2023 INTERIM RESULTS

Octodec INVESTMENTS LIMITED

Unaudited interim results for the six months ended 28 February 2023

Contents

HY2023 Performance highlights

Rental income (R'million)
974.2
(1H2022: 944.4)
3.2%

Like-for-like rental growth
4.1%
(1H2022: 1.2%)
+2.9%

Cash generated from operating activities before dividend payment (R'million)
239.8
(1H2022: 193.9)
23.7%

Net asset value (NAV) per share
R24.01
(2022: R23.1)
3.9%

Loan to value (LTV)#
38.8%
(2022: 39.7%)
2.3 %

All-in annual weighted average cost of funding##
9.0%
(2022: 8.7%)
+30bps

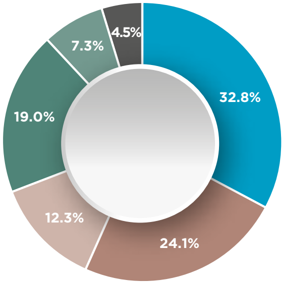
Distributable income after tax (REIT funds from operations) (R'million)
234.5
(1H2022: 211.8)
+10.7%

Distributable income per share (cents)
88.1
(1H2022: 79.6)
+10.7%

Dividend per share (cents)
60.0
(1H2022: 50.0)
+20.0%

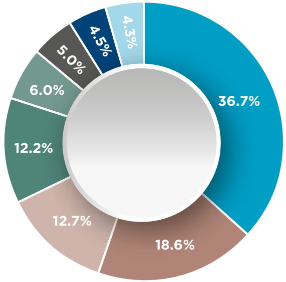
 # Improvement in LTV from 39.7% to 38.8%
Increase in cost of funding by 30bps

Rental income by sector
28 February 2023



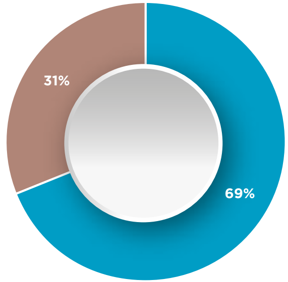
- Residential: 32.8% (1HFY2022: 30.6%)
- Retail – street shops: 24.1% (1HFY2022: 24.7%)*
- Retail – shopping centres: 12.3% (1HFY2022: 12.2%)*
- Offices: 19.0% (1HFY2022: 20.7%)*
- Industrial: 7.3% (1HFY2022: 7.2%)*
- Parking: 4.5% (1HFY2022: 4.6%)*

Rental income by location
28 February 2023



- Tshwane CBD: 36.7% (1HFY2022: 35.9%)
- Johannesburg CBD: 18.6% (1HFY2022: 19.1%)
- Tshwane other areas: 12.7% (1HFY2022: 12.9%)
- Johannesburg and surrounding areas: 12.2% (1HFY2022: 12.1%)
- Tshwane Hatfield: 6.0% (1HFY2022: 6.3%)
- Tshwane Arcadia: 5.0% (1HFY2022: 4.6%)
- Silverton and surrounding areas: 4.5% (1HFY2022: 4.5%)
- Waverley, Gezina, Moot: 4.3% (1HFY2022: 4.6%)

Tshwane versus Johannesburg rental income
28 February 2023



- Tshwane: 69% (1HFY2022: 69%)
- Johannesburg: 31% (1HFY2022: 31%)

* *Restated. Refer to Sector review on page 4*

* *All information on rental income and GLA contained on pages 1 to 16 includes that of our 50% held joint venture*

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 Limited (JSE) with a diversified portfolio of 240 residential, retail, office and industrial properties situated in the major metropolitan areas of Tshwane and Johannesburg. The portfolio, including an equity-accounted joint venture, has a lettable area of 1 536 315m^2 and is valued at R11.1 billion.

Octodec has contracted City Property Administration (Pty) Ltd (City Property) to perform its asset and property management functions. The contract, which expires on 30 June 2023, has been renewed, subject to shareholder approval at a special meeting to be held on a date which will be announced on SENS in due course.

Distributable income

	% change to 28 February 2022	**Unaudited 28 February 2023 R'000**	Unaudited 28 February 2022 R'000	Audited 31 August 2022 R'000
Revenue earned on contractual basis	3.2%	**974 226**	944 350	1 930 520
Property operating expenses and expected credit loss	1.1%	**(503 198)**	(497 829)	(1 013 460)
Net property income	5.5%	**471 028**	446 521	917 060
Administrative and corporate expenses	21.3%	**(46 826)**	(38 612)	(84 614)
Share of income from joint venture	21.3%	**1 778**	1 466	2 465
Distributable profit before finance costs	4.1%	**425 980**	409 375	834 911
Net finance costs	3.2%	**(189 190)**	(183 349)	(369 037)
Distributable profit before tax	4.8%	**236 790**	226 026	465 874
Current tax	(84.1%)	**(2 273)**	(14 262)	193
Distributable income attributable to shareholders	10.7%	**234 517**	211 764	466 067
Weighted average number of shares		**266 197 535**	266 197 535	266 197 535
Distributable income per share	10.7%	**88.1**	79.6	175.1

Dividend

	Unaudited 28 February 2023 Cents per share	Unaudited 28 February 2022 Cents per share
Distributable income per share	88.1	79.6
Distribution per share	60.0	50.0
Growth in distribution HY2023	20.0%	

The board has declared an interim dividend of 60.0 cents per share for the six months ended 28 February 2023 (28 February 2022: 50.0 cents). This represents an increase of 20% on 1HFY2022.

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

Performance review

Despite the difficult economic trading conditions under which businesses in South Africa are operating, it is pleasing to see an increase of 3.2% in revenue year-on-year earned on a contractual basis, to R974.2 million from R944.4 million. This growth has been achieved mainly from the residential portfolio, which has performed exceptionally well, growing at 10.3% for 1HFY2023.

Property operating expenses increased by 1.1%. The small increase in property expenses was attributable largely to a reduction in assessment rates because of the favourable outcome of several municipal appeals, as well as the successful resolution of various municipal accounts under dispute, resulting in credits to the company. Bad debts also decreased to 1.5% of gross revenue compared to 1.9% in the prior period. These gains were, however, offset by a substantial increase in repairs and maintenance costs due to a number of scheduled value-accretive maintenance projects carried out during this period, as well as an increase in generator costs of R6.9 million (1HFY2022: R1.0 million) because of the extensive load shedding experienced during the six months to February 2023.

The cost-to-income ratios are as follows:

	Unaudited 28 February 2023 %	Unaudited 28 February 2022 %	Audited 31 August 2022 %
Property costs			
Gross basis	51.7	52.7	52.5
Net basis (net of recoveries)	35.4	37.0	36.6
Total property and administration costs			
Gross basis	56.5	56.8	56.9
Net basis (net of recoveries)	41.8	42.4	42.4

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 the reversal of certain provisions due to the successful outcome of assessment rate appeals and utility disputes and, as a result, a lower cost-to-income ratio. Octodec has managed to contain most property costs through hands-on management of property expenditure, driving efficiencies where possible, but at the same time ensuring that its buildings remain well maintained and attractive to its tenants.

Included in administrative and corporate expenses is an incentive fee of R6.7 million paid to City Property as a result of City Property achieving its performance hurdle rate for FY2022. Excluding this incentive fee, the administrative costs would have increased by 3.6% to R40.0 million.

Net finance costs have increased by 3.2% from R183.3 million to R189.2 million, attributable to the increase in interest rates. The increase was contained through active cash flow management and lower utilised debt facilities.

Distributable income before tax increased by 4.8% from R226.0 million to R236.8 million and after tax by 10.7% from R211.8 million to R234.5 million. The tax provision in 1HFY2022 was higher because we anticipated a lower dividend distribution for the year to 31 August 2022, due to the uncertainty prevailing during that period.

Sector review

During the last five years, management has reported rental income, GLA and vacancies based on the type of tenant occupying the properties, rather than on the type of property. This resulted in movements between “specialised and other” and office, retail and industrial due to the fact that when a tenant vacated, the GLA was re-allocated to the property type. To avoid these movements, management has reorganised the sectors into five principal sectors based on rental income, namely residential, shops – street shops, shops – shopping centres, office, industrial and parking. No GLA is assigned to parking areas. These sectors remain unchanged, except that the “specialised and other” are now grouped together with the five principal sectors. The comparative amounts have been restated where relevant.

Residential sector

Octodec’s residential income increased 10.4% on a like-for-like basis. This pleasing result was largely due to the improved occupancy maintained throughout 1HFY2023 compared to 1HFY2022, as well as improved rentals obtained during the period. The improved occupancy is attributable to initiatives such as the introduction of shared and/or furnished accommodation at The Fields, the value-add services such as Wi-Fi to tenants in most of our residential buildings and the cashless WashBars at several of our buildings. This, together with focused marketing efforts, has resulted in reduced vacancies in our residential buildings. 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. We have seen improved footfall in the CBDs and, in particular, in the Tshwane CBD, although this has not necessarily translated into improved turnovers for our retail tenants. On a like-for-like basis, rental income increased by 3.2%. This growth was muted due to Standard Bank and Nedbank having vacated from two of our buildings during 1HFY2023.

Octodec’s portfolio of retail shopping centres, which largely comprise convenience shopping centres, continues to perform strongly, with core vacancies at 6.4% and excluding Killarney Mall, is at 0.1%. Rental income from our shopping centres, including Killarney Mall, increased by 3.6% on a like-for-like basis.

Offices

The office sector remains under pressure. Although core vacancies improved slightly, this was achieved at lower rentals, resulting in the decrease in office rental income of 5.4%. Given the oversupply in the office sector, we are actively looking at disposing or converting and repurposing some of our office buildings which are strategically located, in order to extract value from these vacant buildings.

Industrial

Octodec's industrial portfolio consists of smaller warehouses and light industry and has performed relatively well during the period under review. On a like-for-like basis, rental income increased by 7.8% and we are concluding leases at an average increase in rental of 7%, with escalations of between 6% and 7%.

Parking

Although parking forms a small percentage of our rental income, management believes that this sector has potential for growth, given the increased demand we have experienced for parking in our CBDs. Parking income increased by 1.0% and, on a like-for-like basis, by 4.3%.

Collections

The collections for 1HFY2023 have been pleasing, meeting our expectations, and reflecting the stellar work performed by the credit controllers.

	Unaudited 28 February 2023 R'000	Unaudited 28 February 2022 R'000
Billed (including VAT)	**1 087 857**	1 052 156
Collected (including VAT)	**1 064 718**	1 036 118
% collected	**97.9**	98.5

Receivables and expected credit loss

Tenant arrears are currently at 3.9% of rental income (FY2022: 3.3%).

Tenant arrears and the expected credit loss were as follows:

	Commercial tenants R'000	Residential tenants R'000	Total R'000
February 2023 (unaudited)			
Amount owing	**64 914**	**19 017**	**83 931**
Expected credit loss (ECL)	**25 555**	**11 626**	**37 181**
% ECL on amount owing	**39.4%**	**61.1%**	**44.3%**
August 2022 (audited)			
Amount owing	58 062	12 055	70 117
Expected credit loss (ECL)	23 824	8 598	32 422
% ECL on amount owing	41.0%	71.4%	46.2%

The increase in the amount owing from commercial tenants is largely attributable to a tenant who is under business rescue. Management is confident that this debt will be recovered; if not immediately, then on the disposal of the business, which is expected to occur during the current financial year, or shortly thereafter. The remaining arrears relate mainly to tenants in the education and health sectors, who are still recovering from the impact of the lockdown on their businesses. These debts have been fully provided for in prior years and remain impaired.

The increase in the amount owing from residential tenants is largely due to the improved occupancy in January and February 2023, as a result of the commencement of the student academic year, which is in line with prior years. The percentage expected credit loss attributable to residential tenants is considerably higher than for commercial tenants, due to the higher risk of default.

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

Investment property

Octodec has a diversified portfolio of 240 residential, retail, office, industrial properties with a gross lettable area (GLA) of 1 536 315m², valued at R11.1 billion.

Reconciliation of GLA

	m²
GLA at the beginning of the period	1 557 460
Disposal of five properties	(20 383)
Additional GLA built by tenant	500
Remeasurements and GLA lost due to redevelopment	(1 262)
GLA at the end of the period	1 536 315

During the last three years, Octodec has focused on strengthening its balance sheet, positioning it for development and growth. During 2022, management took the strategic decision to retain a portion of its distributable income, which together with the proceeds from the disposal of properties, would be used to refurbish its current portfolio and investigate opportunities for further development and conversions.

Commercial

Pursuant to a project involving the reconfiguration of office space, announced in November 2022 and completed in the reporting period, we achieved an increase in our office occupancy at The Fields and Intersite of approximately 3 000m². The redevelopment of the Shoprite building, located in the Tshwane CBD, was also concluded during this period and Shoprite held its successful opening event during January 2023.

We continue to review our property portfolio with a view to redevelopment or disposal where feasible. Ina Building, a vacant office building which is adjacent to Louis Pasteur Medical Building, will be repurposed into a medical centre offering medical suites to medical specialists and, at the same time, will be linked to Louis Pasteur Medical Building, providing these medical specialists with direct access to the Louis Pasteur Hospital situated therein. This project is expected to be completed in December 2023. At the same time, we are considering the upgrade of the façade and ground floor retail of Louis Pasteur Medical Building and improving the area surrounding the medical precinct.

With the persistent load shedding, management has also focused on providing alternative energy to tenants, through the installation of generators, in shopping centres and certain critical government buildings, allowing them to trade and operate during periods of load shedding. We continue to investigate opportunities to install solar panels at some of our better suited properties that have adequate and appropriate roof space.

Residential

Octodec is currently refurbishing the common and entertainment areas at Vuselela Place, a mixed-use residential and retail building in the Johannesburg CBD. Each year several residential properties are identified for refurbishment in order to ensure that our residential buildings 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. At The Fields, which predominantly caters for student accommodation, we converted a further 182 units into shared and furnished accommodation for the current year intake. The introduction of the WashBar (cashless laundrette) was very well received at The Fields. This concept has been rolled out to Sharon's Place, The Hangar and Jeff's Place and we intend to introduce this to a few other residential properties.

Commitments

As at 28 February 2023, the group had commitments of R15.9 million (FY2022: R78.7 million) in respect of approved and committed capital expenditure relating to refurbishment of properties, committed tenant installations and property contracts. Since period-end, a contract for the refurbishment of Ina Building for an amount of R68 million has been approved. These developments will be financed by way of existing unutilised banking facilities, and undistributed cash retained in the business.

Disposals

The board and management of Octodec are committed to identifying and disposing of those properties that do not yield an acceptable return or that no longer form part of the core operations of the group, and/or are located outside of our investment core nodes. However, concluding the disposal of these smaller properties has been challenging, as the purchasers of these properties require financing which often delays the final transfer of the properties.

During the period, the group sold and transferred five non-core properties at an exit yield of 6.44% and at a loss of R4.7 million or 5.7% to the carrying value of R80.6 million.

Unconditional sale agreements

Sales agreements in respect of three other non-core properties for a total gross consideration of R66.8 million have been concluded as at 28 February 2023, at an average expected exit yield of 9.8%, and transfers are expected before the end of the financial year. The net proceeds are expected to be in line with the carrying value as at 28 February 2023.

Investment property valuations

The property portfolio consisting of 240 buildings, including the joint venture, was internally valued at R11.1 billion in February 2023 (FY2022: R11.0 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 26 to 29 of this report.

Borrowings and cash flow management

	Unaudited 28 February 2023 R'billion	Weighted average interest rate per annum %	Audited 31 August 2022 R'billion	Weighted average interest rate per annum %
Bank loans	3 659	9.6	3 677	7.9
Domestic Medium Term Note (DMTN) Programme				
– Unsecured	330	9.5	330	7.8
– Secured (Standard Bank)	370	9.4	368	7.7
Total borrowings	4 359	9.5	4 375	7.9
Cost of swaps		(0.5)		0.8
Total cost of borrowings		9.0		8.7

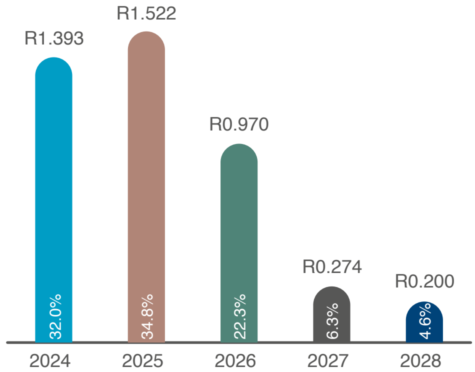
Funders	Unaudited 28 February 2023 R'billion	% of total funding	Audited 31 August 2022 R'billion	% of total funding
Nedbank	1 450	33.2%	1 469	33.6%
Standard Bank	1 629	37.4%	1 627	37.2%
ABSA	950	21.8%	949	21.7%
DMTN Programme	330	7.6%	330	7.5%
	4 359	100.0%	4 375	100.0%

Bank facilities amounting to R2.800 billion and the secured DMTN note amounting to R364 million that expire in the current reporting period and into FY2024 are currently being refinanced with new facilities for a total amount of R2.859 billion for periods ranging from two to five years. This is expected to be completed by the end of the financial year. The group has R670.3 million of unutilised banking facilities and cash on hand at 28 February 2023 (FY2022: R624.0 million).

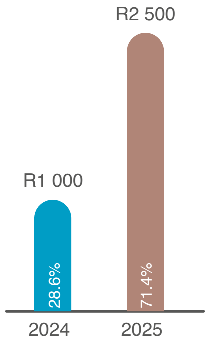
The weighted average term to expiry of the loans is currently 1.7 years (FY2022: 2.1 years) before the refinancing of the above loans, and 2.9 years taking into account the refinancing thereof.

As at 28 February 2023, 80.6% of Octodec's borrowings were hedged (FY2022: 80.0%) with a weighted average term of 1.8 years (FY2022: 2.5 years). A forward-starting swap for an amount of R500 million has been entered into to replace a R500 million swap maturing on 3 October 2023. This will extend the weighted average term to 2.0 years.

Loan expiry profile (R'billion and %)



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



Octodec participates in a DMTN Programme through its subsidiary, Premium Properties Limited. As at 28 February 2023, the total unsecured listed issuance was at R330 million or 7.6% of the total group borrowings (FY2022: R330 million or 7.6%) and the total unlisted secured issuance held with Standard Bank, was at R370 million or 8.5% (FY2022: R368 million or 8.4%) of the total group borrowings. The secured issuance will be repaid on maturity and replaced with a bank loan from the same funder.

Octodec and Premium Properties will be engaging with the note holders to transfer the DMTN Programme from Premium to Octodec, the guarantor of the programme.

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 stable outlook.

Covenants

		Actual		
	Required	Funder 1	Funder 2	Funder 3
Group interest cover ratio – total portfolio (times)	Minimum – 2.0		2.28	
Interest cover ratio by secured property to lender (times)	Minimum – 1.8 – 2.0	2.6	2.6	2.5
LTV ratio – total portfolio (%)	Maximum – 50		38.8	
LTV ratio by secured property to lender (%)	Maximum – 50 – 55	35.0	43.8	44.0

The group's LTV as at 28 February 2023 was 38.8% (FY2022: 39.7%), well within our covenant levels of 50%.

Vacancies

Vacancies as a percentage of gross lettable area (GLA) in the Octodec portfolio, including properties held for redevelopment, have remained unchanged at 19.5% (FY2022: 19.5%). The group's core vacancies, which exclude the GLA relating to properties held for redevelopment or disposal, also remained unchanged at 14.4% (FY2022: 14.4%), although there were some small movements within the different sectors.

It is pleasing to see that despite the seasonal fluctuation in occupancy in the residential sector, which is generally higher in February, the vacancies decreased slightly from 7.0% in August 2022 to 6.9% in February 2023. This is inclusive of The Fields, which reflects a 26% vacancy at February 2023. The reduction in the National Student Financial Aid Scheme (NSFAS) allowance from R60 000 to R45 000 per student per annum has impacted the letting at The Fields. We have revised our offering to accommodate those students who cannot supplement the reduction in the allowance, and it is uncertain at this point if it will have a positive impact on our overall occupancy at The Fields. Students at our other residential properties are not funded by NSFAS and hence occupancy at those properties has not been impacted by the decrease in the NSFAS allowance.

The industrial sector has proved to be resilient under the current operating conditions, and vacancies have decreased from 6.7% in FY2022 to 5.7% in 1HFY2023.

Retail street shops core vacancies increased due to two large banks which vacated in the current period. Management is considering the repurposing of this space with a view to providing a different offering to attract tenants.

Vacancies by sector

	GLA m²	Total vacancies %	Properties held for redevelopment or disposal, including mothballed space	Core vacancies %
28 February 2023				
Residential	**415 739**	**6.9**	**–**	**6.9**
Commercial				
Retail – street shops	**348 045**	**22.3**	**(2.9)**	**19.4**
Retail – shopping centres	**97 525**	**6.7**	**(0.3)**	**6.4**
Offices	**456 860**	**38.1**	**(14.8)**	**23.3**
Industrial	**218 146**	**6.2**	**(0.5)**	**5.7**
Total	**1 536 315**	**19.5**	**(5.1)**	**14.4**
31 August 2022*				
Residential	415 490	7.0	–	7.0
Commercial				
Retail – street shops	356 723	20.6	(2.8)	17.8
Retail – shopping centres	97 132	7.7	(0.3)	7.4
Offices	465 263	38.1	(14.5)	23.6
Industrial	222 852	7.2	(0.5)	6.7
Total	1 557 460	19.5	(5.1)	14.4

* *Restated. Refer to Sector review on page 4*

Mothballed space

Octodec owns office properties with 78 948m^2 (FY2022: 78 948m^2) of mothballed space.

The mothballed space consists of three properties, which are fully mothballed with a carrying value of R94.3 million. There are a further three partially mothballed properties with a carrying value of R50.0 million which are allocated to the mothballed space.

In the current economic climate, it is not feasible to develop or convert all of these office properties and Octodec is pursuing the disposal of some of these properties.

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. The lease expiry profile in the commercial sector increased slightly due to two leases concluded with Shoprite for a period of 10 years.

28 February 2023

	By rental income (%)					By GLA m^2 (%)						
	February 2024	February 2025	February 2026	February 2027	February 2028 and beyond	February 2024	February 2025	February 2026	February 2027	February 2028 and beyond	Vacant	Total
Sector												
Residential	98.0	1.8	0.2	–	–	89.9	2.7	0.5	–	–	6.9	100.0
Commercial												
Retail – street shops	37.6	27.4	16.8	5.6	12.6	29.0	22.0	13.1	4.6	9.0	22.3	100.0
Retail – shopping centres	27.7	21.5	34.4	5.5	10.9	24.7	14.8	35.6	5.4	12.8	6.7	100.0
Offices	61.9	19.2	12.9	1.2	4.8	38.1	13.0	7.8	0.7	2.3	38.1	100.0
Industrial	57.4	28.4	11.0	2.5	0.7	57.3	22.7	10.1	2.4	1.3	6.2	100.0
Parking	74.7	14.3	7.0	2.0	2.0							
Total commercial	46.9	23.5	17.7	3.8	8.1	37.8	17.8	12.3	2.7	5.1	24.3	100.0
Total commercial and residential	64.3	16.1	11.7	2.5	5.4	52.0	13.8	9.1	1.9	3.7	19.5	100.0

31 August 2022

	By rental income (%)					By GLA m² (%)						
	August 2023	August 2024	August 2025	August 2026	August 2027 and beyond	August 2023	August 2024	August 2025	August 2026	August 2027 and beyond	Vacant	Total
Sector*												
Residential	99.9	0.1	–	–	–	92.7	0.1	–	0.2	–	7.0	100.0
Commercial												
Retail – street shops	46.5	21.7	16.2	5.6	10.0	38.8	15.3	12.7	5.4	7.2	20.6	100.0
Retail – shopping centres	27.5	22.2	26.0	13.5	10.8	24.3	15.9	27.3	11.2	13.6	7.7	100.0
Offices	69.2	12.5	13.6	1.5	3.2	42.3	7.8	8.8	1.0	2.0	38.1	100.0
Industrial	58.1	18.8	19.5	2.1	1.5	56.6	16.4	15.4	2.8	1.6	7.2	100.0
Parking	77.6	7.1	11.7	1.3	2.3							
Total commercial	52.2	18.3	17.4	5.2	6.8	42.5	12.5	12.9	3.6	4.5	24.0	100.0
Total commercial and residential	68.7	12.0	11.4	3.4	4.5	55.9	9.2	9.4	2.7	3.3	19.5	100.0

* *Restated. Refer to Sector review on page 4*

Dividend declaration

The board of Octodec has declared a cash dividend of 60.00000 cents per share for the six months ended 28 February 2023, payable out of the company's distributable income.

The salient dates relating to the final dividend are as follows:	2023
Last day to trade cum dividend	Tuesday, 30 May
Shares trade ex dividend	Wednesday, 31 May
Record date	Friday, 2 June
Payment date	Monday, 5 June

Share certificates may not be dematerialised or rematerialised between Wednesday, 31 May 2023 and Friday, 2 June 2023, both days inclusive.

In accordance with Octodec's status as a REIT, shareholders are advised that the interim dividend of 60.00000 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.
- 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 48.00000 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

During the period under review Octodec has experienced an increase in leasing activity and rental in all sectors, with the exception of the office sector. This has translated into the positive results for 1HFY2023. We continue to roll out the value added measures introduced at some of our properties and are focusing on the redevelopment and repurposing of further properties to improve our occupancy and grow our rental income and ultimately our distributable income.

At the same time, we are cognisant of the impact that rising inflation, increasing energy costs and rising interest rates are having on our tenants and on Octodec. The failure of municipalities to deliver services combined with the ongoing power outages are having a negative impact on an already weak economy. We therefore remain cautious in our approach to developments, including new builds and conversions, ensuring that our balance sheet remains healthy so that we can provide a steady distribution to our shareholders.

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 FY2023.

No representation, warranty, undertaking or guarantee of whatsoever nature is made or given with regard to the accuracy and/or completeness of the outlook information and/or the correctness thereof. This and any forward-looking statements or information have not been reviewed or reported on by the external auditors.

Sharon Wapnick
Chairman

Jeffrey Wapnick
Managing Director

12 May 2023

Consolidated statement of financial position

	Unaudited 28 February 2023 R'000	Unaudited 28 February 2022 R'000	Audited 31 August 2022 R'000
ASSETS			
Non-current assets	**11 034 667**	10 794 636	10 848 512
Investment property	**10 819 879**	10 656 230	10 633 189
Straight-line rental income accrual	**88 257**	88 524	100 879
Unamortised tenant installations and lease costs	**46 364**	23 046	22 132
Fair value of investment property	**10 954 500**	10 767 800	10 756 200
Furniture, fittings and equipment	**1 003**	611	939
Derivative financial instruments	**31 500**	–	43 612
Interest in and loan to joint venture	**47 664**	26 225	47 761
Current assets	**280 662**	296 326	261 999
Accounts receivable and pre-payments	**150 709**	135 482	183 733
Derivative financial instruments	**34 732**	–	10 471
Cash and bank balances	**93 980**	159 025	66 554
Taxation receivable	**1 241**	1 819	1 241
Non-current assets held for sale	**72 000**	173 400	134 165
	11 387 329	11 264 362	11 244 676
EQUITY AND LIABILITIES			
Equity	**6 469 020**	6 089 173	6 321 840
Stated capital	**4 210 134**	4 210 134	4 210 134
Non-distributable reserve	**1 465 212**	1 226 954	1 326 464
Retained income	**793 674**	652 085	785 242
Non-current liabilities	**3 125 923**	4 260 550	3 967 674
Long-term borrowings	**2 965 776**	4 067 264	3 816 601
Derivative financial instruments	**–**	54 160	–
Lease liabilities	**10 916**	10 944	10 930
Deferred taxation	**149 231**	128 182	140 143
Current liabilities	**1 792 386**	914 639	955 162
Short-term borrowings	**1 393 324**	496 930	558 596
Trade and other payables	**396 761**	391 362	393 607
Lease liabilities	**29**	26	27
Taxation payable	**2 272**	14 260	–
Derivative financial instruments	**–**	12 061	2 932
	11 387 329	11 264 362	11 244 676

Consolidated statement of profit and loss and other comprehensive income

	Unaudited 28 February 2023 R'000	Unaudited 29 February 2022 R'000	Audited 31 August 2022 R'000
Revenue	**961 099**	939 699	1 939 072
earned on contractual basis	**974 226**	944 866	1 931 091
COVID-19 rental discount	**–**	(516)	(571)
straight-line rental income accrual	**(13 127)**	(4 651)	8 552
Property expenses	**(487 943)**	(478 479)	(980 047)
Expected credit loss – accounts receivable	**(15 255)**	(19 350)	(33 413)
Property income	**457 901**	441 870	925 612
Administrative and corporate expenses	**(46 826)**	(38 612)	(84 614)
Fair value changes	**147 154**	34 398	141 635
investment property	**136 648**	(77 744)	(82 386)
interest rate derivatives	**15 080**	117 472	234 845
disposal of investment property	**(4 574)**	(5 330)	(10 824)
Securities transfer tax on restructure of subsidiary	**–**	–	(1 250)
Share of income from joint venture	**2 460**	3 518	8 751
share of after tax profit	**691**	1 466	1 834
share of fair value gains	**682**	2 052	6 286
interest received	**1 087**	–	631
Profit before finance costs	**560 689**	441 174	990 134
Net finance costs	**(189 190)**	(183 349)	(369 037)
investment income	**5 878**	7 048	12 397
finance costs	**(195 068)**	(190 397)	(381 434)
Profit before taxation	**371 499**	257 825	621 097
Taxation	**(11 361)**	(18 464)	(15 970)
current	**(2 273)**	(14 262)	193
deferred	**(9 088)**	(4 202)	(16 163)
Profit for the period and total comprehensive income attributable to shareholders	**360 138**	239 361	605 127
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 per share (cents)	**135.3**	89.9	227.3

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 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				
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)	–
property disposals	–	(5 330)	5 330	–
Balance at 28 February 2022 (unaudited)	4 210 134	1 226 954	652 085	6 089 173
Total comprehensive income for the period	–	–	365 766	365 766
Dividends paid	–	–	(133 099)	(133 099)
Transfer to non-distributable reserve				–
Deferred tax	–	(11 961)	11 961	–
Fair value changes				
investment property	–	(4 642)	4 642	–
investment property – joint ventures	–	4 234	(4 234)	–
interest rate derivatives (net of deferred tax)	–	117 373	(117 373)	–
property disposals	–	(5 494)	5 494	–
Balance at 31 August 2022 (audited)	4 210 134	1 326 464	785 242	6 321 840
Total comprehensive income for the period	**–**	**–**	**360 138**	**360 138**
Dividends paid	**–**	**–**	**(212 958)**	**(212 958)**
Transfer to non-distributable reserve				
Deferred tax	**–**	**(9 088)**	**9 088**	**–**
Fair value changes				
investment property	**–**	**136 648**	**(136 648)**	**–**
investment property – joint ventures	**–**	**682**	**(682)**	**–**
interest rate derivatives (net of deferred tax)	**–**	**15 080**	**(15 080)**	**–**
property disposals	**–**	**(4 574)**	**4 574**	**–**
Balance at 28 February 2023 (unaudited)	**4 210 134**	**1 465 212**	**793 674**	**6 469 020**

Consolidated statement of cash flows

	Unaudited 28 February 2023 R'000	Unaudited 29 February 2022 R'000	Audited 31 August 2022 R'000
Cash flows from operating activities			
Profit before taxation	371 499	257 825	621 097
Adjusted for:			
Straight-line rental income accrual	13 127	4 651	(8 552)
Fair value changes to investment property	(136 648)	77 744	82 386
Fair value changes to interest rate derivatives	(15 080)	(117 472)	(234 845)
Fair value changes on disposal of investment property	4 574	5 330	10 824
Expected credit loss of trade and other receivables	15 255	19 350	33 413
Share of income from joint venture	(2 460)	(3 518)	(8 751)
Finance costs	195 068	190 397	381 434
Finance income	(5 878)	(7 048)	(12 397)
Depreciation and amortisation	4 528	4 677	9 109
Operating income before working capital changes	443 985	431 936	873 718
Decrease/(Increase) in trade and other receivables	17 769	11 277	(51 037)
Decrease in trade and other payables	(33 132)	(39 698)	(30 227)
Cash generated from operations	428 622	403 515	792 454
Finance income	5 878	7 048	12 397
Finance costs	(194 727)	(190 967)	(388 892)
Tax paid	(1)	(25 667)	(24 894)
Dividends paid	(212 958)	(133 099)	(266 198)
Net cash flows from operating activities	26 814	60 830	124 867
Cash flows from investing activities			
Additions to investment property	(62 017)	(22 289)	(54 812)
Acquisition of furniture, fittings and equipment	(195)	(18)	(457)
Increase in tenant installation and lease costs	(1 926)	–	(6 364)
Repayment of loan receivable	–	73 429	73 429
Payment received on loan to joint venture	2 557	1 500	1 500
Loan advanced to joint venture	–	(597)	(16 900)
Proceeds from disposal of investment property	75 991	121 566	218 446
Net cash flows from investing activities	14 410	173 591	214 842
Cash flows from financing activities			
Repayment of lease liabilities	(12)	(11)	(24)
Early settlement of derivatives	–	(16 385)	(16 385)
Proceeds from borrowings	183 500	411 899	1 421 702
Repayment of borrowings	(197 286)	(529 257)	(1 736 806)
Net cash flows from financing activities	(13 798)	(133 754)	(331 513)
Net increase in cash and bank balances	27 426	100 667	8 196
Cash and bank balance at beginning of the period	66 554	58 358	58 358
Cash and bank balance at end of the period	93 980	159 025	66 554

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

	Unaudited 28 February 2023 R'000	Unaudited 28 February 2022 R'000	Audited 31 August 2022 R'000
Total comprehensive income attributable to shareholders	**360 138**	239 361	605 127
Headline earnings adjustments			
Securities transfer tax on restructure of subsidiary	**–**	–	1 250
Fair value changes			
investment property	**(136 648)**	77 744	82 386
property disposals	**4 574**	5 330	10 824
deferred tax – change in income tax rate	**–**	–	(4 632)
investment property – joint ventures	**(682)**	(2 052)	(6 286)
Headline earnings attributable to shareholders	**227 382**	320 383	688 669
Headline and diluted headline earnings per share (cents)	**85.4**	120.4	258.7

Rental income by sector

	Unaudited 28 February 2023 R'000	%	Unaudited** 28 February 2022 R'000	%	Audited** 31 August 2022 R'000	%
Retail – street shops	177 610	24.3%	175 473	24.8%	359 197	24.8%
Retail – shopping centres	83 329	11.4%	80 538	11.4%	160 963	11.1%
Offices	140 222	19.2%	148 565	21.0%	296 178	20.5%
Industrial	53 579	7.3%	52 178	7.4%	102 057	7.1%
Residential	241 571	33.1%	218 981	30.9%	462 808	32.0%
Parking	33 183	4.5%	32 856	4.6%	64 800	4.5%
Total rental income	729 494	100.0%	708 591	100.0%	1 446 003	100%
Straight-line rental income accrual	(13 127)		(4 651)		8 552	
Recoveries*	244 732		235 759		484 517	
Revenue	961 099		939 699		1 939 072	

* *Recoveries are not evaluated at sector level*
** *Restated. Refer to Sector review on page 4*

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 plus parking, based on the type of premises from which the rental is derived.

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

Reconciliation of income to distributable income

	Unaudited 28 February 2023 R'000	Unaudited 28 February 2022 R'000	Audited 31 August 2022 R'000
Total comprehensive income attributable to shareholders	**360 138**	239 361	605 127
Securities transfer tax on restructure of subsidiary	**–**	–	1 250
Fair value changes			
Property disposals	**4 574**	5 330	10 824
Investment property	**(136 648)**	77 744	82 386
Investment property – joint ventures	**(682)**	(2 052)	(6 286)
Interest rate derivatives	**(15 080)**	(117 472)	(234 845)
Straight-line rental income accrual	**13 127**	4 651	(8 552)
Taxation – deferred	**9 088**	4 202	16 163
Distributable income attributable to shareholders	**234 517**	211 764	466 067
Represented by:			
Revenue			
earned on contractual basis	**974 226**	944 350	1 930 520
Property operating expenses and expected credit loss	**(503 198)**	(497 829)	(1 013 460)
Property income	**471 028**	446 521	917 060
Administrative and corporate expenses	**(46 826)**	(38 612)	(84 614)
Net operating profit	**424 202**	407 909	832 446
Share of income from joint venture	**1 778**	1 466	2 465
Profit before finance costs	**425 980**	409 375	834 911
Net finance costs	**(189 190)**	(183 349)	(369 037)
Profit before tax	**236 790**	226 026	465 874
Current tax	**(2 273)**	(14 262)	193
Distributable income attributable to shareholders	**234 517**	211 764	466 067
Weighted number of shares	**266 197 535**	266 197 535	266 197 535
Distributable income per share (cents)	**88.10**	79.60	175.08

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 2022.

These results have been prepared under the historical cost convention except for investment property, which is 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 2024 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 property 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)

	Unaudited 28 February 2023		Unaudited 28 February 2022		Audited 31 August 2022	
Fair value hierarchy	**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						
Assets	**66 232**	**–**	–	–	54 083	–
Liabilities	**–**	**–**	(66 221)	–	(2 932)	–
Non-financial instruments						
Investment property	**–**	**10 954 500**	–	10 767 800	–	10 756 200
Investment property held for sale	**–**	**72 000**	–	173 400	–	134 165

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 assets and liabilities

	Fair value through profit or loss R'000	Financial assets at amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
ASSETS				
28 February 2023 (unaudited)				
Accounts receivable and pre-payments	**–**	**102 031**	**48 678**	**150 709**
Derivative financial instruments	**66 232**	**–**	**–**	**66 232**
Cash and bank balances	**–**	**93 980**	**–**	**93 980**
28 February 2022 (unaudited)				
Accounts receivable and pre-payments	–	114 669	20 813	135 482
Cash and bank balances	–	159 025	–	159 025
31 August 2022 (audited)				
Accounts receivable and pre-payments	–	145 952	37 781	183 733
Derivative financial instruments	54 083	–	–	54 083
Cash and bank balances	–	66 554	–	66 554
LIABILITIES				
28 February 2023 (unaudited)				
Borrowings	**–**	**4 359 100**	**–**	**4 359 100**
Trade and other payables	**–**	**354 816**	**41 945**	**396 761**
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
31 August 2022 (audited)				
Borrowings	–	4 375 197	–	4 375 197
Derivative financial instruments	2 932	–	–	2 932
Trade and other payables	–	317 329	76 278	393 607

Investment property

Investment properties are valued biannually by the internal finance 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 49 properties, representing 12.5 % of the portfolio, with a carrying amount of R 1.4 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
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

Mills Fitchet Global valued the properties using the discounted cash flow method and Gert van Zyl Valuations and Premium Valuation Services valued the properties using the capitalisation of income method. The entire property portfolio was 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.

The following unobservable inputs were used by the group at 28 February 2023:

	Number of properties	Fair value R'000	Weighted average capitalisation rate %	Weighted average long-range vacancy factor %	Weighted average expense ratio %
28 February 2023 (unaudited)					
Capitalisation rate					
8.25% – 8.75%	6	2 262 100	8.7	7.5	31.8
9.00% – 10.00%	76	5 380 300	9.7	5.9	31.0
10.25% –11.50%	135	3 068 500	10.6	9.8	27.5
Greater than 11.50%	12	142 600	12.3	14.5	29.5
Total	229	10 853 500	9.6	7.5	29.9
Long-range vacancy factor					
1.00% – 5.00%	96	4 979 400	9.8	2.9	27.1
6.00% – 10.00%	88	3 793 100	9.8	7.6	33.5
11.00% – 15.00%	23	1 458 300	9.5	12.8	29.7
Greater than 15.00%	22	622 700	10.7	23.0	32.4
Total	229	10 853 500	9.6	7.5	29.9
Expense ratio					
6.00% – 15.00%	13	288 700	10.3	2.8	10.5
15.01% – 25.00%	66	2 292 000	10.0	4.7	21.2
25.01% – 35.00%	102	6 237 700	9.7	7.9	30.9
Greater than 35.00%	48	2 035 100	9.8	9.5	38.2
Total	229	10 853 500	9.6	7.5	29.9
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

	Number of properties	Fair value R'000	Weighted average capitalisation rate %	Weighted average long-range vacancy factor %	Weighted average expense ratio %
31 August 2022 (audited)					
Capitalisation rate					
8.25% – 8.75%	6	2 204 700	8.7	7.6	31.3
9.00% – 10.00%	75	5 197 700	9.7	6.1	30.9
10.25% – 11.50%	145	3 154 900	10.6	9.3	27.0
Greater than 11.50%	7	97 700	12.2	18.2	27.4
Total	233	10 655 000	9.8	7.5	29.7
Long-range vacancy factor					
1.00% – 5.00%	104	4 897 100	9.8	2.9	26.8
6.00% – 10.00%	87	3 629 900	9.7	7.6	33.1
11.00% – 15.00%	20	1 437 500	9.5	12.6	29.5
Greater than 15.00%	22	690 500	10.7	21.8	31.6
Total	233	10 655 000	9.8	7.5	29.7
Expense ratio					
6.00% – 15.00%	11	260 900	10.3	2.9	10.0
15.01% – 25.00%	68	2 054 500	10.2	4.9	21.1
25.01% – 35.00%	106	6 339 000	9.7	7.8	30.4
Greater than 35.00%	48	2 000 600	9.7	9.2	37.2
Total	233	10 655 000	9.8	7.5	29.7

The balance of the portfolio of 10 properties with a carrying value of R173.0 million (28 February 2022: 11 properties valued at R224.7 million and 31 August 2022: 12 properties valued at R235.4 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 2023 R'000	Unaudited 28 February 2022 R'000	Audited 31 August 2022 R'000
1% increase in capitalisation rates, while all other inputs remain constant	**(1 036 247)**	(991 559)	(982 641)
1% decrease in capitalisation rates, while all other inputs remain constant	**1 306 133**	1 216 238	1 205 970
2% increase in long-range vacancy factor, while all other inputs remain constant	**(344 120)**	(234 008)	(229 430)
2% decrease in long-range vacancy factor, while all other inputs remain constant	**344 120**	234 008	229 430
2% increase in expense ratio, while all other inputs remain constant	**(318 441)**	(304 429)	(302 047)
2% decrease in expense ratio, while all other inputs remain constant	**318 441**	304 429	302 047

Carrying value and movement in investment property

	Unaudited 28 February 2023 R'000	Unaudited 28 February 2022 R'000	Audited 31 August 2022 R'000
Opening balance	**10 890 365**	11 133 100	11 133 100
Fair value changes	**136 648**	(77 744)	(82 386)
Straight-line rental income accrual	**(13 127)**	(4 650)	8 552
Depreciation and amortisation	**(4 527)**	(4 677)	(8 916)
Developments and subsequent expenditure	**97 706**	22 650	69 963
Disposals (carrying value)	**(80 565)**	(126 800)	(229 269)
Reclassification to furniture, fittings and equipment	**–**	(679)	(679)
Investment property at fair value	**11 026 500**	10 941 200	10 890 365
Represented by:			
Investment property	**10 819 879**	10 656 230	10 633 189
Straight-line rental income accrual	**88 257**	88 524	100 879
Unamortised tenant installations and lease costs	**46 364**	23 046	22 132
	10 954 500	10 767 800	10 756 200
Investment property held for sale	**72 000**	173 400	134 165
Investment property at fair value	**11 026 500**	10 941 200	10 890 365

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 R114.5 million (28 February 2022: R101.9 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 R5.4 million (28 February 2022: R5.1 million) from City Property in respect of rent and operating costs recovered.

Related-party balances

	Unaudited 28 February 2023 R'000	Unaudited 28 February 2022 R'000	Audited 31 August 2022 R'000
Due to City Property	**(4 102)**	(3 532)	(2 642)
Due by City Property	**–**	–	1 331

* *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

A dividend of 60.0 cents per share, totalling R159 718 521, has been declared to be paid to shareholders on 5 June 2023.

SA REIT ratios

	28 February 2023 R'000	28 February 2022 R'000	31 August 2022 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	**360 138**	239 361	605 127
Adjusted for:			
Accounting/specific adjustments:	**(129 513)**	(30 875)	(144 848)
Fair value adjustments to:			
Investment property	**(136 648)**	77 744	82 386
Debt instruments held at fair value through profit or loss	**(15 080)**	(117 472)	(234 845)
Deferred tax movement recognised in profit or loss	**9 088**	4 202	16 163
Straight-lining operating lease adjustment	**13 127**	4 651	(8 552)
Adjustments arising from investing activities:			
Gains or losses on disposal of:			
Investment property and property, plant and equipment	**4 574**	5 330	10 824
Other adjustments:			
Adjustments made for equity-accounted entities	**(682)**	(2 052)	(6 286)
Securities transfer tax paid on restructure of subsidiary	**–**	–	1 250
SA REIT FFO	**234 517**	211 764	466 067
Number of shares outstanding at end of period (net of treasury shares)	**266 198**	266 198	266 198
SA REIT FFO per share (Rand)	**0.88**	0.80	1.75
Company-specific adjustments (per share)			
None	**–**	–	–
SA REIT FFO per share (Rand) – Adjusted	**0.88**	0.80	1.75

	28 February 2023 R'000	28 February 2022 R'000	31 August 2022 R'000
SA REIT NET ASSET VALUE (SA REIT NAV)			
Reported NAV attributable to the parent	**6 469 020**	6 089 173	6 321 840
Adjustments:			
Dividend to be declared	**(159 718)**	(133 098)	(212 958)
Fair value of certain derivative financial instruments	**(66 232)**	66 221	(51 151)
Deferred tax	**149 231**	128 182	140 143
SA REIT NAV	**6 392 301**	6 150 478	6 197 874
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)	**24.01**	23.10	23.28
SA REIT COST-TO-INCOME RATIO			
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	**487 943**	478 479	980 047
Administrative expenses per IFRS income statement	**46 826**	38 612	84 614
Other expenses, if directly related to property operations			
Impairment of accounts receivable	**15 255**	19 350	33 413
Operating costs	**550 024**	536 441	1 098 074
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	**729 493**	708 591	1 446 004
Utility and operating recoveries per IFRS income statement	**244 733**	235 759	484 517
Gross rental income	**974 226**	944 350	1 930 521
SA REIT cost-to-income ratio	**56.5%**	56.8%	56.9%

	28 February 2023 R'000	28 February 2022 R'000	31 August 2022 R'000
SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO			
Expenses			
Administrative expenses as per IFRS income statement	**46 826**	38 612	84 614
Administrative costs	**46 826**	38 612	84 614
Contractual rental income per IFRS income statement (excluding straight-lining)	**729 493**	708 591	1 446 004
Utility and operating recoveries per IFRS income statement	**244 733**	235 759	484 517
Gross rental income	**974 226**	944 350	1 930 521
SA REIT administrative cost-to-income ratio	**4.8%**	4.1%	4.4%
SA REIT GLA VACANCY RATE			
Gross lettable area of vacant space (m^2)	**300 618**	359 086	303 573
Gross lettable area of total property portfolio (m^2)	**1 536 315**	1 591 673	1 557 460
SA REIT GLA vacancy rate	**19.5%**	22.6%	19.5%
COST OF DEBT			
Variable interest rate borrowings			
Floating reference rate plus weighted average margin (%)	**9.5**	6.3	7.9
Pre-adjusted weighted average cost of debt (%)	**9.5**	6.3	7.9
Adjustments:			
Impact of interest rate derivatives (%)	**(0.5)**	2.0	0.8
Amortised transaction costs imputed into the effective interest rate (%)	**0.0**	0.0	0.0
All-in weighted average cost of debt (%)	**9.0**	8.3	8.7

	28 February 2023 R'000	28 February 2022 R'000	31 August 2022 R'000
SA REIT LOAN TO VALUE			
Gross debt	4 359 100	4 564 194	4 375 197
Less:			
Cash and bank balances	(65 545)	(136 063)	(38 960)
Cash and bank balances per statement of financial position	(93 980)	(159 025)	(66 554)
Less: Bank balance held in regard to residential tenant deposits	28 435	22 962	27 594
Add/Less:			
Derivative financial instruments	–	66 221	2 932
Net debt	4 293 555	4 494 352	4 339 169
Total assets – per Statement of Financial Position	11 387 329	11 264 362	11 244 676
Less:			
Cash and cash equivalents	(93 980)	(159 025)	(66 554)
Derivative financial assets	(66 232)	–	(54 083)
Trade and other receivables	(150 709)	(135 482)	(183 733)
Carrying amount of property-related assets	11 076 408	10 969 855	10 940 306
SA REIT loan to value (SA REIT LTV)	38.8	41.0	39.7

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*
4 *Independent non-executive director*

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Date of publication

16 May 2023
www.octodec.co.za

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