URBAN RENEWAL

Octodec
INVESTMENTS LIMITED

REVIEWED CONDENSED CONSOLIDATED
INTERIM RESULTS OF THE GROUP
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2015

HIGHLIGHTS

DISTRIBUTIONS UP BY

9,3% TO **96,8 cents**

PER SHARE

CORE PORTFOLIO GROWTH IN RENTAL INCOME OF **7,0%**

MERGER WITH PREMIUM PROPERTIES LIMITED SUCCESSFULLY IMPLEMENTED

INCREASE OF **7,4%**

IN NET ASSET VALUE TO **R26,45** PER SHARE

DIRECTORS' COMMENTARY

Introduction

Octodec Investments Limited ("Octodec" or "the group") is listed on the JSE Limited ("JSE") as a Real Estate Investment Trust ("REIT"), with a portfolio of 320 properties in Gauteng valued at R10,9 billion as well as three equity-accounted investments, with its 50% interest in these investments valued at R148,1 million.

Octodec invests in the retail, residential, industrial and office property sectors. The asset management, property management and company secretarial functions of Octodec are contracted to City Property Administration Proprietary Limited, one of South Africa's leading property asset management companies.

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

Review of results

During the period under review, Octodec delivered impressive results despite the tough business environment and slow economic growth. The property portfolio continued to deliver strong growth in earnings with rental income increasing following a number of successful upgrades of properties and a proactive approach to letting. The total distribution per share for the six months of 96,8 cents per share (2014: 88,6 cents) represents an increase of 9,3% on that paid in the comparative six-month period.

The increase in revenue was mainly due to the merger with Premium, contractual escalations, improved letting and an increase in the recovery of utility and assessment rate charges. The residential portfolio continued to perform ahead of expectation. The core growth in residential rental income was at 6,1% with core vacancies at below 1%. The six-month period saw a slight improvement in the industrial rental markets and a decrease in vacancies. One of the primary objectives continued to be the improvement of the quality of properties in order to attract new tenants. The ratio of net property expenses (property expenses less recoveries) to rental income for the group improved from 36,0% to 35,9% in the period as a result of tight cost management. Despite rapidly escalating utility charges, the percentage of cost recovery in respect of electricity charges improved during the period due to improved efficiencies and increased focus on energy management initiatives. Bad debt write-offs and provisions during the period were at 0,8% (2014: 1,0%) of total tenant income. Arrears and doubtful debt provisions remain at acceptable levels and no significant deterioration is anticipated.

Merger with Premium Properties Limited ("Premium")

The merger between Octodec and Premium was implemented on 1 September 2014 by way of a Scheme of Arrangement in terms of section 114(1)(d) of the Companies Act of South Africa ("the Scheme"). In terms of the Scheme, Octodec acquired all the issued Premium linked units that it did not already own. Premium unitholders received 88,5 Octodec shares for every 100 Premium linked units held. Premium became a wholly owned subsidiary of Octodec and was delisted from the JSE on 22 September 2014.

The merger has created the most significant residential property portfolio of any REIT that is listed on the JSE. It is also anticipated that Octodec's increased size and diversification should result in more competitive funding rates and an improved credit rating being obtained, including the re-rating ascribed to Premium's bond programme, which the enlarged Octodec should be able to capitalise on within a relatively short period of time. This may ultimately result in lower funding costs for Octodec. Further, the enlarged group enables Octodec to pursue larger projects.

For further details please refer to the circular dated 1 July 2014 relating to the Scheme as well as the August 2014 Integrated Report, both of which are available on the Octodec website.

The merger has resulted in more efficient use of management time through the reduction of the administrative burden of operating two separately listed entities.

Business combination

A gain of R319,6 million was recognised on the acquisition of Premium. The gain was calculated as follows:

	R'000
Total net assets acquired	3 344 567
Fair value of equity interest held before the business combination	(405 698)
Gain on purchase	(319 647)
Costs	(18 100)
The fair value of consideration paid, net of cost	2 601 122

PROPERTY PORTFOLIO

Developments

During the financial period four major projects were under construction. The total cost of these projects is approximately R653,3 million of which an amount of R151,8 million had already been spent by 28 February 2015.

Details of these projects are:

- The redevelopment of Bosman Place which is situated in the Johannesburg CBD. The estimated completion date is May 2015. The redeveloped property will consist of a retail component and residential units. The offices have been converted into 225 residential units at a cost of approximately R129,3 million. The fully let initial annual yield is expected to be 8,1%.
- The development of a greenfield mixed-use property, 1 on Mutual, situated adjacent to Church Square in the Pretoria CBD. This project consists of 142 residential units, ground floor retail space as well as parking. The total cost of the project is R140,4 million and it is expected to be completed in early 2016 with a fully let annual yield of 7,6%.
- Octodec has commenced with the redevelopment of the Centre Forum which is situated adjacent to the new Tshwane House municipal development in the Pretoria CBD. This greenfield residential development will consist of 400 units as well as ground floor retail and parking. The total cost of the project is R326,9 million and it is expected to be completed in late 2016 at a fully let annual yield of 8,1%.
- The second phase of the redevelopment of the mixed-use property, Silver Place, situated in Silverton Pretoria, consists of the redevelopment of the retail component. The total cost of the retail project is R56,7 million and it is expected to be completed in July 2015 at a fully let annual yield of 8%.

These projects will not only enhance the value of the portfolio, but are contributing to the upliftment of the CBDs.

Acquisitions & disposals

Octodec acquired a number of smaller properties during the period for a total consideration of R70,6 million. The most significant of these is Reinsurance House, situated in the Johannesburg CBD. The consideration amounted to R33,5 million and this property was transferred to Octodec in March 2015. This office block will be converted into 175 residential units at a cost of R68,3 million. The fully let initial annual yield is expected to be 8,5%. Octodec disposed of three non-core properties in the six-month period for a total consideration of R15,9 million.

Vacancies

Vacancies in the Octodec portfolio at 28 February 2015, including properties held for redevelopment, amounted to 15,3% (2014: 16,7%) of total lettable area. The core vacancies which exclude gross lettable area ("GLA") relating to properties held for development and those which are currently being redeveloped, amount to 10,7% (2014: 11,5%). In order to provide a more meaningful comparison of vacancies the comparative analysis as set out below, includes the vacancies of the Premium and IPS Investments Proprietary Limited ("IPS") portfolios acquired in the merger as at 1 September 2014.

	Total lettable area m^2	Total vacancies %	Properties held for redevelopment %	Core vacancies %
28 February 2015				
Offices	**465 471**	**33,0**	**(12,4)**	**20,6**
Retail – Shops	**442 519**	**11,5**	**(2,6)**	**8,9**
Retail – Shopping Centres	**91 405**	**3,4**	**–**	**3,4**
Industrial	**287 222**	**9,6**	**(1,0)**	**8,6**
Residential	**355 363**	**4,6**	**(0,9)**	**3,7**
Total	**1 641 980**	**15,3**	**(4,6)**	**10,7**
1 September 2014				
Offices	479 225	29,4	(9,0)	20,4
Retail – Shops	459 606	14,2	(5,3)	8,9
Retail – Shopping Centres	89 543	1,6	–	1,6
Industrial	290 481	13,7	(1,5)	12,2
Residential	344 663	9,0	(4,3)	4,7
Total	1 663 518	16,7	(5,2)	11,5

Most properties in the Octodec portfolio remained fully let. As expected, a number of properties under development, or those which were recently upgraded, had vacancies.

In recent years certain properties, for example Bosman Place, were acquired by Octodec with large vacancies and where no or little consideration was paid in respect of the vacant space which offered redevelopment opportunities. As the opportunities arise, the value of these vacancies is being realised.

Octodec was successful in letting a number of properties that had been vacant for a considerable period. The residential vacancies consist, as anticipated, of vacant units at Essenby, Jeff's Place and City Place, all of which were recently developed or upgraded.

Borrowings and working capital

The Group's loan to value ratio ("LTV") measured by dividing the value of interest-bearing borrowings (nett of cash) by the fair value of its investment portfolio at 28 February 2015 was 40,5% (31 August 2014: 33,7%)

Interest rates in respect of 90,6% (31 August 2015: 66,1%) of outstanding borrowings at 28 February 2015 have been hedged, with such hedges maturing at various dates in 2017, 2018 and 2019. Interest rate swap contracts were concluded in respect of an additional amount of R1,25 billion during the reporting period for a four-year term. Octodec took advantage of a temporary decrease in forward interest rates. The all-in average weighted interest rate of all borrowings is 8,8% per annum. Details of borrowings are set out in the table below:

	Amount R'million	Weighted average interest rate per annum %
Fixed rate borrowings	557,0	10,7
Variable rate borrowings	3 975,0	7,4
Total borrowings	4 532,0	7,9
Cost of swaps	-	0,9
Total borrowings	4 532,0	8,8

Interest rate swap expiry	Amount R'million	Weighted average margin over/(below) variable rate per annum %
February 2017	650	1,57
May 2017	50	2,37
June 2017	100	2,25
July 2017	100	1,84
August 2017	350	1,75
September 2017	100	1,56
January 2018	150	1,68
April 2018	200	(0,40)
May 2018	50	2,38
July 2018	400	1,43
August 2018	150	1,45
November 2018	500	0,91
January 2019	750	0,42
	3 550	1,17

Octodec participates in the debt capital market ("DCM") through its subsidiary, Premium, which increased the size of its bond programme from R1 billion to R3 billion in March 2015. This will allow the group to increase its issuance in the DCM. As at the date of this report the total issuance was at R825 million, or 18,2% of the group's borrowings. In August 2014, Global Credit Rating's long and short national scale ratings of Premium were maintained at A- (ZA) and A1- (ZA) respectively.

Octodec had unutilised committed banking facilities amounting to R524 million at 28 February 2015.

Revaluation of property portfolio

It is the group's policy to perform directors' valuations of all the properties at the interim stage and at year-end. The valuations are based on the income capitalisation method which is consistent with the basis used in prior years. The internal valuation of the portfolio of R10,9 billion represents an increase in the valuation amounting to R208,5 million or 2,0% for the six-month period ended 28 February 2015.

The increase in the valuations, contributed to the increase of 7,4% in the net asset value ("NAV") to R26,45 per share.

Changes to the directorate

Messrs Michael Holmes, David Rose and Ian Stern were appointed to the Octodec board as independent non-executive directors, and formed an independent sub-committee, which had been established for the sole purpose of considering the acquisition by

Octodec, of the entire linked unit capital of Premium it did not already own ("the Transaction"). Their appointment to the Octodec board was for the period 13 May 2014 until the effective date of the Transaction. The Transaction was approved by the Competition Tribunal on 3 September 2014, and all the conditions precedent relating to the Transaction have now been fulfilled. Messrs Holmes, Rose and Stern's appointments accordingly came to an end with effect from 3 September 2014.

Prospects

A number of redevelopments of certain existing properties are underway which should enhance the quality of the property portfolio and result in sustainable growing dividends in the future. Growth in the local economy is expected to remain subdued. Barring unforeseen events, current indications are that the dividend per share for the twelve-month period should increase by between 8,0% and 9,0% or amount to between 189,8 cents and 191,5 cents per share compared to the prior comparative period.

The forecast dividend for the twelve-month period is higher than the dividend of 187,4 cents per share which was presented in the merger circular dated 1 July 2014.

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

DECLARATION OF DIVIDEND 50 ("THE DISTRIBUTION")

Notice is hereby given that dividend number 50 of 96,8 cents (2014: 88,6 cents) per share (out of income reserves) has been declared for the period 1 September 2014 to 28 February 2015, payable to shareholders recorded in the register on Friday, 29 May 2015.

Salient dates relating to the dividend:

Last date to trade ("LDT") "CUM" dividend	Friday, 22 May 2015
Commence trading "EX" dividend	Monday, 25 May 2015
Record date	Friday, 29 May 2015
Payment date	Monday, 1 June 2015

No dematerialisation or rematerialisation of share certificates may take place between Monday, 25 May 2015 and Friday, 29 May 2015, both days inclusive.

As Octodec has REIT status, shareholders are advised that the distribution meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No 58 of 1962 ("Income Tax Act"). The distribution to Octodec shareholders will be deemed to be taxable dividends, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

Tax implications for South African tax residents

Distributions received by or accrued to South African tax residents must be included in the gross income of such shareholders and are not exempt from income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act, because they are dividends distributed by a REIT. These distributions are however exempt from dividend withholding tax ("dividend tax") in the hands of South African tax resident shareholders provided that the South African tax resident shareholders have provided the following forms to the Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

- a declaration that the distribution is exempt from dividend tax; and
- a written undertaking to inform the CSDP, broker or transfer secretaries, 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 ("SARS").

Octodec shareholders are advised to contact their CSDP or broker, as the case may be, to arrange for the abovementioned documents to be submitted prior to the payment of the distribution.

Tax implications for non-resident shareholders

Distributions received by non-resident shareholders will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 distributions received by non-residents from a REIT were not subject to dividend tax. With effect from 1 January 2014, any distribution received by a non-resident from a REIT will be subject to dividend tax at 15%, 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 non-resident shareholder. Assuming dividend tax will be withheld at a rate of 15%, the net amount due to non-resident shareholders is 82,28 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- a written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner of SARS.

If applicable, Non-resident shareholders are advised to contact the CSDP, broker or the transfer secretaries, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted.

Shareholders are encouraged to consult with their professional advisors should they be in any doubt as to the appropriate action to take.

The number of shares in issue at the date of this declaration is 236 403 417 and the company's tax reference number is 9925/033/71/5.

By order of the board

S WAPNICK	**JP WAPNICK**
Chairman	*Managing director*

4 May 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	% Change	Reviewed six months 28 February 2015	Reviewed six months 28 February 2014	Audited Year to 31 August 2014
Revenue		**808 204**	269 256	537 792
– earned on contractual basis		**806 296**	267 391	540 359
– straight-line lease adjustment		**1 908**	1 865	(2 567)
Operating costs		**(364 528)**	(128 316)	(261 498)
Net rental income from properties		**443 676**	140 940	276 294
Administrative costs		**(37 543)**	(14 196)	(28 868)
Operating profit		**406 133**	126 744	247 426
Amortisation of deemed debenture premium		**–**	11 632	25 006
Fair value adjustments of investment properties		**208 531**	57 530	125 101
Fair value adjustments of interest rate derivatives		**1 404**	6 740	(15 790)
(Loss)/profit on sale of investment property		**(61)**	111	44
Gain on bargain purchase		**319 647**	–	–
Investment income		**14 230**	58 657	225 594
– interest received		**3 058**	1 101	1 973
– listed investment – Premium		**–**	18 919	37 028
– joint ventures		**11 172**	38 637	186 593
Finance costs		**(185 016)**	(60 189)	(125 665)
– interest on borrowings		**(192 996)**	(60 787)	(127 553)
– interest capitalised		**7 980**	598	1 888
Profit before debenture interest		**764 868**	201 225	481 716
Debenture interest		**–**	(103 454)	(103 454)
Profit before taxation		**764 868**	97 771	378 262
Taxation		**(2 451)**	7 926	7 926
– Deferred taxation		**(2 466)**	7 834	7 834
– Normal taxation		**15**	92	92
Profit for the period		**762 417**	105 697	386 188
Other comprehensive income for the period – Items that will not be reclassified to profit and loss		**–**	(16 094)	39 879
Total comprehensive income for the period attributable to equity holders		**762 417**	89 603	426 067
Weighted shares/linked units in issue – ('000)		**236 403**	112 207	114 798
Shares/linked units in issue ('000)		**236 403**	117 348	117 348
Basic earnings per share (cents)	242,4%	**322,5**	94,2	336,4
Fully diluted earnings per share (cents)	258,1%	**322,5**	90,1	329,1
Basic earnings per linked unit (cents)		**–**	186,4	–
Fully diluted earnings per linked unit (cents)		**–**	178,2	–
Distribution per share/linked unit (cents)				
Interim		**96,8**	88,6	88,6
Final		**–**	–	87,1
Total	9,3%	**96,8**	88,6	175,7

RECONCILIATION – EARNINGS TO DISTRIBUTABLE EARNINGS

R'000	**Reviewed six months 28 February 2015**	Reviewed six months 28 February 2014	Audited Year to 31 August 2014
Total comprehensive income attributable to equity holders	**762 417**	89 603	426 067
Amortisation of deemed debenture premium	**–**	(11 632)	(25 006)
Loss/(profit) on sale of investment properties	**61**	(111)	(44)
Gain on bargain purchase	**(319 647)**	–	–
Fair value adjustments			
– Joint ventures	**(4 421)**	(19 447)	(143 787)
– Listed investment	**–**	16 094	(39 879)
– Investment properties	**(208 531)**	(57 530)	(125 101)
Headline earnings before debenture interest	**229 879**	16 977	92 250
Debenture interest	**–**	103 454	103 454
Headline earnings attributable to shareholders/linked unitholders	**229 879**	120 431	195 704
Straight-line lease adjustment	**(1 908)**	(1 865)	2 567
Fair value adjustments of interest rate derivatives	**(1 404)**	(6 740)	15 790
Deferred taxation adjustments	**2 466**	(7 834)	(7 835)
Distributable earnings attributable to shareholders/linked unitholders	**229 033**	103 992	206 226
Headline earnings per share/linked unit (cents)	**97,2**	107,3	170,5

DISTRIBUTABLE EARNINGS

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

R'000	**Reviewed six months 28 February 2015**	Reviewed six months 28 February 2014	Audited Year to 31 August 2014
Revenue			
– earned on contractual basis	**806 296**	267 391	540 359
Operating costs	**(364 528)**	(128 316)	(261 498)
Net rental income from properties	**441 768**	139 075	278 861
Administrative costs	**(37 543)**	(14 196)	(28 869)
Operating profit	**404 225**	124 879	249 992
Investment income			
– Interest received	**3 058**	1 101	1 973
– Listed investment	**–**	18 919	37 028
– Associate	**6 751**	19 190	42 806
Distributable profit before finance costs	**414 034**	164 089	331 799
Finance costs	**(185 016)**	(60 189)	(125 665)
Distributable income before taxation	**229 018**	103 900	206 134
Taxation	**15**	92	92
Shareholders/linked unitholders distributable earnings	**229 033**	103 992	206 226

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed 28 February 2015	Audited 31 August 2014
ASSETS		
Non-current assets	**11 011 537**	4 588 352
Investment properties	**10 679 253**	3 428 348
Plant and equipment	**9 619**	3 677
Operating lease assets	**111 751**	43 159
Lease costs capitalised	**62 807**	33 181
Listed investment	**–**	405 698
Investment in joint ventures	**148 107**	674 289
Current assets	**151 214**	67 378
Total assets	**11 162 751**	4 655 730
EQUITY AND LIABILITIES		
Share capital and reserves	**6 252 987**	2 889 449
Stated capital	**3 519 600**	918 478
Non-distributable reserves	**2 462 464**	1 928 522
Distributable reserves	**270 923**	42 449
Non-current liabilities	**3 054 531**	1 284 832
Interest-bearing borrowings	**2 946 083**	1 263 932
Derivative financial instruments	**36 177**	13 797
Deferred taxation	**72 271**	7 103
Current liabilities	**1 855 233**	481 449
Interest-bearing borrowings	**1 586 173**	287 831
Non-interest-bearing borrowings	**266 007**	91 408
Dividends payable	**3 053**	102 210
Total equity and liabilities	**11 162 751**	4 655 730
Shares/linked units in issue ('000)	**236 403**	117 348
Net asset value ("NAV") per share (cents)	**2 645**	2 462
Loan to investment value ("LTV") ratio (%)	**40,5**	33,7

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Stated capital	Non-distributable reserves	Retained earnings	Total
Balances at 31 August 2013	**123 699**	**1 635 501**	**37 557**	**1 796 757**
Total comprehensive income for the year	–	–	426 067	426 067
Issue of new linked units	863	–	–	863
Reallocation of deemed debenture premium	25 006	–	(25 006)	–
Reallocation of debenture premium to stated capital	768 910	–	–	768 910
Dividends paid	–	–	(103 148)	(103 148)
Adjustment to valuation of listed investment	–	39 879	(39 879)	–
Profit on sale of investment properties	–	44	(44)	–
Transfer to non-distributable reserves				
Fair value adjustments				
– Investment properties	–	125 101	(125 101)	–
– Associate	–	143 787	(143 787)	–
– Interest rate derivatives	–	(15 790)	15 790	–
Balances at 31 August 2014	**918 478**	**1 928 522**	**42 449**	**2 889 449**
Total comprehensive income for the period	–	–	762 417	762 417
Issue of new units	2 601 122	–	–	2 601 122
Dividends paid	–	–	–	–
Loss on sale of investment properties	–	(61)	61	–
Transfer to non-distributable reserves				
Gain on bargain purchase	–	319 647	(319 647)	–
Fair value adjustments				
– Investment properties	–	208 531	(208 531)	–
– Joint ventures	–	4 421	(4 421)	–
– Interest rate derivatives	–	1 404	(1 404)	–
Balances at 28 February 2015	**3 519 600**	**2 462 464**	**270 923**	**6 252 988**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	**Reviewed six months 28 February 2015**	Reviewed six months 28 February 2014	Audited Year to 31 August 2014
CASH FLOW FROM OPERATING ACTIVITIES			
Net rental income from properties	**404 225**	124 879	249 993
Adjustment for :			
– depreciation and amortisation	**12 674**	6 210	6 009
– working capital change	**133 663**	14 451	715
Cash generated from operations	**550 562**	145 540	256 717
Investment income	**3 058**	36 961	99 125
Finance costs	**(185 016)**	(60 189)	(125 665)
Taxation paid	**15**	124	110
Distribution to shareholders/linked unitholders paid	**(226 300)**	(85 389)	(189 359)
Net cash inflow from operating activities	**142 319**	37 047	40 928
CASH FLOW FROM INVESTING ACTIVITIES			
Investing activities	**(172 723)**	(221 324)	(337 761)
Proceeds from disposal of investment properties	**15 950**	2 200	2 194
Net cash outflow used in investing activities	**(156 773)**	(219 124)	(335 567)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of new shares/linked units	**–**	174 528	174 528
Increase in interest-bearing borrowings	**86 959**	12 979	137 742
Net cash generated from financing activities	**86 959**	187 507	312 270
NET INCREASE IN CASH AND CASH EQUIVALENTS	**72 505**	5 430	17 631
Cash and cash equivalents at beginning of period	**4 868**	(12 763)	(12 763)
Cash and cash equivalents at end of period	**77 373**	(7 333)	4 868

SEGMENTAL INFORMATION

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

Rental income by sector :	**Six months 28 February 2015 R'000**	**%**	Twelve months 31 August 2014 R'000	%
Offices	**141 959**	22,5	72 943	18,5
Retail	**184 571**	29,3	95 360	24,1
Shopping centres	**65 932**	10,5	123 607	31,3
Industrial	**55 405**	8,8	73 470	18,6
Residential	**182 565**	29,0	29 678	7,5
Total rental income	**630 432**	100,0	395 058	100,0
Recoveries	**177 772**		142 734	
Revenue	**808 204**		537 792	

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

NOTES TO THE FINANCIAL STATEMENTS

Basis of preparation: The interim condensed consolidated financial statements have been prepared in accordance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information contained In the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the JSE Listings requirements and requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of the reviewed condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

These results have been prepared under the historical cost convention except for investment properties which are measured at fair value and certain financial instruments which are measured at either fair value or amortised cost.

The fair value of investment properties is determined by directors with reference to market-related information while investment in associates and other financial liabilities are valued with reference to market-related information and valuations as appropriate.

Financial instruments measured at fair value include derivatives (level 2 measurement using information based indirectly on quoted prices). There have been no material changes in judgements or estimates of amounts reported in previous reporting periods.

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

Events after the reporting date: There have been no subsequent events that require reporting.

Commitments: The Octodec group has capital commitments in an amount of R636,5 million relating to various redevelopments and acquisitions of properties.

Independent auditor's report: The auditors, Deloitte & Touche, have issued their unmodified review report on the reviewed condensed consolidated interim financial statements for the six-month period ended 28 February 2015. The review was concluded in accordance with ISRE 2410 Review of Interim Financial information performed by the independent auditor of the entity. A copy of their unmodified review report is available for inspection at the company's registered office.

The auditor's review report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of their report from the issuer's registered office.

OCTODEC INVESTMENTS LIMITED and its subsidiaries

("Octodec" or "the group")
(Incorporated in the Republic of South Africa)
(Registration number 1956/002868/06),
Share code: OCT, ISIN: ZAE000192258, REIT status approved

Directors: S Wapnick† (Chairman), JP Wapnick* (Managing director), AK Stein* (Financial director), MZ Pollack†, DP Cohen^, PJ Strydom•, GH Kemp•
** Executive director* • *Independent non-executive director*
† Non-executive director ^ *Lead independent non-executive director*

Registered office: CPA House, 101 Du Toit Street, Pretoria, 0002, PO Box 15, Pretoria, 0001
Tel: (012) 319 8781 Fax: (012) 319 8812

Transfer secretaries: Computershare Investor Services Proprietary Limited (Reg. No: 2004/003647/07), 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107,
Tel: (011) 370 7700 Fax: (011) 688 7712

Property administrator, asset manager and company secretary:
City Property Administration Proprietary Limited,
email: octodec@cityprop.co.za

CITY PROPERTY

SA REIT ASSOCIATION

www.octodec.co.za

Octodec
INVESTMENTS LIMITED

GREYMATTER & FINCH # 8996