



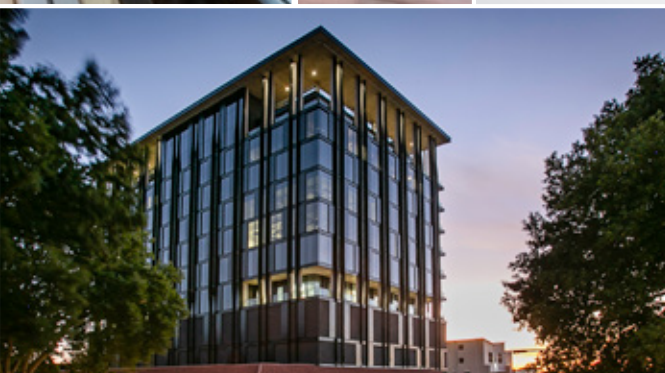
dipula

INCOME FUND

Sustainable Property Returns

**UNAUDITED CONDENSED
CONSOLIDATED INTERIM RESULTS**

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021



HIGHLIGHTS



Contractual
income up **1.8%**

Distributable
earnings up **8.5%**



Distributable earnings
per B-share up **16.8%**

Distributable earnings
per A-share up **2.9%**



Combined NAV per
share up **4% to R10.59**



Loan to value ratio decreased
by **11% to 35.7%**

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 in all provinces of South Africa, with most 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. Compliant with Dipula's MOI, DIAs are entitled to a preferred dividend growth of the lower of 5% or the consumer price inflation ("CPI"), while DIBs receive the remaining distributable income to the extent distributed. DIAs and DIBs rank equally in all other respects.

The company's strategy is to own a quality, defensive and diversified portfolio with a retail bias.

Financial results

Dipula is pleased to report that despite a backdrop of an extremely challenging global economic crisis caused by the COVID-19 pandemic, Dipula has achieved an improvement in most metrics for the half-year ended 28 February 2021.

Contractual rental income for the period increased organically by 1.8% to R538 million (2020: R529 million), due to excellent management and the resilience of Dipula's portfolio. Management's approach of ensuring efficient operations has paid off as property-related expenses increased by a mere 1.6% to R219 million (2020: R216 million). Net property income amounted to R457 million (2020: R461 million).

The factors highlighted above have culminated in distributable earnings increasing by a gratifying 8.5% to R276 million (2020: R254 million). The above also resulted in growth in distributable earnings per A-share of 2.9% to 59.02 cents (2020: 57.36 cents) and B-share distributable earnings per share growth of 16.8% to 45.10 cents (2020: 38.61 cents).

To support our tenants during the pandemic, Dipula provided rental relief of approximately R49 million over the course of the previous financial year ended 31 August 2020. The reported distributable earnings are net of an additional R8.2 million rental relief extended to tenants during the period.

The group's cost-to-income ratio of 36.7% (2020: 36.3%) was largely in line with the prior period. This was calculated in accordance with the South African REIT Association ("SA REIT") best practice guidelines and restated for the prior period for comparability.

Cost-to-income ratios

	28 February 2021	29 February 2020
Cost-to-income ratio	36.7%	36.3%
Administrative cost-to-income ratio	3.6%	3.2%

Net asset value

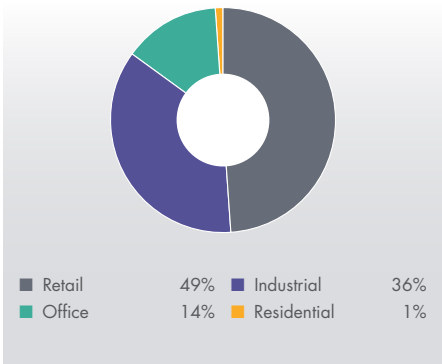
The group's net asset value per A- and B-share increased by 4% to R10.59 (2020: R10.18).

Property portfolio

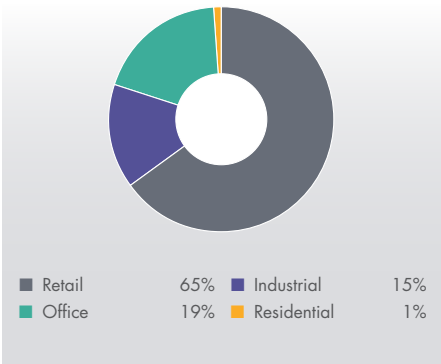
As at 28 February 2021, Dipula’s portfolio value remained stable at approximately R9 billion. The portfolio is comprised of 189 properties (2020: 190 properties) with a total gross lettable area (“GLA”) of 926 648 m² (2020: 916 593 m²).

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

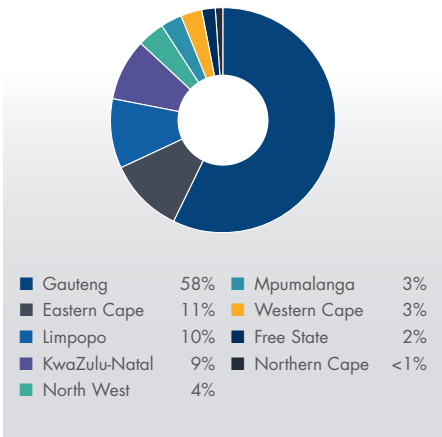
Sectoral split by GLA (%)



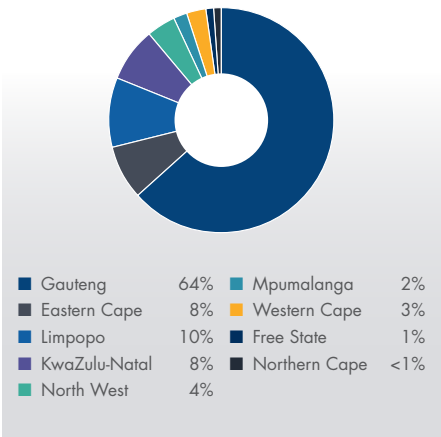
Sectoral split by gross income (%)



Geographic split by GLA (%)



Geographic split by gross income (%)



Leasing

New leases

During the period, Dipula concluded 136 new leases with a total GLA of 25 648 m², which translates to R138 million in lease value at a weighted average escalation of 7.7% and a weighted average lease expiry ("WALE") of 3.4 years.

Renewals

During the period, the group concluded renewals with a total GLA of 44 114 m². This amounts to gross lease income of approximately R191 million over the lease terms. The WALE for renewals was 2.5 years. Due to prevailing challenging market conditions, on a portfolio basis the group recorded a negative weighted average reversion rate of 4.8%. This was due to negative reversions in the retail, office and industrial portfolios of 1.7%, 13.4% and 8.3% respectively.

Tenant retention

The tenant retention rate was 77% (2020: 80%). The sectoral retention rates are broken down as follows:

Tenant retention rate by sector

	28 February 2021	29 February 2020
Retail	74%	74%
Offices	78%	92%
Industrial	83%	82%
Total	77%	80%

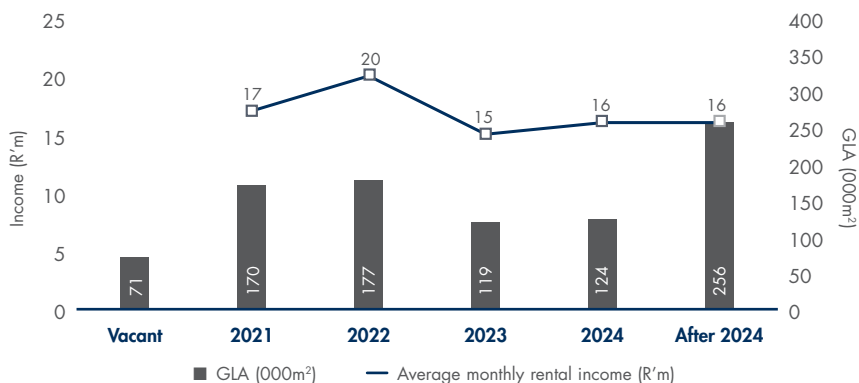
Vacancy

The entire portfolio vacancy factor increased to 7.6% (2020: 5.8%) driven primarily by the office sector and to some extent by retail vacancies due to COVID-19 and challenging economic conditions.

Vacancy by sector

	28 February 2021	29 February 2020
Retail	9.9%	7.6%
Offices	11.6%	7.2%
Industrial	3.2%	2.8%
Total	7.6%	5.8%

Lease expiry profile



COMMENTARY (CONTINUED)

At period end, Dipula had 170 000 m² of expired and/or expiring leases for the year ending 31 August 2021. Subsequent to period end, a significant proportion of the leases that expired before the reporting date were successfully renewed.

Acquisitions

On 1 September 2020, Dipula acquired an additional 49.9% interest in Shoprite Marikana and Marikana Old Church Street, for an aggregate purchase consideration of R63 million. The group concluded further acquisitions totaling R153 million which are expected to transfer prior to year-end.

Refurbishments and redevelopments

A total of approximately R28 million was invested in refurbishments and redevelopments during the period. A further R200 million worth of refurbishments is planned over the next 18 to 24 months.

Disposals

During the period, Dipula disposed of properties to a value of R12 million with an additional R78 million of disposals awaiting transfer at the end of the period.

Funding

During the period, debt facilities of R590.5 million were renewed at a weighted average funding rate of 6.5%, for a weighted average period of 2.6 years.

As at 28 February 2021, Dipula's blended weighted average cost of debt was 7.82% (2020: 9.33%). The company had total debt of R3.4 billion. The weighted average debt expiry profile was 2.2 years, and the aggregate hedge expiry period was 1.9 years. All debt was Rand denominated and 61% (2020: 79%) of the group's interest rate exposure was hedged.

The group's gearing decreased to 35.7% (2020: 40%) with undrawn facilities of R342 million at period-end.

The group is negotiating to renew R320 million worth of debt facilities which expire during the 2021 financial year.

The debt maturity and hedging profile is detailed below:

Financial year-end	Facility		Fixed/Swap		Floating	
	R'000	%	R'000	%	R'000	%
FY2021	320 176	8.6	350 000	9.4	(29 824)	(0.8)
FY2022	1 044 066	28.1	700 000	18.8	344 066	9.3
FY2023	917 603	24.7	300 000	8.1	617 603	16.6
FY2024	919 350	24.7	725 000	19.5	194 350	5.2
FY2025	390 545	10.5	200 000	5.4	190 545	5.1
>FY2025	126 425	3.4	–	–	126 425	3.4
	3 718 165	100.0	2 275 000	61.2	1 443 165	38.8

Covenants

At a group level, Dipula's strictest covenant requirement with its various debt providers is a loan to value ("LTV") ratio of 45% and an interest cover ratio ("ICR") of 2 times.

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

	28 February 2021	29 February 2020
LTV	35.7%	40.0%
ICR	3.18 times	2.74 times

Capital commitments

Dipula has capital commitments of R153 million at the end of the period. These will be funded through capital recycling and new debt facilities.

COVID-19 update

Rental relief and arrears

During the period, total rental relief of approximately R8.2 million was granted to tenants in response to the ongoing pandemic.

Collections averaged 98% since the implementation of the COVID-19 restrictions between 1 April 2020 and 30 April 2021.

Collections

Month	Total portfolio % collected of invoiced	Retail % collected of invoiced	Office % collected of invoiced	Industrial % collected of invoiced	Residential % collected of invoiced
2020					
April	72	68	92	62	–
May	89	87	102	79	–
June	108	111	89	119	–
July	88	95	95	90	45
August	113	117	144	119	76
September	83	85	89	76	77
October	95	99	92	98	103
November	90	98	98	63	111
December	102	90	107	146	92
2021					
January	107	106	107	111	87
February	103	104	105	99	79
March	97	100	91	89	121
April	90	97	61	96	100
Average	98	99	98	96	92

Board changes

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

Prospects

The board remains confident in Dipula's ability to deliver sustainable growth through its disciplined approach to building a resilient, diversified portfolio, which is well positioned to withstand tough market conditions through stable management, strategic execution and resourcefulness.

Notwithstanding current challenges, Dipula continues to take advantage of market opportunities and will capitalise on these wherever possible. The impact of the COVID-19 pandemic is an unknown with uncertainty around possible further surges in infection rates and consequent lockdowns. 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 board is also committed to finding solutions to Dipula's restrictive capital structure which has resulted in Dipula's shares trading significantly below their intrinsic value.

Dipula has until 31 August 2021 to declare a dividend that is a "qualifying distribution" in respect of the year ended 31 August 2020. The company will update the market in due course should any decision be taken in this regard.

Due to the current high level of uncertainty and consequential volatile trading environment, no guidance is provided at this stage for the full 2021 financial year.

Payment of interim dividend

The board has approved, and notice is hereby given of an interim gross dividend (dividend number 18) for the period 1 September 2020 to 28 February 2021 of 59.02029 cents per A-share and 45.09965 per B-share.

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

Last day to trade <i>cum</i> dividend	Tuesday, 1 June 2021
Shares trade ex-dividend	Wednesday, 2 June 2021
Record date	Friday, 4 June 2021
Payment date	Monday, 7 June 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 2 June 2021 and Friday, 4 June 2021, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 7 June 2021. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 7 June 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 May 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Audited year ended 31 August 2020 R'000
ASSETS			
Non-current assets	9 088 266	9 282 385	9 357 414
Investment property	9 040 889	8 951 647	9 094 502
Fair value of property portfolio	8 745 772	8 691 161	8 809 490
Straight-line rental income accrual	295 117	260 486	285 012
Intangible assets	18 750	56 250	37 500
Property, plant and equipment	2 977	3 409	3 353
Derivative financial assets – options	15 447	66 723	15 447
Loans receivable	10 203	204 356	206 612
Current assets	449 251	239 158	213 560
Trade and other receivables	188 334	169 578	164 203
Loans receivable	136 312	–	–
Cash and cash equivalents	124 605	69 580	49 357
Non-current assets held-for-sale			
Investment property held-for-sale	78 147	1 488	13 488
Total assets	9 615 664	9 523 031	9 584 462
EQUITY AND LIABILITIES			
Shareholders' interest	5 604 248	5 388 986	5 295 022
Stated capital	4 243 513	4 243 513	4 243 513
Fair value reserve	1 032 372	1 196 911	978 359
Retained income/(accumulated loss)	324 516	(51 887)	70 995
Share-based payment reserve	3 847	449	2 155
Non-controlling interests	239 762	182 407	250 499
Non-current liabilities	2 747 216	2 985 519	2 907 517
Interest-bearing liabilities	2 545 044	2 802 579	2 607 349
Non-interest-bearing liabilities	–	51 650	51 462
Option premium	11 500	11 500	11 500
Lease liabilities	104 080	78 884	103 055
Derivative financial liabilities – swaps	86 592	40 906	134 151
Current liabilities	1 024 438	966 119	1 131 424
Interest-bearing liabilities	830 976	797 023	931 875
Trade and other payables	169 163	154 136	171 052
Derivative financial liabilities – swaps	16 439	7 278	21 030
Lease liabilities	7 860	7 682	7 467
Total equity and liabilities	9 615 664	9 523 031	9 584 462

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Audited year ended 31 August 2020 R'000
Revenue	678 441	680 151	1 291 472
Contractual rental income	537 833	528 535	1 004 418
Municipal and property recoveries	130 503	132 869	243 781
Straight-line rental income accrual	10 105	18 747	43 273
Property-related expenses	(219 483)	(216 028)	(422 649)
Impairment loss on trade receivables	(1 919)	(3 068)	(11 049)
Net property income	457 039	461 055	857 774
Administration and corporate costs	(24 249)	(21 322)	(40 893)
Net operating profit	432 790	439 733	816 881
Net finance cost	(136 715)	(153 456)	(302 629)
Finance income	11 111	16 382	31 308
Finance cost	(147 826)	(169 838)	(333 937)
Net profit after finance cost	296 075	286 277	514 252
Amortisation of intangible assets	(18 750)	(18 750)	(37 500)
Fair value adjustments	43 908	(39 235)	(333 590)
Investment properties and properties held-for-sale	1 863	(189)	(111 743)
Straight-line rental income accrual	(10 105)	(18 747)	(43 273)
Options	–	(9 313)	(60 590)
Interest rate swaps	52 150	(10 986)	(117 984)
Profit before taxation	321 233	228 292	143 162
Taxation	–	–	–
Profit for the period after taxation	321 233	228 292	143 162
Other comprehensive income	–	–	–
Total comprehensive income for the period	321 233	228 292	143 162
Total profit and comprehensive income for the period attributable to:			
Shareholders of the company	308 991	214 741	119 071
Non-controlling interests	12 242	13 551	24 091
	321 233	228 292	143 162
Basic earnings per A-share (cents)	58.38	40.57	22.50
Diluted earnings per A-share (cents)	57.85	40.46	22.36
Basic earnings per B-share (cents)	58.38	40.57	22.50
Diluted earnings per B-share (cents)	57.85	40.46	22.36

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Fair value reserve R'000	Share- based payment reserve R'000	Retained (loss)/ income R'000	Non- controlling interests 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 comprehensive income for the period	–	–	–	214 741	13 551	228 292
Dividends declared	–	–	–	(253 071)	(13 328)	(266 399)
Recognition of staff share-based payments	–	–	399	–	–	399
Transfer from fair value reserve – investment properties	–	(189)	–	189	–	–
Transfer from fair value reserve – interest rate swaps	–	(10 986)	–	10 986	–	–
Balance at 29 February 2020 (unaudited)	4 243 513	1 196 911	449	(51 887)	182 407	5 571 393
Balance at 31 August 2020 (audited)	4 243 513	978 359	2 155	70 995	250 499	5 545 521
Total comprehensive income for the period	–	–	–	308 991	12 242	321 233
Dividends declared	–	–	–	–	(12 822)	(12 822)
Acquisition of non-controlling interest	–	–	–	(1 457)	(9 925)	(11 382)
Finance cost on NCI loan	–	–	–	–	809	809
Repayment of NCI loan	–	–	–	–	(1 041)	(1 041)
Recognition of staff share-based payments	–	–	1 692	–	–	1 692
Transfer to fair value reserve – investment properties	–	1 863	–	(1 863)	–	–
Transfer to fair value reserve – interest rate swaps	–	52 150	–	(52 150)	–	–
Balance at 28 February 2021 (unaudited)	4 243 513	1 032 372	3 847	324 516	239 762	5 844 010

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Audited year ended 31 August 2020 R'000
Cash flows from operating activities			
Cash generated from operations	405 882	418 783	798 590
Finance income	7 690	16 382	31 308
Finance cost	(134 536)	(169 838)	(312 916)
Dividends paid	(12 822)	(266 399)	(279 734)
Net cash generated from/(utilised in) operating activities	266 214	(1 072)	237 248
Cash flows from investing activities			
Acquisition of business combination	–	–	(71 832)
Capital expenditure on investment properties	(28 064)	(34 258)	(56 147)
Acquisition of property, plant and equipment	(118)	(151)	(323)
Proceeds on disposal of investment properties	11 850	49 450	61 950
Net movement in loans receivable	673	(3 185)	(5 441)
Net cash (utilised in)/generated from investing activities	(15 659)	11 856	(71 793)
Cash flows from financing activities			
Land lease liabilities	(3 750)	(3 394)	(7 224)
Non-interest-bearing liabilities repaid	(231)	(39)	(227)
Net movement in interest-bearing liabilities	(171 326)	(56 859)	(227 735)
Repaid	(165 326)	(21 939)	(184 666)
Permanent reduction	(6 000)	(34 920)	(43 069)
Net cash utilised in financing activities	(175 307)	(60 292)	(235 186)
Net increase/(decrease) in cash and cash equivalents	75 248	(49 508)	(69 731)
Cash and cash equivalents at the beginning of the year	49 357	119 088	119 088
Cash and cash equivalents at the end of the period	124 605	69 580	49 357

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
Six months ended 28 February 2021							
Extracts from the statement of comprehensive income							
Contractual rental income and recoveries (excluding straight-line)	423 504	128 892	99 766	16 174	–	–	668 336
Property-related expenses	(156 350)	(38 817)	(19 767)	(6 457)	(11)	–	(221 402)
Net property income	267 154	90 075	79 999	9 717	(11)	–	446 934
Extracts from the statement of financial position							
Investment property at fair value	5 544 046	1 832 578	1 400 712	243 424	20 129	–	9 040 889
Investment property held-for-sale	31 251	–	46 896	–	–	–	78 147
Total	5 575 297	1 832 578	1 447 608	243 424	20 129	–	9 119 036
Six months ended 29 February 2020							
Extracts from the statement of comprehensive income							
Contractual rental income and recoveries (excluding straight-line)	433 867	127 677	99 860	–	–	–	661 404
Property-related expenses	(157 647)	(42 142)	(19 296)	–	(11)	–	(219 096)
Net property income	276 220	85 535	80 564	–	(11)	–	442 308
Extracts from the statement of financial position							
Investment property at fair value	5 608 255	1 847 065	1 475 467	–	20 860	–	8 951 647
Investment property held-for-sale	1 488	–	–	–	–	–	1 488
Total	5 609 743	1 847 065	1 475 467	–	20 860	–	8 953 135
Year ended 31 August 2020							
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

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION (CONTINUED)

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.

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Audited year ended 31 August 2020 R'000
Reconciliation of reportable segment revenue and profit			
Revenue			
Total revenue for reportable segments	668 336	661 404	1 248 199
Straight-line rental income accrual	10 105	18 747	43 273
Consolidated revenue	678 441	680 151	1 291 472
Profit			
Total profit for reportable segments	446 934	442 308	814 501
Straight-line rental income accrual	10 105	18 747	43 273
Administration and corporate costs	(24 249)	(21 322)	(40 893)
Net finance cost	(136 715)	(153 456)	(302 629)
Fair value adjustments	43 908	(39 235)	(333 590)
Amortisation of intangible assets	(18 750)	(18 750)	(37 500)
Profit before taxation	321 233	228 292	143 162

RECONCILIATION BETWEEN PROFIT, EARNINGS AND HEADLINE EARNINGS

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Audited year ended 31 August 2020 R'000
Total profit and comprehensive income for the period (earnings)	308 991	214 741	119 071
<i>Adjustments:</i>	8 640	18 936	152 322
Fair value – investment properties and held-for-sale (net of non-controlling interests)	(1 465)	189	109 049
Fair value – straight-line rental income	10 105	18 747	43 273
Headline earnings	317 631	233 677	271 393
Total number of shares in issue*	529 282 638	529 282 638	529 282 638
A-shares	264 641 319	264 641 319	264 641 319
B-shares	264 641 319	264 641 319	264 641 319
Total weighted average number shares in issue*	529 282 638	529 282 638	529 282 638
A-shares	264 641 319	264 641 319	264 641 319
B-shares	264 641 319	264 641 319	264 641 319
Total diluted weighted average number shares in issue*	534 126 895	530 700 035	532 422 828
A-shares	264 641 319	264 641 319	264 641 319
B-shares	269 485 576	266 058 716	267 781 509
Headline earnings per A-share (cents)	60.01	44.15	51.28
Diluted headline earnings per A-share (cents)	59.47	44.03	50.97
Headline earnings per B-share (cents)	60.01	44.15	51.28
Diluted headline earnings per B-share (cents)	59.47	44.03	50.97

* Net of treasury shares.

Headline earnings per share is based on the weighted average number of shares in issue during the period.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim results were prepared by the Financial Director, Mr R Asmal BCom (Accounting) and the Group Financial Manager, Mrs N Kotze CA(SA). These results have not been reviewed or reported on by the Company's independent external auditor.

The unaudited condensed consolidated interim financial results for the period ended 28 February 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 years consolidated annual financial statements.

Measurement of fair value

Investment property

On an annual basis, properties above R12 million (at the last valuation date) and one-third of properties below R12 million are valued by independent registered valuers.

The remaining two-thirds are valued internally by directors.

The properties are valued using either the discounted cash flow or capitalisation methods by the internal and external valuers. The valuations are done on an open market basis with consideration given to the future earnings potential and applying an appropriate capitalisation rate to a property. The capitalisation rates used range between 8.0% and 15.0% (February 2020: 8.0% and 15.0%). Investment properties held-for-sale were valued at the net sale price, which is considered to be the fair value.

Financial instruments

Financial instruments are measured at fair value. The fair value of interest rate swaps is based on broker quotes. Those 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 a similar instrument at the reporting date.

The fair value of the options are determined utilising open market sales for similar properties in the identified notes.

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 measurement 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 derivative financial instruments have been categorised as Level 3 and 2 respectively. There has been no material change between levels during the period and there were no transfers between levels.

	Unaudited 28 February 2021 R'000	Unaudited 29 February 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	21 008	27 866
Change in fair value	798	–
Transferred to non-current assets held-for-sale/disposals	(76 659)	–
Right-of-use asset	1 215	86 649
Net tenant installation/lease commission	25	(181)
Balance at the end of the period	9 040 889	8 951 647

Valuation technique and significant unobservable inputs Investment properties

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental and capitalisation rates. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property, its location and lease terms.	▶ Expected rental growth varies between -1% and 10% per annum (2020: between 6% and 8% per annum); and ▶ Risk-adjusted discount rates vary between 10.0% and 16.5% (2020: 10.75% and 16.5%).	The estimated fair value would increase/(decrease) if: ■ expected rentals were higher/(lower); and ■ risk-adjusted discount rates and capitalisation rates were lower/(higher).
Capitalisation model: Establishes the market-related rental income for the property and applies an appropriate capitalisation rate.	▶ Capitalisation rates vary between 8% and 15% (2020: 8% and 15%).	A 1% increase in the capitalisation rate results in a R789 million (2020: R802 million) decrease in valuation and a 1% decrease in the capitalisation rate a R970 million (2020: R987 million) increase in value.

BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Options

Valuation technique	Significant unobservable inputs
Valued by utilising comparative sales of similar properties in the respective nodes.	► Comparative sales of similar properties.

Derivative financial instruments – Level 2: Interest rate swaps

Valuation technique	Significant unobservable inputs
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.

The fair value of other financial instruments approximate their carrying values.

APPENDIX 1 – DISTRIBUTION STATEMENT

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Audited year ended 31 August 2020 R'000
Reconciliation of profit for the year to distributable earnings			
Profit attributable to shareholders of the Company	308 991	214 741	119 071
Fair value – investment properties revaluation	(1 863)	189	111 743
Fair value – straight-line rental income	10 105	18 747	43 273
Fair value – interest rate swaps	(52 150)	10 986	117 984
Fair value – options	–	9 313	60 590
NCI portion of fair value adjustment	398	–	(2 694)
IFRS 16: <i>Rental paid adjustment</i>	(3 750)	–	(7 224)
IFRS 16: <i>Finance cost adjustment</i>	5 168	–	10 140
Amortisation of intangible assets	18 750	18 750	37 500
Straight-line rental income accrual	(10 105)	(18 747)	(43 273)
Distributable earnings	275 544	253 979	447 110
Distribution statement			
Revenue	668 336	661 404	1 248 199
Contractual rental income	537 833	528 535	1 004 418
Recoveries and other income	130 503	132 869	243 781
Property-related expenses	(225 152)	(219 096)	(440 922)
Net property income	443 184	442 308	807 277
Administration and corporate costs	(24 249)	(21 322)	(40 893)
Net operating profit	418 935	420 986	766 384
Net finance cost	(131 547)	(153 456)	(292 489)
Non-controlling interests	(11 844)	(13 551)	(26 785)
Distributable earnings	275 544	253 979	447 110
Distributable earnings per A-share (cents)	59.02029	57.35694	114.49016
Interim	59.02029	57.35694	57.35694
Final	–	–	57.13322
Distributable earnings per B-share (cents)	45.09965	38.61409	54.45985
Interim	45.09965	38.61409	38.61409
Final	–	–	15.84576
Combined distributable earnings per share (cents)	104.11995	95.97103	168.95001
Interim	104.11995	95.97103	95.97103
Final	–	–	72.97898

APPENDIX 2 – SA REIT SUPPLEMENTAL PERFORMANCE MEASURES

The second edition of the SA REIT Association's best practice recommendations was issued in November 2019, outlining the need to provide consistent presentation and disclosure of relevant ratios in the SA REIT sector.

This will ensure information and definitions are clearly presented, enhancing comparability and consistency across the sector. The comparative figures have been computed and disclosed on the same basis.

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 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	308 991	214 741	119 071
Adjusted for:			
Accounting/specific adjustments	17 381	28 722	210 794
Fair value adjustments to:			
– Investment property	8 242	18 936	155 016
– Options	–	9 313	60 590
Depreciation and amortisation of intangible assets	19 244	19 220	38 461
Straight-lining operating lease adjustment	(10 105)	(18 747)	(43 273)
Foreign exchange and hedging items	(52 150)	10 986	117 984
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	(52 150)	10 986	117 984
Other adjustments:	398	–	(2 694)
Non-controlling interests in respect of the above adjustments	398	–	(2 694)
SA REIT FFO	274 620	254 449	445 155
Number of shares outstanding at the end of the period (net of treasury shares)	529 282 638	529 282 638	529 282 638
SA REIT FFO average per share (cents)	51.89	48.07	84.11
Company-specific adjustments	924	(470)	1 955
IFRS 16: <i>Rental paid</i>	(3 750)	–	(7 224)
IFRS 16: <i>Finance cost adjustment</i>	5 168	–	10 140
Depreciation of property, plant and equipment	(494)	(470)	(961)
Distributable earnings	275 544	253 979	447 110

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT Net Asset Value ("SA REIT NAV")			
Reported NAV attributable to the parent	5 604 248	5 388 986	5 295 022
Adjustments:			
Dividend to be declared	(275 544)	–	–
Fair value of certain derivative financial instruments	103 031	48 184	155 181
Goodwill and intangible assets	(18 750)	(56 250)	(37 500)
SA REIT NAV	5 412 985	5 380 920	5 412 703
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)	529 282 638	529 282 638	529 282 638
Effect of dilutive instruments	4 844 257	1 417 397	3 140 190
Dilutive number of shares in issue	534 126 895	530 700 035	532 422 828
SA REIT NAV per share (Rand)	10.13	10.14	10.17

APPENDIX 2 – SA REIT SUPPLEMENTAL PERFORMANCE MEASURES (CONTINUED)

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT cost-to-income ratio			
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	219 483	216 028	422 649
Administrative expenses per IFRS income statement	24 249	21 322	40 893
Other expenses – impairment loss and write off of receivables	1 919	3 068	11 049
<i>Exclude:</i>			
Depreciation expense in relation to property, plant and equipment	(494)	(470)	(961)
Operating costs	245 157	239 948	473 630
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	537 833	528 535	1 004 418
Utility and operating recoveries per IFRS income statement	130 503	132 869	243 781
Gross rental income	668 336	661 404	1 248 199
SA REIT cost-to-income ratio	36.7%	36.3%	37.9%

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 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	24 249	21 322	40 893
Administrative costs	24 249	21 322	40 893
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	537 833	528 535	1 004 418
Utility and operating recoveries per IFRS income statement	130 503	132 869	243 781
Gross rental income	668 336	661 404	1 248 199
SA REIT administrative cost-to-income ratio	3.6%	3.2%	3.3%

APPENDIX 2 – SA REIT SUPPLEMENTAL PERFORMANCE MEASURES (CONTINUED)

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Unaudited year ended 31 August 2020 R'000
Cost of debt			
<i>Variable interest rate borrowings</i>			
Floating reference rate plus weighted average margin	5.29%	8.85%	8.00%
Pre-adjusted weighted average cost of debt	5.29%	8.85%	8.00%
Adjustments:			
Impact of interest rate derivatives	2.48%	0.39%	0.96%
Amortised transaction costs imputed into the effective interest rate	0.05%	0.09%	0.07%
All-in weighted average cost of debt	7.82%	9.33%	9.03%

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT loan-to-value			
Gross debt	3 376 020	3 599 602	3 539 224
<i>Less:</i>			
Cash and cash equivalents	(124 605)	(69 580)	(49 357)
Add/less:			
Derivative financial instruments	103 031	48 184	155 181
Net debt	3 354 446	3 578 206	3 645 048
Total assets – per statement of financial position	9 615 664	9 523 031	9 584 462
<i>Less:</i>			
Cash and cash equivalents	(124 605)	(69 580)	(49 357)
Goodwill and intangible assets	(18 750)	(56 250)	(37 500)
Trade and other receivables	(188 334)	(169 578)	(164 203)
Carrying amount of property-related assets	9 283 975	9 227 623	9 333 402
SA REIT loan-to-value ("SA REIT LTV")	36.13	38.78	39.05

APPENDIX 2 – SA REIT SUPPLEMENTAL PERFORMANCE MEASURES (CONTINUED)

SA REIT VACANCY

	Unaudited six months ended 28 February 2021 R'000	Unaudited six months ended 29 February 2020 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT GLA vacancy rate			
Gross lettable area of vacant space	70 787	52 476	63 474
Gross lettable area of total property portfolio	920 632	907 798	915 668
SA REIT GLA vacancy rate	7.6%	5.8%	6.9%

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*

British

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Firestation Rosebank

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2196

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Mazars Gauteng

Practice number 900222

Registered auditors

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Transfer secretaries

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Braamfontein

2001

Bankers

The Standard Bank of South Africa Limited

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