	462 808	32.0
Retail – street shops	**352 038**	**23.7**	359 197	24.8
Retail – shopping centres	**169 080**	**11.4**	160 963	11.1
Offices	**280 386**	**18.9**	296 178	20.5
Industrial	**105 941**	**7.1**	102 057	7.1
Parking	**68 016**	**4.6**	64 800	4.5
Total rental income	**1 485 581**	**100.0**	1 446 003	100.0
Straight-line rental income accrual	**(12 558)**		8 552	
Recoveries*	**509 514**		484 517	
Revenue	**1 982 537**		1 939 072	

* *Recoveries are not evaluated at sector level*
** *Restated. Refer to Sector review on page 4*

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 plus parking, based on the type of premises from which the rental is derived.

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

The information contained from page 31 to 35 has not been reviewed or reported on by the external auditors.

RECONCILIATION OF PROFIT TO DISTRIBUTABLE INCOME

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Total comprehensive income attributable to shareholders	**610 463**	605 127
Fair value changes		
Investment property	**(179 055)**	82 386
Investment property – joint venture	**4 236**	(6 286)
Disposal of investment property	**3 206**	10 824
Interest rate derivatives	**(10 500)**	(234 845)
Profit/loss on disposal of movable assets	**(142)**	–
Straight-line rental income accrual	**12 558**	(8 552)
Security transfer tax paid on restructure of subsidiary	**–**	1 250
Taxation – deferred	**14 992**	16 163
Distributable income attributable to shareholders	**455 758**	466 067
Represented by:		
Revenue		
– rental earned on a contractual basis and recoveries	**1 995 095**	1 930 520
Sundry income	**12 329**	–
Property operating expenses and expected credit loss	**(1 067 118)**	(1 013 460)
Net property income	**940 306**	917 060
Administrative and corporate expenses	**(102 664)**	(84 614)
Share of income from joint venture	**3 948**	2 465
Profit before finance costs	**841 590**	834 911
Net finance costs	**(381 759)**	(369 037)
Net profit before tax	**459 831**	465 874
Taxation – current	**(4 073)**	193
Distributable income attributable to shareholders	**455 758**	466 067
Weighted average number of shares	**266 197 535**	266 197 535
Distributable income per share	**171.21**	175.08

SA REIT RATIOS

	31 August 2023 R'000	31 August 2022 R'000
SA REIT Funds from Operations (SA REIT FFO) per share		
Profit or loss per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	**610 463**	605 127
Adjusted for:		
Accounting/specific adjustments:	**(162 005)**	(144 848)
Fair value adjustments to:		
• Investment property	**(179 055)**	82 386
• Debt instruments held at fair value through profit or loss	**(10 500)**	(234 845)
Gains or losses on the modification of financial instruments		
Deferred tax movement recognised in profit or loss	**14 992**	16 163
Straight-lining operating lease adjustment	**12 558**	(8 552)
Adjustments arising from investing activities:		
Gains or losses on disposal of:		
• Investment property and property, plant and equipment	**3 206**	10 824
• Movable property	**(142)**	–
Other adjustments:		
Adjustments made for equity-accounted entities	**4 236**	(6 286)
Securities transfer tax paid on restructure of subsidiary	**–**	1 250
SA REIT FFO	**455 758**	466 067
Number of shares outstanding at end of year (net of treasury shares)	**266 198**	266 198
SA REIT FFO per share (Rand)	**1.71**	1.75
Company-specific adjustments (per share)	**–**	–
SA REIT FFO per share (Rand)	**1.71**	1.75
SA REIT Net Asset Value (SA REIT NAV)		
Reported NAV attributable to the parent	**6 559 626**	6 321 840
Adjustments:		
Dividend to be declared	**(199 648)**	(212 958)
Fair value of certain derivative financial instruments	**(61 652)**	(51 151)
Deferred tax	**155 135**	140 143
SA REIT NAV	**6 453 461**	6 197 874
Shares outstanding		
Number of shares in issue at period-end (net of treasury shares)	**266 198**	266 198
SA REIT NAV per share (Rand)	**24.24**	23.28

	31 August 2023 R'000	31 August 2022 R'000
SA REIT cost-to-income ratio		
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**1 030 480**	980 047
Administrative expenses per IFRS income statement	**102 664**	84 614
Other expenses, if directly related to property operations, with clear explanations of these items		
Impairment of accounts receivable	**36 638**	33 413
Operating costs	**1 169 782**	1 098 074
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 485 581**	1 446 004
Utility and operating recoveries per IFRS income statement	**509 514**	484 517
Gross rental income	**1 995 095**	1 930 521
SA REIT cost-to-income ratio	**58.6%**	56.9%
SA REIT administrative cost-to-income ratio		
Expenses		
Administrative expenses as per IFRS income statement	**102 664**	84 614
Administrative costs	**102 664**	84 614
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 485 581**	1 446 004
Utility and operating recoveries per IFRS income statement	**509 514**	484 517
Gross rental income	**1 995 095**	1 930 521
SA REIT administrative cost-to-income ratio	**5.1%**	4.4%
SA REIT GLA vacancy rate		
Gross lettable area of vacant space (m²)	**303 116**	303 573
Gross lettable area of total property portfolio (m²)	**1 528 961**	1 557 460
SA REIT GLA vacancy rate	**19.8%**	19.5%

	31 August 2023 R'000	31 August 2022 R'000
Cost of debt		
Variable interest-rate borrowings		
Floating reference rate plus weighted average margin	**10.4%**	7.9%
Pre-adjusted weighted average cost of debt	**10.4%**	7.9%
Adjustments:		
Impact of interest rate derivatives	**(1.2%)**	0.8%
Amortised transaction costs imputed into the effective interest rate	**–**	–
All-in weighted average cost of debt	**9.2%**	8.7%
SA REIT loan to value		
Gross debt	**4 345 956**	4 375 197
Overdraft	**–**	–
Less:		
Cash and bank balance	**(80 776)**	(38 960)
Cash and bank balance per statement of financial position	**(113 713)**	(66 554)
Less: Bank balance held in regard to residential tenant deposits	**32 937**	27 594
Add/Less:		
Derivative financial instruments	**(61 652)**	(51 151)
Net debt	**4 203 528**	4 285 086
Total assets – per Statement of Financial Position	**11 490 519**	11 244 676
Less:		
Cash and cash equivalents	**(113 713)**	(66 554)
Derivative financial assets	**(61 652)**	(54 083)
Goodwill and intangible assets	**–**	–
Trade and other receivables	**(178 562)**	(183 733)
Carrying amount of property-related assets	**11 136 592**	10 940 306
SA REIT loan to value (SA REIT LTV)	**37.7**	39.2

COMPANY INFORMATION

Octodec Investments Limited

Incorporated in the Republic of South Africa
Registration number: 1956/002868/06
JSE share code: OCT
JSE alpha code: OCTI
ISIN: ZAE000192258 (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*

Group company secretary

Elize Greeff
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