dipula
INCOME FUND
Sustainable Property Returns

2021

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 AUGUST 2021

HIGHLIGHTS

Distributable earnings up **23.5%**	Contractual rental income up **8.4%**
A-share distributable earnings per share up **3.9%**	B-share distributable earnings per share up **64.7%**
Portfolio value maintained at **R9 billion**	Property acquisitions **R294 million**
LTV reduced to **36.5%**	Combined NAV per share up **3%** to **R10.30**

COMMENTARY

Introduction

Dipula is an internally managed, South African focused Real Estate Investment Trust ("REIT") that owns a sectoral and geographically diversified portfolio of retail, office, industrial and residential rental assets throughout South Africa, with the majority of its assets located in Gauteng.

Dipula is listed on the Johannesburg Stock Exchange ("JSE") and has A and B shares in issue, trading under the codes DIA and DIB. A shares have preferential entitlements to dividends (if declared), which are not cumulative, and A shareholders do not participate in any residual dividends in excess of their preferential entitlement. The A shares' preferential entitlement to dividends (if declared) is on a per share basis (and does not dilute if Dipula issues further A shares) and the preferential entitlement to dividends grows annually by the lower of CPI and 5%. B shares are the "ordinary" equity of Dipula, receiving any residual dividend after settlement of the A shares' preferential dividend entitlement.

The company's strategy is to own a quality, defensive and diversified portfolio with a retail bias. Dipula's portfolio has yielded a solid performance since listing.

Financial results

Despite the challenging economic conditions, exacerbated by Covid-19 and the civil unrest that unfolded in parts of South Africa during July 2021, Dipula has achieved exceptional results for the year ended 31 August 2021.

Contractual rental income for the year increased by 8.4% to R1.089 billion (2020: R1.004 billion), due mainly to the resilience of Dipula's portfolio. Property expenses increased by 5% year-on-year to R444 million (2020: R423 million). Net property income amounted to R866 million (2020: R858 million). Net finance costs reduced by 6.5% to R283 million (2020: R303 million) due to lower borrowing costs as a result of interest rate cuts.

Distributable earnings increased by a gratifying 23.5% to R552 million (2020: R447 million). This resulted in growth in distributable earnings per A share for the year of 3.9% to 118.95 cents (2020: 114.49 cents), in line with the company's distribution formula, and B share distributable earnings per share growth of 64.7% to 89.70 cents (2020: 54.46 cents). The combined distributable earnings per share amounted to 208.65 cents per share (2020: 168.95 cents), a 23.5% increase year-on-year.

To support our tenants during the pandemic, Dipula provided rental relief of R49 million in the previous financial year ended 31 August 2020. The reported distributable earnings are net of rental relief of R13.7 million extended to tenants during the current financial year.

The group's cost-to-income ratio reduced to 36.3% (2020: 38.0%). This was calculated in accordance with the SA REIT's best practice guidelines and restated for the prior year for comparability.

Cost-to-income ratios

	31 August 2021 %	31 August 2020 %
Cost-to-income ratio	**36.3**	38.0
Administrative cost-to-income ratio	**3.1**	3.3

Net asset value

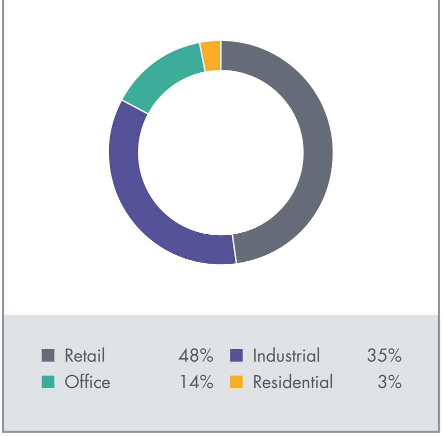
The group's net asset value per A and B share increased by 3% to R10.30 (2020: R10.00).

Property portfolio

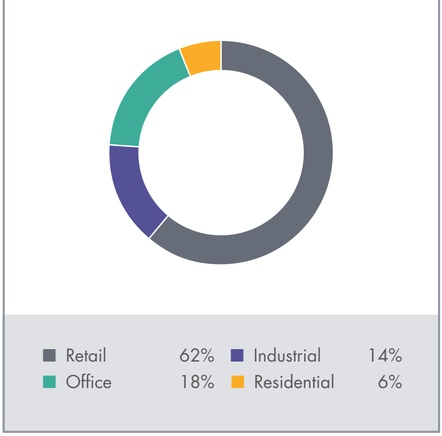
The portfolio value remained stable at R9 billion as at 31 August 2021. The portfolio comprises187 properties (2020: 190 properties) with a total gross lettable area ("GLA") of 926 765 m^2 (2020: 923 964 m^2).

The sectoral and geographic breakdown of Dipula's portfolio is set out below:

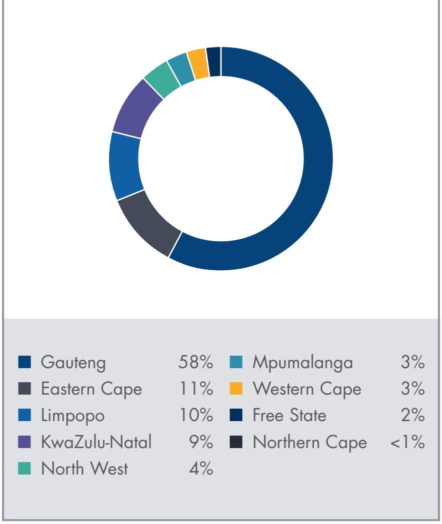
Sectoral split by GLA (%)



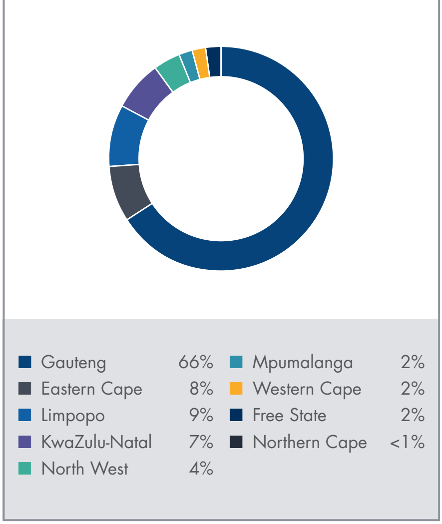
Sectoral split by gross income (%)



Geographic split by GLA (%)



Geographic split by gross income (%)



Leasing

New leases (excluding residential)

During the year, Dipula concluded new leases with a total GLA of 52 250 m², which translates to R238 million in value, at a weighted average escalation of 7.3% and a weighted average lease expiry ("WALE") of 2.9 years.

Renewals (excluding residential)

During the year, the group concluded renewals with a total GLA of 94 961 m². This amounts to gross lease income of R398 million over the lease terms. The WALE was 2.1 years. Due to prevailing challenging market conditions, on a portfolio basis the group recorded a negative weighted average reversion rate of 2.6% for the year. This was because of negative reversions in the office, industrial and retail portfolios of 11.3%, 3.3% and 0.5% respectively.

Tenant retention (excluding residential)

The tenant retention rate was 72% (2020: 78%). The sectoral retention rates are broken down as follows:

Tenant retention rate by sector

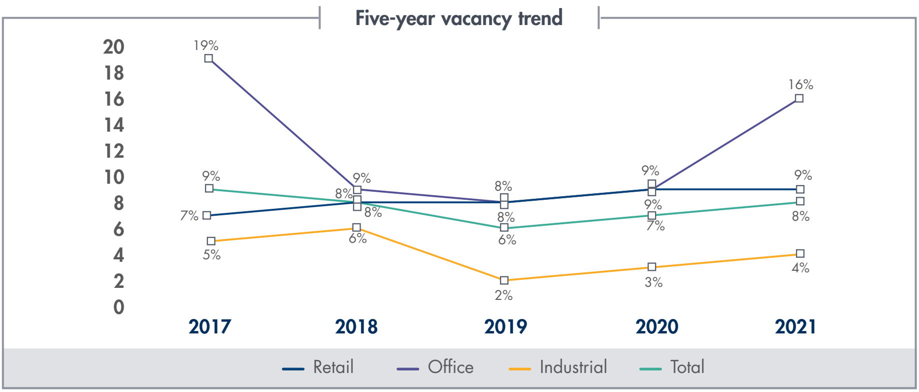
Sector	31 August 2021 %	31 August 2020 %
Retail	**74**	72
Offices	**73**	93
Industrial	**69**	77
Portfolio	**72**	78

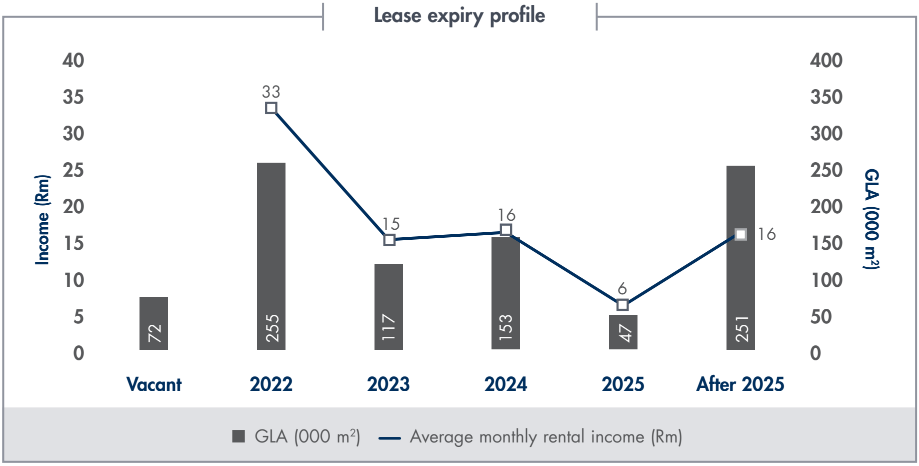
Vacancy (excluding residential)

The portfolio vacancy factor excluding residential increased to 8% (2020: 7%). This was primarily due to the office sector as a result of Covid-19 and challenging economic conditions.

Vacancy by sector

Sector	31 August 2021 %	31 August 2020 %
Retail	**9**	9
Offices	**16**	9
Industrial	**4**	3
Portfolio	**8**	7





Acquisitions

During the year under review, Dipula acquired properties to the value of R294 million (2020: R122 million) at an aggregate yield of 9% (2020: 10.5%).

On 1 September 2020, Dipula acquired the remaining 49.9% interest in Shoprite Marikana and Marikana Old Church Street, for a purchase consideration of R63 million, increasing its holding to 100%. Later in the year an additional 30% of the Palm Springs property was acquired for R78 million and R153 million was utilised to acquire Urban Villages Bruma and Midrand. New debt facilities of R50 million were raised to part fund these acquisitions and the balance was funded out of company reserves.

Refurbishments and redevelopments

A total of R52 million (2020: R43 million) was invested in refurbishments and capital expenditure during the year. Further capital expenditure of R238 million is planned over the next 18 months, of which R172 million is in respect of portfolio improving refurbishments.

Disposals

During the year, Dipula disposed of properties for R70 million (2020: R63 million) with an additional R32 million of disposals awaiting transfer at the end of the year, at an aggregate yield of 9.3%.

Residential portfolio

Dipula's residential portfolio at year-end consisted of 712 units (2020: 440) valued at R434 million (2020: R265 million). This amounted to 3% of GLA (2020: 1%) and 6% of rental income (2020: 1%).

The total vacancy was 20% mainly due to vacancies at Palm Springs which was affected by Covid-19 related job losses. Palm Springs had a vacancy of 29% at year-end. Occupancies at Norwood, Urban Villages Bruma and Midrand were 100%, 94% and 92% respectively. Management is actively addressing the situation at Palm Springs and is anticipating better letting performance.

Funding

During the year, debt facilities of R987 million were renewed at a weighted average funding rate of 6.3%, for a weighted average period of 2.4 years. Debt facilities of R97 million have been repaid. On 31 August 2021, Dipula's all-in weighted average cost of debt was 8.2% (2020: 9.0%). The company had total debt of R3.4 billion. The weighted average debt expiry period was 2.0 years, and the aggregate hedge expiry period was 2.4 years. All debt was Rand denominated and 67% (2020: 68%) of the group's interest rate exposure was hedged.

The group's gearing decreased to 36.5% (2020: 38.9%) with undrawn facilities of R272 million at year-end.

The group has, subsequently to year-end, concluded the renewal of facilities amounting to R1.2 billion at a weighted average cost of 5.99% for a weighted average period of 3.0 years.

The debt maturity and hedging profile is detailed below:

	Facility		Fixed/Swap		Floating	
Financial year-end	**R'000**	**%**	**R'000**	**%**	**R'000**	**%**
FY2022	**1 067 742**	**29.1**	**700 000**	**19.1**	**367 742**	**10.0**
FY2023	**917 603**	**25.0**	**300 000**	**8.2**	**617 603**	**16.8**
FY2024	**969 450**	**26.4**	**525 000**	**14.3**	**444 450**	**12.1**
FY2025	**590 545**	**16.1**	**750 000**	**20.4**	**(159 455)**	**(4.3)**
FY2026	**–**	**–**	**200 000**	**5.4**	**(200 000)**	**(5.4)**
>FY2026	**126 425**	**3.4**	**–**	**–**	**126 425**	**3.4**
	3 671 765	**100.0**	**2 475 000**	**67.4**	**1 196 765**	**32.6**

Covenants

At a group level, Dipula's covenant requirements with its various debt providers are a loan to value ("LTV") ratio of 50% and an interest cover ratio ("ICR") of 2 times.

Dipula's covenant levels were substantially within the approved limits at the reporting date, as follows:

	31 August 2021	**31 August 2020**
LTV	**36.5%**	38.9%
ICR	**3.15 times**	2.62 times

Credit rating

In September 2021 GCR Ratings affirmed Dipula's long and short-term credit ratings to BBB(ZA) (2020: BBB(ZA)) and A3(ZA) (2020: A3(ZA)) with a stable outlook.

Capital commitments

Dipula has capital commitments of R68 million (2020: R91 million) relating to refurbishments and re-developments at 31 August 2021.

Dipula capital restructure

On 27 August 2021 and 22 September 2021, shareholders were advised that Resilient REIT Limited ("Resilient") proposed making an investment in Dipula subject to conditions including:

(i) the conclusion of formal agreements; and

(ii) provided Dipula simplifies its dual share capital structure into a single class of ordinary shares.

On 14 October 2021, Dipula published a firm intention announcement to shareholders advising that Dipula and Resilient have concluded formal agreements pursuant to which Dipula intends to propose to its shareholders:

- an equity capital raise by Dipula of R1 billion ("Equity Raise") comprising –
  - an amount of R404.5 million to be invested by Resilient through the disposal of an investment property of equal value, in exchange for an issue of new Dipula B shares ("DIB shares");
  - the balance of the Equity Raise to be undertaken by issuing new DIB shares for cash, with Resilient underwriting this balance; and
- a scheme of arrangement between Dipula and the holders of Dipula A shares ("DIA shares") in terms of section 114(1) read with section 115 of the Companies Act, 71 of 2008 ("Companies Act"), whereby Dipula will offer to repurchase all issued DIA shares in exchange for a combination of DIB shares and cash ("Scheme"), (the Equity Raise and the Scheme collectively being referred to as the "Transaction").

The Transaction is an opportunity to improve the outlook for and positioning of Dipula and its shareholders, the objectives being that Dipula achieves a simplified share capital structure (consisting of a single class of ordinary shares) and obtains the benefit of a strategic relationship with Resilient whereby Resilient and Dipula will be co-owners of a retail centre. Resilient will hold a meaningful shareholding in Dipula and will have the right to nominate an appointment to the board of directors of Dipula ("board").

Dipula's shares are substantially illiquid. Share trading prices while volatile, have consistently been at a discount to NAV and do not correlate to Dipula's operational performance reflected in its distributable earnings. The board has considered the complexity and negative impact of Dipula's dual share capital structure and believes that it would be in the best interest of Dipula to have a single class of ordinary shares, which would unlock value for all shareholders.

The board is of the view that, if the Transaction is approved and implemented, Dipula will be positioned to unlock value for shareholders with greater investor demand for its shares and, with a better rated and more liquid share, Dipula would have attractive consolidation and strategic opportunities within the property sector.

Covid-19 update

Rental relief and arrears

During the year, total rental relief of R13.7 million was extended to tenants in response to the ongoing pandemic.

Collections averaged 97% during the implementation of Covid-19 restrictions between 1 April 2020 and 31 October 2021.

Collections

Month	Total portfolio % collected	Retail % collected	Office % collected	Industrial % collected	Residential % collected
April 2020	**72**	68	92	62	–
May 2020	**89**	87	102	79	–
June 2020	**108**	111	89	119	–
July 2020	**88**	95	95	90	45
August 2020	**113**	117	144	119	76
September 2020	**83**	85	89	76	77
October 2020	**95**	99	92	98	78
November 2020	**90**	98	98	63	137
December 2020	**102**	90	107	146	59
January 2021	**107**	106	107	111	143
February 2021	**104**	104	105	99	74
March 2021	**97**	100	91	89	107
April 2021	**90**	97	61	96	97
May 2021	**105**	102	105	120	111
June 2021	**103**	105	96	107	98
July 2021	**90**	93	74	92	108
August 2021	**87**	92	71	89	73
September 2021	**91**	91	82	103	97
October 2021	**100**	100	99	100	97
Average	**97**	98	98	99	97

Civil unrest

During July 2021 violent protest action broke out throughout KwaZulu-Natal and Gauteng. This resulted in looting, asset destruction and economic disruptions which will filter through to GDP growth for 2021. Dipula suffered losses of varying degrees at 12 of its properties during these events.

Dipula management and its professional teams have assessed the affected properties and estimate total damages at approximately R100 million. Of the 12 impacted properties, 10 are now partially or fully operational, including: Proteapoint Shopping Centre, Soweto Asambhe, Harding Corner, Fairways on Main, Absa Krugersdorp, Sam Sekoti Vosloorus, Orange Farm Town Square, Tsakane Corner, Meadowpoint and 1 President Street in Germiston.

Management anticipates that the two remaining retail centres, being Dobsonpoint Shopping Centre and October Avenue Ivory Park will reopen in 6 to 12 months.

The company is sufficiently insured and expects to recover its damages from its insurers.

Board changes

There were no changes to the board of directors of Dipula during the period.

Prospects

South Africa continues to lag the economic growth being experienced internationally. A key contributor to this lag is a lack of decisive and visionary political leadership coupled with the return of loadshedding. After 11 weeks without power outages, South Africa was again severely affected by loadshedding in October 2021 following unexpected power station breakdowns, delays in returning some units under maintenance to service and the depletion of emergency fuel supplies. Indications from market commentators are that loadshedding is expected to reduce 2021 GDP growth by 3% and may result in 350 000 job losses.

Most municipalities are dysfunctional and continue to charge unsustainable service charges whilst delivering little and in some cases no services. This has led to major cost pressures for the sector and seriously dampened trading fundamentals.

Notwithstanding these challenges which are exacerbated by Covid-19, the board remains confident in Dipula's ability to deliver sustainable growth through its disciplined approach of building a resilient, diversified portfolio with stable management, which is well positioned to withstand tough market conditions. The board is of the firm conviction that this can be further enhanced, and the company better positioned once it has addressed the capital structure challenges and aligns shareholder interests by way of a single capital structure.

Dipula continues to take advantage of market opportunities and will capitalise on these wherever possible. Dipula's executives and staff will continue to demonstrate their resolve and a pragmatic approach as they navigate the pandemic, prevailing low economic growth, and uncertain socio-political market conditions.

The company will continue to focus on issues that are within its control, including ongoing value-add asset management activities combined with superior operational management.

The group expects distributable earnings for 2022 to be in line with the current year. This assumes no material tenant failures, prolonged electricity disruptions and extended lockdowns as well as unforeseen economic and civil disruptions.

This guidance has not been reported on by Dipula's auditors.

Payment of final dividend and dividend policy

Historically, except for FY2020 in respect of which no dividends were paid due to liquidity constraints, Dipula has declared 100% of its distributable earnings as dividends. Dipula returned to a dividend paying position in respect of H1 2021, paying 100% of distributable earnings as dividends. For FY2021, the board has resolved to pay out 100% of its distributable earnings consistent with its prior practice (and noting that Dipula's retained earnings in FY2020 resulted in improved liquidity in FY2021).

However, from FY2022, in evaluating distribution decisions, the board will have regard to Dipula's ongoing capital requirements which include debt reduction commitments, growth and capital expenditure programmes, with the result that a payout ratio will likely be prudent. As the board is of the view that the dividend entitlements applicable to Dipula's dual share structure are premised on a full payout of its distributable earnings, the board is likely to consider that, while Dipula has a dual share structure, it may be preferrable to pay no dividend rather than to impose a payout ratio on the company's distributable earnings. If Dipula no longer proposes to meet the distribution requirements of a REIT, it would become a property entity that ceased to hold REIT status under the JSE Listings Requirements. In these circumstances, Dipula would retain its earnings and, after meeting its capital requirements, would reduce its gearing over time.

The board has approved, and notice is hereby given of the final gross dividend (dividend number 19) for the period 1 March 2021 to 31 August 2021 of 59.93275 cents per A-share and 44.60028 cents per B-share.

The dividend is payable to Dipula shareholders in accordance with the timetable set out below:

Last day to trade *cum* dividend	Tuesday, 7 December 2021
Shares trade *ex*-dividend	Wednesday, 8 December 2021
Record date	Friday, 10 December 2021
Payment date	Monday, 13 December 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 December 2021 and Friday, 10 December 2021, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 13 December 2021. Certificated shareholders' divided payments will be paid to certificated shareholders' bank accounts on or about Monday, 13 December 2021.

An announcement relating to the tax treatment will be released separately on SENS.

On behalf of the board

Zanele Matlala
Chairman

Izak Petersen
Chief Executive Officer

17 November 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed year ended 31 August 2021 R'000	Audited year ended 31 August 2020 R'000
ASSETS		
Non-current assets	**9 127 262**	9 357 414
Investment property	**9 108 970**	9 094 502
Fair value of property portfolio	**8 778 044**	8 727 246
Right-of-use asset	**84 606**	82 244
Straight-line rental income accrual	**246 320**	285 012
Deferred tax	**6 281**	–
Intangible assets	**–**	37 500
Property, plant and equipment	**2 709**	3 353
Derivative financial assets – options	**–**	15 447
Derivative financial instruments – swaps	**2 328**	–
Loans receivable	**6 974**	206 612
Current assets	**298 287**	213 560
Trade and other receivables	**233 183**	164 203
Loans receivable	**2 528**	–
Cash and cash equivalents	**62 576**	49 357
Non-current assets held-for-sale		
Investment property held-for-sale	**101 242**	13 488
Total assets	**9 526 791**	9 584 462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Reviewed year ended 31 August 2021 R'000	Audited year ended 31 August 2020 R'000
EQUITY AND LIABILITIES		
Shareholders' interest	**5 450 805**	5 295 022
Stated capital	**4 243 513**	4 243 513
Fair value reserve	**1 016 796**	978 359
Retained income	**184 544**	70 995
Share-based payment reserve	**5 952**	2 155
Non-controlling interests	**210 224**	250 499
Non-current liabilities	**2 503 933**	2 907 517
Interest-bearing liabilities	**2 329 353**	2 607 349
Non-interest-bearing liabilities	**–**	51 462
Option premium	**3 568**	11 500
Lease liabilities	**105 192**	103 055
Derivative financial instruments – swaps	**65 820**	134 151
Current liabilities	**1 361 829**	1 131 424
Interest-bearing liabilities	**1 097 516**	931 875
Trade and other payables	**237 987**	171 052
Lease liabilities	**8 087**	7 467
Derivative financial instruments – swaps	**18 239**	21 030
Total equity and liabilities	**9 526 791**	9 584 462

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed year ended 31 August 2021 R'000	Audited year ended 31 August 2020 R'000
Revenue	**1 313 956**	1 291 472
Contractual rental income	**1 089 104**	1 004 418
Municipal and property recoveries	**263 544**	243 781
Straight-line rental income accrual	**(38 692)**	43 273
Property-related expenses	**(443 929)**	(422 649)
Impairment loss on trade receivables	**(4 089)**	(11 049)
Net property income	**865 938**	857 774
Administration and corporate costs	**(42 325)**	(40 893)
Net operating profit	**823 613**	816 881
Net finance cost	**(282 812)**	(302 629)
Finance income	**14 449**	31 308
Finance cost	**(297 261)**	(333 937)
Net profit after finance cost	**540 801**	514 252
Amortisation of intangible assets	**(37 500)**	(37 500)
Fair value adjustments	**65 614**	(333 590)
Investment properties and properties held-for-sale	**(35 013)**	(111 743)
Straight-line rental income accrual	**38 692**	(43 273)
Options	**(11 515)**	(60 590)
Interest rate swaps	**73 450**	(117 984)
Profit before taxation	**568 915**	143 162
Taxation	**(85 718)**	–
Profit for the year after taxation	**483 197**	143 162
Other comprehensive income	**–**	–
Total comprehensive income for the year	**483 197**	143 162
Total profit and comprehensive income for the year attributable to:		
Shareholders of the company	**429 454**	119 071
Non-controlling interests	**53 743**	24 091
	483 197	143 162
Basic earnings per A-share (cents)	**81.14**	22.50
Diluted earnings per A-share (cents)	**80.09**	22.36
Basic earnings per B-share (cents)	**81.14**	22.50
Diluted earnings per B-share (cents)	**80.09**	22.36

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Fair value reserve R'000	Share-based payment reserve R'000	Retained income R'000	Non-controlling interest R'000	Total equity R'000
Balance at 31 August 2019 (audited)	4 243 513	1 208 086	50	(24 732)	182 184	5 609 101
Total profit and comprehensive income for the year	–	–	–	119 071	24 091	143 162
Dividends declared	–	–	–	(253 071)	(26 663)	(279 734)
Equity contributed by non-controlling interests	–	–	–	–	70 887	70 887
Recognition of share-based payments	–	–	2 105	–	–	2 105
Transfer from fair value reserve – investment properties	–	(111 743)	–	111 743	–	–
Transfer from fair value reserve – interest rate swaps	–	(117 984)	–	117 984	–	–
Balance at 31 August 2020 (audited)	**4 243 513**	**978 359**	**2 155**	**70 995**	**250 499**	**5 545 521**
Total profit and comprehensive income for the year	**–**	**–**	**–**	**429 454**	**53 743**	**483 197**
Dividends declared	**–**	**–**	**–**	**(275 570)**	**(35 638)**	**(311 208)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**(1 898)**	**(58 380)**	**(60 278)**
Recognition of share-based payments	**–**	**–**	**3 797**	**–**	**–**	**3 797**
Transfer from fair value reserve – investment properties	**–**	**(35 013)**	**–**	**35 013**	**–**	**–**
Transfer to fair value reserve – interest rate swaps	**–**	**73 450**	**–**	**(73 450)**	**–**	**–**
Balance at 31 August 2021 (reviewed)	**4 243 513**	**1 016 796**	**5 952**	**184 544**	**210 224**	**5 661 029**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Reviewed year ended 31 August 2021 R'000	Audited year ended 31 August 2020 R'000
Cash flows from operating activities		
Cash generated from operations	**763 159**	798 590
Finance income	**14 449**	31 308
Finance cost	**(272 174)**	(312 916)
Dividends paid	**(302 122)**	(279 734)
Taxation paid	**(85 996)**	–
Net cash generated from operating activities	**117 316**	237 248
Cash flows from investing activities		
Acquisition of business combination	**(19 989)**	(71 832)
Capital expenditure	**(68 852)**	(56 147)
Acquisition of property, plant and equipment	**(366)**	(323)
Proceeds on disposal of investment properties	**28 350**	61 950
Net movement in loans receivable	**31 697**	(5 441)
Net cash utilised in investing activities	**(29 160)**	(71 793)
Cash flows from financing activities		
Repayment of lease liabilities	**(7 642)**	(7 224)
Non-interest-bearing liabilities repaid	**–**	(227)
Net movement in interest-bearing liabilities	**(67 295)**	(227 735)
Interest-bearing liabilities raised/(repaid)	**29 705**	(184 666)
Permanent repayment of borrowings	**(97 000)**	(43 069)
Net cash utilised in financing activities	**(74 937)**	(235 186)
Net increase/(decrease) in cash and cash equivalents	**13 219**	(69 731)
Cash and cash equivalents at the beginning of the year	**49 357**	119 088
Cash and cash equivalents at the end of the year	**62 576**	49 357

RECONCILIATION BETWEEN PROFIT, EARNINGS AND HEADLINE EARNINGS

	Reviewed year ended 31 August 2021 R'000	Audited year ended 31 August 2020 R'000
Total profit for the year attributable to shareholders of the company (earnings)	**429 454**	119 071
Adjustments:	**15 979**	152 322
Fair value – investment properties and held-for-sale	**35 013**	111 743
Non-controlling interest fair value of investment properties	**19 658**	(2 694)
Fair value – straight-line rental income	**(38 692)**	43 273
Headline earnings	**445 433**	271 393
Total number of shares in issue*	**529 282 638**	529 282 638
A-shares	**264 641 319**	264 641 319
B-shares	**264 641 319**	264 641 319
Total weighted average number of shares in issue*	**529 282 638**	529 282 638
A-shares	**264 641 319**	264 641 319
B-shares	**264 641 319**	264 641 319
Total diluted weighted average number of shares in issue*	**536 201 129**	532 422 828
A-shares	**265 056 166**	264 641 319
B-shares	**271 144 963**	267 781 509
Headline earnings per A-share (cents)	**84.16**	51.28
Diluted headline earnings per A-share (cents)	**83.07**	50.97
Headline earnings per B-share (cents)	**84.16**	51.28
Diluted headline earnings per B-share (cents)	**83.07**	50.97

* *Net of treasury shares.*

Basic and headline earnings per share are based on the weighted average number of shares in issue during the year.

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

	Retail R'000	Offices R'000	Industrial R'000	Residential R'000	Land R'000	Corporate R'000	Total R'000
Year to 31 August 2021 (reviewed)							
Extracts from the statement of comprehensive income							
Contractual rental income and recoveries (excluding straight-line)	**854 543**	**249 881**	**195 186**	**53 038**	**–**	**–**	**1 352 648**
Property-related expenses	**(305 982)**	**(76 013)**	**(36 719)**	**(18 766)**	**(21)**	**(10 517)**	**(448 018)**
Net property income	**548 561**	**173 868**	**158 467**	**34 272**	**(21)**	**(10 517)**	**904 630**
Extracts from the statement of financial position							
Investment property at fair value	**5 517 754**	**1 760 730**	**1 376 800**	**433 836**	**19 850**	**–**	**9 108 970**
Investment property held-for-sale	**88 263**	**–**	**11 491**	**–**	**1 488**	**–**	**101 242**
Total	**5 606 017**	**1 760 730**	**1 388 291**	**433 836**	**21 338**	**–**	**9 210 212**
Year to 31 August 2020 (audited)							
Extracts from the statement of comprehensive income							
Contractual rental income and recoveries (excluding straight-line)	812 335	251 469	181 208	3 187	–	–	1 248 199
Property-related expenses	(296 404)	(83 292)	(33 905)	(1 345)	(20)	(18 732)	(433 698)
Net property income	515 931	168 177	147 303	1 842	(20)	(18 732)	814 501
Extracts from the statement of financial position							
Investment property at fair value	5 558 562	1 830 529	1 442 825	242 626	19 960	–	9 094 502
Investment property held-for-sale	–	–	12 000	–	1 488	–	13 488
Total	5 558 562	1 830 529	1 454 825	242 626	21 448	–	9 107 990

The entity has five reportable segments and corporate based on the sectorial nature – these are the entity's strategic business segments. For each strategic business segment, the entity's executive directors review internal management reports on a monthly basis.

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION (CONTINUED)

	Reviewed year ended 31 August 2021 R'000	Audited year ended 31 August 2020 R'000
Reconciliation of reportable segment revenue and profit		
Revenue		
Total revenue for reportable segments	**1 352 648**	1 248 199
Straight-line rental income accrual	**(38 692)**	43 273
Consolidated revenue	**1 313 956**	1 291 472
Profit		
Total profit for reportable segments	**904 630**	814 501
Straight-line rental income accrual	**(38 692)**	43 273
Administration and corporate costs	**(42 325)**	(40 893)
Net finance cost	**(282 812)**	(302 629)
Fair value adjustments	**65 614**	(333 590)
Amortisation of intangible assets	**(37 500)**	(37 500)
Profit before taxation	**568 915**	143 162

BASIS OF PREPARATION AND ACCOUNTING POLICIES

These results were prepared by the Financial Director, Mr R Asmal BComm (Accounting) and the Group Financial Manager, Mrs N Kotze CA(SA).

The reviewed provisional condensed consolidated financial results for the year ended 31 August 2021 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require provisional consolidated financial reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the Financial Pronouncements as issued by the Financial Reporting Standards Council and to contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies and methods of computations applied are consistent with those applied in the previous year's consolidated annual financial statements.

Auditor's report

The condensed consolidated financial statements for the year ended 31 August 2021 have been reviewed by Mazars, and their unmodified review conclusion report is available for inspection at the company's registered office.

The auditor's review conclusion report does not necessarily report on all of the information contained in these provisional condensed financial statements.

Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review conclusion report together with the accompanying financial information from the issuer's registered office. The directors take full responsibility for the preparation of these provisional condensed consolidated financial statements and for ensuring that this financial information has been correctly prepared.

Taxation

At the date of approving the 31 August 2020 financial statements, the board deferred its decision to declare a dividend for that year due to concerns about solvency and liquidity at the height of Covid-19 in the year 2020. The financial statements were prepared on the assumption that the minimum dividend required in terms of REIT regulations of 75% of distributable income would be declared per expectations at that stage. At a board meeting on 12 August 2021, a final decision was made that it would not be in the best interest of the company to declare a dividend in respect of 31 August 2020. This triggered an income taxation liability of R85.9 million. This amount is disclosed as a tax expense in the current year's income statement although it relates to the prior year's profits. It is excluded for purposes of calculating the 31 August 2021 distributable earnings, as it relates to the prior financial year.

Fair value measurement

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, further information about the assumption made in determining fair values is disclosed in the notes specific to that asset or liability.

Hierarchy levels

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 shall be determined on the basis of the lowest level input that is significant to the fair value in its entirety.

The different levels have been defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

Investment properties and the options have been categorised as Level 3. Interest rate swaps have been categorised as Level 2. There has been no material change between levels during the year and there were no transfers between levels.

For derivative financial instruments, the fair value of interest rate swaps is based on broker quotes. As a result of expected increases in interest rates the fair value adjustment in the current year resulted in a surplus of R73 million compared to a deficit of R118 million in the prior year.

These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the reporting date.

The group's audit and risk committee determines the policies and procedures for recurring fair value measurement.

	Reviewed 31 August 2021 R'000	Audited 31 August 2020 R'000
Fair value measurements for investment properties categorised as Level 3:		
Balance at the beginning of the year	**9 094 502**	8 837 313
Acquisitions/additions	**204 934**	288 560
Change in fair value	**(36 498)**	(84 574)
Transferred to non-current assets held-for-sale/disposals	**(158 586)**	(26 190)
Right-of-use asset	**2 362**	82 244
Net tenant installation/lease commission	**2 256**	(2 851)
Balance at the end of the period	**9 108 970**	9 094 502
Fair value measurements for options categorised as Level 3:		
Balance at the beginning of the year	**15 447**	76 037
Change in fair value	**(11 515)**	(60 590)
Transferred to option premium liability	**(3 932)**	–
	–	15 447

In terms of the accounting policy, the portfolio is valued annually, with properties above R12 million being valued by independent registered valuers. One-third of the properties below R12 million (at the last valuation date) are valued externally whilst the remaining two-thirds are valued internally by directors.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to market conditions and other relevant documents.

At 31 August 2021, the directors valued the property portfolio at R9.1 billion (31 August 2020: R9.1 billion).

The fair values of the properties are estimated using a discounted cash flow method, which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. The estimated rental stream takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the properties.

The estimated fair value would increase/(decrease) if the expected market rental growth was higher/(lower), the discount rate was lower/(higher) and/or the capitalisation rate was lower/(higher).

The most significant inputs are the discount rate, the expected rental growth and the capitalisation rate.

In 2020, Covid-19 had created uncertainty in the market resulting in slower letting and lower rentals which resulted in an R84 million decrease in the valuation of investment properties. During the current financial year the property portfolio valuation was maintained at R9.1 million despite the fair value adjustment decreasing by R35 million.

In an endeavour to provide more detail regarding the significant unobservable inputs for Investment Property – Level 3, the below tables have been prepared.

Valuation technique and significant unobservable inputs – Investment Property – Level 3

	2021				2020			
	Discount rate %		Capitalisation rate %		Discount rate %		Capitalisation rate %	
	Range %	Weighted average %	Range %	Weighted average %	Range %	Weighted average %	Range %	Weighted average %
Total portfolio	**10 – 17**	**12.6**	**8 – 15**	**9.7**	10 – 17	13.4	8 – 15	9.8
Retail	**10 – 17**	**13.4**	**8 – 12**	**9.5**	10 – 17	13.6	8 – 12	9.6
Office	**11 – 16**	**13.3**	**9 – 11**	**9.9**	12 – 16	13.6	9 – 12	10.0
Industrial	**12 – 17**	**11.8**	**9 – 15**	**10.2**	13 – 16	12.0	9 – 15	10.4
Residential	**15 – 15**	**14.8**	**9 – 10**	**9.4**	15 – 15	14.8	10 – 10	9.8

	2021								
	Portfolio exposure %	Average discount rate %	Average capital-isation rate %	Valuation impact if discount rate (0.5) %	Valuation impact if discount rate 0.5 %	Valuation impact if capital-isation rate (0.5) %	Valuation impact if capital-isation rate 0.5 %	Valuation impact if market rentals 5.0 %	Valuation impact if market rentals (5.0) %
Total portfolio	**100**	**14.0**	**10.4**	**2.4**	**(2.2)**	**4.7**	**(4.0)**	**6.1**	**(6.1)**
Retail	**63**	**13.9**	**10.0**	**2.4**	**(2.2)**	**4.8**	**(4.1)**	**6.4**	**(6.1)**
Office	**20**	**14.4**	**10.2**	**2.5**	**(2.4)**	**4.8**	**(4.0)**	**5.5**	**(7.0)**
Industrial	**13**	**14.3**	**11.3**	**2.0**	**(2.0)**	**4.0**	**(3.4)**	**5.6**	**(5.2)**
Residential	**4**	**14.8**	**9.6**	**1.9**	**(1.9)**	**3.3**	**(3.3)**	**5.1**	**(5.1)**

	2020								
	Portfolio exposure %	Average discount rate %	Average capital-isation rate %	Valuation impact if discount rate (0.5) %	Valuation impact if discount rate 0.5 %	Valuation impact if capital-isation rate (0.5) %	Valuation impact if capital-isation rate 0.5 %	Valuation impact if market rentals 5.0 %	Valuation impact if market rentals (5.0) %
Total portfolio	100	14.4	10.4	1.8	(1.7)	3.4	(3.0)	5.3	(5.5)
Retail	64	14.2	10.2	1.8	(1.7)	3.4	(3.1)	5.2	(5.5)
Office	22	14.4	10.2	1.8	(1.6)	3.3	(3.0)	6.4	(6.7)
Industrial	15	14.9	10.8	1.8	(1.7)	3.1	(2.8)	4.2	(3.4)
Residential	0.3	14.8	10.0	–	–	–	–	–	–

Valuation technique and significant unobservable inputs – Options – Level 3

Valuation technique	**Significant inputs**
Valued by utilising comparative sales of similar properties in the respective nodes	‣ Comparative sales of similar properties

Valuation technique and significant inputs – Derivative Financial Instruments – Level 2

Interest rate swaps

Description	**Valuation technique**	Significant inputs
Interest rate swaps/cap transactions	Valued by discounting the future cash flows using the South African swap curve at the dates when the cash flows take place	‣ Interest rate swap curve

Business combinations

Dipula acquired the shares in Phepha Prop 006 Proprietary Limited ("Phepha") for a total cash consideration of R19.9 million on 28 February 2021.

The principal activity of Phepha Prop 006 is property owning in the residential sector.

No transaction costs were incurred on the acquisition.

The fair value of the assets and liabilities acquired is as follows:

	2021 R'000
Investment property	153 101
Interest-bearing liabilities	(133 068)
Net current liabilities	(44)
Total consideration paid in cash	19 989

The acquisition of the shares in Phepha Prop 006 allows the company to expand its investment into the residential property sector. Phepha owns 272 residential units in Midrand and Bruma.

The business combination would have resulted in revenue for the group of R1.331 billion and net profit before tax of R575 million had the transaction been effective from the beginning of the financial year. The directors of the group consider these numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide reference point for comparison in future periods.

For the period 1 March 2021 to 31 August 2021 the business acquired made revenue of R9 million and profit of R3 million.

Loans receivable

Loans receivable reduced by R197 million after the Vandanex (Pty) Ltd loan of R92 million and Phepha Prop 006 (Pty) Ltd loan of R103 million was settled.

DISTRIBUTION STATEMENT**

	31 August 2021 R'000	31 August 2020 R'000
Reconciliation of profit for the year to distributable earnings		
Profit attributable to shareholders of the company	429 454	119 071
Fair value – investment properties revaluation	35 013	111 743
Fair value – straight-line rental income	(38 692)	43 273
Fair value – interest rate swaps	(73 450)	117 984
Fair value – options	11 515	60 590
NCI portion of fair value adjustment	19 658	(2 694)
IFRS 16: *Rental paid adjustment*	(7 642)	(7 224)
IFRS 16: *Finance cost adjustments*	10 399	10 140
Share based payments	3 797	–
Amortisation of intangible assets	37 500	37 500
Taxation	85 936	–
Straight-line rental income accrual	38 692	(43 273)
Distributable earnings	552 180	447 110
Distribution statement		
Revenue	1 352 648	1 248 199
Contractual rental income	1 089 104	1 004 418
Recoveries	263 544	243 781
Property-related expenses	(455 660)	(440 922)
Net property income	896 988	807 277
Administration and corporate costs	(38 528)	(40 893)
Net operating profit	858 460	766 384
Net finance cost	(272 413)	(292 489)
Taxation	218	–
Non-controlling interests	(34 085)	(26 785)
Distributable earnings	552 180	447 110

DISTRIBUTION STATEMENT** (CONTINUED)

	31 August 2021	31 August 2020
Distributable earnings per A-share (cents)	**118.95304**	114.49016
Interim	**59.02029**	57.35694
Final	**59.93275**	57.13322
Distributable earnings per B-share (cents)	**89.69993**	54.45985
Interim	**45.09965**	38.61409
Final	**44.60028**	15.84576
Combined distributable earnings per share (cents)	**208.65297**	168.95001
Interim	**104.11994**	95.97103
Final	**104.53303**	72.97898

*** The distribution statement has not been reviewed by Mazars.*

SA REIT BEST PRACTICE RECOMMENDATION RATIOS

The BPR is effective for the reporting periods commencing on or after 1 January 2020. The comparative figures have been disclosed on the same basis. Mazars have issued a factual findings report on the SA REIT BPR.

	Unaudited year ended 31 August 2021 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT Funds from Operations (SA REIT FFO) per share		
Profit for the period attributable to the parent	**429 454**	119 071
Adjusted for:		
Accounting/specific adjustments	**84 768**	210 794
Fair value adjustments to:		
Investment property	**(3 679)**	155 016
Options	**11 515**	60 590
Depreciation and amortisation of intangible assets	**38 487**	38 461
Deferred tax movement recognised in profit or loss	**(247)**	–
Straight-lining operating lease adjustment	**38 692**	(43 273)
Foreign exchange and hedging items	**(73 450)**	117 984
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**(73 450)**	117 984
Other adjustments:	**19 658**	(2 694)
Non-controlling interests in respect of the above adjustments	**19 658**	(2 694)
SA REIT FFO	**460 430**	445 155
Number of shares outstanding at end of period (net of treasury shares)	**529 282 638**	529 282 638
SA REIT FFO average cents per share	**86.99**	84.11
Company-specific adjustments	**91 750**	1 955
IFRS 16 – *Rental paid*	**(7 642)**	(7 224)
IFRS 16 – *Finance cost adjustment*	**10 399**	10 140
Taxation prior year	**85 936**	–
Deferred tax movement recognised in profit or loss	**247**	–
Share-based payments	**3 797**	–
Depreciation of property, plant and equipment	**(987)**	(961)
Distributable earnings per share (Rand value)	**552 180**	447 110

SA REIT BEST PRACTICE RECOMMENDATION RATIOS (CONTINUED)

	Unaudited year ended 31 August 2021	Unaudited year ended 31 August 2020
Distributable earnings per A-share (cents)	**118.95304**	114.49016
Interim	**59.02029**	57.35694
Final	**59.93275**	57.13322
Distributable earnings per B-share (cents)	**89.69993**	54.45985
Interim	**45.09965**	38.61409
Final	**44.60028**	15.84576
Combined earnings per share (cents)	**208.65297**	168.95001
Interim	**104.11994**	95.97103
Final	**104.53303**	72.97898

	Unaudited year ended 31 August 2021 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT Net Asset Value (SA REIT NAV)		
Reported NAV attributable to the parent	**5 450 805**	5 295 022
Adjustments:		
Dividend to be declared	**(276 638)**	–
Fair value of certain derivative financial instruments	**84 059**	155 181
Goodwill and intangible assets	**–**	(37 500)
SA REIT NAV	**5 258 226**	5 412 703
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	**529 282 638**	529 282 638
Effect of dilutive instruments (options, convertibles and equity interests)	**8 726 797**	4 844 257
Dilutive number of shares in issue	**538 009 435**	534 126 895
SA REIT NAV per share	**9.77**	10.13

	2021 R'000	2020 R'000
SA REIT cost-to-income ratio		
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**443 929**	422 649
Administrative expenses per IFRS income statement	**42 325**	40 893
Other expenses – impairment loss and write-off of receivables	**4 089**	11 049
Exclude:		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	**(987)**	(961)
Company-specific adjustments	**987**	961
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	**987**	961
Operating costs	**490 343**	474 591
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 089 104**	1 004 418
Utility and operating recoveries per IFRS income statement	**263 544**	243 781
Gross rental income	**1 352 648**	1 248 199
SA REIT cost-to-income ratio	**36.3%**	38.0%

SA REIT BEST PRACTICE RECOMMENDATION RATIOS (CONTINUED)

	Unaudited year ended 31 August 2021 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT administrative cost-to-income ratio		
Expenses		
Administrative expenses as per IFRS income statement	**42 325**	40 893
Administrative costs	**42 325**	40 893
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**1 089 104**	1 004 418
Utility and operating recoveries per IFRS income statement	**263 544**	243 781
Gross rental income	**1 352 648**	1 248 199
SA REIT administrative cost-to-income ratio	**3.1%**	3.3%

	Unaudited year ended 31 August 2021 m^2	Unaudited year ended 31 August 2020 m^2
SA REIT vacancy		
Gross lettable area of vacant space	**76 783**	63 474
Gross lettable area of total property portfolio	**926 765**	923 964
SA REIT GLA vacancy rate	**8.3%**	6.9%

	Unaudited year ended 31 August 2021 %	Unaudited year ended 31 August 2020 %
SA REIT cost of debt		
Cost of debt		
Variable interest-rate borrowings		
Floating reference rate plus weighted average margin	**5.76**	8.00
Fixed interest-rate borrowings		
Weighted average fixed rate	**–**	–
Pre-adjusted weighted average cost of debt	**5.76**	8.00
Adjustments:		
Impact of interest rate derivatives	**2.42**	0.96
Amortised transaction costs imputed into the effective interest rate	**0.08**	0.07
All-in weighted average cost of debt	**8.26**	9.03

	Unaudited year ended 31 August 2021 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT loan-to-value		
Gross debt	**3 426 869**	3 539 224
Less:		
Cash and cash equivalents	**(62 576)**	(49 357)
Add/less:		
Derivative financial instruments	**81 731**	155 181
Net debt	**3 446 024**	3 645 048
Total assets – per statement of financial position		
Less:	**9 526 791**	9 584 462
Cash and cash equivalents	**(62 576)**	(49 357)
Goodwill and intangible assets	**–**	(37 500)
Trade and other receivables	**(233 183)**	(164 203)
Carrying amount of property-related assets	**9 231 032**	9 333 402
SA REIT loan-to-value ("SA REIT LTV")	**37.33%**	39.05%

NOTES

CORPORATE INFORMATION

DIPULA INCOME FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2005/013963/06)
JSE share code: DIA ISIN: ZAE000203378
JSE share code: DIB ISIN: ZAE000203394
(Approved as a REIT by the JSE)
("Dipula" or "the company" or "the fund", and together with its subsidiaries, "the group")

Directors
ZJ Matlala♦ (Chairperson)
IS Petersen (CEO)
BH Azizollahoff♦#
R Asmal (FD)
E Links♦
Y Waja♦
SA Halliday♦
♦ *Independent non-executive*
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