



Sustainable Property Returns

**EXTRACTS OF CONSOLIDATED FINANCIAL RESULTS
AND NOTICE OF ANNUAL GENERAL MEETING**

FOR THE YEAR ENDED 31 AUGUST 2019

C O N S I S T E N T

D I S C I P L I N E D

D I V E R S I F I E D

S T A B L E

S U S T A I N A B L E

R E S O U R C E F U L

AVAILABILITY OF 2019 INTEGRATED ANNUAL REPORT

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This document contains a summary of the audited annual financial statements for the year ended 31 August 2019. The audited annual financial statements for the year ended 31 August 2019 were prepared by Mr R Asmal (Financial Director) and Mrs A Viljoen (Group Financial Manager).

We are committed to providing stakeholders with an integrated annual report outlining a complete overview of the company's strategy, governance systems, performance and prospects as well as social and environmental aspects.

In our commitment to sustainability we have taken cognisance of international trends to supply this information in electronic format, as a means of cost savings and conservation of natural resources. The full integrated annual report containing the audited annual financial statements for the year ended 31 August 2019 is therefore available on our website www.dipula.co.za/investors/financials/annual-reports. Further, a hard copy of the report is available from Dipula's offices on request.

Please find enclosed the notice of AGM and proxy form as well as summarised financial statements.

NOTICE OF AGM

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 group")

Notice is hereby given to shareholders of the company that the annual general meeting ("AGM") will be held at its registered address, at 12th Floor, Firestation Rosebank, 16 Baker Street, Rosebank on 12 February 2020 at 09:00. The purpose of the meeting is to:

- present the audited consolidated annual financial statements of the company and the group for the year ended 31 August 2019 incorporating the reports of the directors, the independent auditor, the audit and risk committee and the social and ethics committee. The company's social and ethics committee report, which deals with matters within its mandate, is included on page 67 of the company's integrated annual report. Copies of the complete consolidated annual financial statements of the company and the social and ethics committee report may be obtained from the company's registered address during office hours or from the company's website, www.dipula.co.za;
- deal with any other business as may be dealt with at the AGM; and
- consider and, if deemed fit, to adopt, with or without modification, the special and ordinary resolutions set out below in the manner required by the Companies Act, 71 of 2008, as amended ("the Companies Act"), as read with the Listings Requirements of the JSE Limited ("the JSE Listings Requirements").

IDENTIFICATION OF MEETING PARTICIPANTS

In terms of section 63(1) of the Companies Act, meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a meeting. Forms of identification that will be accepted include original and valid identity documents, drivers' licences and passports.

IMPORTANT DATES

Record date for purposes of receiving this notice	6 December 2019
Last day to trade in order to be eligible to participate in and vote at the AGM	4 February 2020
Record date for purposes of voting at the AGM ("voting record date")	7 February 2020
Recommended last day to lodge forms of proxy by 09:00 on	10 February 2020
AGM held at 09:00 on	12 February 2020
Results of AGM released on SENS on	12 February 2020

VOTING PROCEDURES AND PROXIES

A shareholder of the company entitled to attend, speak and vote at the AGM is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. The proxy need not be a shareholder of the company.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

A form of proxy is enclosed for the convenience of certificated and own-name dematerialised shareholders, who hold shares and cannot attend the AGM, but wish to be represented thereat.

NOTICE OF AGM (CONTINUED)

For administrative purposes, such shareholders should complete and return the attached form of proxy and lodge it with the transfer secretaries of the company, Link Market Services South Africa Proprietary Limited at 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) or fax to 086 674 2450 or email to meefax@linkmarketservices.co.za to be received by 09:00 on 10 February 2020. Alternatively, the form of proxy may be handed to the chairman of the AGM or the transfer secretaries at the AGM prior to the commencement of the AGM, or at any time prior to voting on any resolution proposed at the AGM. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM should the shareholder subsequently decide to do so.

Dematerialised shareholders who have not elected "own-name" registration in the sub-register of the company through a Central Securities Depository Participant ("CSDP") and who wish to attend the AGM, must instruct their CSDP or broker to provide them with the necessary authority to attend.

Dematerialised shareholders who have not elected "own-name" registration in the sub-register of the company through a CSDP and who are unable to attend, but wish to vote at the AGM, must timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and the CSDP or broker. Such shareholders are advised that they must provide their CSDP or broker with separate voting instructions in respect of their shares.

VOTING REQUIREMENTS

Votes may be exercised in person or by proxy in accordance with the above instructions. Apart from ordinary resolution number 8, all ordinary resolutions require the support of more than 50% of the voting rights exercised by shareholders on the relevant resolution to be approved. Special resolutions require the support of at least 75% of the total voting rights exercised on the relevant resolution to be approved.

In terms of the JSE Listings Requirements, ordinary resolution number 8 requires the support of at least 75% of the voting rights exercised thereon by shareholders to be approved.

The non-binding advisory resolution numbers 1 and 2 are of an advisory nature and if voted against by 25% or more of the voting rights exercised on each such resolution, the company undertakes to engage with dissenting shareholders to address any legitimate and reasonable objections and concerns raised.

QUORUM

A quorum for the purpose of considering the resolutions to be proposed at the AGM shall be three shareholders of the company entitled to vote at the meeting, present in person or represented by proxy and persons holding at least 25% of all voting rights that are entitled to be exercised by shareholders in respect of the resolutions to be proposed at the AGM.

RE-ELECTION OF THE COMPANY'S DIRECTORS BY SEPARATE RESOLUTIONS

In accordance with the company's Memorandum of Incorporation, not less than one-third of the company's directors are required to retire from office at each AGM and if eligible, such retiring directors may offer themselves for re-election.

The board of directors ("the board") has considered the past performance and contribution of each of the directors retiring by rotation and recommends to the shareholders each such retiring director's re-election.

1. Ordinary resolution number 1: Re-election of IS Petersen as a director

"Resolved that IS Petersen, who retires by rotation in terms of the Memorandum of Incorporation of the company and who is eligible and available for re-election, is re-elected as a director of the company."

2. Ordinary resolution number 2: Re-election of SA Halliday as a director

"Resolved that SA Halliday, who retires by rotation in terms of the company's Memorandum of Incorporation and who is eligible and available for re-election, is re-elected as a director of the company."

3. Ordinary resolution number 3: Re-election of Prof E Links as a director

"Resolved that Prof E Links, who retires by rotation in terms of the company's Memorandum of Incorporation and who is eligible and available for re-election, is re-elected as a director of the company."

Abridged curricula vitae of each of the directors standing for re-election are detailed on pages 14 and 15.

ANNUAL RE-APPOINTMENT OF MEMBERS OF THE AUDIT AND RISK COMMITTEE

In terms of the Companies Act and the King IV Report on Corporate Governance for South Africa ("King IV"), the audit and risk committee members should be appointed by the company's shareholders at each AGM. In terms of the regulations to the Companies Act, at least one-third of the members of a company's audit and risk committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

The company's board, having satisfied itself, among others, of the independence, qualifications, experience and expertise of the independent non-executive directors offering themselves for re-appointment as members of the company's audit and risk committee, recommends their re-appointment.

4. Ordinary resolution number 4: Re-appointment of Y Waja as a member and chairman of the audit and risk committee

"Resolved that in terms of section 94(2) of the Companies Act, Y Waja, an independent non-executive director of the company, be re-appointed as a member and chairman of the audit and risk committee."

5. Ordinary resolution number 5: Re-appointment of BH Azizollahoff as a member of the audit and risk committee

"Resolved that in terms of section 94(2) of the Companies Act, BH Azizollahoff, an independent non-executive director of the company, be re-appointed as a member of the audit and risk committee."

6. Ordinary resolution number 6: Re-appointment of Prof E Links as a member of the audit and risk committee

"Resolved that in terms of section 94(2) of the Companies Act, Prof E Links, an independent non-executive director of the company, be re-appointed as a member of the audit and risk committee, subject to his re-election as a director in terms of ordinary resolution number 3."

Abridged curricula vitae of each of the members standing for re-appointment to the audit and risk committee are detailed on pages 14 and 15.

RE-APPOINTMENT OF THE INDEPENDENT EXTERNAL AUDITOR

In terms of section 90(1) of the Companies Act, each year at its AGM, the company must appoint an auditor who complies with the requirements of section 90(2) of the Companies Act. The audit and risk committee has confirmed Deloitte & Touche's independence and recommends Deloitte & Touche for re-appointment as auditors of the company. Furthermore, in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the audit and risk committee is satisfied that Deloitte & Touche, the reporting accountant and individual auditor, are accredited and appear on the JSE's list of accredited auditors in compliance with paragraph 22 of the JSE Listings Requirements and are suitable for re-appointment.

7. Ordinary resolution number 7: Re-appointment of the independent auditor and appointment of individual designated audit partner

"Resolved that Deloitte & Touche be re-appointed as the company's independent external auditor with Carmeni Naidoo Bester appointed as the designated audit partner of the company."

8. Ordinary resolution number 8: General authority to issue shares for cash

"Resolved that, subject to the restrictions set out below and subject to the provisions of the Companies Act and the JSE Listings Requirements, the directors of the company be and are hereby authorised until this authority lapses at the next AGM of the company or 15 months from the date on which this resolution is passed, whichever is the earlier date, to allot and issue shares in the company for cash, on the basis that:

- (a) the shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue;
- (b) the allotment and issue of shares for cash shall be made only to persons qualifying as "public shareholders", as defined in the JSE Listings Requirements, and not to "related parties" as defined in the JSE Listings Requirements;
- (c) shares which are the subject of general issues for cash shall not exceed 26 464 132 A-shares and 26 464 132 B-shares, being 10% of the company's existing A issued shares (excluding treasury shares) and 10% of the company's existing B issued shares (excluding treasury shares) as at the date of notice of this AGM, provided that:
 - any shares issued under this authority, prior to this authority lapsing, shall be deducted from the 26 464 132 A-shares and 26 464 132 B-shares the company is authorised to issue in terms of this authority; and
 - in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- (d) the maximum discount at which shares may be issued is 5% of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares adjusted for a dividend where the "ex" date of the dividend occurs during the 30 business day period in question; and
- (e) after the company has issued shares in terms of this general authority to issue shares for cash representing on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of that issue, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the issue is agreed in writing between the company and the party/ies subscribing for the shares and an explanation, including supporting information (if any) of the intended use of the funds."

In terms of the JSE Listings Requirements, in order for ordinary resolution number 8 to be adopted, the support of at least 75% of the total number of votes exercised on this ordinary resolution number 8 is required to pass this resolution.

9. Ordinary resolution number 9: Specific authority to issue shares pursuant to a re-investment option

"Resolved that, subject to the provisions of the Companies Act, the company's Memorandum of Incorporation and the JSE Listings Requirements, the directors be and are hereby authorised by way of a specific standing authority to allot and issue A-shares and B-shares, as and when they deem appropriate, for the exclusive purpose of affording shareholders opportunities from time to time to elect to re-invest their distributions in new shares of the company pursuant to a re-investment option."

REMUNERATION POLICY AND REMUNERATION IMPLEMENTATION REPORT

In terms of King IV and the JSE Listings Requirements, the company's remuneration policy and the report in respect of the implementation thereof should be tabled for separate non-binding advisory votes at the AGM. The essence of these votes is to enable shareholders to express their views on the remuneration policy adopted by the company and the manner in which the policy is implemented. Non-binding advisory resolution numbers 1 and 2 are of an advisory nature and failure to pass these resolutions will therefore not have any legal consequences relating to existing arrangements.

Should 25% or more of the votes exercised on either of the non-binding advisory resolution numbers 1 and 2, be votes against either such resolution, the company undertakes to engage with such dissenting shareholders in order to ascertain the reasons therefore and to address legitimate and reasonable objections and/or concerns.

10. Non-binding advisory resolution number 1: Endorsement of the remuneration policy

"To endorse, through a non-binding advisory vote, the company's remuneration policy as set out on page 59 of the integrated annual report."

11. Non-binding advisory resolution number 2: Endorsement of the remuneration implementation report

"To endorse, through a non-binding advisory vote, the company's remuneration implementation report as set out on page 62 of the integrated annual report."

12. Ordinary resolution number 10: Signature of documentation

"Resolved that any one director of the company or the company secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of the ordinary and special resolutions which are passed by the shareholders with and subject to the terms thereof."

FINANCIAL ASSISTANCE

The company requires the ability to continue to provide financial assistance, if necessary, in accordance with sections 44 and 45 of the Companies Act. This authority is necessary for the company to provide financial assistance in appropriate circumstances to subsidiaries and/or other entities that are or become related or inter-related to the company. Under the Companies Act, the company will, however, require special resolutions number 1 and number 2 to be adopted, provided that the board of directors of the company is, in any event, required to be satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and, immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contemplated in the Companies Act. In the circumstances and in order to ensure, inter alia, that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number 1 and number 2. Special resolution number 1 will permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Companies Act) to the entities referred to in special resolution number 1 below. Special resolution number 2 will permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Companies Act) to the entities referred to in special resolution number 2 below. For the purposes of the subscription of options and/or securities, issued or to be issued by the company or its related or inter-related companies, or for the purchase of any securities of the company or its related or inter-related companies.

13. Special resolution number 1: Financial assistance to related or inter-related parties

"Resolved that, to the extent required by section 45 of the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in terms of section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the company for any purpose or in connection with any matter, such authority to endure for two years from the adoption of this special resolution number 1."

Reason for and effect of special resolution number 1

Permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Companies Act) to the entities referred to in special resolution number 1.

14. Special resolution number 2: Financial assistance for the subscription and/or purchase of securities in the company or in related or inter-related companies

“Resolved that, to the extent required by section 44(3)(a)(ii) of the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company’s Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in terms of section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to any related or inter-related company of the company (“related” and “inter-related” will herein have the meanings attributed to those terms in section 2 of the Companies Act) and/or to any financier of the company or any of its related or inter-related companies for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company of the company, or for the purchase of any securities of the company or a related or inter-related company of the company, on the terms and conditions and for the amounts that the Board may determine, such authority to endure for two years from the adoption of this special resolution number 2.”

Reason for and effect of special resolution number 2

To provide a general authority to the board for the company to provide financial assistance to its related and inter-related companies and/or the financiers of the group for the purposes of the subscription of options and/or securities, issued or to be issued by the company or its related or inter-related companies, or for the purchase of any securities of the company or its related or inter-related companies, to fund the activities of the group.

15. Special resolution number 3: Share repurchases

“Resolved as a special resolution that the company or any of its subsidiaries be and are hereby authorised by way of a general authority to acquire shares issued by the company, in terms of sections 46 and 48 of the Companies Act and in terms of the JSE Listings Requirements being that:

- (a) any acquisition of shares shall be implemented through the order book of the JSE and without prior arrangement between the company and the counterparty;
- (b) this general authority shall be valid until the company’s next AGM, provided that it shall not extend beyond 15 months from the date of passing this special resolution;
- (c) the company (or any subsidiary) is duly authorised by its Memorandum of Incorporation to do so;
- (d) acquisitions of shares in the aggregate in any one financial year may not exceed 20% (or 10% where the acquisitions are effected by a subsidiary) of the company’s issued ordinary share capital as at the date of passing this special resolution;
- (e) in determining the price at which shares issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% of the weighted average of the market value on the JSE over the five business days immediately preceding the repurchase of such shares;
- (f) at any point in time the company (or any subsidiary) may appoint only one agent to effect repurchases on its behalf;
- (g) repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) and has been submitted in writing to the JSE prior to the commencement of the prohibited period;
- (h) an announcement will be published as soon as the company or any of its subsidiaries have acquired shares constituting on a cumulative basis, 3% of the number of shares in issue prior to the acquisition pursuant to which the aforesaid threshold is reached and for each 3% in aggregate acquired thereafter, containing full details of such acquisitions; and
- (i) the board of directors of the company must resolve that the repurchase is authorised, the company and its subsidiaries have passed the solvency and liquidity test, as set out in section 4 of the Companies Act, and since that test was performed, there have been no material changes to the financial position of the group.”

In accordance with the JSE Listings Requirements the directors record that although there is no immediate intention to effect a repurchase of the shares of the company, the directors may utilise this general authority to repurchase shares as and when suitable opportunities present themselves, which may require expeditious and immediate action. The directors confirm that they have authorised the potential repurchase, that the company and its subsidiaries have passed the solvency and liquidity test, as set out in section 4 of the Companies Act, and that, after considering the maximum number of shares that may be repurchased and the price at which the repurchases may take place pursuant to the share repurchase general authority, for a period of 12 months after the date of notice of this AGM:

- the company and the group will, in the ordinary course of business, be able to pay its debts;
- the consolidated assets of the company and the group fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the company and the group fairly valued in accordance with International Financial Reporting Standards; and
- the company's and the group's share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the integrated annual report, is provided in terms of paragraph 11.26 of the JSE Listings Requirements for purposes of this general authority:

- Major beneficial shareholders – pages 163 to 165 of the integrated annual report; and
- Capital structure of the company – page 114 of the integrated annual report.

Directors' responsibility statement

The directors whose names appear on page 13 of this notice, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the Companies Act and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated annual report there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the financial year ended 31 August 2019 and up to the date of this notice.

Reason for and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to afford the directors of the company (or a subsidiary of the company) general authority to effect a repurchase of the company's shares on the JSE within the limitations prescribed in this special resolution number 3.

16. Special resolution number 4: Non-executive directors' remuneration

At the AGM held on 5 February 2019, shareholders approved a maximum increase of 8% to the remuneration of non-executive directors of the company for the period 1 September 2019 to 31 August 2020. The board approved a total increase for the period 1 September 2019 to 31 August 2020 in line with shareholder approval. Details of the fees are as follows:

	Chairman (per annum) Rand	% increase	Member (per annum) Rand	% increase
Board	361 543	6.0%	257 719	6.0%
Audit and risk committee	120 000	20.0%	70 000	14.5%
Investment committee	91 695	10.0%	67 243	10.0%
Social and ethics committee	88 361	6.0%	64 798	6.0%
Remuneration and nomination committee	88 361	6.0%	64 798	6.0%

Approval is now sought for the non-executive directors' fees for the period 1 September 2020 to 31 August 2021, as follows:

"Resolved, as a special resolution, that the fees payable by the company to non-executive directors for their services as directors (in terms of section 66 of the Companies Act) be and are hereby approved for the period 1 September 2020 to 31 August 2021, equal to the non-executive directors' remuneration for the period 1 September 2019 to 31 August 2020 (detailed above) escalated as approved by the board by up to a maximum total increase of 8%."

The proposed remuneration excludes value added tax ("VAT") in terms of the current VAT legislation.

Reason for and effect of special resolution number 4

To obtain shareholder approval in terms of section 66(9) of the Companies Act for payment by the company of remuneration to non-executive directors for their services as directors.

17. Special resolution number 5: Approval to issue shares in terms of section 41(1) of the Companies Act

"Resolved that, in accordance with section 41(1) of the Companies Act, the issue by the company of shares to any director, future director, prescribed officer or future prescribed officer of the company, or to a person related or inter-related to the company, or to a person related or inter-related to a director or prescribed officer of the company, or to any nominee of such person, in terms of any private placement, offer, book-build or similar capital raising, at the same price and on the same terms as those upon which shares are issued to other investors in terms of such capital raising, be and is hereby approved."

Reason for and effect of special resolution number 5

The reason for and effect of special resolution number 5 is to authorise the issue of shares in terms of capital raising if and to the extent that such shares are issued to directors of the company and/or related persons.

ELECTRONIC PARTICIPATION

The company has made provision for shareholders or their proxies to participate electronically in the AGM by way of telephone conferencing. Should you wish to participate in the AGM by telephone conference call as aforesaid, you, or your proxy, will be required to advise the company thereof by 10 February 2020 or by submitting by email to the company secretary at nazli.reid@computershare.co.za or by fax to be faxed to +27 11 688 5279, for the attention of Nazli Reid, relevant contact details, including:

- an email address;
- cellular number and landline; and
- full details of the shareholder's title to securities issued by the company and proof of identity:
 - for certificated ordinary shares – copies of identity documents and share certificates; and
 - for dematerialised ordinary shares – written confirmation from the shareholder's CSDP confirming the shareholder's title to the dematerialised ordinary shares.

Upon receipt of the required information the shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the AGM. Shareholders must note that access to the electronic communication will be at the expense of the shareholders who wish to utilise the facility. Shareholders and their appointed proxies attending by conference call will not be able to cast their votes at the AGM through this medium.

Forms of proxy may also be obtained on request from the company's registered office. For administrative purposes, the completed forms of proxy should be deposited at, or posted to the transfer secretaries, Link Market Services South Africa Proprietary Limited, or fax to 086 674 2450 or email to meetfax@linkmarketservices.co.za to be received 48 hours prior to the AGM. Alternatively, the form of proxy may be handed to the chairman of the AGM or the transfer secretaries at the AGM prior to the commencement of the AGM, or at any time prior to voting on any resolution proposed at the AGM. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM should the shareholder subsequently decide to do so.

By order of the board

CIS Company Secretaries Proprietary Limited

Company secretary

Rosebank Towers
15 Biermann Avenue
Rosebank
2196

(PO Box 61051, Marshalltown, 2107)

13 December 2019

Registered office and business address

12th Floor
Firestation Rosebank
16 Baker Street
Rosebank
2196

(Private Bag X3, Rosebank, 2132)

Transfer secretaries

Link Market Services South Africa Proprietary Limited
13th Floor
19 Ameshoff Street
Braamfontein
2001

(PO Box 4844, Johannesburg, 2000)

FORM OF PROXY

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 group")

This form of proxy is for use by the holders of the company's certificated shares ("certificated shareholders") and/or dematerialised shares held through a Central Securities Depository Participant ("CSDP") or broker who have selected own-name registration and who cannot attend but wish to be represented at the AGM of the company at the office of Dipula at 12th Floor, Firestation Rosebank, 16 Baker Street, Rosebank on 12 February 2020 at 09:00 or any adjournment, if required. Additional forms of proxy are available at the company's registered office or from its website at www.dipula.co.za/investors/notices.

Not for use by holders of the company's dematerialised shares who have not selected own-name registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the AGM and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the AGM but wish to be represented thereat, in order for the CSDP or broker to vote in accordance with their instructions.

I/We _____ (name in block letters)
 of _____ (address)
 being the registered holder/s of _____ ordinary A-shares, and/or _____ ordinary B-shares,
 hereby appoint: _____ of _____ or failing him,

the chairman of the AGM, as my/our proxy to vote for me/us on my/our behalf at the AGM of the company to and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done, the proxy will vote as he thinks fit.

	In favour of	Against	Abstain
1. Ordinary resolution number 1: Re-election of IS Petersen as a director			
2. Ordinary resolution number 2: Re-election of SA Halliday as a director			
3. Ordinary resolution number 3: Re-election of Prof E Links as a director			
4. Ordinary resolution number 4: Re-appointment of Y Waja as member and chairman of the audit and risk committee			
5. Ordinary resolution number 5: Re-appointment of BH Azizollahoff as a member of the audit and risk committee			
6. Ordinary resolution number 6: Re-appointment of Prof E Links as a member of the audit and risk committee			
7. Ordinary resolution number 7: Re-appointment of Deloitte & Touche independent external auditor and Carmeni Naidoo Bester as the designated audit partner of the company			
8. Ordinary resolution number 8: General authority to issue shares for cash			
9. Ordinary resolution number 9: Specific authority to issue shares pursuant to a re-investment option			
10. Non-binding advisory resolution number 1: Endorsement of the remuneration policy			
11. Non-binding advisory resolution number 2: Endorsement of the remuneration implementation report			
12. Ordinary resolution number 10: To authorise the signature of documentation			
13. Special resolution number 1: Financial assistance to related or inter-related companies			
14. Special resolution number 2: Financial assistance for the subscription and/or purchase of securities in the company or in related or inter-related companies			
15. Special resolution number 3: Share repurchases			
16. Special resolution number 4: Approval of non-executive directors' remuneration			
17. Special resolution number 5: Approval to issue shares in terms of section 41(1) of the Companies Act			

Signed this _____ day of _____ 2020
 Signature _____ assisted by _____ (if applicable)

Please read the notes on the reverse.

NOTES TO THE FORM OF PROXY

1. Certificated and own-name dematerialised shareholders are therefore advised that they must complete a form of proxy for certificated and own-name dematerialised shareholders in order for their vote/s to be valid.
2. This form of proxy is to be completed only by those members who are holding shares in certificated form or recorded in the sub-register in electronic form in their "own name".
3. Each shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of the company) to attend, speak and vote in place of that shareholder at the AGM.
4. Shareholders who are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the AGM", but any such deletion must be initialled by the shareholders. The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy, the chairman shall be deemed to be appointed as the proxy.
5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairman, to vote or abstain from voting as deemed fit and in the case of the chairman to vote in favour of any resolution.
6. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained from may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
7. For administrative purposes, forms of proxy should be lodged at, or posted to the transfer secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) or fax to 086 674 2450 or email to meetfax@linkmarketservices.co.za to be received by 09:00 on 10 February 2020. Alternatively, the form of proxy may be handed to the chairman of the AGM or the transfer secretaries, at the AGM prior to the commencement of the AGM, or at any time prior to voting on any resolution proposed at the AGM.
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote as determined by the order in which the names stand in the register of shareholders, will be accepted. In addition to the foregoing, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
9. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares needs to sign this form of proxy.
10. The chairman of the AGM may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Link Market Services South Africa Proprietary Limited or waived by the chairman of the AGM.
12. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
13. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
14. The foregoing notes contain a summary of the relevant provisions of section 58 of the Companies Act.

DIRECTORATE



1. Zanele Matlala
2. Izak Petersen
3. Ridwaan Asmal
4. Brian Azizollahoff
5. Syd Halliday
6. Eltie Links
7. Younaid Waja

DIRECTORATE (CONTINUED)

1. ZANELE MATLALA (56)

Independent non-executive Chairperson

BCompt (Hons), CA(SA)

Committee membership: Remuneration and nomination

Zanele joined the Merafe Board in 2005 as an independent non-executive director. She was appointed Merafe's Chief Financial Officer on 1 October 2010 and Chief Executive Officer on 1 June 2012. She is a non-executive director of Stefanutti Stocks Holdings Limited, RAC Limited and Royal Bafokeng Platinum Limited.

2. IZAK PETERSEN (46)

Chief Executive

CA(SA)

Committee membership: Investment, social and ethics

Izak originally co-founded the Mergence Group of companies more than a decade ago. Mergence was co-principal in the formation and listing of Dipula through the merger of Mergence Africa Property Fund and Dipula Property Fund. Izak directed and structured the listing of Dipula. He has headed Mergence Africa Properties from the acquisition of its first asset, to its listing of Dipula and has spearheaded the growth of Dipula's asset base from R1.4 billion to R8.9 billion currently. Izak continues to serve as an executive and shareholder of the Mergence Group and is also the MD of Mergence Africa Capital. Prior to this he worked for PSG Investment Bank and Deloitte. Izak holds directorships in a number of Mergence Group companies and has served on numerous industry bodies over the years including SA REIT, SAPOA, ABASA Western Cape and ABSIP.

3. RIDWAAN ASMAL (47)

Financial Director

BCom (Accounting)

Ridwaan has 25 years' experience in listed property with specific skills in financial reporting and management, acquisitions, disposals, treasury and hotel property development. He started his career at Anglo American Property Services before joining Broll Property Group and thereafter CORONIB Asset Management. In 2006 Ridwaan was appointed Financial Director of Hospitality Property Fund Limited. He joined Dipula as Financial Director in September 2015.

4. BRIAN AZIZOLLAHOFF (58)

Independent non-executive (British)

BA (NY), MBA (Wits)

Committee membership: Investment, audit and risk

Brian has 31 years' experience in the property industry. He was a director of Anglo American Properties and then managing director of ApexHi Properties Limited. He served as CEO of Redefine from 2003 until its merger with ApexHi and Madison Property Fund Managers Limited in 2009 and then resigned from Redefine to form Capstone Property Group. In 2016 he sold out of Capstone to form a new company, Propertiq. He has served on the boards of various listed property companies and currently serves on the audit committee of SAPOA.

5. SYD HALLIDAY (72)

Independent non-executive

CAIB (SA), ACIS

Committee membership: Remuneration and nomination, investment

Syd retired from Nedbank in 2004 where he had held various senior credit risk management positions in the property finance divisions of Nefic, Syfrets, Nedcor Investment Bank and Nedbank. Following his retirement, he served as the independent chairman of Nedbank Corporate Property Finance's main property lending committee up to December 2012. Syd joined the board of Dipula in May 2014 and is a member of the investment and remuneration committees. Syd also served on the board of Hospitality Property Fund as an independent non-executive director for five years until his retirement in May 2019. He also consults to Sasfin Bank in their Property Private Equity Fund.

6. ELIAS ("ELTIE") LINKS (73)

Independent non-executive

PhD (Economics)

Committee membership: Social and ethics, audit and risk

Professor Links is a non-executive director of a number of companies including Kansai Plascon Limited, Telesure Holdings Limited, Allianz Global Corporate and Specialty Limited and TerraSan Limited. He has also been appointed as a Professor Extraordinaire at the University of Stellenbosch Business School. He further serves as a member of The Presidential Advisory Council on B-BBEE. Previously he served as the South African Ambassador to the European Union, Belgium and Luxembourg as well as the Permanent Representative of South Africa at the World Bank and International Monetary Fund, Washington DC.

7. YOUNAID WAJA (67)

Independent non-executive

BCom (Hons), BCompt, CA(SA), HDip Tax Law

Committee membership: Audit and risk, social and ethics, remuneration and nomination

Younaid is a tax, business and governance consultant, an independent director of JSE companies and serves and has served as a member of audit, risk, social and ethics, remuneration and investment committees. He has extensive experience across a range of business sectors including telecommunications, property, asset management, gaming, motor and transportation, and economic growth facilitation. Younaid has also served as a director of various public sector and JSE companies. He was a senior partner and executive chairman of APF Chartered Accountants Inc., a consortium of black auditing and accounting firms. During his career he served as chairman of the Public Accountants and Auditors Board (PAAB, now IRBA); vice president of the Association for the Advancement of Black Accountants of Southern Africa (ABASA); and an executive member of the Black Business Council (BBC). He is also a member of the Income Tax Court.

EXTRACTS OF CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 AUGUST 2019

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

EXTRACTS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 August 2019 R'000	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 financial liabilities – swaps	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 financial liabilities – swaps	5 089	2 751
Total equity and liabilities	9 523 602	9 273 384

EXTRACTS OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 August 2019 R'000	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

EXTRACTS OF 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	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	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	4 243 513	1 208 086	50	(24 732)	182 184	5 609 101

EXTRACTS OF CONSOLIDATED STATEMENT OF CASH FLOW

	31 August 2019 R'000	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

* Interest-bearing liabilities raised and repaid has been split out for the prior year for enhanced disclosure. The net movement remained unchanged.

EXTRACTS OF 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						
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						
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.

EXTRACTS OF CONSOLIDATED SEGMENTAL INFORMATION (CONTINUED)

	31 August 2019 R'000	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

	2019 R'000	2018 R'000
Total profit and comprehensive income for the year (earnings)	681 574	471 540
<i>Adjustments:</i>	(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.

EXTRACTS OF ACCOUNTING POLICIES

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.

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.	<ul style="list-style-type: none"> • Expected rental growth varies between 6% to 8% per annum; • Risk-adjusted discount rates varies between 10.75% and 16.5%. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Capitalisation rates vary between 8% to 15%. 	<ul style="list-style-type: none"> • A 1% increase in the capitalisation rate results in a R802 million decrease in valuation and a 1% decrease in the capitalisation rate a R987 million increase in value.

EXTRACTS OF ACCOUNTING POLICIES (CONTINUED)

Put options

Valuation technique	Significant unobservable inputs
Valued by utilising comparative sales of similar properties in the respective nodes.	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• 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	–
NCL 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

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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16 Baker Street

Rosebank

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Independent auditors

Deloitte & Touche

Practice number: 902276

Registered auditors

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