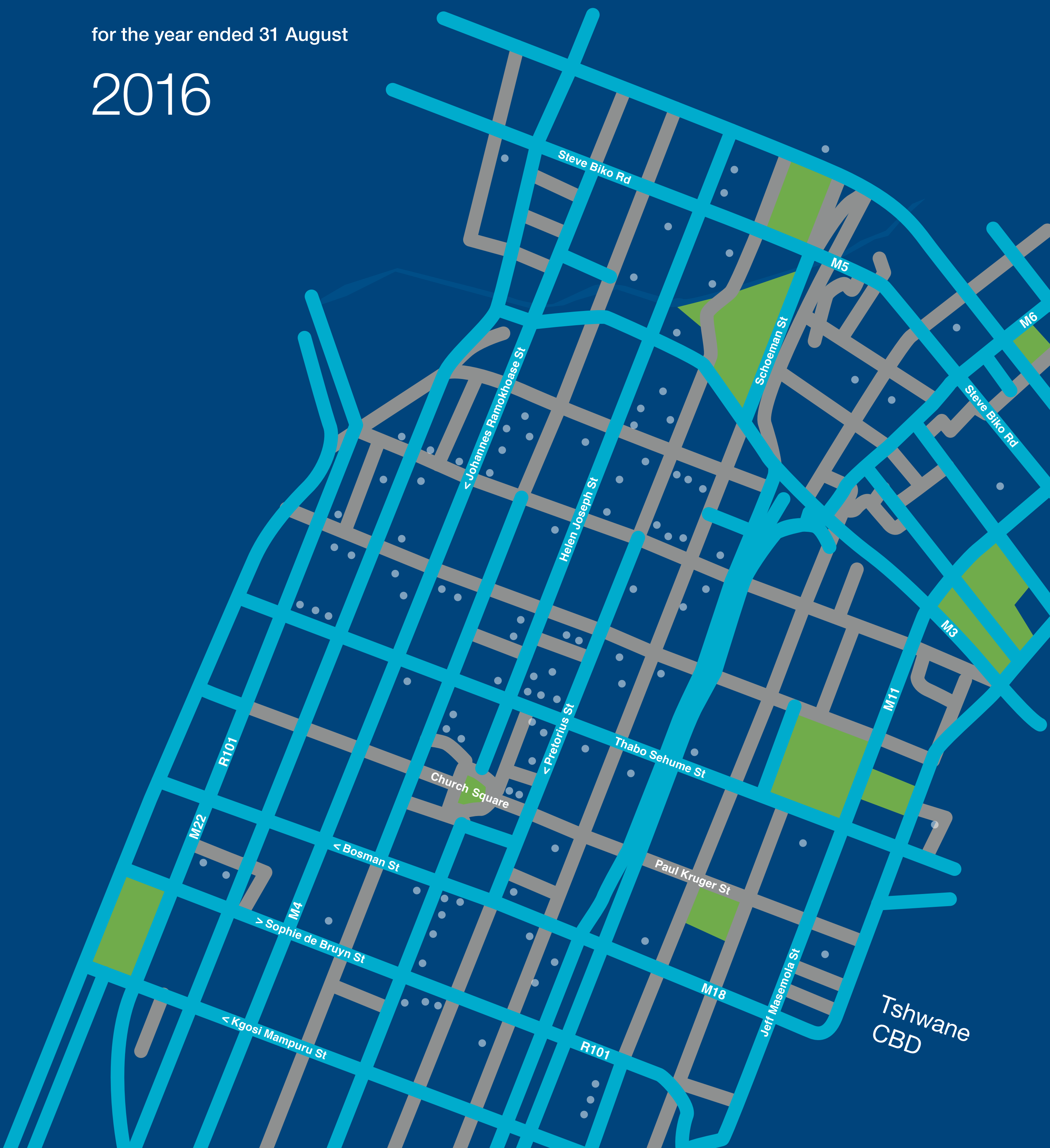
Octodec
INVESTMENTS LIMITED

creating value beyond financial return

audited financial statements

for the year ended 31 August

2016



company information

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
CPA House, 101 Du Toit Street, Tshwane 0002
Tel: 012 319 8781, Fax: 012 319 8812, E-mail: info@octodec.co.za

Company secretary
City Property Administration Proprietary Limited
CPA House, 101 Du Toit Street, Tshwane 0002
Tel: 012 357 1564, E-mail: elizeg@octodec.co.za

Sponsor
Java Capital
PO Box 2087, Parklands 2121, Johannesburg

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Bierman Avenue, Rosebank 2196
Box 61051, Marshalltown 2107

Investor relations
Instinctif Partners
E-mail: investorrelations@octodec.co.za

contents

directors' responsibility and approval of the annual financial statements

The directors are required by the Companies Act, 71 of 2008, as amended (the Act) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of the consolidated and separate financial statements of Octodec Investments Limited as at the end of the financial year and the results of it's operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Act. The group's external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate disclosures in line with the accounting policies of the group. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates and have been audited in compliance with section 29(1) of the Act.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment.

The directors are of the opinion, based on the information and explanations given by management and results of internal audits, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group and company's cash flow forecast and, in the light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 53, which have been prepared on the going concern basis, were approved by the board of directors on 23 November 2016 and were signed on their behalf by:

S Wapnick
Chairman

JP Wapnick
Managing Director

certification by company secretary

In terms of section 88(2)(e) of the Act, I certify that Octodec Investments Limited has lodged with the Companies and Intellectual Property Commission of South Africa all the returns required of a public company by the Act, as amended, and that all such returns appear to be true, correct and up to date.

Elize Greeff
City Property Administration Proprietary Limited
Company Secretary
23 November 2016
Tshwane

independent auditor's report

To the shareholders of Octodec Investments Limited

Report on the financial statements
We have audited the consolidated and separate financial statements of Octodec Investments Limited set out on pages 9 to 40, which comprise the statements of financial position as at 31 August 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Octodec Investments Limited as at 31 August 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 31 August 2016, we have read the Report of the Directors, the Audit Committee's Report and the Certification by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements
In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of Octodec Investments Limited for 25 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: P Kleb
Partner
23 November 2016

audit committee report

Octodec's independent audit committee (the committee) is pleased to present its report for the financial year ended 31 August 2016. The committee has discharged its responsibilities mandated by the board, which also allows it to execute its statutory duties in compliance with the Companies Act (71 of 2008, as amended) (the Act), as well as the King III principles applicable to audit committees. The committee's terms of reference, which are available from the company secretary, are aligned with the legislation, regulations and principles set out above.

Composition, meetings and assessment

The committee comprised four non-executive directors, three of whom, including its chairman, are independent directors:

Pieter Strydom
MCom CA(SA)
Chairman

Derek Cohen
AEP

Gerard Kemp
MSc (Mining Engineering) DPLR. MDP

Myron Pollack
CA(SA)

A brief profile of each of the members can be viewed on pages 16 and 17 of the 2016 integrated report. The committee met on five occasions during the year under review and, except for an apology received from Gerard Kemp for one of these meetings, all members were present at these scheduled meetings. The chairman of the board, managing director, financial director, internal auditors, external auditors and the chief risk officer attend these meetings by invitation.

Separate meetings are scheduled with the internal and external auditors to allow open discussion without the presence of management. During these meetings no matters of material concern were raised.

Objective and scope

The main purpose of the committee is to:

- perform its statutory duties as prescribed by the Act;
- review and report back to the board on all financial matters relating to the group;
- further assist the board in discharging its duties relating to safeguarding of assets, the operation of adequate systems, control and reporting processes and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- provide a forum for discussing business risk and control issues and for developing recommendations for consideration by the board; and
- oversee the activities of internal and external audits.

The committee has evaluated the consolidated and company annual financial statements for the year ended 31 August 2016 and, based on the information provided to the committee, considers that they comply in all material respects with the requirements of the various Acts and regulations governing disclosure and reporting in the annual financial statements.

The committee is satisfied that an adequate system of internal control is in place to reduce significant financial risks faced by the group to an acceptable level and that these controls have been effective throughout the period under review. The system is designed to manage rather than eliminate the risk of failure and to maximise the opportunities to achieve business objectives. This can provide only reasonable but not absolute assurance.

The committee received confirmation from the internal auditors, KPMG, that based on the scope of work, the approach followed and the results of the reviews, including the remedial action plans that had been agreed upon by management, nothing had come to the attention of KPMG that would suggest that the prevailing systems of internal controls and the risk management activities throughout the company for the year ended 31 August 2016 were not in all material aspects satisfactory.

Committee activities

In addition to the duties set out in its terms of reference, the committee:

- determined the fees to be paid to Deloitte & Touche (external auditors) and its terms of engagement;
- determined the fees to be paid to KPMG (internal auditors) and its terms of reference;
- reviewed the external audit reports and management letters;
- considered and satisfied itself that other services provided by the external auditors were not significant and did not have any impact on their independence;
- assessed the work done by the internal auditors so as to ensure their independence and effectiveness;
- reviewed the existing internal audit charter and approved amendments thereto to cater for a co-sourced model;
- reviewed the quarterly compliance report and City Property Administration Proprietary Limited's chief information officer's report;
- reviewed the accounting practices and internal financial controls of the group; and
- reviewed the documented assessments, as prepared by management, of the going concern status of the group.

Annual confirmations

- **Annual financial statements and integrated report**
  The committee recommended the annual financial statements as well as the 2016 integrated report to the board for approval. Deloitte & Touche, the external auditors, have provided shareholders with an independent opinion on page 3 on whether the annual financial statements for the year ended 31 August 2016 fairly present, in all material respects, the financial results for the year and the position of the company and the group at 31 August 2016.

- **Independence and reappointment of the external auditor is reaffirmed**
  The committee is satisfied that the external audit firm and designated lead auditor are independent as defined by the Act. To this end the committee considered fees for non-audit services paid to the external auditor in terms of its non-audit services policy.

  The committee, in consultation with executive management, agreed to an audit fee for the 2016 financial year, which is considered appropriate for the work that was done. Audit fees are described in note 21 to the financial statements.

  The committee reviewed the performance of the external auditors and recommended the appointment of Deloitte & Touche as external auditor for the 2017 financial year and Patrick Kleb as the designated lead auditor. This will be his third year as auditor of the company and group.

- **Risk management policy**
  The committee has adopted and implemented a risk management policy and has monitored compliance to the policy and is satisfied that Octodec has, in all material respects, complied with the policy during the year under review.

- **Evaluation of the expertise and experience of the financial director and the finance function**
  The committee is satisfied with the experience, expertise and adequacy of resources within the finance function and of the financial director.

- **Solvency and liquidity**
  Based on the quarterly solvency and liquidity tests performed, the committee was comfortable in its declaration to the board that the company and group are a going concern.

- **Effectiveness of internal controls**
  Using the assurance obtained from the various assurance providers the committee recommended to the board that it issues a statement as to the adequacy of the company's internal control measures.

- **Compliance with JSE's letter**
  The audit committee has considered the JSE's letter dated 15 February 2016 and, where necessary, has taken appropriate action.

Pieter Strydom
Chairman of the Audit Committee
23 November 2016

report of the directors

for the year ended 31 August 2016

To the shareholders of Octodec Investments Limited

The directors have pleasure in submitting their report for the year ended 31 August 2016.

Preparation of the annual financial statements

The audited annual financial statements were prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Act, under the supervision of Mr AK Stein CA(SA), in his capacity as group financial director.

Nature of business

Octodec Investments Limited is a REIT listed on the JSE under the "Financials – Real Estate Holdings" sector, investing in retail, office, industrial and residential properties and deriving income from the rental of its properties and its investments.

Stated capital

The authorised stated capital comprises 500 000 000 (2015: 500 000 000) shares of no par value. At 31 August 2016 there were 254 551 320 (2015: 252 321 784) shares in issue.

On 28 April 2016, Octodec declared an interim dividend and provided shareholders with an option to reinvest their dividends (the share reinvestment alternative). Octodec shareholders holding 51 439 103 Octodec shares, representing 20.4% of Octodec's issued shares, elected to receive the shares in terms of the share reinvestment alternative. As a result, 2 229 536 additional Octodec shares were issued on 30 May 2016 under specific authority to issue shares in terms of a share reinvestment alternative, to shareholders who elected to receive the share reinvestment alternative.

Events after the reporting date

Other than the dividend which was declared post the reporting date and is a non-adjusting event, there have been no subsequent events that require reporting.

Subsidiaries

The company's interests in property-owning subsidiaries are fully set out on pages 50 to 51.

Management contract and administration

The group's investment properties continue to be managed (in terms of an agreement) by City Property, the entire share capital of which is effectively owned by the Wapnick family. The agreement ends in July 2018 and is currently being re-negotiated.

Summary of consolidated results for the year

	2016 R'000	2015 R'000
Operating profit	**908 904**	823 962
Fair value changes of investment properties	**285 914**	486 054
Fair value changes of interest rate derivatives	**17 191**	49 255
Gain on bargain purchase	**–**	319 647
Reversal of impairment of loans	**378**	–
Profit/(loss) on sale of investment property	**8 490**	(61)
Interest and other income	**31 036**	38 528
Profit from ordinary activities before finance costs and taxation	**1 251 913**	1 717 385
Finance costs	**(394 751)**	(376 491)
Profit before taxation	**857 162**	1 340 894
Taxation	**–**	(3 166)
Profit for the year	**857 162**	1 337 728
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year attributable to shareholders	**857 162**	1 337 728
Reconciliation of profit to distributable earnings		
Total comprehensive income attributable to shareholders	**857 162**	1 337 728
(Profit)/loss on sale of investment properties	**(8 490)**	61
Gain on bargain purchase	**–**	(319 647)
Reversal of impairment of loans	**(378)**	–
Fair value changes		
Investment property	**(285 914)**	(486 054)
Joint ventures	**(6 872)**	(19 082)
Interest rate derivatives	**(17 191)**	(45 987)
Straight-line rental income accrual	**(2 567)**	(4 930)
Once-off reinstatement contribution from tenant	**(25 000)**	–
Deferred taxation adjustments	**–**	(87)
Distributable earnings attributable to shareholders	**510 750**	462 002
Distribution to shareholders (cents)		
Interim	**98.4**	96.8
Final	**103.1**	92.4
	201.5	189.2

Valuation of portfolio

Octodec's property portfolio was valued by the directors at an amount of R12.1 billion (2015: R11.4 billion) as at 31 August 2016. Over a three-year cycle, all properties are valued on a rotational basis by independent external valuers. The valuation of R3.1 billion of the property portfolio was performed by external valuers: Van Zyl Valuers CC (Gert van Zyl), Amanda de Wet Consultants and Investors CC (Amanda de Wet) and Quadrant Properties Proprietary Limited (Peter Parfitt) as at 31 August 2016 and was 0.7% more (2015: 0.6%) than the directors' portfolio valuation. The directors are confident, taking all factors into account, that their valuation represents fair value.

Net asset value

The net asset value per share is 2 913 cents (2015: 2 769 cents). The closing price per share at 31 August 2016 was 2 299 cents (2015: 2 425 cents), representing a discount of 21.1% to the net asset value per share.

Directorate

The directors of the company during the year under review were:

Executive directors

JP Wapnick – Managing director
AK Stein – Financial director

Non-executive directors

S Wapnick (Chairman)
DP Cohen (Lead independent director)
GH Kemp (Non-executive independent director)
MZ Pollack (Non-executive director)
PJ Strydom (Non-executive independent director)

Directors' remuneration

	2016 R	2015 R
S Wapnick	**1 033 000**	1 025 000
DP Cohen	**847 000**	667 000
GH Kemp	**801 000**	652 000
MZ Pollack	**778 000**	667 000
AK Stein	**649 000**	667 000
PJ Strydom	**839 000**	715 000
JP Wapnick	**649 000**	667 000
	5 596 000	5 060 000

There are no service contracts in place with the directors of Octodec. The proportionate salaries paid by City Property for Messrs JP Wapnick and AK Stein, the executive directors of Octodec, who are employed by City Property, are set out below. These amounts are based on an approximation of the time spent on Octodec in relation to their employment at City Property for the year ended 31 August 2016. Ms S Wapnick, the non-executive Chairman, was remunerated by City Property on an approximation of her time spent on Octodec affairs.

	2016			2015		
	Salary R	Pension fund contribu-tions R	Total R	Salary R	Pension fund contribu-tions R	Total R
AK Stein	**2 154 014**	**42 789**	**2 196 803**	1 801 162	39 554	1 840 716
JP Wapnick	**2 658 478**	**–**	**2 658 478**	2 617 967	–	2 617 967
S Wapnick	**1 222 892**	**–**	**1 222 892**	203 520	–	203 520
	6 035 384	**42 789**	**6 078 173**	4 622 649	39 554	4 662 203

report of the directors – continued

for the year ended 31 August 2016

Directors' shareholding

The beneficial and non-beneficial interest held by the directors in the company at the reporting date amounted to:

	2016				
	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total	%
MZ Pollack	547 347	–	2 197 127	2 744 474	1.1
AK Stein	172 284	305 274	145 049	622 607	0.2
JP Wapnick	37 489	14 536 276	20 581 696	35 155 461	13.8
S Wapnick	36 983	14 536 276	14 802 467	29 375 726	11.5
	794 103	29 377 826	37 726 339	67 898 268	26.6

	2015				
	Direct beneficial	Indirect beneficial	Indirect non-beneficial	Total	%
MZ Pollack	467 587	–	2 125 127	2 592 714	1.0
AK Stein	172 284	236 713	144 049	553 046	0.2
JP Wapnick	35 930	16 523 419	17 801 371	34 360 720	13.6
S Wapnick	36 983	16 514 225	12 624 009	29 175 217	11.6
	712 784	33 274 357	32 694 556	66 681 697	26.4

Changes in directors' shareholding after year-end

There have been no changes in directors' shareholding from reporting date to signing of the annual financial statements.

Going concern

The directors have considered the solvency and liquidity tests and have determined that the group has adequate resources to continue to operate in the foreseeable future. The annual financial statements have been prepared on the going concern basis.

Corporate governance

The board endorses the contents of the King Report on Governance for South Africa (King III).

Auditors

Deloitte & Touche have expressed their willingness to continue in office and resolutions proposing their reappointment will be submitted at the annual general meeting.

Company secretary

City Property Administration Proprietary Limited
CPA House
101 Du Toit Street
Tshwane, 0002

PO Box 15, Tshwane, 0001

statements of financial position

at 31 August 2016

	Notes	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
Assets					
Non-current assets		**12 219 234**	11 644 922	**7 131 179**	5 793 130
Investment property	2	**11 776 839**	11 265 331	**1 073 377**	999 769
Straight-line rental income accrual	3	**115 849**	114 773	**14 138**	14 150
Plant and equipment	4	**6 810**	8 646	**40**	71
Tenant installations and lease costs	5	**57 133**	60 407	**2 003**	2 230
Investment in subsidiaries	6	**–**	–	**5 955 921**	4 755 342
Investment in joint ventures	7	**172 582**	161 314	**–**	–
Other financial assets	9	**51 849**	–	**51 849**	–
Derivative financial instruments	10	**38 172**	34 451	**33 851**	21 568
Current assets		**373 661**	158 091	**130 086**	77 509
Trade and other receivables	11	**131 552**	102 822	**13 432**	14 199
Cash and cash equivalents	12	**69 109**	55 269	**60 154**	63 310
		200 661	158 091	**73 586**	77 509
Non-current assets held for sale	13	**173 000**	–	**56 500**	–
Total assets		**12 592 895**	11 803 013	**7 261 265**	5 870 639
Equity and liabilities					
Equity		**7 413 800**	6 987 679	**5 070 450**	4 958 982
Stated capital	14	**3 958 207**	3 907 819	**3 958 207**	3 907 819
Non-distributable reserve	15	**3 112 885**	2 799 231	**842 710**	808 855
Distributable reserve		**342 708**	280 629	**269 533**	242 308
Non-current liabilities		**4 106 208**	3 012 937	**2 146 200**	691 023
Long-term borrowings	16	**4 023 911**	2 917 174	**2 137 025**	691 023
Derivative financial instruments	10	**9 308**	22 778	**9 175**	–
Deferred taxation	17	**72 989**	72 985	**–**	–
Current liabilities		**1 072 887**	1 802 397	**44 615**	220 634
Trade and other payables	18	**315 698**	335 216	**43 283**	39 678
Short-term borrowings	16	**755 116**	1 463 699	**–**	179 141
Shareholders for distribution		**2 073**	3 482	**1 332**	1 815
Total equity and liabilities		**12 592 895**	11 803 013	**7 261 265**	5 870 639

statements of profit and loss and other comprehensive income

for the year ended 31 August 2016

		consolidated		company	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Revenue	20	**1 770 438**	1 639 089	**163 118**	150 228
Property operating costs		**(790 529)**	(742 212)	**(76 302)**	(67 006)
Net property income		**979 909**	896 877	**86 816**	83 222
Administrative expenses		**(71 005)**	(72 915)	**(69 351)**	(65 069)
Net operating profit	21	**908 904**	823 962	**17 465**	18 153
Gain on bargain purchase	38	**–**	319 647	**–**	–
Fair value changes to investment property	2.4	**285 914**	486 054	**31 465**	26 456
Fair value changes to interest rate derivatives	10	**17 191**	49 255	**3 108**	35 365
Profit from operations		**1 212 009**	1 678 918	**52 038**	79 974
Profit/(loss) on sale of investment properties		**8 490**	(61)	**152**	(61)
Reversal of impairment of loans		**378**	–	**–**	–
Interest income	22	**10 138**	5 953	**3 263**	961
Income from subsidiaries	23	**–**	–	**645 395**	518 687
Income from joint ventures	24	**20 898**	32 575	**–**	–
Profit from ordinary activities before finance costs		**1 251 913**	1 717 385	**700 848**	599 561
Finance costs	25	**(394 751)**	(376 491)	**(158 339)**	(84 222)
Profit before taxation		**857 162**	1 340 894	**542 509**	515 339
Taxation	26	**–**	(3 166)	**–**	(35)
Profit for the year		**857 162**	1 337 728	**542 509**	515 304
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the year attributable to shareholders		**857 162**	1 337 728	**542 509**	515 304
		Cents	Cents		
Basic earnings per share	28	**338.9**	561.7		
Diluted earnings per share	28	**336.7**	530.2		

statements of changes in equity

for the year ended 31 August 2016

	stated capital R'000	non distri-butable reserve R'000	distri-butable reserve R'000	total R'000
Consolidated				
Balance at 1 September 2014	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 properties	–	(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	**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 properties	**–**	**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	**3 958 207**	**3 112 885**	**342 708**	**7 413 800**
Company				
Balance at 1 September 2014	918 478	753 135	11 563	1 683 176
Total comprehensive income for the year	–	–	515 304	515 304
Issue of new shares	2 989 341	–	–	2 989 341
Dividends paid	–	–	(228 839)	(228 839)
Transfer to non-distributable reserve				
Profit on sale of investment properties	–	(61)	61	–
Fair value changes				
- Investment property	–	26 456	(26 456)	–
- Interest rate derivatives, net of deferred tax	–	29 325	(29 325)	–
Balance at 31 August 2015	**3 907 819**	**808 855**	**242 308**	**4 958 982**
Total comprehensive income for the year	**–**	**–**	**542 509**	**542 509**
Issue of new shares	**50 388**	**–**	**–**	**50 388**
Dividends paid	**–**	**–**	**(481 429)**	**(481 429)**
Transfer to non-distributable reserve				
Profit on sale of investment properties	**–**	**152**	**(152)**	**–**
Fair value changes				
- Investment property	**–**	**31 465**	**(31 465)**	**–**
- Interest rate derivatives, net of deferred tax	**–**	**2 238**	**(2 238)**	**–**
Balance at 31 August 2016	**3 958 207**	**842 710**	**269 533**	**5 070 450**

statements of cash flows

for the year ended 31 August 2016

	Notes	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
Cash (utilised)/generated from operating activities					
Cash generated from operations	29	**878 613**	881 500	**22 448**	47 706
Investment income		**10 138**	5 953	**648 658**	519 648
Finance costs		**(416 659)**	(376 491)	**(163 222)**	(84 222)
Dividends paid	29.1	**(482 838)**	(454 710)	**(481 912)**	(329 234)
Taxation paid	29.2	**–**	(34)	**–**	(1)
Net cash (utilised)/generated from operating activities		**(10 746)**	56 218	**25 972**	153 897
Cash utilised in investing activities					
Acquisition of investment property		**(178 923)**	(179 243)	**(11 534)**	(50 056)
- New acquisitions		**–**	(19 138)	**–**	(8 033)
- Developments		**(178 923)**	(160 105)	**(11 534)**	(42 023)
Acquisition of investment property under development		**(242 804)**	(297 648)	**(90 971)**	(47 685)
- New acquisitions		**(31 537)**	(90 268)	**(31 537)**	(46 263)
- Developments		**(211 267)**	(207 380)	**(59 434)**	(1 422)
Acquisition of plant and equipment		**(312)**	–	**–**	–
Tenant installation and lease costs		**(15 526)**	(25 550)	**(944)**	(1 231)
Proceeds on disposal of investment property		**55 450**	16 046	**9 500**	16 046
Amounts advanced to subsidiaries		**–**	–	**(1 200 579)**	(317 080)
Loan to joint venture partner		**(51 849)**		**(51 849)**	
Cash inflow from business combination	38.3	**–**	135 904	**–**	–
Income from joint ventures		**10 008**	21 292	**–**	–
Net cash utilised in investing activities		**(423 956)**	(329 199)	**(1 346 377)**	(400 006)
Cash generated from financing activities					
Issue of new shares		**50 388**	387 806	**50 388**	387 806
Increase/(decrease) in long-term borrowings		**1 106 737**	(209 876)	**1 446 002**	4 290
(Decrease)/increase in short-term borrowings		**(708 583)**	145 452	**(179 141)**	(87 524)
Net cash generated from financing activities		**448 542**	323 382	**1 317 249**	304 572
Net increase in cash and cash equivalents		**13 840**	50 401	**(3 156)**	58 463
Cash and cash equivalents at the beginning of the year		**55 269**	4 868	**63 310**	4 847
Cash and cash equivalents at the end of the year	12	**69 109**	**55 269**	**60 154**	**63 310**

notes to the financial statements

for the year ended 31 August 2016

1. Significant accounting policies

1.1 Basis of preparation

The consolidated and company financial statements (financial statements) have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Act, and have been rounded to the nearest thousand (R'000). The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment property and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. The accounting policies adopted and methods of computation are consistent with those applied in the financial statements of the previous year.

1.2 Basis of consolidation

1.2.1 Accounting for business combinations

The group accounts for business combinations by applying the acquisition method as at the acquisition date and measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The group controls an entity when it has power over the entity, it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the group to the previous owners of the acquiree, and equity interests issued by the group. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred, except transaction costs associated with the issue of debt or equity interests, which are set off against stated capital in the year of the acquisition.

1.2.2 Goodwill and gain on bargain purchase

Goodwill arising on the acquisition of a business is carried at cost, as established at the date of acquisition of the business, less accumulated impairment losses, if any.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

On disposal of a subsidiary, attributable goodwill is included in the determination of the profit or loss on disposal.

If the cost of the acquisition is less than the fair value of the net asset value of the subsidiary, the difference is recognised directly in the statement of profit and loss and other comprehensive income as a gain on bargain purchase.

1.2.3 Investments in subsidiaries

Subsidiaries are those entities controlled by the group. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity. The difference between the fair value of the consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in the statement of profit or loss and other comprehensive income, as part of the gain or loss on disposal of the controlling interest.

Investments in subsidiaries are stated in the company's financial statements at cost, less any impairment losses.

1.2.4 Investments in joint ventures

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets held under the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control under the arrangement, which occurs only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Interests in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and the other comprehensive income of equity-accounted investees, until the date on which the investment ceases to be a joint venture or when the investment is classified as held for sale.

When the group transacts with a joint venture of the group, profits and losses resulting from transactions with the joint venture are recognised in the group's consolidated and company financial statements only to the extent of interests in the joint venture that are not related to the group.

1.2.5 Interest in joint operations

A jointly controlled operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Jointly controlled operations are accounted for by including the group's

notes to the financial statements – continued

for the year ended 31 August 2016

1.2 Basis of consolidation – continued

1.2.5 Interest in joint operations – continued

share of the jointly controlled assets, liabilities, revenues and expenses on a line-by-line basis in the financial statements from the date that joint control commences until the date that joint control ceases. The group accounts for these assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When the group transacts with a joint operation in which a group entity is a joint operator, the group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the group's consolidated annual financial statements only to the extent of the other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the group does not recognise its share of the gains and losses until it resells those assets to a third party.

1.3 Reserves

Realised profits on the disposal of investment properties, although legally distributable, are transferred to a non-distributable reserve, as it is the group's policy to regard such profits as not being available for distribution. Gains and losses on revaluation of investment property and on interest rate derivatives net of deferred tax as applicable, are similarly transferred to a non-distributable reserve as are revaluation reserves of associates and joint ventures.

1.4 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment properties will flow to the entity, and the cost of the investment properties can be measured reliably.

Investment properties are initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. A gain or loss arising from a change in fair value is recognised in profit or loss and transferred to a non-distributable reserve in the statement of changes in equity in the period in which it arises. Subsequent refurbishing expenditure relating to investment properties that have been recognised is added to the carrying amount of the investment properties when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment properties, will flow to the entity. All other subsequent expenditure is expensed in the period in which it is incurred.

Investment properties are derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal of investment properties is calculated as the difference between the net disposal proceeds and the carrying amount of the investment properties and is recognised in the statement of profit and loss and other comprehensive income for the period and transferred to the non-distributable reserve in the period in which it arises.

Investment properties erected on land secured by means of long-term land leases are classified as investment properties.

1.4.1 Properties under development

Properties under development comprise the cost of the land and development and are stated at fair value. If the fair value cannot be reasonably determined it is stated at cost and is not depreciated. Investment properties that require development are transferred from investment property to investment property under development when development commences. On completion of the development these properties become part of investment property.

1.4.2 Fair value

At the reporting date all investment properties are measured at fair value as determined by management. The investment committee considers the valuations to determine the appropriateness of the valuation techniques and inputs used for fair value measurements. The valuation process is reviewed by the investment committee and approved by the board of directors at each reporting period.

In estimating the fair value of investment properties, the group uses market-observable data to the extent it is available. In accordance with the JSE Listings Requirements, independent valuations are obtained on a rotational basis to determine the reasonableness of the directors' portfolio valuation, ensuring that every property is independently valued every three years.

1.5 Non-current assets held-for-sale

A non-current asset is classified as held-for-sale if it is expected that its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and the sale is highly probable to occur within one year. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset.

On initial classification as held-for-sale, generally, non-current assets are measured at the lower of the carrying amount and fair value less costs to sell, with any adjustments taken to profit or loss (or other comprehensive income in the case of a revalued asset). The same applies to gains and losses on subsequent re-measurement. However, investment property within the scope of IAS 40 continues to be measured in accordance with that standard.

Impairment losses subsequent to classification of assets as held-for-sale are recognised in profit or loss. Increases in fair value less costs to sell assets that have been classified as held-for-sale are recognised in profit or loss to the extent that the increase is not in excess of any cumulative impairment loss previously recognised in respect of the asset. Assets classified as held-for-sale are not depreciated.

Non-current assets held-for-sale are presented separately from other assets and liabilities on the statement of financial position. Prior periods are not reclassified.

1.6 Plant and equipment

Plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Subsequent expenditure relating to an item of plant and equipment that has already been recognised is added to the carrying amount of the asset to the extent that it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the entity.

1.6 Plant and equipment – continued

The residual value and the useful life of each asset are reviewed at each financial year-end. Each part of an item of plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is based on the cost of the asset less its residual value and recognised on a straight-line basis, over the current estimated useful lives of the assets. The estimated useful lives of the assets for the current and comparative periods are:

• Furniture, fittings and carpets	6 years
• Security equipment	5 – 6 years
• Lifts	12 years
• Air-conditioning equipment	6 years
• Motor vehicles	4 years

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss and other comprehensive income.

1.7 Financial instruments

Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. All transaction costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments at fair value through profit or loss are expensed immediately in profit and loss.

1.7.1 Financial assets

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined by management at the time of initial recognition.

1.7.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'. Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

1.7.3 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans, trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment, except for short-term receivables where the effect of discounting is immaterial. Interest earned on loans, trade receivables and cash and cash equivalents is recognised on an accrual basis using the effective interest method.

1.7.4 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, except for short-term payments where the effect of discounting is immaterial.

1.7.5 Derivative financial instruments

The group uses derivative financial instruments to manage its exposure to interest rate risk arising from its financing activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, as the hedge relationship is not designated as a hedge for accounting purposes, the derivatives are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss and other comprehensive income.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

1.7.6 Derecognition

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

1.7.7 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment for a portfolio of receivables includes the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the tolerance credit period of 60 days, as well as observable changes in local economic conditions that result in default on receivables.

An estimate is made for credit losses based on a review of all outstanding amounts at year-end. Doubtful debts are written off to profit or loss during the year in which they are identified.

A reversal of an impairment of financial assets at amortised cost is recognised immediately in profit and loss.

1.8 Impairment of non-financial assets

At each reporting date the group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell, and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

notes to the financial statements – continued

for the year ended 31 August 2016

1.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.10 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event which will probably result in an outflow of economic benefits that can be reasonably estimated. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.11 Taxation

Current and deferred tax expenses are recognised in profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax expenses are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax expenses arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1.11.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's current tax is calculated using tax rates that have been enacted by the end of the reporting period.

1.11.2 Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not calculated on timing differences of those assets and liabilities that when reversed will be distributed to shareholders.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the period-end and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates, joint ventures and joint arrangements, except where the group is able to control the reversal of the temporary difference and that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates, joint ventures and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity where there is an intention to settle the balances on a net basis.

1.12 Revenue

1.12.1 Rental income and recoveries

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises revenue from rental income and operating cost recoveries and excludes value added taxation. Rental income is recognised on the straight-line basis over the lease term and recoveries are recognised on the accrual basis. Turnover-based rental is recognised when it is due in terms of the lease agreement and the amount can be measured reliably.

1.12.2 Income from investments

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends are recognised when the shareholder's right to receive payment has been established and the amount of income can be measured reliably.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

1.13.1 The group as lessor – operating leases

Contractual rental income is recognised on a straight-line basis over the period of the lease term and rental income based on a percentage of turnover is recognised when due and the amount can be measured reliably.

An adjustment is made to contractual rental income earned to bring to account in the current period, the difference between the rental income to which the group is currently entitled and the rental for the period calculated on a straight-line basis.

1.13 Leases – continued

1.13.1 The group as lessor – operating leases – continued

Income from leases is disclosed under revenue in the statement of profit and loss and other comprehensive income.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. These include tenant installation costs and commission paid in respect of the securing of leases.

1.13.2 The group as lessee

Operating lease payments, which are based on a percentage of rental income, are charged to the statement of profit and loss and other comprehensive income.

1.14 Fair value information

The group measures financial instruments, such as derivatives and investment properties, at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed, should it be determined that the carrying value of these instruments does not reasonably approximate their fair value at each reporting date.

1.14.1 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)

1.15 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Areas in which estimates and judgements are made include the following:

1.15.1 Investment property

In the application of the accounting policies which are described in note 2, management is required to make judgements, estimates and assumptions about the fair value of investment properties that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

1.15.2 Plant and equipment

The group reviews the estimated useful life of the plant and equipment at the end of each reporting period. Judgements regarding the existence of impairment indicators are based on operational performance of the assets. Future events could cause management to conclude that impairment indicators exist.

An estimate is made of the residual amount the group would receive currently for the asset if the asset was already of the age and condition expected at the end of its useful life. If this changes from the prior period, the depreciation charge is adjusted prospectively.

Useful lives of assets are reviewed annually. If these change from the prior period, the depreciation charge is adjusted prospectively. The group uses the following indicators to determine useful lives:

- Expected usage of assets.
- Expected physical wear and tear.
- Technical or commercial obsolescence.

1.15.3 Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, with gains or losses being recognised in profit or loss. An estimate is made for credit losses based on a review of all outstanding amounts at year-end.

1.15.4 Derivatives

The fair values of interest rate swaps are calculated based on the present value of future estimated cash flows, taking into account judgements, estimates and assumptions made by management.

1.15.5 Provisions

Provisions are required to be recorded when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Best estimates, being the amount that the group would rationally pay to settle the obligation, are recognised as provisions at the reporting date.

1.15.6 Fair value estimation

The fair values of investment properties are determined using current rentals, expected market rentals, maintenance requirements and appropriate capitalisation rates. These valuations are regularly compared to actual transactions by the group and those obtained by the market. Market rentals are determined by reference to current market rentals for similar buildings in the same location and condition.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

1.15.7 Deferred taxation

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. An assessment of future taxable profit is performed at every reporting date, in the form of future cash flows using a suitable growth rate.

1.15.8 Business combination versus asset acquisition

The directors have assessed the properties acquired and have concluded that, in their view, these acquisitions are property acquisitions in terms of IAS 40 and are therefore accounted for in terms of that standard. In the opinion of the directors, these properties did not constitute a "business" as defined in terms of IFRS 3, as there were no adequate processes identified within these properties to warrant classification as a business.

1.16 Segmental reporting

Determination and presentation of operating segments:

The group determines and presents operating segments based on information that is provided internally to the chief operating decision-maker, namely the managing director.

Segment results that are reported to the chief operating decision-maker include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

On a primary basis the operations are organised into six major operating segments:

- Industrial
- Office
- Retail shops
- Retail shopping centres
- Parking
- Residential

The chief operating decision-maker assesses each investment property on an individual basis in making decisions about its performance.

notes to the financial statements – continued

for the year ended 31 August 2016

1.17 New standards

1.17.1 Standards adopted

No new standards were adopted during the year under review.

1.17.2 Standards not yet effective

standard	description	effective date
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	**Annual periods beginning on or after 1 January 2016**
IFRS 7: Financial Instruments: Disclosures	Amendments resulting from September 2014 Annual Improvements to IFRSs	**Annual periods beginning on or after 1 January 2016**
IFRS 9: Financial Instruments	Reissue of a complete standard with all the chapters incorporated	**Annual periods beginning on or after 1 January 2018**
IFRS 10: Consolidated Financial Statements	Amendments on sale or contribution of assets between an investor and its associate or joint venture	**Annual periods beginning on or after 1 January 2016**
IFRS 10: Consolidated Financial Statements	Amendments related to the application of the investment entities exceptions	**Deferred indefinitely**
IFRS 11: Joint Arrangements	Amendment requiring the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3: Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3	**Annual periods beginning on or after 1 January 2016**
IFRS 12: Disclosure of Interests in Other Entities	Amendments related to the application of the investment entities exceptions	**Annual periods beginning on or after 1 January 2016**
IFRS 15: Revenue from Contracts with Customers	Original issue	**Annual periods beginning on or after 1 January 2017**
IFRS 15: Revenue from Contracts with Customers	Amendments to defer the effective date to 1 January 2018	**Annual periods beginning on or after 1 January 2018**
IFRS 15: Revenue from Contracts with Customers	Clarifications to IFRS 15	**Annual periods beginning on or after 1 January 2018**
IFRS 16: Leases	New standard setting out the principles for the recognition, measurement, preparation and disclosure of leases	**Annual periods beginning on or after 1 January 2019**
IAS 1: Presentation of Financial Statements	Amendments arising under the Disclosure Initiative	**Annual periods beginning on or after 1 January 2016**
IAS 7: Statement of Cash Flows	Amendments arising under the Disclosure Initiative	**Annual periods beginning on or after 1 January 2017**
IAS 12: Deferred Taxes	Amendments to the recognition of Deferred Tax Assets for Unrealised Losses	**Annual periods beginning on or after 1 January 2017**
IAS 16: Property, Plant and Equipment	Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)	**Annual periods beginning on or after 1 January 2016**
IAS 16: Property, Plant and Equipment	Amendments to include ‘bearer plants’ within the scope of IAS 16 rather than IAS 41	**Annual periods beginning on or after 1 January 2016**
IAS 19: Employee Benefits	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	**Annual periods beginning on or after 1 January 2016**
IAS 27: Separate Financial Statements	Amendments relating to equity method in separate financial statements	**Annual periods beginning on or after 1 January 2016**
IAS 28: Investments in Associates and Joint Ventures	Amendments on sale or contribution of assets between an investor and its associate or joint venture	**Annual periods beginning on or after 1 January 2016**
IAS 28: Investments in Associates and Joint Ventures	Amendments related to the application of the investment entities exceptions	**Deferred indefinitely**
IAS 34: Interim Financial Reporting	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	**Annual periods beginning on or after 1 January 2016**

Management have considered the above new standards and amendments to existing standards and believe that the above will not have a material impact on the group.

	Notes	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
2. Investment property					
Developed		**11 300 939**	10 652 898	**937 818**	952 084
Under development		**475 900**	612 433	**135 559**	47 685
		11 776 839	11 265 331	**1 073 377**	999 769
The group's investment properties are leased out under operating leases.					
2.1 Reconciliation of investment property – developed					
Carrying value at beginning of year		**10 652 898**	3 258 932	**952 084**	891 679
Acquisitions		**–**	19 138	**–**	8 033
Refurbishments		**178 923**	160 105	**11 534**	42 023
Disposals		**(46 233)**	(16 107)	**(8 968)**	(16 107)
Additions through business combination		**–**	6 734 665	**–**	–
Transferred from under development		**340 210**	–	**–**	–
Fair value changes		**336 093**	496 165	**36 175**	26 456
Transfer to non–current assets held for sale		**(160 952)**	–	**(53 007)**	–
		11 300 939	10 652 898	**937 818**	952 084
2.2 Reconciliation of investment property – under development					
Carrying value at beginning of year		**612 433**	169 416	**47 685**	–
Acquisitions		**31 537**	90 268	**31 537**	46 263
Upgrades and developments including borrowing costs		**232 525**	207 380	**63 937**	1 422
Additions through business combination		**–**	155 480	**–**	–
Transferred to developed		**(340 210)**	–	**–**	–
Fair value changes		**(60 385)**	(10 111)	**(7 600)**	–
		475 900	612 433	**135 559**	47 685
2.3 Reconciliation of valuation to carrying value – investment property					
Valuations at end of year		**12 129 631**	11 449 157	**1 146 058**	1 016 220
Less:					
Straight–line rental income accrual	Note 3	**(115 849)**	(114 773)	**(14 138)**	(14 150)
Plant and equipment	Note 4	**(6 810)**	(8 646)	**(40)**	(71)
Tenant installation and lease costs	Note 5	**(57 133)**	(60 407)	**(2 003)**	(2 230)
Transferred to non–current assets held for sale	Note 13	**(173 000)**	–	**(56 500)**	–
Carrying amount at end of year		**11 776 839**	11 265 331	**1 073 377**	999 769

The investment properties are valued bi–annually by management of City Property and the portfolio valuation is reviewed by the investment committee and approved by the board.

Over a three-year cycle, all properties are valued on a rotational basis by independent external valuers. Van Zyl Valuers CC (Gert van Zyl), Amanda de Wet Consultants and Investors CC (Amanda de Wet) and Quadrant Properties Proprietary Limited (Peter Parfitt) are registered valuers in terms of section 19 of the Property Valuers Profession Act, 47 of 2000 and have extensive experience in property valuations. The valuers' portfolio valuation at 31 August 2016 of R3.1 billion, representing 25.3% of the portfolio, was 0.7% more (2015: 0.6%) than the directors' portfolio valuation. The directors are confident, taking all factors into account, that their valuations represent fair market value.

Investment property amounting to R315 million (2015: R335 million) currently under development is stated at cost due to the difficulty in determining a reliable fair value.

2.4 Fair value information

The fair value of the group's investment property as at 31 August 2016 was 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. The range of annual capitalisation rates applied to the property portfolio is between 8.0% (2015: 8.0%) and 12.0% (2015: 14.0%) with a weighted annual average of 9.2% (2015: 9.3%).

The second key input used in the valuation calculation is the long-term net operating income margin, of which the expense ratio is the significant unobservable input. Expense ratios used ranged from 5.9% to 58.5% (2015: 5.7% to 78.0%) with a weighted average of 24.2% (2015: 24.9%).

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 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 long –range vacancy factor used ranged from 0.0% to 40.0% (2015: 0.0% to 55.0%) with a weighted average of 4.8% (2015: 5.8%).

In estimating the fair value of the properties the highest and best use is taken into account.

There have been no changes in judgements or estimates of amounts or valuation techniques from the previous reporting periods.

Investment property has been categorised as a Level 3 and there have been no transfers made between Level 1, 2 or 3 during the year under review. (Refer to the fair value information in accounting policies.)

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
2. Investment property – continued				
2.4 Fair value information – continued				
Relationship of unobservable inputs to fair value				
An increase of 1% in the capitalisation rate while all other inputs remain constant would result in a decrease in the carrying amount of investment property of R1.2 billion (2015: R1.1 billion). A decrease of 1% in the capitalisation rate while all other inputs remain constant would result in an increase in the carrying amount of investment property of R1.5 billion (2015: R1.4 billion).				
An increase/decrease of 1% in the weighted average of the expense ratios used to calculate the long–term net operating income margin while all other inputs remain constant would result in an increase/decrease in the carrying amount of investment property of R158.0 million (2015: R149.8 million).				
Reconciliation of fair value changes to investment property				
Investment property – developed	336 093	496 265	36 175	26 456
Investment property – under development	(60 385)	(10 111)	(7 600)	–
Non-current assets held for sale	10 206	–	2 890	
	285 914	486 054	31 465	26 456
2.5 Investment property pledged as security				
The group has encumbered certain of its investment properties to secure mortgage loan facilities as set out in note 16. There are no other restrictions on the realisability of investment property or distribution of its income.				
2.6 Investment property held under operating leases				
Woodmead Value Mart and Intersite are situated on leasehold land and classified as investment property. The lease of Woodmead Value Mart commenced in April 1995. The term of the lease is 40 years and is renewable for a further 40 years at the election of Woodmead Value Mart Proprietary Limited, a subsidiary of the group. The lease of Intersite commenced in September 1996 for a period of 50 years.				
A schedule of investment properties owned by the group is set out on pages 41 to 47.				
3. Straight-line rental income accrual				
Carrying value at beginning of year	114 773	43 159	14 150	12 500
Net movement during the year	2 567	4 930	591	1 650
Additions through business combination	–	66 684	–	–
Disposals	(73)	–	–	–
Transferred to non-current assets held for sale	(1 418)	–	(603)	–
	115 849	114 773	14 138	14 150
4. Plant and equipment				
Cost	31 839	31 901	824	824
Accumulated depreciation	(25 029)	(23 255)	(784)	(753)
Carrying value	6 810	8 646	40	71
Movement during the year:				
Carrying value at beginning of year	8 646	3 677	71	120
Additions through business combination	–	7 401	–	–
Additions	312	–	–	–
Transferred to non-current assets held for sale	(374)	–	–	–
Depreciation charge net of disposals	(1 774)	(2 432)	(31)	(49)
	6 810	8 646	40	71
Plant and equipment which forms an integral part of investment property is pledged as security as per note 2.5.				

	consolidated		company	
	2016 R'000	**2015 R'000**	**2016 R'000**	**2015 R'000**
5. Tenant installation and lease costs				
Carrying value at beginning of year	**60 407**	33 181	**2 230**	2 442
Additions	**15 526**	25 550	**944**	1 231
Additions through business combination	**–**	24 198	**–**	–
Transferred to non-current assets held for sale	**(50)**	–	**–**	–
Amortisation	**(18 750)**	(22 522)	**(1 171)**	(1 443)
	57 133	60 407	**2 003**	2 230
6. Investment in subsidiaries				
Shares at cost			**3 057 990**	3 057 990
Net amounts due by subsidiaries			**2 897 931**	1 697 352
Amounts due by subsidiaries			**2 897 965**	1 860 668
Amounts owed to subsidiaries			**(34)**	(163 316)
			5 955 921	4 755 342

A schedule of the company's interest in subsidiaries is set out on pages 50 to 51.

The group has pledged and ceded the shares and loan accounts of certain of its subsidiary companies to secure banking facilities granted to the group (refer note 16).

	2016 R'000	2015 R'000
7. Investment in joint ventures		
Equity accounted		
Cost of investment	**1**	1
Loans to joint ventures	**128 187**	127 178
Additions through business combination	**–**	11 784
Reserves since acquisition	**44 394**	22 351
	172 582	161 314

A loan of R80 600 000 bears interest at prime plus 1% per annum and a loan of R9 587 765 bears interest at 16% per annum. The remaining loans are interest free.

Proportion of ownership interest/voting rights held by the group	**2016 %**	**2015 %**
Name of joint venture		
Gerlan Properties Proprietary Limited	**50**	50
Jardtal Properties Proprietary Limited	**50**	50
Prensas Properties Proprietary Limited	**50**	50

The joint ventures are property investment companies deriving income from rentals.

The companies are all incorporated in the Republic of South Africa.

All the above joint ventures are accounted for using the equity method in the consolidated financial statements. Octodec has the right to cast 50% of the voting rights at shareholder meetings for each of the above joint ventures. The financial year-end of Jardtal Properties Proprietary Limited and Prensas Properties Proprietary Limited is 31 August. The financial year-end of Gerlan Properties Proprietary Limited (Gerlan) is 30 June. A change of reporting date is not possible as this is the same year-end as Bidvest Group Limited, the joint venture partner and manager of Gerlan. For the purposes of applying the equity method of accounting, the financial statements of Gerlan for the year ended 30 June 2016 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 August 2016.

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
7. Investment in joint ventures – continued				
7.1 Summarised financial information of the joint ventures as at 31 August 2016				
The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRS.				
As the financial information for each joint venture is not individually material when compared as a percentage to the group's total assets, the financial information is disclosed in aggregate.				
Aggregate information of joint ventures that are not individually material				
Assets				
Non-current	477 200	448 520		
Investment property	467 073	438 754		
Straight-line rental income accrual	8 771	8 021		
Plant and equipment	–	23		
Tenant installations and lease costs	1 356	1 722		
Current	15 333	3 094		
Trade and other receivables	15 330	2 983		
Taxation receivable	–	108		
Cash and cash equivalents	3	3		
	492 533	451 614		
Equity and liabilities				
Equity	88 788	68 271		
Share capital	5 768	5 768		
Non-distributable reserve	94 787	77 033		
Accumulated loss	(11 767)	(14 530)		
Non-current liabilities	287 767	371 589		
Shareholder loan accounts	110 712	183 898		
Long-term borrowings	167 277	178 723		
Derivative financial instruments	1 079	–		
Deferred taxation	8 699	8 968		
Current liabilities	115 978	11 754		
Trade and other payables	13 321	11 754		
Short-term borrowings	22 057	–		
Shareholder loan accounts	80 600	–		
	492 533	451 614		
Results of operations – 12 months ended 31 August 2016				
Revenue	68 698	62 933		
Profit for the year	24 414	44 702		
Other comprehensive income for the year	–	–		
Total comprehensive income for the year	24 414	44 702		
The above profit for the year includes the following:				
Depreciation and amortisation	298	289		
Interest income	473	362		
Interest expense	28 739	26 838		
Income tax expense	1 394	771		
7.2 Reconciliation of the above summarised financial information to carrying amount of the interest in joint ventures				
Net assets of the joint ventures	88 788	68 271		
50% proportion of the group's interest in the joint ventures	44 395	34 136		
Loans to joint ventures	128 187	127 178		
Carrying amount of the group's interest in joint ventures	172 582	161 314		

7.3 Commitments and contingencies of joint ventures

The group has signed sureties for R190.5 million (2015: R190.5 million) for Jardtal Properties Proprietary Limited and R11 million (2015: R11 million) for Prensas Properties Proprietary Limited for loan facilities provided by Nedbank Limited.

The group has commitments of R39 000 (2015: R7.0 million) in respect of capital expenditure relating to the upgrade of certain properties in the name of the joint ventures. These development costs will be funded by way of existing bank facilities.

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
8. Joint operation				
The Manhattan (50% interest)				
Included in the assets and liabilities of Octodec is the undivided half share of the immovable property development comprising 180 residential units in Sunninghill, Gauteng, South Africa which was acquired on 13 May 2015. The other 50% undivided share is owned by Burcress Proprietary Limited.				
Non-current assets				
- Investment property	**76 222**	11 653	**76 222**	11 653
Non-current borrowings	**71 339**	9 131	**71 339**	9 131
Current liabilities	**4 883**	2 261	**4 883**	2 261
	76 222	11 392	**76 222**	11 392
9. Other financial assets				
Loan to joint operation partner	**51 849**	–	**51 849**	–
The loan to the joint operation partner is secured by a mortgage bond over their 50% share of the immovable property and bears interest at prime overdraft rate less 0.5% per annum and is repayable by no later than the third anniversary of the Pre–Let Date (the earlier of: the first anniversary of the date of completion of the development and the date upon which the property is 98% let.) The Pre–Let Date is not expected to occur within the next twelve months.				
The group has a commitment to fund the joint operation partner to a maximum of R75 million.				
10. Derivative financial instruments				
Interest rate derivatives				
Carrying value at beginning of year	**11 673**	(13 797)	**21 568**	(13 797)
Additions through business combination	**–**	(23 785)	**–**	–
Fair value changes	**17 191**	49 255	**3 108**	35 365
	28 864	**11 673**	**24 676**	**21 568**
Reconciliation to statement of financial position				
Derivative financial instruments				
Non-current assets	**38 172**	34 451	**33 851**	21 568
Non-current liabilities	**(9 308)**	(22 778)	**(9 175)**	–
	28 864	**11 673**	**24 676**	**21 568**
The notional principal amount of the outstanding contracts for the group at year–end was R4.8 billion (2015: R3.6 billion) and for the company R4.3 billion (2015: R2.1 billion).				
Fair value information				
The fair values of the interest rate swaps are determined on a mark–to–market valuation calculated by discounting the estimated future cash flows based on the terms and maturity of each contract and using the market interest rate indicated on the SA swap curve.				
Fair value hierarchy				
Derivative financial instruments have been categorised as a Level 2 and there have been no significant transfers made between Level 1, 2 or 3 during the year under review.				
11. Trade and other receivables				
Net trade receivables	**40 356**	24 656	**1 859**	1 254
Trade receivables	**57 436**	37 584	**3 807**	1 716
Less: Provision for impairment	**(17 080)**	(12 928)	**(1 948)**	(462)
Other receivables– utility and assessment rate recoveries	**62 660**	63 854	**9 496**	10 151
Other receivables– assessment rate refunds	**12 992**	–	**484**	–
Sundry receivables	**9 014**	5 376	**585**	865
	125 022	93 886	**12 424**	12 270
Payments in advance	**6 530**	8 936	**1 008**	1 929
	131 552	**102 822**	**13 432**	**14 199**
All trade and other receivables are short–term in nature. Interest is charged at prime plus 4% (2015: 4%) on arrear tenant balances if appropriate.				

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
12. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand and bank balances	27 063	21 044	18 108	29 085
Cash and cash equivalents held by the entity that are not available for use by the group:				
Bank account held for tenant deposits	42 046	34 225	42 046	34 225
	69 109	55 269	60 154	63 310
13. Non-current assets held for sale				
Reconciliation of investment property held for sale				
Transferred from investment property	160 952	–	53 007	–
Transferred from straight-line rental income accrual	1 418	–	603	–
Transferred from tenant installation and lease costs	50	–	–	–
Transferred from plant and equipment	374	–	–	–
Fair value changes	10 206	–	2 890	–
Carrying value at the end of the year	173 000	–	56 500	–

A decision was made by the board to dispose of 32 non-core or underperforming investment properties. The non-current assets will be sold piecemeal and the properties are expected to be disposed of by August 2017.

The properties classified as held for sale are valued using the net income capitalisation method as detailed in note 2.4 except for those where a firm offer has been received in which case it is valued at the offer value.

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
14. Stated capital				
Authorised				
500 000 000 ordinary shares of no par value	500 000	500 000	500 000	500 000
Issued				
254 551 320 (2015: 252 321 784) ordinary shares of no par value				
Carrying value at beginning of year	3 907 819	918 478	3 907 819	918 478
2015: Issue of 119 055 519 ordinary shares of no par value	–	2 601 324	–	2 601 324
2015: Issue of 15 918 367 ordinary shares of no par value in terms of a bookbuild	–	388 017	–	388 017
2016: Issue of 2 229 536 ordinary shares of no par value in terms of a dividend reinvestment programme	50 388	–	50 388	–
	3 958 207	3 907 819	3 958 207	3 907 819

The unissued ordinary shares are under the control of the directors and subject to the conditions of the company's memorandum of incorporation the JSE Listings Requirements and the Act. This authority remains in force until the company's next annual general meeting. All shares are fully paid up.

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
15. Non-distributable reserve				
Capital reserve arising on disposal of investment property	23 202	14 712	11 239	11 087
Fair value changes to investment property	2 151 680	1 865 766	621 808	590 343
Fair value changes to derivative financial instruments	44 662	32 284	17 151	14 913
Fair value changes to joint venture reserves	25 954	19 082	–	–
Additions through business combination	867 387	867 387	192 512	192 512
	3 112 885	2 799 231	842 710	808 855

	Interest rate %	Expiry date	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
16. Borrowings						
16.1 Loans at amortised cost						
Secured loans						
Nedbank Limited						
Loan 1	Prime less 2.15	9 September 2015	–	93 092	–	–
Loan 2	Prime less 2.15	9 September 2015	–	7 631	–	–
Loan 3	Prime less 1.65	9 September 2015	–	13 528	–	–
Loan 4	Prime less 1.00	9 September 2015	–	39 992	–	39 992
Loan 5	Prime less 2.15	1 September 2015	–	1 912	–	–
Loan 6	Prime less 1.00	2 November 2015	–	124 480	–	–
Loan 7	1-month JIBAR plus 1.55	1 December 2015	–	138 081	–	–
Loan 8	Prime less 2.15	1 December 2015	–	7 699	–	–
Loan 9	1-month JIBAR plus 1.53	1 December 2015	–	2 966	–	–
Loan 10	Prime less 1.00	1 December 2015	–	77 557	–	–
Loan 11	Prime less 1.00	1 December 2015	–	21 996	–	–
Loan 12	Prime less 1.65	1 February 2016	–	1 168	–	1 168
Loan 13	Prime less 1.65	1 February 2016	–	3 792	–	3 792
Loan 14	Prime less 1.65	1 February 2016	–	3 437	–	3 437
Loan 15	Prime less 1.65	1 February 2016	–	378	–	378
Loan 16	Prime less 1.00	1 February 2016	–	68 997	–	68 997
Loan 17	Prime less 2.15	1 February 2016	–	1 386	–	1 386
Loan 18	Prime less 1.30	3 May 2016	–	59 992	–	59 992
Loan 19	1-month JIBAR plus 1.85	2 May 2019	287 251	262 499	–	–
Loan 20	Prime less 1.63	2 May 2019	174 634	160 757	–	–
Loan 21	Prime less 1.77	2 May 2019	334 282	345 565	–	–
Loan 22	Prime less 1.67	2 May 2019	378 734	318 564	–	–
Loan 23	Prime less 2.15	2 May 2019	24 340	24 341	–	–
Loan 24	Prime less 2.15	2 May 2019	30 167	30 167	–	–
Loan 25	Fixed at 12.15	2 May 2018	160 000	160 000	–	–
Loan 26	Prime less 2.15	2 May 2018	25 552	25 552	–	–
Loan 27	Fixed at 12.06	2 May 2018	40 580	40 580	–	–
Loan 28	Fixed at 12.06	2 May 2018	100 000	100 000	–	–
Loan 29	Prime less 2.15	1 June 2018	30 000	30 000	–	–
Loan 30	Prime less 2.15	2 July 2018	790	790	–	–
Loan 31	Prime less 1.77	3 September 2018	277 975	226 361	277 975	226 361
Loan 32	Prime less 1.79	1 October 2018	74 988	74 988	–	–
Loan 33	Fixed at 11.72	1 October 2018	75 000	75 000	–	–
Loan 34	Fixed at 11.01	1 November 2018	36 400	36 400	–	–
Loan 35	Prime less 1.65	3 December 2018	50 697	50 697	50 697	50 697
Loan 36	Prime less 1.67	3 December 2018	16 369	16 369	–	–
Loan 37	Prime less 1.67	1 February 2019	4 738	4 738	–	–
Loan 38	Prime less 2.15	1 March 2019	30 950	31 148	–	–
Loan 39	Prime less 2.00	3 June 2019	27 726	27 726	–	–
Loan 40	Prime less 1.00	1 March 2018	34 385	34 385	–	–
Loan 41	Prime less 1.63	2 May 2019	537 578	–	537 578	–
Loan 42	Prime less 1.26	3 February 2020	245 406	–	245 406	–
Standard Bank of South Africa Limited						
Loan A	Prime less 1.92	15 August 2016	–	115 024	–	–
Loan B	Prime less 1.92	30 September 2016	–	88 898	–	–
Loan C	Prime less 1.75	31 October 2016	–	337 684	–	–
Loan D	Prime less 1.70	31 August 2019	118 912	118 909	118 912	118 909
Loan E	Prime less 1.45	31 August 2019	52 013	62 014	52 013	62 014
Loan F	3-month JIBAR plus 1.52	31 December 2017	233 255	233 042	233 255	233 041
Loan G	Prime less 1.92	31 August 2019	115 027	–	115 027	–
Loan H	Prime less 1.92	31 August 2019	88 901	–	88 901	–
Loan I	Prime less 1.45	31 August 2020	277 682	–	277 681	–
Loan J	Prime less 1.55	27 November 2018	139 579	–	139 579	–
			4 023 911	3 700 282	2 137 025	870 164

notes to the financial statements – continued

for the year ended 31 August 2016

	Interest rate %	Expiry date	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
16. Borrowings – continued						
16.1 Loans at amortised cost						
Unsecured loans						
Domestic medium-term note programme (DMTN)						
PMM 16 – issuance 6 months	Fixed at 7.225	2 September 2015	**–**	160 000	**–**	–
PMM 17 – issuance 12 months	3-month JIBAR plus 1.20	6 March 2016	**–**	265 000	**–**	–
PMM 18 – issuance 6 months	3-month JIBAR plus 0.90	4 November 2015	**–**	194 000	**–**	–
PMM 19 – issuance 12 months	3-month JIBAR plus 1.30	13 May 2016	**–**	50 000	**–**	–
PMM 21 – issuance 12 months	3-month JIBAR plus 1.30	2 September 2016	**95 000**	–	**–**	–
PMM 23 – issuance 6 months	3-month JIBAR plus 1.00	2 September 2016	**55 000**	–	**–**	–
PMM 24 – issuance 6 months	3-month JIBAR plus 1.00	7 September 2016	**55 000**	–	**–**	–
PMM 25 – issuance 12 months	3-month JIBAR plus 1.35	7 March 2017	**209 856**	–	**–**	–
PMM 26 – issuance 6 months	3-month JIBAR plus 1.10	4 November 2016	**259 948**	–	**–**	–
PMM 27 – issuance 6 months	3-month JIBAR plus 1.10	25 November 2016	**69 985**	–	**–**	–
Accrued interest			**10 327**	11 591	**–**	–
			755 116	680 591		
			4 779 027	4 380 873	**2 137 025**	870 164
Reconciliation to statement of financial position						
Non-current			**4 023 911**	2 917 174	**2 137 025**	691 023
Current			**755 116**	1 463 699	**–**	179 141
			4 779 027	4 380 873	**2 137 025**	870 164

The group has R633 million undrawn debt facilities available on demand as at 31 August 2016. The facilities are secured by mortgage bonds over various properties with a fair value of R10.7 billion (2015: R9.7 billion), and cession of shares from certain subsidiaries.

2016

Loans 1 to 18 were consolidated into loans 41 and 42 on expiry in the name of Octodec.
Loans A, B and C were consolidated into loans G, H and I in the name of Octodec.
PMM 21 and 23 have since been refinanced by PMM 28 for R65 million maturing 2 March 2017 and PMM 29 for R119 million maturing 4 September 2017.
PMM 24 has since been partially refinanced by PMM 30 for R50 million maturing on 7 September 2017.
PMM 26 has been partially refinanced by PMM 31 for R253 million maturing on 4 May 2017.

2015

PMM 16 has since been partially refinanced by PMM 20 for R55 million maturing 2 March 2016 and PMM 21 for R95 million maturing 2 September 2016.
PMM 18 has since been partially refinanced by PMM 22 for R185 million maturing on 4 May 2016.

	consolidated 2016 Carrying value R'000	consolidated 2016 Fair value R'000	consolidated 2015 Carrying value R'000	consolidated 2015 Fair value R'000
16.2 Fair value of long-term loans				
Loans at fixed interest rates				
Nedbank Limited	**411 980**	**426 441**	411 980	435 279

The fair values of the fixed interest rate loans were determined using the discounted cash flow method. The average annual interest rate used to discount the cash flows on the fixed interest loans was 9.76% (2015: 9.60%), based on the quoted swap rate at year-end for loans with similar maturities. The average credit risk margin used was 1.46% (2015: 1.25%) based on the group's most recent fixed-rate loan agreements with Nedbank Limited.

The fair value of long-term loans have been categorised as a Level 2 and there have been no transfers made between Level 1, 2 or 3 during the year under review.

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
17. Deferred taxation				
The deferred tax liability arises from the following temporary differences:				
Tax losses available for set-off against future taxable income	(133 608)	(128 538)	(7 619)	(6 749)
Building allowances – pre conversion to a REIT	178 943	178 943	–	–
Wear and tear allowance	19 574	19 311	710	710
Fair value changes – interest rate derivatives	8 080	3 269	6 909	6 039
	72 989	72 985	–	–
Reconciliation of movement for the year				
Carrying value at beginning of year	72 985	7 103	–	–
Additions through business combinations	–	62 701	–	–
Tax losses available for set-off against future taxable income	(5 070)	(17 608)	(870)	(2 975)
Wear and tear allowance	263	17 520	–	94
Fair value changes – derivative financial instruments	4 811	3 269	870	6 039
Other allowances	–	–	–	(3 158)
	72 989	72 985	–	–

A REIT cannot claim building allowances. Allowances claimed in previous years will be recouped on sale of the investment properties where applicable. The deferred tax liability was therefore retained.

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
18. Trade and other payables				
Trade payables	58 998	87 143	11 220	7 826
Tenant deposits	92 714	86 223	12 154	8 063
Accrued expenses – utilities and assessment rates	63 222	56 346	2 797	4 348
Accrued expenses – repairs and maintenance	9 972	13 453	974	1 187
Other payables	88 151	69 597	15 994	18 254
	313 057	312 762	43 139	39 678
VAT payable	2 641	22 454	144	–
	315 698	335 216	43 283	39 678

The group has financial policies in place to ensure that all payables are paid within the credit framework. Amounts are settled within payment terms to ensure that no interest is payable.

19. Bank overdraft

The group's overdraft is unsecured and bears interest at the prime overdraft rate.

The group overdraft facilities of R45.5 million (2015: R45.5 million) are reviewable on an annual basis.

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
20. Revenue				
Rental income	1 349 946	1 278 449	114 140	105 722
Once-off reinstatement contribution from tenant	25 000	–	–	–
Turnover rental income	2 068	2 137	334	17
Straight-line rental income accrual	2 567	4 930	591	1 651
Recoveries and other income	390 857	353 573	48 053	42 838
	1 770 438	1 639 089	163 118	150 228
21. Net operating profit				
Net operating profit is arrived at after taking the following items into account:				
Auditors' remuneration				
External audit fee	2 693	3 631	2 693	2 769
External audit – other services	–	242	–	115
Internal audit fees	859	941	859	941
Fees for services				
Management fees	50 044	51 915	50 044	51 915
Collections fees	116 190	109 007	9 482	8 728
Commissions	13 408	13 455	1 003	1 206
Other				
Depreciation of plant and equipment	1 774	2 432	31	49
Amortisation of tenant installation and lease costs	18 750	22 522	1 171	1 443
Reversal of provision for losses in subsidiaries	–	–	–	(446)
Reversal of impairment of loans	(378)	–	–	–
Operating lease – minimum lease payments	1 045	1 045	–	–
Operating lease – contingent	4 940	4 460	104	78
Employee costs	29 206	27 643	2 912	2 621
Directors' emoluments	5 596	5 060	5 596	5 060
Repairs and maintenance	63 879	59 516	4 763	4 470
22. Interest income				
Tenants	6 617	5 003	587	536
Bank	1 183	619	474	284
Loans and sundry receivables	2 338	331	2 202	141
	10 138	5 953	3 263	961

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
23. Income from subsidiaries				
Dividends received			**630 680**	518 687
Interest received			**14 715**	–
			645 395	518 687
24. Income from joint ventures				
Management fees	**700**	567		
Interest received	**10 317**	9 657		
Equity accounted earnings	**9 881**	22 351		
Share of earnings	**3 009**	3 269		
Share of fair value change to investment property	**6 872**	19 082		
	20 898	32 575		
25. Finance costs				
Interest rate derivatives	**15 602**	39 082	**5 906**	17 699
Borrowings	**400 578**	356 079	**157 316**	68 005
Other suppliers	**479**	889	**–**	548
Less: Interest capitalised	**(21 908)**	(19 559)	**(4 883)**	(2 030)
	394 751	376 491	**158 339**	84 222
26. Taxation				
Current taxation	**–**	15	**–**	(35)
Deferred taxation	**–**	(3 181)	**–**	–
	–	(3 166)	**–**	(35)
Reconciliation of the income tax expense for the year to accounting profit				
Profit before tax	**857 162**	1 340 894	**542 509**	515 339
Income tax expense calculated at 28% (2015: 28%)	**240 005**	375 450	**151 903**	144 295
Non-taxable income – fair value changes	**(100 167)**	(246 997)	**(10 069)**	(14 891)
Non-taxable equity income	**(2 784)**			
Non-deductible expenses	**7 207**	6 105	**1 558**	728
Amounts not credited to the statement of profit and loss and other comprehensive income	**10 871**	10 874	**803**	962
Allowances	**(12 710)**	4 658	**(867)**	(716)
Wear and tear	**(7 797)**	8 065	**(279)**	(144)
Provision for doubtful debts	**(1 196)**	(905)	**(136)**	(32)
Prepaid expenses	**(1 828)**	(2 502)	**(282)**	(540)
Finance costs	**(1 889)**	–	**(170)**	–
Reversal of allowances/deductions granted in previous years	**3 398**	(6 359)	**573**	27
Capital gain	**(2 377)**		**(42)**	
Qualifying distribution	**(143 010)**	(129 355)	**(143 010)**	(129 355)
Assessed losses utilised/limited	**(433)**	(11 195)	**(2 007)**	(1 050)
Prior period adjustment to deferred tax	**–**	(15)	**1 158**	35
	–	3 166	**–**	35
Effective tax rate	**0.0%**	0.2%	**0.0%**	0.0%

The group and company have tax losses amounting to R591.2 million (2015: R594.1 million) (company R44.3 million (2015: R44.3 million)) which can be utilised against future taxable income.

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
27. Leases				
27.1 As lessor				
Non–cancellable rental lease agreements				
Less than one year	**891 701**	917 699	**103 511**	86 452
Later than one year and not later than five years	**1 024 558**	1 110 881	**162 377**	141 291
Later than five years	**63 569**	93 560	**28 030**	39 367
	1 979 828	2 122 140	**293 918**	267 110

Rental receivable represents contractual rental income excluding other recoveries for leases in existence at year–end.

Leases are entered into for an average period of between 1 and 10 years. Residential leases are for a 12-month period and provide for a monthly agreement at expiry.

	consolidated		company	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
27. Leases – continued				
27.2 As lessee				
Future minimum lease payments				
Within one year	**1 046**	1 046		
Two to five years	**4 183**	4 183		
More than five years	**51 009**	52 055		
	56 238	57 284		

The land leases above relate to Woodmead Value Mart and Intersite and will be funded from the proceeds of rental income. The lease contracts provide for the greater of the future minimum lease payment and 23.9% of gross monthly rental in respect of Woodmead Value Mart and 6% in respect of Intersite. The lease of Woodmead Value Mart has an option to be renewed for another 40 years.

28. Earnings, headline earnings and distributable earnings per share (cents)

The calculation of basic earnings per share is based on net income attributable to shareholders and the number of shares in issue during the year.

	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Reconciliation of earnings to headline earnings				
Profit after taxation	**857 162**	1 337 728		
Adjusted for:				
(Profit)/loss on sale of investment property	**(8 490)**	61		
Gain on bargain purchase	**–**	(319 647)		
Reversal of impairment of loans	**(378)**	–		
Fair value changes				
Investment property	**(285 914)**	(486 054)		
Investment property – joint ventures	**(6 872)**	(19 082)		
Headline earnings attributable to shareholders	**555 508**	513 006		
Reconciliation of headline earnings to distributable earnings				
Fair value adjustments				
Interest rate derivatives	**(17 191)**	(45 987)		
Straight-line rental income accrual	**(2 567)**	(4 930)		
Deferred taxation adjustment	**–**	(87)		
Once-off reinstatement contribution from tenant	**(25 000)**	–		
Distributable earnings attributable to shareholders	**510 750**	462 002		
Actual number of shares in issue (000)	**254 551**	252 322		
Weighted number of shares in issue (000)	**252 888**	238 148		
	Cents	Cents		
Basic earnings per share	**338.9**	561.7		
Diluted earnings per share	**336.7**	530.2		
Basic headline earnings per share	**218.2**	203.3		
Diluted headline earnings per share	**219.7**	215.4		
Distribution per share	**201.5**	189.2		

Given the nature of its business, Octodec uses dividend per share as its key performance measure, as it is considered a more relevant performance measure than earnings or headline earnings per share.

	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
29. Cash generated from operations				
Profit before taxation	**857 162**	1 340 894	**542 509**	515 339
Adjusted for:				
Straight–line rental income accrual	**(2 567)**	(4 930)	**(591)**	(1 650)
Fair value changes of investment property	**(285 914)**	(486 054)	**(31 465)**	(26 456)
Fair value changes of interest rate derivatives	**(17 191)**	(49 255)	**(3 108)**	(35 365)
(Profit)/loss on disposal of investment property	**(8 490)**	61	**(152)**	61
Reversal of impairment of loans	**(378)**	–	**–**	–
Gain on bargain purchase	**–**	(319 647)	**–**	–
Finance costs	**394 751**	376 491	**158 339**	84 222
Investment income	**(31 036)**	(38 528)	**(648 658)**	(519 648)
Depreciation and amortisation	**20 524**	24 954	**1 202**	1 492
Operating income before working capital changes	**926 861**	843 986	**18 076**	17 995
(Increase)/decrease in trade and other receivables	**(28 730)**	(9 024)	**767**	16 275
(Decrease)/increase in trade and other payables	**(19 518)**	46 538	**3 605**	13 436
	878 613	881 500	**22 448**	47 706
29.1 Dividends paid				
Amounts unpaid at the beginning of the year	**(3 482)**	(102 210)	**(1 815)**	(102 210)
Additions through business combination	**–**	(127 143)	**–**	–
Amounts charged to the statement of changes in equity	**(481 429)**	(228 839)	**(481 429)**	(228 839)
Amounts unpaid at the end of the year	**2 073**	3 482	**1 332**	1 815
	(482 838)	(454 710)	**(481 912)**	(329 234)
29.2 Taxation paid				
Amounts unpaid/(receivable) at the beginning of the year	**–**	(49)	**–**	34
Amounts charged to the statement of profit and loss and other comprehensive income	**–**	15	**–**	(35)
	–	(34)	**–**	(1)

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated	
	2016 R'000	2015 R'000
30. Contingencies		
The group has issued guarantees for the provision of certain services to its subsidiaries:		
Tshwane Metropolitan Muncipality	**R12.8 mil**	R12.8 mil
City Power - Johannesburg	**R0.8 mil**	R0.8 mil
Eskom	**R190 100**	R190 100
Centurion Town Council	**R39 700**	R39 700

31. Commitments

Capital expenditure

The Octodec group has commitments of R325.3 million (2015: R798.3 million) in respect of approved capital expenditure relating to the redevelopment and refurbishments of certain properties. These developments will be financed by way of existing and additional approved bank facilities.

32. Retirement benefits

The employees of the group belong to a provident fund and contributions to the fund are charged to profit and loss in the year they are measured. The group has no obligation to cover any unfunded benefits.

33. Capital management

The group's policy is to have an adequate capital base so as to maintain stakeholder confidence and to sustain future development of the business. The capital comprises shareholders' equity, including capital and reserves. The level of distributions paid is determined with reference to the liquidity and solvency of the group as well as consideration of budgets, forecasts and JSE Listings Requirements. There were no changes in the group's approach to capital management during the year.

Loan to value ratio

The board reviews the capital structure on a quarterly basis. As part of the review, the board considers the cost of capital and the risks associated therewith over time. The group and company's current borrowings amount to 38.3% (2015: 37.3%) and 29.2% (2015: 14.0%) respectively of its total investment portfolio. This is within the guidance given by the board of a loan to value ratio not exceeding 40%.

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Total borrowings (note 16)	**4 779 027**	4 380 873	**2 137 025**	870 165
Less: Cash and cash equivalents	**(69 109)**	(55 269)	**(60 154)**	(63 310)
Net debt	**4 709 918**	4 325 604	**2 076 871**	806 855
Total investment portfolio*	**12 302 213**	11 610 471	**7 101 979**	5 771 562
Loan to value ratio	**38.3%**	37.3%	**29.2%**	14.0%

**Total investment portfolio includes the investment property (at valuation), property under development, non-current assets held for sale, and investment in joint ventures.*

Financial covenants

The following financial covenants apply in respect of the consolidated financial position of the group.

Nedbank Limited

- Net rental income (gross rental income less property operating expenses, administration costs and management fees, but excluding rental income attributable to existing vacancies) before net interest paid, tax, depreciation and amortisation, income from revaluation of properties and any abnormal items divided by net interest paid (all interest paid on third party debt, but excluding interest and distributions payable to shareholders, less any interest earned), shall be at least 2.0 times
- Total debt (all interest-bearing debt excluding tenant deposits, tax payable and trade creditors, but including all financial liabilities arising from underlying interest rate derivatives) expressed as a percentage of total assets (value of direct investment in property holdings plus investments held in unlisted companies) shall not exceed 60%

Standard Bank of South Africa Limited

- The loan to value ratio shall not exceed 55% (loan to value shall mean the ratio of the outstanding balance under the facilities granted by Standard Bank to the value of the properties bonded to Standard Bank)
- The group's overall debt shall not exceed 50% of total assets
- The ratio of earnings before net interest payable, taxation and any non-cash items in respect of the investment properties to net interest charged (interest payable less any interest receivable), shall not be less than 2.0 times
- The ratio of net rental income (all rental income from properties bonded to Standard Bank less all property-related expenses) to all interest payable in respect of the facilities granted by Standard Bank, shall not be less than 1.8 times

The group complied with all financial covenants at year-end.

34. Financial risk management

The group's financial instruments consist mainly of deposits with banks, bank overdrafts, interest rate swaps, trade receivables and payables and loans to and from subsidiaries. In respect of all financial instruments listed above,the carrying value approximates fair value.

The group is exposed to the following risks arising from its exposure to financial instruments:

- Credit risk
- Interest rate risk
- Liquidity risk

	consolidated		company	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000

34.1 Credit risk

Credit risk relates mainly to cash deposits, cash equivalents and trade and other receivables. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The concentration of credit risk is limited due to the large and unrelated tenant base.

Before accepting any new tenant, a vetting process is applied to assess the potential tenant's credit quality. The group monitors the financial position of its tenants on an ongoing basis. Provision is made for specific doubtful debts and all balances over 90 days. Balances between 60 and 90 days are provided for based on estimated recoverable amounts by reference to past default experience. At year-end management did not consider there to be any material credit risk exposure. The carrying amount of financial assets represents the maximum credit exposure.

All of the group's trade and other receivables have been reviewed for impairment. Certain trade receivables were found to be impaired and a provision of R17.0 million (2015: R12.9 million) (company R1.9 million (2015: R0.4 million)) has been recorded accordingly.

Included in the group's trade receivable balance are tenant balances with a carrying amount of R40.3 million (2015: R24.6 million) (company: R1.9 million (2015: R1.2 million)) which are past due at reporting date and not provided for, as there has not been any significant change in the credit quality and the amounts are still considered recoverable.

	consolidated 2016 R'000	consolidated 2015 R'000	company 2016 R'000	company 2015 R'000
The ageing of trade receivables outstanding and not provided for is as follows:				
30 days or less	**4 365**	22 780	**466**	1 198
More than 30 days and less than 60 days	**30 999**	1 421	**216**	44
More than 60 days and less than 90 days	**4 992**	455	**1 177**	12
	40 356	**24 656**	**1 859**	**1 254**
Reconciliation of provision for impairment of trade and other receivables				
Carrying value at beginning of year	**12 928**	5 351	**462**	1 318
Additions through business combination	**–**	8 649	**–**	–
Additional provisions for the year	**14 152**	11 839	**1 757**	353
Amounts written off as uncollectable	**(10 000)**	(12 911)	**(271)**	(1 209)
	17 080	**12 928**	**1 948**	**462**

34.2 Interest risk

At 31 August 2016, the group had borrowings of R4.8 billion (2015: R4.4 billion) (company R2.1 billion (2015: R870 million)) at various interest rates. The all-in weighted average cost of borrowings, including the cost of interest rate swaps, was 9.0% (2015: 8.9%) (company 8.8% (2015: 9.7%)) per annum. At the reporting date, 82.9% (2015: 94.2%) (company 140% (2015: 100%)) of borrowings were fixed or hedged by way of interest rate swap contracts

At 31 August 2016, the group was exposed to changes to interest rates through bank borrowings. The exposure of borrowings to interest rate movements was 17.1% (2015: 5.8%) (company 0% (2015: 0%)) of total borrowings. A breakdown of the borrowings is detailed in note 16.

Interest rate trends are constantly monitored and appropriate steps taken to ensure the group's exposure to interest movements is managed. The policy is to reduce interest rate risk exposure on long-term financing by entering into fixed interest rate contracts as well as swap rate contracts.

The group analyses its interest rate exposure on a dynamic basis and calculates the impact on profit and loss of a defined interest rate shift by using different scenarios. The scenarios are calculated only for liabilities that represent the major interest-bearing obligations and the impact on post-tax profit. A 0.5% per annum shift would represent a maximum increase or decrease of R2.9 million (2015: R0.9 million) (company Rnil (2015: Rnil)) in post-tax profits per annum. The calculations are done monthly to verify that the maximum additional expense is within limits.

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated		company	
	Nominal amount R'000	All-in weighted average interest rate per annum %	Nominal amount R'000	All-in weighted average interest rate per annum %
34. Financial risk management – continued				
34.2 Interest risk – continued				
2016				
Fixed rate borrowings expiry				
May 2018	**160 000**	**12.15**	**–**	**–**
May 2018	**100 000**	**12.06**	**–**	**–**
May 2018	**40 580**	**12.06**	**–**	**–**
October 2018	**75 000**	**11.72**	**–**	**–**
October 2018	**36 400**	**11.01**	**–**	**–**
	411 980	**11.9**	**–**	**–**
Variable rate borrowings excluding interest rate derivatives	**4 367 047**	**8.80**	**2 137 025**	**8.90**
Total borrowings	**4 779 027**	**9.10**	**2 137 025**	**8.90**
2015				
Fixed rate borrowings expiry				
September 2015	165 796	7.23	–	–
May 2018	160 000	12.15	–	–
May 2018	100 000	12.06	–	–
May 2018	40 580	12.06	–	–
October 2018	75 000	11.72	–	–
October 2018	36 400	11.01	–	–
	577 776	10.59	–	–
Variable rate borrowings excluding interest rate derivatives	3 803 097	7.73	870 165	7.88
Total borrowings	4 380 873	8.10	870 165	7.88

	Amount R'000	Average all-in margin over/(below) variable rate per annum %	Amount R'000	Average all-in margin over/(below) variable rate per annum %
Interest rate derivatives maturity				
2016				
February 2017	**650 000**	**0.30**	**550 000**	**0.30**
May 2017	**50 000**	**1.12**	**50 000**	**1.12**
June 2017	**100 000**	**1.00**	**100 000**	**1.00**
July 2017	**100 000**	**0.59**	**100 000**	**0.59**
August 2017	**350 000**	**0.50**	**250 000**	**0.56**
September 2017	**100 000**	**0.31**	**50 000**	**0.31**
January 2018	**150 000**	**0.43**	**50 000**	**0.43**
April 2018	**200 000**	**(1.68)**	**100 000**	**(1.68)**
May 2018	**50 000**	**1.13**	**50 000**	**1.13**
July 2018	**400 000**	**0.14**	**400 000**	**0.14**
August 2018	**150 000**	**0.13**	**50 000**	**0.40**
November 2018	**500 000**	**(0.36)**	**500 000**	**(0.36)**
January 2019	**750 000**	**(0.82)**	**750 000**	**(0.82)**
Total interest rate derivatives	**3 550 000**	**0.09**	**3 000 000**	**0.09**
Fixed rate borrowings	**411 980**	**–**	**–**	**–**
Total fixed rate loans and interest rate derivatives	**3 961 980**	**0.09**	**3 000 000**	**0.09**

	consolidated		company	
	Amount R'000	Average all-in margin over/ (below) variable rate per annum %	Amount R'000	Average all-in margin over/ (below) variable rate per annum %
34. Financial risk management – continued				
34.2 Interest risk – continued				
Interest rate derivatives maturity				
2015				
February 2017	650 000	1.46	150 000	1.56
May 2017	50 000	2.12	–	–
June 2017	100 000	2.00	–	–
July 2017	100 000	1.59	–	–
August 2017	350 000	1.50	200 000	2.15
September 2017	100 000	1.31	50 000	1.31
January 2018	150 000	1.43	50 000	1.43
April 2018	200 000	(0.62)	100 000	(0.62)
May 2018	50 000	2.13	50 000	2.13
July 2018	400 000	1.34	200 000	1.34
August 2018	150 000	1.20	50 000	1.40
November 2018	500 000	0.70	500 000	0.70
January 2019	750 000	0.23	750 000	0.23
Total interest rate derivatives	3 550 000	0.99	2 100 000	0.81
Fixed rate borrowings	577 776	–	–	–
Total fixed rate loans and interest rate derivatives	4 127 776	0.99	2 100 000	0.81

	Floating interest rate per annum R'000	Fixed interest rate per annum R'000	Total R'000
34.3 Cash flow interest rate risk			
Interest payable on borrowings			
Consolidated 2016			
Current interest rate	**8.35% - 9.5%**	**11.01% - 12.15%**	
Due in less than one year	**362 122**	**49 192**	**411 314**
Due in one to two years	**318 963**	**37 060**	**356 023**
Due in two to three years	**207 792**	**1 400**	**209 192**
Due in three to four years	**43 395**	**–**	**43 395**
Company 2016			
Current interest rate	**8.35% - 9.5%**	**–**	
Due in less than one year	**309 053**	**–**	**309 053**
Due in one to two years	**299 028**	**–**	**299 028**
Due in two to three years	**201 567**	**–**	**201 567**
Due in three to four years	**43 395**	**–**	**43 395**
Consolidated 2015			
Current interest rate	7% - 8.5%	11.01% - 12.15%	
Due in less than one year	282 564	49 192	331 756
Due in one to two years	211 741	49 192	260 933
Due in two to three years	201 888	37 060	238 948
Due in three to four years	130 386	1 400	131 786
Due in four to five years	2 923	–	2 923
Due in six to eight years	1 461	–	1 461
Company 2015			
Current interest rate	7.35% - 8.5%	–	
Due in less than one year	68 715	–	68 715
Due in one to two years	57 382	–	57 382
Due in two to three years	43 100	–	43 100
Due in three to four years	13 781	–	13 781

notes to the financial statements – continued

for the year ended 31 August 2016

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	R'000	R'000	R'000	R'000
34. Financial risk management – continued				
34.4 Liquidity risk				
The group's risk to liquidity is reduced as a result of the undrawn banking facilities to cover future commitments. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet funding requirements.				
The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the undiscounted cash flows.				
Consolidated 2016				
Borrowings	**755 116**	**624 561**	**3 399 350**	**–**
Trade and other payables	**315 698**	**–**	**–**	**–**
Company 2016				
Borrowings	**–**	**233 255**	**1 903 770**	**–**
Trade and other payables	**43 283**	**–**	**–**	**–**
Consolidated 2015				
Borrowings	1 463 699	1 719 231	1 163 558	34 385
Trade and other payables	335 216	–		–
Company 2015				
Borrowings	179 141	180 922	510 101	–
Trade and other payables	39 678	–	–	–

	Loans and receivables	At amortised cost	At fair value	Level 2
	R'000	R'000	R'000	R'000
34.5 Analysis of financial instruments				
Consolidated 2016				
Financial assets				
Cash and bank balances	**–**	**69 109**	**–**	**–**
Derivative financial instruments	**–**		**38 172**	**38 172**
Trade and other receivables	**125 022**	**–**	**–**	**–**
Other financial assets	**51 849**	**–**	**–**	**–**
Financial liabilities				
Derivative financial instruments	**–**	**–**	**9 308**	**9 308**
Trade and other payables	**–**	**315 698**	**–**	**–**
Long–term borrowings	**–**	**4 023 911**	**–**	**–**
Short–term borrowings	**–**	**755 116**	**–**	**–**
Company 2016				
Financial assets				
Cash and bank balances	**–**	**60 154**	**–**	**–**
Derivative financial instruments	**–**	**–**	**33 851**	**33 851**
Trade and other receivables	**12 424**	**–**	**–**	**–**
Other financial assets	**51 849**	**–**	**–**	**–**
Financial liabilities				
Derivative financial instruments	**–**	**–**	**9 175**	**–**
Trade and other payables	**–**	**43 283**	**–**	**–**
Long–term borrowings	**–**	**2 137 025**	**–**	**–**

	Loans and receivable R'000	At amortised cost R'000	At fair value R'000	Level 2 R'000
34. Financial risk management – continued				
34.5 Analysis of financial instruments – continued				
Consolidated 2015				
Financial assets				
Cash and bank balances	–	55 269	–	–
Derivative financial instruments	–	–	34 451	34 451
Trade and other receivables	93 856	–	–	–
Financial liabilities				
Derivative financial instruments	–	–	22 778	22 778
Trade and other payables	–	335 216	–	–
Long-term borrowings	–	2 917 174	–	–
Short-term borrowings	–	1 463 699	–	–
Company 2015				
Financial assets				
Cash and bank balances	–	63 310	–	–
Derivative financial instruments	–	–	21 568	21 568
Trade and other receivables	12 270	–	–	–
Financial liabilities				
Trade and other payables	–	39 678	–	–
Long-term borrowings	–	691 023	–	–
Short-term borrowings	–	179 141	–	–

35. Related party transactions

A related party is a person or entity that is related to Octodec.

A person or a close member of that person's family is related to Octodec if he/she:

(i) has control or joint control of the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management of the reporting entity.

Related parties where control existed during the year are as follows:
Directors: S Wapnick; DP Cohen; GH Kemp; MZ Pollack; AK Stein; PJ Strydom and JP Wapnick.
Subsidiary companies: Refer to schedule of interest in subsidiaries on pages 50 and 51.

Related parties where control did not exist during the year are as follows:
Jointly controlled asset: The Manhattan

Related parties over which significant influence is exercised:
Gerlan Properties Proprietary Limited
Jardtal Properties Proprietary Limited
Prensas Properties Proprietary Limited

35.1 City Property Administration Proprietary Limited

Relationship
A company which manages the group's property portfolio and over which significant influence is exercised by JP Wapnick.

Pricing policy
- Fixed percentage of collections made
- Commission based on a percentage of the cost of property acquisitions and property sales
- Fixed percentage of the aggregate of the group's average market capitalisation and total indebtedness to banks and other financial institutions in respect of mortgage bond loans and other unsecured loans

notes to the financial statements – continued

for the year ended 31 August 2016

35. Related party transactions – continued

35.1 City Property Administration Proprietary Limited – continued

Management fee	0.5% of the average market capitalisation (based on daily closing price) plus secured and unsecured loans
Collection fee	
Commercial	5% plus VAT of gross receipts
Residential	7.5% plus VAT of gross receipts
Offices	7.5% plus VAT of gross receipts for lettable units smaller than 500m² and the remainder at 5% plus VAT of gross receipts
Commission	
Major repairs and renovations	5% plus VAT of cost of repairs between R30 000 and R10 million and 3% plus VAT of cost above R10 million
Acquisition of properties	3% plus VAT of cost and if in excess of R10 million by agreement between parties
New construction and development	By agreement between parties, but not less than 3% plus VAT of the cost
Properties disposed of	2%-3% plus VAT of the proceeds and in excess of R6.0 million by agreement between parties.
Letting fee	
Commercial	A percentage of gross receipts plus VAT as follows: 2.5% – first two years 1.25% – next three years 0.75% – next three years 0.5% – balance of the lease term, in respect of new commercial leases and for the renewal of existing leases, R2 000 plus VAT or 50% plus VAT of the first month's rental, whichever is the lesser
Residential	R1 000 plus VAT in respect of new residential leases

	consolidated		company	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
The following related party transactions took place in the group during the year under review:				
Type of transactions				
Income				
Rent received	**6 952**	5 918	**–**	–
Expenditure				
Management fees	**50 044**	51 915	**50 044**	51 915
Collection fees	**116 190**	109 007	**9 482**	8 728
Commissions paid	**12 623**	10 398	**846**	1 037
Commissions paid on sale and purchase of investment property, major repairs and renovations, and new construction	**6 169**	20 736	**375**	2 520
Trade and other payables				
Creditor	**2 507**	3 146	**946**	–
35.2 Tugendhaft Wapnick Banchetti and Partners				
Relationship				
A firm of attorneys that renders legal services and over which significant influence is exercised by S Wapnick				
Pricing policy				
Market related				
Expenditure				
Professional and legal fees	**1 515**	1 723	**633**	1 723

	consolidated		company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
35. Related party transactions – continued				
35.3 Related party transactions with subsidiaries				
Dividends received				
Anke Properties Proprietary Limited	–	–	6 763	6 354
IPS Investments Proprietary Limited	–	–	135 350	125 000
Killarney Mall Properties Proprietary Limited	–	–	16 000	14 500
Octprop Properties Proprietary Limited	–	–	1 232	600
Premium Properties Limited	–	–	293 400	228 000
Presmooi Proprietary Limited	–	–	90 400	84 000
Ramreg Properties Proprietary Limited	–	–	1 065	1 235
Tribeca Properties Proprietary Limited			4 440	–
Waverley Plaza Properties Proprietary Limited	–	–	26 200	27 408
Woodmead Mart Proprietary Limited	–	–	55 830	31 590
	–	–	630 680	518 687
Interest received				
Premium Properties Limited	–	–	8 319	–
Woodmead Mart Proprietary Limited	–	–	6 396	–
	–	–	14 715	–

Refer to notes 6 and 23 for further information.

	consolidated 2016 R'000	consolidated 2015 R'000
35.4 Directors' and prescribed officers' remuneration		
S Wapnick (Chairman)	1 033	1 025
DP Cohen (Lead independent director)	847	667
GH Kemp	801	652
MZ Pollack	778	667
AK Stein	649	667
PJ Strydom	839	715
JP Wapnick	649	667
	5 596	5 060

	2016			2015		
	Salary R'000	Pension fund contribu-tions R'000	Total R'000	Salary R'000	Pension fund contribu-tions R'000	Total R'000
AK Stein	2 154	43	2 197	1 801	40	1 841
JP Wapnick	2 658	–	2 658	2 618	–	2 618
S Wapnick	1 223	–	1 223	204	–	204
	6 035	43	6 078	4 623	40	4 663

There are no service contracts in place with the directors of Octodec. The proportionate salaries paid by City Property for Messrs JP Wapnick and AK Stein, the executive directors of Octodec, who are employed by City Property, are based on an approximation of the time spent on Octodec in relation to their employment at City Property for the year ended 31 August 2016. Ms S Wapnick, the non-executive chairman, was remunerated by City Property on an approximation of her time spent on Octodec affairs.

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated			
	2016		2015	
	R'000	%	R'000	%
36. Segmental reporting				
36.1. Segmental reporting				
Rental income by sector				
Offices	**269 100**	**19.6**	266 929	20.8
Retail shops	**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	**393 424**		358 503	
Revenue	**1 770 438**		1 639 089	

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

- Office
- Retail shops
- Shopping centres
- Industrial
- Parking
- Residential

Further segmental results cannot be allocated on a reasonable basis due to the "mixed use" of certain of the properties. It is the group's policy to invest predominantly in properties situated in the Gauteng area, therefore the group 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.

	consolidated	
	2016 R'000	2015 R'000
36.2. Reconciliation of earnings to distributable earnings		
Reconciliation of earnings to headline earnings		
Profit after taxation	**857 162**	1 337 728
Adjusted for:		
(Profit)/loss on sale of investment property	**(8 490)**	61
Gain on bargain purchase	**–**	(319 647)
Reversal of impairment of loans	**(378)**	–
Fair value changes		
Investment property	**(285 914)**	(486 054)
Investment property – joint ventures	**(6 872)**	(19 082)
Headline earnings attributable to shareholders	**555 508**	513 006
Reconciliation of headline earnings to distributable earnings		
Fair value adjustments		
Interest rate derivatives	**(17 191)**	(45 987)
Straight-line rental income accrual	**(2 567)**	(4 930)
Deferred taxation adjustment	**–**	(87)
Once-off reinstatement contribution from tenant	**(25 000)**	–
Distributable earnings attributable to shareholders	**510 750**	462 002

37. Events after reporting date

Dividends amounting to 103.1 cents per share (2015: 94.2 cents per share) were declared after the reporting date.

The directors are not aware of any other events subsequent to 31 August 2016 not arising in the normal course of business which are likely to have a material effect on the financial information contained in this report.

	consolidated	
	2016 R'000	2015 R'000

38. Business combinations

38.1. Premium Properties Limited

With effect from 1 September 2014, Octodec acquired all of the issued Premium linked units that it did not already own, increasing its shareholding to 100%. The merger between Octodec and Premium was implemented 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 Premium linked units for which each Premium unit holder 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 effective 1 September 2014.

Fair value of assets acquired and liabilities recognised at the date of acquisition

	2016 R'000	2015 R'000
Non-current assets		
Investment properties		4 860 151
Plant and equipment		6 105
Operating lease assets		55 256
Lease costs capitalised		17 638
Investment in IPS		660 015
Current assets		
Trade and other receivables		31 754
Cash and cash equivalents		121 648
Non-current liabilities		
Interest-bearing borrowings		(1 145 059)
Derivative financial instruments		(16 896)
Deferred taxation		(6 460)
Current liabilities		
Non-interest bearing borrowings		(136 526)
Interest-bearing borrowings		(975 917)
Linked unit holders for distribution		(127 143)
Total identifiable net assets		3 344 566
Fair value of equity interest held before the business combination		(405 698)
Gain on bargain purchase		(319 647)
Acquisition date fair value of consideration paid		2 619 221
Acquisition date fair value of consideration paid		
Equity – 119 055 519 ordinary shares in group		2 619 221

The acquisition date fair value of consideration paid was calculated utilising a share price of R22 on 1 September 2014.

	2016 R'000	2015 R'000
Net cash inflow on acquisition		
Cash and cash equivalents acquired		121 648
Cash consideration paid		–
Net cash inflow on acquisition		121 648

Equity issued as part of consideration paid

The number of shares, being 119 055 519 ordinary shares, issued as part of the consideration for the business combination was calculated by utilising a swap ratio, which was determined based on the following:

a) the forecast distributions per Octodec linked unit and Premium linked unit for the twelve month period ending 31 August 2015;
b) the relative historic volume weighted average price of Octodec linked units and Premium linked units; and
c) the relative net asset values per Octodec linked unit and Premium linked unit calculated on a fair value basis as at 31 August 2014.

Merger-related costs

The merger-related costs are R17.7 million. These costs were set off against stated capital in the year of the acquisition due to these costs being directly attributable to the issue of Octodec's own equity instruments.

Gain on acquisition

A gain of R319.6 million was recognised on acquisition and is included as a gain on bargain purchase in profit and loss in the 2015 financial year.

notes to the financial statements – continued

for the year ended 31 August 2016

	consolidated	
	2016 R'000	**2015 R'000**
38. Business combinations during the reporting period – continued		
38.2. IPS Investments Proprietary Limited		
With effect from 1 September 2014, Octodec acquired all of the issued Premium linked units that it did not already own, increasing its shareholding to 100%. This resulted in Octodec acquiring control of IPS Investments Proprietary Limited. As the shareholding increased from 50% to 100%, IPS changed from an associate to a subsidiary.		
Fair value of assets acquired and liabilities recognised at the date of acquisition		
Non-current assets		
Investment properties		2 029 994
Plant and equipment		1 296
Operating lease assets		11 428
Lease costs capitalised		6 560
Investment in joint venture		150 032
Current assets		
Trade and other receivables		15 137
Cash and cash equivalents		17 276
Non-current liabilities		
Interest-bearing borrowings		(718 059)
Derivative financial instruments		(6 888)
Deferred taxation		(56 241)
Current liabilities		
Non-interest bearing borrowings		(60 795)
Interest-bearing borrowings		(51 480)
Bank overdraft		(3 020)
Total identifiable net assets		1 335 240
Fair value of equity interest held before the business combination		667 620
Acquisition date fair value of consideration paid		667 620
Acquisition date fair value of consideration paid		667 620
50% if IPS was acquired at the fair value of the total identifiable net assets.		
Net cash inflow on acquisition		
Cash and cash equivalents acquired		17 276
Bank overdraft		(3 020)
Net cash inflow on acquisition		14 256
38.3 Net cash inflow from business combination		
Cash and cash equivalents acquired		138 924
Bank overdraft		(3 020)
Net cash inflow on acquisition		135 904

The revenue included in the consolidated statements of profit and loss and other comprehensive income since 1 September 2014, contributed by Premium and IPS, was R1.1 billion. Premium and IPS also contributed distributable profit of R359.9 million over the same period.

property portfolio information

for the year ended 31 August 2016

1. Investment properties owned by the group

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Centurion							
Andpot*	Warehouses	45	–	923	3 029	1 752	–
FNB Centurion*	Shops	149	–	3 634	6 590	1 874	–
Lenchen Centre*	Shops	110	–	4 320	9 245	3 331	2.7
Lenchen Park*	Shops and workshops	64	–	4 347	11 000	5 722	–
Prime Cure House*	Offices	77	–	2 648	4 622	2 689	–
The Hangar	260 flats	–	5 729	16 225	19 342	19 962	10.4
Weighted average per location		90	5 729	32 097	53 828	35 330	6.1
Hatfield							
Absa Hatfield	Offices	131	–	5 435	1 276	3 448	–
Blagil*	House	136	–	262	1 276	161	–
Highlands*	18 flats	–	7 257	1 441	1 461	1 076	10.2
Intersite*	Gym and office	103	–	5 695	17 213	5 603	22.0
Protea Hotel*	Hotel and shops	71	–	4 257	2 803	5 360	3.6
Talland (2)*	Motor showroom	119	–	678	1 664	570	100.0
The Fields*	Hotel, shops, offices and 765 flats	116	5 845	83 739	19 793	54 056	3.7
Weighted average per location		109	5 875	101 508	45 486	70 274	5.8
Hermanstad							
Erf One Eight One*	Factories, workshops and warehouses	26	–	3 630	30 610	12 865	11.3
Hannyhof Centre	Shops	52	–	1 103	5 733	1 754	4.7
Hardwood	Warehouse	24	–	336	5 239	1 112	–
Pretboy	Factories	42	–	455	5 102	850	–
Steyns Industrial Park*	Warehouses	31	–	4 777	25 240	13 615	7.8
Talkar	Warehouses	47	–	3 875	12 759	6 873	–
Weighted average per location		34	–	14 176	84 683	37 069	7.0
Johannesburg and surrounding areas							
3 West Street*	Shops and offices	67	–	1 885	2 009	3 290	14.7
CCMA Place*	Shops and offices	80	–	3 779	1 785	4 152	9.2
Druthon Centre*	Shops and offices	74	–	1 508	2 362	3 270	50.9
Erand Gardens*	Offices	124	–	4 553	6 484	2 663	–
Herriotdale Germiston*	Vacant land	Sold	–	32	–	–	–
Iskemp	Warehouse and offices	31	–	1 994	12 742	7 028	31.9
Kempton Place*^	Shops and 469 flats	92	4 518	32 911	39 770	32 507	14.5
Killarney Mall*	Shopping centre, offices and parking	131	–	75 851	57 603	46 945	7.3
Kyalami Crescent*	Warehouses and mini factories	52	–	5 557	3 503	9 634	–
McCarthy Midrand*	Motor dealerships	85	–	3 785	8 639	3 692	–
Motor City Strijdom Park	Shops	79	–	5 100	10 326	6 769	16.9
Pretwade	Workshops	33	–	1 326	6 719	3 380	–
The Manhattan^	Greenfield residential development	Project	–	–	13 335	–	–
Woodmead Value Mart*	Value Mart shopping centre	150	–	32 397	42 255	18 093	–
Weighted average per location		108	4 518	170 678	207 532	141 423	9.9
Johannesburg CBD							
119 Albertina Sisulu Street*	Shops and offices	Vacant	–	–	496	1 639	100.0
121 Albertina Sisulu Street*	Shops	52	–	385	245	613	–

*Properties securing long-term borrowings (notes 2 and 16).
^Properties in which the group has a 50% interest.

property portfolio information – continued

for the year ended 31 August 2016

1. Investment properties owned by the group – continued

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Johannesburg CBD – continued							
Anderson Place*	Shops and offices	58	–	4 367	992	5 385	–
Arlington House*	Shops and offices	136	–	4 036	2 480	2 905	13.2
Armadale*	Shops and 82 flats	79	4 807	13 260	1 982	12 781	13.4
Bradlows Corner*	Shops	55	–	1 055	991	2 115	25.3
Bram Fischer Towers*	Shops, offices and parking	71	–	6 063	2 447	11 684	34.1
Brisk Place*	Shops and 93 flats	81	3 739	6 034	1 004	5 624	6.5
Castle Mansions*	Shops and 177 flats	132	4 551	18 544	2 477	16 164	2.8
City Block	Workshops	15	–	746	–	4 074	21.8
CPA Place*	Shops, offices and 194 flats	98	4 200	6 096	991	4 674	11.3
Dan's Place*	Shops and 150 flats	122	4 048	9 442	1 490	8 061	10.2
Education Centre*	Shops, offices and parking	137	–	3 912	1 983	10 924	76.6
Elephant House*	Offices	65		2 488	990	4 828	34.0
Eloff Street*	Warehouse	Sold	–	195	–	–	–
Empisal	Shops and offices	67	–	1 316	497	1 628	–
Essenby	Shops and 116 flats	Vacant	4 278	5 482	992	6 294	13.6
Fedsure House*	Shops, offices and parking	5	–	1 722	3 488	19 613	96.3
Fine Art Court	Shops and 35 flats	158	3 784	1 754	250	1 499	8.4
Fine Art House	Shops and offices	52	–	492	499	3 210	77.9
Focus House*	Shops and offices	52	–	1 640	501	3 066	8.6
Frank's Place*	Shops and 106 flats	81	4 247	11 333	2 234	11 963	7.6
High Court Building and Somerset House	Shops, offices and 20 flats	38	Vacant	707	544	3 205	59.7
Howard House	Shops and offices	98	–	1 430	248	1 399	10.3
Inner Court*	Shops, offices and parking	92	–	11 890	3 733	23 509	54.7
Jeppe House*	Shops and offices	63	–	5 673	988	7 777	–
John Street*	Warehouses	38	–	6 225	14 782	14 300	–
Kings City Parkade*	Shops and parking	168	–	6 211	1 985	1 578	–
Klamson Towers*	Shops and offices	74	–	4 349	992	6 571	17.0
Lara's Place*	Shops, offices, 142 flats and parking	112	4 105	9 634	1 495	7 441	3.1
Lister Medical Centre*	Shops and offices	87	–	10 797	1 983	15 167	36.9
London House	Shops and offices	38	–	1 526	–	4 261	17.4
Lusam Mansions*	Shops, store room and 82 flats	170	3 806	4 601	497	3 753	10.5
Marlborough House	Shops and offices	92	–	7 975	1 387	9 173	25.1
Medical Towers*	Shops and offices	115	–	2 630	991	5 659	81.9
Mr Price*	Shops and offices	106	–	4 069	991	3 413	3.5
North City*	Shops and offices	92	–	6 154	1 489	8 570	42.5
Plaza Place*	Shops and 214 flats	77	3 670	10 266	1 495	8 514	5.6
Presmooi	Shops and offices	52	–	2 227	2 975	3 578	6.8
Raschers	Shops	146	–	182	500	888	83.1
Record House*	Shops and 41 flats	148	3 402	2 212	248	1 523	9.8
Reinsurance House	Offices	Mothballed	–	–	1 986	15 034	100.0
Reliance Centre*	Offices and warehouses	36	–	2 480	1 691	7 199	15.9
Ricci's Place*	Shops and 281 flats	125	4 091	15 373	2 475	10 395	5.9
Royal Place*	Shops, offices and 155 flats	103	3 859	15 790	2 457	14 585	13.3
Selby 515*	Factories	40	–	2 988	12 288	6 416	6.0
Shoprite – Eloff Street*	Shops and offices	8	–	28 126	3 968	34 224	–
Splendid Place*	Shops and 150 flats	153	4 158	8 150	1 492	8 372	3.2
Tali's Place*	Shops and 337 flats	60	3 840	17 840	3 718	17 894	8.8
Temple Court*	Shops and 45 flats	142	4 345	2 785	249	2 335	4.2
The Brooklyn*^	Shops and 154 flats	9	3 390	5 948	992	6 070	1.7
Union Club*	Shops and 72 flats	236	3 537	5 257	644	3 687	10.1

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Johannesburg CBD – continued							
Vuselela Place*	Shops, offices and 193 flats	179	4 028	10 743	1 735	9 098	9.5
Wits Technikon*	Colleges	30	–	2 341	3 969	16 937	61.3
Works@Main*	Shops and offices	27	–	1 432	991	5 061	23.8
Works@Registry*	Shops and offices	Sold	–	2 556	–	–	–
Weighted average per location		62	4 006	320 929	103 007	426 330	26.8
Tshwane – Arcadia							
470 Pretorius Street	Vacant land	62	–	284	917	917	–
Apollo Centre	Shops, offices and parking	49	–	4 517	2 552	9 844	21.9
Benrico*	Shops, offices store and parking	36	–	1 170	1 499	2 680	–
BP Leyds Street*	Garage and vacant land	176	–	1 336	5 452	1 411	–
Corner Place*	112 flats	–	4 338	5 585	1 913	3 722	0.8
Craig's Place*	154 flats	–	4 267	7 920	2 889	5 186	2.6
LPA Beleggings	Workshop	25	–	306	1 914	1 054	–
Leo's Place	Shops and 167 flats	115	4 437	8 495	3 416	6 353	4.4
Ludwigs	Showroom	29	–	789	2 552	2 261	–
MBA Building*	Offices	87	–	3 006	1 276	3 050	25.6
McCarthy Church Street*	Motor dealerships	99	–	3 817	6 461	3 199	–
Monaco	27 flats	–	5 724	1 765	4 718	2 649	2.9
Nedbank Plaza*	Shops, offices, 144 flats and parking	90	6 086	24 314	10 207	23 177	38.6
Numall*	Shops and college	58	–	4 019	8 588	5 220	–
Provisus*	Offices and shops	99	–	6 911	2 552	5 837	6.8
Tiny Town	House, 14 cottages and vacant land	–	9 992	1 581	3 171	1 862	16.6
Weighted average per location		73	4 924	75 815	60 077	78 422	16.7
Tshwane CBD							
1 on Mutual	Greenfield residential development with retail and parking	Project	–	244	2 552	2 261	100.0
228 Pretorius Street	Shops and offices	83	–	3 580	696	3 530	–
250 Pretorius Street*	Shops and offices	90	–	2 880	812	4 002	28.3
28 Church Street*	Shops and offices	51	–	3 830	1 276	6 933	15.5
Alec's Place*	Shops and 95 flats	124	5 068	5 848	1 357	5 225	2.2
Amanda Court*	Shops and 23 flats	89	4 734	2 754	2 186	2 577	3.6
AVN*	Shops, offices and parking	85	–	7 890	2 374	7 073	–
Bank Towers*	Offices	120	–	8 447	1 722	7 321	18.6
Bosch Building	Parking	–	–	395	1 276	–	–
Boschurch	Shops	57	–	612	638	922	–
Burlan*	Shop and offices	63	–	888	480	1 951	32.5
Callaway*	Shop and warehouse	38	–	750	2 552	2 002	–
Capitol Towers North*	Shops and offices	91	–	14 930	2 966	13 481	2.1
Central House*	Shops and offices	126	–	6 865	2 552	5 602	16.8
Central Towers*	Shops and offices	119	–	6 646	1 299	7 443	39.8
Centre Place*	Shops, 234 flats and parking	183	3 823	18 172	3 509	10 971	11.5
Centre Walk*	Shops, offices and parking	119	–	27 960	7 582	25 417	4.3
City Corner*	Shops	114		1 990	1 740	1 494	0.7
City Place*	Shops and 298 flats	93	4 024	16 766	5 725	11 513	3.5
City Towers*	Shop and office	90	–	1 807	1 134	2 940	42.7
CPA House*	Shops, offices and parking	77	–	7 843	5 104	8 177	–
Curpro	Motor showroom	257	–	517	2 552	168	–
Cuthchurch*	Basement, shops and offices	91	–	9 698	2 551	9 155	0.5
Daloria*	Shops	59	–	1 090	1 873	1 544	–
Damalis	Shops	147	–	760	917	499	12.8
Demar Building*	Shops, basement parking and 70 flats	39	4 343	4 432	2 225	4 991	2.1
Du Proes	Shops and vacant land	52		2 435	5 204	3 665	2.7
Dupro	Vacant land, shop and storeroom	28		441	1 933	995	–

**Properties securing long-term borrowings (notes 2 and 16).*
^Properties in which the group has a 50% interest.

property portfolio information – continued

for the year ended 31 August 2016

1. Investment properties owned by the group – continued

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Tshwane CBD – continued							
Dusku*	Motor showroom	47	–	195	334	336	–
Eland House	Shops, warehousing and 21 flats	133	4 662	1 338	2 552	1 497	20.0
Filkem House	Shops, offices and basement	139	–	1 828	443	1 568	21.9
FNB Church Street	Shops and offices	36	–	460	761	1 523	30.6
Govpret*	Shops, offices and parking	94	–	7 549	2 552	6 216	–
Hacklu Enterprises	Shops	119	–	858	986	683	1.0
Indacom	Shops and warehouses	29		2 010	6 663	6 478	–
Jardown*	Shops, warehousing and workshops	43		4 233	12 175	9 056	23.1
Jeff's Place*	384 flats and parking	–	4 170	20 575	4 842	14 771	2.2
Joan's Place*	Shops and 28 flats	130	3 631	1 459	1 195	1 187	4.5
Karps*	Shops and 6 flats	12	4 959	517	2 764	2 370	35.9
Ken's Court*	Shop and 46 flats	68	5 019	3 696	3 166	3 681	2.6
Letari Building	Shops, offices and warehouses	30	–	967	2 561	3 013	29.0
Lisa's Place	97 flats	–	4 378	4 779	2 552	3 090	3.0
Locarno House*	Shops and offices	105	–	4 307	1 703	5 355	36.7
Louis Pasteur*	Shops, offices, hospital and parking	65	–	37 141	12 760	34 137	3.1
Maravin	Shops	65	–	416	553	790	46.8
MidChurch	Shops	19	–	322	654	1 424	–
Navy House*	Shops and offices	115	–	5 192	1 235	6 881	45.0
Olivetti House	Offices	64	–	2 694	2 582	3 791	9.0
Orpheum Mansions	Shops and 22 flats	72	4 821	2 112	1 485	2 739	6.0
Parking@Sophie de Bruyn	Parking	–	–	196	1 181	–	–
Paulefko	Shop	27	–	452	557	1 372	–
Perl Modes Building*	Shops and college	97	–	2 448	1 577	2 170	–
Pete's Place*	Shops and 181 flats	166	3 900	8 541	1 782	6 916	2.0
Potmeul	Vacant land	–	–	–	16 523	–	–
Potproes*	Shops, workshop, warehouse, filling station and motor showroom	45	–	4 117	30 071	10 317	37.4
Poyntons*	Shop and offices	59	–	2 226	2 001	3 150	–
Praetor Forum*	Shop and offices	100	–	4 825	2 132	6 105	22.3
Premium Towers	Shop and offices	118	–	7 166	1 418	6 995	22.2
Pretjolum*	Shops, offices, workshop and warehouse	45	–	3 925	9 316	6 809	–
Prime Towers*	Shops, offices and basement	91	–	3 773	638	4 237	9.7
Prinsben*	Shops	73	–	1 145	2 552	1 312	–
Prinschurch*	Shops, offices and parking	123	–	3 639	2 552	13 128	86.5
Prinsman*	Shops, offices, parking and 175 flats	61	3 850	13 980	12 979	12 240	2.8
Prinsproes	Shops and offices	36	–	2 034	2 378	4 597	–
Prinstruben	Shops	55	–	1 208	2 552	2 209	–
Protea Towers*	Offices and parking	114	–	7 402	1 862	9 446	19.8
Provincial House	Shops and offices	41	–	337	1 060	3 047	81.9
Rapier*	Shops	129	–	1 441	5 710	920	–
Rezmep	Shops, offices and warehousing	54	–	7 195	15 403	12 423	19.3
Ross Electrical	Shop	Vacant	–	–	583	525	100.0
Russell's Place*	Shops and 191 flats	92	4 180	10 458	3 022	8 144	1.6

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Tshwane CBD – continued							
Samchurch*	Shops, basement and vacant land	309	–	701	3 237	189	–
SchoeCourt	Shops and storeroom	26	–	718	2 738	2 491	9.7
Scott's Corner*	Shops	74	–	4 280	5 104	4 811	–
Sharon's Place*	Greenfield residential development with shops and parking	Project	–	–	8 922	–	–
Sharp Centre	Shops and offices	40	–	888	2 552	2 128	–
Shepstru*	Shops, offices and storeroom	41	–	1 551	2 378	3 309	3.9
Shoprite*	Shops and offices	64	–	14 475	7 358	18 900	–
SKD	Offices, shops and warehouse	34	–	1 676	7 962	3 975	–
Standard Bank Chambers*	Offices and bank	79	–	6 146	1 741	7 782	16.9
Station Place*	Shops and 369 flats	31	3 947	18 074	7 656	16 329	2.9
Steyn's Place*	Shops and 381 flats	148	4 321	23 127	3 816	15 638	4.4
Steynscor*	Shops and offices	137	–	6 577	5 104	3 812	–
Time Place	Shops and 144 flats	120	3 860	7 439	1 429	5 381	3.6
Toitman	Shops and offices	48	–	1 236	13 034	2 139	–
Tom's Place*	320 flats	–	4 336	16 891	6 816	9 984	1.1
Tshwane Midtown	Shops, offices and parking	92	–	210	2 136	8 547	86.7
Tuel	Shops	69	–	903	740	1 093	–
Valcourt	Shops and offices	34	–	930	3 480	3 150	36.3
Vanstrub	Shops and warehouse	53	–	2 730	5 104	4 450	–
Viskin	Workshop	52	–	195	3 536	312	–
Van Riebeeck Building	Offices	Mothballed	–	–	2 552	11 497	100.0
Volks Building*	Parking	–	–	338	1 276	–	–
Weighted average per location		76	4 151	458 711	347 825	504 417	15.3
Tshwane East							
Elarduspark Shopping Centre*	Shopping centre	130	–	17 072	1 876	12 214	19.5
Odeon Forum*	Offices	130	–	5 330	6 788	3 121	–
Weighted average per location		130	–	22 402	8 664	15 335	15.6
Tshwane North							
Blaauw Village*^	Shopping centre	103	–	8 293	17 862	7 205	1.5
Erf Agt Nul Nege	Shops	60	–	845	2 552	1 755	39.7
Erf Six Five One	Factories	46	–	386	2 552	1 355	32.9
Normed*	Shops and offices	54	–	3 374	7 655	6 250	9.9
Ramreg	Shops, house and 19 flats	61	3 907	1 626	5 104	1 765	3.2
Rosnew	Shops, workshop and garage	84	–	4 707	19 016	6 437	22.3
Tronap Investments	Shops	44	–	850	2 552	1 487	–
Weighted average per location		76	3 907	20 081	57 293	26 254	12.8
Tshwane Other							
Landkirk	Warehouse	Sold	–	207	–	–	–
Persequor Park*	Offices and parking	109	–	11 059	16 526	8 073	1.9
Rentmeester Park*	Offices and parking	103	–	16 166	17 232	12 259	0.7
Valhof*	Shops and offices	58	–	1 472	6 519	2 159	6.7
Weighted average per location		100	–	28 904	40 277	22 491	1.7

**Properties securing long-term borrowings (notes 2 and 16).*
^Properties in which the group has a 50% interest.

property portfolio information – continued

for the year ended 31 August 2016

1. Investment properties owned by the group – continued

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Tshwane West							
Asland*	Warehouse and workshops	29	–	1 800	9 993	5 374	1.4
Carlzeil*	Workshops and warehouses	37	–	3 156	14 040	8 677	19.9
Dirk Du Toit	Shop and workshop	–	–	227	–	–	–
Goleda	Shops, showroom, warehouse, workshops and 10 flats	23	–	2 112	15 087	7 504	–
Grariv*	Two flats	–	5 706	103	6 828	270	–
Henwoods	Factories	44	–	1 852	5 710	3 539	7.5
H&S Mansions	Shops, factories and 10 flats	29	4 112	1 543	3 847	3 451	3.0
Imbuia*	11 flats	–	5 018	653	12 529	1 155	–
Ischurch*	Shops, offices, warehouse, 8 flats, workshops and house	32	4 069	2 408	13 336	6 930	12.3
Jakaranda*	33 flats	–	4 179	1 651	12 529	1 782	–
Kiaat*	40 flats	–	4 133	1 949	12 529	3 080	2.5
Lasmitch Properties	Warehouse and showroom	37	–	970	2 855	3 272	–
Lutbridge	Shops and warehouse	31	–	1 969	7 138	5 439	3.8
Metromitch*	Shops, showroom, warehouse and 36 flats	28	4 290	4 489	13 364	9 921	9.0
Mimosa*	18 flats	–	4 882	1 000	12 529	1 890	–
Mitchbuit *	Shops and warehouses	Sold	–	617	–	–	–
Mitchpap	Shops and warehouses	37	–	1 650	5 710	4 414	5.8
Nedwest Centre*	Shops and warehouses	35	–	4 167	40 740	9 344	1.1
Panag Investments	Shops and workshops	40	–	927	2 855	1 970	17.7
Rosemitch*	Motor showroom, warehouse, workshop and 18 flats	21	4 154	2 947	15 703	11 360	6.7
Rovon Investments	Shops, workshops and warehouses	49	–	1 962	9 719	4 304	28.4
Soutwest Properties*	Warehouses and workshops	57	–	1 350	2 855	1 919	–
Syringa*	40 flats	–	4 435	2 112	12 529	3 633	–
Weighted average per location		32	4 345	41 614	232 425	99 228	6.9
Silverton and surrounding areas							
Brianley	Warehouse and workshops	36	–	5 097	16 372	13 267	13.7
Janvoel	Shops	39	–	823	4 461	1 798	–
Muntstreet	Factories	17	–	1 362	12 243	6 664	–
Notrevlis	Shops and warehouses	66	–	1 275	5 093	1 842	22.8
Sildale Park*	Industrial park	43	–	11 220	50 266	22 392	6.2
Silver Place*	Shops, 232 flats and parking	43	4 670	19 391	23 555	29 106	5.5
Silverfas*	Warehouses	33	–	801	3 850	2 697	12.6
Silvertondale 36*	Workshops and warehouses	48	–	804	2 058	1 818	40.4
Supmall	Shops	62	–	853	2 364	1 316	75.1
Tomzeil*	Warehouse and workshops	39	–	4 060	16 865	6 584	–

Property name	Description of buildings	Weighted average rental per m² at 31 August 2016 – commercial	Weighted average rental per unit at 31 August 2016 – residential	Rental income R'000	Site area m²	GLA m²	Vacancy at 31 August 2016 %
Silverton and surrounding areas – continued							
The Tannery Industrial Park*	Industrial park	45	–	17 352	64 834	39 268	24.4
Weighted average per location		41	4 670	63 038	201 961	126 752	13.3
Sunnyside							
Karelia Flats*	48 flats	–	3 935	2 264	1 276	1 464	1.8
Les Nize Flats*	55 flats	–	3 723	2 433	992	1 456	7.1
Savyon Place*	Shops and 28 flats	153	5 039	2 921	1 637	2 646	–
Selmar*	19 flats	–	4 995	1 120	1 276	1 512	6.4
Sunnyside Galleries*	Offices, shops and 5 flats	71	5 143	3 434	5 369	4 116	–
The Pavilion*	Shops	138	–	4 291	3 448	2 350	–
The Village*	Shops	73	–	4 043	7 226	5 023	4.6
Unity Heights*	Shops and 24 flats	118	5 837	2 429	1 211	2 254	1.6
Weighted average per location		92	4 444	22 935	22 435	20 821	2.4
Waverley, Gezina, Moot							
Bouwer Broers	Shops	43	–	1 149	3 844	2 719	31.7
Frederika straat	Shops	49	–	832	2 552	1 569	–
Gerlan^	Motor dealership showroom	108	–	6 702	1 276	5 174	–
Gezina City Shopping Centre*	Shopping centre	56	–	10 439	43 153	16 218	–
Karkap Properties	Shops	52	–	668	2 552	1 079	13.0
Motor City Capital Park	Shops, storerooms and workshops	62	–	5 071	17 669	7 461	7.6
Orion	Shops, warehousing and 22 flats	43	4 338	1 570	1 862	2 405	5.0
Ou Holland	Shops and 22 flats	61	4 769	1 609	2 552	2 351	12.8
Swemvoor	Shops and offices	37	–	1 069	2 552	2 376	–
Trekfred	Vacant land, parking and shops	77	–	2 388	6 379	2 783	15.3
Trekmin*	Shops, 48 flats and parking	70	4 609	7 143	11 483	9 350	0.8
Troymona	Houses	–	6 788	155	1 081	300	–
Waverley Plaza Shopping Centre*	Shopping centre	146	–	19 187	38 198	11 188	1.7
Weighted average per location		80	4 612	57 982	135 153	64 973	4.1
Weighted average for portfolio of properties		**72**	**4 402**	**1 430 869**	**1 600 646**	**1 669 120**	**15.6**
Investment properties 100% held		71	4 415	1 377 015	1 540 746	1 618 165	
Investment properties 50% held		92	4 235	53 854	59 900	5 095	
Weighted average for total portfolio		**72**	**4 402**	**1 430 869**	**1 600 646**	**1 669 120**	

**Properties securing long-term borrowings (notes 2 and 16).*
^Properties in which the group has a 50% interest.

property portfolio analysis

for the year ended 31 august 2016

	rental income		property value		gross lettable area		site area	
	R'000	% of total portfolio	R'000	% of total portfolio	m^2	% of total portfolio	m^2	% of total portfolio
2.1 Geographical spread by location								
Tshwane CBD	458 711	32.2	4 301 720	34.1	504 417	30.2	347 825	21.7
Johannesburg CBD	320 929	22.5	2 665 300	21.1	426 330	25.5	103 007	6.4
Johannesburg and surrounding areas	170 678	12.0	1 526 622	12.1	141 423	8.5	207 532	13.0
Hatfield	101 507	7.1	925 100	7.3	70 274	4.2	45 486	2.8
Tshwane Arcadia	75 815	5.3	637 868	5.1	78 422	4.7	60 077	3.7
Silverton and surrounding areas	63 038	4.4	521 100	4.1	126 752	7.6	201 961	12.5
Waverley, Gezina, Moot	57 982	3.7	498 700	4.0	64 973	3.9	135 153	8.4
Tshwane West	41 614	2.9	319 500	2.5	99 228	5.9	232 425	14.5
Centurion	32 097	2.3	285 600	2.3	35 330	2.1	53 828	3.3
Tshwane Other	28 904	2.0	250 100	2.0	22 491	1.3	40 277	2.5
Tshwane East	22 402	1.6	219 700	1.7	15 335	0.9	8 664	0.6
Sunnyside	22 935	1.6	161 900	1.3	20 821	1.2	22 435	1.4
Tshwane North	20 081	1.4	158 700	1.3	26 254	1.6	57 293	3.6
Hermanstad	1 4 176	1.0	134 800	1.1	37 069	2.2	84 683	5.2
Total 2016	**1 430 869**	**100.0**	**12 606 710**	**100.0**	**1 669 120**	**100.0**	**1 600 646**	**100.0**
Total 2015	**1 325 611**	**100.0**	**11 897 677**	**100.0**	**1 690 912**	**100.0**	**1 610 922**	**100.0**

	m^2	% of total vacancies	% of total gross lettable area	% of total portfolio properties held for redevelopment	% of core vacancies
2.2 Vacancy profile by location					
Johannesburg CBD	114 172	43.8	26.8	(13.6)	13.2
Tshwane CBD	77 041	30.3	15.3	(7.4)	8.1
Tshwane West	6 892	2.6	6.9	(0.1)	6.8
Silverton and surrounding areas	16 868	6.5	13.3	0.0	13.3
Johannesburg and surrounding areas	14 384	5.5	10.2	0.0	9.7
Tshwane Arcadia	13 118	5.0	16.7	0.0	16.7
Hatfield	4 109	0.8	5.8	0.0	5.8
Tshwane North	3 353	0.8	12.8	(1.5)	11.2
Hermanstad	2 596	0.9	7.0	0.0	7.0
Waverley, Gezina, Moot	2 685	0.7	4.1	0.0	4.1
Tshwane East	2 387	2.6	15.6	0.0	15.6
Sunnyside	495	0.2	2.4	0.0	2.4
Centurion	2 167	0.1	6.1	(3.1)	3.0
Tshwane Other	390	0.1	1.7	0.0	1.7
Total 2016	**260 657**	**100.0**	**15.6**	**(5.8)**	**9.8**
Total 2015	**254 536**	**100.0**	**15.1**	**(6.0)**	**9.1**

	Total GLA	Vacancy GLA m^2	% of total vacancies	% of sector gross lettable area	GLA of properties held for redevelopment	Vacancy - GLA - core	% of core vacancies
2.3 Vacancies by sector							
Offices	489 750	170 137	65.3	34.7	94 961	75 176	15.3
Retail shops	432 456	39 513	15.2	9.1	–	39 513	9.1
Industrial	288 908	31 266	12.0	10.8	–	31 266	10.8
Residential	366 827	14 824	5.7	4.0	1 652	13 172	3.6
Shopping centres	91 179	4 917	1.9	5.4	–	4 917	5.4
Total 2016	**1 669 120**	**260 657**	**100.0**	**15.6**	**96 613**	**164 044**	**9.8**
Total 2015	**1 690 912**	**254 536**	**100.0**	**15.1**	**100 831**	**153 705**	**9.1**

Some properties were remeasured and some reclassifications made to the 31 August 2015 values to ensure comparability to the current year.

	Gross lettable area m²	%	Monthly contractual rental	%
Year				
2.4 Lease expiry profile				
Residential	352 002	21.1	40 044 955	34.4
Monthly Commercial	177 805	10.7	9 378 771	8.1
to 31 Aug 2017	329 973	19.8	24 286 707	20.9
to 31 Aug 2018	237 239	14.2	17 123 906	14.7
to 31 Aug 2019	112 104	6.7	9 370 768	8.0
to 31 Aug 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**	**100.0**	**116 475 635**	**100.0**

	%
2.5 Rental escalations	
The average rental escalation per sector is as follows:	
Industrial	7.4
Offices	7.4
Retail shops	7.5
Shopping centres	7.5

The leases in respect of residential accommodation are for a 12-month period and therefore do not have an escalation clause in the agreement. Thereafter the lease is on a month-to-month basis with an increase at a negotiated percentage.

	% of gross lettable area
2.6 Tenancy profile	
Profile	
A	20.8
B	6.7
C	35.2
D	21.7
Vacancies	15.6
	100.0

A – Large national tenants, listed tenants, government and major franchises
B – National tenants, other franchisees and medium professional firms
C – All other local tenants
D – Residential tenants

The information contained in the Property Portfolio Analysis includes 100% of the joint ventures referred to on pages 21 to 23 and not only the group's share of 50%.

schedule of interest in subsidiaries

for the year ended 31 august 2016

Subsidiary name	Cost of shares 2016 R	Cost of shares 2015 R	Amounts owing by / (to) subsidiaries 2016 R	Amounts owing by / (to) subsidiaries 2015 R
Alert Investments Share Block Proprietary Limited	**600**	600	**(600)**	(600)
Anke Properties Proprietary Limited	**1 000**	1 000	**21 429 626**	(1 189 572)
Carine Properties Share Block Proprietary Limited	**107 875**	107 875	**(300)**	(300)
Cold Air Investments Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Dirk du Toit Share Block Proprietary Limited*	**100**	100	**(100)**	(100)
Dusku Investments Share Block Proprietary Limited	**803 933**	803 933	**(100)**	(100)
Elarduspark Shopping Centre Proprietary Limited	**7 362 821**	7 362 821	**(1 000)**	(1 000)
Erf 181 Hermanstad Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Erf 651 Pretoria North Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Erf 809 Share Block Proprietary Limited*	**95**	95	**(95)**	(95)
Fawn Properties Share Block Proprietary Limited	**200**	200	**(200)**	(200)
Frederika Straat Beleggings Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Gezfarm Properties Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Goleda Properties Share Block Proprietary Limited	**200**	200	**(200)**	(200)
Hannyhof Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Hardwood Properties Share Block Proprietary Limited	**3**	3	**(3)**	(3)
Henwoods (Pretoria) Development Company Share Block Proprietary Limited*	**1 000**	1 000	**(1 000)**	(1 000)
Heracle Share Block Proprietary Limited	**753 047**	753 047	**(8 442)**	(8 442)
Indacom Properties Share Block Proprietary Limited*	**16**	16	**(16)**	(16)
IPS Investments Proprietary Limited^	**968**	968	**896 605 824**	614 648 878
Janvoel Properties Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Karkap Properties Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Killarney Mall Properties Proprietary Limited	**2 392 153**	2 392 153	**257 527 041**	234 374 774
Lasmitch Properties Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Lutbridge Investment Share Block Proprietary Limited	**70**	70	**(70)**	(70)
Metromitch Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Middle Pip Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Mitchpap Share Block Proprietary Limited*	**200**	200	**(200)**	(200)
Muntstreet Properties Share Block Proprietary Limited*	**1 000**	1 000	**(1 000)**	(1 000)
Nedwest Centre Share Block Proprietary Limited	**4 000**	4 000	**(4 000)**	(4 000)
Octprop Properties Proprietary Limited	**100**	100	**26 094 187**	25 541 226
Panag Investments Share Block Proprietary Limited	**200**	200	**19 667**	19 667
Potproes Properties Share Block Proprietary Limited	**3 086 426**	3 086 426	**(1 000)**	(1 000)
Premium Properties Limited#	**3 024 919 806**	3 024 919 806	**338 945 166**	(162 092 535)
Presmooi Proprietary Limited*	**523 031**	523 031	**869 348 393**	599 213 494
Pretboy Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Pretvin Share Block Proprietary Limited	**4 000**	4 000	**(4 000)**	(4 000)
Pretwade Share Block Proprietary Limited	**2**	2	**(2)**	(2)
Prinsben Properties Share Block Proprietary Limited*	**1 000**	1 000	**(1 000)**	(1 000)
Prinstruben Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Ramreg Properties Proprietary Limited	**1**	1	**4 676 409**	4 488 268
Rovon Investments Share Block Proprietary Limited*	**316 642**	316 642	**(4)**	(4)
Rumpro Investments Share Block Proprietary Limited	**1 713 213**	1 713 213	**(120)**	(120)
SKD Beleggings (Skof Vyf) Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Steynscor Share Block Proprietary Limited	**18**	18	**(18)**	(18)
Swemvoor Investments Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Talkar Properties Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Tribeca Properties Proprietary Limited	**11 752 737**	11 752 737	**57 246 503**	45 853 455
Tronap Investments Share Block Proprietary Limited	**100**	100	**(100)**	(100)
Tuel Share Block Proprietary Limited	**300**	300	**(300)**	(300)
Viskin Share Block Proprietary Limited	**1 000**	1 000	**(1 000)**	(1 000)
Waverley Plaza Properties Proprietary Limited	**794 399**	794 399	**117 834 410**	148 469 595
Woodmead Mart Proprietary Limited	**3 438 345**	3 438 345	**308 258 061**	188 059 086
	3 057 989 401	**3 057 989 401**	**2 897 931 750**	**1 697 352 666**

All the subsidiaries are 100% owned by the company and the places of business are in the Republic of South Africa and are all included in the consolidated financial statements of the group.

The subsidiaries' principal activities are that of property companies, deriving income from rentals. There are no restrictions on the subsidiaries other than the cession of shares to secure long-term borrowings.

**Ceded shares securing long-term borrowings (note 16).*

schedule of interest in subsidiaries – continued

for the year ended 31 august 2016

 # Premium Properties Limited – wholly owned subsidiaries
Bartlucia Investments Share Block Proprietary Limited
Brianley Properties Share Block Proprietary Limited
Burnfield Properties Proprietary Limited
Centpret Properties Proprietary Limited
Centuria 369 Proprietary Limited
Du-Proes Share Block Proprietary Limited
Filkem House Share Block Proprietary Limited
Hacklu Enterprises Share Block Proprietary Limited
L.P.A. Beleggings Share Block (Eiendoms) Beperk
Landjack Properties Proprietary Limited
Notrevlis Share Block Proprietary Limited
Prinsman Properties Share Block Proprietary Limited
Prinsproes Properties Share Block Proprietary Limited
Rezmep Investments Share Block Proprietary Limited
Roslev Properties Share Block Proprietary Limited
Savyon Building Proprietary Limited
Tomzeil Share Block Proprietary Limited

^ IPS Investments Proprietary Limited – wholly owned subsidiaries
Inspret Properties Proprietary Limited
Grariv Properties Share Block Proprietary Limited
Johnbuild Properties Proprietary Limited
Joybee Properties Proprietary Limited
OPC Properties Proprietary Limited
Simprit Properties Share Block Proprietary Limited
Vuselela Investments Proprietary Limited
Waltpost Properties Proprietary Limited

shareholders' analysis

for the year ended 31 August 2016

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholders' classification				
1 - 1 000	621	18.30	318 531	0.13
1 001 - 10 000	1 818	53.58	7 260 913	2.85
10 001 - 100 000	721	21.25	22 605 878	8.88
100 001 - 1 000 000	180	5.31	55 984 954	21.99
Over 1 000 000	53	1.56	168 381 044	66.15
Total	**3 393**	**100.00**	**254 551 320**	**100.00**
Distribution of shareholders				
Assurance companies	22	0.65	5 020 919	1.97
Close corporations	60	1.77	26 158 475	10.28
Collective investment schemes	109	3.21	58 313 847	22.92
Custodians	25	0.74	2 475 282	0.97
Foundations and charitable funds	92	2.71	6 685 834	2.63
Hedge funds	1	0.03	1 339	0.00
Insurance companies	2	0.06	12 569	0.00
Investment partnerships	8	0.24	78 569	0.03
Managed funds	16	0.47	278 765	0.11
Medical aid funds	2	0.06	156 056	0.06
Organs of state	4	0.12	17 192 139	6.75
Private companies	137	4.04	69 621 020	27.35
Public companies	2	0.06	38 027	0.01
Public entities	3	0.09	118 920	0.05
Retail shareholders	2 328	68.61	26 602 198	10.45
Retirement benefit funds	93	2.73	14 397 049	5.66
Scrip lending	7	0.21	516 562	0.20
Stockbrokers and nominees	16	0.47	1 289 258	0.51
Trusts	465	13.70	25 594 393	10.05
Unclaimed scrip	1	0.03	99	0.00
Total	**3 393**	**100.00**	**254 551 320**	**100.00**
Shareholder type				
Non-public shareholders				
Directors and associates	67	1.92	96 710 165	37.99
Public shareholders	3 326	98.08	157 841 155	62.01
Total	**3 393**	**100.00**	**254 551 320**	**100.00**
Fund managers with a holding greater than 3% of the issued shares				
Stanlib Asset Management			17 924 301	7.04
Public Investment Corporation			15 218 036	5.98
Old Mutual Investment Group			12 846 866	5.05
Total			**45 989 203**	**18.07**
Beneficial shareholders with a holding greater than 3% of the issued shares				
Lefkopaul CC			19 994 725	7.85
Tomneff Investments Proprietary Limited			16 680 146	6.55
Old Mutual Group			12 571 370	4.94
Government Employees Pension Fund			14 883 752	5.85
Stanlib			14 757 054	5.80
City Property Administration Proprietary Limited			11 538 176	4.53
Total			**90 425 223**	**35.52**

Share price performance	
Opening price 02 September 2015	R24.25
Closing price 31 August 2016	R22.99
Closing high for peroid	R25.84
Closing low for peroid	R19.91
Number of shares in issue	254 551 320
Volume traded during period	31 044 349
Ratio of volume traded to shares issued (%)	12.20
Rand value traded during the period	R705 003 829.00
Market capitalisation at 31 August 2016	R5 852 134 847.00

glossary

Act	Companies Act, No 71 of 2008
CBD	Central business district
City Property	City Property Administration Proprietary Limited
Consolidated	Octodec and its subsidiaries
GLA	Gross lettable area
Group	Octodec, its subsidiaries and joint ventures
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JIBAR	The Johannesburg Interbank Agreed Rate
JSE	JSE Limited
Prime	Interest rate charged by banks to creditworthy clients
REIT	Real Estate Investment Trust as defined in section 1 of the Income Tax Act

Produced by ahcomm & green grass design

Octodec
INVESTMENTS LIMITED