Octodec
INVESTMENTS LIMITED

creating value beyond financial return

reviewed provisional annual results 2016

contents

Octodec Investments Limited
incorporated in the Republic of South Africa
Registration number: 1956/002868/06
JSE share code: OCT
ISIN: ZAE000192258
REIT status approved

Registered address
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Sponsor
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Parklands 2121, Johannesburg

Transfer secretaries
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Directors
Sharon Wapnick (Chairman)^, Jeffrey Wapnick (Managing director)°, Anthony Stein (Financial director)°,
Myron Pollack^, Derek Cohen*, Pieter Strydom#, Gerard Kemp#
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www.octodec.co.za

unlocking value beyond financial return

Octodec Investments Limited (Octodec or the group or the company) is listed on the JSE Limited (JSE) as a real estate investment trust (REIT) with a portfolio of 324 properties, including a 50% interest in four joint ventures, valued at R12.3 billion.

Octodec invests in the residential, retail, shopping centre, industrial and office property sectors and all of its properties are situated in Gauteng.

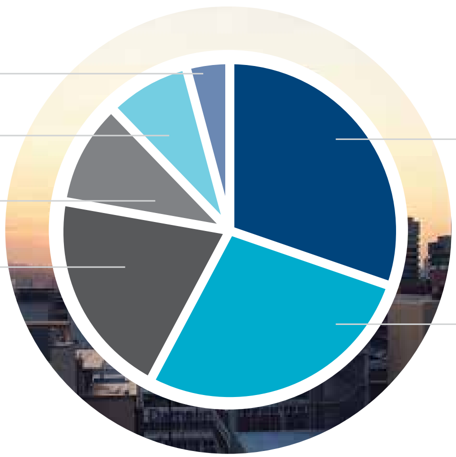
Octodec has contracted with City Property Administration Proprietary Limited, one of South Africa's leading property asset management companies, to perform its asset management, property management and company secretarial functions.

324	Portfolio of 324 properties in Gauteng
R12.3bn	324 properties valued at R12.3 billion

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

Property sector 2016: Rental income % of our portfolio

Property sector 2015: Rental income % of our portfolio



measuring our performance

Distribution growth per share for the year to 31 August 2016 of 6.5% to 201.5 cents per share compared to the comparative twelve-month period

5.2% increase in net asset value per share (NAV) to R29.13 as at 31 August 2016 - an increase in valuation of investment properties and interest rate swaps contributed to this increase

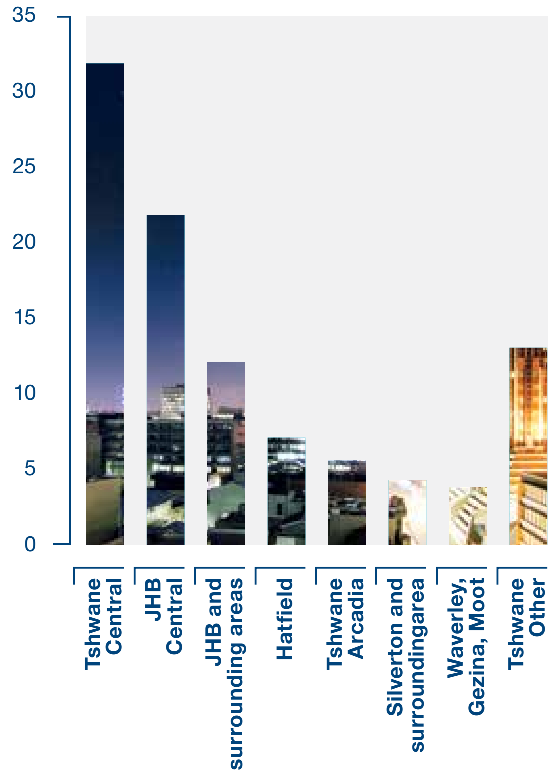
Like-for-like growth in rental income of 5.3% for the twelve-month period

82.9% of exposure to interest rate risk hedged

Loan to investment value (LTV) at 38.3%

All-in annual weighted average cost of borrowings at 9.0%

Geographical analysis of rental income (%)



Tshwane Central	32.2%
JHB Central	22.5%
JHB and surrounding areas	12.0%
Hatfield	7.1%
Tshwane Arcadia	5.3%
Silverton and surrounding area	4.4%
Waverley, Gezina, Moot	3.7%
Tshwane Other	12.8%

5.3% Rental income growth

review of results

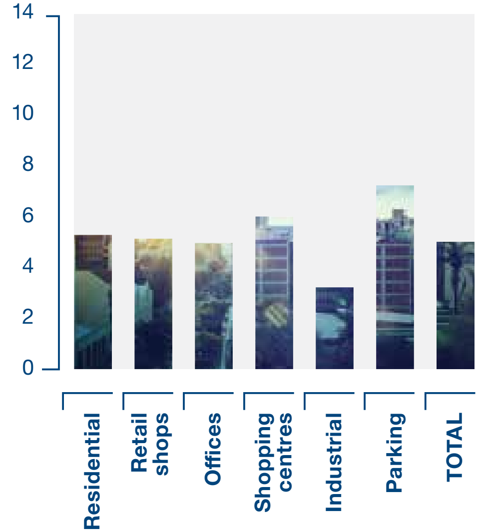
Octodec, which is well-positioned to continue taking advantage of opportunities in the Tshwane and Johannesburg CBDs, has delivered results in line with the board of directors' expectations in a tough business environment with muted economic growth. One of the group's primary objectives continues to be the improvement of its existing properties in order to attract new tenants.

The 2016 financial year was a challenging year for the South African economy. Despite this, our ability to deliver on our strategic objective of unlocking value in our portfolio through developments and refurbishments/upgrades resulted in a number of important achievements, including:

- 6.5% increase in total distributions for the year to 201.5 cents per share
- increased rental income as a result of increased demand for CBD rental space with a relatively strong performance from our residential and retail properties
- property expenses to rental income ratio improved marginally to 29.6% (31 August 2015: 30.5%) as a result of our focus on cost control
- successful completion of a number of refurbishments and redevelopment programmes, to extract value from our underlying property portfolio
- maintaining our weighted average cost of finance at an acceptable level of 9.0% per annum.

6.5% Increase in distribution per share

We saw limited improvement in the office and industrial rental markets during the reporting period. Our residential and CBD retail properties were the strong performers. Rental income increased following a number of successful improvements to the quality of a number of our properties, which attracted new tenants. Net rental income and net operating income increased by 6.8% and 7.6% respectively, compared to the prior comparative twelve-month period. The core portfolio representing those properties held for the previous comparable year with no major development activity reflects rental income growth of 5.3%.



Residential	**5.6%**
Retail shops	**5.4%**
Offices	**5.2%**
Shopping centres	**4.7%**
Industrial	**3.3%**
Parking	**7.4%**
TOTAL	**5.3%**

0.8% Bad debt write-offs and provisions during the year

The ratio of net property expenses (property expenses less recoveries excluding administration costs) to rental income (excluding amounts attributable to straight-line rental income accrual) for the group decreased to 29.6% (31 August 2015: 30.5%). The improvement of the ratio reflects the continued focus on cost control. Bad debt write-offs and provisions during the year were at 0.8% (31 August 2015: 0.5%) of total tenant income. Arrears and doubtful debt provisions remain at acceptable levels as a result of tight credit risk management and no significant deterioration is anticipated.

Finance costs for the year of R394.8 million increased by 4.9% relative to the prior period, due to increased investments in the property portfolio as well as a slight increase in the cost of finance.

Distribution to shareholders

The rental income received by Octodec, less the aggregate of our operating costs and interest on debt, is distributed to shareholders twice a year. We have declared a total distribution of 201.5 cents per share (compared to the 189.2 cents in 2015), made up of an interim distribution of 98.4 cents and a final distribution of 103.1 cents per share. This represents an increase of 6.5% on the amount we paid in the previous financial year.

The interim distribution was paid on 30 May 2016 and the final distribution will be paid on 28 November 2016.

investing for growth

The group had four major projects under construction during the period under review. The total cost of these projects is approximately R672.4 million, of which an amount of R368.0 million was spent by 31 August 2016.

Developments

These projects include:

- 1 on Mutual, a mixed-use property, which is adjacent to Church Square in the Tshwane central business district (CBD). This project consists of 142 residential units, ground floor retail premises and parking. The total cost of the project excluding land is R160.0 million. We previously reported a cost of R146.4 million with an expected fully let annual yield of 7.6%. The increase in costs was due to construction challenges which resulted in a delay in the completion and increased costs of the project. The expected completion date is February 2017 and when fully let, the annual marginal yield is expected to be 7.1%.
- The Manhattan, a 180-unit residential development in Sunninghill, Johannesburg, is progressing well. The total development cost of this 50%-held joint operation amounts to R80.9 million and completion is expected by November 2016. When fully let, the initial annual marginal yield, inclusive of land costs, is expected to be 9.5%.
- The redevelopment of Sharon's Place (previously named Centre Forum), which is adjacent to the new Tshwane House municipal development in the Tshwane CBD, is a residential development consisting of 400 units, ground floor retail and parking. The total cost of the project increased from the previously reported amount of R347.4 million to R375.0 million. The increase in costs was mainly due to the finalisation of the tender at a higher price. The project is expected to be completed in April 2017 with an annual marginal yield, excluding land costs, of 7.3%, when fully let.
- The redevelopment of Pretoria Midtown, which is also adjacent to the new Tshwane House municipal development in Tshwane CBD, is an office upgrade. The property consists of 7 133 m² of offices, 944 m² of retail and 90 parking bays. The total cost of this project is R56.5 million and the expected completion date is August 2017, at a fully let annual marginal yield, inclusive of land costs, of 9.5%.

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

Octodec is in the planning phases of the development of two residential properties: Reinsurance House and Van Riebeeck Building. They are situated in prime locations in the Johannesburg and Tshwane CBDs, respectively. The total cost of the developments is expected to be about R240 million.

New and redeveloped properties grow our rental income stream, but the impact of the phased take up of units tends to affect results negatively in the short term. It takes between six and nine months for residential developments to achieve full occupancy levels.

Acquisitions and disposals

Octodec acquired the Van Riebeeck Medical building in the Tshwane CBD during the period under review for a total consideration of R28.9 million. The property will be converted into residential units at a cost of approximately R120 million.

In line with its strategy of recycling capital the group disposed of six non-core properties during the period under review for a total consideration of R55.5 million, the details of which are set out below:

Property	Location details	Total consideration R'million	Profit on disposal R'million	Transfer date	Exit yield %
Herriotdale	Johannesburg CBD	5.5	0.5	Nov 2015	9.0
Eloff Street	Tshwane CBD	2.5	0.2	Apr 2016	10.0
Landkirk	Tshwane CBD	3.2	0.5	Jun 2016	11.0
Mitchbuit	Tshwane West	4.8	0.4	Jun 2016	11.0
Works@Registry	Johannesburg CBD	30.0	6.7	Jul 2016	4.0
Dirk du Toit (1) & (2)	Tshwane West	9.5	0.2	Nov 2015	11.0
Total		**55.5**	**8.5**		

Vacancies

Vacancies in the Octodec portfolio at 31 August 2016, including properties held for redevelopment, amounted to 15.6% (31 August 2015: 15.1%) of gross lettable area. The core vacancies, which exclude the gross lettable area relating to properties held for development and those currently being redeveloped, amount to 9.8% (31 August 2015: 9.1%).

Total lettable area m²	Total lettable area m²	Total vacancies %	Properties held for redevelopment %	Core vacancies %
31 August 2016				
Offices	489 750	34.7	(19.4)	15.3
Retail – shops	432 456	9.1	–	9.1
Retail – shopping centres	91 179	5.4	–	5.4
Industrial	288 908	10.8	–	10.8
Residential	366 827	4.0	(0.4)	3.6
Total	**1 669 120**	**15.6**	**(5.8)**	**9.8**
31 August 2015*				
Offices	459 529	32.0	(18.4)	13.6
Retail – shops	457 491	12.7	(1.7)	11.0
Retail – shopping centres	91 502	0.7	–	0.7
Industrial	315 192	9.3	(0.6)	8.7
Residential	367 198	5.3	(1.8)	3.5
Total	**1 690 912**	**15.1**	**(6.0)**	**9.1**

** Some properties were remeasured and some reclassifications were made to the 31 August 2015 values to ensure comparability to the current period. 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, such as Centre Walk, Fedsure, Reinsurance, Van Riebeeck Medical and Pretoria Midtown were acquired with high vacancy levels. These properties offer significant redevelopment opportunities, the value of which will be realised over time.

As opportunities arise, the value of these vacancies is being realised. Centre Walk is a prime example. The property was recently upgraded at a cost of R28.9 million and 9 365 m² of office space was let to a government tenant. The lease came into effect from 1 March 2016.

The group has approximately 95 000 m² of available mothballed office space which is available for redevelopment or possible disposal. Octodec will continue to explore opportunities to unlock the value of this vacant space.

Lease expiry profile

Octodec's portfolio features a mix of short- to long-term leases with the majority of short-term leases providing for a monthly agreement at expiry which is typical of the residential market.

GLA m²	Gross lettable area m²	%	Monthly contractual rent R	%
Residential	352 002	21.1	40 044 955	34.4
Monthly Commercial	177 805	10.7	9 378 771	8.1
to 31 August 2017	329 973	19.8	24 286 707	20.9
to 31 August 2018	237 239	14.2	17 123 906	14.7
to 31 August 2019	112 104	6.7	9 370 768	8.0
to 31 August 2020	92 075	5.5	7 496 738	6.4
thereafter	107 265	6.4	8 773 790	7.5
Vacancies	260 657	15.6	–	–
Total	**1 669 120**	**100**	**116 475 635**	**100**

borrowings and working capital

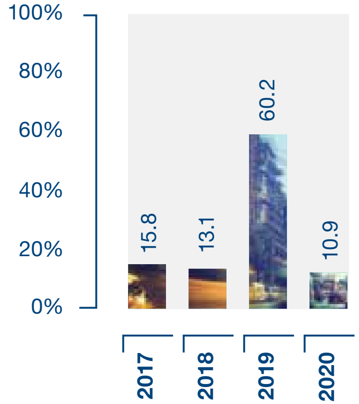
	Amount R'million	Weighted average interest rate per annum %
Bank loans	4 023.9	9.2
DCM Corporate paper	755.1	8.5
Total borrowings	4 779.0	9.1
Cost of swaps	–	(0.1)
Total borrowings	**4 779.0**	**9.0**

The group's loan to value ratio (LTV) (value of interest-bearing borrowings, net of cash divided by the fair value of its investment portfolio) at 31 August 2016, was 38.3% (31 August 2015: 37.3%).

Octodec has reduced its exposure to interest rate risk by entering into interest rate swap contracts in respect of 82.9% (31 August 2015: 94.2%) of borrowings. The hedges in place are for a weighted average period of 2.2 years. The all-in average weighted interest rate of all borrowings is 9.0% per annum (31 August 2015: 8.9%).

31 August 2016 - Loan expiry profile (per financial year)

Expiry of loans (%)



Expiry of loans (R'000)

Year	R'000
2017	**755 116**
2018	**624 561**
2019	**2 876 262**
2020	**523 088**
TOTAL	**4 779 027**

The average weighted loan term is at 2.3 years

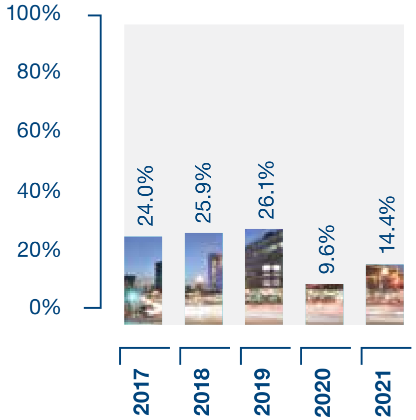
Prior to 31 August 2016, Octodec entered into four forward starting swap contracts commencing 3 January 2017, increasing the hedged position to 100%, the details of which are set out below.

Summary of the new swap contracts entered into

Amount R'000	Weighted term years	Fixed interest rate per annum %	Weighted average interest rate per annum above JIBAR %
500 000	4.0	8.30	0.94
250 000	4.0	8.23	0.87
250 000	3.0	7.87	0.51
250 000	3.0	7.85	0.49
1 250 000	**3.6**	**8.11**	**0.75**

31 August 2016 - A summary of all swap contracts in place (per financial year)

Expiry of fixed and interest rate swap contracts (%)



Expiry of fixed and interest rate swap contracts (R'000)

Year	R'000
2017	**1 250 000**
2018	**1 351 580**
2019	**1 361 400**
2020	**500 000**
2021	**750 000**
TOTAL	**5 212 980**

Forecasted hedged position: 79% at 31 August 2017

After taking into account all swaps expiring prior to 31 August 2017, as well as the new swaps entered into, our forecasted hedged position will be at 79% at 31 August 2017.

Octodec participates in the Debt Capital Market (DCM) through its subsidiary, Premium Properties Limited. As at the date of this report the total issuance was at R755.1 million, or 15.8% of the group's borrowings. Global Credit Rating's long- and short-term national scale ratings of Premium Properties Limited were maintained at A (ZA) and A1 (ZA) respectively.

Octodec had unutilised banking facilities amounting to R618.7 million at 31 August 2016.

changes in fair value

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 property portfolio of R12.1 billion represents an increase in the valuation amounting to R285.9 million or 2.4% for the twelve-month period ended 31 August 2016.

The mark-to-market value of interest rate swaps contracts, which protects the group against adverse interest rate movements, increased by R17.1 million.

The increase in the valuation of investment properties and interest rate swaps contributed to the 5.2% increase in the net asset value (NAV) to R29.13 per share.

prospects

We expect economic growth in South Africa to remain subdued, with weak consumer and business confidence and a tough operating environment.

Gross domestic product (GDP) growth forecast for 2016 has been reduced, with the National Treasury lowering its forecast for GDP growth to 0.5%. If the rand holds relatively steady inflation is expected to end the year just below the Reserve Bank's upper 6.0% limit. The future of interest rate levels in the next 12 months is uncertain. Octodec uses distributable income per share as its relevant measure of performance. Against this backdrop current indications are that the growth in our distributable income per share is expected to be approximately 6% for the 2017 financial year.

This guidance is based on the following key assumptions:

- Forecast investment property income is based on contractual rental escalations and market related renewals
- Appropriate allowance for vacancies has been incorporated into the forecast
- No major corporate and tenant failures will occur
- Stable economic, social and political environment.

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

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

The board of directors of Octodec declared a final cash dividend of 103.1 cents per share, for the twelve months ended 31 August 2016, out of the company's distributable income (the cash dividend).

Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to reinvest the cash dividend in return for Octodec shares (the share reinvestment alternative). Those shareholders who elect not to reinvest will receive a gross cash dividend of 103.1 cents per share. The entitlement for shareholders to receive the share reinvestment alternative is subject to the board agreeing on the pricing and terms of the share reinvestment alternative. The board in its discretion may withdraw the share reinvestment alternative should market conditions warrant such actions and such withdrawal will be communicated to shareholders prior to the finalisation announcement to be published by 11:00 on Tuesday, 15 November 2016.

A circular providing further information in respect of the cash dividend and share reinvestment alternative (the circular) will be posted to shareholders on 2 November 2016.

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

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

Salient dates and times

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

Salient dates and times	**2016**
Circular and form of election posted to shareholders and announced on SENS	Wednesday, 2 November
Finalisation information including the share ratio and reinvestment price per share published on SENS	Tuesday, 15 November
Last day to trade in order to participate in the election to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (LDT)	Tuesday, 22 November
Shares trade *ex*-dividend	Wednesday, 23 November
Listing of maximum possible number of shares under the share reinvestment alternative	Friday, 25 November
Last day to elect to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (no late forms of election will be accepted) at 12:00 (SA time)	Friday, 25 November
Record date for the election to receive shares in terms of the share reinvestment alternative or to receive a cash dividend (record date)	Friday, 25 November
Announcement of results of cash dividend and share reinvestment alternative released on SENS	Monday, 28 November
Cash dividend cheques posted to certificated shareholders on or about	Monday, 28 November
Accounts credited by CSDP or broker to dematerialised shareholders with the cash dividend payment	Monday, 28 November
Share certificates posted to certificated shareholders on or about	Wednesday, 30 November
Accounts updated with the new shares (if applicable) by CSDP or broker to dematerialised shareholders	Wednesday, 30 November
Adjustment to shares listed on or about	Friday, 2 December

Notes:

1. *Shareholders electing the share reinvestment alternative are alerted to the fact that the new shares will be listed on LDT + 3 and that these new shares can only be traded on LDT + 3, due to the fact that settlement of the shares will be three days after the record date, which differs from the conventional one day after record date settlement process.*
2. *Shares may not be dematerialised or rematerialised between Wednesday, 23 November 2016 and Friday, 25 November 2016, both days inclusive.*
3. *The above dates and times are subject to change. Any changes will be released on SENS.*

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable as income and will be exempt from income tax in terms of the exemption in section 10(1)(k)(i) of the Income Tax Act. With effect from 1 January 2014, any dividend received by a non-resident from a REIT is subject to dividend tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation agreements (DTA) between South Africa and the country of residence of the non-resident shareholders. Assuming dividend tax will be withheld at a current rate of 15%, the net dividend amount due to non-resident shareholders is 87.635 cents per share. A reduced dividend tax in terms of the applicable DTA may only be relied on if the non-resident shareholder has submitted the following forms to his/her CSDP or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of the DTA;
- a written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner; and
- both in the form prescribed by the Commissioner for the South African Revenue Services (SARS).

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

Tax implications for South African resident shareholders

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders. They are not exempt from income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act because they are dividends distributed by a REIT. These dividends are, however, exempt from dividend withholding tax (dividend tax) in the hands of South African resident shareholders, provided that the South African resident shareholders have made submissions to the CSDP or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries in respect of certificated shares, a DTD (EX) (Dividend Tax: declaration and undertaking to be made by the beneficial owner of a share) form to prove their status as a South African resident and indicating the exemption upon which they are relying.

If resident shareholders have not submitted the above-mentioned documentation to confirm their status as a South African resident, they are advised to contact their CSDP or broker, as the case maybe, to arrange for the documents to be submitted prior to payment of the cash dividend.

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

The number of shares in issue at the date of this declaration is 254 551 320 and Octodec's tax reference number is 9925/033/71/5.

By order of the board

S Wapnick Chairman	**JP Wapnick** Managing director

31 October 2016

notes to the condensed consolidated financial statements

Basis of preparation

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

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

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

Fair value measurement

The fair value of investment properties is arrived at on the basis of a valuation technique using the net income capitalisation method, by taking into account prevailing market rentals, occupation levels and capitalisation rates. It was carried out on 31 August 2016. The other key input used in the valuation calculation is the expected long-term net operating income margin, of which the expense ratio and long range vacancy factor is the significant unobservable input. There have been no changes in judgements or estimates of amounts or valuation techniques as reported in previous reporting periods. The directors value the entire property portfolio bi-annually. The effect of the fair value measurement on investment properties resulted in an increase in profit of R285.9 million in the statement of profit and loss and other comprehensive income. Independent valuations are obtained annually on a rotational basis to determine the reasonableness of the directors' valuations, ensuring that every property is valued every three years. In terms of the JSE Listings Requirements, all the properties are valued at least once over a rolling three-year period by external independent valuation experts: Van Zyl Valuers CC (Gert van Zyl), Amanda de Wet Consultants and Investors CC (Amanda de Wet) and Quadrant Properties Proprietary Limited (Peter Parfitt). They are all registered valuers in terms of section 19 of the Property Valuers Profession Act, 47 of 2000, and have extensive experience in commercial property valuations.

Their valuation at 31 August 2016 of R3.1 billion, representing 25.3% of the portfolio by value, was 0.7% more (2015: 0.6%) than the directors' valuation. The directors are confident, taking all factors into account, that their valuations represent fair market value.

Financial instruments measured at fair value include derivatives. The fair values of the interest rate swaps are determined on a mark-to-market valuation calculated by the various financial institutions with whom the swaps are held, by discounting the estimated future cash flows based on the terms and maturity of each contract and using the market interest rate indicated on the SA swap curve.

R285.9m Fair value change in investment property

R17.1m Fair value change in interest rate derivatives

Fair value hierarchy

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The different levels have been defined as:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** Input for the asset or liability that is not based on observable market data (unobservable input).

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

Fair value measurements using significant unobservable inputs (Level 3)

	Reviewed investment property R'000
Balance as at 31 August 2015	11 449 157
Total fair value changes for the period included in profit and loss	285 914
Depreciation and amortisation	(20 524)
Acquisitions, disposals and other movements:	
Acquisitions and subsequent expenditure	461 390
Disposals	(46 306)
Closing balance	12 129 631
Included in profit and loss for the period:	
Changes in fair value of investment property	285 914

Relationship of unobservable inputs to fair value

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

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

An increase (decrease) of 1% in the weighted average expense ratio used to calculate the long-term net operating income margin, while all other variables remain constant, would result in an increase/(decrease) in the carrying amount of investment property of R158.0 million.

The third key input used in the valuation calculation is the long range vacancy factor. The expected long range vacancy factor takes into account historic and future expected vacancy trends. The long range vacancy factor indicates the expected vacancy to be applied over the long term that best approximates the actual experience. The range of long range vacancy factors used was from 0.0% to 40.0%.

Events after the reporting date

There have been no subsequent events that require reporting.

Commitments

The group has approved capital commitments of an amount of R325.3 million, relating to various redevelopments and upgrades of properties. These would be funded out of existing unused banking facilities.

Related party transactions

Total payments made to City Property Administration Proprietary Limited amount to R185.0 million. This included fees for collections, leasing, property management, asset management, acquisitions and disposals as well as upgrades and developments.

Independent auditor's report

Deloitte & Touche have issued their unmodified review report on the reviewed condensed consolidated financial statements for the period ended 31 August 2016. The review was concluded in accordance with ISRE 2410 *Review of Interim Financial Information performed by the independent auditor of the entity.* A copy of their unmodified review report is available for inspection at Octodec's registered office.

The auditor's review report does not necessarily report on all of the information contained in this announcement/financial results. 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 that report together with the accompanying financial information from Octodec's registered office.

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Condensed consolidated statement of financial position

R'000	% Change	Reviewed 31 August 2016	Audited 31 August 2015
Assets			
Non-current assets		**12 219 234**	11 644 922
Investment property		**11 776 839**	11 265 331
Plant and equipment		**6 810**	8 646
Straight-line rental income accrual		**115 849**	114 773
Tenant installation and lease costs		**57 133**	60 407
Other financial assets		**51 849**	–
Derivative financial instruments		**38 172**	34 451
Investment in joint ventures		**172 582**	161 314
Current assets		**200 661**	158 091
Trade and other receivables		**131 552**	102 822
Bank and cash		**69 109**	55 269
Non-current assets held for sale		**173 000**	–
		12 592 895	**11 803 013**
Equity and liabilities			
Equity		**7 413 800**	6 987 679
Stated capital		**3 958 207**	3 907 819
Non-distributable reserve		**3 112 885**	2 799 231
Distributable reserve		**342 708**	280 629
Non-current liabilities		**4 106 208**	3 012 937
Interest-bearing borrowings		**4 023 911**	2 917 174
Derivative financial instruments		**9 308**	22 778
Deferred taxation		**72 989**	72 985
Current liabilities		**1 072 887**	1 802 397
Interest-bearing borrowings		**755 116**	1 463 699
Non-interest-bearing borrowings		**315 698**	335 216
Dividends payable		**2 073**	3 482
		12 592 895	11 803 013

Shares in issue ('000)		**254 551**	252 322
Net asset value (NAV) per share (cents)	5.2	**2 913**	2 769
Loan to investment value (LTV) ratio (%)		**38.3%**	37.3%

Condensed consolidated statement of comprehensive income

R'000	% Change	Reviewed Year to 31 August 2016	Audited Year to 31 August 2015
Revenue		**1 770 438**	1 639 089
earned on contractual basis	6.7	**1 742 871**	1 634 159
once-off reinstatement contribution from tenant		**25 000**	–
straight-line rental income accrual		**2 567**	4 930
Property operating costs	6.5	**(790 529)**	(742 212)
Net rental income from properties	**9.3**	**979 909**	896 877
Administrative costs	(2.6)	**(71 005)**	(72 915)
Operating profit	**10.3**	**908 904**	823 962
Fair value changes	(43.4)	**303 105**	535 309
investment property		**285 914**	486 054
interest rate derivatives		**17 191**	49 255
Profit/(loss) on sale of investment property		**8 490**	(61)
Reversal of impairment of loans		**378**	–
Gain on bargain purchase		**–**	319 647
Interest income		**10 138**	5 953
Finance costs	4.9	**(394 751)**	(376 491)
interest on borrowings	5.2	**(416 659)**	(396 050)
interest capitalised		**21 908**	19 559
Share of income from joint ventures		**20 898**	32 575
Profit before taxation	**(36.1)**	**857 162**	1 340 894
Taxation charge		**–**	(3 166)
deferred taxation		**–**	(3 181)
normal taxation		**–**	15
Profit for the year	(35.9)	**857 162**	1 337 728
Other comprehensive income for the year - Items that will not be reclassified to profit and loss		**–**	–
Total comprehensive income for the year attributable to equity holders	**(35.9)**	**857 162**	1 337 728

Weighted shares in issue ('000)		**252 888**	238 148
Shares in issue ('000)		**254 551**	252 322
Basic earnings per share (cents)	(39.7)	**338.9**	561.7
Fully diluted earnings per share (cents)	(36.5)	**336.7**	530.2

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Condensed consolidated statement of changes in equity

R'000	Stated capital	Non distribut-able reserve	Retained earnings	Total
Balance at 31 August 2014 (audited)	**918 478**	**1 928 522**	**42 449**	**2 889 449**
Total comprehensive income for the year	–	–	1 337 728	1 337 728
Issue of new shares	2 989 341	–	–	2 989 341
Dividends paid	–	–	(228 839)	(228 839)
Transfer to non-distributable reserve	–			–
loss on sale of investment property		(61)	61	
gain on bargain purchase	–	319 647	(319 647)	–
fair value changes				
investment property	–	486 054	(486 054)	–
joint ventures	–	19 082	(19 082)	–
interest rate derivatives (net of deferred tax)	–	45 987	(45 987)	–
Balance at 31 August 2015 (audited)	**3 907 819**	**2 799 231**	**280 629**	**6 987 679**
Total comprehensive income for the year	–	–	857 162	857 162
Issue of new shares	50 388	–	–	50 388
Dividends paid	–	–	(481 429)	(481 429)
Transfer to non-distributable reserve				
profit on sale of investment property	–	8 490	(8 490)	–
fair value changes				
investment property	–	285 914	(285 914)	–
joint ventures	–	6 872	(6 872)	–
interest rate derivatives (net of deferred tax)	–	12 378	(12 378)	–
Balance at 31 August 2016 (reviewed)	**3 958 207**	**3 112 885**	**342 708**	**7 413 800**

Condensed consolidated statement of cash flows

R'000	**Reviewed Year to 31 August 2016**	Audited Year to 31 August 2015
Cash flow from operating activities		
Net rental income from properties	**908 904**	823 962
Adjustment for:		
straight-line rental income accrual	**(2 567)**	(4 930)
depreciation and amortisation	**20 524**	24 954
working capital changes	**(48 248)**	37 514
Cash generated from operations	**878 613**	881 500
Interest income	**10 138**	5 953
Finance costs	**(416 659)**	(376 491)
Taxation paid	**–**	(34)
Distribution to equity holders paid	**(482 840)**	(454 710)
Net cash (outflow) inflow from operating activities	**(10 748)**	56 218
Cash flow from investing activities		
Investing activities	**(479 404)**	(481 149)
Net cash inflow from business combination	**–**	135 904
Proceeds from disposal of investment property	**55 450**	16 046
Net cash outflow used in investing activities	**(423 954)**	(329 199)
Cash flow from financing activities		
Issue of new shares	**50 388**	387 806
Increase/(decrease) in interest-bearing borrowings	**398 154**	(64 424)
Net cash generated from financing activities	**448 542**	323 382
Net increase in cash and cash equivalents	**13 840**	50 401
Cash and cash equivalents at beginning of year	**55 269**	4 868
Cash and cash equivalents at end of year	**69 109**	55 269

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Reconciliation – earnings to distributable earnings

R'000	Reviewed Year to 31 August 2016	Audited Year to 31 August 2015
Total comprehensive income attributable to equity holders	857 162	1 337 728
(Profit)/loss on sale of investment properties	(8 490)	61
Reversal of impairment of loans	(378)	
Gain on bargain purchase	–	(319 647)
Fair value changes		
investment property	(285 914)	(486 054)
investment property - joint ventures	(6 872)	(19 082)
Headline earnings attributable to equity holders	**555 508**	513 006
Straight-line rental income accrual	(2 567)	(4 930)
Fair value changes of interest rate derivatives	(17 191)	(45 987)
Once-off reinstatement contribution from tenant	(25 000)	–
Deferred taxation	–	(87)
Distributable earnings attributable to equity holders	**510 750**	462 002
Headline earnings per share (cents)	**219.7**	215.4

Distributable earnings

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

R'000	%	Reviewed Year to 31 August 2016	Audited Year to 31 August 2015
Revenue			
earned on contractual basis		1 742 871	1 634 159
Property operating costs		(790 529)	(742 212)
Net rental income from properties	**6.8**	**952 342**	891 947
Administrative costs		(71 005)	(72 915)
Operating profit	**7.6**	**881 337**	819 032
Interest income		10 138	5 953
Share of income from joint ventures		14 026	13 493
Distributable profit before finance costs	**8.0**	**905 501**	838 478
Finance costs	4.9	(394 751)	(376 491)
Distributable income before taxation	**10.6**	**510 750**	461 987
Taxation		–	15
Equity holders distributable earnings	**10.6**	**510 750**	462 002

Distribution per share (cents)			
Interim		98.40	96.80
Final		103.10	92.40
Total	**6.5**	**201.50**	189.20

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Condensed segmental information

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

Rental income by sector	Reviewed Year to 31 August 2016 R'000	%	Audited Year to 31 August 2015 R'000 (Restated)	%
Offices	**269 100**	**19.6**	266 929	20.8
Retail	**398 439**	**28.9**	353 588	27.6
Shopping centres	**134 786**	**9.8**	128 732	10.1
Industrial	**110 253**	**8.0**	105 920	8.3
Parking	**57 775**	**4.2**	52 677	4.1
Residential	**406 661**	**29.5**	372 740	29.1
Total rental income	**1 377 014**	**100.0**	1 280 586	100.0
Recoveries and other income	**393 424**		358 503	
Revenue	**1 770 438**		1 639 089	

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.

In the current year the group included a new sector, Parking, as it has become a significant revenue component. Parking was previously included in the other sectors. The comparative amounts were restated to reflect the new sector separately.

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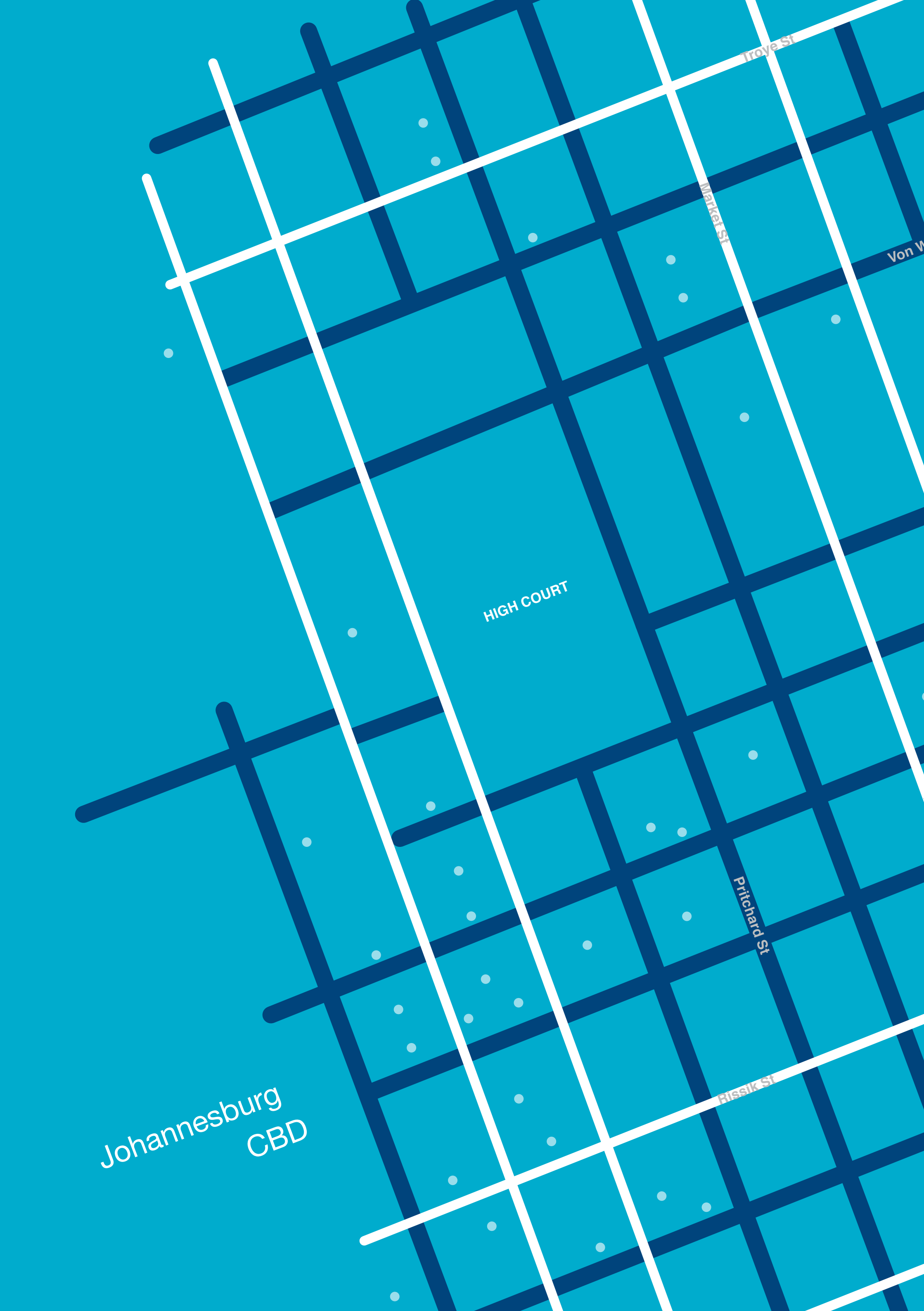
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