Octodec Investments Limited
(Registration number 1956/002868/06)
Financial statements
for the year ended 31 August 2019

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Financial Statements for the year ended 31 August 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Letting of multi-tenanted buildings
Directors	S Wapnick JP Wapnick AK Stein DP Cohen GH Kemp MZ Pollack PJ Strydom NC Mabunda
Registered office	CPA House 101 Du Toit Street Pretoria 0002
Business address	CPA House 101 Du Toit Street Pretoria 0002
Postal address	PO Box 15 Pretoria 0001
Property and asset managers	City Property Administration (Pty) Ltd (City Property)
Bankers	Nedbank Limited
Auditors	Deloitte & Touche Chartered Accountants (SA) Registered Auditors
Secretary	Elize Greeff
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, No 71 of 2008 (Companies Act).
Preparer	The financial statements were internally compiled under the supervision of: Anabel Vieira Senior Financial Manager CA(SA)
Published	10 December 2019

Contents

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 company's cash flow forecast for the year to 31 August 2020 and, in light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 7 to 11.

The financial statements set out on pages 12 to 48, which have been prepared on the going concern basis, were approved by the directors on 10 December 2019 and were signed on their behalf by:

AK Stein

JP Wapnick

Certification by company secretary

In terms of section 88(2)(e) of the Companies 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 company by the Companies Act and that all such returns appear to be true, correct and up to date.

Elize Greeff
Company Secretary

10 December 2019

Directors' Report

The directors have pleasure in submitting their report on the financial statements of the company for the year ended 31 August 2019.

1. Nature of business

Octodec Investments Limited (Octodec) was incorporated in South Africa with interests in the property industry, deriving rental from its properties. The company operates in South Africa. The company is a real estate investment trust (REIT) company.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act. The accounting policies have been applied consistently compared to the prior year, except for those as stated in note 1.6 of the accounting policies.

During the current year, the Octodec group entered into an amalgamation agreement carried out in accordance with section 44 of the Income Tax Act, No 58 of 1962 and section 113 of the Companies Act, whereby all the assets and liabilities inclusive of all accumulated reserves of some subsidiaries and sub-subsidiaries as well as 100% held share block companies were transferred to Presmooi (Pty) Ltd, a subsidiary of Octodec and Centpret Properties (Pty) Ltd, a subsidiary of Premium Properties Ltd. The information regarding the amalgamation is disclosed in note 30 as well as all other relevant notes.

3. Stated capital

	2019	2018
Authorised	**Number of shares**	
Ordinary shares of no par value	500 000 000	500 000 000

	2019	2018	2019	2018
Issued	R	R	**Number of shares**	
Ordinary shares of no par value	4 210 133 369	4 210 133 894	266 197 535	266 197 535

There have been no changes to the authorised or issued share capital during the year under review.

4. Dividends

The company's dividend policy is to consider a final dividend in respect of each financial year. The dividends already declared and paid to the shareholders during the year are as reflected in the attached statement of changes in equity, which represents the dividend paid in November 2018 and May 2019. The dividend declared and paid in respect of the current year profit is R534 790 848 of which R270 722 893 was paid in May 2019 and R264 067 955 was paid in November 2019.

5. Directorate

The directors in office at the date of this report, and whom were in office during the year under review, are as follows:

Directors		
S Wapnick	Chairman	
JP Wapnick	Managing director	
AK Stein	Financial director	
DP Cohen	Lead independent non-executive director	
GH Kemp	Non-executive independent director	
MZ Pollack	Non-executive director	
PJ Strydom	Non-executive independent director	
NC Mabunda	Non-executive independent director	Appointed 11 February 2019

6. Audit committee

The report of the audit committee is included on pages 94 to 96 of the Integrated Report of Octodec which can be found on the website www.Octodec.co.za.

Directors' Report

7. Management contract and administration

The company's investment properties are managed by City Property, the entire share capital of which is effectively owned by members of the Wapnick family, in terms of an Asset and Property Management Agreement which became effective on 1 July 2018 for a period of five years.

8. Interests in subsidiaries

The company has 100% interest in the undermentioned companies and they are all incorporated in the Republic of South Africa.

IPS Investments (Pty) Ltd
Killarney Mall Properties (Pty) Ltd
Octprop Properties (Pty) Ltd
Premium Properties Ltd
Presmooi (Pty) Ltd
Tribeca Properties (Pty) Ltd
Viskin Share Block (Pty) Ltd
Waverley Plaza Properties (Pty) Ltd
Woodmead Mart (Pty) Ltd

The following companies are 100% held by Premium Properties Ltd and IPS Investments (Pty) Ltd.

Centpret Properties (Pty) Ltd
Centuria 369 (Pty) Ltd
Inspret Properties (Pty) Ltd
Jardtal Properties (Pty) Ltd
Joybee Properties (Pty) Ltd
OPC Properties (Pty) Ltd
Savyon Building (Pty) Ltd
Simprit Properties Share Block (Pty) Ltd
Vuselela Investments (Pty) Ltd

The subsidiaries' principal activities are that of property companies, investing in retail, office, industrial, residential, specialised and other properties, deriving income from the rental of its properties and its investments. There are no restrictions on the subsidiaries or on the distribution of income from the subsidiaries.

9. Events after the reporting period

Other than the dividend that was declared and paid past the reporting date, the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

10. Going concern

The directors are aware that the company's current liabilities exceed its current assets by R426.8 million (2018: R931.4 million), mainly due to the fact that a portion of interest bearing borrowings will be maturing in the 2020 financial year. The Octodec group has R632.5 million (2018: R697.1 million) of facilities available comprising of unutilised debt facilities available on demand of R585.0 million (2018: R669.0 million) and cash in bank of R47.0 million (2018: R28.0 million) to fund its working capital requirements and to refinance maturing debt, if required.

The board has considered the solvency and liquidity tests taking the above into consideration, and has determined that the company has adequate resources to continue to operate for the next twelve months. The financial statements have been prepared on the going concern basis.

Directors' Report

11. Auditors

Deloitte & Touche continued in office as auditors for the 2019 financial year.

At the annual general meeting, the shareholders will be requested to reappoint Deloitte & Touche as the independent external auditors of the company and to confirm Mr L Taljaard as the designated lead audit partner for the 2020 financial year.

12. Secretary

The company secretary is Elize Greeff.

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Octodec Investments Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Octodec Investments Limited (the Company) set out on pages 12 to 48, which comprise the separate statement of financial position as at 31 August 2019, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the company as at 31 August 2019, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. The matter was addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter	How the matter was addressed in the audit
Valuations of investment property	
As disclosed in Note 2,3 and 10 of the separate financial statements, the investment property's carrying value is as follows: Company: R229.5 million. The following Fair value adjustments were taken to net profit as follows: Company: R17.6million downward. The Company's investment property balance comprises of completed developments Furthermore, the property portfolio of the Company includes properties in different sectors being Retail, Offices, Residential, Industrial and Sepcialised. The Company has a third of its properties valued by independent, external valuers on an annual basis per the JSE Listing requirements. The valuation technique applied by the Company is the net income capitalisation method. The inputs with the most significant impact on the valuations that are performed are: • Long-range vacancy rates; • Expense ratio; and • Capitalisation rates. Significant judgement is required in determining the fair value of investment property and for the purposes of our audit; we identified the valuation of investment property as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgment associated with determining the fair values.	In evaluating the valuations that were performed by management and specialists and reviewed by the Directors of Octodec (executive management) on the investment properties, focus was placed on the capitalisation rates and the long-range vacancy rates as these areas required significant judgement. We performed various procedures, including the following: **Design and implementation:** As per the understanding obtained of investment property, we identified the review of the internal investment property valuations by the senior financial manager and financial director as a relevant control. The design and implementation of this control was assessed. Additionally, the approval of the acquisitions and disposals by the Investment Committee was also identified as a relevant control and therefore the design and implementation was assessed. **Independent valuers** - We assessed the competence, capabilities and objectivity of the Director's independent valuers, and assessed their qualifications. In addition, we discussed the scope of their work with management and reviewed the terms of the engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We confirmed that the approach they used are consistent with IFRS and industry norms. **Use of an independent external valuer –** Our independent external valuer compared selected inputs used to market data and entity-specific historical information to confirm the appropriateness of these inputs on a sample basis. Our independent external valuer furthermore reviewed the following:

Key Audit Matter	How the matter was addressed in the audit
	• The models used by the Director's and their independent valuers; and • The Significant judgements relating to the assumptions of the capitalisation rate and long-range vacancy factor. **Investment property** – A sample selection was made based on certain characteristics. We tested the inputs used in the valuation being rental income, property operating costs, vacancy rates and capitalisation rates for the sample selected and found these to be accurate, reliable and complete. Furthermore, we performed a sensitivity analysis on the long-range vacancy rates and capitalisation rates and further compared the capitalisation rates used by the Directors to the available market data in order to determine the appropriateness thereof. The disclosures and accounting pertaining to the investment property was found to be appropriate in terms of the relevant accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Audited financial statements for the year ended 31 August 2019", which includes the Directors' Report, and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Octodec Investment Limited for 42 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Patrick Kleb
Partner
11 December 2019

Octodec Investments Limited

(Registration number 1956/002868/06)
Financial Statements for the year ended 31 August 2019

Statement of Financial Position as at 31 August 2019

	Note(s)	2019 R	2018 R
Assets			
Non-Current Assets			
Investment property	2	223 406 823	1 061 875 023
Straight-line rental income accrual	2	3 218 137	19 879 641
Plant and equipment		-	63 710
Tenant installations and lease costs	3	75 041	581 626
Investments in subsidiaries	4	3 057 955 914	3 057 987 901
Loans to group companies	5	5 730 400 348	4 275 157 262
Loan receivable	6	74 763 563	75 000 000
Derivative financial instruments	7	-	7 618 089
		9 089 819 826	**8 498 163 252**
Current Assets			
Accounts receivable and prepayments	8	5 521 543	18 517 477
Cash and cash equivalents	9	52 558 556	44 027 819
Loan receivable	6	-	3 029 683
Derivative financial instruments	7	-	1 985 500
		58 080 099	**67 560 479**
Non-current assets held for sale	10	2 800 000	48 400 000
Total Assets		**9 150 699 925**	**8 614 123 731**
Equity and Liabilities			
Equity			
Stated capital	11	4 210 133 369	4 210 133 369
Non-distributable reserve		697 914 952	806 999 859
Retained income		193 197 982	218 386 234
		5 101 246 303	**5 235 519 462**
Liabilities			
Non-Current Liabilities			
Loans from group companies	12	1 000	32 270
Long-term borrowings	13	3 464 829 668	2 361 629 570
Derivative financial instruments	7	99 693 554	17 977 000
		3 564 524 222	**2 379 638 840**
Current Liabilities			
Short-term borrowings	13	416 658 468	917 345 831
Trade and other payables	14	68 270 932	81 520 186
Derivative financial instruments	7	-	99 412
		484 929 400	**998 965 429**
Total Liabilities		**4 049 453 622**	**3 378 604 269**
Total Equity and Liabilities		**9 150 699 925**	**8 614 123 731**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2019 R	2018 R
Revenue	15	932 109 743	914 987 789
Other operating income	16	57 718 134	55 819 302
Impairment - trade and other receivables	17	(2 357 095)	(4 393 480)
Other operating expenses	17	(131 266 425)	(165 876 434)
Operating profit	17	**856 204 357**	**800 537 177**
Investment income	18	11 928 774	23 321 057
Finance costs	19	(351 875 591)	(300 887 459)
Other non-operating (losses) gains	20	(108 896 619)	14 134 265
Movement in credit loss allowance - loans to group companies	20	(188 288)	-
Profit for the year		**407 172 633**	**537 105 040**
Other comprehensive income		-	-
Total comprehensive income for the year		**407 172 633**	**537 105 040**

Basic and diluted earnings per share (cents) of 153.0 (2018: 201.8)

Octodec Investments Limited

(Registration number 1956/002868/06)
Financial Statements for the year ended 31 August 2019

Statement of Changes in Equity

	Stated capital	Non-distributable reserve	Retained income	Total equity
	R	R	R	R
Balance at 01 September 2017	**4 221 476 216**	**792 865 594**	**228 465 978**	**5 242 807 788**
Profit for the year	-	-	537 105 040	537 105 040
Shares repurchased	(11 342 847)	-	-	(11 342 847)
Transfer between reserves:				
- Fair value changes to investment property	-	(25 129 354)	25 129 354	-
- Fair value changes to interest rate derivatives	-	39 758 137	(39 758 137)	-
- Capital loss on disposal of investment property	-	(494 518)	494 518	-
Dividends	-	-	(533 050 519)	(533 050 519)
Balance at 01 September 2018	**4 210 133 369**	**806 999 859**	**218 386 229**	**5 235 519 457**
Profit for the year	-	-	407 172 633	407 172 633
Transfer between reserves:				
- Movement in impairment loss on loan to subsidiary	-	(188 288)	188 288	-
- Fair value changes to interest rate derivatives	-	(91 220 731)	91 220 731	-
- Fair value changes to investment property	-	(17 675 888)	17 675 888	-
Dividends	-	-	(541 445 787)	(541 445 787)
Balance at 31 August 2019	**4 210 133 369**	**697 914 952**	**193 197 982**	**5 101 246 303**
Note(s)	11			

Statement of Cash Flows

	Note(s)	2019 R	2018 R
Cash flows from operating activities			
Cash generated from operations	22	856 359 761	825 272 079
Interest income		11 928 774	11 185 725
Finance costs		(347 751 025)	(300 887 459)
Dividends		(541 445 787)	(533 050 519)
Net cash flows from operating activities		**(20 908 277)**	**2 519 826**
Cash flows from investing activities			
Acquisition of investment property			
- Additional developments	2	(23 941 443)	(1 751 002)
Proceeds on disposal of investment property		-	25 405 482
Additions to tenant installations and lease costs		(799 750)	(836 778)
Increase in loan receivable		-	(2 816 716)
Decrease in loan receivable		3 266 120	-
Amounts advanced to subsidiaries		(551 595 648)	(288 213 600)
Net cash flows from investing activities		**(573 070 721)**	**(268 212 614)**
Cash flows from financing activities			
Shares repurchased	11	-	(11 342 847)
Proceeds from interest bearing borrowings		2 303 574 090	1 977 610 080
Repayment of interest bearing borrowings		(1 701 061 355)	(1 721 485 267)
Net cash flows from financing activities		**602 512 735**	**244 781 966**
Total cash movement for the year		**8 533 737**	**(20 910 822)**
Cash at the beginning of the year		44 027 819	64 938 641
Cash transferred in terms of amalgamation agreement		(3 000)	-
Total cash at end of the year	9	**52 558 556**	**44 027 819**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act.

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, except as stated in note 1.6 below.

The consolidated financial statements of Octodec are available on the Octodec website: www.Octodec.co.za..

1.2 Restructuring transactions with entities under common control

Any transactions relating to a merger, amalgamation or unbundling of companies under common control are effected at the assets and liabilities' carrying values and in such a manner such that there is no profit or loss on the financial statements of the parent company.

1.3 Investment in subsidiaries

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

1.4 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. Jointly controlled operations are accounted for by including the company's 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 company 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 company transacts with a joint operation in which it is a joint operator, the company 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 company's financial statements only to the extent of the other parties' interests in the joint operation.

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

1.5 Significant judgements and sources of estimation uncertainty

In the application of the accounting policies below, the directors are required to make judgements that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions 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.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Fair value measurement of investment properties

In the application of the accounting policies which are described in note 1.7, 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 fair value of investment properties is determined using current rentals, expected market rentals, expected vacancies, maintenance requirements and appropriate capitalisation rates. Market rentals are determined by reference to current market rentals for similar buildings in the same location and condition.

The inputs in the calculation which are subject to a significant degree of estimation are the long-range vacancy factor, the expense ratio and capitalisation rates. Any change to these inputs can have a significant impact on the financial position of the company.

Calculation of lifetime expected credit losses

The company has adopted the simplified approach for the calculation of trade receivables which is represented by lease receivables. When calculating the lifetime expected credit loss, the company makes assumptions taking into account historical information as well as future economic conditions impacting the market in which it operates.

At each reporting date, management considers each debtor in respect of whom legal proceedings have been instituted or the debtor has vacated, and all those debtors which are past their due date, in order to determine the level of recoverability. Management assumes that all debtors are likely to be impaired when the debt is past its due date and makes a provision for that portion that is considered not recoverable.

1.6 Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

In the current year, the company has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue. The adoption of the standards as well as its impact on the financial statements is disclosed under the following notes:

- Financial Instruments – in notes 1.10 and 31
- Impairment of financial instruments in notes 1.10, 5 and 8
- Revenue in notes 1.15 and 15

1.7 Investment property

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

Investment properties are recognised as an asset when it is probable that the future economic benefits that are associated with the investment properties will flow to the company, 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, adjusted for the carrying values of fixtures and fittings, straight-line rental income accrual, tenant installations and lease costs which are recognised as separate assets, so as not to double account for these assets that are recognised separately. A gain or loss arising from a change in fair value is recognised in profit or loss. Subsequent refurbishing expenditure relating to investment properties is capitalised to the asset's carrying amount only if it meets the recognition criteria for investment properties. All other subsequent expenditure is expensed to profit or loss 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 profit and loss in the period in which it arises.

Fair value

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

Accounting Policies

1.7 Investment property (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of investment property that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of investment property, until such time as the investment property is substantially ready for its intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure is deducted from the borrowing costs eligible for capitalisation. The company is funded by its holding company and therefore uses the weighted average cost of borrowings to the holding company to calculate the interest to be capitalised.

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

1.8 Tenant installations and lease costs

Letting commission and tenant installation costs incurred in negotiating and arranging operating leases are deferred and amortised over the lease term on the same basis as the lease income.

1.9 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.

Non-current assets held for sale comprising investment property are measured in accordance with IAS 40 Investment Property, at fair value less costs to sell and the gain or loss arising from a change in fair value is recognised in profit or loss. Where a firm offer has been received, the properties classified as held for sale are valued at the offer value.

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.

1.10 Financial instruments

In the current year, the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period beginning on or after 1 January 2018. The transition provision of IFRS 9 allow an entity not to restate comparatives and the company has opted not to restate comparatives.

IFRS 9 introduced new requirements, some of which are relevant to the company, namely:
i. The classification and measurement of financial assets and financial liabilities
ii. Impairment of financial assets

i. Classification and measurement of the company's financial assets and liabilities
The financial assets include loans receivable, swap derivatives, trade and other receivables and cash and bank balances. The financial liabilities include interest bearing borrowings, group loans, swap derivatives and trade and other payables. The company reviewed and assessed it's existing financial assets and liabilities as at 1 September 2018, and based on the facts and circumstances that existed at that date, concluded that all financial assets and financial liabilities are measured on the same basis as previously adopted under IAS 39 and consequently no changes were required. Loans receivable and trade receivables were previously classified as loans and receivables. Under IFRS 9 loans receivable and trade and other receivables are classified at amortised cost.

ii. Impairment of financial assets
Trade receivables represent lease receivables. The company has applied the simplified approach for impairment of trade receivables by recognising lifetime expected credit losses as these items do not have a significant financing component. The application of the lifetime expected credit loss model has resulted in the earlier recognition of credit losses for trade receivables, which increased the amount of loss allowances recognised for these items. The impact is not significant and is disclosed in note 8.

Loans to subsidiary companies expose the company to credit risk. The company has calculated the expected credit loss arising from any possible default by the subsidiary companies. The impact of the impairment is disclosed in note 5.

Accounting Policies

1.10 Financial instruments (continued)

Recognition and measurement

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

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities that are subsequently measured at amortised cost, 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 and loss (FVTPL) are expensed immediately in profit or loss.

Financial assets

The financial assets are classified into the following categories:
- Amortised cost
- Fair value through profit or loss

The company has the following financial assets:
- Trade and other receivables
- Cash and bank balance
- Loans receivable
- Derivative financial instruments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:
- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, the financial assets are measured at amortised cost using the effective interest method. The company's loans, cash and bank balance and trade and other receivables fall into this category. Interest is recognised under finance income in profit or loss.

Financial assets at FVTPL

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are classified at FVTPL. All derivative financial instruments fall into this category and include the company's interest rate swaps.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Accounting Policies

1.10 Financial instruments (continued)

Impairment of financial assets

Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. A 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Loans at amortised cost

The company recognises a loss allowance for expected credit losses on financial instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument. When there has been a deterioration in the credit quality of the financial instrument, the company recognises lifetime expected credit losses since initial recognition. If there has been no deterioration in the credit quality of the financial instrument since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss. The company considers the following factors in assessing whether credit risk has increased:

- The financial position and profitability of the debtor;
- Significant increase in credit risk on other financial instruments of the same debtor;
- Failure to meet current repayment obligations

Trade and other short-term receivables

The company recognises lifetime expected credit losses for trade and other short term receivables. The company considers that default has occurred when a lease receivable is more than 7 days past due, legal proceedings have been instituted against the debtor or the tenant has vacated the premises. The lifetime expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, prevailing economic conditions as well as an assessment of current and future direction of conditions at the reporting date.

The company assesses impairment of lease receivables on a collective basis since they possess shared credit risk characteristics based on the days past due.

Impairment of loans and trade and other receivables is reported separately in profit and loss.

Financial liabilities

The company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Borrowings and trade and other payables are classified at amortised cost. These are originally measured at fair value and adjusted for transaction costs. Subsequently, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments include interest rate swaps. These are designated at FVTPL. Any gains or losses in fair value are recognised in profit or loss.

All interest-related charges are reported in profit or loss.

Derecognition

The company 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 company is recognised as a separate asset or liability.

When a trade receivable is considered irrecoverable due to factors such as insolvency, liquidation or the inability of the debtor to settle the debt, the amount is written off to profit or loss during the year in which it is identified that the debt is no longer recoverable and the impairment provision is reversed. Any amounts subsequently recovered, are recognised in profit or loss in the year that it is recovered.

Accounting Policies

1.10 Financial instruments (continued)

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

1.11 Fair value information

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

Fair value hierarchy

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

The different levels have been defined as follows:

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

1.12 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.

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 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 company's current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and is accounted for using the liability method.

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.

The company is a REIT and any capital gains arising on the disposal of investment property are exempt from capital gains tax. The company therefore does not recognise deferred tax on the changes in fair value of investment properties. Deferred tax is also not calculated on timing differences of those assets and liabilities that when reversed will be distributed to shareholders. 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 nor loss.

Deferred tax assets are not recognised as the company is a REIT and any subsequent profits will be distributed to the shareholders and therefore the likelihood of utilising a deferred tax asset is remote.

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

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.

Accounting Policies

1.13 Leases

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessor - operating leases

Rental income from operating leases 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Refer to notes 2 and 3.

1.14 Stated capital and reserves

Stated capital and reserves represent the residual interest in the company's assets after deducting all of its liabilities. Stated capital and reserves are classified as equity.

Shares issued by the company are recognised in equity at the proceeds received, net of issue costs.

Realised profits on the disposal of investment properties, although legally distributable, are transferred to a non-distributable reserve, as it is the company's policy to regard such profits as not being available for distribution and to apply such profits towards the settlement of debt or the acquisition of investment property or similar assets. Similarly, gains and losses arising from changes in fair value of investment property, net of deferred tax where applicable, are transferred to a non-distributable reserve, as these are not distributable to shareholders.

1.15 Revenue

IFRS 15 Revenue from Contracts with Customers applies to all contracts with customers except for : leases within the scope of IAS 17 Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; Insurance contracts within the scope of IFRS 4 Insurance Contracts and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework as follows:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when or as the entity satisfies its performance obligations

The company adopted IFRS 15 in the current year using the cumulative effect method and therefore the comparative information, where applicable, has not been restated and continues to be reported under IAS 17 and IAS 18. As most of the company's revenue falls outside the scope of IFRS 15, there was no impact on the results of the company arising from the adoption of IFRS 15 with the exception of the classification of some revenue elements in terms of IFRS 15 and IAS 18. Casual parking income, cancellation fees and other income are included under 'other revenue' in the current year whereas they were previously included under rental income in the prior year.

Accounting Policies

1.15 Revenue (continued)

Revenue recognition

Type of revenue	Recognition
Rental income	Rental income includes lease income and turnover-based lease income. Rental income is recognised on the straight-line basis over the lease period and turnover-based lease income 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 company is currently entitled and the rental for the period calculated on a straight-line basis.
Recoveries	Recoveries comprise recoveries from tenants in respect of assessment rates, utilities, repairs and any other costs incurred and recovered from tenants. Recoveries are recognised over the period that the services are rendered. The company acts as a principal on its own account when recovering these costs from the tenants.
Other revenue	Other revenue comprises lease cancellation fees, casual parking, revenue from events and other sundry revenue. These services are provided at a point in time and are recorded when they are earned.
Dividends	Dividends are recognised when the company's right to receive dividends has been established. REIT dividends from subsidiaries are disclosed under revenue.

1.16 New and amended IFRS Standards that are not yet effective for the current year

The company has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

IFRS 16 - Leases

IFRS 16 replaces IAS 17 - Leases and its related interpretation and becomes effective from 1 January 2019.

IFRS 16 will result in almost all the leases of lessees being recognised in the statement of financial position as it removes the distinction between operating and finance leases with the only exception being for short-term and low-value leases. Under the new standard the lessee will recognise an asset representing the right of use of the asset and a financial liability to pay rentals.

The new standard contains extensive disclosures for both lessees and lessors.

The company will adopt the Standard on 1 September 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative information is not restated.

Impact on the company as a lessee
The company does not have any leases as a lessee and this change will have no impact on the company's financial statements.

Impact on the company as a lessor
IFRS 16 has not made any significant changes to the accounting for lessors, and therefore will have no significant impact on the financial statements.

Notes to the Financial Statements

	2019	2018
	R	R

2. Investment property

Reconciliation of investment property - 2019

	Opening balance	Additions or Developments	Transferred from non-current assets held for sale	Disposals in terms of amalgamation agreement	Fair value changes	Total
Investment property	1 061 875 023	23 941 443	32 839 117	(876 874 695)	(18 374 065)	223 406 823

Reconciliation of investment property - 2018

	Opening balance	Additions or Developments	Classified as held for sale	Fair value changes	Total
Investment property	1 102 803 193	1 751 002	(1 419 644)	(41 259 528)	1 061 875 023

All the company's investment properties are leased out under operating leases.

The investment properties are valued bi-annually by a dedicated valuation team at City Property and the portfolio valuation is reviewed and approved by the board. In terms of the JSE Listings Requirements, all the properties are valued at least once over a rolling three-year period by external independent valuers. In the current year 1 property representing 13.0% of the portfolio, with a carrying amount of R29,9 million was externally valued.

The portfolio was valued by the following valuer who is a registered valuer in terms of section 19 of the Property Valuers Profession Act, 47 of 2000 and has extensive experience in property valuations.

Entity	Valuator	Qualifications
Gert van Zyl Valuation	Gerhardus Jacobus Van Zyl	Professional Associate Valuer

Gert van Zyl Valuation valued the property using the comparable sales method. The entire property portfolio was also internally valued using the capitalisation of income method.

Fair value information:

The most significant inputs in the calculation are the capitalisation rate, the long-range vacancy factor as well as the expense ratio.

Unobservable inputs	2019 Range	2019 Weighted average	2018 Range	2018 Weighted average
Capitalisation rate %	7.5 - 10.0	9.0	8.0 - 12.0	10.0
Expense ratio %	5.1 - 30.1	20.3	6.4 - 35.2	19.1
Long-range vacancy factor %	0.0 - 7.0	3.3	0.0 - 25.0	4.0

Notes to the Financial Statements

	2019 R	2018 R

2. Investment property (continued)

Relationship of unobservable inputs to fair value

Movement in capitalisation rates, while all other inputs remain constant

Increase of 1%	(24 447 483)	(104 266 583)
Decrease of 1%	30 528 946	127 488 539

Movement in expense ratio, while all other inputs remain constant

Increase of 1%	(3 079 708)	(14 151 385)
Decrease of 1%	3 079 708	14 151 385

Movement in long-range vacancy factor, while all other inputs remain constant

Increase of 1%	(2 538 291)	(11 925 490)
Decrease of 1%	2 538 291	11 925 490

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 in the fair value hierarchy, and there have been no transfers made between Levels 1, 2 or 3 during the year under review. (Refer to the fair value information in accounting policies.)

The properties, with a fair value of R226 700 000, are held as security by Nedbank Ltd and Standard Bank of South Africa Ltd for certain loans granted to the company and its subsidiary.

Straight-line rental income accrual

Opening balance at beginning of the year	19 879 641	17 817 720
Straight-line rental income accrual	(690 761)	2 112 103
Transferred from/(to) non-current assets held for sale	135 028	(50 182)
Disposals in terms of amalgamation agreement	(16 105 771)	-
	3 218 137	**19 879 641**

3. Tenant installations and lease costs

Opening balance	581 626	927 703
Additions	799 750	836 778
Amortisation	(375 696)	(1 182 855)
Disposals in terms of amalgamation agreement	(930 639)	-
	75 041	**581 626**

	2019 R	2018 R

4. Investments in subsidiaries

The following table lists the entities which are 100% owned by the company, and the carrying amounts of the investments in the subsidiaries are shown at cost net of impairment.

Name of company	Carrying amount 2019 R	Carrying amount 2018 R
IPS Investments (Pty) Ltd	968	968
Killarney Mall (Pty) Ltd	2 392 153	2 392 153
Octprop Properties (Pty) Ltd	100	100
Premium Properties Ltd	3 024 919 806	3 024 919 806
Presmooi (Pty) Ltd	14 656 406	523 031
Tribeca Properties (Pty) Ltd	11 752 737	11 752 737
Viskin (Pty) Ltd	1 000	1 000
Waverley Plaza Properties (Pty) Ltd	794 399	794 399
Woodmead Mart (Pty) Ltd	3 438 345	3 438 345
Deregistered subsidiaries *	-	14 165 362
	3 057 955 914	**3 057 987 901**

* During the current year the companies ceased all operations and were deregistered. The shares held in the companies were cancelled.

5. Loans to group companies

2019

	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries			
IPS Investments (Pty) Ltd	1 896 456 980	-	1 896 456 980
Killarney Mall (Pty) Ltd	516 469 731	-	516 469 731
Octprop Properties (Pty) Ltd	26 214 574	(10 915 543)	15 299 031
Premium Properties Ltd	842 172 213	-	842 172 213
Presmooi (Pty) Ltd	1 833 955 687	-	1 833 955 687
Tribeca Properties (Pty) Ltd	48 077 730	-	48 077 730
Waverley Plaza Properties (Pty) Ltd	101 279 828	-	101 279 828
Woodmead Mart (Pty) Ltd	476 689 148	-	476 689 148
	5 741 315 891	**(10 915 543)**	**5 730 400 348**

Notes to the Financial Statements

	2019 R	2018 R

5. Loans to group companies (continued)

2018

	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries			
Anke Properties (Pty) Ltd	20 696 883	-	20 696 883
IPS Investments (Pty) Ltd	1 874 677 266	-	1 874 677 266
Killarney Mall (Pty) Ltd	359 527 245	-	359 527 245
Octprop Properties (Pty) Ltd	25 944 264	(10 727 256)	15 217 008
Premium Properties Ltd	447 431 362	-	447 431 362
Presmooi (Pty) Ltd	899 162 567	-	899 162 567
Ramreg Properties (Pty) Ltd	4 543 828	-	4 543 828
Tribeca Properties (Pty) Ltd	48 605 599	-	48 605 599
Waverley Plaza Properties (Pty) Ltd	100 955 203	-	100 955 203
Woodmead Mart (Pty) Ltd	504 340 301	-	504 340 301
	4 285 884 518	**(10 727 256)**	**4 275 157 262**

The loans are unsecured, interest free and are repayable by mutual consent, with payments not due within twelve months.

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Credit loss allowance

The table above sets out the carrying amount and loss allowance relating to the expected credit losses for group loans receivable. The expected credit loss has been determined by reference to the financial position of each subsidiary and it's ability to generate profits and positive cashflows in the foreseeable future taking into account the current and expected economic climate. Based on the above factors it was concluded that no impairment provision is required in respect of the loans advanced to subsidiaries other than the loan advanced to Octprop Properties (Pty) Ltd, and therefore no provision was made.

6. Loan receivable

	2019	2018
Loan to joint operation partner		
Burcress (Pty) Ltd	74 763 563	78 029 683
Non-current assets	74 763 563	75 000 000
Current assets	-	3 029 683
	74 763 563	**78 029 683**

The loan to the joint operation partner is secured by a mortgage bond over its 50% undivided share of the immovable property, bears interest at prime less 0.5% per annum and is repayable by no later than 16 December 2020.

The expected credit loss of the financial asset has been considered taking into account the current economic conditions, including the growth prospects for the current and following year as well as the value of the underlying property provided as security for the loan and concluded that the expected credit loss is not significant and consequently no provision for impairment has been made.

Notes to the Financial Statements

	2019 R	2018 R

7. Derivative financial instruments

Interest rate derivatives		
Carrying value at the beginning of the year	(8 472 823)	(48 230 960)
Fair value changes	(91 220 731)	39 758 137
	(99 693 554)	**(8 472 823)**

Disclosed in statement of financial position

Non-current assets	-	7 618 089
Current assets	-	1 985 500
Non-current liabilities	(99 693 554)	(17 977 000)
Current liabilities	-	(99 412)
	(99 693 554)	**(8 472 823)**

The notional principal amount of the outstanding contracts for the group at year-end was R4.2 billion (2018: R3,5 billion) (Refer to note 31).

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 in the fair value hierarchy and there have been no transfers made between Levels 1,2 or 3 during the year under review. Refer to note 31 for the detailed classification of the financial instruments.

8. Accounts receivable and prepayments

Financial instruments:		
Trade receivables	943 273	8 089 000
Provision for impairment	(677 624)	(4 938 506)
Trade receivables at amortised cost	265 649	3 150 494
Other receivables - Utility and assessment rate recoveries	126 901	9 040 310
Sundry receivables	301 955	707 006
Other receivables - Utility refunds	15 323	152 739
Loans to B-BBEE suppliers and employees	3 547 529	3 797 685
Provision for impairment - Loans to B-BBEE suppliers and employees	(607 998)	-
Non-financial instruments:		
VAT	695 902	-
Deposits paid	286 067	482 001
Payments in advance	890 215	1 187 242
	5 521 543	**18 517 477**

	2019 R	2018 R

8. Accounts receivable and prepayments (continued)

Financial instrument and non-financial instrument components of trade and other receivables

	2019 R	2018 R
At amortised cost	3 649 359	16 848 234
Non-financial instruments	1 872 184	1 669 243
	5 521 543	**18 517 477**

All trade and other receivables are short term in nature. Interest is charged at prime plus 4% (2018: 4%) on arrear tenant balances.

Exposure to credit risk

Lease receivables

Before accepting any new tenant, the tenant is evaluated to assess the potential tenant's credit quality. In addition, to mitigate the credit risk, deposits or bank sureties equal to one month's rental are requested before taking on the tenant. The company monitors the financial position of its tenants on an ongoing basis.

An allowance for impairment is calculated for all tenant balances where legal proceedings have been instituted against the debtor or the tenant has vacated the premises. An allowance for impairment is calculated for the remaining tenant balances using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, prevailing economic conditions as well as an assessment of current and future direction of conditions at the reporting date. The calculation takes into account the deposit or surety held as well as an adjustment for VAT. 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.

The provision matrix is applied as follows:

- 120 days and over 100%
- 90 days and over 50 %
- 60 days and over 25 %
- 30 days and over 1.2%
- Current 1.2%

The company has recorded an impairment provision of R677 624 (2018: R4 938 506) based on the above policy. The company adopted IFRS 9 in the current year and did not restate prior year amounts. Had the impairment provision been calculated based on the lifetime expected credit loss at the end of the prior year, the provision amount for 2018 would have been R4 974 873.

The ageing of trade receivables and impairment is as follows:	2019 **Gross carrying amount** R	2019 **Expected impairment** R	2018 **Gross carrying amount** R	2018 **Expected impairment** R
Less than 30 days past due:	174 166	22 796	3 047 142	874 004
31 - 60 days past due:	3 513	3 055	662 577	390 050
61 - 90 days past due:	5 621	4 888	492 028	343 683
91 - 120 days past due, legal and ex- tenants	759 973	646 885	3 887 253	3 330 769
Total	**943 273**	**677 624**	**8 089 000**	**4 938 506**

Notes to the Financial Statements

	2019 R	2018 R

8. Accounts receivable and prepayments (continued)

Reconciliation of impairment provision

	2019 R	2018 R
Opening balance	(4 938 506)	(2 427 080)
Additional provisions for the year	(2 357 095)	(4 190 660)
Amounts written off as uncollectable	455 190	1 679 234
Provisions transferred in terms of amalgamation agreement	6 162 787	-
Closing balance	**(677 624)**	**(4 938 506)**

Included in the company's trade receivable balance are tenant balances with a carrying amount of R265 649 (2018: R3 150 494) which are past due at reporting date and not provided for, as there has not been significant change in the credit quality and the amounts are still considered recoverable.

The ageing of trade receivables outstanding and not provided for is as follows:	2019 R	2018 R
30 days or less	151 370	2 173 138
More than 30 days and less than 60 days	458	272 527
More than 60 days and less than 90 days	733	148 345
More than 90 days	113 088	556 484
	265 649	**3 150 494**

The balance owing more than 90 days represents the deposits held and adjustments for VAT.

Other receivables

No provision for impairment has been raised for other receivables in respect of utility and assessment rate recoveries and municipal refunds as well as for sundry receivables. The expected credit loss has been considered based on the payment experience and it was concluded that the expected credit loss is not significant and no impairment provision has been made.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019 R	2018 R
Cash on hand	-	3 000
Bank balances	18 059 988	9 217 215
Bank account held for residential tenant deposits	34 498 568	34 807 604
	52 558 556	**44 027 819**

The bank balance held for residential tenant deposits is not available for use by the company.

The company has undrawn overdraft facilities of R13.4 million (2018: R13.4 million) which are renewable on an annual basis. The company's overdraft facility is unsecured and bears interest at the prime overdraft rate.

Exposure to credit risk

The company banks with Nedbank Ltd which has a high credit rating. No provision for impairment of the bank balance has been made as there are no indications that a loss will be incurred in the foreseeable future.

Notes to the Financial Statements

	2019 R	2018 R

10. Non-current assets held for sale

The following investment properties are classified as held-for-sale:

Property name		
Erf 651 **	-	4 100 000
Erf 809 **	-	6 600 000
Goleda (3) *	-	1 600 000
Hannyhof Centre (1) *	-	5 800 000
Hannyhof Centre (2) *	-	3 200 000
Hardwood *	-	2 700 000
Potproes (1) **	-	4 200 000
Potproes (2) **	-	8 400 000
Potproes (3) **	-	1 100 000
Swemvoor (2) **	-	8 600 000
Viskin	2 800 000	2 100 000
	2 800 000	**48 400 000**

* Properties disposed of in terms of amalgamation agreement to Presmooi Properties (Pty) Ltd.
** Properties reclassified as investment property as they no longer meet the requirements of IFRS 5.

A decision was made by the board to dispose of a number of non-core or underperforming investment properties in prior years.

A sale agreement has been signed for the disposal of Viskin which has been transferred after year end.

11. Stated capital

Authorised		
500 000 000 Ordinary shares of no par value		
Issued		
266 197 535 Ordinary shares of no par value	4 210 133 369	4 210 133 369

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

12. Loans from group companies

Subsidiaries		
Viskin (Pty) Ltd	1 000	1 000
Deregistered subsidiaries *	-	31 270
	1 000	**32 270**

* The subsidiary companies disposed of their assets and liabilities in terms of an amalgamation agreement. The shares held in the subsidiary companies were cancelled and the loan accounts settled in full.

Notes to the Financial Statements

	2019 R	2018 R

13. Borrowings

Loans at amortised cost
Secured loans

Nedbank Ltd		
Loan 1	-	1 269 152 654
Loan 2	-	50 695 304
Loan 3	-	357 006 168
Loan 4	416 658 467	440 865 697
Loan 5	594 697 100	302 826 435
Loan 6	399 862 123	-
Loan 7	488 076 755	-
Loan 8	356 013 652	-
Loan 9	560 948 697	-

Loans 4 to 7 bear interest at variable interest rates ranging between prime less 0.84% and 1.26% and the maturity dates range from 3 February 2020 to 2 May 2024.

Loans 8 and 9 bear interest at 3-month JIBAR plus 1.86 bps per annum and the maturity date is 1 August 2023.

Loan 1 has been consolidated into loans 6, 7 and 9, loan 2 has been consolidated into loan 5 and loan 3 has been consolidated into loan 9.

Standard Bank of South Africa Ltd		
Loan A	-	293 262 185
Loan B	-	180 006 671
Loan C	-	385 160 287
Loan D	294 800 627	-
Loan E	333 493 881	-
Loan F	436 936 834	-

Loans D and F bear interest at 3-month JIBAR plus 1.75 bps per annum. The loans' maturity dates are 31 December 2021 and 1 September 2022, respectively.

Loan E bears interest at prime less 1.40%. The loan's maturity date is 1 September 2022.

Loan A has been refinanced by Loan D, Loan B has been refinanced by Loan E and Loan C has been refinanced by Loan F.

	3 881 488 136	**3 278 975 401**

Disclosed in statement of financial position

Non-current liabilities	3 464 829 668	2 361 629 570
Current liabilities	416 658 468	917 345 831
	3 881 488 136	**3 278 975 401**

The terms of repayment are as follows:

Loans 4, 5, 6 and Loan E
Interest is paid monthly and the capital amount is repayable on expiry of the loans.

Notes to the Financial Statements

	2019 R	2018 R

13. Borrowings (continued)

Loan 7
The loan is repayable in monthly instalments of R3 829 273 over the first six months of the loan term ending 1 November 2019, comprising capital and interest. Thereafter interest is payable monthly and the capital amount is repayable on expiry of the loan.

Loans 8, 9, Loan D and Loan F
Interest is paid quarterly and the capital amount is repayable on expiry of the loans.

Loan covenants

Octodec contracts with the banks and raises funding to fund its operations and that of its subsidiaries. The investment property held by the various subsidiaries has been provided as security for the loans raised by Octodec.

The table below reflects the required group covenants by the respective lenders. No covenants were breached during the year.

Interest cover ratio	Minimum group interest cover ratio - total portfolio	Actual group interest cover ratio - total portfolio	Minimum interest cover ratio by secured property per lender	Actual interest cover ratio by secured property per lender
Nedbank Ltd	2.0	2.2	1.8	2.0
Standard Bank of South Africa Ltd	2.0	2.2	1.8	2.8

Loan to value ratio (LTV)	Maximum LTV ratio - total portfolio	Actual LTV ratio -total portfolio	Maximum LTV ratio by secured property per lender	Actual LTV ratio by secured property per lender
	%	%	%	%
Nedbank Ltd	50.0	38.9	55.0	46.2
Standard Bank of South Africa Ltd	50.0	38.9	55.0	44.0

14. Trade and other payables

	2019 R	2018 R
Financial instruments:		
Trade payables	3 322 604	2 566 601
Accrued expenses - capital expenditure	18 538	299 531
Accrued expenses - interest accrued	29 872 246	27 212 341
Accrued expenses - repairs and maintenance	44 082	645 587
Accrued expenses - utilities and assessment rates	1 153 465	5 702 514
Other accruals	8 293 451	7 666 017
Unclaimed dividends	1 914 358	1 690 089
Tenant deposits	2 832 238	9 238 411
Non-financial instruments:		
VAT and interest payable - prior periods	20 484 761	19 020 100
VAT payable - current period	-	594 566
Rent received in advance	335 189	6 884 429
	68 270 932	**81 520 186**

The company has financial risk management 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.

In order to group the liabilities into financial and non-financial instruments, the comparative amounts have been reclassified amongst the different components of trade payables.

Notes to the Financial Statements

	2019 R	2018 R

15. Revenue

	2019 R	2018 R
Rental income	98 927 215	127 667 121
REIT dividends received - subsidiaries	793 242 568	732 114 000
Straight-line rental income accrual	(688 938)	2 112 103
Other revenue	310 430	-
Recoveries and other income	40 318 468	53 094 565
	932 109 743	**914 987 789**

16. Other operating income

	2019 R	2018 R
Asset management fees received	57 085 000	55 534 000
Bad debts recovered	26 823	67 831
Sundry income	606 311	217 471
	57 718 134	**55 819 302**

17. Operating profit

Operating profit for the year is stated after charging (crediting) the following, amongst others:

	2019 R	2018 R
Depreciation and amortisation		
Depreciation of plant and equipment	26 840	30 173
Amortisation of tenant installations and lease costs	375 696	1 182 855
Total depreciation and amortisation	**402 536**	**1 213 028**

Expenses by nature

The total property and administration expenses are analysed by nature as follows:

	2019 R	2018 R
Administration and management fees	42 000 000	47 825 877
B-BBEE expenditure	3 616 082	2 924 390
Collection fees	8 040 125	10 721 974
Commission paid	1 011 223	1 226 913
Depreciation and amortisation	402 536	1 213 028
Directors' remuneration	5 940 840	6 800 190
Employee costs	5 164 745	4 026 662
Insurance	2 022 972	746 272
Municipal expenditure	33 258 154	48 953 565
Operating lease charges	3 389	57 765
Other expenses	14 596 102	27 417 495
Repairs and maintenance	5 627 083	7 228 560
Security costs	4 721 360	5 982 408
Shared resources	2 150 261	260 263
Supervisory fee	2 685 083	407 093
Tenant installations	26 470	83 979
	131 266 425	**165 876 434**

	2019 R	2018 R
Impairment		
Trade and other receivables	2 357 095	4 393 480

Notes to the Financial Statements

	Note(s)	2019 R	2018 R
18. Investment income			
Interest income			
Bank		2 928 840	2 719 665
Trade and other receivables		853 967	905 094
Interest received - other		8 145 967	7 560 966
Loans to group companies			
Subsidiaries		-	12 135 332
		11 928 774	**23 321 057**
19. Finance costs			
Borrowings		350 409 991	295 582 155
Interest paid - other		939	765
South African Revenue Services		1 464 661	5 304 539
		351 875 591	**300 887 459**
20. Other non-operating (losses) gains			
Losses on disposals			
Non-current assets held for sale		-	(494 518)
Movement in credit loss allowance			
Loans to group companies		(188 288)	-
Fair value (losses) gains			
Investment property	2 & 10	(17 675 888)	(25 129 354)
Interest rate derivatives	7	(91 220 731)	39 758 137
		(108 896 619)	**14 628 783**
Total other non-operating (losses) gains		**(109 084 907)**	**14 134 265**

Notes to the Financial Statements

21. Taxation

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2019 R	2018 R
Accounting profit	407 172 633	537 105 040
Tax at the applicable tax rate of 28% (2018: 28%)	114 008 337	150 389 411
Tax effect of adjustments on taxable income		
Fair value changes and items taxed in prior years	(2 127 641)	(13 515 532)
Fair value changes and non-deductible expenditure for tax purposes	32 405 274	10 956 763
Wear and tear allowances	(187 006)	(213 854)
Provision for doubtful debts	(47 434)	(345 695)
Prepaid expenditure	(249 260)	(332 428)
Qualifying distribution to shareholders	(142 620 978)	(148 483 560)
Rent received in advance	93 853	1 927 640
Special allowance for interest previously capitalised on investment property	(1 657 573)	(858 311)
Reversal of provisions and allowances claimed in prior years	382 428	475 566
	-	-

No provision has been made for 2019 current tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R44 381 270 (2018: R44 381 270).

A deferred tax asset of R40 340 951 (2018: R14 104 898) has not been recognised as profits are distributed to shareholders and the likelihood of utilising the deferred tax asset is remote.

22. Cash generated from operations

	2019 R	2018 R
Profit before taxation	407 172 633	537 105 040
Adjustments for:		
Depreciation and amortisation	402 536	1 213 028
Capital loss on disposal of investment property	-	494 518
Interest income	(11 928 774)	(11 185 725)
Finance costs	351 875 591	300 887 459
Fair value losses on investment property	17 675 888	25 129 354
Fair value losses (gains) on interest rate derivatives	91 220 731	(39 758 137)
Movements in credit loss allowances for loans to subsidiaries	188 288	-
Movements in straight-line rental income accrual	688 938	(2 112 103)
Movement in impairment provision for trade and other receivables	2 357 095	2 714 246
Changes in working capital:		
Accounts receivable and prepayments	(103 109)	(7 104 282)
Trade and other payables	(3 190 056)	17 888 681
	856 359 761	**825 272 079**

Notes to the Financial Statements

	2019 R	2018 R

23. Commitments

Operating leases - as lessor (income)

	2019 R	2018 R
Non-cancellable rental lease agreements		
- Within one year	8 465 933	92 374 850
- Two to five years	3 039 794	141 108 913
- More than five years	-	11 058 417
	11 505 727	**244 542 180**

Rental receivable represents contractual rental income and fixed operating costs recovered 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.

24. Contingencies

Guarantees

Octodec has provided a guarantee to the Note holders of Premium in terms of the Domestic Medium-term Note Programme dated 23 February 2015. The total exposure in respect of Notes issued at 31 August 2019 is R578 758 272 (2018: R929 092 811).

The company has provided the following sureties for facilities granted to the company and its subsidiaries:

	2019 R	2018 R
Nedbank Limited	904 890 868	777 390 868
Standard Bank of South Africa Limited	135 800 000	135 800 000

The company has issued guarantees for the provision of certain services to the company and its subsidiaries:

	2019 R	2018 R
Tshwane Metropolitan Municipality	7 763 101	7 763 101
City Power - Johannesburg	166 000	166 000
Eskom	179 800	179 800
	8 108 901	**8 108 901**

Notes to the Financial Statements

	2019 R	2018 R

25. Related parties

A related party is a person or entity that is related to the company, and that person or entity:
- has control or joint control of the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management of the reporting entity.

Related parties where control existed during the year:

Directors: S Wapnick; DP Cohen; GH Kemp; NC Mabunda; MZ Pollack; AK Stein; PJ Strydom and JP Wapnick.

Prescribed officer: Company secretary - E Greeff

Subsidiary companies: Refer to interest in subsidiaries in the Directors' report on page 5.

Related parties over which significant influence is exercised:

Management company: City Property, which manages the company's property portfolio and over which significant influence is exercised by JP Wapnick.

Other: Tugendhaft Wapnick Banchetti & Partners, a firm of attorneys that renders legal services and over which significant influence is exercised by Sharon Wapnick who is in office as director of the company.

Related party balances

	2019 R	2018 R
Loan accounts - Owing (to) by related parties		
Anke Properties (Pty) Ltd	-	20 696 883
IPS Investments (Pty) Ltd	1 896 456 980	1 874 677 266
Killarney Mall Properties (Pty) Ltd	516 469 731	359 527 245
Octprop Properties (Pty) Ltd	26 214 574	25 944 264
Premium Properties Ltd	842 172 213	447 431 362
Presmooi (Pty) Ltd	1 833 955 687	899 162 567
Ramreg Properties (Pty) Ltd	-	4 543 828
Tribeca Properties (Pty) Ltd	48 077 730	48 605 599
Viskin (Pty) Ltd	(1 000)	(1 000)
Waverley Plaza Properties (Pty) Ltd	101 279 828	100 955 203
Woodmead Mart (Pty) Ltd	476 689 148	504 340 301
Deregistered subsidiaries	-	(31 270)
Amounts included in Trade receivables (Trade payables) regarding related parties		
City Property	(264 715)	821 767

Related party transactions

	2019 R	2018 R
Interest received from subsidiaries		
Woodmead Mart (Pty) Ltd	-	12 135 332

	2019 R	2018 R
25. Related parties (continued)		
Dividends received from subsidiaries		
Anke Properties (Pty) Ltd	5 115 600	6 410 000
IPS Investments (Pty) Ltd and its subsidiaries	176 300 000	185 000 000
Killarney Mall Properties (Pty) Ltd	32 600 000	20 000 000
Octprop Properties (Pty) Ltd	130 000	73 300
Premium Properties Ltd and its subsidiaries	386 100 000	350 000 000
Presmooi (Pty) Ltd	132 400 000	110 000 000
Ramreg Properties (Pty) Ltd	907 312	1 130 700
Tribeca Properties (Pty) Ltd	3 800 000	4 300 000
Waverley Plaza Properties (Pty) Ltd	25 200 000	26 400 000
Woodmead Mart (Pty) Ltd	30 689 656	28 800 000
Asset management fees received from subsidiaries		
Anke Properties (Pty) Ltd	254 000	504 000
IPS Investments (Pty) Ltd and its subsidiaries	11 662 000	11 352 000
Killarney Mall Properties (Pty) Ltd	2 997 000	3 111 000
Octprop Properties (Pty) Ltd	72 000	74 000
Premium Properties Ltd and its subsidiaries	28 756 000	28 536 000
Presmooi (Pty) Ltd	9 194 000	6 738 000
Ramreg Properties (Pty) Ltd	39 000	61 000
Tribeca Properties (Pty) Ltd	309 000	327 000
Waverley Plaza Properties (Pty) Ltd	1 439 000	1 496 000
Woodmead Mart (Pty) Ltd	2 363 000	3 335 000
Income received from City Property		
Rent received	5 269 789	7 039 290
Expenses paid to City Property		
Administration and management fees	42 000 000	47 825 577
Collection fees	8 040 125	10 721 974
Commission paid on sale and purchase of investment property, refurbishments, developments and repairs	848 027	245 327
Letting commission	685 085	734 191
Shared resources	2 150 261	260 263
Supervisory fee	2 685 083	407 093
Expenses paid to Tugendhaft Wapnick Banchetti & Partners		
Professional fees	382 321	162 565

Directors' remuneration
Refer to note 26 - directors' and prescribed officer's emoluments

Amalgamation transaction
Refer to note 29 - transfer of assets and liabilities to acquiree company

Notes to the Financial Statements

	2019 R	2018 R

26. Directors' and prescribed officer's emoluments

Directors' remuneration for services as directors		
S Wapnick (chairman)	1 162 600	1 303 100
DP Cohen (lead independent director)	874 000	1 019 000
GH Kemp	818 000	839 500
NC Mabunda (appointed 11 February 2019)	222 150	-
MZ Pollack	800 000	931 500
AA Koranteng (resigned 10 May 2018)	-	454 860
AK Stein	611 200	640 115
PJ Strydom	840 500	951 800
JP Wapnick	611 200	660 315
	5 939 650	**6 800 190**

There are no service contracts in place with the directors of the company. The proportionate salaries paid by City Property for Messrs JP Wapnick and AK Stein, the executive directors of Octodec Investments Ltd, who are employed by City Property are set out below. Ms S Wapnick, the non-executive Chairman, was remunerated by City Property on an approximation of her time spent on Octodec affairs. These amounts are based on an approximation of the time spent on the group, Octodec Investments Ltd, in relation to their employment at City Property for the year ended 31 August 2019.

Salaries

2019

	Salary and bonus R	Pension fund contributions R	Total R
S Wapnick	819 000	-	819 000
JP Wapnick	4 143 000	-	4 143 000
AK Stein	4 335 945	78 077	4 414 022
	9 297 945	**78 077**	**9 376 022**

2018

	Salary and bonus R	Pension fund contribution R	Total R
S Wapnick	1 817 000	-	1 817 000
JP Wapnick	4 101 584	-	4 101 584
AK Stein	4 251 304	73 063	4 324 367
	10 169 888	**73 063**	**10 242 951**

	2019	2018
	R	R

26. Directors' and prescribed officer's emoluments (continued)

Prescribed officers

2019

	Salary and bonus R	Pension fund contributions R	Total R
Elize Greeff (Company secretary)	1 445 000	145 000	1 590 000

2018

	Salary and bonus R	Pension fund contributions R	Total R
Elize Greeff (Company secretary) (with effect from 1 July 2018)	233 000	23 000	256 000

27. Dividends paid

	2019 R	2018 R
REIT dividend	(541 445 787)	(533 050 519)

Dividend per share (cents) of 203.4 (2018: 200.1)

28. Earnings per share

Basic and diluted earnings per share have been calculated based on earnings of R407 172 633 (2018: R537 105 040) and a weighted average number of shares in issue of 266 197 535 (2018: 266 197 535).

Notes to the Financial Statements

	2019 R	2018 R

29. Joint operation

The company has a 50% interest in the undivided share of the immovable property development, The Manhattan. The other 50% undivided share is owned by Burcress (Pty) Ltd. Decisions are taken jointly by each party and the company does not have control over The Manhattan. The company has the right to the assets and obligations for the liabilities of The Manhattan and therefore accounts for the interest in The Manhattan as a joint operation.

Included in the assets and liabilities and profit or loss of the company is the 50% undivided share in The Manhattan property, which is summarised below:

Summarised financial information of joint operation

Results of operations

	2019 R	2018 R
Revenue	8 291 332	5 296 368
Property operating expenses	(2 403 972)	(2 260 451)
Net property income	**5 887 360**	**3 035 917**
Fair value changes to investment property	(1 400 000)	(8 137 735)
Profit (loss) from ordinary activities before net finance income	**4 487 360**	**(5 101 818)**
Finance income	28 947	24 593
Profit (loss) for the year	**4 516 307**	**(5 077 225)**
Other comprehensive income	-	-
Total comprehensive profit (loss) for the year	**4 516 307**	**(5 077 225)**

Statement of Financial Position
Assets

	2019 R	2018 R
Non-current		
Investment property	**67 100 000**	**68 500 000**
Current	**342 418**	**250 438**
Accounts receivable and prepayments	319 353	236 771
Cash and bank balances	23 065	13 667
Total assets	**67 442 418**	**68 750 438**
Equity and liabilities		
Equity	**(15 465 895)**	**(19 982 202)**
Non-distributable reserve	(23 937 492)	(22 537 492)
Retained income	8 471 597	2 555 290
Non-current liabilities		
Long-term borrowings	**82 863 553**	**88 123 553**
Current liabilities		
Trade and other payables	**44 760**	**609 087**
Total equity and liabilities	**67 442 418**	**68 750 438**

	2019 R	2018 R

30. Transfer of assets and liabilities to acquiree company

During the current year, the Octodec group entered into an amalgamation agreement carried out in accordance with section 44 of the Income Tax Act, No 58 of 1962 and section 113 of the Companies Act, whereby all the assets and liabilities inclusive of all accumulated reserves of some subsidiaries and sub-subsidiaries as well as 100% held share block companies were transferred to Presmooi (Pty) Ltd, a subsidiary of Octodec and Centpret Properties (Pty) Ltd, a subsidiary of Premium Properties Ltd. The transfers were effected through the loan accounts and no cash was paid as a result of the amalgamation.

The impact of the above amalgamation transaction on Octodec company resulted in the transfer of all the assets and liabilities of the 100% held share block companies to Presmooi (Pty) Ltd. The rental income and profits earned will be received through a REIT dividend distribution from Presmooi (Pty) Ltd.

Carrying value of assets transferred

	2019 R	2018 R
Investment property	876 874 695	-
Straight-line rental income accrual	16 105 771	-
Plant and equipment	36 870	-
Tenant installations and lease costs	930 639	-
Trade and other receivables	10 741 948	-
Cash and cash equivalents	3 000	-
Non-current assets held for sale	13 325 855	-
Trade and other payables	(14 183 765)	-
Loans from holding company	31 983	-
Total net assets transferred	903 866 996	-
Less: Settled against loan account of acquiree	(903 866 996)	-
	-	-

	2019 R	2018 R

31. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Note(s)	Fair value through profit or loss	At amortised cost	Loans and receivables
Loans to group companies	5	-	5 730 400 348	-
Loan receivable		-	74 763 563	-
Trade and other receivables	8	-	3 649 359	-
Cash and cash equivalents	9	-	52 558 556	-

2018

	Note(s)	Fair value through profit or loss	At amortised cost	Loans and receivables
Loans to group companies	5	-	-	4 275 157 262
Loan receivable		-	-	78 029 683
Derivative financial instruments	7	9 603 589	-	-
Trade and other receivables	8	-	-	16 848 234
Cash and cash equivalents	9	-	44 027 819	-

Categories of financial liabilities

2019

	Note(s)	Fair value through profit or loss	At amortised cost	Loans and receivables
Trade and other payables	14	-	47 450 980	-
Loans from group companies	12	-	1 000	-
Borrowings	13	-	3 881 488 136	-
Derivative financial instruments	7	99 693 554	-	-

2018

	Note(s)	Fair value through profit or loss	At amortised cost	Loans and receivables
Trade and other payables	14	-	55 021 096	-
Loans from group companies	12	-	32 270	-
Borrowings	13	-	3 278 975 401	-
Derivative financial instruments	7	18 076 412	-	-

	2019	2018
	R	R

31. Financial instruments and risk management (continued)

Capital risk management

The company'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 dividends paid is determined with reference to liquidity and solvency of the company as well as consideration of budgets, forecasts and the Income Tax requirements applicable to REIT companies. There were no changes in the company's approach to capital management during the year.

Financial risk management

Overview

The company's financial instruments consist mainly of borrowings, loans to and from group companies, accounts receivable, accounts payable and bank and cash.

In respect of all financial instruments listed above, the carrying value approximates fair value.

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Interest rate risk.

Credit risk

Credit risk relates mainly to loans to group companies, cash deposits, cash equivalents and trade and other receivables. The group only deposits cash with the major banks in South Africa which have a high quality credit rating, and limits exposure to any one counterparty. The concentration of credit risk relating to trade receivables is limited due to the large and unrelated tenant base.

Before accepting any new tenant, the tenant is evaluated to assess the potential tenant's credit quality. In addition, to mitigate the credit risk, deposits or bank sureties equal to one month's rental are requested before taking on the tenant. The company monitors the financial position of its tenants on an ongoing basis.

Refer to note 5 for the impairment of group loans and note 8 for the impairment of accounts receivable.

Liquidity risk

The group's risk to liquidity is that it will not be able to meet its financial obligations when they fall due. The group's policy is to limit its exposure to liquidity risk by regularly reviewing and extending its debt maturity profile. The risk is further reduced as a result of undrawn banking facilities available to the group. Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet funding requirements.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2019

		Current	Non-current 1 to 2 years	Non-current 2 to 5 years	Non-current More than 5 years
Loans from group companies		-	-	-	1 000
Borrowings	13	-	304 745 655	3 941 788 354	-
Trade and other payables		67 935 742	-	-	-
Borrowings	13	736 968 200	-	-	-

	2019 R	2018 R

31. Financial instruments and risk management (continued)

2018

		Current	Non-current 1 to 2 years	Non-current 2 to 5 years	Non-current More than 5 years
Loans from group companies		-	-	-	32 270
Borrowings	13	-	544 758 002	1 170 376 005	842 493 395
Trade and other payables		74 635 231	-	-	-
Borrowings	13	1 140 939 268	-	-	-

Interest rate risk

The company and one of its subsidiaries raises funds to fund its own development requirements, as well as that of the group. The group borrows funds at variable rates and is therefore exposed to interest rate risk. It is Octodec group's policy to hedge between 70% and 80% of all group borrowings. The company does not engage in the trading of interest rate swaps for speculative purposes.

Interest rate trends are constantly monitored and appropriate steps taken to ensure the group's exposure to interest movements is managed.

The group and company analyses its interest rate exposure on a continuous basis and calculates the impact on profit before tax of a change in interest rates by using different scenarios. At company level, the company is 109.5% hedged and is therefore not exposed to the risk associated with annual interest rate changes. The calculations are done monthly to ensure that the maximum additional expense is within limits and debt covenants are met.

At 31 August 2019, the company had borrowings of R3.9 billion (2018: R3.3 billion) at various interest rates. The all-in weighted average cost of borrowings was 8.8% (2018: 8.7%) per annum. A breakdown of the borrowings is detailed in note 13 and exposure to liquidity risk is set out in the tables below.

	Weighted average all-in margin over (below) variable rate per annum %		Notional principle value R		Carrying amount assets (liabilities) R		Change in fair value R	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Expiry profile of derivatives								
Current - 12 months maturity	-	0.68	-	1 250 000 000	-	1 886 088	**(1 886 088)**	4 440 323
Non-current - 1 to 2 years maturity	**0.21**	0.85	**500 000 000**	500 000 000	**(3 439 602)**	(3 382 953)	**(56 649)**	9 326 378
Non-current - 2 to 5 years maturity	**0.74**	0.78	**3 750 000 000**	1 750 000 000	**(96 253 952)**	(6 975 958)	**(89 277 994)**	25 991 437
Receive floating rates, pay fixed rate			**4 250 000 000**	3 500 000 000	**(99 693 554)**	(8 472 823)	**(91 220 731)**	39 758 137
Fixed interest rate		11.49	-	111 400 000	-	(111 400 000)	-	-
			4 250 000 000	**3 611 400 000**	**(99 693 554)**	**(119 872 823)**	**(91 220 731)**	**39 758 137**

31. Financial instruments and risk management (continued)

	Weighted average variable rate per annum %		Nominal amount of hedged variable loans R		Exposure of borrowings to interest rate movements R		Percentage hedged %	
	2019	2018	2019	2018	2019	2018	2019	2018
Hedged variable loans	**8.8**	8.7	**3 881 488 137**	3 278 975 401	**-**	-	**109.5**	110.1

32. Segmental reporting

The company determines and presents operating segments based on information that is provided internally to the chief operating decision-maker. The chief operating decision-maker is the person or Group that allocates resources to and assesses the performance of the operating segments of an entity. The company has determined that its chief operating decision-maker is the managing director. Information reported to the chief operating decision-maker for the purposes of segment performance is determined by the nature of the occupier of the property and the market that the occupier serves. 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 five major operating segments:
- Retail
- Offices
- Residential
- Industrial
- Specialised and other, which includes:
  - Educational facilities
  - Places of worship
  - Parking
  - Automotive dealerships

Rental income by sector	**2019 R**	**2019 %**	**2018 R**	**2018 %**
Retail	49 171 080	49.5	65 893 614	51.6
Offices	10 866 146	10.9	14 321 601	11.2
Residential	8 972 841	9.0	7 269 526	5.7
Industrial	17 317 487	17.5	26 933 052	21.1
Educational facilities	470 762	0.5	377 383	0.3
Places of worship	3 558 085	3.6	2 948 416	2.3
Parking	1 203 181	1.2	1 007 448	0.8
Automotive dealerships	7 678 063	7.7	8 916 081	7
Total rental income	99 237 645	100.0	127 667 121	100.0
Straight-line rental income accrual	(688 938)		2 112 103	
Recoveries	40 318 468		53 094 565	
Dividends	793 242 568		732 114 000	
	932 109 743	**100.0**	**914 987 789**	**100.0**

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

Notes to the Financial Statements

	2019	2018
	R	R

33. Events after the reporting period

A dividend of R264 067 955 was paid to shareholders on 25 November 2019.

The directors are not aware of any other events subsequent to 31 August 2019 and up to the date of approval of these financial statements, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report.