OCTODEC
INVESTMENTS LIMITED

UNAUDITED INTERIM RESULTS OF THE GROUP

for the six months ended 28 February 2013

- *Distribution up by 10,5% to* **78,70 cents** *per linked unit*
- *Increase in net asset value by 5,6% to* **1 987 cents** *per unit*
- *Total investments exceed* **R3,7 billion**
- *Reduction in core vacancies to 4,9%*

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

R'000	% Change	Unaudited six months 28 February 2013	Unaudited six months 29 February 2012	Audited year to 31 August 2012
Revenue		**245 975**	215 801	461 403
– earned on contractual basis	13,9	**247 059**	216 967	457 452
– straight-line lease adjustment		**(1 084)**	(1 166)	3 951
Operating costs		**(123 150)**	(105 372)	(223 401)
Net rental income from properties		**122 825**	110 429	238 002
– earned on contractual basis	11,0	**123 909**	111 595	234 051
– straight-line lease adjustment		**(1 084)**	(1 166)	3 951
Administrative costs		**(11 217)**	(8 694)	(19 233)
Depreciation		**(1 655)**	(1 720)	(3 515)
Operating profit	9,9	**109 953**	100 015	215 254
Fair value adjustments of investment properties		**92 490**	103 614	163 509
Fair value adjustments of interest rate derivatives		**4 081**	6 614	(14 910)
Investment income		**36 396**	24 270	52 947
– interest received		**785**	301	1 153
– listed investment		**15 114**	14 051	26 588
– associate				
share of after tax profit		**9 071**	5 631	13 293
fair value adjustment/capital reserves		**8 676**	1 621	8 191
interest		**2 750**	2 666	3 722
Finance costs	(11,4)	**(53 380)**	(60 233)	(127 387)
– interest on borrowings		**(54 701)**	(61 754)	(129 200)
– Interest capitalised		**1 321**	1 521	1 813
Amortisation of deemed debenture premium		**10 311**	5 334	10 906
Profit on sale of investment property		**15**	434	666
Profit before debenture interest	11,0	**199 866**	180 048	300 985
Debenture interest	34,0	**(84 751)**	(63 267)	(127 633)
Profit before taxation		**115 115**	116 781	173 352
Taxation charge		**(15 808)**	(63 399)	(63 413)
– deferred taxation		**(15 696)**	(63 399)	(63 061)
– normal taxation		**(112)**	–	(352)
Profit for the period		**99 307**	53 382	109 939
Other comprehensive income for the period		**25 168**	7 139	41 550
Total comprehensive income for the period attributable to equity holders		**124 475**	60 521	151 489
Weighted linked units in issue ('000)		**108 225**	89 297	89 297
Linked units in issue ('000)		**108 225**	89 297	108 225
Basic earnings per share (cents)	53,5	**91,8**	59,8	122,3
Diluted earnings per share (cents)	53,5	**91,8**	59,8	101,6
Basic earnings per linked unit (cents)	30,2	**170,1**	130,6	264,4
Diluted earnings per share (cents)	30,2	**170,1**	130,6	219,5
Distribution per linked unit (cents)				
Dividends		**0,39**	0,35	0,68
Interest		**78,31**	70,85	136,62
Total	10,5	**78,70**	71,20	137,30

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

R'000	Unaudited six months 28 February 2013	Unaudited six months 29 February 2012	Audited year to 31 August 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net rental income from properties	**111 037**	101 180	211 303
Adjustment for:			
– depreciation and amortisation	**6 859**	6 236	12 547
– working capital changes	**(1 810)**	(8 855)	7 567
Cash generated from operations	**116 086**	98 561	231 417
Investment income	**18 650**	17 018	31 463
Finance costs	**(53 380)**	(61 754)	(127 387)
Taxation paid	**(423)**	–	(536)
Distribution to linked unitholders paid	**(71 537)**	(56 499)	(114 184)
Net cash outflow from operating activities	**9 396**	(2 674)	20 773
CASH FLOW FROM INVESTING ACTIVITIES			
Investing activities	**(57 126)**	(226 192)	(313 522)
Proceeds from disposal of investment properties	**6 650**	4 800	4 610
Net cash outflow used in investing activities	**(50 476)**	(221 392)	(308 912)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of new units	**–**	–	290 624
Increase in interest-bearing borrowings	**57 989**	256 437	(11 779)
Net cash generated from financing activities	**57 989**	256 437	278 845
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**16 909**	32 371	(9 294)
Cash and cash equivalents at beginning of year	**(32 091)**	(22 795)	(22 797)
Cash and cash equivalents at end of year	**(15 182)**	9 576	(32 091)

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited 28 February 2013	Audited 31 August 2012
ASSETS		
Non-current assets	**3 749 565**	3 565 859
Investment properties	**2 952 729**	2 834 133
Property, plant and equipment	**8 227**	9 882
Operating lease assets	**43 703**	44 788
Lease costs	**37 482**	28 159
Listed investment	**406 900**	375 981
Investments – equity accounted	**300 524**	272 916
Current assets	**46 074**	41 161
Total assets	**3 795 639**	3 607 020
Share capital and reserves	**1 519 403**	1 395 285
Share capital and premium	**112 956**	102 645
Non-distributable reserves	**1 348 454**	1 236 372
Retained earnings	**57 993**	56 268
Non-current liabilities	**1 520 462**	1 717 544
Debentures and premium	**630 994**	641 305
Interest-bearing borrowings	**622 984**	827 123
Derivative financial instruments	**29 141**	33 221
Deferred taxation	**237 343**	215 895
Current liabilities	**755 774**	494 191
Interest-bearing borrowings	**594 179**	348 918
Non-interest-bearing	**76 844**	74 093
Linked unitholders	**84 751**	71 180
Total equity and liabilities	**3 795 639**	3 607 020
Linked units in issue ('000)	**108 225**	108 225
Net asset value per linked unit (cents)	**1 987**	1 882
Net asset value per linked unit (cents) – before providing for deferred tax	**2 206**	2 081
Loan to investment value ratio (%)	**32,5**	33,0

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 2013	Unaudited six months 29 February 2012	Audited year to 31 August 2012
Revenue				
– earned on contractual basis	13,9	**247 059**	216 967	457 452
Operating costs		**(123 150)**	(105 372)	(223 401)
Net rental income from properties	11,0	**123 909**	111 595	234 051
Administrative costs		**(11 217)**	(8 694)	(19 233)
Depreciation		**(1 655)**	(1 720)	(3 515)
Operating profit	9,7	**111 037**	101 181	211 303
Investment income				
– interest received		**786**	301	1 153
– listed investment		**15 114**	14 051	26 588
– associate		**11 821**	8 297	17 015
Distributable profit before finance costs	12,1	**138 758**	123 830	256 059
Finance costs	(11,4)	**(53 380)**	(60 233)	(127 387)
Distributable income before taxation	34,2	**85 378**	63 597	128 672
Taxation charge		**(112)**	–	(352)
Distributable income after taxation		**85 266**	–	128 320
Interest received, accrued distribution		**–**	–	6 814
Unitholders' distributable earnings	34,1	**85 266**	63 597	135 134
Linked units in issue ('000)		**108 225**	89 297	108 225
Distributable earnings per linked unit – weighted (cents)	10,6	**78,8**	71,2	150,4
Distribution per linked unit (cents)	10,5	**78,7**	71,2	137,3

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Non-distributable reserves	Retained earnings	Total
Balances at 31 August 2011	**90 302**	**1 106 314**	**46 341**	**1 242 957**
Issue of new units	1 437			1 437
Total comprehensive income for the year			151 489	151 489
Transfer to capital – deemed debenture premium	10 906		(10 906)	–
Dividends paid			(598)	(598)
Adjustment to valuation of listed investment, net of deferred tax		41 550	(41 550)	–
Sale of investment properties		666	(666)	–
Fair value adjustments				
– investment properties, net of deferred tax		90 386	(90 386)	–
– interest rate derivatives, net of deferred tax		(10 735)	10 735	–
– associate, net of deferred tax		8 191	(8 191)	–
Balances at 31 August 2012	**102 645**	**1 236 372**	**56 268**	**1 395 285**
Total comprehensive income for the year			124 475	124 475
Transfer to capital – deemed debenture premium	10 311		(10 311)	–
Dividends paid			(357)	(357)
Adjustment to valuation of listed investment, net of deferred tax		25 168	(25 168)	–
Sale of investment properties		15	(15)	–
Fair value adjustments				
– investment properties, net of deferred tax		75 286	(75 286)	–
– associate, net of deferred tax		8 676	(8 676)	–
– interest rate derivatives, net of deferred tax		2 937	(2 937)	–
Balances at 28 February 2013	**112 956**	**1 348 454**	**57 993**	**1 519 403**

RECONCILIATION – EARNINGS TO DISTRIBUTABLE EARNINGS

R'000	Unaudited six months 28 February 2013	Unaudited six months 29 February 2012	Audited year to 31 August 2012
Total comprehensive income attributable to equity holders	**124 475**	60 521	151 489
Amortisation of deemed debenture premium	**(10 311)**	(5 334)	(10 906)
Profit on sale of investment properties	**(15)**	(434)	(666)
Fair value adjustments			
– listed investment, net of deferred tax	**(25 168)**	(7 139)	(41 550)
– associate, net of deferred tax	**(8 676)**	(1 621)	(8 191)
– investment properties, net of deferred tax	**(92 490)**	(103 614)	(163 509)
– deferred tax	**17 204**	61 874	73 123
Headline earnings before debenture interest	**5 019**	4 253	(210)
Debenture interest	**84 751**	63 267	127 633
Headline earnings attributable to linked unitholders	**89 770**	67 520	127 423
Straight-line lease adjustment, net of deferred tax	**780**	839	(2 845)
Fair value adjustments of interest rate derivatives, net of deferred tax	**(2 937)**	(4 762)	10 735
Deferred taxation adjustments	**(2 347)**	–	(6 993)
Accrued distribution	**–**	–	6 814
Distributable earnings attributable to linked unitholders	**85 266**	63 597	135 134
Headline earnings per linked unit (cents)	**82,9**	75,6	117,7

SEGMENTAL INFORMATION

The group earns revenue in the form of property rentals. On a primary basis the group is organised into five major operating segments:

- Office
- Retail
- Shopping centres
- Industrial
- Residential

Rental income by sector	February 2013 R'000	%	February 2012 R'000	%
Offices	**30 522**	**17,0**	29 971	18,6
Retail	**42 769**	**23,8**	35 533	22,1
Shopping centres	**55 653**	**30,9**	53 007	32,9
Industrial	**35 874**	**19,9**	31 633	19,7
Residential	**15 077**	**8,4**	10 742	6,7
Total rental income	**179 895**	**100,0**	160 886	100,0
Recoveries	**67 164**		56 081	
Revenue	**247 059**		216 967	

Further segment results cannot be allocated on a reasonable basis due to the "mixed use" of certain of the properties. It is the company's investment philosophy to invest only in properties situated in the Gauteng area, therefore the company has not reported on a geographical basis.

DIRECTORS' COMMENTARY

Review of results

All rental income received by the group, less operating costs and interest on debt, is distributed bi-annually. The group does not distribute capital profits.

Economic and trading conditions and consumer confidence continued to remain challenging during the financial period. The property portfolio continued to deliver strong growth in earnings with rental income increasing following a number of successful upgrades of properties and a proactive approach to letting.

The total distribution per linked unit for the six months of 78,7 cents per linked unit (2012: 71,20 cents) represents an increase of 10,5% on that paid in the previous corresponding period.

Rental income and net rental income increased by 13,9% and 11% respectively compared to the prior interim period. The core portfolio, representing those properties held for the previous comparable period, with no major development activity, reflects rental income growth of 7,7%. The increase in revenue was mainly due to contractual escalations, improved letting and an increase in the recovery of utility and assessment rate charges. Despite rapidly escalating charges in respect of assessment rates and utility charges, the cost recovery percentage from tenants was maintained during the year. These escalating charges impacted on the total occupancy costs of tenants. Provisions and write-offs of bad debts were at acceptable levels of 0,9% (2012: 1,1%) of total tenant income.

Property and investment portfolio

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

Octodec continued to expand its property portfolio in the Johannesburg and Pretoria central business districts ("CBDs"). Octodec acquired a portfolio of properties for an aggregate purchase consideration of R140,5 million. The property portfolio consists of offices and is located in well-established office nodes. The effective date of the acquisition will be the date of the fulfilment of the conditions precedent, which is expected to occur during June 2013. Further details of the acquisition are set out in a SENS announcement dated 10 December 2012. Various properties were redeveloped and upgraded during the last six months at a total cost of R40,3 million. The upgrade of the mixed-use residential property Kerk Street in Johannesburg CBD was completed in February 2013. A 5 233 m^2 retail development in the Pretoria CBD was completed in March 2013. This is occupied by Cambridge, part of the Walmart Group, and other retailers. Octodec disposed of the Eloff Ext. Mini Units property for an amount of R6,65 million.

Octodec's investment in IPS continued providing acceptable earnings growth with profits earned from its associate company, excluding capital profits, increasing to R11,8 million. This was an increase of 42,5% on the prior interim comparable period. This growth achieved by IPS was positively impacted by the improved occupancy levels achieved during the period at the mixed-use development Kempton Place, Craig's Place and Tali's Place.

Vacancies in the Octodec portfolio at 28 February 2013, including properties held for redevelopment, amounted to 12,0% (2012: 12,9%) of total lettable area. Details of these vacancies are set out in the table below.

	Total lettable area m^2	Total vacancies %	Properties held for redevelopment %	Core vacancies %
28 February 2013				
Offices	**115 414**	**6,6**	**(5,5)**	**1,1**
Retail – shops	**99 661**	**1,9**	**(1,2)**	**0,7**
Retail – shopping centres	**104 828**	**0,8**	**–**	**0,8**
Industrial	**200 908**	**2,1**	**–**	**2,1**
Residential	**45 667**	**0,6**	**(0,4)**	**0,2**
Total	**566 478**	**12,0**	**(7,1)**	**4,9**
31 August 2012				
Offices	115 949	6,9	(4,3)	2,6
Retail – shops	139 016	2,4	(0,9)	1,5
Retail – shopping centres	84 088	0,2	–	0,2
Industrial	198 806	2,9	–	2,9
Residential	30 104	0,5	(0,3)	0,2
Total	567 963	12,9	(5,5)	7,4

Most of the properties remained fully let. As anticipated, a number of properties under development or those which were recently upgraded, for example, Scott's Corner, had high vacancies. In recent years certain properties, for example, Bosman Building, were acquired by Octodec with large vacancies and for little consideration for the vacant space which offered redevelopment opportunities. As the opportunities arise, the potential of these vacancies is being realised.

Octodec was successful in letting a number of properties that had been vacant for a considerable period. The residential vacancies consist, as expected, of vacant units at the recently upgraded Kerk Street.

Borrowings

Octodec's value to loan ratio at the end of the period under review was 32,5% of the total value of its investment portfolio against 33,0% at 31 August 2012.

Interest rates in respect of 63,1% of borrowings at 28 February 2013 have been hedged, maturing at various dates ranging from April 2013 to October 2018. The average weighted interest rate of all borrowings is 8,6% per annum, with unutilised banking facilities in an amount in excess of R297,5 million.

Details of borrowings are as follows:

R'000	Nominal amount	Interest rate %
Fixed rate borrowings expiry		
April 2013	40 000	12,77
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	12,14

R'000	Nominal amount	Interest rate %
Swap maturity		
January 2014	15 000	11,99
August 2017	200 000	9,00
September 2017	50 000	9,31
January 2018	50 000	9,43
May 2018	50 000	10,13
August 2018	50 000	9,40
	415 000	9,38
Total hedged borrowings	758 250	10,63
Variable rate borrowings – net	443 297	6,00
Total borrowings	1 201 547	8,60

Revaluation of property portfolio

It is the group's policy to perform a directors' valuation of all the properties at the interim stage and at year-end. At year-end, one-third of the properties in the portfolio are valued by external registered valuers on a rotational basis.

The directors' valuation of the portfolio of R3 billion includes an increase of R92,5 million or 3,1% for the six-month period ended 28 February 2013.

Prospects

Octodec is considering a number of redevelopment opportunities of existing properties which should enhance the quality of the property portfolio and result in sustainable distributions. Growth in the local economy is expected to remain subdued. Notwithstanding this environment, and barring unforeseen events, Octodec anticipates that the percentage growth rate in distributions per linked unit for the full 12-month period should be similar to that achieved in the first six-month period.

The above-mentioned forecast has not been reviewed nor reported on by the company's auditors.

DECLARATION OF DIVIDEND 46 AND INTEREST PAYMENT ("the distribution")

Notice is hereby given that dividend number 46 of 0,39 cents (2012: 0,35 cents) per ordinary share and interest of 78,31 cents per debenture (2012: 70,85 cents), has been declared for the period 1 September 2012 to 28 February 2013. This is payable to linked unitholders recorded in the register on Friday, 17 May 2013. The last date to trade cum distribution is Friday, 10 May 2013. The units will commence trading ex distribution on Monday, 13 May 2013. Payment date will be Monday, 20 May 2013.

No dematerialisation or rematerialisation of linked unit certificates may take place between Monday, 13 May 2013 and Friday, 17 May 2013, both days inclusive.

The dividend component of the distribution is subject to dividend withholding tax at 15%. In determining dividend withholding tax, Secondary Tax on Companies ("STC") credits must be taken into account. The STC credits utilised as part of this declaration amount to R422 077.1763 being 0,39 cents per share, and consequently no dividend withholding tax is payable by shareholders. Shareholders will receive the dividend of 0,39 cents per share.

The number of linked units in issue at the date of this declaration is 108 224 917 and the company's tax reference number is 9925/033/71/5.

By order of the board

S WAPNICK
(Chairman)

JP WAPNICK
(Managing director)

25 April 2013

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the framework, concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the information as required by IAS 34: Interim Financial Reporting, the JSE Listings Requirements and the requirements of the South African Companies Act (71 of 2008), as amended.

These condensed consolidated results were prepared under the supervision of Mr AK Stein CA(SA), in his capacity as group financial director.

The accounting policies adopted and methods of computation are consistent with those applied in the financial statements for the year ended 31 August 2012.

Related party: City Property Administration (Proprietary) Limited is responsible for the property and asset management of the group.

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

Commitments: Octodec has capital commitments in an amount of R13,2 million relating to various redevelopments of properties as well as for properties purchased for an aggregate purchase consideration of R140,5 million, referred to in this announcement.

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 in favour of its 40% held associate company, IPS Investments (Proprietary) Limited ("IPS"). At 28 February 2013, the suretyship amounted to R224,2 million.

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

CITY PROPERTY

PROPERTY INVESTORS ASSOCIATION

OCTODEC INVESTMENTS LIMITED and its subsidiaries ("Octodec" or "the group" or "the company") (Incorporated in the Republic of South Africa) (Registration number 1956/002868/06), Share code: OCT, ISIN: ZAE000005104

Directors: S Wapnick[Δ] (Chairman), JP Wapnick* (Managing Director), AK Stein* (Financial), MZ Pollack[Δ], DP Cohen[^], PJ Strydom[•]

[Δ]*Non-executive director* *Executive director

[•]*Independent non-executive director* [^]*Lead independent non-executive*

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Property administrator and asset manager: City Property Administration (Pty) Ltd; email: octodec@cityprop.co.za

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