OCTODEC INVESTMENTS LIMITED

UNAUDITED RESULTS OF THE GROUP

For the six months ended 28 February 2011

HIGHLIGHTS

Distribution of **65,00 cents** per linked unit

Net asset value of **1 735 cents**

Total investments of **R3,0 billion**

Consolidated Statement of Financial Position

R'000	Unaudited 28 February 2011	Audited 31 August 2010
ASSETS		
Non-current assets	**2 999 481**	2 776 623
Investment properties	**2 384 166**	2 222 810
Property, plant and equipment	**47 624**	30 476
Operating lease assets	**37 802**	36 667
Listed investment	**307 386**	266 078
Investments – equity accounted	**222 503**	220 593
Current assets	**49 003**	45 787
Total assets	**3 048 484**	2 822 410
EQUITY AND LIABILITIES		
Share capital and reserves	**1 181 089**	1 141 085
Share capital and premium	**84 967**	79 632
Non-distributable reserves	**1 049 625**	1 015 773
Retained earnings	**46 497**	45 680
Non-current liabilities	**1 675 909**	1 377 028
Debentures and premium	**368 359**	373 693
Interest bearing borrowings	**1 044 090**	754 635
Deferred taxation	**263 460**	248 700
Current liabilities	**191 486**	304 296
Interest bearing borrowings	**68 365**	191 636
Non-interest bearing	**64 553**	54 376
Linked unit holders	**58 568**	58 284
Total equity and liabilities	**3 048 484**	2 822 410
Linked units in issue ('000)	**89 297**	89 297
Net asset value per linked unit (cents)	**1 735**	1 696
Net asset value per linked unit (cents) – before providing for deferred tax	**2 030**	1 975
Loan to investment value ratio (%)	**37,1**	34,1

Consolidated Statement of Comprehensive Income

R'000	% Change	Unaudited six months 28 February 2011	Unaudited six months 28 February 2010	Audited Year to 31 August 2010
Revenue		**186 074**	158 490	333 680
– earned on a contractual basis	16,0	**184 939**	159 432	333 498
– straight line lease adjustment		**1 135**	(942)	182
Operating costs		**(88 679)**	(67 756)	(147 180)
Net rental income from properties		**97 395**	90 734	186 500
– earned on a contractual basis	5,0	**96 260**	91 676	186 318
– straight line lease adjustment		**1 135**	(942)	182
Administrative costs		**(8 504)**	(7 621)	(15 013)
Depreciation		**(1 896)**	(1 273)	(3 165)
Operating profit	6,3	**86 995**	81 840	168 322
Fair value adjustments of investment properties		**45 863**	59 858	82 771
Investment income		**30 934**	29 507	46 737
– interest received		**1 149**	680	1 388
– listed investment		**12 485**	8 881	19 641
– associate				
share of after tax profit		**3 604**	3 705	5 522
fair value adjustment/ capital reserves		**10 845**	12 720	13 155
interest		**2 851**	3 521	7 031
Finance costs	(20,2)	**(32 894)**	(41 196)	(90 457)

Distributable Earnings

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

R'000	% Change	Unaudited six months 28 February 2011	Unaudited six months 28 February 2010	Audited Year to 31 August 2010
Revenue				
– earned on contractual basis	16,0	**184 939**	159 432	333 498
Operating costs		**(88 679)**	(67 756)	(147 180)
Net rental income from properties	5,0	**96 260**	91 676	186 318
Administrative costs		**(8 504)**	(7 621)	(15 013)
Depreciation		**(1 896)**	(1 273)	(3 165)
Operating profit	3,7	**85 860**	82 782	168 140
Investment income				
– interest received		**1 149**	680	1 388
– listed investment		**12 485**	8 881	19 641
– associate		**6 455**	7 226	12 553
Distributable profit before finance costs	6,4	**105 949**	99 569	201 721
Finance costs	16,2	**(47 861)**	(41 196)	(84 395)
Distributable income before taxation	(0,5)	**58 088**	58 373	117 326
Taxation charge		**(36)**	(221)	(512)
Unit holders distributable earnings	(0,2)	**58 052**	58 152	116 814
Linked units in issue ('000)		**89 297**	89 297	89 297
Distributable earnings per linked unit (cents)	(0,2)	**65,0**	65,1	130,8
Distribution per linked unit (cents)	(0,2)	**65,0**	65,1	130,7

Consolidated Statement of Changes in Equity

R'000	Share capital	Non-distributable reserves	Retained earnings	Total
Balances at 31 August 2009	68 963	894 373	43 550	1 006 886
Total comprehensive income for the year			82 925	82 925
Transfer to capital – deemed debenture premium	10 669		(10 669)	–
Dividends paid			(580)	(580)
Adjustment to valuation of listed investment, net of deferred tax		51 854		51 854
Fair value adjustments				
– Investment properties, net of deferred taxation		60 756	(60 756)	–
– Interest rate derivatives, net of deferred taxation		(4 365)	4 365	–
– associate, net of deferred tax		13 155	(13 155)	–
Balances at 31 August 2010	**79 632**	**1 015 773**	**45 680**	**1 141 085**
Total comprehensive income for the year			61 089	61 089
Transfer to capital – deemed debenture				

Comments

Review of results

The total distribution per linked unit for the six months of 65,00 cents (2010: 65,10 cents) represents a decrease of 0,2% on that paid in the previous corresponding period. Rental income and net rental income increased by 16% and 5,0% respectively. The core portfolio, representing those properties held for the prior comparable six months, reflects rental income growth of 2%.

The challenging trading conditions continued during the period resulting in a slow take up of vacant space and as a result exerted further downward pressure on rentals.

Property expenses increased to 48,0% (2010: 42,5%) of revenue which was mainly attributable to an increase in utilities and assessment rate expenses as well as repairs and maintenance costs. Although our leases allow for the recovery of the increased utilities and assessment rates from tenants, this does impact negatively on the new rentals on expiry of leases. Distributable income was positively impacted by the reduction in the prime interest rate during the period. However this was offset by the increased costs of funding on the interest rate swaps entered into at a premium to the weighted average floating interest rates, in order to fix interest rates in a low interest rate environment.

Property portfolio

Octodec continued to unlock the value of its Johannesburg and Pretoria CBD portfolios by the redevelopment and refurbishment thereof. Various properties were upgraded during the period at a total cost of R41,8 million. This included Killarney Mall and Reliance, a complex of industrial units. The cinema complex and adjacent restaurant area at Killarney Mall has been redeveloped and will be launched in May 2011. Leases for the four new restaurants have been concluded. The total cost of the upgrade amounts to R33,8 million and is not expected to be yield enhancing in the short term. An upgrade of the office block was also completed at a cost of R4,8 million which is now substantially let.

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

During the period under review four properties were purchased in the Johannesburg CBD for an aggregate purchase price of R90,2 million. The average initial yield amounts to 10,0%.

As anticipated the performance of IPS was negatively impacted by the phased take up of its mixed-use residential developments. A significant increase in income from IPS is forecast for the next financial year of IPS.

Details of some of these IPS developments are:

Property	Effective shareholding interest (%)	Date of completion	Location	Total cost R'm	Vacancy (%) at 28 February 2011
Kempton Place (mixed use)	20	October 2010	Kempton Park	R282,5	48,4
Ricci's Place (mixed use)	40	November 2009	Johannesburg CBD	R96,9	7,3
Tali's Place (mixed use)	40	July 2010	Johannesburg CBD	R106,0	55,9
Beatrix Place (residential)	40	July 2011	Arcadia, Pretoria	R45,9	Not yet completed

Vacancies of the Octodec portfolio at 28 February 2011 amounted to 17,8% of total lettable area.

	28 February 2011 R'000	31 August 2010 R'000
Offices (%)	**9,2**	9,4
Retail – Shops (%)	**2,9**	2,4
Retail – Shopping Centres (%)	**1,3**	1,4
Commercial (%)	**0,6**	1,4
Industrial (%)	**3,8**	3,2
TOTAL (%)	**17,8**	17,8

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

Octodec continues to pursue investment and redevelopment opportunities that will enhance

– listed investment		**12 485**	8 881	19 641
– associate				
share of after tax profit		**3 604**	3 705	5 522
fair value adjustment/ capital reserves		**10 845**	12 720	13 155
interest		**2 851**	3 521	7 031
Finance costs	(20,2)	**(32 894)**	(41 196)	(90 457)
– interest on borrowings		**(48 454)**	(41 196)	(84 395)
– interest capitalised		**593**		
– fair value adjustments of interest rate derivatives		**14 967**	–	(6 062)
Amortisation of deemed debenture premium		**5 335**	5 335	10 669
Profit on sale of investment property		**–**	–	–
Profit before debenture interest	0,7	**136 233**	135 344	218 042
Debenture interest	(0,2)	**(57 758)**	(57 847)	(116 131)
Profit/(loss) before taxation		**78 475**	77 497	101 911
Taxation charge		**(17 386)**	(16 719)	(18 986)
– Deferred taxation		**(17 350)**	(16 498)	(18 474)
– Normal taxation		**(36)**	(221)	(512)
Total comprehensive income for the period attributable to equity holders		**61 089**	60 778	82 925
Weighted average linked units in issue ('000)		**89 297**	89 297	89 297
Linked units in issue ('000)		**89 297**	89 297	89 297
Basic and diluted earnings per share (cents)	0,5	**68,4**	68,1	92,9
Basic and diluted earnings per linked unit (cents)	0,2	**133,1**	132,8	222,9
Distribution per linked unit (cents)				
Dividends		**0,32**	0,32	0,65
Interest		**64,68**	64,78	130,05
Total	(0,2)	**65,00**	65,10	130,70

Consolidated Statement of Cash Flows

R'000	**Unaudited six months 28 February 2011**	Unaudited six months 28 February 2010	Audited Year to 31 August 2010
CASH FLOW FROM OPERATING ACTIVITIES			
Net rental income from properties	**85 860**	82 782	168 140
Adjustment for:			
– depreciation	**1 896**	1 273	3 165
– working capital changes	**25 170**	14 917	7 478
Cash generated from operations	**112 926**	98 972	178 783
Investment income	**16 485**	13 082	28 060
Finance costs	**(48 454)**	(41 196)	(84 395)
Taxation paid	**(36)**	(221)	(512)
Distribution to linked unit holders paid	**(57 768)**	(59 561)	(117 694)
Net cash outflow from operating activities	**23 153**	11 076	4 242
CASH FLOW FROM INVESTING ACTIVITIES			
Investing activities	**(186 095)**	(90 898)	(189 425)
Proceeds from disposal of investment properties	**–**	–	–
Net cash outflow used in investing activities	**(186 095)**	(90 898)	(189 425)
CASH INFLOW FROM FINANCING ACTIVITIES			
Increase in interest bearing borrowings	**187 804**	116 404	189 958
Net cash generated from financing activities	**187 804**	116 404	189 958
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**24 862**	36 582	4 775
Cash and cash equivalents at beginning of year	**(21 297)**	(26 072)	(26 072)
Cash and cash equivalents at end of year	**3 565**	10 510	(21 297)

deferred tax		13 155	(13 155)	–
Balances at 31 August 2010	**79 632**	**1 015 773**	**45 680**	**1 141 085**
Total comprehensive income for the year			61 089	61 089
Transfer to capital – deemed debenture premium	5 335		(5 335)	–
Dividends paid			(295)	(295)
Adjustment to valuation of listed investment, net of deferred tax		(20 790)		(20 790)
Fair value adjustments				
– Investment properties, net of deferred taxation		33 021	(33 021)	–
– Associate, net of deferred tax		10 845	(10 845)	–
– Interest rate derivatives, net of deferred tax		10 776	(10 776)	–
Balances at 28 February 2011	**84 967**	**1 049 625**	**46 497**	**1 181 089**

Reconciliation – Earnings to Distributable Earnings

R'000	**Unaudited six months 28 February 2011**	Unaudited six months 28 February 2010	Audited Year to 31 August 2010
Earnings attributable to equity holders	**86 327**	60 778	82 925
Amortisation of deemed debenture premium	**(5 335)**	(5 335)	(10 669)
Profit on sale of investment properties	**–**	–	–
Fair value adjustments			
– associate, net of deferred tax	**(36 083)**	(12 720)	(13 155)
– investment properties, net of deferred tax	**(33 021)**	(43 098)	(60 756)
Headline earnings before debenture interest	**11 888**	(375)	(1 655)
Debenture interest	**57 758**	57 847	116 131
Headline earnings attributable to linked unit holders	**69 646**	57 472	114 476
Straight line lease adjustment	**(817)**	678	(131)
Fair value adjustments of interest rate derivatives, net of deferred tax	**(10 777)**	–	4 365
Deferred taxation adjustments	**–**	–	(1 894)
Distributable earnings attributable to linked unit holders	**58 052**	58 150	116 816
Headline earnings per linked unit (cents)	**78,0**	64,4	128,2

Notes to the Financial Statements

The unaudited condensed consolidated financial statements have been prepared in accordance with requirements of the Companies Act 61 of 1973, as amended. The results have been prepared and presented in accordance with International Accounting Standards IAS34, Interim Financial Reporting and the Listings Requirements of the JSE Limited. The accounting policies adopted and methods of computation are consistent with those applied in the financial statements for the year ended 31 August 2010.

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

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

Contingent liability – The company has issued guarantees of R1 690 000 and R582 000 to the Tshwane Metropolitan Municipality and City Power – Johannesburg respectively for the provision of services to its subsidiaries. The company has provided a suretyship to Nedbank Property Finance, which at 28 February 2011 amounted to R224,2 million in favour of its associate company, IPS Investments (Pty) Limited.

Independent review by external auditors – These condensed consolidated financial statements have not been reviewed by or audited by our auditors, Deloitte and Touche.

Segmental Information

Analysis by property usage	**Industrial**	**Office**	**Retail**	**Commercial**	**Residential**	**Corporate unallocated**	**Total**
February 2011	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue							
Rentals and recoveries	26 509	42 032	63 720	42 501	10 177	–	184 939
Straight line operating lease adjustment	(79)	129	(34)	1 039	80	–	1 135
Total revenue	**26 430**	**42 161**	**63 686**	**43 540**	**10 257**	**–**	**186 074**
Operating profit	**14 073**	**21 417**	**29 715**	**24 042**	**5 235**	**(7 487)**	**86 995**
Assets							
Investment properties (incl operating lease assets)	329 879	524 685	862 626	573 370	131 408	–	2 421 968
Plant and equipment	663	11 795	29 517	4 175	1 474	–	47 624
Other assets						578 892	578 892
Total assets	**330 542**	**536 480**	**892 143**	**577 545**	**132 882**	**578 892**	**3 048 484**

TOTAL (%)	**17,8**	17,8

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

Octodec continues to pursue investment and redevelopment opportunities that will enhance the overall quality of the portfolio.

Gearing

R'000	Nominal amount	Interest rate %
Fixed rate borrowings expiry		
May 2013	53 250	12,72
November 2013	75 000	11,92
April 2018	100 000	12,06
October 2018	75 000	11,72
	303 250	12,11
Swap maturity		
August 2017	200 000	8,96
September 2017	50 000	9,31
January 2018	50 000	9,43
	300 000	9,23
Total hedged borrowings	**603 250**	**10,67**
Variable rate borrowings	**509 205**	**7,7**
Total borrowings	**1 112 455**	**9,3**

Borrowings

During the period borrowings increased by R187,8 million, as a result of the acquisition of properties, the purchase of 4 343 804 Premium shares and development costs incurred. Octodec's gearing at the end of the period under review was 37,1% of the value of its portfolio against 34,1% at 31 August 2010. The group remains financially sound with facilities available to fund future cash flow requirements.

Interest rates in respect of 53,7% of borrowings at 28 February 2011 have been fixed at an average interest rate of 9,3% maturing at various dates ranging from November 2013 to May 2018.

Revaluation of property portfolio

At each financial year end at least one-third of the property portfolio is valued on a rotational basis by external valuers, while at the interim stage directors' valuations are performed by applying market related yields. The directors' valuation of the portfolio increased by R45,9 million, which gives rise to a net asset value of 1 735 cents per unit.

Prospects

Challenging market conditions have influenced the demand for space, causing a slower take up of vacancies with new tenants reluctant to take on new space. Although the local economy has emerged from a recession, it is anticipated that the growth in the economy will remain subdued in the short to medium term.

The board believes that distributable earnings for the second six month period will be on a par with, if not better than the distributable earnings reported for the six months ended 28 February 2011.

Unit holders are advised that the above mentioned information has not been reviewed nor reported on by the company's auditors.

DECLARATION OF DIVIDEND 42 AND INTEREST PAYMENT ("the distribution")

Notice is hereby given that dividend number 42 of 0,32 cents (2010: 0,32 cents) per ordinary share together with interest of 64,68 cents per debenture (2010: 64,78 cents), has been declared for the period 1 September 2010 to 28 February 2011, payable to linked unit holders recorded in the register on Friday, 20 May 2011. The last date to trade *cum* distribution is Thursday, 12 May 2011. The units will commence trading *ex* distribution on Friday, 13 May 2011. The payment date will be Monday, 23 May 2011.

No dematerialisation or rematerialisation of linked unit certificates may take place between Friday, 13 May 2011 and Friday, 20 May 2011, both days inclusive.

By order of the board.

A WAPNICK
(Chairman)

JP WAPNICK
(Managing Director)

21 April 2011

Directors
A Wapnick* (Chairman), JP Wapnick* (Managing Director)
AK Stein* (Financial), MJ Holmes•, MZ Pollack•
S Wapnick†, DP Cohen•
* *Executive director*
• *Independent non-executive director*
† *Non–executive director*

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Octodec Investments Limited and its subsidiaries
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Member of the Property Loan Stock Association

PROPERTY LOAN STOCK ASSOCIATION

CITY PROPERTY