REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 AUGUST 2019

CONSISTENT

DISCIPLINED

DIVERSIFIED

SUSTAINABLE

STABLE

RESOURCEFUL

SALIENT FEATURES

Revenue up **17.3%**

Net property income up **19.1%**

Net property cost to income ratio down **8.1%**

Vacancies reduced by **20%**

Net tangible asset value up **3%**

Gearing levels maintained **40%**

Combined share dividend **192.95662** cents per share

A-share dividend **110.24989** cents per share

B-share dividend **82.70673** cents per share

COMMENTARY

Introduction

Dipula performed relatively well despite a backdrop of sustained economic headwinds, producing solid results for the financial year ended 31 August 2019. The company's diversified portfolio with its defensive retail focus, combined with management's emphasis on improving the portfolio through strategic interventions, superior administration and cost control, has proved to be successful, achieving a 19% increase in net property income.

Profile

Dipula is an internally managed, South African focused Real Estate Investment Trust ("REIT") that owns a diversified portfolio of primarily retail, office and industrial assets located across all provinces in South Africa. The majority are in Gauteng. Dipula also selectively invests in the residential rental sector.

Dipula's internalised asset management team has developed a high level of expertise in peri-urban areas, with the necessary experience to navigate complex community issues. Dipula's core competencies include property, financial, marketing and legal. Furthermore management maintains strong relationships with key national tenants. This expertise and determination combined with dedicated portfolio management has been the cornerstone of the company's strong track record of creating value for its shareholders.

Dipula is listed on the Johannesburg Stock Exchange ("JSE") and has two classes of shares in issue trading under the codes DIA and DIB. DIA shares are entitled to a preferred income growth of the lower of 5% or CPI, while DIB shares receive the remaining net distributable income. DIA and DIB shares rank equally in all other respects.

The company's strategy is to own a diversified portfolio with a retail bias and good tenant covenants. Management holds a significant stake in Dipula as a strategic long-term investment, ensuring a continuous alignment with shareholders.

Financial results

During the year ended 31 August 2019 ("the year") distributable earnings increased 1.3% to R510.6 million (2018: R504.2 million) and revenue increased to R1.34 billion, a 17% increase year-on-year. This increase was mainly driven by acquisitions from the prior year which have now been accounted for over a full 12-month period.

The dividend per A-share increased by 4.2% year-on-year to 110.24989 cents (2018: 105.80560 cents) and is in accordance with the A-share dividend policy. The dividend per B-share reduced to 82.70673 cents (2018: 99.67872 cents) resulting in a combined dividend per share of 192.95662 cents (2018: 205.48432 cents).

As indicated in the interim results, the factors giving rise to the reduction in dividend growth are mainly longer lead times on new leases, higher costs of leasing and the impact of the economic slowdown on tenants.

Management's focus on cost containment is evidenced by a 8.1% reduction in the net property cost-to-income ratio to 17.1% (2018: 18.6%).

Dipula's net tangible asset value per share at year-end was up 3% to R10.11 (2018: R9.82).

Property portfolio

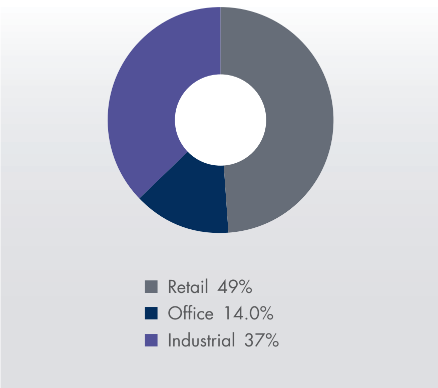
Due to challenging market conditions and the current negative sentiment towards listed property, Dipula's shares are trading at a deep discount to NAV. As a result Dipula did not acquire any assets during the year and the growth in asset value resulted from a 3% improvement in property valuations. At year-end the group's property portfolio consisted of 194 properties valued at R8.9 billion (including non-controlling interest) with a total gross lettable area ("GLA") of 923 679m^2, compared to 203 properties with a GLA of 930 644m^2 valued at R8.6 billion in the prior year.

Properties are valued annually with those exceeding R12 million (as at last valuation date) being valued by independent registered valuation specialists. By rotation, the properties worth R12 million and below are externally valued at least once every three years.

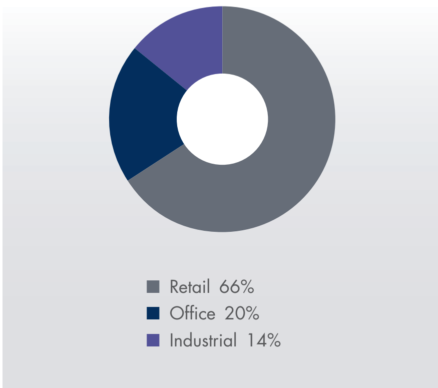
Sectoral profile

The sector and geographic breakdown of Dipula's portfolio as at 31 August 2019 is set out below:

Sectoral split by GLA (%)

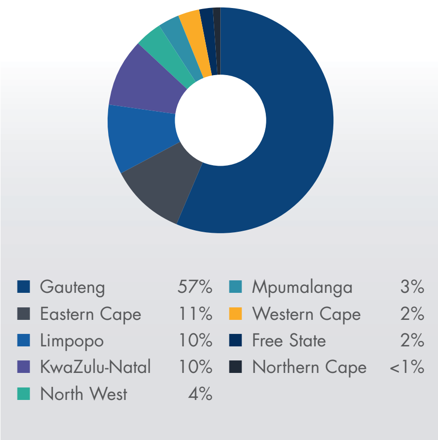


Sectoral split by gross income (%)

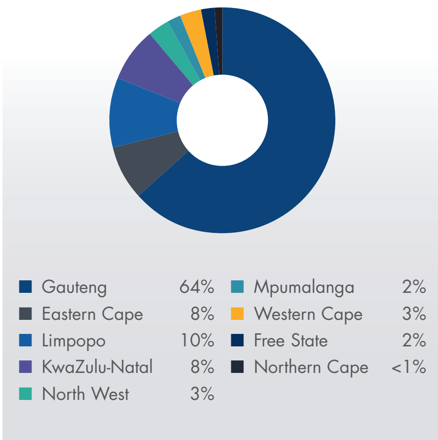


Geographic profile

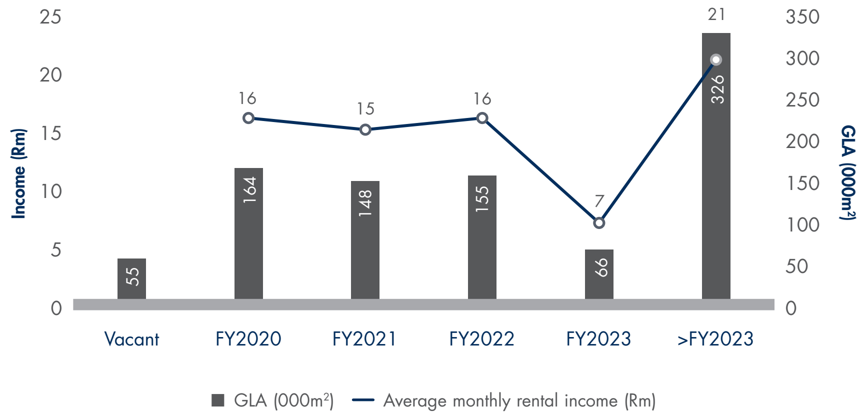
Geographic split by GLA (%)



Geographic split by gross income (%)



Lease expiry profile



Leasing

Dipula secured an impressive 187 new tenancies equating to 83 595m² of GLA, R422 million in lease value at an average escalation of 7.9% and a weighted average lease expiry ("WALE") of approximately four years during the year.

Management's ongoing asset management activities has included the successful refurbishment of various strategic assets, some of these have unlocked significant re-tenanting opportunities.

Vacancies were reduced by 20% year-on-year to 6.0% (2018: 7.5%) substantially driven by leasing of industrial premises and a reduction in vacancies in the office sector.

The sectoral vacancy breakdown is: Retail 8.4% (2018: 8.1%), Offices 7.8% (2018: 9.2%) and Industrial 2.3% (2018: 5.8%). The vacancy factor is significantly below SAPOA's rate of 3.6% for industrial (as at December 2018) and 11% for offices (as at September 2019).

During the year under review, of the GLA due for renewal, 85% of tenants were retained, equating to lease income of R592 million (118 528m²) over the lease term, at a WALE of three years. This included lease renewals by the Department of Public Works, South African Revenue Service and several municipalities across Gauteng. The space that was vacated during the year has been substantially filled with alternative tenants by year-end and subsequently. The office and industrial portfolios achieved an impressive 97% and 94% retention rate respectively. The overall retention rate was to some extent negatively affected by the retail portfolio which recorded a 86% retention rate due to the closure of various banking branches and restructuring of the Edcon Group.

In respect of renewals across the portfolio, an aggregate rental increase of 1.1% was achieved and consisted of positive renewal rates in the retail and office sectors of 2.2% and 3.5% respectively while the industrial portfolio recorded an 8.2% negative reversion.

Disposals

As part of the company's capital recycling strategy, disposals of R58 million were concluded, the proceeds of which were used for debt repayment and capex initiatives. Additional properties, valued at R51 million, are held for sale, with additional non-core properties earmarked for disposal in the new financial year.

Refurbishments and developments

A total of R78 million (2018: R195 million) was spent on yield enhancing capital expenditure including redevelopments during the year.

These refurbishments resulted in significant re-tenanting opportunities. More improvements are planned for 2020 and beyond in line with Dipula's ongoing roll-out of refurbishments that increase the life cycle of its assets.

Cost to income ratios

	August 2019	August 2018
Property cost to income (gross basis)	**32.6%**	33.7%
Property cost to income (net basis)	**17.1%**	18.6%
Total cost to income (gross basis)	**35.2%**	35.9%
Total cost to income (net basis)	**20.3%**	21.4%

Funding

As at 31 August 2019, Dipula's all-in blended rate of interest was 9.29% (2018: 9.25%). The company has total debt of R3.7 billion. The weighted average debt expiry is 2.3 years and the hedge expiry is 2.2 years.

78% of interest on debt had been fixed at year-end (2018: 87%). All debt is South African Rand based. A total of R1.02 billion of debt facilities were concluded during the year, of which R80 million was new facilities. The weighted average nominal rate was 9% and weighted average tenure was 4.1 years for these facilities.

The group's gearing was stable at 40.4% (2018: 40.6%) with its credit rating being upgraded from BBB (ZA) to BBB+ (ZA) long-term and A3(ZA) to A2(ZA) short term.

The debt maturity and hedging profile is detailed below:

	Facility		**Fixed/Swap**		**Floating**	
Financial year-end	**R'000**	**%**	**R'000**	**%**	**R'000**	**%**
FY2020	809 046	22.0	756 250	20.6	52 796	1.4
FY2021	845 067	23.0	800 000	21.8	45 067	1.2
FY2022	750 127	20.4	700 000	19.0	50 127	1.4
FY2023	624 603	17.0	300 000	8.2	324 603	8.8
FY2024	648 703	17.6	325 000	8.7	323 703	8.7
	3 677 546	100	2 881 250	78.3	796 296	21.7

Management company internalisation

In September 2017, the internalisation of the management company ("Manco") was finalised through the acquisition of 100% of the beneficial interest in the Dipula Asset Management Trust. This internalisation together with the insourcing of property management functions continues to positively impact the group's operations and talent retention, further embedding a 'one team' culture and Dipula ethos.

Board changes

No changes to the board of directors were implemented during the period.

Prospects

Dipula is an operationally robust business with a portfolio that continues to perform well. Notwithstanding external market dynamics and economic headwinds, the board remains confident in the group's business strategy, the resilience of the portfolio and management's ability to continue to deliver a sound performance.

Dipula's team has established a solid foundation for medium to long-term growth through their focus on leasing and cost control, differentiated by their tenant-centric approach, the outcome of which is evident in these results.

The group will continue to pursue strategically appropriate and financially sound growth opportunities that may be achieved from portfolio acquisitions and corporate action in South Africa.

The board is of the view that the dividend per share on the combined share for the year ending 31 August 2020 will increase by 2% compared to the dividend per share for the year ended 31 August 2019.

This forecast assumes that macroeconomic conditions do not deteriorate further, no major corporate failures occur and that tenants' ability to absorb rising costs is not unduly negatively impacted. Forecast rental income is based on contractual escalations and market-related renewals with no further property acquisitions or disposals (except assets classified as "held for sale") assumed.

This forecast has not been reviewed or reported on by the group's independent external auditors.

Payment of dividend

The board has approved the payment of a dividend. Notice is hereby given of the final gross dividend (dividend number 17) for the period 1 March 2019 to 31 August 2019 of 55.41534 cents per A-share and 40.20377 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, 10 December 2019
Shares trade *ex*-dividend	Wednesday, 11 December 2019
Record date	Friday, 13 December 2019
Payment date	Tuesday, 17 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 December 2019 and Friday, 13 December 2019, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Tuesday, 17 December 2019. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Tuesday, 17 December 2019.

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

On behalf of the board

Zanele Matlala
Chairperson

Izak Petersen
Chief executive officer

20 November 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed year ended 31 August 2019 R'000	Audited year ended 31 August 2018 R'000
ASSETS		
Non-current assets	**9 193 244**	8 944 839
Investment property	**8 837 313**	8 607 859
Fair value of property portfolio	**8 595 574**	8 427 249
Straight-line rental income accrual	**241 739**	180 610
Intangible assets	**75 000**	112 500
Property, plant and equipment	**3 723**	3 886
Derivative financial assets – swaps	**–**	26 315
Derivative financial assets – PUT option	**76 037**	–
Loans receivable	**201 171**	194 279
Current assets	**279 420**	298 532
Trade and other receivables	**160 323**	208 266
Derivative financial assets	**9**	1 202
Cash and cash equivalents	**119 088**	89 064
Non-current assets held-for-sale		
Investment property held-for-sale	**50 938**	30 013
Total assets	**9 523 602**	9 273 384
EQUITY AND LIABILITIES		
Shareholders' interest	**5 426 917**	5 308 816
Stated capital	**4 243 513**	4 243 513
Fair value reserve	**1 208 086**	1 037 803
Retained (loss)/income	**(24 732)**	27 500
Share-based payment reserve	**50**	–
Non-controlling interests	**182 184**	155 796
Non-current liabilities	**2 920 218**	2 602 100
Interest-bearing liabilities	**2 824 912**	2 546 926
Non-interest-bearing liabilities	**51 689**	51 124
Put option premium	**11 500**	–
Derivative liabilities	**32 117**	4 050
Current liabilities	**994 283**	1 206 672
Interest-bearing liabilities	**831 549**	974 225
Bank overdraft	**–**	20 048
Trade and other payables	**157 645**	209 648
Derivative liabilities	**5 089**	2 751
Total equity and liabilities	**9 523 602**	9 273 384

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed year ended 31 August 2019 R'000	Audited year ended 31 August 2018 R'000
Revenue	**1 338 418**	1 141 348
Contractual rental income	**1 009 866**	860 027
Municipal and property recoveries	**251 103**	217 557
Other income	**16 320**	38 750
Straight-line rental income accrual	**61 129**	25 014
Property-related expenses	**(411 249)**	(362 824)
Net property income	**927 169**	778 524
Administration and corporate costs	**(33 023)**	(24 470)
Net operating profit	**894 146**	754 054
Net finance cost	**(308 232)**	(231 605)
Finance income	**26 000**	42 103
Finance cost	**(334 232)**	(273 708)
Net profit after finance cost	**585 914**	522 449
Transaction costs on business combination	**–**	(2 543)
Loss on sale of property, plant and equipment	**–**	(153)
Amortisation of intangible assets	**(37 500)**	(37 500)
Goodwill impaired	**–**	(13 327)
Fair value adjustments	**185 191**	13 996
Investment properties and properties held-for-sale	**228 196**	(16 507)
Straight-line rental income accrual	**(61 129)**	(25 014)
Put options	**76 037**	–
Interest rate swaps	**(57 913)**	55 517
Profit before taxation	**733 605**	482 922
Taxation	**–**	–
Profit for the year after taxation	**733 605**	482 922
Other comprehensive income	**–**	–
Total comprehensive income for the year	**733 605**	482 922
Total profit and comprehensive income for the year attributable to:		
Shareholders of the company	**681 574**	471 540
Non-controlling interests	**52 031**	11 382
	733 605	482 922
Basic and diluted earnings per A-share (cents)	**128.77**	99.09
Basic and diluted earnings per B-share (cents)	**128.77**	99.09

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 interest R'000	Total equity R'000
Balance at 31 August 2017 (audited)	3 346 742	998 793	–	78 938	–	4 424 473
Total comprehensive income for the year	–	–	–	471 540	11 382	482 922
Equity contributed by non-controlling interest	–	–	–	–	151 549	151 549
Shares issued net of share issue expenses	896 771	–	–	–		896 771
Dividends declared	–	–	–	(483 968)	(7 135)	(491 103)
Transfer from fair value reserve – investment properties	–	(16 507)	–	16 507	–	–
Transfer to fair value reserve – interest rate swaps	–	55 517	–	(55 517)	–	–
Balance at 31 August 2018 (audited)	**4 243 513**	**1 037 803**	**–**	**27 500**	**155 796**	**5 464 612**
IFRS 9: *Transition Adjustments*	**–**	**–**	**–**	**(18 123)**	**–**	**(18 123)**
	4 243 513	**1 037 803**	**–**	**9 377**	**155 796**	**5 446 489**
Total comprehensive income for the year	**–**	**–**	**–**	**681 574**	**52 031**	**733 605**
Dividends declared	**–**	**–**	**–**	**(545 400)**	**(25 643)**	**(571 043)**
Recognition of share-based payments	**–**	**–**	**50**	**–**	**–**	**50**
Transfer to fair value reserve – investment properties	**–**	**228 196**	**–**	**(228 196)**	**–**	**–**
Transfer from fair value reserve – interest rate swaps	**–**	**(57 913)**	**–**	**57 913**	**–**	**–**
Balance at 31 August 2019 (reviewed)	**4 243 513**	**1 208 086**	**50**	**(24 732)**	**182 184**	**5 609 101**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Reviewed year ended 31 August 2019 R'000	Audited year ended 31 August 2018 R'000
Cash flows from operating activities		
Cash generated from operations	**822 448**	713 649
Finance income	**26 000**	38 493
Finance cost	**(338 432)**	(275 830)
Dividends paid	**(571 043)**	(491 103)
Net cash utilised in operating activities	**(61 027)**	(14 791)
Cash flows from investing activities		
Acquisition of investment properties and capital expenditure	**(86 522)**	(1 982 997)
Acquisition of business combination	**–**	(47 382)
Acquisition of property, plant and equipment	**(784)**	(3 344)
Proceeds on disposal of investment properties	**57 922**	201 416
(Advance)/repayment of loans	**(6 892)**	89 936
Put option premium	**11 500**	–
Net cash utilised in investing activities	**(24 776)**	(1 742 371)
Cash flows from financing activities		
Issue of shares net of share issue expenses	**–**	796 471
Shares issued to non-controlling interests	**–**	151 549
Non-interest-bearing liabilities raised	**565**	51 124
Net movement in interest-bearing liabilities*	**135 310**	696 808
Interest-bearing liabilities raised	**161 395**	795 208
Repayment of borrowings	**(26 085)**	(98 400)
Net cash generated from financing activities	**135 875**	1 695 952
Net increase/(decrease) in cash and cash equivalents	**50 072**	(61 210)
Cash and cash equivalents at beginning of year	**69 016**	130 226
Cash and cash equivalents at end of year	**119 088**	69 016

* *In the current financial year the interest-bearing liabilities raised and repaid have been split out, for better disclosure.*

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

	Retail R'000	Offices R'000	Industrial R'000	Land R'000	Corporate R'000	Total R'000
Year to 31 August 2019 (reviewed)						
Extracts from the statement of comprehensive income						
Contractual rental income and recoveries (excluding straight-line)	**837 951**	**242 404**	**180 614**	**–**	**–**	**1 260 969**
Other income	**–**	**–**	**–**	**–**	**16 320**	**16 320**
Property-related expenses	**(274 260)**	**(71 794)**	**(39 487)**	**(18)**	**(25 690)**	**(411 249)**
Net property income	**563 691**	**170 610**	**141 127**	**(18)**	**(9 370)**	**866 040**
Extracts from the statement of financial position						
Investment property at fair value	**5 504 593**	**1 845 154**	**1 466 766**	**20 800**	**–**	**8 837 313**
Investment property held-for-sale	**50 938**	**–**	**–**	**–**	**–**	**50 938**
Total	**5 555 531**	**1 845 154**	**1 466 766**	**20 800**	**–**	**8 888 251**
Year to 31 August 2018 (audited)						
Extracts from the statement of comprehensive income						
Contractual rental income and recoveries (excluding straight-line)	734 157	201 269	142 158	–	–	1 077 584
Other income	8 358	24 392	6 000	–	–	38 750
Property-related expenses	(250 529)	(56 972)	(36 094)	(21)	(19 208)	(362 824)
Net property income	491 986	168 689	112 064	(21)	(19 208)	753 510
Extracts from the statement of financial position						
Investment property at fair value	5 423 068	1 760 137	1 394 504	30 150	–	8 607 859
Investment property held-for-sale	22 050	6 475	–	1 488	–	30 013
Total	5 445 118	1 766 612	1 394 504	31 638	–	8 637 872

The entity has four 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.

	Reviewed year ended 31 August 2019 R'000	Audited year ended 31 August 2018 R'000
Reconciliation of reportable segment revenue and profit		
Revenue		
Total revenue for reportable segments	**1 260 969**	1 077 584
Other income for reportable segments	**16 320**	38 750
Straight-line rental income accrual	**61 129**	25 014
Consolidated revenue	**1 338 418**	1 141 348
Profit		
Total profit for reportable segments	**866 040**	753 510
Straight-line rental income accrual	**61 129**	25 014
Administration and corporate costs	**(33 023)**	(24 470)
Net finance cost	**(308 232)**	(231 605)
Transaction costs on business combination	**–**	(2 543)
Fair value adjustments	**185 191**	13 996
Loss on sale of property, plant and equipment	**–**	(153)
Goodwill impaired	**–**	(13 327)
Amortisation of intangible assets	**(37 500)**	(37 500)
Profit before taxation	**733 605**	482 922

RECONCILIATION BETWEEN PROFIT, EARNINGS AND HEADLINE EARNINGS

	Reviewed 31 August 2019 R'000	Audited 31 August 2018 R'000
Total profit and comprehensive income for the year (earnings)	**681 574**	471 540
Adjustments:	**(140 679)**	59 095
Goodwill impaired	**–**	13 327
Fair value – investment properties and held-for-sale (net of non-controlling interest)	**(201 808)**	20 754
Fair value – straight-line rental income	**61 129**	25 014
Headline earnings	**540 895**	530 635
Total number of shares in issue*	**529 282 638**	529 282 638
Number of A-shares in issue	**264 641 319**	264 641 319
Number of B-shares in issue	**264 641 319**	264 641 319
Total weighted average number shares in issue*	**529 282 638**	475 853 506
Weighted average number of A-shares in issue*	**264 641 319**	236 062 841
Weighted average number of B-shares in issue*	**264 641 319**	239 790 665
Headline earnings per A-share (cents)	**102.19**	111.51
Headline earnings per B-share (cents)	**102.19**	111.51

* *Net of treasury shares.*

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

The company does not have any dilutionary instruments in issue.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

These results were prepared by the financial director, Mr R Asmal and the group financial manager, Mrs A Viljoen.

The reviewed provisional condensed consolidated financial results for the year ended 31 August 2019 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and to also as a minimum contain the information required by International Accounting Standard ("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 except for the adoption of IFRS 15 and IFRS 9.

Adoption of IFRS 15: *Revenue*

Revenue from the recovery of rates, operating costs and municipal recoveries continues to be measured and recognised as revenue on the same basis as under IAS 18. Therefore the adoption of IFRS 15 did not result in a significant change to the amounts reported in the current year.

Adoption of IFRS 9: *Financial Instruments*

IFRS 9: *Financial Instruments* replaces IAS 39: *Financial Instruments: Recognition and Measurement*. The group applied IFRS 9 from 1 September 2018.

In terms of IFRS 9 the group measures at each reporting date the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward looking.

The impact of the transition resulted in a bad debt provision of R18.1 million for the prior year. The adjustment was made to opening retained income as allowed per IFRS 9 as per below.

	R'000
Closing retained earnings 31 August 2018	27 500
Adjustment to opening retained earnings due to IFRS 9 adoption	(18 123)
Opening retained earnings 1 September 2018	9 377

The group did not early adopt any other standard, interpretation or amendment that has been issued but not yet effective.

Auditor's report

The condensed consolidated financial statements for the year ended 31 August 2019 have been reviewed by Deloitte & Touche, 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 extracted from the underlying 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%. 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 PUT options is 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;
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

Investment properties and the put option has 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.

	Reviewed 31 August 2019 R'000	Audited 31 August 2018 R'000
Fair value measurements for investment properties categorised as Level 3:		
Balance at beginning of year	**8 607 859**	6 882 691
Acquisitions/additions	**70 115**	2 014 350
Transferred to non-current assets held-for-sale/disposals	**(82 029)**	(256 748)
Tenant installation/lease commission	**7 202**	2 781
Change in fair value	**234 166**	(35 215)
Balance at end of year	**8 837 313**	8 607 859
Fair value measurements for put options categorised as Level 3:		
Balance at beginning of year	**–**	–
Change in fair value	**76 037**	–
Balance at end of year	**76 037**	–

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 6% to 8% per annum; ▪ Risk-adjusted discount rates varies between 10.75% and 16.5%.	The estimated fair value would increase/(decrease) if: ▪ expected rentals were increased/ decreased by 1% – R86 million; ▪ 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% to 15%.	▪ A 1% increase in the capitalisation rate results in a R802 million decrease in valuation and a 1% decrease in the cap rate a R987 million increase in value.

Put 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 are approximate carrying values.

Subsequent events
Declaration of dividend after reporting date

The declaration of dividend occurred after the end of the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

DISTRIBUTION STATEMENT**

	31 August 2019 R'000	31 August 2018 R'000
Reconciliation of profit for the year to distributable earnings		
Profit attributable to shareholders of the company	**681 574**	471 540
Fair value – investment properties revaluation	**(228 196)**	16 507
Fair value – straight-line rental income	**61 129**	25 014
Fair value – interest rate swaps	**57 913**	(55 517)
Fair value – put options	**(76 037)**	–
Put option premium	**11 500**	–
NCI portion of fair value adjustment	**26 388**	4 247
Transaction costs on business combination	**–**	2 543
Loss on sale of property, plant and equipment	**–**	153
Goodwill impaired	**–**	13 327
Amortisation of intangible assets	**37 500**	37 500
Antecedent dividend	**–**	13 881
Straight-line rental income accrual	**(61 129)**	(25 014)
Distributable earnings and dividends declared	**510 642**	504 181
Distribution statement		
Revenue	**1 288 789**	1 116 334
Contractual rental income	**1 009 866**	860 027
Recoveries	**251 103**	217 557
Put option premium	**11 500**	–
Other income	**16 320**	38 750
Property-related expenses	**(411 249)**	(362 824)
Net property income	**877 540**	753 510
Administration and corporate costs	**(33 023)**	(24 470)
Net operating profit	**844 517**	729 040
Net finance cost	**(308 232)**	(231 605)
Antecedent dividend	**–**	13 881
Non-controlling interests	**(25 643)**	(7 135)
Distributable earnings and dividend declared	**510 642**	504 181

*** The distribution statement and calculations have not been reviewed by Deloitte & Touche.*

DISTRIBUTION STATEMENT (CONTINUED)

	31 August 2019 R'000	31 August 2018 R'000
Dividend per A-share	**110.24989**	105.80560
Interim	**54.83455**	52.67488
Final	**55.41534**	53.13072
Dividend per B-share	**82.70673**	99.67872
Interim	**42.50296**	44.07594
Final	**40.20377**	55.60278
Combined dividend per share	**192.95662**	205.48432
Interim	**97.33751**	96.75082
Final	**95.61911**	108.73350

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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