



NOTICE TO LINKED UNITHOLDERS

REVIEWED RESULTS OF THE GROUP FOR THE YEAR

ENDED 31 AUGUST 2006

The directors report the reviewed results of the group for the year ended 31 August 2006 set out herein, together with comparisons with the results for the corresponding year ended 31 August 2005

Distribution up by 31% to 88,7 cents per linked unit

Increase in net asset value by 36% to 1125 cents

Total investments exceed R1,6 billion

NOTES TO THE FINANCIAL STATEMENTS

The group has adopted IFRS for the year ended 31 August 2006, with the date of transition of 1 September 2004. The results have been prepared and presented in accordance with IAS 34, Interim Financial Reporting. There has been no impact on the income statement and balance sheet for prior years due to the adoption of IFRS. The accounting policies adopted and methods of computation are consistent with those applied in the financial statements for the year ended 31 August 2005.

The prior year's retained income, share premium and debenture premium have been restated to take into account the requirements of Accounting Standards to allocate the deemed debenture premium on issue of linked units. The debenture premium is amortised through the income statement over the life of the debenture and subsequently transferred through the statement of changes in equity to the share premium account.

The effect of the above change on the prior year's balance sheet and income statement is as follows:

	Previously stated R'000	Adjustment R'000	Restated R'000
Income statement			
Income before debenture interest	353,124	3,566	356,690
Income before taxation	300,335	3,566	303,901
Income attributable to linked unitholders	222,069	3,566	225,635
Balance sheet			
Share capital and Reserves	404,173	27,458	431,631
Share capital and premium			
Non-current liabilities	786,128	(27,458)	758,670
Debenture capital and premium			
Earnings per share (cents)	283.5	4.5	288.0
Earnings per linked unit (cents)	350.8	4.5	355.3
Headline earnings per linked unit (cents)	69.1	4.5	73.6
Net asset value per linked unit (cents)	826.0	–	826.0

In order to comply with International Accounting Standard IAS 17, rental income from leases is recognised on a straight-line basis over the period of the lease. In order to avoid an overstatement of assets the fair value of investment properties has been reduced by the cumulative straight-line rental accrual.

Deferred taxation on the fair value adjustment of investment property has been provided at the company income taxation rate which is currently 29% and not at the Capital Gains Tax rate of 14.5%, which would be payable if properties were sold.

Related party: City Property Administration (Proprietary) Limited is responsible for the property and asset management of the group. Full details of the fees payable are disclosed in the annual report.

The financial statements have been reviewed by Deloitte & Touche, whose unmodified review report is available for inspection at the company's registered office.

COMMENTS

Review of results

The company has once again produced excellent growth in distributions to linked unitholders. Rental income and net rental income increased by 25.4% and 33.8% respectively. The total distribution per linked unit for the year of 88.7 cents (2005: 67.7 cents) represents an increase of 31% on that paid in the previous year.

Based on the unit price of R12.00 at 31 August 2006, the total income plus capital appreciation for the year was 51.5 %.

The redevelopment of Killarney Mall Shopping Centre, favourable renewals of leases, strict expense control as well as extremely favourable trading conditions have all contributed to the growth in distributable earnings.

The retail portfolio which consists of five quality shopping centres, continued to enjoy strong growth in earnings due to favourable renewals and contractual rental escalations.

Property portfolio

Killarney Mall

The redevelopment of Killarney Mall was successfully completed in October 2005 at a cost of R97 million. The mall is anchored by Edgars, Woolworths and Pick'n Pay, with Edgars occupying 4300m² on a 10 year lease.

Elardus Park Shopping Centre

The refurbishment of Elardus Park Shopping Centre was successfully completed during the year.

Gezina Stad

The recent refurbishment of Gezina Stad has resulted in much improved rentals and the shopping centre is now well tenanted, with long leases in place.

Anke Properties

Due to the strong demand for these light industrial premises, a further development of an additional 18 units commenced at a cost of R20 million. The development is well situated in the industrial area of Silvertondale.

Octodec purchased six properties for an aggregate of R105 million during the period under review. These purchases include Kyalami Crescent, an industrial park in Kyalami, Centre Forum which comprises of retail shops situated in the Pretoria CBD, Fine Art House & Court situated in the Johannesburg CBD and three light industrial properties situated in Selby and City Deep, Johannesburg. Octodec took transfer of five of the properties during the period under review.

SEGMENTAL INFORMATION

2006 R'000	Industrial	Office	Retail	Com-mercial	Resi-dential	Corporate unallocated	Total
Revenue	20,940	15,498	100,322	36,397	5,094	2,333	180,584
- earned on contractual basis	20,940	15,498	100,322	36,397	5,094	-	178,251
- straight line lease adjustment	-	-	-	-	-	2,333	2,333
Operating costs	(7,317)	(5,293)	(34,023)	(13,760)	(2,292)	(695)	(63,380)
- earned on contractual basis	(7,317)	(5,293)	(34,023)	(13,760)	(2,292)	(695)	(63,380)
- straight line lease adjustment	-	-	-	-	-	-	0
Net rental income from properties	13,623	10,205	66,299	22,637	2,802	1,638	117,204
- earned on contractual basis	13,623	10,205	66,299	22,637	2,802	(695)	114,871
- straight line lease adjustment	-	-	-	-	-	2,333	2,333

2005 R'000	Industrial	Office	Retail	Com-mercial	Resi-dential	Corporate unallocated	Total
Revenue	15,782	10,572	79,570	27,911	4,525	3,482	143,176
- earned on contractual basis	15,782	11,906	79,570	27,911	4,525	2,460	142,154
- straight line lease adjustment	-	-	-	-	-	1,022	1,022
Operating costs	(6,526)	(4,838)	(32,550)	(10,473)	(1,894)	0	(56,281)
- earned on contractual basis	(6,526)	(4,838)	(32,550)	(10,473)	(1,894)	0	(56,281)
- straight line lease adjustment	-	-	-	-	-	-	0
Net rental income from properties	9,256	7,068	47,020	17,438	2,631	2,460	86,895
- earned on contractual basis	9,256	7,068	47,020	17,438	2,631	2,460	85,873
- straight line lease adjustment	-	-	-	-	-	-	1,022

Borrowings

During the year the borrowings increased by R139.6 million, as a result of acquisitions of investment properties and shares in Premium Properties Limited. Octodec's gearing at the year end was 33.8% as against 34.8% in the comparable period. The company has available facilities of R63 million to fund future cash flow requirements. Interest rates in respect of 65% of borrowings at 31 August 2006 have been fixed at an average weighted interest rate of 10.5% maturing at various dates ranging from November 2006 to April 2010. Octodec's effective cost of financing is 10.2%.

Revaluation of property portfolio

At each financial year end at least one-third of the property portfolio is valued on a rotational basis by an external valuer. The external valuers' valuation was 10% less than the directors' valuation. The directors are confident that their valuations represent fair market value. The directors' valuation of the portfolio, taking into account prevailing market rentals, occupational levels and capitalisation rates increased by R254.2 million, increasing net asset value by 36.2% after accounting for deferred tax.

Prospects

With the increased concern about the rising levels of inflation, interest rates look set to increase further. As interest rates increase, the level of growth in the economy will slow which in turn will slow the growth in distribution. However with property fundamentals remaining strong, management is optimistic that the company will continue to grow earnings on par with, if not better than, the market average.

DECLARATION OF DIVIDEND NO. 33 AND INTEREST PAYMENT ("the distribution")

Notice is hereby given that dividend number 33 of 0.23 cents (2005: 0.18 cents) per ordinary share together with interest of 45.97 cents per debenture (2005: 35.92 cents), for the period 1 March 2006 to 31 August 2006 has been declared, payable to linked unitholders recorded in the register on Friday, 17 November 2006. The last date to trade "CUM" distribution is Friday, 10 November 2006. The units will commence trading "EX" distribution on Monday, 13 November 2006. Payment date will be Monday, 20 November 2006.

No dematerialisation or rematerialisation of linked unit certificates may take place between Monday, 13 November 2006 and Friday, 17 November 2006, both days inclusive.

By order of the Board.

City Property Administration (Proprietary) Limited
19 October 2006

A Wapnick (Chairman) J P Wapnick (Managing director)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Change %	Reviewed year to 31 August 2006	Restated year to 31 August 2005
R'000			
Revenue		180,584	143,176
- earned on contractual basis	25.4	178,251	142,154
- straight line lease adjustment		2,333	1,022
Operating costs		(63,380)	(56,281)
Net rental income from properties		117,204	86,895
- earned on contractual basis	33.8	114,871	85,873
- straight line lease adjustment		2,333	1,022
Administrative expenses		(8,091)	(6,082)
Depreciation		(641)	(550)
Income before investment income	35.1	108,472	80,263
Investment income		47,741	23,687
Interest received		734	683
Investment income – listed investments		5,126	3,374
Investment income – associate			
- equity earnings		758	1,654
- fair value adjustment / capital reserves		36,150	14,282
- other		4,973	3,694
Income before finance costs	50.3	156,213	103,950
Finance costs	36.8	(46,923)	(34,303)
Income before debenture interest and capital profits	56.9	109,290	69,647
Capital profit /(loss) on disposals of investment properties		377	(15)
Fair value adjustment of investment properties			
- net revaluation		254,194	283,492
- gross revaluation		256,527	284,514
- attributable to straight line lease adjustment		(2,333)	(1,022)
Amortisation of deemed debenture premium		3,566	3,566
Income before debenture interest	3.0	367,427	356,690
Debenture interest	31.0	(69,147)	(52,789)
Income before taxation	1.8	298,280	303,901
Taxation charge		(72,960)	(78,266)
- Deferred taxation		(71,725)	(76,987)
- Normal taxation		(1,235)	(1,279)
Income attributable to linked unitholders		225,320	225,635
Linked units in issue ('000)		78,345	78,345
Earnings per share (cents)	(0.1)	287.6	288.0
Earnings per linked unit (cents)	5.8	375.9	355.4
Distribution per linked unit (cents)			
Dividends		0.44	0.32
Interest		88.26	67.38
Total	31.0	88.70	67.70

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Reviewed year to 31 August 2006	Restated year to 31 August 2005
R'000		
Cash flow from operating activities		
Net rental income from properties	106,894	81,701
Adjustment for:		
- Depreciation	641	550
- Working capital changes	(1,395)	2,235
Cash generated from operations	106,140	84,486
Investment income and interest received	10,833	5,291
Finance costs	(46,923)	(34,303)
Taxation paid	(702)	(2,835)
Distribution to linked unit holders paid	(61,579)	(49,042)
Net cash inflow from operating activities	7,769	3,597
Cash flow from investing activities		
Investing activities	(149,237)	(135,034)
Proceeds from disposal of investment properties	757	3,500
Net cash outflow used in investing activities	(148,480)	(131,534)
Cash flow from financing activities		
Net increase / (decrease) in cash and cash equivalents	833	(4,477)
Cash and cash equivalents at beginning of year	(4,653)	(176)
Cash and cash equivalents at end of year	(3,820)	(4,653)

DISTRIBUTABLE EARNINGS

The following additional information is provided and is aimed at disclosing to the users the basis on which the distributions are calculated.

	Change %	Year to 31 August 2006	Year to 31 August 2005
R'000			
Revenue			
- earned on contractual basis	27.6	178,250	139,694
Operating costs		(63,380)	(53,821)
Net rental income from properties	33.8	114,870	85,873
Administrative expenses		(8,091)	(6,082)
Depreciation		(641)	(550)
Income before investment income	33.9	106,138	79,241
Investment income			
- Interest received		734	683
Investment income – associate	7.2	5,731	5,348
Investment income – listed investments	51.9	5,126	3,374
Distributable income before finance charges	32.8	117,729	88,646
Finance charges	36.8	(46,923)	(34,303)
Distributable income before taxation		70,806	54,343
Taxation charge		(1,235)	(1,261)
Unitholders distributable earnings	31.1	69,571	53,082
Linked units in issue ('000)		78,345	78,345
Distributable earnings per linked unit (cents)	31.1	88.8	67.8
Distribution per linked unit (cents)	31.0	88.7	67.7

CONDENSED CONSOLIDATED BALANCE SHEET

	Reviewed 31 August 2006	Restated 31 August 2005
R'000		
Assets		
Non-current assets	1,695,523	1,239,682
Investment properties	1,505,820	1,136,338
Plant and equipment	2,115	2,124
Investment properties – straight line lease adjustment	25,986	23,653
Investment – listed securities	83,127	43,577
- associate company	78,475	33,990
Current assets	16,890	17,646
Total assets	1,712,413	1,257,328
Equity and liabilities		
Share capital and reserves	669,427	431,631
Share capital and premium	42,225	38,658
Non-distributable reserve	599,156	367,698
Retained profit	28,046	25,275
Non-current liabilities	965,522	758,670
Debentures capital and premium	211,898	215,465
Interest bearing borrowings	557,253	420,726
Deferred tax liability	196,371	122,479
Current liabilities	77,464	67,027
Interest bearing	13,807	10,777
Non-interest bearing	27,642	28,107
Linked unitholders	36,015	28,143
Total equity and liabilities	1,712,413	1,257,328
Linked units in issue ('000)	78,345	78,345
Net asset value per linked unit (cents)	1125	826

CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital and premium	Non-Distributable reserve	Distributable reserve	Total
Balance at 1 September 2004 - before restatement	11,200	129,511	24,187	164,898
Restatement				
Reallocation to debenture premium	(9,971)			(9,971)
Amortisation of deemed debenture premium			33,863	33,863
Reallocation of deemed debenture premium	33,863		(33,863)	–
Balance at 1 September 2004 – restated	35,092	129,511	24,187	188,790
Net income attributable to ordinary shareholders			225,635	225,635
Reallocation of deemed debenture premium	3,566		(3,566)	–
Dividends paid			(227)	(227)
Adjustment to valuation of listed investment, net of deferred Capital Gains Tax		17,433		17,433
Transfer to non-distributable reserve				
Capital loss on disposal of investment property		(15)	15	–
Fair value adjustment of investment properties				
- associate, net of deferred tax		14,282	(14,282)	–
- investment properties, net of deferred tax		206,487	(206,487)	–
Balances at 1 September 2005 – restated	38,658	367,698	25,275	431,631
Net income attributable to ordinary shareholders			225,320	225,320
Reallocation of deemed debenture premium	3,566		(3,566)	–
Dividends paid			(306)	(306)
Adjustment to valuation of listed investment, net of deferred Capital Gains Tax		12,781		12,781
Transfer to non-distributable reserve				
Capital profit on disposal of investment property		377	(377)	–
Fair value adjustment of investment properties				
- investment properties, net of deferred tax		182,150	(182,150)	–
- associate, net of deferred tax		36,150	(36,150)	–
Balances at 31 August 2006	42,224	599,156	28,046	669,426

RECONCILIATION – EARNINGS PER SHARE TO HEADLINE EARNINGS PER LINKED UNIT

	Reviewed year to 31 August 2006	Restated year to 31 August 2005
Cents		
Earnings per share	287.6	288.0
Add: debenture interest per linked unit	88.3	67.3
Earnings per linked unit	375.9	355.3
Profit on disposal of investment properties	(0.5)	–
Straight line lease adjustment	3.0	1.3
Fair value adjustments		
- associate, net of deferred tax	(46.1)	(18.2)
- investment properties, net of deferred tax	(236.4)	(264.8)
Headline earnings per linked unit	95.9	73.6



CITY PROPERTY
Property Asset Manager
e-mail address: propworld@cityprop.co.za
website address: www.cityprop.co.za



PROPERTY LOAN STOCK ASSOCIATION
Member of the Property Loan Stock Association

Directors

A Wapnick* (Chairman), JP Wapnick* (Managing director), MJ Holmes*, RJ Inggs*, MZ Pollack*, S Wapnick†
• Executive director
• Independent non-executive director
†Non-executive director

Octodec Investments Limited and its subsidiaries.

Registered Office

CPA House,
101 du Toit Street, Pretoria, 0002
PO Box 15, Pretoria 0001
Tel: (012) 319-8811
Fax: (012) 319-8812

Transfer Secretaries

Computershare Limited (Reg. No: 2000/006082/06)
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Tel: (011) 370-7700
Fax: (011) 688-7712

Share code: OCT ISIN: ZAE000005104 ("Octodec" or "the company")