Octodec

INVESTMENTS LIMITED

Unaudited interim results for the six months ended 28 February

2022

2022 performance highlights

Rental income
R944.4 million
(28 February 2021: R898.7 million)
+5.1%

Like-for-like rental growth
1.2%
(28 February 2021: (8.5%))
>100%

Distributable income after tax (REIT funds from operations)
R211.8 million
(28 February 2021: R199.1 million)
+6.4%

Distributable income per share
79.6 cents
(28 February 2021: 74.8 cents)
+6.4%

Dividend per share
50.0 cents
(28 February 2021: nil)
>100%

Net asset value (NAV) per share
R23.10
(31 August 2021: R23.20)
-0.4%

Cash generated from operating activities before dividend payment
R193.9 million
(28 February 2021: R184.3 million)
+5.2%

Loan to value (LTV)
41.0%
(31 August 2021: 43.2%)
-5.1%

All-in annual weighted average cost of funding
8.3%
(31 August 2021: 8.5%)
-20bps

Rental income by sector
28 February 2022 (net of COVID-19 rental discounts)

30.6%
Residential
(2021: 30.0%)

22.6%
Retail – street shops
(2021: 22.7%)

12.2%
Retail – shopping centres
(2021: 11.9%)

16.1%
Offices
(2021: 16.6%)

7.1%
Industrial
(2021: 7.7%)

11.4%
Specialised and other
(2021: 11.1%)

Geographical analysis of rental income
28 February 2022 (net of COVID-19 rental discounts)

69%
Tshwane
(2021: 69%)

31%
Johannesburg
(2021: 31%)

35.9%
Tshwane CBD
(2021: 35.7%)

19.1%
Johannesburg CBD
(2021: 19.5%)

12.9%
Tshwane other
(2021: 13.5%)

12.1%
Johannesburg and surrounding areas (2021: 12.0%)

6.3%
Tshwane Hatfield
(2021: 5.1%)

4.6%
Tshwane Arcadia
(2021: 5.0%)

4.5%
Silverton and surrounding areas (2021: 4.5%)

4.6%
Waverley, Gezina, Moot
(2021: 4.7%)

* *All information on rental income and GLA contained on pages 2 to 12 includes that of our 50% held joint venture*

Contents

Commentary

Introduction

Octodec Investments Limited (Octodec or the company), its subsidiaries and associated company (the group) is a real estate investment trust (REIT) listed on the JSE Ltd (JSE) with a diversified portfolio of 254 residential, retail, office, industrial and specialised properties situated in the major metropolitan areas of Tshwane and Johannesburg. The portfolio, including an equity-accounted joint venture, has a lettable area of 1 591 673m² and is valued at R11.0 billion.

Octodec has contracted City Property Administration (Pty) Ltd (City Property) to perform its asset and property management functions. The contract, which expires in July 2023, is currently being reviewed for renewal.

Dividends

The steps taken in the prior year to retain cash have strengthened Octodec's financial position and enabled it to make a distribution to its shareholders. The board has therefore declared an interim dividend of 50.0 cents per share for the six months ended 28 February 2022 (28 February 2021: nil).

The board has considered the solvency and liquidity of the group and is satisfied that the group has adequate cash resources and funding facilities.

Review of results

Distributable income

	% movement to 28 February 2021	Unaudited 28 February 2022 R'000	Unaudited 28 February 2021 R'000	Audited 31 August 2021 R'000
Revenue earned on contractual basis	2.2	944 866	924 776	1 869 511
COVID-19 rental discount		(516)	(26 060)	(30 845)
Revenue earned after COVID-19 rental discount	5.1	944 350	898 716	1 838 666
Property operating expenses	5.2	(497 829)	(473 032)	(975 663)
Net property income	4.9	446 521	425 684	863 003
Administrative and corporate expenses	5.4	(38 612)	(36 626)	(75 420)
Net operating profit	4.8	407 909	389 058	787 583
Share of income from joint venture		1 466	1 509	2 477
Distributable profit before finance costs		409 375	390 567	790 060
Net finance costs	(4.3)	(183 349)	(191 492)	(388 914)
Distributable profit before tax	13.5	226 026	199 075	401 146
Current tax		(14 262)	–	(42 737)
Distributable income attributable to shareholders	6.4	211 764	199 075	358 409
Weighted average number of shares		266 197 535	266 197 535	266 197 535
Distributable income per share (cents)	6.4	79.6	74.8	134.6

Revenue earned on a contractual basis after COVID-19 rental discounts increased by 5.1% to R944.4 million from R898.7 million. This was mainly due to a reduction in assistance provided to tenants in the form of rental discounts. While the "fourth wave" was expected to further slow down the local economy, only minor restrictions were placed on tenants' businesses, and consequently fewer rental discounts were granted to tenants in the current period. However, this was offset by a smaller increase in revenue earned on a contractual basis due to negative rental reversions mainly in the industrial, retail and specialised sectors.

Property operating expenses increased by 5.2%, mainly on the back of increased administered costs such as assessment rates, which cannot always be passed on to the tenant due to affordability concerns. Although we are operating in a difficult economic climate, the group's bad debts remain under control at 1.9% of gross revenue compared to 2.5% for the prior period.

Cost-to-income ratios

The cost-to-income ratios are as follows:

	Unaudited 28 February 2022 %	Unaudited 28 February 2021 %	Audited 31 August 2021 %
Property costs			
Gross basis	52.7	52.6	53.1
Net basis (net of recoveries)	37.0	37.7	37.9
Total property and administration costs			
Gross basis	56.8	56.7	57.2
Net basis (net of recoveries)	42.4	43.1	43.4

Property costs, both on a gross and net basis, have improved marginally when compared to the prior period. This is attributable to improved occupancy which translates into higher revenue, and, as a result, a lower cost to income ratio. Octodec has managed to contain most property costs through hands-on management of the buildings, with a focus on maintenance management, but at the same time ensuring that its buildings remain well maintained and attractive to its tenants.

Net finance costs have decreased by 4.3% from R191.5 million to R183.3 million, which is attributable to the settlement of some unfavourable hedging instruments in the current period as well as the settlement of debt.

Distributable income before tax increased by 13.5% from R199.1 million to R226.0 million in the current period. The current tax has been estimated taking into account the interim dividend as well as assessed losses utilised. No consideration of a possible final dividend has been taken into consideration in the current tax calculation, and the estimated current tax for the full year, may change accordingly.

Performance review

At a group level, revenue on a like-for-like basis, excluding COVID-19 rental discounts granted and the disposal of property, increased by 1.2%.

Commentary *continued*

Residential sector

Octodec's residential income increased 5.6% on a like-for-like basis. This pleasing result was largely due to the return of students to universities for in-person classes, initiatives such as the introduction of shared and/or furnished accommodation at The Fields, and value-add services such as Wi-Fi to tenants in various other buildings. This, together with focused marketing efforts, has resulted in reduced vacancies in our residential buildings. Furthermore, the lifting of lockdown restrictions has also increased traffic at OR Tambo International Airport, and has resulted in a marked improvement in the occupancy at one of our larger residential buildings, Kempton Place in Kempton Park. Due to the positive outcome of the above initiatives, it is our intention to roll out these offerings to more residential buildings to attract new tenants.

Retail shops and retail shopping centres

Octodec's retail portfolio is unique, whereby its retail street shops are largely concentrated in the Tshwane and Johannesburg CBDs. Over the last two years, this segment of the market has, in particular, felt the impact of the lockdown restrictions, in that many offices and government departments are still applying the work-from-home policy, at least on a rotational basis, and therefore footfall has not returned to pre-COVID-19 levels in the CBDs. Rental from our retail shops on a like-for-like basis and excluding COVID-19 rental discounts has remained flat due to several negative rental reversions concluded during this period.

Octodec's portfolio of retail shopping centres, which largely comprise convenience shopping centres, has performed well during the lockdown period and continues to perform strongly, with vacancies at 6.0%. Rental income from our shopping centres increased by 4.0% on a like-for-like basis, before COVID-19 rental discounts.

Offices

Although Octodec's office portfolio is somewhat different to a typical REIT office portfolio, in that the office buildings are multi-tenanted by a large number of small professionals and businesses, the tenants have been impacted by the current difficult economic climate. In addition, the oversupply of office space has put pressure on occupancy levels at our office buildings, which is commensurate with the broader sector. Although vacancies have remained stable, rental income has reduced marginally by 1.5% on a like-for-like basis, before COVID-19 rental discounts. Given the oversupply in this sector, we do not expect rental from offices to improve in the foreseeable future and our focus is on tenant retention.

Industrial

Octodec's industrial portfolio consists of smaller warehouses and light industry and has performed relatively well during the period under review. The portfolio has, however, experienced negative rental reversions and a resetting of rentals. Occupancy in the industrial sector has remained stable, with a number of our industrial buildings 100% occupied. Rental on a like-for-like basis, before COVID-19 rental discounts, decreased by 4.5% due to negative rental reversions. We believe that market rentals have reset and that this sector will perform well going forward.

Specialised and other

This sector, which consists of Healthcare, Auto dealerships, Hotels, Education facilities and Places of worship, has been impacted by the after effects of the lockdown. In particular, hotels have found it difficult to return to pre-COVID-19 operating levels, with events and conferences in person still under pressure, and many of these still being held virtually. At this stage it is not clear when this sector will return to pre-COVID-19 levels. Although Educational facilities and Places of worship are experiencing increased student numbers and congregants respectively, they have experienced tough trading conditions and are only now emerging from the impact of the pandemic. We are seeing an improvement, especially in Places of worship and some colleges, with new enquiries and improved collections from these two sectors.

Collections

The table below illustrates the collections as a percentage of total billings for the six-month period to 28 February 2022:

	Total %	Commercial %	Residential %
September 2021	90.7	90.9	90.2
October 2021	101.2	102.8	95.8
November 2021	106.2	107.7	100.9
December 2021	99.1	100.8	93.3
January 2022	93.6	95.4	87.2
February 2022	110.7	109.5	114.9
Average for the period	100.3	101.2	97.0

The collections in September 2021 were negatively impacted by the civil unrest. Although Octodec's properties were not directly impacted, the impact of the unrest on the economy impacted Octodec's collections during this period. The collections in December and January are generally lower and are in line with prior years, mainly due to the lower trading volumes during the holiday season when student tenants go back home and businesses close for the holidays.

Arrears

Tenant arrears have improved from August 2021 and are currently at 4.8% of rental income (FY2021: 5.6%). Tenant arrears and the expected credit loss were as follows:

	Commercial tenants R'000	Residential tenants R'000	Total R'000
February 2022			
Amount owing	83 892	16 382	100 274
Expected credit loss (ECL)	29 850	9 278	39 128
% ECL on amount owing	35.6%	56.6%	39.0%
August 2021			
Amount owing	97 712	14 520	112 232
Expected credit loss (ECL)	28 022	10 986	39 008
% ECL on amount owing	28.7%	75.7%	34.8%

The above percentages remain well within the board's risk tolerance levels.

Investment property

Given the current economic climate, Octodec has not undertaken any significant new developments but has focused on maintaining and carrying out smaller upgrades of properties, as well as bringing new offerings to the market.

Against this backdrop, Octodec is currently refurbishing Plaza Place and Royal Place, two mixed-use residential and retail buildings in the Johannesburg CBD, by upgrading the common and entertainment areas to ensure that these properties remain relevant and attractive to both existing and prospective residential tenants. We have also embarked on a new offering of shared and/or furnished accommodation, which is directed at the lower income tenant, providing an alternative to the current offering. In addition to the above-mentioned initiatives, we have upgraded and repurposed the retail space at Inner Court for Mr Price and OK Furnishers as well as at The Park for a new tenant, Apple Tree, and built a new drive-through KFC at Waverley Plaza. Furthermore, to improve our electricity consumption and contain costs, a number of energy management projects have been carried out at some of our buildings.

Commentary *continued*

Commitments

As at 28 February 2022, the group had commitments of R78.7 million (FY2021: R23.7 million) in respect of approved and committed capital expenditure relating to refurbishment of properties, including the upgrade of Shoprite-Lilian Ngoyi Street in Tshwane, committed tenant installations and property contracts. These developments will be financed by way of existing unutilised banking facilities, and undistributed cash retained in the business.

Disposals

With the easing of COVID-19 lockdown restrictions, we have seen an improvement in the conclusion of sales of properties previously identified for sale. Against this backdrop, Octodec has sold and transferred 12 properties for a total net consideration of R121.6 million, details of which are set out below:

Already transferred

Property name	Transfer date	Proceeds R'000	Sector
North Place	September 2021	9 450	Residential and retail
Kings City Parkade	November 2021	46 590	Parking and retail
181 Industrial	November 2021	23 428	Industrial
Ou Holland	November 2021	7 708	Residential and retail
Eight other smaller properties	September 2021 to February 2022	34 391	Industrial, retail, office and residential
		121 567	

The above properties were sold at an exit yield of 9.4% and at a loss to carrying value of R5.3 million.

Unconditional sale agreements

Sale agreements in respect of five properties for a total gross consideration of R120.5 million have been concluded and transfer is expected before the end of the financial year.

Investment property valuations

The property portfolio consisting of 254 buildings, including the Joint Venture, was internally valued at R11.0 billion in February 2022 (FY2021: R11.2 billion).

In line with the group accounting policy, the entire portfolio is valued internally every six months and one third of the buildings are valued externally every year, with half thereof valued externally in February and the remaining half in August.

The internal valuation method, which is based on the capitalisation of income, has remained unchanged from the prior period with minimal changes to the valuation inputs such as expense ratios, vacancy factors and the capitalisation rate. Further information on the valuation of the portfolio can be found on pages 15 to 17 of this report.

Borrowings and cash flow management

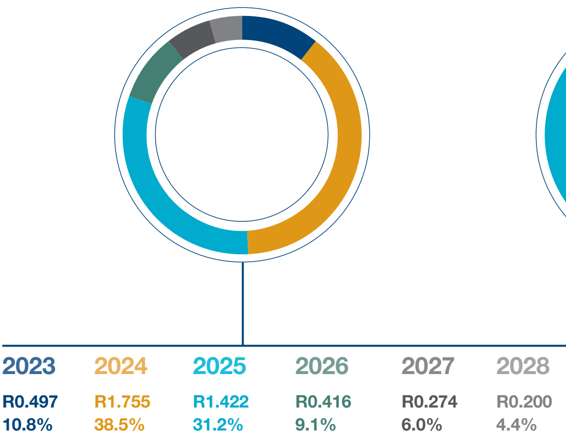
	Unaudited 28 February 2022 R'000	Weighted average interest rate per annum %	Audited 31 August 2021 R'000	Weighted average interest rate per annum %
Bank loans	3 866.4	6.3	4 007.4	5.7
Domestic Medium-Term Note (DMTN) Programme				
– Unsecured	330.3	6.1	306.7	5.5
– Secured	367.5	6.2	367.4	5.6
Total borrowings	4 564.2	6.3	4 681.5	5.7
Cost of swaps		2.0		2.8
Total cost of borrowings		8.3		8.5

Octodec has applied the proceeds from the disposal of properties as well as the repayment of the loan by the joint venture partner to reduce bank loans. In addition, a loan of R100.0 million maturing in May 2022 was repaid on 1 March 2022, and a loan of R194.0 million, maturing in August 2022 will be repaid on or before maturity. A further two loans maturing in August 2022, totalling R770.1 million, have been refinanced with new facilities amounting to R844.0 million, with periods ranging from three to five years. Octodec had unutilised available banking facilities and cash amounting to R541.2 million at 28 February 2022 (FY2021: R359.1 million).

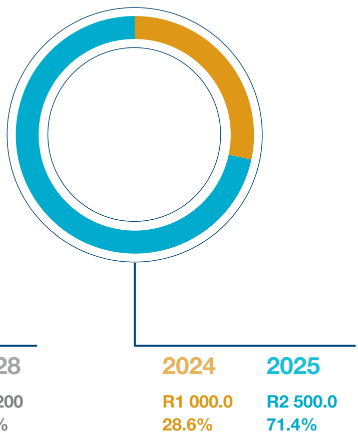
The weighted average term to expiry of the loans is 1.6 years (FY2021: 1.9 years) before the refinancing of the above loans that expire in August 2022, and 2.5 years taking into account the refinancing. The group's LTV as at 28 February 2022 was 41.0% (FY2021: 43.2%), well within our guidance range and our covenant levels of 50%, despite the decrease in the value of our property portfolio.

As at 28 February 2022, 76.7% of Octodec's borrowings were hedged (FY2021: 96.1%) with a weighted average term of 2.5 years (FY2021: 2.7 years). The all-in average weighted interest cost of borrowings is 8.3% per annum (FY2021: 8.5%).

Loan expiry profile (R'billion and %)



Interest rate derivatives expiry profile (R'billion and %)



Commentary *continued*

Octodec participates in a DMTN Programme through its subsidiary, Premium Properties Ltd. As at 28 February 2022, the total unsecured listed issuance was at R330.3 million or 7.2% (FY2021: R306.7 million or 6.6%) and total unlisted secured issuance was at R367.5 million or 8.1% (FY2021: R367.4 million or 7.9%) of the group's borrowings. Global Credit Ratings' long and short-term national scale ratings have remained unchanged from the prior year at A-(ZA) and A2(ZA) respectively, with a negative outlook.

Covenants

		Actual		
	Required	**Funder 1**	**Funder 2**	**Funder 3**
Group interest cover ratio – total portfolio (times)	Minimum – 2.0		2.25	
Interest cover ratio by secured property to lender (times)	Minimum – 1.8 – 2.0	2.9	3.5	3.6
LTV ratio – total portfolio (%)	Maximum – 50		41.0	
LTV ratio by secured property to lender (%)	Maximum – 50 – 55	42.5	44.7	48.4

Vacancies

Vacancies as a percentage of gross lettable area (GLA) in the Octodec portfolio, including properties held for redevelopment, have remained largely unchanged at 22.6% compared to 22.8% at 31 August 2021. The group's core vacancies, which exclude the GLA relating to properties held for redevelopment or disposal, decreased from 16.2% at 31 August 2021 to 15.8% at 28 February 2022.

The residential sector reflected a small decrease in vacancies, when compared to August 2021. However, February is generally a period of high vacancies in the Octodec portfolio due to exposure to the student market in certain of our residential buildings. When comparing the residential vacancy to the vacancy as at February 2021, it reflects an improvement of 36.6% from 24.3% at February 2021 to 15.4% at 28 February 2022. The occupancy level improved considerably both at The Fields, with the take up of shared/furnished accommodation by the students, and at Kempton Place through the increased activity at OR Tambo International Airport, with both ex- and new tenants returning to take up occupation at Kempton Place. The residential vacancies decreased to 10% in March 2022, following a period of increased leasing activity during the month of February 2022.

Despite pressure on rental income in the industrial sector, the vacancies have decreased from 11.7% at 31 August 2021 to 9.9% at 28 February 2022.

Retail shopping centre core vacancies also improved from 7.3% at 31 August 2021 to 6.0% at 28 February 2022, with our convenience shopping centres, being well let.

Octodec owns office properties with 105 492m^2 (FY2021: 105 541m^2) of mothballed space. In the current economic climate, it is not feasible to develop or convert these office properties and Octodec is pursuing the disposal of some of these properties.

Vacancies by sector	GLA m²	Total vacancies %	Properties held for redevelopment or disposal	Core vacancies %
28 February 2022				
Residential	415 536	15.4	–	15.4
Commercial				
Retail – street shops	304 195	18.5	–	18.5
Retail – shopping centres	97 440	6.3	(0.3)	6.0
Offices	418 061	48.8	(25.2)	23.6
Industrial	214 201	10.4	(0.5)	9.9
Specialised and other				
Educational facilities	64 299	–	–	–
Healthcare facilities	36 446	16.8	(1.2)	15.6
Places of worship	15 413	–	–	–
Auto dealerships	12 624	–	–	–
Hotels	13 458	–	–	–
Total	1 591 673	22.6	(6.8)	15.8
31 August 2021				
Residential	419 094	15.9	–	15.9
Commercial				
Retail – street shops	310 818	18.4	–	18.4
Retail – shopping centres	97 530	7.6	(0.3)	7.3
Offices	420 192	48.8	(25.2)	23.6
Industrial	235 204	12.0	(0.3)	11.7
Specialised and other				
Educational facilities	63 938	–	–	–
Healthcare facilities	36 884	16.6	(1.2)	15.4
Places of worship	12 739	–	–	–
Auto dealerships	11 707	–	–	–
Hotels	13 458	–	–	–
Total	1 621 564	22.8	(6.6)	16.2

Commentary *continued*

Lease expiry profile

The leases concluded with a large percentage of our tenants are typically of a short-term nature, where lease periods are generally for a period of 12 months. This has been a consistent characteristic of our portfolio since inception and forms part of our strategy. This is especially typical of the residential market and leases with small to medium-sized enterprises.

	By rental income (%)				
	Feb 2023	**Feb 2024**	**Feb 2025**	**Feb 2026**	**Feb 2027 and beyond**
Residential	99.8	0.2	–	–	–
Commercial					
Retail					
Retail – shops	50.0	19.0	17.4	6.5	7.1
Retail – shopping centres	27.5	19.0	17.1	25.7	10.7
Offices	74.8	13.0	4.9	5.2	2.1
Industrial	59.5	22.4	14.8	1.4	1.9
Specialised and other					
Educational facilities	58.7	11.7	16.5	10.2	3.0
Healthcare facilities	29.4	15.2	43.5	0.7	11.2
Places of worship	76.7	22.2	1.1	–	–
Auto dealerships	20.2	79.8	–	–	–
Hotels	92.4	–	–	7.6	–
Total commercial	53.5	18.0	14.4	8.5	5.6
Total commercial and residential	67.8	12.5	10.0	5.9	3.8

	By GLA m² (%)					
	Feb 2023	**Feb 2024**	**Feb 2025**	**Feb 2026**	**Feb 2027 and beyond**	**Vacant at Feb 2022**
Residential	84.3	0.1	–	0.2	–	15.4
Commercial						
Retail						
Retail – shops	41.8	14.8	13.0	5.3	6.5	18.5
Retail – shopping centres	23.8	15.5	11.4	29.1	13.9	6.3
Offices	36.7	7.0	3.2	2.7	1.5	48.8
Industrial	54.2	20.6	10.6	2.1	2.1	10.4
Specialised and other						
Educational facilities	58.3	12.0	16.3	10.9	2.5	–
Healthcare facilities	20.5	9.3	45.2	0.4	7.8	16.8
Places of worship	68.9	13.2	9.0	8.9	–	–
Auto dealerships	29.2	70.8	–	–	–	–
Hotels	72.8	–	–	27.2	–	–
Total commercial	41.6	13.2	9.8	6.2	4.1	25.1
Total commercial and residential	52.7	9.8	7.2	4.6	3.0	22.7

Changes to the composition of the board

Mr Gerard Kemp stepped down from the board of directors of Octodec (the "board") with effect from the annual general meeting held on 4 February 2022. The board thanks Mr Kemp for his invaluable contribution to both the board and the company since his appointment in October 2013, in his role as an independent non-executive director, as a member of numerous board committees and as chair of the social, ethics, remuneration and transformation committee. The board wishes him all the best in his future endeavours.

Dividend declaration

The board of Octodec has declared a cash dividend of 50.00000 cents per share for the six months ended 28 February 2022, payable out of the company's distributable income.

The salient dates relating to the final dividend are as follows:	2022
Last day to trade cum dividend	Tuesday, 24 May
Shares trade ex dividend	Wednesday, 25 May
Record date	Friday, 27 May
Payment date	Monday, 30 May

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 May 2022 and Friday, 27 May 2022, both days inclusive.

In accordance with Octodec's status as a REIT, shareholders are advised that the interim dividend of 50.00000 cents per share meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (the **"Income Tax Act"**) with the result that:

- dividends received by South African resident Octodec shareholders must be included in the gross income of such shareholders (as a non-exempt dividend in terms of section 10(1)(k)(i)(aa) of the Income Tax Act), with the effect that the dividends are taxable as income in the hands of the Octodec shareholder. These dividends are, however, exempt from dividends withholding tax, provided that the South African resident shareholders provided the following forms to their Central Securities Depository Participant (**"CSDP"**) or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
  - a declaration that the distribution 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 cease to be the beneficial owner;

  both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Commentary *continued*

- dividends received by non-resident Octodec shareholders will not be taxable as income and instead will be treated as ordinary dividends, but which are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. It should be noted that dividends received by non-residents are subject to dividends withholding tax at a rate of 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (**"DTA"**) between South Africa and the country of residence of the shareholder. Assuming dividends withholding tax will be withheld at a rate of 20%, the net distribution amount due to non-resident shareholders is 40.00000 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied upon if the non-resident holder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:
  - a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
  - a written undertaking to inform their CSDP, broker or the company, 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 Service. Non-resident holders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Shareholders are further advised that the issued capital of Octodec at the date of declaration of the final dividend is 266 197 535 shares of no par value, and Octodec's tax reference number is 9925/033/71/5.

Prospects

Octodec has experienced an increase in residential leasing activity with reduced vacancies in the residential portfolio during February and March 2022. We believe this will positively impact the group's results in the second half of the year. Furthermore, we continue to roll out the measures previously introduced to other residential buildings, rendering them a more attractive proposition for prospective tenants. Although there has been a continued downward resetting of rentals across the sectors, it is pleasing to see that, from an Octodec perspective, several renewals are being concluded at increased rentals. We continue to experience demand from large retailers for space in the Johannesburg and Tshwane CBDs. Octodec's office sector, predominantly occupied by parastatals and SMMEs, is stable, but we do not expect growth from this sector in the short-term due to the current oversupply of office space. Above-inflation increases in administered property costs and the limited ability to pass these increased costs on to tenants, remain a concern.

At the same time, the local macro environment remains a cause for concern and with GDP expected to grow at under 2% for the foreseeable future, we do not anticipate significant growth in rental income, while inflation is expected to increase, impacting costs and ultimately our net property income.

Concerns around global inflation and rising interest rates continue to dominate economic forecasts, and the breakout of the war between Russia and Ukraine has created further uncertainty.

Given the current weak economic environment and an uncertain political climate, the board will, at this stage, not be providing any guidance on distributable income and dividends for the second half of FY2022.

Sharon Wapnick
Chairman

Jeffrey Wapnick
Managing Director

6 May 2022

Notes to the condensed consolidated interim financial statements

Basis of preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act, No 71 of 2008. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, the South African Institute of Chartered Accountants 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 audited financial statements for the year ended 31 August 2021.

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.

The directors have considered the cash flow projections to 31 August 2023 and, in light thereof, the directors believe that the company and its subsidiaries have adequate resources to continue in operation for the ensuing 12-month period.

These unaudited condensed consolidated interim financial statements were prepared under the supervision of A Vieira CA(SA) in her capacity as group financial director and have not been reviewed or reported on by Octodec's auditors.

Fair value measurement

The group measures investment properties as well as interest rate swaps at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed when the carrying value of these instruments does not reasonably approximate their fair value at the reporting date.

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 is 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)

Notes to the condensed consolidated interim financial statements *continued*

	Unaudited 28 February 2022		Unaudited 28 February 2021		Audited 31 August 2021	
	Level 2 R'000	Level 3 R'000	Level 2 R'000	Level 3 R'000	Level 2 R'000	Level 3 R'000
Derivative financial instruments						
Liabilities	66 221		214 325		200 078	
Non-financial instruments						
Investment property		10 767 800		11 146 800		10 985 400
Investment property held for sale		173 400		135 500		147 700

Transfers between levels

There have been no transfers made between Levels 1, 2 or 3 during the period under review. The judgements regarding the valuations and the inputs into the calculations have changed, but the methodology used has remained unchanged from the previous reporting period.

Financial instruments

Financial instruments include interest rate swaps which are measured at fair value through profit and loss.

The fair values of the interest rate swaps are determined on a mark-to-market valuation 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 South African swap curve.

Classification of financial instruments	Fair value through profit or loss R'000	At amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
ASSETS				
28 February 2022 (unaudited)				
Accounts receivable and prepayments	–	114 669	20 813	135 482
Cash and bank balances	–	159 025	–	159 025
28 February 2021 (unaudited)				
Loan receivable	–	62 400	–	62 400
Accounts receivable and prepayments	–	116 750	17 836	134 586
Cash and bank balances	–	25 340	–	25 340
31 August 2021 (audited)				
Loan receivable	–	73 429	–	73 429
Accounts receivable and prepayments	–	139 815	26 294	166 109
Cash and bank balances	–	58 358	–	58 358

Classification of financial instruments	Fair value through profit or loss R'000	At amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
LIABILITIES				
28 February 2022 (unaudited)				
Borrowings	**–**	**4 564 194**	**–**	**4 564 194**
Derivative financial instruments	**66 221**	**–**	**–**	**66 221**
Trade and other payables	**–**	**327 670**	**63 692**	**391 362**
29 February 2021 (unaudited)				
Borrowings	–	4 811 101	–	4 811 101
Derivative financial instruments	214 325	–	–	214 325
Trade and other payables	–	325 683	93 320	419 003
Bank overdraft	–	3 169	–	3 169
31 August 2021 (audited)				
Borrowings	–	4 681 553	–	4 681 553
Derivative financial instruments	200 078	–	–	200 078
Trade and other payables	–	343 572	87 683	431 255

Investment property

Investment properties are valued bi-annually by the internal finance dedicated valuations team at City Property, and the portfolio valuation is reviewed and approved by the board. In terms of the JSE Listings Requirements, all the properties are valued by external independent valuers at least once over a rolling three-year period. In the current period 41 properties, representing 9.1% of the portfolio, with a carrying amount of R1.0 billion were externally valued.

The portfolio was valued by the following valuers who are all registered valuers in terms of section 19 of the Property Valuers Profession Act, No 47 of 2000 and have extensive experience in property valuations.

Entity	Valuator	Qualifications
Jones Lang LaSalle	Joshua Askew	FRICS
Mills Fitchet Global	William Hewitt	NDPV, MIEA, FIVSA, RICS Registered Valuer
Gert van Zyl Valuations	Gerhardus Jacobus van Zyl	Professional Associate Valuer
Premium Valuation Services	Yusuf Vahed	Professional Valuer

Jones Lang LaSalle and Mills Fitchet Global valued the properties using the discounted cash flow method and Gert van Zyl Valuations valued the properties using the capitalisation of income method. Premium Valuation Services applied a combination of the discounted cash flow and capitalisation of income method. The entire property portfolio was also internally valued using the capitalisation of income method.

Valuation of investment property is subject to a significant amount of judgement and estimation and any change in assumptions and estimations will result in different property values. Due to the mixed use of many properties, it is not possible to summarise the inputs by sector. To provide more insight into the valuations, we have set out below the valuation input ranges and number of buildings and values within the ranges.

Notes to the condensed consolidated interim financial statements *continued*

The following unobservable inputs were used by the group at 28 February 2022:

	Number of properties	Fair value R'000	Weighted average capitalisation rate %	Weighted average long-range vacancy factor %	Weighted average expense ratio %
28 February 2022 (unaudited)					
Capitalisation rate					
8.25% – 8.75%	5	1 675 700	8.7	9.3	29.5
9.00% – 10.00%	78	5 570 900	9.6	6.7	30.9
10.25% –11.50%	150	3 313 300	10.6	9.7	27.3
Greater than 11.50%	10	156 600	12.2	17.7	26.9
Total	243	10 716 500	9.8	8.3	29.5
Long-range vacancy factor					
1.00% – 5.00%	110	4 517 800	9.8	3.1	26.5
6.00% – 10.00%	85	3 990 000	9.8	8.3	32.5
11.00% – 15.00%	23	1 490 300	9.6	13.6	29.0
Greater than 15.00%	25	718 400	10.7	21.8	31.0
Total	243	10 716 500	9.8	8.3	29.5
Expense ratio					
6.00% – 15.00%	14	315 700	10.1	2.7	10.8
15.01% – 25.00%	68	1 906 200	10.2	6.4	20.8
25.01% – 35.00%	119	6 896 000	9.7	8.6	30.4
Greater than 35.00%	42	1 598 600	9.8	9.6	37.4
Total	243	10 716 500	9.8	8.3	29.5
28 February 2021 (unaudited)					
Capitalisation rate					
8.50% – 8.75%	6	2 038 700	8.7	9.9	31.2
9.00% – 10.00%	82	5 432 000	9.7	7.6	29.3
10.25% –11.50%	156	3 214 300	10.6	8.5	25.9
Greater than 11.50%	9	201 000	12.0	21.9	27.5
Held for sale	2	47 100	12.2	10.0	20.3
Total	255	10 933 100	9.8	8.7	28.5
Long-range vacancy factor					
1.00% – 5.00%	100	3 677 100	9.8	3.2	25.3
6.00% – 10.00%	105	4 947 900	9.8	8.2	30.7
11.00% –15.00%	30	1 038 600	10.3	14.0	27.6
Greater than 15.00%	18	1 222 400	9.6	19.2	29.9
Held for sale	2	47 100	12.2	10.0	20.3
Total	255	10 933 100	9.8	8.7	28.5
Expense ratio					
6.00% – 15.00%	17	403 500	10.3	5.0	12.6
15.01% – 25.00%	79	2 146 400	10.2	6.3	20.7
25.01% – 35.00%	120	6 910 700	9.8	9.3	29.8
Greater than 35.00%	37	1 425 400	9.6	9.5	36.6
Held for sale	2	47 100	12.2	10.0	20.3
Total	255	10 933 100	9.8	8.7	28.5

	Number of properties	Fair value R'000	Weighted average capitalisation rate %	Weighted average long-range vacancy factor %	Weighted average expense ratio %
31 August 2021 (audited)					
Capitalisation rate					
8.25%	1	64 800	8.3	2.0	29.7
8.50% – 8.75%	3	1 342 400	8.7	10.1	30.2
9.00% – 10.00%	82	6 004 800	9.6	7.1	30.6
10.25% – 11.50%	157	3 230 300	10.6	9.2	26.9
Greater than 11.50%	10	160 800	12.2	17.7	27.3
Total	253	10 803 100	9.8	8.2	29.4
Long-range vacancy factor					
1.00% – 5.00%	108	4 428 400	9.8	3.1	26.6
6.00% – 10.00%	95	4 112 500	9.8	8.3	32.1
11.00% – 15.00%	27	1 599 900	9.7	13.8	28.5
Greater than 15.00%	23	662 300	10.7	21.7	31.0
Total	253	10 803 100	9.8	8.2	29.4
Expense ratio					
6.00% – 15.00%	14	247 900	10.2	2.9	12.3
15.01% – 25.00%	72	2 048 400	10.2	6.4	20.7
25.01% – 35.00%	120	6 888 000	9.7	8.7	30.2
Greater than 35.00%	47	1 618 800	9.7	9.4	37.2
Total	253	10 803 100	9.8	8.2	29.4

The balance of the portfolio of 11 properties with a carrying value of R224.7 million (28 February 2021: 19 properties valued at R349.2 million and 31 August 2021: 14 properties valued at R330.0 million) represents properties held for sale, land, or mothballed properties. Where a firm offer has been received, the properties were valued at the offer consideration less costs to sell. Land and mothballed buildings have been valued using bulk or land rates determined from sales of similar properties and adjusted downwards for the impact of the current economic climate.

Sensitivity to changes in valuation inputs

The significant unobservable inputs used in the fair value measurement of the group's investment properties are the capitalisation rate, the expense ratio, and the long-range vacancy factor. Significant increases/decreases in any of the above inputs in isolation will result in a lower/higher fair value measurement. The effect of changes in these inputs is set out below:

	Unaudited 28 February 2022 R'000	Unaudited 28 February 2021 R'000	Audited 31 August 2021 R'000
1% increase in capitalisation rates, while all other inputs remain constant	**(991 559)**	(1 007 255)	(999 170)
1% decrease in capitalisation rates, while all other inputs remain constant	**1 216 238**	1 235 028	1 225 405
2% increase in long-range vacancy factor, while all other inputs remain constant	**(234 008)**	(239 210)	(235 956)
2% decrease in long-range vacancy factor, while all other inputs remain constant	**234 008**	239 210	235 956
2% increase in expense ratio, while all other inputs remain constant	**(304 429)**	(305 744)	(306 405)
2% decrease in expense ratio, while all other inputs remain constant	**304 429**	305 744	306 405

Notes to the condensed consolidated interim financial statements *continued*

Carrying value and movement in investment property

	Unaudited 28 February 2022 R'000	Unaudited 28 February 2021 R'000	Audited 31 August 2021 R'000
Opening balance	**11 133 100**	11 764 010	11 764 010
Fair value changes	**(77 744)**	(502 031)	(641 050)
Straight-line rental income accrual	**(4 651)**	(3 203)	(4 353)
Depreciation and amortisation	**(4 677)**	(6 777)	(12 698)
Acquisitions, disposals and other movements			
Developments and subsequent expenditure	**22 650**	36 901	71 198
Disposals (carrying value)	**(126 800)**	(6 600)	(44 007)
Reclassification to furniture, fittings and equipment	**(678)**	–	–
Investment property at fair value	**10 941 200**	11 282 300	11 133 100
Represented by:			
Investment property	**10 656 230**	11 028 513	10 866 380
Plant and equipment	**–**	797	726
Straight-line rental income accrual	**88 524**	95 088	93 626
Unamortised tenant installations and lease costs	**23 046**	22 402	24 668
	10 767 800	11 146 800	10 985 400
Investment property held for sale	**173 400**	135 500	147 700
Investment property at fair value	**10 941 200**	11 282 300	11 133 100

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 members of the Wapnick family have beneficial interests in both companies.

Total payments made to City Property, in terms of the asset and property management agreement, amounted to R101.9 million (28 February 2021: R92.6 million)*. This included fees for collections, leasing, property and asset management, commission on acquisitions and disposals, upgrades, and developments as well as repairs. Octodec received R5.1 million (28 February 2021: R4.8 million) from City Property in respect of rent and operating costs recovered.

Related party balances	**Unaudited 28 February 2022 R'000**	Unaudited 28 February 2021 R'000	Audited 31 August 2021 R'000
Amount due to City Property	**3 532**	2 020	3 364

* *The amounts paid to City Property include VAT to the extent that VAT has not been claimed as input, so as to agree to the amounts disclosed in the statement of profit and loss and statement of financial position*

Events after the reporting date

The following events have taken place subsequent to period end:

- A loan of R100 million maturing in May 2022 has been settled in full
- A dividend of 50.0 cents per share, totalling R133 098 768, has been declared to be paid to shareholders on 30 May 2022

Consolidated statement of financial position

	Unaudited 28 February 2022 R'000	Restated* unaudited 28 February 2021 R'000	Audited 31 August 2021 R'000
ASSETS			
Non-current assets	**10 794 636**	11 170 835	11 009 010
Investment property	**10 656 230**	11 028 513	10 866 380
Plant and equipment	**–**	797	726
Straight-line rental income accrual	**88 524**	95 088	93 626
Unamortised tenant installations and lease costs	**23 046**	22 402	24 668
Fair value of investment property	**10 767 800**	11 146 800	10 985 400
Furniture, fittings and equipment	**611**	–	–
Interest in and loan to joint venture	**26 225**	24 035	23 610
Current assets	**296 326**	222 326	297 896
Accounts receivable and prepayments	**135 482**	134 586	166 109
Loan receivable	**–**	62 400	73 429
Cash and bank balances	**159 025**	25 340	58 358
Taxation receivable	**1 819**	–	–
Non-current assets held for sale	**173 400**	135 500	147 700
	11 264 362	11 528 661	11 454 606
EQUITY AND LIABILITIES			
Equity	**6 089 173**	5 963 081	5 982 911
Stated capital	**4 210 134**	4 210 134	4 210 134
Non-distributable reserve	**1 226 954**	1 333 060	1 194 706
Retained income	**652 085**	419 887	578 071
Non-current liabilities	**4 260 550**	4 559 284	2 884 318
Long-term borrowings	**4 067 264**	4 366 808	2 664 050
Derivative financial instruments	**54 160**	74 517	85 329
Lease liabilities	**10 944**	10 969	10 957
Deferred taxation	**128 182**	106 990	123 982
Current liabilities	**914 639**	1 006 296	2 587 377
Short-term borrowings	**496 930**	444 293	2 017 503
Trade and other payables	**391 362**	419 003	431 255
Bank overdraft	**–**	3 169	–
Lease liabilities	**26**	23	24
Taxation payable	**14 260**	–	23 846
Derivative financial instruments	**12 061**	139 808	114 749
	11 264 362	11 528 661	11 454 606

* *The group has previously erroneously classified interest rate swaps as long and short-term based on the maturity of the derivative instrument and not based on the payments to be made within the next 12 months. This was corrected in August 2021, and the February 2021 comparative amount of R139.8 million has been reclassified from long-term to short-term accordingly.*

Consolidated statement of profit and loss and other comprehensive income

	Unaudited 28 February 2022 R'000	Unaudited 28 February 2021 R'000	Audited 31 August 2021 R'000
Revenue	**939 699**	895 513	1 834 313
earned on contractual basis	**944 866**	924 776	1 869 511
COVID-19 rental discount	**(516)**	(26 060)	(30 845)
earned on contractual basis net of COVID-19 rental discounts	**944 350**	898 716	1 838 666
straight-line rental income accrual	**(4 651)**	(3 203)	(4 353)
Property expenses	**(478 479)**	(450 211)	(934 764)
Expected credit loss – accounts receivable	**(19 350)**	(22 821)	(40 899)
Property income	**441 870**	422 481	858 650
Administrative and corporate expenses	**(38 612)**	(36 626)	(75 420)
Fair value changes	**39 728**	(390 638)	(515 411)
investment property	**(77 744)**	(502 031)	(641 050)
interest rate derivatives	**117 472**	111 393	125 639
Loss on sale of investment property	**(5 330)**	(109)	(7 945)
Impairment of loan receivable	**–**	(1 187)	10 250
Share of income from joint venture	**3 518**	2 924	3 701
share of after tax profit	**1 466**	1 509	1 748
share of fair value gains	**2 052**	1 415	1 224
interest received	**–**	–	729
Profit/(loss) before finance costs	**441 174**	(3 155)	273 825
Net finance costs	**(183 349)**	(191 492)	(388 914)
finance income	**7 048**	6 409	14 153
finance costs	**(190 397)**	(197 901)	(403 067)
Profit/(loss) before taxation	**257 825**	(194 647)	(115 089)
Taxation	**(18 464)**	(2)	(59 730)
current	**(14 262)**	–	(42 737)
deferred	**(4 202)**	(2)	(16 993)
Profit/(loss) for the period and total comprehensive income attributable to shareholders	**239 361**	(194 649)	(174 819)
Weighted shares in issue – ('000)	**266 198**	266 198	266 198
Shares in issue ('000)	**266 198**	266 198	266 198
Basic and diluted income/(loss) per share (cents)	**89.9**	(73.1)	(65.7)

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 2020 (audited)	4 210 134	1 723 581	490 213	6 423 928
Total comprehensive loss for the period	–	–	(194 649)	(194 649)
Dividends paid	–	–	(266 198)	(266 198)
Transfer to non-distributable reserve				
Loss on sale of investment property	–	(109)	109	–
Deferred tax	–	(2)	2	–
Expected credit loss – loans receivable	–	(1 187)	1 187	–
Fair value changes				
investment property	–	(502 031)	502 031	–
investment property – joint ventures	–	1 415	(1 415)	–
unlisted equity shares	–	–	–	–
interest rate derivatives (net of deferred tax)	–	111 393	(111 393)	–
Balance at 28 February 2021 (unaudited)	4 210 134	1 333 060	419 887	5 963 081
Total comprehensive income for the period	–	–	19 830	19 830
Transfer to non-distributable reserve				
Loss on sale of investment property	–	(7 836)	7 836	–
Deferred tax	–	(16 991)	16 991	–
Reversal of expected credit loss – loans receivable	–	11 437	(11 437)	–
Fair value changes				
investment property	–	(139 019)	139 019	–
investment property – joint ventures	–	(191)	191	–
interest rate derivatives (net of deferred tax)	–	14 246	(14 246)	–
Balance at 31 August 2021 (audited)	4 210 134	1 194 706	578 071	5 982 911
Total comprehensive income for the period	**–**	**–**	**239 361**	**239 361**
Dividends paid	**–**	**–**	**(133 099)**	**(133 099)**
Transfer to non-distributable reserve				
Loss on sale of investment property	**–**	**(5 330)**	**5 330**	**–**
Deferred tax	**–**	**(4 202)**	**4 202**	**–**
Fair value changes				
investment property	**–**	**(77 744)**	**77 744**	**–**
investment property – joint ventures	**–**	**2 052**	**(2 052)**	**–**
interest rate derivatives (net of deferred tax)	**–**	**117 472**	**(117 472)**	**–**
Balance at 28 February 2022 (unaudited)	**4 210 134**	**1 226 954**	**652 085**	**6 089 173**

Consolidated statement of cash flows

	Unaudited 28 February 2022 R'000	Unaudited 28 February 2021 R'000	Audited 31 August 2021 R'000
Cash flows from operating activities			
Cash generated from operations	**403 515**	387 649	776 901
Interest income	**7 048**	6 409	14 153
Finance costs	**(190 967)**	(209 774)	(414 737)
Tax paid	**(25 667)**	–	(18 891)
Dividends paid	**(133 099)**	(266 198)	(266 198)
Net cash flows from operating activities	**60 830**	(81 914)	91 228
Cash flows from investing activities			
Additions to investment property	**(22 289)**	(34 278)	(71 199)
Acquisition of furniture, fittings and equipment	**(18)**		
Repayment of loan receivable	**73 429**	–	721
Payment received from joint venture	**1 500**	2 096	3 000
Payment made to joint venture	**(597)**	–	(1 202)
Proceeds from disposal of investment property	**121 566**	6 491	36 061
Net cash flows from investing activities	**173 591**	(25 691)	(32 618)
Cash flows from financing activities			
Repayment of lease liabilities	**(11)**	(11)	(22)
Settlement of derivatives	**(16 385)**	–	–
Proceeds from borrowings	**411 899**	400 733	559 694
Repayment of borrowings	**(529 257)**	(279 902)	(568 880)
Net cash flows from financing activities	**(133 754)**	120 820	(9 208)
Net increase in cash and bank balances	**100 667**	13 215	49 402
Cash and bank balance at beginning of the period	**58 358**	8 956	8 956
Cash and bank balance at end of the period	**159 025**	22 171	58 358

Reconciliation of profit and loss and other comprehensive income to headline earnings

	Unaudited 28 February 2022 R'000	Unaudited 28 February 2021 R'000	Audited 31 August 2021 R'000
Total comprehensive income/(loss) attributable to shareholders	**239 361**	(194 649)	(174 819)
Headline earnings adjustments			
Loss on sale of investment properties	**5 330**	109	7 945
Fair value changes			
investment property	**77 744**	502 031	641 050
investment property – joint ventures	**(2 052)**	(1 415)	(1 224)
Headline earnings attributable to shareholders	**320 383**	306 076	472 952
Headline and diluted headline earnings per share (cents)	**120.4**	115.0	177.7

Rental income by sector

	Unaudited 28 February 2022 R'000	%	Unaudited 28 February 2021 R'000	%	Audited 31 August 2021 R'000	%
Retail	**242 317**	**34.2**	231 648	33.9	468 887	33.8
Offices	**115 356**	**16.3**	114 663	16.8	230 582	16.6
Residential	**218 981**	**30.9**	206 809	30.2	430 102	31.0
Industrial	**50 745**	**7.2**	53 035	7.8	103 667	7.5
Specialised and other:						
Parking	**32 856**	**4.6**	31 144	4.6	62 308	4.5
Healthcare facilities	**16 687**	**2.4**	15 966	2.3	31 790	2.3
Auto dealerships	**7 204**	**1.0**	7 143	1.0	13 989	1.0
Hotels	**4 770**	**0.7**	5 851	0.9	10 417	0.8
Places of worship	**2 379**	**0.3**	1 835	0.3	3 984	0.3
Educational facilities	**17 296**	**2.4**	15 604	2.3	32 948	2.2
Total rental income	**708 591**	**100.0**	683 698	100.0	1 388 674	100
Straight-line rental income accrual	**(4 651)**		(3 203)		(4 353)	
Recoveries*	**235 759**		215 018		449 992	
Revenue	**939 699**		895 513		1 834 313	

* *Recoveries are not evaluated at sector level*

The group does not have operating segments that meet the definition of IFRS 8, and consequently, no segmental report has been provided. Rental income is, however, grouped into five major operating sectors, based on the type of premises from which the rental is derived and the type of tenant that occupies the premises.

Further sector results cannot be allocated due to the "mixed use" of certain of the properties.

Reconciliation of earnings to distributable earnings

	Unaudited 28 February 2022 R'000	Unaudited 28 February 2021 R'000	Audited 31 August 2021 R'000
Total comprehensive income/(loss) attributable to shareholders	239 361	(194 649)	(174 819)
Loss on sale of investment properties	5 330	109	7 945
Fair value changes			
Investment property	77 744	502 031	641 050
Investment property – joint ventures	(2 052)	(1 415)	(1 224)
Interest rate derivatives	(117 472)	(111 393)	(125 639)
Straight-line rental income accrual	4 651	3 203	4 353
Impairment of loans receivable	–	1 187	(10 250)
Taxation – deferred	4 202	2	16 993
Distributable income attributable to shareholders	211 764	199 075	358 409
Represented by:			
Revenue			
earned on contractual basis	944 350	898 716	1 838 666
Property operating expenses and expected credit loss	(497 829)	(473 032)	(975 663)
Property income	446 521	425 684	863 003
Administrative and corporate expenses	(38 612)	(36 626)	(75 420)
Operating profit	407 909	389 058	787 583
Share of income from joint venture	1 466	1 509	2 477
Profit before finance costs	409 375	390 567	790 060
Net finance costs	(183 349)	(191 492)	(388 914)
Profit before tax	226 026	199 075	401 146
Current tax	(14 262)	–	(42 737)
Distributable income attributable to shareholders	211 764	199 075	358 409

SA REIT ratios

	28 February 2022 R'000	28 February 2021 R'000	31 August 2021 R'000
SA REIT Funds from Operations (SA REIT FFO) per share			
Profit or loss per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	**239 361**	(194 649)	(174 819)
Adjusted for:			
Accounting/specific adjustments:	**(30 875)**	395 030	526 507
Fair value adjustments to:			
Investment property	**77 744**	502 031	641 050
Debt instruments held at fair value through profit or loss	**(117 472)**	(111 393)	(125 639)
Asset impairments (excluding goodwill) and reversals of impairment	**–**	1 187	(10 250)
Deferred tax movement recognised in profit or loss	**4 202**	2	16 993
Straight-lining operating lease adjustment	**4 651**	3 203	4 353
Adjustments arising from investing activities:			
Gains or losses on disposal of:			
Investment property and property, plant and equipment	**5 330**	109	7 945
Other adjustments:			
Adjustments made for equity-accounted entities	**(2 052)**	(1 415)	(1 224)
SA REIT FFO	**211 764**	199 075	358 409
Number of shares outstanding at end of period (net of treasury shares)	**266 198**	266 198	266 198
SA REIT FFO per share (Rand)	**0.80**	0.75	1.35
Company-specific adjustments (per share)	**–**	–	–
SA REIT FFO per share (Rand)	**0.80**	0.75	1.35
SA REIT Net Asset Value (SA REIT NAV)			
Reported NAV attributable to the parent	**6 089 173**	5 963 081	5 982 911
Adjustments:			
Dividend to be declared	**(133 098)**	–	(133 098)
Fair value of certain derivative financial instruments	**66 221**	214 325	200 078
Deferred tax	**128 182**	106 990	123 982
SA REIT NAV	**6 150 478**	6 284 396	6 173 873
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)	**266 198**	266 198	266 198
SA REIT NAV per share (Rand)	**23.10**	23.60	23.20

	28 February 2022 R'000	28 February 2021 R'000	31 August 2021 R'000
SA REIT cost-to-income ratio			
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	478 479	450 211	934 764
Administrative expenses per IFRS income statement	38 612	36 626	75 420
Other expenses, if directly related to property operations, with clear explanations of these items			
Impairment of accounts receivable	19 350	22 821	40 899
Operating costs	536 441	509 658	1 051 083
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	708 591	683 698	1 388 670
Utility and operating recoveries per IFRS income statement	235 759	215 018	449 996
Gross rental income	944 350	898 716	1 838 666
SA REIT cost-to-income ratio	56.8%	56.7%	57.2%
SA REIT administrative cost-to-income ratio			
Expenses			
Administrative expenses as per IFRS income statement	38 612	36 626	75 420
Administrative costs	38 612	36 626	75 420
Contractual rental income per IFRS income statement (excluding straight-lining)	708 591	683 698	1 388 670
Utility and operating recoveries per IFRS income statement	235 759	215 018	449 996
Gross rental income	944 350	898 716	1 838 666
SA REIT administrative cost-to-income ratio	4.1%	4.1%	4.1%
SA REIT GLA vacancy rate			
Gross lettable area of vacant space (m^2)	359 086	403 858	370 507
Gross lettable area of total property portfolio (m^2)	1 591 673	1 632 836	1 621 564
SA REIT GLA vacancy rate	22.6%	24.7%	22.8%

SA REIT ratios *continued*

	28 February 2022 R'000	28 February 2021 R'000	31 August 2021 R'000
Cost of debt			
Variable interest-rate borrowings			
Floating reference rate plus weighted average margin	6.3%	5.7%	5.7%
Pre-adjusted weighted average cost of debt	6.3%	5.7%	5.7%
Adjustments:			
Impact of interest rate derivatives	2.0%	2.9%	2.8%
Amortised transaction costs imputed into the effective interest rate	0.0%	0.0%	0.0%
All-in weighted average cost of debt	8.3%	8.6%	8.5%
SA REIT loan-to-value			
Gross debt	4 564 194	4 811 101	4 681 553
Overdraft	–	3 169	–
Less:			
Cash and bank balance	(136 063)	(311)	(34 079)
Cash and bank balance per statement of financial position	(159 025)	(25 340)	(58 358)
Less: Bank balance held in regard to residential tenant deposits	22 962	25 029	24 279
Add/Less:			
Derivative financial instruments	66 221	214 325	200 078
Net debt	4 494 352	5 028 284	4 847 552
Total assets – per Statement of Financial Position	11 264 362	11 528 661	11 454 606
Less:			
Cash and cash equivalents	(159 025)	(25 340)	(58 358)
Trade and other receivables	(135 482)	(134 586)	(166 109)
Carrying amount of property-related assets	10 969 855	11 368 735	11 230 139
SA REIT loan-to-value ("SA REIT LTV")	41.0%	44.2%	43.2%

Company information

Octodec Investments Limited

Incorporated in the Republic of South Africa
Registration number: 1956/002868/06
JSE share code: OCT
ISIN: ZAE000192258 (Approved as a REIT by the JSE)

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[1] *Non-executive director*
[2] *Executive director*
[3] *Lead independent director*
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> *"The strength of our business is underpinned by our belief in quality and the application of sound property fundamentals"*