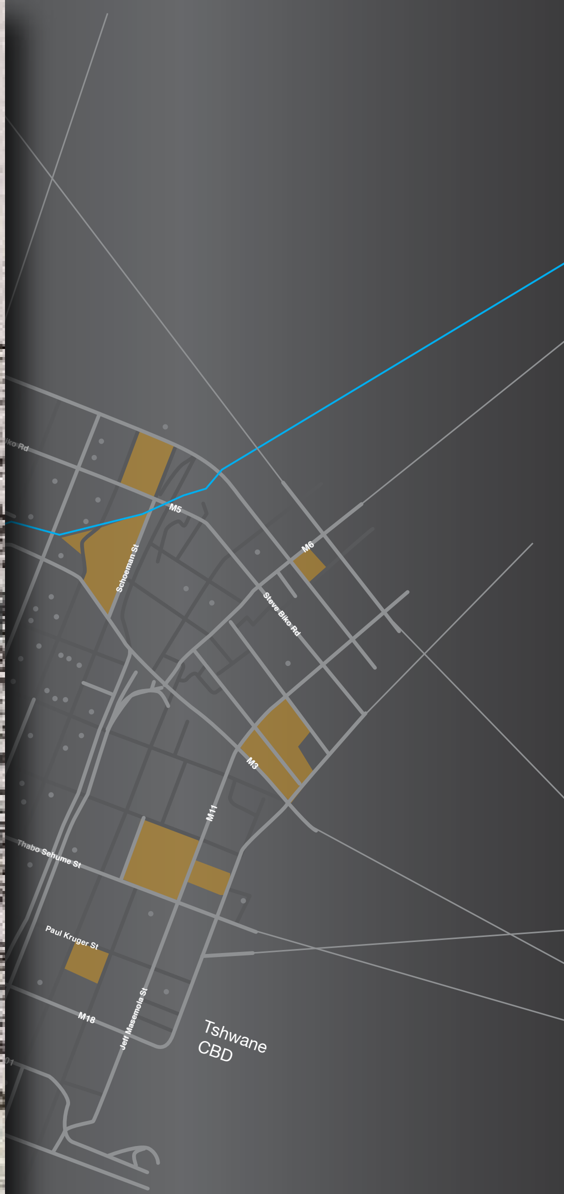
Octodec



creating value
beyond financial return

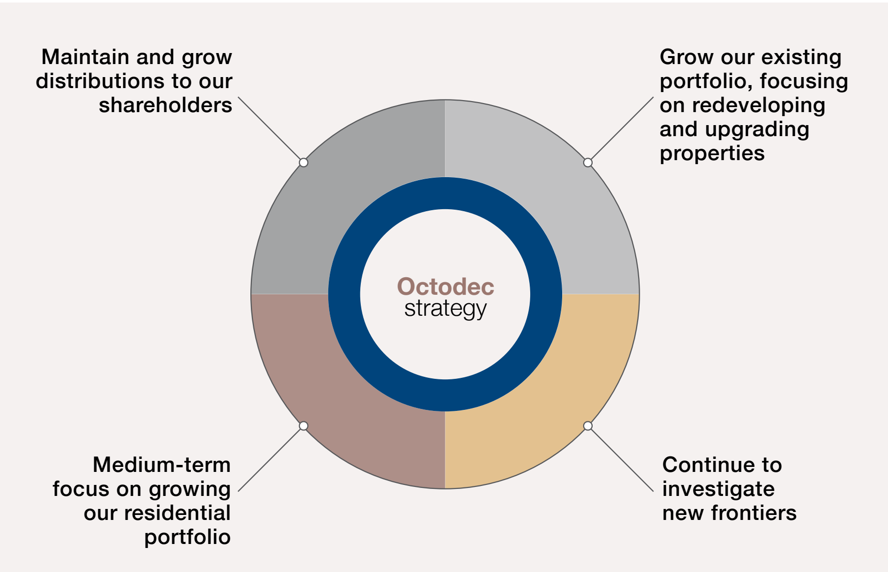
reviewed interim results 2017

creating value beyond financial return

Octodec Investments Limited (Octodec or the group or the company) is listed on the JSE Limited (JSE) as a real estate investment trust (REIT) with a portfolio of 316 properties valued at R12.7 billion, which includes a 50% interest in four joint ventures. It invests in the retail, residential, shopping centre, industrial and office property sectors and all of its properties are situated in Gauteng.

Octodec has contracted with City Property Administration Proprietary Limited, one of South Africa's leading property asset management companies, to perform its asset management, property management and company secretarial functions.

The rental Octodec receives from its property portfolio, including the distributable income from its equity-accounted investments, less operating costs, interest on debt and normal taxation, is distributed to shareholders bi-annually. Octodec does not distribute its capital profits.



measuring our performance

6.5%
distribution growth to 104.8 cents per share for the six month period (2016: 98.4 cents)

1.6%
increase in net asset value per share (NAV) to R29.58

5.5%
like-for-like growth in rental income for the six-month period

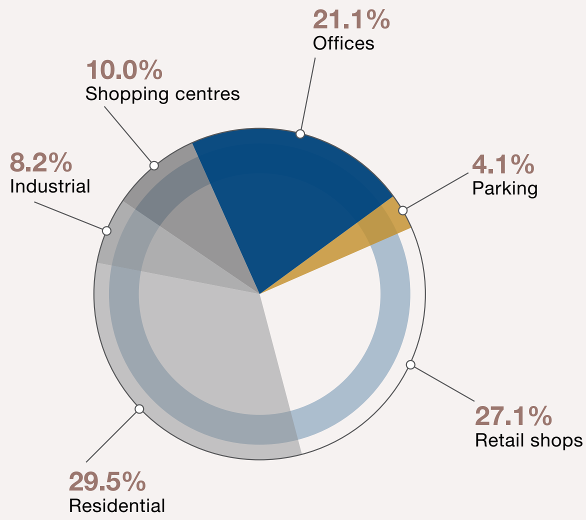
- One on Mutual mixed-use residential development completed
- **96.3%** of exposure to interest rate risk is hedged
- Loan to investment value (LTV) at **37.2%**
- All-in annual weighted average cost of borrowings at **9.2%**

>4
Tshwane CBD

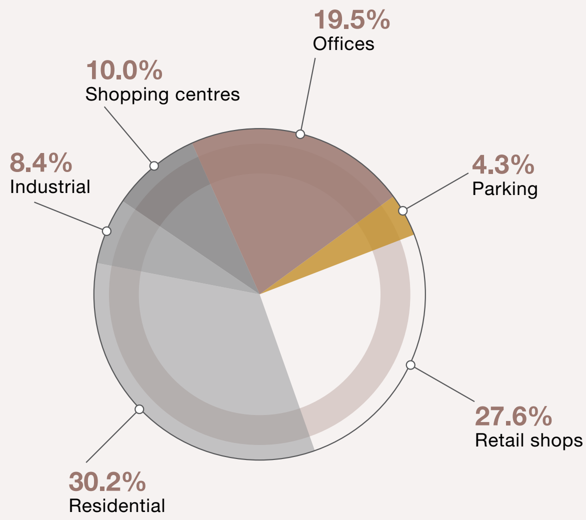
contents

Property sectors: Rental income % of our portfolio

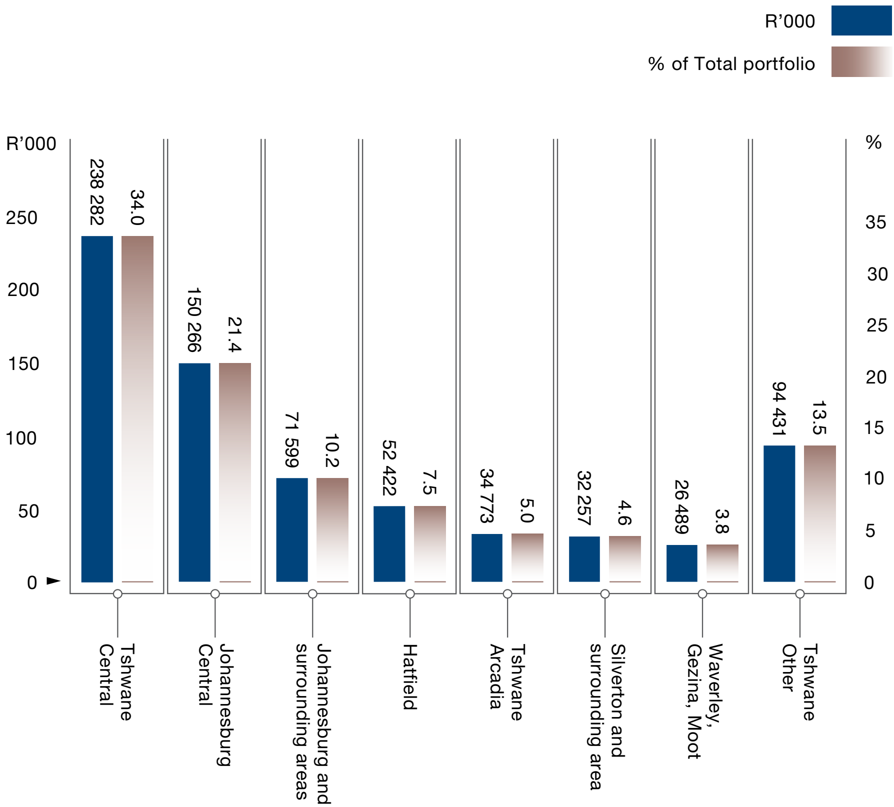
February 2017



February 2016



Geographical analysis of rental income



Total rental income R700.5 million

review of results

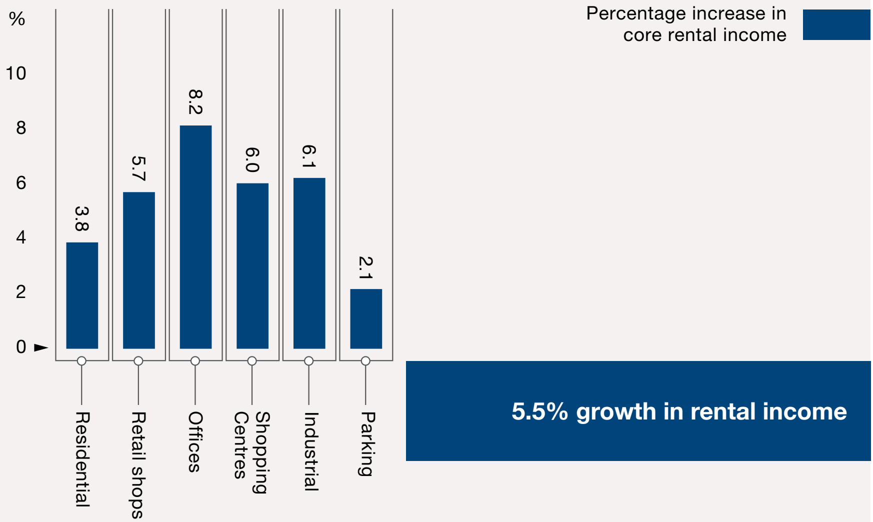
Octodec, which is well-positioned to continue taking advantage of opportunities in the Tshwane and Johannesburg CBDs, has delivered results which are slightly above the previous guidance of 6% growth in dividends per share. The group's primary objective remains to improve our existing properties in strategic investment nodes in order to attract new tenants and improve our rental income.

Despite low domestic economic growth directly negatively impacting disposable income, Octodec has been able to increase its like-for-like rental income by 5.5% with its rental from offices showing the strongest growth of 8.2%. This growth is mainly attributable to the leases concluded in 2016 for the Centre Walk offices.

The residential portfolio showed lower growth in like-for-like rental income of 3.8%, which is mainly attributable to lower escalations of rentals in Hatfield and the Tshwane CBD, which hitherto had been strong student nodes. This trend is expected to continue for the remainder of the financial year.

Our core portfolio, representing those properties held for the previous comparable period with no major development activity, reflected rental income growth of 5.5%.

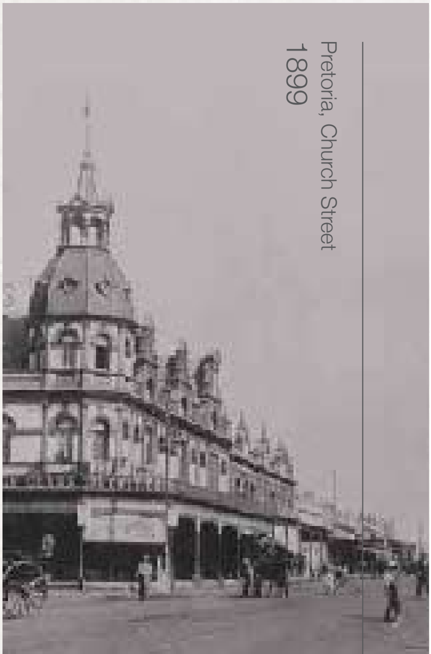
Our core portfolio



5.5% growth in rental income

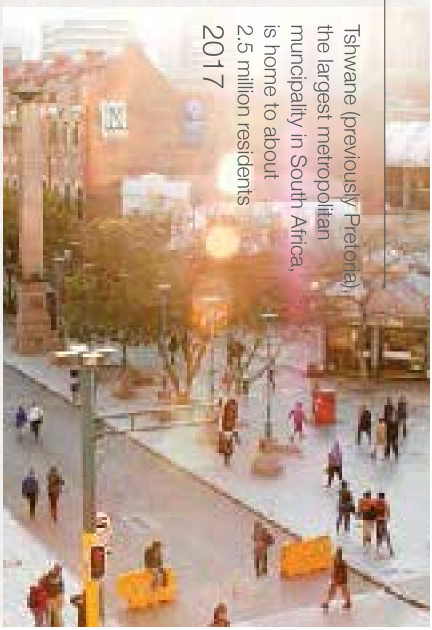
The ratio of net property expenses (property expenses net of recoveries and excluding administration costs) to rental income (excluding amounts attributable to straight-line rental income accrual) for the group remained unchanged at 29.6% (31 August 2016: 29.6%). This can be attributed to our continued focus on cost control. Bad debt write-offs and provisions during the year increased slightly to 1.2% of total tenant income (31 August 2016: 0.8%). Arrears and doubtful debt provisions remain at acceptable levels as a result of tight credit risk management. No significant deterioration is anticipated.

Finance costs for the period amounted to R198.9 million, an increase of 3.2% compared to the prior period. The all-in weighted cost of borrowings increased marginally to 9.2% per annum (31 August 2016: 9.0%). This is mainly due to increased borrowings to fund the developments and projects.



Distribution to shareholders

The rental income received by Octodec, less operating costs and interest on debt, is distributed to shareholders twice a year. We declared a total distribution of 104.8 cents per share for the six-month period compared to 98.4 cents declared in the prior comparative period, an increase of 6.5%.



investing for growth

The group had four major projects under construction during the period under review. Three of these projects, One on Mutual, Sharon's Place and Midtown are situated in close proximity to the new council head office, Tshwane House. Tshwane House will be ready for occupation shortly and will have a positive impact on these three developments as well as the continued growth within the node.

Developments

Salient details of these developments:

- One on Mutual, a mixed-use property, adjacent to Church Square in the Tshwane central business district (CBD) consists of 142 residential units, ground floor retail premises and parking. The total cost of the project, excluding land, is R155.0 million, with an expected fully let annual yield of 7.1%, exclusive of land costs. The project was completed in February 2017. To date the letting of this property is progressing well ahead of our expectations.

- The Manhattan, a 180-unit residential development in Sunninghill, Johannesburg, was completed in December 2016. The total development cost of this 50% held joint operation amounts to R80.9 million. In due course, when fully let the initial annual yield, inclusive of land costs, is expected to be 9.5%. Marketing efforts to launch this development are in full swing.

- Sharon's Place, a large, well located residential development consisting of 400 residential units, 5 660 m^2 of ground floor retail, anchored by Shoprite and Clicks, and 289 parking bays, is adjacent to the new Tshwane House municipal development in the Tshwane CBD. The total cost of the project is R356.0 million. We expect to complete the project in July 2017 with an annual yield, excluding land costs, of 7.3%, when fully let.

- The renovation of Midtown, an office upgrade, is also adjacent to the new Tshwane House municipal development in Tshwane CBD. The property consists of 7 133 m^2 of offices, 944 m^2 of retail and 90 parking bays. The total cost of this project is R56.5 million at a fully let annual yield, inclusive of land costs, of 9.5%. The first phase of this renovation is complete, at a cost of R21 million. We will commence work on the second phase of the renovation when a suitable office tenant is secured.

The group has several small projects under way, in line with Octodec's strategy to upgrade and extract value from its property portfolio. These projects will not only enhance the value of our portfolio, but will also contribute to the uplifting of the Tshwane and Johannesburg CBDs in which Octodec is invested.

Wits Technikon, an office block situated in the Johannesburg CBD, was recently upgraded at a total cost of R19.5 million. The upgrade of 10 383 m^2 of the property, provides additional space required by a school. Occupation took place in February 2017 at a monthly rental of R266 220. The initial yield on the upgrade cost is 14.8%.

We are in the planning phase of the development of two residential properties: Reinsurance House and Van Riebeeck Medical Building, which are situated in prime locations in the Johannesburg and Tshwane CBDs, respectively.

The total cost of these developments is expected to be approximately R240 million.

New and redeveloped properties grow our rental income stream. However, phased take up of units tends to have a negative impact on results in the short term. It takes between six and nine months for residential developments to achieve full occupancy levels. As a result thereof the distribution growth is expected to be negatively impacted in the second six-month period.

Disposals

In line with our strategy to dispose of non-core or non-performing properties, the group disposed of a further eight properties during the period under review for a total consideration of R50.6 million. We have disposed of an additional four properties and transfer is expected in the near future.

Transferred before 28 February 2017:

PROPERTY	**LOCATION**	Total consideration R'million	Profit / (loss) on disposal R'million	Transfer date	Exit yield %
Frederika Street	Pretoria West	7.6	0.1	3 Feb 2017	8.0
Karkap	Gezina, Pretoria	5.4	0.4	3 Feb 2017	10.7
Muntstreet	Silvertondale, Pretoria	11.1	1.9	28 Feb 2017	7.8
Raschers	Johannesburg CBD	5.8	0.2	26 Nov 2016	2.7
Paulefko	Pretoria CBD	4.3	0.9	17 Oct 2016	9.7
Blagil	Hatfield, Pretoria	2.1	(0.1)	26 Nov 2016	9.9
High Court Building and Somerset House	Johannesburg CBD	14.3	(0.2)	26 Nov 2016	–
Total		50.6	3.2		

Disposals continued

Transfers expected after 28 February 2017:

PROPERTY	LOCATION	Total consideration R'million	Profit / (loss) on disposal R'million	Expected Transfer date	Exit yield %
Pretwade	Wadeville, Johannesburg	10.2	0.2	May 2017	10.1
Fine Art House and Fine Art Court	Johannesburg CBD	17.1	0.2	April 2017	3.5
Valhof	Valhalla, Pretoria	9.2	(0.2)	May 2017	10.5
Total		36.5	0.2		

Vacancies

Vacancies in the Octodec portfolio at 28 February 2017, including properties held for redevelopment, amounted to 16,8% (31 August 2016: 15,6%) of gross lettable area. The core vacancies, which exclude the gross lettable area relating to properties held for development and those currently being redeveloped, amounted to 10.1% (31 August 2016: 9.8%).

28 FEBRUARY 2017	Total lettable area m²	Total vacancies %	Properties held for redevelopment %	Core vacancies %
Offices	492 992	35.4	(20.5)	14.9
Retail – shops	419 201	10.3	(1.1)	9.2
Retail – shopping centres	91 874	4.4	–	4.4
Industrial	280 884	9.9	–	9.9
Residential	371 103	7.7	(1.4)	6.3
Total	1 656 054	16.8	(6.7)	10.1
31 AUGUST 2016				
Offices	489 750	34.7	(19.4)	15.3
Retail – shops	432 456	9.1	–	9.1
Retail – shopping centres	91 179	5.4	–	5.4
Industrial	288 908	10.8	–	10.8
Residential	366 827	4.0	(0.4)	3.6
Total	1 669 120	15.6	(5.8)	9.8

As expected, a number of properties under development, or those which were recently upgraded, had vacancies. In recent years, certain properties, such as Fedsure House, Reinsurance House, Van Riebeeck Medical Building and Midtown were acquired with high vacancy levels. These properties offer significant redevelopment opportunities, the value of which will be realised over time.

As opportunities arise, the value of these redevelopment opportunities is being realised. The group has approximately 101 178m² of mothballed office space which is under development, or available for future redevelopment, or possible disposal. We will continue to explore opportunities to unlock the value in this vacant space.

Lease expiry profile

Octodec's portfolio features a mix of short- to long-term leases. The majority of leases provide for a monthly agreement at expiry of the lease. When this occurs an effort is made to conclude longer leases. This is especially typical of the residential market and leases with small to medium-sized enterprises.

	Gross lettable area (GLA) m²	%	Monthly contractual rent R	%
Residential (12 months and less)	342 427	20.7	36 508 740	31.1
Monthly commercial	203 844	12.3	11 719 627	10.0
to 28 February 2018	355 167	21.5	27 808 812	23.7
to 28 February 2019	180 991	10.9	15 266 853	13.0
to 28 February 2020	126 290	7.6	10 243 216	8.7
to 28 February 2021	87 989	5.3	9 383 126	8.0
thereafter	81 057	4.9	6 514 491	5.5
Vacancies	278 289	16.8	–	–
Total	1 656 054	100.0	117 444 865	100.0

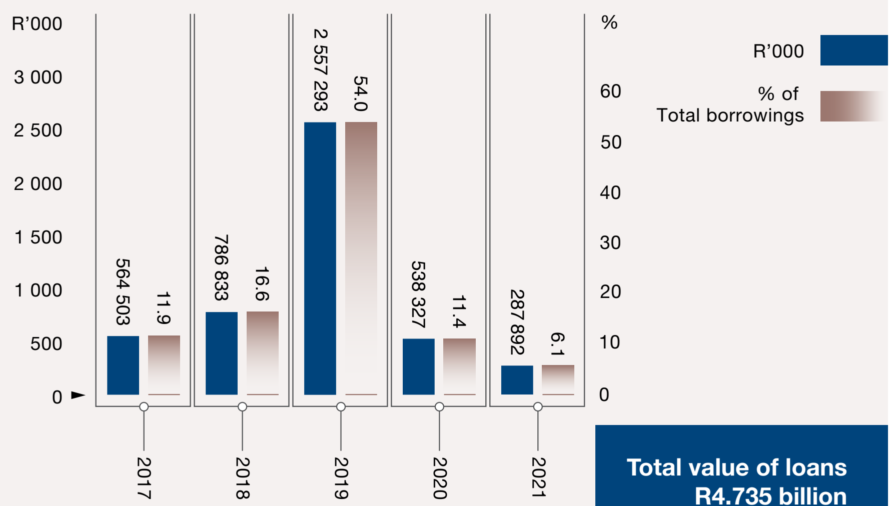
borrowings and working capital

	Amount R'million	Weighted average interest rate per annum %
Bank loans	3 997.9	9.2
Domestic medium term note programme (DMTN)	736.9	8.7
Total borrowings	4 734.8	9.1
Cost of swaps	–	0.1
Total borrowings	4 734.8	9.2

The group's loan to value ratio (LTV) (value of interest bearing borrowings, net of cash divided by the fair value of its investment portfolio) at 28 February 2017, is 37.2% (31 August 2016: 38.3%). This decrease is mainly attributable to the revaluation of the property portfolio, a reduction in borrowings due to the proceeds of properties disposed of during the period, as well as the capital raised from the dividend reinvestment programme.

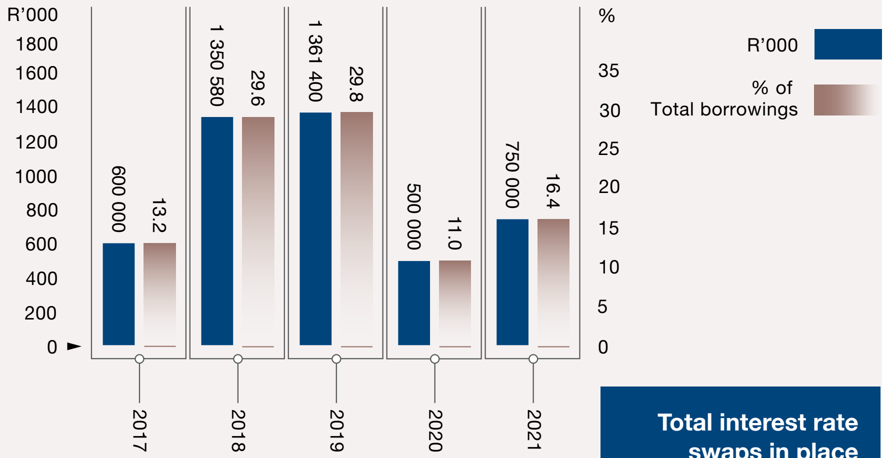
Octodec has reduced its exposure to interest rate risk by entering into interest rate swap contracts in respect of 96.3% (31 August 2016: 82.9%) of its borrowings. The hedges in place are for a weighted average period of 2.0 years. The all-in average weighted interest rate of all borrowings is 9.2% per annum (29 February 2016: 8.9%).

Loan expiry profile (financial year)



Total value of loans R4.735 billion

Expiry profile of fixed rate loans and interest rate swap contracts (per financial year)



Total interest rate swaps in place R4.562 billion

After taking into account all swaps expiring prior to 31 August 2017, our forecast hedged position will be at 84.2% at 31 August 2017.

Octodec participates in the DMTN programme through its subsidiary, Premium Properties Limited. As at the date of this report the total issuance was at R736.9 million, or 15.5% of the group's borrowings.

Global Credit Rating's long- and short-term national scale ratings of Premium Properties Limited were maintained at A (ZA) and A1 (ZA), respectively.

Octodec had unutilised available banking facilities amounting to R607.8 million at 28 February 2017.

changes in fair value

It is the group's policy to perform internal valuations of all the properties at the interim stage and at year-end. The valuations are based on the income capitalisation method, which is consistent with the basis used in prior years. The property portfolio was internally valued at R12.7 billion, after a net increase in valuation of R211.0 million or 1.7% for the six-month period ended 28 February 2017.

The mark-to-market value of interest rate swaps contracts, which protect the group against adverse interest rate movements, decreased by R40.2 million.

2014
One on Mutual site preparation

2017
One on Mutual completed

prospects

The recent downgrade of South Africa's foreign and local credit rating to below investment grade does not bode well for the people of South Africa. While the consequences of this downgrade are not yet clear, it will certainly impact interest rates and inflation, and is likely to push them upwards, weaken the rand and ultimately put pressure on disposable income. We believe that, despite the challenges of the economic environment, Octodec is well-positioned as a result of the resilience of its diversified portfolio consisting of a very large number of tenants, as well as the sound operating fundamentals that are firmly in place.

We are currently considering opportunities outside our traditional focus in Gauteng province that would increase our geographic diversification. While these opportunities would increase our geographic diversification they are in market sectors in which we have extensive experience and expertise.

Octodec uses distributable income per share as its relevant measure of performance. Current indications are that the growth in our distributable income per share is expected to be approximately 6% for the 2017 financial year.

This guidance is based on the following key assumptions:

- forecast investment property income is based on contractual rental escalations and market related renewals
- appropriate allowance for vacancies has been incorporated into the forecast
- no major corporate and tenant failures will occur
- no further deterioration in the economic, social and political environment.

This forecast has neither been reviewed nor reported on by the group's auditors.

declaration of cash dividend with the option to elect to reinvest the cash dividend in return for Octodec shares

The board of directors of Octodec declared an interim cash dividend of 104.8 cents per share, for the six months ended 28 February 2017, out of the company's distributable income (the cash dividend).

Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to reinvest the cash dividend in return for Octodec shares (the share reinvestment alternative). Those shareholders who elect not to reinvest will receive a gross cash dividend of 104.8 cents per share. The entitlement for shareholders to receive the share reinvestment alternative is subject to the board agreeing on the pricing and terms of the share reinvestment alternative. The board in its discretion may withdraw the share reinvestment alternative should market conditions warrant such actions and such withdrawal will be communicated to shareholders prior to the finalisation announcement to be published by 11:00 on Tuesday, 16 May 2017.

A circular providing further information in respect of the cash dividend and share reinvestment alternative (the circular) will be posted to shareholders on Friday, 5 May 2017.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker should instruct their CSDP or broker with regard to their election in terms of the custody agreement entered into between them and their CSDP or broker.

The distribution of the circular and/or accompanying documents and the right to elect shares in jurisdictions other than the Republic of South Africa (SA) may be restricted by law and any failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdictions. Shareholders' rights to elect shares are not being offered, directly or indirectly, in the United Kingdom (UK), European Economic Area (EEA), Canada, United States of America (USA), Japan or Australia unless certain exemptions from the requirements of those jurisdictions are applicable.

SALIENT DATES AND TIMES	2017
Circular and form of election posted to shareholders and announced on SENS	Friday, 5 May
Finalisation information including the share ratio and reinvestment price per share published on SENS	Tuesday, 16 May
Last day to trade in order to participate in the election to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (LDT)	Tuesday, 23 May
Shares trade ex-dividend	Wednesday, 24 May
Listing of maximum possible number of shares under the share reinvestment alternative	Friday, 26 May
Last day to elect to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (no late forms of election will be accepted) at 12:00 (SA time)	Friday, 26 May
Record date for the election to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (record date)	Friday, 26 May
Announcement of results of cash dividend and share reinvestment alternative released on SENS	Monday, 29 May
Cash dividend cheques posted to certificated shareholders on or about	Monday, 29 May
Accounts credited by CSDP or broker to dematerialised shareholders with the cash dividend payment	Monday, 29 May
Share certificates posted to certificated shareholders on or about	Wednesday, 31 May
Accounts updated with the new shares (if applicable) by CSDP or broker to dematerialised shareholders	Wednesday, 31 May
Adjustment to shares listed on or about	Friday, 2 June

Notes:

Shareholders electing the share reinvestment alternative are alerted to the fact that the new shares will be listed on LDT + 3 and that these new shares can only be traded on LDT + 3, due to the fact that settlement of the shares will be three days after the record date, which differs from the conventional one day after record date settlement process.

Shares may not be dematerialised or rematerialised between Wednesday, 24 May 2017 and Friday, 26 May 2017, both days inclusive. The above dates and times are subject to change. Any changes will be released on SENS.

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. With effect from 22 February 2017, 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 83.84 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
- 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 transfer secretaries, 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 transfer secretaries in respect of certificated shares, a DTD (EX) (Dividend Tax: declaration and undertaking to be made by the beneficial owner of a share) form to prove their status as a South African resident and indicating the exemption upon which they are relying.

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 maybe, 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 261 539 462 and Octodec's tax reference number is 9925/033/71/5.

By order of the board

S Wapnick	JP Wapnick
Chairman	*Managing director*

26 April 2017

notes to the condensed consolidated interim financial statements

Basis of preparation

The reviewed condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act, 71 of 2008. The interim report has been prepared in accordance with IAS 34: Interim Financial Reporting as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the reviewed condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those applied in the preparation of the previous consolidated financial statements.

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.

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

Fair value measurement

The fair value of investment properties is arrived at on the basis of a valuation technique using the net income capitalisation method, carried out at 28 February 2017, by taking into account prevailing market rentals, occupation levels and capitalisation rates. The other key input used in the valuation calculation is the expected long-term net operating income margin, of which the expense ratio and long range vacancy factor is the significant unobservable input. There have been no changes in judgements or estimates of amounts or valuation techniques as reported in previous reporting periods. The directors value the entire property portfolio bi-annually. The effect of the fair value measurement on investment properties resulted in a net increase in profits of R211 million in the statement of comprehensive income. In terms of the JSE Listings Requirements, investment property has to be independently valued at least every three years. Independent valuations are obtained annually on a rotational basis to determine the reasonableness of the directors' valuations, ensuring that every property is valued every three years.

Financial instruments measured at fair value include derivatives. The fair values of the interest rate swaps are determined on a mark-to-market valuation calculated by the various financial institutions with whom the swaps are held, 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 SA swap curve.

Fair value measurement continued

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 are 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).

Investment properties and derivative financial instruments have been categorised as Level 3 and Level 2, respectively, and there have been no significant transfers made between Levels 1, 2 and 3 during the year under review. There have been no material changes in judgements or estimates of amounts or valuation techniques as reported in previous reporting periods.

Fair value measurements using significant unobservable inputs (Level 3) – reconciliation of investment property:	Reviewed Investment Property R'000
Balance as at 31 August 2016	12 129 631
Net gains for the period included in profit and loss	211 003
Transfers into/(out of) Level 3	–
Acquisitions, disposals and other movements:	
– Acquisitions and subsequent expenditure	195 050
– Disposals	(47 400)
Balance as at 28 February 2017	12 488 284
Included in profit and loss for the period:	
Changes in fair value of investment property	211 003

Relationship of unobservable inputs to fair value

The significant unobservable inputs used in the fair value measurement of the group's investment properties are the capitalisation rates, the expense to income ratios as well as the long range vacancy factor. Significant increases/(decreases) in any of these inputs in isolation would result in a significantly lower/ (higher) fair value measurement.

An increase of 1% in the capitalisation rate, while all other variables remain constant, would result in a decrease in the carrying amount of investment property by R1.2 billion. A decrease of 1% in the capitalisation rate, while all other variables remain constant, would result in an increase in the carrying amount of investment property of R1.5 billion.

An increase/decrease of 1% in the weighted average expense ratio used to calculate the long-term net operating income margin, while all other variables remain constant, would result in a decrease/increase in the carrying amount of investment property of R163.2 million.

The third key input used in the valuation calculation is the long range vacancy factor. The expected long range vacancy factor takes into account historic and future expected vacancy trends. The long range vacancy factor indicates the expected vacancy to be applied over the long term that best approximates the actual experience. The range of long range vacancy factors used was from 0.0% to 45.0%.

Events after the reporting date

There have been no subsequent events that require reporting.

Commitments

The group has capital commitments in an amount of R193.4 million, relating to various redevelopments and upgrades of properties. These will be funded out of existing unused banking facilities.

Related party transactions

Total payments made to City Property Administration Proprietary Limited amounted to R94.2 million. These included fees and commissions for collections, asset management, leasing, property management, acquisitions and disposals, as well as upgrades and developments.

Independent auditor's review report

Deloitte & Touche have issued their unmodified review report on the reviewed condensed consolidated interim financial statements for the period ended 28 February 2017. The review was concluded in accordance with ISRE 2410 Review of Interim Financial Information performed by the independent auditor of the entity. A copy of their unmodified review report is available for inspection at Octodec's registered office.

The auditor's review report does not necessarily report on all of the information contained herein. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the report, together with the accompanying financial information, from Octodec's registered office.

financial statements

Condensed consolidated statement of financial position

as at 28 February 2017

	Reviewed 28 February 2017 R'000	Reviewed 29 February 2016 R'000	Audited 31 August 2016 R'000
ASSETS			
Non-current assets	**12 605 157**	12 055 953	12 219 234
Investment properties	**12 169 639**	11 623 487	11 776 839
Plant and equipment	**6 140**	7 895	6 810
Straight-line rental income accrual	**115 353**	118 388	115 849
Tenant installation and lease costs	**50 962**	59 830	57 133
Other financial assets	**69 275**	20 290	51 849
Derivative financial instruments	**18 024**	65 056	38 172
Investment in joint ventures	**175 764**	161 007	172 582
Current assets	**186 369**	124 808	200 661
Receivables	**144 076**	100 546	131 552
Cash and cash equivalents	**42 293**	24 262	69 109
Non-current assets held for sale	**146 190**	–	173 000
	12 937 716	12 180 761	12 592 895
EQUITY AND LIABILITIES			
Equity	**7 736 852**	7 216 023	7 413 800
Stated capital	**4 101 286**	3 907 819	3 958 207
Non-distributable reserve	**3 281 786**	3 008 826	3 112 885
Distributable reserve	**353 780**	299 378	342 708
Non-current liabilities	**4 278 762**	3 913 451	4 106 208
Interest-bearing borrowings	**4 170 344**	3 838 902	4 023 911
Derivative financial instruments	**27 955**	1 564	9 308
Deferred taxation	**80 463**	72 985	72 989
Current liabilities	**922 102**	1 051 287	1 072 887
Interest-bearing borrowings	**564 503**	737 001	755 116
Trade payables	**329 407**	311 073	315 698
Bank overdraft	**24 715**	–	–
Derivative financial instruments	**1 358**	602	–
Distributions payable	**2 119**	2 611	2 073
	12 937 716	12 180 761	12 592 895
Shares in issue ('000)	**261 539**	252 322	254 551
Net asset value (NAV) per share (cents)	**2 958**	2 860	2 913
Loan to investment value (LTV) ratio (%)	**37.2**	38.0	38.3

Condensed consolidated statement of comprehensive income

as at 28 February 2017

	% change	Reviewed 6 months 28 February 2017 R'000	Reviewed 6 months 29 February 2016 R'000	Audited 12 months 31 August 2016 R'000
REVENUE		**897 190**	856 032	1 770 438
earned on contractual basis	5.3	**897 813**	852 417	1 742 871
once-off reinstatement contribution from tenant		**–**	–	25 000
straight-line rental income accrual		**(623)**	3 615	2 567
Property operating costs	4.5	**(402 130)**	(384 930)	(790 529)
Net rental income from properties	5.1	**495 060**	471 102	979 909
Administrative costs	0.5	**(37 660)**	(37 465)	(71 005)
Operating profit	5.5	**457 400**	433 637	908 904
Fair value changes		**170 853**	210 033	303 105
investment property		**211 003**	158 817	285 914
interest rate derivatives		**(40 150)**	51 216	17 191
Profit on sale of investment property		**2 566**	483	8 490
Reversal of impairment of loans		**–**	–	378
Share of income from joint ventures		**9 567**	6 787	20 898
share of after-tax profit		**1 969**	2 383	3 009
reserves		**2 956**	(921)	6 872
interest and management fees		**4 642**	5 325	11 017
Profit before finance costs	(1.6)	**640 386**	650 940	1 241 775
Interest income		**8 404**	3 294	10 138
Finance costs	3.2	**(198 901)**	(192 745)	(394 751)
interest on borrowings		**(217 647)**	(202 589)	(416 659)
interest capitalised		**18 746**	9 844	21 908
Profit before taxation	(2.5)	**449 889**	461 489	857 162
Taxation charge – deferred		**(7 474)**	–	–
Profit for the period	(4.1)	**442 415**	461 489	857 162
Other comprehensive income for the period – Items that will not be reclassified to profit and loss		**–**	–	–
Total comprehensive income for the period attributable to equity holders	(4.1)	**442 415**	461 489	857 162
Number of shares in issue ('000)		**261 539**	252 322	254 551
Weighted shares in issue ('000)		**257 987**	252 322	252 888
Basic and diluted earnings per share (cents)	(6.2)	**171.5**	182.9	338.9
Distribution per share (cents)				
Interim		**104.80**	98.40	98.40
Final		**–**	–	103.10
Total	6.5	**104.80**	98.40	201.50

Condensed consolidated statement of changes in equity

for the six months ended 28 February 2017

R'000	Stated capital	Non distributable reserve	Retained earnings	**Total**
Balance at 31 August 2015 (audited)	3 907 819	2 799 231	280 629	**6 987 679**
Total comprehensive income for the period	–	–	461 489	461 489
Dividends paid	–	–	(233 145)	(233 145)
Transfer to non-distributable reserve				
– Profit on sale of investment property	–	483	(483)	–
– Fair value changes				
– investment property	–	158 817	(158 817)	–
– joint ventures	–	(921)	921	–
– interest rate derivatives (net of deferred tax)	–	51 216	(51 216)	–
Balance at 29 February 2016 (reviewed)	3 907 819	3 008 826	299 378	**7 216 023**
Total comprehensive income for the period			395 673	395 673
Issue of new shares	50 388			50 388
Dividends paid			(248 284)	(248 284)
Transfer to non-distributable reserve				
– Profit on sale of investment property		8 007	(8 007)	–
– Fair value changes				
– investment property		127 097	(127 097)	–
– joint ventures		7 793	(7 793)	–
– interest rate derivatives (net of deferred tax)		(38 838)	38 838	–
Balance at 31 August 2016 (audited)	3 958 207	3 112 885	342 708	**7 413 800**
Total comprehensive income for the period	–	–	442 415	442 415
Issue of new shares	143 079	–	–	143 079
Dividends paid	–	–	(262 442)	(262 442)
Transfer to non-distributable reserve				
– Profit on sale of investment property	–	2 566	(2 566)	–
– Deferred tax		(7 539)	7 539	–
Fair value changes				
– investment property	–	211 003	(211 003)	–
– joint ventures	–	2 956	(2 956)	–
– interest rate derivatives (net of deferred tax)	–	(40 085)	40 085	–
Balance at 28 February 2017 (reviewed)	4 101 286	3 281 786	353 780	**7 736 852**

Condensed consolidated statement of cash flows

for the six months ended 28 February 2017

	Reviewed		Audited
	6 months 28 February 2017 R'000	6 months 29 February 2016 R'000	12 months 31 August 2016 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net rental income from properties	**457 400**	433 637	908 904
Adjustment for:			
– straight-line rental income accrual	**623**	(3 615)	(2 567)
– depreciation and amortisation	**11 341**	11 041	20 524
– working capital change	**1 185**	(21 870)	(48 248)
Cash generated from operations	**470 549**	419 193	878 613
Interest income	**8 404**	8 619	10 138
Finance costs	**(217 647)**	(192 745)	(416 659)
Distribution to equity holders paid	**(262 396)**	(234 016)	(482 840)
Net cash (outflow)/inflow from operating activities	**(1 090)**	1 051	(10 748)
CASH FLOW FROM INVESTING ACTIVITIES			
Investing activities	**(199 938)**	(241 674)	(479 404)
Proceeds from disposal of investment property	**50 598**	14 586	55 450
Net cash outflow used in investing activities	**(149 340)**	(227 088)	(423 954)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of new shares	**143 079**	–	50 388
(Decrease)/increase in interest-bearing borrowings	**(44 180)**	195 030	398 154
Net cash generated from financing activities	**98 899**	195 030	448 542
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(51 531)**	(31 007)	13 840
Cash and cash equivalents at beginning of period	**69 109**	55 269	55 269
Cash and cash equivalents at end of period	**17 578**	24 262	69 109

Reconciliation of earnings to headline earnings

for the six months ended 28 February 2017

	Reviewed		Audited
	6 months 28 February 2017 R'000	6 months 29 February 2016 R'000	12 months 31 August 2016 R'000
Total comprehensive income attributable to equity holders	**442 415**	461 489	857 162
(Profit)/loss on sale of investment properties	**(2 566)**	(483)	(8 490)
Reversal of impairment of loans	**–**	–	(378)
Fair value changes			
– investment property	**(211 003)**	(158 817)	(285 914)
– investment property – joint ventures	**(2 956)**	921	(6 872)
Headline earnings attributable to equity holders	**225 890**	303 110	555 508
Headline earnings per share (cents)	**87.6**	120.1	219.7

Condensed consolidated segmental information

for the six months ended 28 February 2017

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

	Reviewed			
	6 months 28 February 2017 R'000	%	6 months 29 February 2016 R'000	%
REVENUE				
Offices	**148 141**	21.1	129 227	19.5
Retail shops	**189 975**	27.1	182 782	27.6
Shopping centres	**69 838**	10.0	65 910	10.0
Industrial	**57 560**	8.2	55 359	8.4
Parking	**28 982**	4.1	28 751	4.3
Residential	**206 023**	29.5	199 851	30.2
Total rental income	**700 519**	100.0	661 880	100.0
Recoveries and other income	**196 671**		194 152	
Revenue	**897 190**		856 032	

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 philosophy to invest predominantly in properties situated in the Gauteng area, therefore the company has not reported on a geographical basis.

Reconciliation of earnings to distributable earnings

for the six months ended 28 February 2017

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

	% change	Reviewed 6 months 28 February 2017 R'000	Reviewed 6 months 29 February 2016 R'000	Audited 12 months 31 August 2016 R'000
Total comprehensive income attributable to equity holders		**442 415**	461 489	857 162
(Profit)/loss on sale of investment properties		**(2 566)**	(483)	(8 490)
Reversal of impairment of loans		**–**	–	(378)
Fair value changes				
– investment property		**(211 003)**	(158 817)	(285 914)
– investment property – joint ventures		**(2 956)**	921	(6 872)
Straight-line rental income accrual		**623**	(3 615)	(2 567)
Fair value changes of interest rate derivatives, net of deferred tax		**40 085**	(51 216)	(17 191)
Deferred tax – other		**7 539**	–	–
Once-off reinstatement contribution from tenant		**–**	–	(25 000)
Distributable earnings attributable to equity holders		**274 137**	248 279	510 750
Represented by:				
Revenue				
– earned on contractual basis	5.3	**897 813**	852 417	1 742 871
Property operating costs	4.5	**(402 130)**	(384 930)	(790 529)
Net rental income from properties	6.0	**495 683**	467 487	952 342
Administrative costs	0.5	**(37 660)**	(37 465)	(71 005)
Operating profit	6.5	**458 023**	430 022	881 337
Interest income		**8 404**	3 294	10 138
Share of income from joint ventures		**6 611**	7 708	14 026
Distributable profit before finance costs		**473 038**	441 024	905 501
Finance costs	3.2	**(198 901)**	(192 745)	(394 751)
Distributable income before taxation	10.4	**274 137**	248 279	510 750
Taxation		**–**	–	–
Equity holders' distributable earnings		**274 137**	248 279	510 750

Octodec Investments Limited

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JSE share code: OCT
ISIN: ZAE000192258
REIT status approved

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