



Unaudited
Interim
results

2018

creating value
beyond financial return

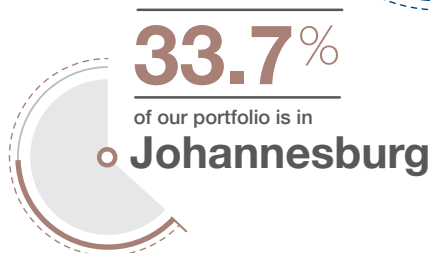
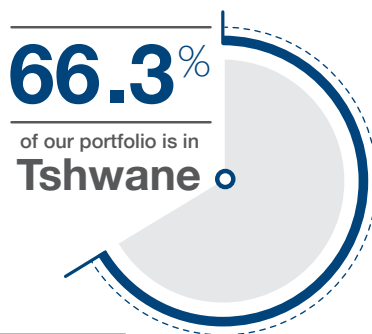
creating value beyond financial return

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 309 properties valued at R12.9 billion, which includes a 50% interest in four joint ventures. The group invests in the retail, residential, shopping centre, industrial and office property sectors and all of the properties are situated in Gauteng.

Octodec is well-positioned to continue taking advantage of opportunities in the Tshwane and Johannesburg CBDs. The group's primary objective is to improve the existing properties in strategic investment nodes with the objective of attracting new tenants and improving rental income.

Octodec has contracted City Property Administration Proprietary Limited (City Property), to perform its asset and property management functions.

309
properties
valued at
R12.9bn



Measuring performance

101.7 cents per share distributed for the six-month period
(2017: 104.8 cents)

R29.62 net asset value (NAV) per share

3.2% like-for-like growth in rental income for the six-month period

97.5% of exposure to interest rate risk is hedged

37.1% loan to investment value (LTV)

9.2% all-in annual weighted average cost of borrowings



Sharon's Place development substantially completed

Rental income % by sector

36.9%

FY2017: 37.1%

10.6% shopping
centres
FY2017: 10.0%

26.3%
retail – shops
FY2017: 27.1%

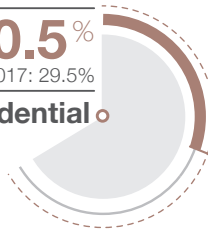
Retail



30.5%

FY2017: 29.5%

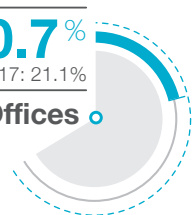
Residential



20.7%

FY2017: 21.1%

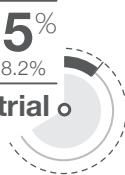
Offices



7.5%

FY2017: 8.2%

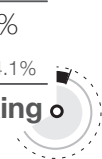
Industrial



4.4%

FY2017: 4.1%

Parking



North West

Gauteng

Tshwane

Mogale City

Randfontein

Ekurhuleni

Johannesburg

Mpumalanga

Merafong City

Soweto

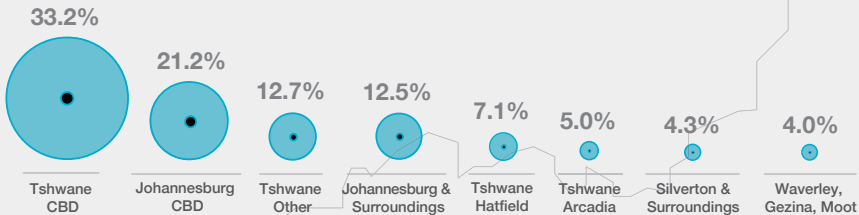
Lesedi

Emfuleni

Midvaal

Free State

Geographical analysis of the rental income



contents

review of results	2
investing for growth	6
Developments	6
Disposals	7
Vacancies	8
Lease expiry profile	9
borrowings	10
changes in fair value	12
renewal of asset and property management agreement with City Property	12
prospects	13
declaration of cash dividend	14
Salient dates and times	14
Tax implications for non-resident shareholders	15
Tax implications for South African resident shareholders	15
notes to the condensed consolidated interim financial statements	16
Basis of preparation	16
Fair value measurement	16
Stated capital, basic and diluted earnings per share	18
Events after the reporting date	18
Commitments	18
Related party transactions	18
financial statements	19
Condensed consolidated statement of financial position	19
Condensed consolidated statement of comprehensive income	20
Condensed consolidated statement of changes in equity	21
Condensed consolidated statement of cash flows	22
Reconciliation of comprehensive income to headline earnings	23
Condensed consolidated segmental information	23
Reconciliation of earnings to distributable earnings	24

review of results

During the period under review, the local operating environment was plagued by political and policy uncertainty which weighed heavily on consumer confidence and local economic growth. With this in mind our approach was to increase our focus on the core property fundamentals and position ourselves to continue to provide shareholders with sustainable value creation. We increased our focus on the disposal of non-core and under-performing properties.

Octodec's board has declared a dividend of 101.7 cents per share for the six-month period ended 28 February 2018. The dividend was impacted by pressure on rental income growth as a result of the sluggish performance of the local economy, and the reduction in distributable income during the let-up phase of The Manhattan, One on Mutual and Sharon's Place. Total revenue earned on a contractual basis increased by 3.5% (28 February 2017:

5.3%) and property operating expenses increased by 2.2% compared to the prior comparative period. The gross operating cost ratio to contractual revenue reduced to 44.2% (31 August 2017: 45.9%). Operating costs, net of assessment rates, utility recoveries and other recoveries, were at 28.3% (31 August 2017: 30.9%) of contractual rental income. This was due to an increased focus on cost reductions and improved efficiencies.

Salient features

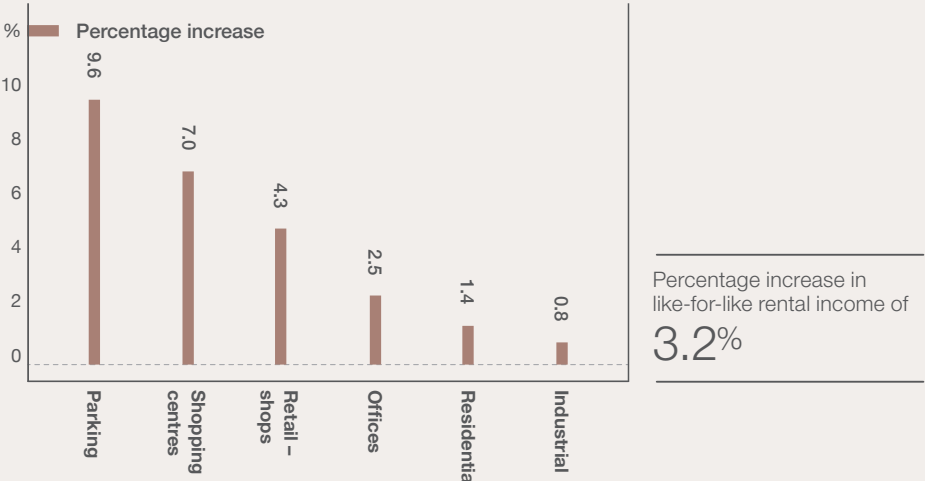
	% Change	6 months 28 February 2018 R'000	6 months 28 February 2017 R'000
Revenue – earned on contractual basis	3.5	929 656	897 813
Net property income – earned on contractual basis	4.7	518 866	495 683
Investment property including joint ventures	1.9	12 904 343	12 664 048
Shareholders' funds	1.9	7 884 600	7 736 852
Interest bearing borrowings	2.1	4 832 687	4 734 847
Shares in issue ('000)		266 198	261 539
Net asset value (NAV) per share (cents)	0.1	2 962	2 958
Loan to investment value (LTV) ratio (%)		37.1%	37.2%
Distribution to shareholders	(1.2)	270 779	274 137
Distribution per share (cents)	(3.0)	101.7	104.8

The core portfolio, represented by those properties held for the previous comparable period with no major development activity, reflected like-for-like rental income growth of 3.2%. Rental achieved from retail shopping centres and parking showed the strongest growth, at 7.0% and 9.6% respectively. The residential portfolio showed lower growth in like-for-like rental income of 1.4%.

This lower growth is mainly attributable to increased vacancies and lower escalations of rental rates during the period, mainly in Hatfield and the Tshwane CBD. A number of new competitors entered the Hatfield market, resulting in increased supply of residential accommodation. Marketing efforts and an enhancement of the tenant offering to address the increased competition are bearing results with a reduction in residential vacancies achieved after 28 February 2018 to 3.7%.

Rental income from shopping centres increased by 7.0% compared to the same period in the prior year. However, we do not anticipate a similar performance in the second six-months due to increased vacancies at the end of February 2018.

Percentage increase in like-for-like rental income for the six-month period ended 28 February 2018



review of results continued

Cost to income ratios

The cost to income ratios are as follows:

	28 February 2018 %	28 February 2017 %	31 August 2017 %
Property costs			
Gross basis	44.2	44.8	45.9
Net basis	28.3	29.6	30.9
Property and administration costs			
Gross basis	49.4	49.0	50.2
Net basis	35.0	34.6	36.0

Property costs, both on a gross and net basis, have decreased compared to the prior period.

This is largely due to the reversal of an accrual for tenant installations which did not occur as well as accruals for electricity and water, which estimate was revised in the current period, based on our experience with billings from the Councils.

Bad debt write-offs and provisions during the period remained unchanged at 1.2% of total tenant income (28 February 2017: 1.2%). Despite the sustained economic pressure, arrears and doubtful debt provisions remain at acceptable levels as a result of tight credit risk management.

No significant deterioration is anticipated in the near future.

The administrative costs increased by R14.6 million compared to the same period in 2017, mainly due to once-off costs incurred with the negotiation and preparation of the asset and property management agreement, a provision for a VAT liability relating to prior periods as well as an overall increase in administration expenses.

Finance costs for the period amounted to R213.9 million, an increase of 7.5% compared to the prior period. The all-in weighted cost of borrowings remained at 9.2% per annum (31 August 2017: 9.2%). This is mainly due to increased borrowings to fund developments and projects, as well as the cost of additional interest rate hedging contracts entered into during the period.



2018
Sharon's Place
Interesting views of
Sharon's Place with
drone photography



investing for growth

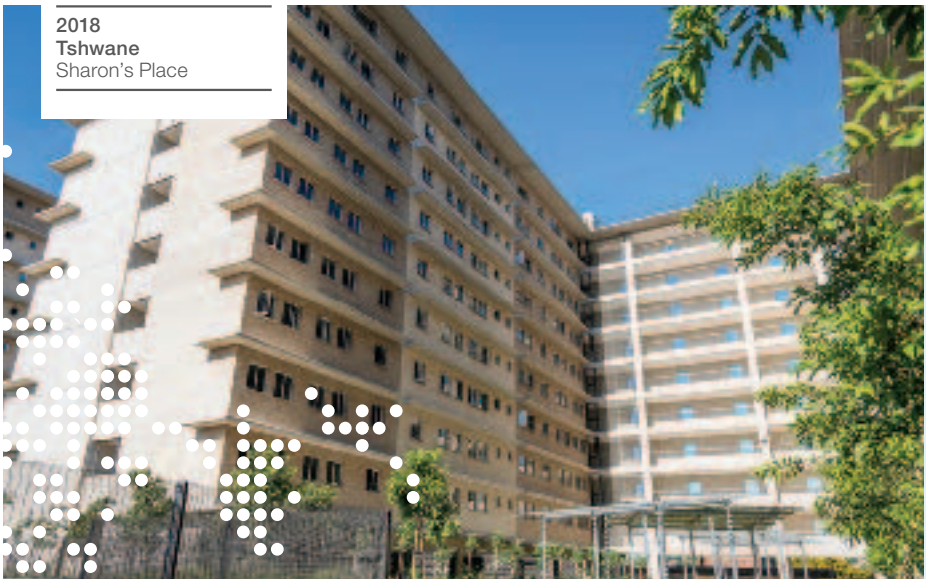
Developments

Sharon's Place, a large, well-located residential development consisting of 400 residential units, 5 660 m² 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, excluding land costs, is R356.0 million. The initial annual yield, excluding land costs, is expected to be 7.3% when fully let. The retail portion of the property was completed in July 2017 and Block B of the residential section, which consists of three blocks, was complete as at 28 February 2018. Blocks A and C are expected to be completed in phases by June 2018. There has been a strong demand for the residential units, with all units in Block B being let shortly after completion thereof.

The group has several smaller projects under way, in line with Octodec's strategy to upgrade, maintain and extract value from its property portfolio. These include the upgrade of North City, an office block in Braamfontein and The Tannery, a multi-tenanted industrial complex situated in Silverton, Tshwane. These projects will not only improve the occupancy levels and enhance the value of the portfolio, but will also contribute to the upliftment of the areas in which Octodec is predominantly invested.

Octodec is in the planning phase of a residential development, Reinsurance House, which is situated in a prime location in the Johannesburg CBD. This development will only commence when a suitable yield of at least 8.5% is achievable. The total development cost is expected to be approximately R110 million.

2018
Tshwane
Sharon's Place



Disposals

In line with the decision to dispose of non-core or under-performing properties, the group disposed of a further ten properties during the period, six of which have been transferred for a total consideration of R43.8 million. Transfer of the remaining four properties for a total consideration of R44.8 million is expected to take place before the 2018 financial year-end.

Properties disposed of and transferred before 28 February 2018

PROPERTY	LOCATION	Total consideration R'million	Profit/(loss) on disposal R'million	Transfer date	Exit yield %
Pretboy	Tshwane Other	3.2	(0.4)	February 2018	7.1
Pretwade	Wadeville Johannesburg	10.5	–	February 2018	3.6
Sharp Centre	Tshwane CBD	5.7	–	October 2017	10.0
Iskemp	Isando, Johannesburg	18.0	1.1	February 2018	1.2
119 & 121 Albertina Sisulu	Johannesburg CBD	5.6	0.2	December 2017	0.1
Grariv Units 24 and 42	Tshwane Other	0.8	0.1	December 2017	5.2
Total		43.8	1.0		7.1

Transfers expected to take place after 28 February 2018

PROPERTY	LOCATION	Total consideration R'million	Profit/(loss) on disposal R'million	Expected transfer date	Exit yield %
Swemvoor	Gezina, Tshwane	9.1	0.8	June 2018	5.0
Viskin	Tshwane CBD	3.0	(0.3)	May 2018	9.0
Tronap	Tshwane North	6.7	–	June 2018	10.0
Medical Towers	Johannesburg CBD	26.0	0.9	June 2018	4.0
Total		44.8	1.4		5.5

Vacancies

Vacancies in the Octodec portfolio at 28 February 2018, including properties held for redevelopment, amounted to 18.5% (31 August 2017: 19.0%) of gross lettable area. The core vacancies, which exclude the gross lettable area relating to properties held for development, those currently being redeveloped and those recently redeveloped, amounted to 10.8% (31 August 2017: 10.7%).

Vacancies by sector as at 28 February 2018

	Gross lettable area (GLA) m ²	Total vacancies %	Properties held for redevelopment or recently developed %	Core vacancies %
Offices	509 084	37.5	(22.2)	15.3
Retail – shops	390 556	9.2	–	9.2
Retail – shopping centres	92 198	6.2	–	6.2
Industrial	263 050	14.5	–	14.5
Residential	396 962	8.7	(3.3)	5.4
Total	1 651 850	18.5	(7.7)	10.8
31 August 2017				
Offices*	509 848	36.7	(21.8)	14.9
Retail – shops*	398 105	10.8	(1.6)	9.2
Retail – shopping centres	91 867	4.6	–	4.6
Industrial	270 521	12.3	–	12.3
Residential	394 721	12.3	(5.1)	7.2
Total	1 665 062	19.0	(8.3)	10.7

* In order to provide a meaningful comparison, certain GLA was re-allocated from retail – shops to Offices in 2017.

Residential total vacancies include units in Blocks A and C of Sharon's Place which are still under construction as at February 2018. Office vacancies are expected to increase due to a large government tenant currently occupying 3100m², who will be vacating in April 2018. As expected, a number of properties held for development, or those which are currently under development, have vacancies.

In recent years, certain office properties such as Fedsure House, Reinsurance House, Van Riebeeck Medical Building and Midtown were acquired with high vacancy levels. These office properties, with 112 869 m² of mothballed space, offer significant residential conversion, office redevelopment or disposal opportunities, the value of which will be realised over time.

Lease expiry profile

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

Lease expiry profile as at 28 February 2018

	Gross lettable area (GLA) m ²	%	Monthly contractual rent R'000	%
Residential (12 months and less)	362 573	21.9	36 175	29.4
Monthly commercial	204 960	12.4	17 200	14.0
to 28 February 2019	290 928	17.6	24 601	20.0
to 28 February 2020	190 874	11.6	15 300	12.5
to 28 February 2021	150 554	9.1	15 677	12.7
to 28 February 2022	67 789	4.1	5 904	4.8
Thereafter	79 175	4.8	8 128	6.6
Vacancies	304 997	18.5	–	–
Total	1 651 850	100.0	122 985	100.0

borrowings

Borrowings as at 28 February 2018

	Amount R'million	Weighted average interest rate per annum %
Bank loans	3 705.5	9.2
Domestic medium term note programme (DMTN)	1 127.2	8.4
Total borrowings	4 832.7	9.0
Cost of swaps	–	0.2
Total borrowings	4 832.7	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) as at 28 February 2018 is 37.1% (31 August 2017: 37.1%).

Octodec has reduced its exposure to interest rate risk by entering into interest rate swap

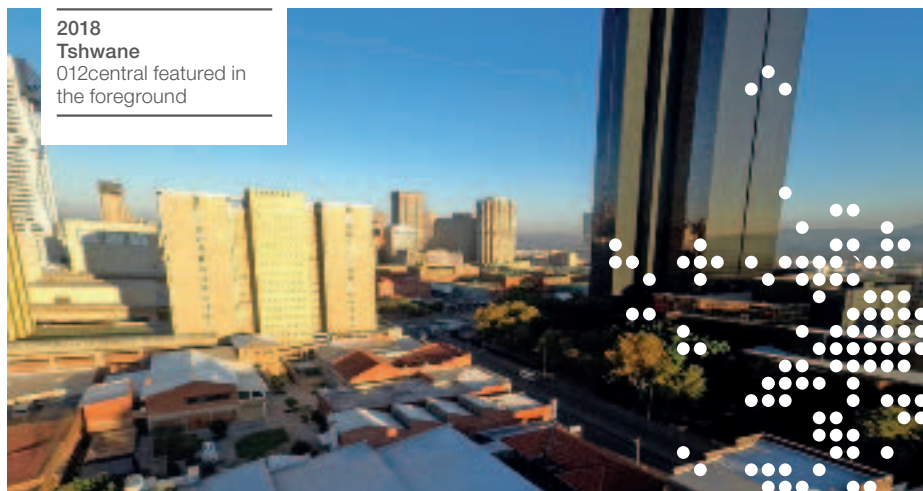
contracts in respect of 97.5% (31 August 2017: 82.1%) of its borrowings.

The hedges in place are for a weighted average period of 1.6 years. The all-in average weighted interest rate of all borrowings is 9.2% per annum (31 August 2017: 9.2%).

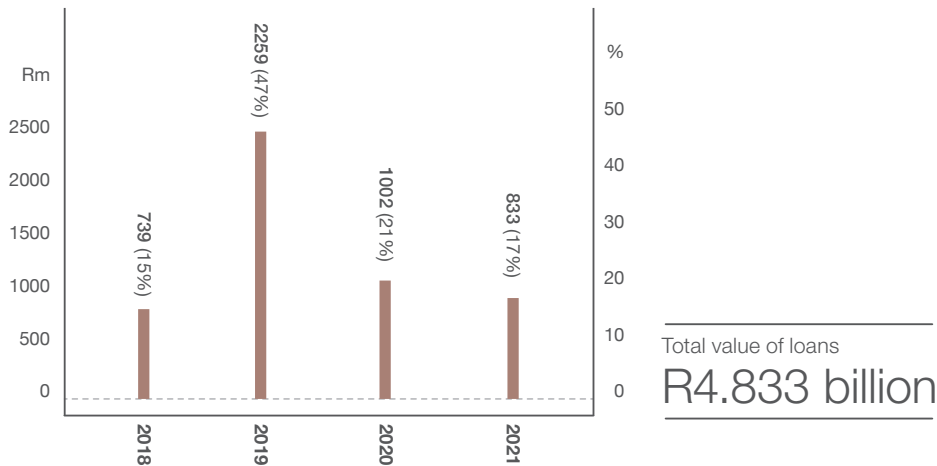
2018

Tshwane

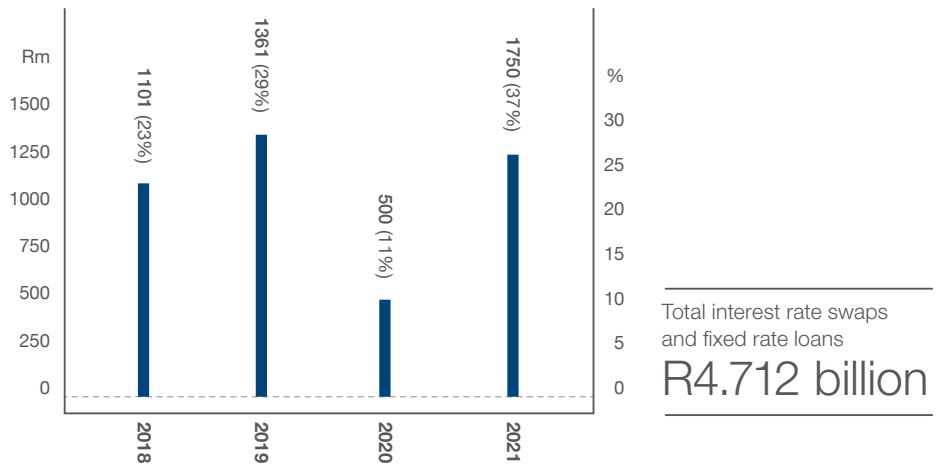
012central featured in
the foreground



Loan expiry profile per financial year (Rm and %)



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



Octodec participates in a DMTN programme through its subsidiary, Premium Properties Limited. As at 28 February 2018 the total issuance was at R1 127.2 million, or 23.3% of the group's borrowings. Global Credit Rating's long and short-term national scale ratings of

Premium Properties Limited are A-(ZA) and A1-(ZA) respectively.

Octodec had unutilised available banking facilities amounting to R838.5 million at 28 February 2018.

changes in fair value

It is the group's policy to perform internal valuations of all the properties at the interim period 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 R54.7 million or 0.4% for the six month period ended 28 February 2018.

The mark-to-market value of interest rate swaps contracts, which protect the group against adverse interest rate movements, resulted in a fair value gain of R6.3 million for the period.

renewal of asset and property management agreement with City Property

Octodec will, subject to shareholders' and other approvals, enter into a new asset and property management agreement with City Property, effective from 1 July 2018, which agreement will replace the existing asset and property management agreement between the parties.

A circular to shareholders of Octodec containing, *inter alia*, the salient features of the agreement, together with the requisite Fairness Opinion, and containing a notice of general meeting, will be mailed to shareholders in due course.

prospects

After a challenging environment characterised by political and economic uncertainty, the local operating environment has started to show some signs of improvement, which should provide the stimulus for Octodec to continue to unlock value and provide shareholders with a growing and sustainable distribution.

Octodec and its experienced management team combined with its diversified portfolio, large number of tenants, sound operating fundamentals and prudent capital management, bears out Octodec's resilience during these challenging times.

Octodec responded to the increased competition and changing trends in the residential sector by adjusting the tenant offering without compromising on recoverability of rentals or other standards. This has already contributed to the improved occupation levels in the residential sector with vacancies having decreased from 7.2% at 31 August 2017 to 5.4% at 28 February 2018.

This, together with prudent cost management across the group, should sustain the performance of the group for the remainder of the financial year.

The disposal of non-core or under-performing properties will remain a key focus area for the foreseeable future.

The forecast distribution for the second six-month period ending 31 August 2018 is

expected to be similar to the distribution for the six-month period ended 28 February 2018. Therefore no growth in distribution per share for the full financial year is anticipated.

This guidance is based on the following:

- forecasted investment property income is calculated using contractual rentals and assumed market-related renewals
- allowance for vacancies has been established using assumptions and historical experience
- no major corporate and tenant failures are assumed
- no further deterioration in the economic and social environments
- the phased take-up of rental space in greenfield developments is based on historical experience adjusted for the current economic environment.

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

declaration of cash dividend

The board of directors of Octodec declared an interim cash dividend of 101.7 cents per share, for the six months ended 28 February 2018, out of the company’s distributable income.

Salient dates and times

The salient dates and times for the cash dividend are as set out below:

	2018
Last day to trade cum dividend	Tuesday, 15 May
Shares trade ex-dividend	Wednesday, 16 May
Record date to receive cash dividend	Friday, 18 May
Electronic transfer into personal bank account of certificated shareholders ²	Monday, 21 May
Accounts credited by CSDP or broker to dematerialised shareholders with the cash dividend payment	Monday, 21 May

Notes:

- ^{1.} Shares may not be dematerialised or rematerialised between Wednesday, 16 May 2018 and Friday, 18 May 2018, both days inclusive. The above dates and times are subject to change. Any changes will be announced on SENS.
- ^{2.} Where the transfer secretaries do not have the banking details of any certificated shareholders, the cash dividend will be held by the company pending receipt of the relevant certificated shareholder’s banking details, whereafter the cash dividend will be paid via electronic transfer into the personal bank accounts of certificated shareholders.

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. 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 81.36 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; and
- 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 company, 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 company in respect of certificated shares, a DTD (EX) (Dividend Tax: declaration that the dividend is exempt from dividends tax and a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Services (SARS).

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 may be, 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 266 197 535 and Octodec's tax reference number is 9925/033/71/5.

By order of the board

S Wapnick
Chairman

JP Wapnick
Managing director

20 April 2018

notes to the condensed consolidated interim financial statements

Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act, 71 of 2008 of South Africa. The interim report has been prepared in accordance with IAS 34: Interim Financial Reporting, 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 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 condensed consolidated interim financial statements were prepared under the supervision of Mr AK Stein CA (SA), in his capacity as group financial director and have not been reviewed or reported on by the company's auditors.

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 on 28 February 2018, 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 an increase in profit of R54.7 million in the statement of profit and loss and other comprehensive income. In terms of the JSE Listings Requirements, all the properties are valued at least once over a rolling three-year period by external independent valuation experts.

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:

- 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 period. 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

	Investment property, plant and equipment R'000
Balance as at 31 August 2017	12 598 899
Total fair value changes for the period included in profit and loss	54 733
Straight-line rental income accrual	1 268
Depreciation and amortisation	(8 214)
Acquisitions, disposals and other movements:	
• Developments and subsequent expenditure	125 670
• Disposals	(41 450)
Balance as at 28 February 2018	12 730 906
Included in profit and loss for the period:	
Changes in fair value of investment property	54 733

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 of R1.3 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 R1.6 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 an increase/(decrease) in the carrying amount of investment property of R170.7 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 30.0%.

Stated capital, basic and diluted earnings per share

During the period, the company repurchased 666 784 shares in the open market for a total consideration of R11.3 million or R17.01 per share. The shares were de-listed from the JSE on 23 February 2018.

	28 February 2018	31 August 2017
Shares in issue ('000)	266 198	266 864
Weighted shares in issue ('000)	266 586	261 207
Basic and diluted earnings per share (cents)	123.8	263.3

Events after the reporting date

There have been no material subsequent events that require reporting.

Commitments

The group has approved capital commitments in the amount of R56.4 million, relating to various redevelopments, upgrades of properties and committed tenant installations. These will be funded out of existing unused banking facilities.

Related party transactions

Octodec and City Property are related parties in that Jeffrey Wapnick and Sharon Wapnick are directors of Octodec and City Property, and the Wapnick family are shareholders of both companies.

Total payments made to City Property amount to R70.7 million. This included fees for collections, leasing, property management, asset management, commission on acquisitions and disposals as well as upgrades and developments.

At 28 February 2018, an amount of R1.1 million was owing to City Property.

financial statements

Condensed consolidated statement of financial position

	Unaudited 28 February 2018 R'000	Reviewed 28 February 2017 R'000	Audited 31 August 2017 R'000
ASSETS			
Non-current assets	12 739 824	12 605 157	12 568 875
Investment property	12 331 263	12 169 639	12 153 834
Plant and equipment	4 530	6 140	5 300
Straight-line rental income accrual	111 998	115 353	110 864
Tenant installation and lease costs	40 315	50 962	44 550
Other financial assets	75 000	69 275	75 000
Derivative financial instruments	3 281	18 024	1 847
Investment in joint ventures	173 437	175 764	177 480
Current assets	457 949	332 559	560 397
Trade and other receivables	134 827	144 076	143 342
Derivative financial instruments	708	42 293	1 736
Other financial assets	1 491	–	213
Bank and cash	78 123	–	130 756
	215 149	186 369	276 047
Non-current assets held for sale	242 800	146 190	284 350
TOTAL ASSETS	13 197 773	12 937 716	13 129 272
EQUITY AND LIABILITIES			
Equity	7 884 600	7 736 852	7 828 229
Stated capital	4 210 134	4 101 286	4 221 477
Non-distributable reserve	3 327 048	3 281 786	3 269 053
Retained earnings	347 418	353 780	337 699
Non-current liabilities	4 218 706	4 278 762	3 381 370
Interest bearing borrowings	4 093 637	4 170 344	3 253 517
Derivative financial instruments	44 591	27 955	47 421
Deferred taxation	80 478	80 463	80 432
Current liabilities	1 094 467	922 102	1 919 673
Interest bearing borrowings	739 050	564 503	1 572 817
Non-interest bearing borrowings	354 215	331 526	342 548
Bank overdraft	–	24 715	–
Derivative financial instruments	1 202	1 358	4 308
TOTAL EQUITY AND LIABILITIES	13 197 773	12 937 716	13 129 272

Condensed consolidated statement of comprehensive income

		Unaudited 6 months 28 February 2018 R'000	Reviewed 6 months 28 February 2017 R'000	Audited 12 months 31 August 2017 R'000
	% Change			
Revenue		930 924	897 190	1 831 346
earned on contractual basis	3.5	929 656	897 813	1 836 251
straight-line rental income accrual		1 268	(623)	(4 905)
Property operating costs	2.2	(410 790)	(402 130)	(843 636)
Net rental income from properties	5.1	520 134	495 060	987 710
Administrative costs	38.7	(52 238)	(37 660)	(77 813)
Operating profit	2.3	467 896	457 400	909 897
Fair value changes		61 075	170 853	158 096
investment property		54 733	211 003	235 106
interest rate derivatives		6 342	(40 150)	(77 010)
Profit on sale of investment property		1 051	2 566	2 943
Interest income		9 498	8 404	18 094
Finance costs	7.5	(213 869)	(198 901)	(408 702)
interest paid		(223 035)	(217 647)	(439 201)
interest capitalised		9 166	18 746	30 499
Share of income from joint ventures		4 437	9 567	14 810
share of after tax profit		4 026	1 969	1 582
fair value changes – investment property		(4 085)	2 956	2 572
interest and management fees		4 496	4 642	10 656
Profit before taxation	(26.6)	330 088	449 889	695 138
Taxation charge – deferred		(46)	(7 474)	(7 443)
Profit for the period	(25.4)	330 042	442 415	687 695
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	(25.4)	330 042	442 415	687 695
Basic and diluted earnings per share (cents)	(27.8)	123.8	171.5	263.3

Condensed consolidated statement of changes in equity

	Stated capital R'000	Non- distributable reserve R'000	Retained earnings R'000	Total R'000
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
Total comprehensive income for the period	–	–	245 280	245 280
Issue of new shares	120 191	–	–	120 191
Dividends paid	–	–	(274 094)	(274 094)
Transfer to non-distributable reserve				
Profit on sale of investment property	–	377	(377)	–
Deferred tax	–	96	(96)	–
Fair value changes				
investment property	–	24 103	(24 103)	–
investment property – joint ventures	–	(384)	384	–
interest rate derivatives (net of deferred tax)	–	(36 925)	36 925	–
Balance at 31 August 2017 (audited)	4 221 477	3 269 053	337 699	7 828 229
Total comprehensive income for the period	–	–	330 042	330 042
Issue of new shares	–	–	–	–
Shares repurchased	(11 343)	–	–	(11 343)
Dividends paid	–	–	(262 328)	(262 328)
Transfer to non-distributable reserve				
Profit on sale of investment property	–	1 051	(1 051)	–
Fair value changes				
investment property	–	54 733	(54 733)	–
investment property – joint ventures	–	(4 085)	4 085	–
interest rate derivatives (net of deferred tax)	–	6 296	(6 296)	–
Balance at 28 February 2018 (unaudited)	4 210 134	3 327 048	347 418	7 884 600

Condensed consolidated statement of cash flows

	Unaudited 6 months 28 February 2018 R'000	Reviewed 6 months 28 February 2017 R'000	Audited 12 months 31 August 2017 R'000
Cash flow from operating activities			
Net rental income from properties	467 896	457 400	909 897
Adjusted for:			
straight-line rental income accrual	(1 268)	623	4 905
depreciation and amortisation	8 214	11 341	20 536
working capital changes	20 182	1 185	12 987
Cash generated from operations	495 024	470 549	948 325
Interest income	9 498	8 404	18 094
Finance costs	(223 035)	(217 647)	(439 201)
Payment of distribution to equity holders	(262 328)	(262 396)	(536 536)
Net cash inflow/(outflow) from operating activities	19 159	(1 090)	(9 318)
Cash flow from investing activities			
Investing activities	(109 293)	(199 938)	(316 812)
Proceeds from disposal of investment property	42 491	50 598	77 200
Net cash outflow used in investing activities	(66 802)	(149 340)	(239 612)
Cash flow from financing activities			
Shares repurchased	(11 343)	–	–
Buy back / issue of new shares	–	143 079	263 270
Proceeds from interest bearing borrowings	1 037 471	597 798	3 488 910
Repayment of interest bearing borrowings	(1 031 118)	(641 978)	(3 441 603)
Net cash (utilised)/generated from financing activities	(4 990)	98 899	310 577
Net (decrease)/increase in bank and cash balance	(52 633)	(51 531)	61 647
Bank and cash balance at beginning of period	130 756	69 109	69 109
Bank and cash balance at end of period	78 123	17 578	130 756

Reconciliation of comprehensive income to headline earnings

	Unaudited 6 months 28 February 2018 R'000	Reviewed 6 months 28 February 2017 R'000	Audited 12 months 31 August 2017 R'000
Total comprehensive income attributable to equity holders	330 042	442 415	687 695
Headline earnings adjustments			
Profit on sale of investment properties	(1 051)	(2 566)	(2 943)
Fair value changes			
investment property	(54 733)	(211 003)	(235 106)
investment property – joint ventures	4 085	(2 956)	(2 572)
Headline earnings attributable to equity holders	278 343	225 890	447 074
Headline earnings per share (cents)	104.4	87.6	171.2

23

Condensed consolidated segmental information

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

Rental income by sector	Unaudited 6 months 28 February 2018 R'000	%	Reviewed 6 months 28 February 2017 R'000	%
Offices	152 069	21.0	148 141	21.1
Retail – shops	194 257	26.8	189 975	27.1
Shopping centres	74 569	10.3	69 838	10.0
Industrial	56 388	7.8	57 560	8.2
Parking	32 186	4.4	28 982	4.1
Residential	214 450	29.7	206 023	29.5
Total rental income	723 919	100.0	700 519	100.0
Recoveries and other income	207 005		196 671	
Revenue	930 924		897 190	

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, and therefore the company has not reported on a geographical basis.

Reconciliation of earnings to distributable earnings

		Unaudited 6 months 28 February 2018 R'000	Reviewed 6 months 28 February 2017 R'000	Audited 12 months 31 August 2017 R'000
	%			
Total comprehensive income attributable to equity holders		330 042	442 415	687 695
Profit on sale of investment properties		(1 051)	(2 566)	(2 943)
Fair value changes				
investment property		(54 733)	(211 003)	(235 106)
investment property – joint ventures		4 085	(2 956)	(2 572)
Straight-line rental income accrual		(1 268)	623	4 905
Fair value changes of interest rate derivatives		(6 342)	40 085	77 010
Deferred tax		46	7 539	7 443
Distributable earnings attributable to equity holders		270 779	274 137	536 432
Represented by:				
Revenue				
earned on contractual basis	3.5	929 656	897 813	1 836 251
Property operating costs	2.2	(410 790)	(402 130)	(843 636)
Net rental income from properties	4.7	518 866	495 683	992 615
Administrative costs	38.7	(52 238)	(37 660)	(77 813)
Operating profit	1.9	466 628	458 023	914 802
Interest income		9 498	8 404	18 094
Share of income from joint ventures		8 522	6 611	12 238
Distributable profit before finance costs		484 648	473 038	945 134
Finance costs	7.5	(213 869)	(198 901)	(408 702)
Distributable income before taxation	(1.2)	270 779	274 137	536 432
Taxation		–	–	–
Equity holders distributable earnings	(1.2)	270 779	274 137	536 432

Octodec Investments Limited

Incorporated in the Republic of South Africa

Registration number: 1956/002868/06

Share code: OCT

ISIN: ZAE000192258 REIT status approved

Registered address

CPA House, 101 Du Toit Street, Tshwane 0002

Tel: 012 319 8781, Fax: 012 319 8812, E-mail: info@octodec.co.za

Directors

S Wapnick (Chairman)¹, JP Wapnick (Managing director)²,
AK Stein (Financial director)², DP Cohen³, GH Kemp⁴, AA Koranteng⁴,
MZ Pollack¹, PJ Strydom⁴

¹ Non-executive director

² Executive director

³ Lead independent director

⁴ Independent non-executive director

Company secretary

City Property Administration Proprietary Limited

Contact person: Elize Greeff

CPA House, 101 Du Toit Street Tshwane 0002

Tel: 012 357 1564, Email: elizeg@octodec.co.za

Sponsor

Java Capital Proprietary Limited

Contact person: Tanya de Mendonca

6A Sandown Valley Crescent, Sandown, Sandton 2196

PO Box 522606, Saxonwold 2132

Tel: 011 722 3059, Email: sponsor@javacapital.co.za

Transfer secretaries

Computershare Investor Services Proprietary Limited

Contact person: Leon Naidoo

Rosebank Towers, 15 Biermann Avenue, Rosebank 2196

PO Box 61051, Marshalltown 2107

Tel: 011 370 5000, Email: leon.naidoo@computershare.co.za

Investor relations

Instinctif Partners

Contact person: Frederic Cornet

The Firs, 302 3rd Floor, Cnr Cradock and Biermann Road,

Rosebank 2196

Tel: 011 447 3030, E-mail: investorrelations@octodec.co.za

www.octodec.co.za

