

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	% Change	Unaudited 6 months 29 Feb 2012	Unaudited 6 months 28 Feb 2011	Audited Year to 31 Aug 2011
<b>Revenue</b>		<b>215 801</b>	186 074	388 516
– earned on contractual basis	17,3	<b>216 967</b>	184 939	384 345
– straight-line lease adjustment		<b>(1 166)</b>	1 135	4 171
Operating costs		<b>(105 372)</b>	(88 679)	(185 891)
<b>Net rental income from properties</b>		<b>110 429</b>	97 395	202 625
– earned on contractual basis	15,9	<b>111 595</b>	96 260	198 454
– straight-line lease adjustment		<b>(1 166)</b>	1 135	4 171
Administrative costs		<b>(8 694)</b>	(8 504)	(17 594)
Depreciation		<b>(1 720)</b>	(1 896)	(3 670)
<b>Operating profit</b>	15,0	<b>100 015</b>	86 995	181 361
Fair value adjustments of investment properties		<b>103 614</b>	45 863	(22 026)
gross fair value adjustment		<b>102 448</b>	46 998	(17 855)
attributable to straight-line lease adjustment		<b>1 166</b>	(1 135)	(4 171)
Investment income		<b>24 270</b>	30 934	51 761
– interest received		<b>363</b>	1 149	1 729
– listed investment		<b>13 989</b>	12 485	24 172
– associate				
share of after tax profit		<b>5 631</b>	3 604	8 796
fair value adjustment/capital reserves		<b>1 621</b>	10 845	13 160
interest		<b>2 666</b>	2 851	3 904
Finance costs	63,0	<b>(53 619)</b>	(32 894)	(111 346)
– interest on borrowings		<b>(61 754)</b>	(48 454)	(103 217)
– interest capitalised		<b>1 521</b>	593	3 213
– fair value adjustments of interest rate derivatives		<b>6 614</b>	14 967	(11 342)
Amortisation of deemed debenture premium		<b>5 334</b>	5 335	10 669
Profit on sale of investment property		<b>434</b>	–	464
<b>Profit before debenture interest</b>	32,2	<b>180 048</b>	136 233	110 883
Debenture interest	9,5	<b>(63 267)</b>	(57 758)	(114 890)
<b>Profit/(loss) before taxation</b>		<b>116 781</b>	78 475	(4 007)
Taxation charge		<b>(63 399)</b>	(17 385)	1 130
– Deferred taxation		<b>(63 399)</b>	(17 350)	1 305
– Normal taxation		<b>–</b>	(35)	(175)
<b>Total comprehensive income for the period attributable to equity holders</b>		<b>53 382</b>	61 090	(2 877)
Linked units in issue ('000)		<b>89 297</b>	89 297	89 297
Linked units in issue ('000)		<b>89 297</b>	89 297	89 297
Basic and diluted earnings per share (cents)	(12,6)	<b>59,8</b>	68,4	(3,2)
Basic and diluted earnings per linked unit (cents)	(1,8)	<b>130,6</b>	133,1	125,4
<b>Distribution per linked unit (cents)</b>				
Dividends		<b>0,35</b>	0,32	0,64
Interest		<b>70,85</b>	64,68	128,66
Total	9,5	<b>71,20</b>	65,00	129,30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited 29 Feb 2012	Audited 31 Aug 2011
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>3 364 417</b>	3 023 244
Investment properties	<b>2 699 766</b>	2 375 336
Property, plant and equipment	<b>31 356</b>	44 793
Operating lease assets	<b>39 670</b>	40 837
Listed investment	<b>333 707</b>	310 390
Investments – equity accounted	<b>259 918</b>	251 888
<b>Current assets</b>	<b>56 085</b>	42 040
<b>Total assets</b>	<b>3 420 502</b>	3 065 284
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>	<b>1 303 192</b>	1 242 957
Share capital and premium	<b>95 636</b>	90 302
Non-distributable reserves	<b>1 161 578</b>	1 106 314
Retained earnings	<b>45 978</b>	46 341
<b>Non-current liabilities</b>	<b>1 841 008</b>	1 462 887
Debentures and premium	<b>357 690</b>	363 024
Interest bearing borrowings	<b>1 274 948</b>	962 119
Deferred taxation	<b>208 370</b>	137 744
<b>Current liabilities</b>	<b>276 302</b>	359 440
Interest bearing borrowings	<b>148 523</b>	234 696
Non-interest bearing	<b>63 593</b>	67 611
Linked unit holders	<b>64 186</b>	57 133
<b>Total equity and liabilities</b>	<b>3 420 502</b>	3 065 284
Linked units in issue ('000)	<b>89 297</b>	89 297
Net asset value per linked unit (cents)	<b>1 860</b>	1 798
Net asset value per linked unit (cents) – before providing for deferred tax	<b>2 093</b>	1 953
Loan to investment value ratio (%)	<b>42,2</b>	39,6

DIRECTORS' COMMENTARY

REVIEW OF RESULTS

All rental income received by the group, less operating costs and interest on debt, is distributed semi-annually. The group does not distribute capital profits. Economic conditions and consumer confidence continued declining during the financial period. Rental income increased following successful upgrades of properties and a proactive approach to letting despite a challenging economic environment.

The total distribution per linked unit for the six months of 71,20 cents per linked unit (2011: 65,00 cents) represents an increase of 9,5% on that paid in the comparative period.

Rental income and net rental income increased by 17,3% and 15,9% respectively. The core portfolio representing those properties held for the prior comparable six months with no major development activity reflects rental income growth of 8,9%. Property expenses increased to 48,6% (31 August 2011: 48,4%) of revenue. The increase in revenue was mainly due to improved letting and an increase in utilities and assessment rate recoveries. Although leases allow for the recovery of increased utilities and assessment rates from tenants, this has a negative impact on the new rentals when leases expire. Provisions and write-offs of bad debts remained at acceptable levels of 1,1% of total revenue. Fewer tenants defaulted following improved collection processes. Distributable income was negatively affected by the increased costs of funding on the interest rate swaps entered into at a premium to the weighted average annual floating interest rates. These interest rate swap agreements were entered into to fix interest rates in a low interest rate environment.

PROPERTY AND INVESTMENT PORTFOLIO

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

Octodec continued to expand its property portfolio in the Johannesburg and Pretoria central business districts (CBDs) as well as continuing the redevelopment and refurbishment of properties. Various properties were upgraded during the period at a total cost of R36,2 million. This included the office block, Elephant House, and the residential development, Dan's Place. Both are situated in the Johannesburg CBD. Octodec's total investment of R45 million in Dan's Place created 143 residential units and was completed in March 2012 at a fully let yield of 9,9%. Octodec has various projects earmarked for completion in the 2012 financial year. These include the upgrade of the mixed use properties Temple Court and Kerk Street Building in the Johannesburg CBD. A 5 233 m<sup>2</sup> retail development in the Pretoria CBD is scheduled for completion in August 2012. This will be occupied by Cambridge, part of the Walmart Group, and other retailers.

Octodec's investment in IPS continued providing acceptable earnings growth with profits earned from the associate company, excluding capital profits, increasing to R8,3 million. This was an increase of 28,5% on the comparable period. The growth achieved by IPS was positively impacted by the mixed-use developments Kempton Place and Talis Place due to the improved occupancy levels achieved during the period.

During the period, two properties were acquired and transferred for an aggregate purchase price of R178,6 million, providing an average weighted yield of 10,3%.

Details of the properties are:

Name of property	Description	Rentable m <sup>2</sup>	Purchase price including costs R million	Initial yield	Date of transfer
The Tannery	309 Derdepoort Rd, Industrial units	35 990	153,8	10,4	1 Nov 2011
Industrial Park FNB Centurion	Silverton, Pretoria	1 874	24,8	9,6	17 Nov 2011
	Verwoerd Drive, Centurion				
		31 864	178,6	10,3	

**OCTODEC INVESTMENTS LIMITED and its subsidiaries** (Incorporated in the Republic of South Africa) (Registration number 1956/002868/06), Share code: OCT, ISIN: ZAE000005104, ("Octodec" or "the company")  
**Directors:** S Wapnick\* (Chairman), JP Wapnick\* (Managing), AK Stein\* (Financial), MJ Holmes\*, MZ Pollack\*, DP Cohen\*, PJ Strydom\* \* Executive Director \* Independent Non-executive Director † Non-executive Director  
**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 Investor Services (Pty) Limited, (Reg. No: 2000/006082/06), 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107, Tel: (011) 370 7700 Fax: (011) 688 7712  
**Property Asset Manager:** email: propworld@cityprop.co.za

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited 6 months 29 Feb 2012	Unaudited 6 months 28 Feb 2011	Audited Year to 31 Aug 2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Net rental income from properties</b>	<b>101 180</b>	85 860	177 063
Adjustment for:			
– depreciation	<b>1 720</b>	1 896	3 670
– working capital changes	<b>(8 855)</b>	25 170	17 030
<b>Cash generated from operations</b>	<b>94 045</b>	112 926	197 763
Investment income	<b>17 018</b>	16 485	29 805
Finance costs	<b>(61 754)</b>	(48 454)	(100 004)
Taxation paid	<b>–</b>	(35)	(175)
Distribution to linked unit holders paid	<b>(56 499)</b>	(57 768)	(116 622)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(7 190)</b>	23 154	10 767
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investing activities	<b>(221 676)</b>	(186 095)	(254 171)
Proceeds from disposal of investment properties	<b>4 800</b>	–	4 255
<b>Net cash outflow used in investing activities</b>	<b>(216 876)</b>	(186 095)	(249 916)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in interest bearing borrowings	<b>256 437</b>	187 804	237 653
<b>Net cash generated from financing activities</b>	<b>256 437</b>	187 804	237 653
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>32 371</b>	24 863	(1 496)
Cash and cash equivalents at beginning of year	<b>(22 795)</b>	(21 299)	(21 299)
<b>Cash and cash equivalents at end of year</b>	<b>9 576</b>	(3 564)	(22 795)

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 6 months 29 Feb 2012	Unaudited 6 months 28 Feb 2011	Audited Year to 31 Aug 2011
<b>Revenue</b>		<b>216 967</b>	184 939	384 218
– earned on contractual basis	17,3	<b>(105 372)</b>	(88 679)	(185 891)
Operating costs		<b>111 595</b>	96 260	198 327
<b>Net rental income from properties</b>	15,9	<b>(8 694)</b>	(8 504)	(17 594)
Administrative costs		<b>(1 720)</b>	(1 896)	(3 670)
Depreciation		<b>101 180</b>	85 860	177 063
<b>Operating profit</b>	17,8	<b>363</b>	1 149	1 729
Investment income		<b>13 989</b>	12 485	24 172
– interest received		<b>8 297</b>	6 455	12 700
– listed investment		<b>123 829</b>	105 949	215 663
– associate	16,9	<b>(60 233)</b>	(47 861)	(100 004)
<b>Distributable profit before finance costs</b>	25,9	<b>63 596</b>	58 088	115 659
Finance costs	9,5	<b>–</b>	(35)	(175)
<b>Distributable income before taxation</b>		<b>63 596</b>	58 053	115 484
Taxation charge		<b>89 297</b>	89 297	89 297
<b>Unit holders distributable earnings</b>	9,5	<b>71,2</b>	65,0	129,3
<b>Linked units in issue ('000)</b>		<b>71,2</b>	65,0	129,3
<b>Distributable earnings per linked unit (cents)</b>	9,5	<b>71,2</b>	65,0	129,3
<b>Distribution per linked unit (cents)</b>	9,5	<b>71,2</b>	65,0	129,3

RECONCILIATION – EARNINGS TO DISTRIBUTABLE EARNINGS

R'000	Unaudited 6 months 29 Feb 2012	Unaudited 6 months 28 Feb 2011	Audited Year to 31 Aug 2011
<b>Earnings attributable to equity holders</b>	<b>53 382</b>	61 090	(2 877)
Amortisation of deemed debenture premium	<b>(5 334)</b>	(5 335)	(10 669)
Profit on sale of investment properties	<b>(434)</b>	–	(464)
Fair value adjustments			
– associate, net of deferred tax	<b>(1 621)</b>	(10 845)	(13 160)
– investment properties, net of deferred tax	<b>(41 741)</b>	(33 021)	20 246
<b>Headline earnings before debenture interest</b>	<b>4 252</b>	11 889	6 924
Debenture interest	<b>63 267</b>	57 758	114 890
<b>Headline earnings attributable to linked unit holders</b>	<b>67 519</b>	69 647	107 966
Straight-line lease adjustment, net of deferred tax	<b>839</b>	(817)	(3 094)
Fair value adjustments of interest rate derivatives, net of deferred tax	<b>(4 762)</b>	(10 777)	8 167
Deferred taxation adjustments	<b>–</b>	–	2 446
<b>Distributable earnings attributable to linked unit holders</b>	<b>63 596</b>	58 053	115 485
<b>Headline earnings per linked unit (cents)</b>	<b>75,6</b>	78,0	120,9

SEGMENTAL INFORMATION

Analysis by property usage – 29 February 2012

R'000	Industrial	Office	Retail	Commercial	Residential	Corporate unallocated	Total
<b>Revenue</b>							
Rentals and recoveries	<b>38 122</b>	<b>43 474</b>	<b>72 844</b>	<b>47 565</b>	<b>14 962</b>		<b>216 967</b>
Straight-line lease adjustment	<b>(48)</b>	<b>(342)</b>	<b>(910)</b>	<b>183</b>	<b>(49)</b>		<b>(1 166)</b>
<b>Total revenue</b>	<b>38 074</b>	<b>43 132</b>	<b>71 934</b>	<b>47 748</b>	<b>14 913</b>	<b>–</b>	<b>215 801</b>
<b>Net rental income from properties</b>	<b>22 528</b>	<b>22 500</b>	<b>30 185</b>	<b>27 548</b>	<b>7 215</b>	<b>(9 961)</b>	<b>100 015</b>
<b>Assets</b>							
Investment properties and operating lease assets	<b>495 889</b>	<b>543 912</b>	<b>859 493</b>	<b>626 680</b>	<b>211 462</b>		<b>2 739 436</b>
Plant and equipment	<b>375</b>	<b>7 534</b>	<b>18 847</b>	<b>3 197</b>	<b>1 403</b>		<b>31 356</b>
Other assets						<b>649 710</b>	<b>649 710</b>
<b>Total assets</b>	<b>496 264</b>	<b>551 446</b>	<b>878 340</b>	<b>631 877</b>	<b>212 865</b>	<b>649 710</b>	<b>3 420 502</b>

Analysis by property usage – 31 August 2011

R'000	Industrial	Office	Retail	Commercial	Residential	Corporate unallocated	Total
<b>Revenue</b>							
Rentals and recoveries	53 972	77 987	132 228	89 436	29 124		382 747
Management fee						1 598	1 598
Straight-line lease adjustment	28	(478)	1 815	2 333	473		4 171
<b>Total revenue</b>	<b>54 000</b>	<b>77 509</b>	<b>134 043</b>	<b>91 769</b>	<b>29 597</b>	<b>1 598</b>	<b>388 516</b>
<b>Net rental income from properties</b>	<b>27 680</b>	<b>41 950</b>	<b>60 565</b>	<b>51 285</b>	<b>14 011</b>	<b>(14 130)</b>	<b>181 361</b>
<b>Assets</b>							
Investment properties and operating lease assets	346 419	489 850	808 170	605 332	166 402		2 416 173
Plant and equipment	702	10 450	27 433	4 737	1 471		44 793
Other assets						604 318	604 318
<b>Total assets</b>	<b>347 121</b>	<b>500 300</b>	<b>835 603</b>	<b>610 069</b>	<b>167 873</b>	<b>604 318</b>	<b>3 065 284</b>

Vacancies in the Octodec portfolio at 29 February 2012 amounted to 14,5% of the total lettable area and details of these vacancies with reference to their sectoral spread are set out in the table below:

	29 Feb 2012	31 Aug 2011
	%	%
Offices	<b>7,0</b>	9,3
Retail – shops	<b>3,4</b>	2,6
Retail – shopping centres	<b>0,2</b>	0,7
Industrial	<b>2,5</b>	2,8
Residential	<b>1,4</b>	0,5
<b>Total</b>	<b>14,5</b>	15,9

A large percentage of the vacancies in the portfolio are in respect of properties acquired with large vacancies, where little or no consideration was paid for the vacant space. As the opportunities arise to develop these properties, the potential of these vacancies will be realised.

Octodec was successful in letting a number of properties that had been vacant for a considerable period. The office vacancies reduced to 7,0% partly due to 7 776 m<sup>2</sup> of office space having been converted to residential accommodation. The residential vacancies consist of, as expected, vacant units at the recently converted Dan's Place and at Temple Court which is being upgraded.

The vacant lettable area at Gezina Shopping Centre and at Killarney Mall reduced significantly.

BORROWINGS

Borrowings increased as a result of the acquisition of properties, the purchase of 615 653 Premium shares, and development costs incurred. Octodec's gearing at the end of the period under review was 42,2% of the total value of its investment portfolio against 39,6% at 31 August 2011.

Interest rates in respect of 54,0% of borrowings at 29 February 2012 have been hedged, maturing at various dates ranging from April 2013 to October 2018. The average weighted interest rate of all borrowings is 9,2% per annum.

Details of borrowings are as follows:

R'000	Nominal amount	Interest rate %
Fixed rate borrowings expiry		
April 2013	40 000	13,12
May 2013	53 250	12,72
November 2013	75 000	11,92
April 2018	100 000	12,06
October 2018	75 000	11,72
	343 250	12,18
Swap maturity		
January 2014	15 000	11,99
August 2017	200 000	8,96
September 2017	50 000	9,31
January 2018	50 000	9,43
May 2018	50 000	10,13
August 2018	50 000	9,4
	415 000	9,36
<b>Total hedged borrowings</b>	<b>758 250</b>	<b>10,64</b>
<b>Variable rate borrowings</b>	<b>645 438</b>	<b>7,60</b>
<b>Total borrowings</b>	<b>1 403 688</b>	<b>9,20</b>