Unaudited condensed consolidated interim results

for the six months ended 28 February 2018

dipula
INCOME FUND
Sustainable Property Returns

Highlights

Post-period acquisitions
R1.42 billion
(yield in excess of 11%)

Post-period capital raise of
R790 million
(32% oversubscribed)

Post-period portfolio value exceeds
R8.5 billion

Distributable earnings up
11.5% to **R216.4 million**

A-share dividend up **4.0%**
to 52.67488 cents per share

B-share dividend up **5.3%**
to 44.07594 cents per share

Commentary

Introduction

During the six months ended 28 February 2018 ("the period") dividends increased by 4.6% per share on a combined basis.

In November 2017 Dipula announced the acquisition of a portfolio from Setso Holdco Proprietary Limited ("Setso") and Rec Group Property Trust ("RecTrust") for R1.25 billion. Post period end the company raised equity capital of R790 million in a 32% oversubscribed accelerated book-build to fund the acquisition. In addition to this, new debt facilities of R480 million were secured.

Profile

Dipula is a REIT that owns a diversified portfolio, comprising retail, office and industrial properties located across all provinces in South Africa. The majority of properties are located in Gauteng.

Dipula trades under the codes DIA and DIB. DIA shares are entitled to a preferred income growth at the lower of 5% or consumer price index (per Stats SA) at the end of the reporting period, while DIB shares receive the remaining net distributable income.

Distributable earnings

Distributable earnings increased 11.5% to R216.4 million (February 2017: R194.2 million), representing a 4.6% growth in dividend per share on a combined share (February 2017: 6.3%).

The dividend attributable to A-shares increased 4% year-on-year to 52.67488 cents per share (February 2017: 50.64892 cents) in line with the dividend policy to A-shareholders. The dividend attributable to B-shares increased 5.3% year-on-year to 44.07594 cents per share (February 2017: 41.83993 cents).

Property portfolio

At period end Dipula's property portfolio of 174 properties was valued at R7.1 billion with a total gross lettable area ("GLA") of 748 978 m^2 (February 2017: 193 properties; R7 billion value; 789 753 m^2 GLA). Post conclusion of the acquisition (see "Acquisitions" below) the portfolio value will increase to R8.5 billion.

Acquisitions

As announced on SENS on 10 November 2017 and 22 March 2018, Dipula acquired a portfolio valued at R1.25 billion from Setso and RecTrust with a forward yield of 11.8%. The retail, office and industrial portfolio has a GLA of 340 221 m^2. Vacancies are a nominal 0.8% and the portfolio has a weighted average lease expiry of 4.5 years. The portfolio is comprised of two retail properties in Gauteng (Chilli Lane and Chilli on Top), six office properties across Gauteng and the Western Cape and two redevelopment properties. The transaction includes the acquisition of 50.01% of a company that owns a portfolio of predominantly industrial properties located across KwaZulu-Natal, Eastern Cape, Mpumalanga, Gauteng and North West.

The purchase consideration will be funded through a combination of debt and equity. Debt funding of R480 million has been secured and post period end R790 million of equity was raised in a book-build.

All conditions precedent have been met and the properties are expected to transfer in June 2018.

Commentary continued

Other completed acquisitions are outlined below:

Property	**Attributable value**	**Effective date**
Marikana Shoprite Centre (50.1% interest)	**R50 million**	**1 December 2017**
Firestation – Rosebank (sectional title offices – 30% of scheme)	**R122 million**	**20 April 2018**
Harding Shopping Centre KZN (50% interest)	**R52 million**	**16 March 2018**

Cost-to-income ratios

	February 2018	February 2017
Property cost to income (gross basis)	**34.5%**	35.0%
Total cost to income (gross basis)	**36.7%**	38.4%
Property cost to income (net basis)	**20.9%**	18.0%
Total cost to income (net basis)	**23.5%**	22.2%

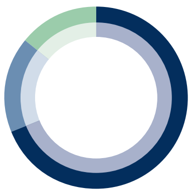
Sectoral and geographic profile

The sector and geographic breakdown of Dipula's portfolio at 28 February 2018 is set out below:

Sectoral profile by GLA (%)

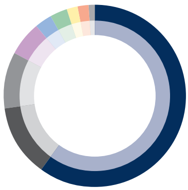
■ Retail 58% ■ Office 16% ■ Industrial 26%

Sectoral profile by gross rental income (%)



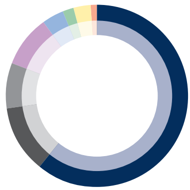
■ Retail 69% ■ Office 17% ■ Industrial 14%

Geographic split by GLA (%)



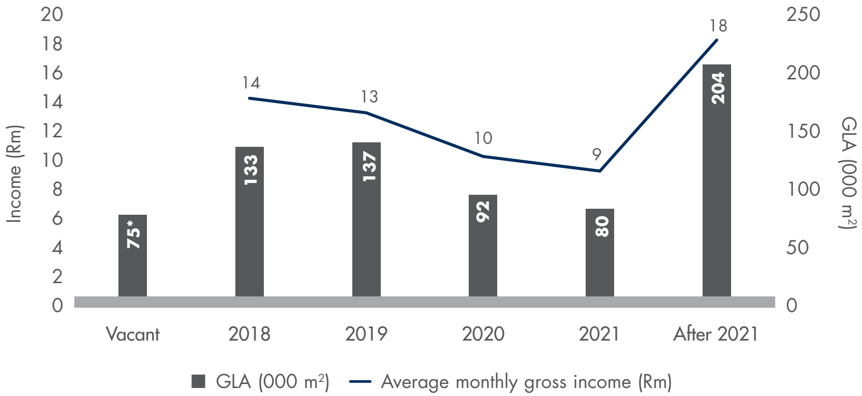
Gauteng	60%	Free State	3%
Limpopo	13%	Mpumalanga	2%
Eastern Cape	10%	Western Cape	2%
KwaZulu-Natal	6%	Northern Cape	1%
North West	3%		

Geographic split by gross rental income (%)



Gauteng	61%	Free State	2%
Limpopo	12%	Mpumalanga	3%
Eastern Cape	8%	Western Cape	1%
KwaZulu-Natal	9%	Northern Cape	0%
North West	4%		

Dipula lease expiry profile



* *Vacancy opportunity cost approximately R8 million*

Vacancies

Vacancies increased to 10.4% compared to 9.2% at February 2017. The breakdown of vacancies by sector is as follows: Retail 8.1% (February 2017: 7.9%), Offices 15.3% (February 2017: 15.1%) and Industrial 12.9% (February 2017: 8.8%).

Disposals

During the period Dipula disposed of two centres in Gauteng (274 Beyers Naude Drive and Wescen Corner) for R53 million.

Post period end Dipula disposed of its 30% interest in Eyethu Orange Farm for R147 million at a yield of approximately 7%.

Refurbishments and developments

The conversions of vacant office buildings located in Midrand and Bruma to residential units are progressing well and are expected to be completed in the latter part of 2018 and early 2019, respectively.

Funding

At 28 February 2018, Dipula's all-in blended rate of interest was 9.19% (February 2017: 9.06%). The company has total debt facilities of R3.0 billion with R2.9 billion utilised to date. The weighted average debt expiry is two years and interest rate hedges expiry is 1.7 years.

Approximately 91% of the interest on the debt had been fixed at the end of the period (February 2017: 70.6%).

Debt maturity and hedging profile

	Facility		**Fixed/Swap**		**Floating**	
Financial year-end	R'000	%	R'000	%	R'000	%
FY2018	557 676	18.8%	244 456	8.2%	313 220	10.6%
FY2019	951 195	32.1%	1 148 601	38.8%	(197 406)	(6.7%)
FY2020	710 400	24.0%	756 250	25.5%	(45 850)	(1.6%)
FY2021	543 642	18.3%	450 000	15.2%	93 642	3.2%
FY2022	200 000	6.8%	100 000	3.4%	100 000	3.4%
	2 962 913	**100%**	**2 699 307**	**91.1%**	**263 606**	**8.9%**

Manco internalisation

Dipula concluded the internalisation of its asset management function during the period, through the acquisition of 100% of the beneficial interest in the Dipula Asset Management Trust ("DAMT"), for an aggregate acquisition cost of R150 million. The internalisation is consistent with industry best practice and will further align the interests of the company's management with investors. The transaction was effective on 1 September 2017.

The acquisition was funded by the allotment and issue of 9 931 631 Dipula B-shares for the equivalent of R100.3 million issued at a 30-day volume weighted average price per Dipula B-share and a cash payment of R49.7 million.

Changes to the board

Mr S Gumede resigned as a director effective from 22 December 2017.

Prospects

The board remains cautious on trading conditions in the near term and the focus in the next six months will be on integrating the new acquisitions into the group and extracting maximum value from the existing portfolio.

The board expects growth in dividends of between 4% and 5% for the year ending 31 August 2018.

The reduction in dividend growth compared to previous guidance is due to:

- tougher trading conditions than previously anticipated;
- delays in transfer of earnings enhancing property acquisitions; and
- increased provisions for bad debts.

This dividend growth assumes that macroeconomic conditions do not deteriorate further, no major corporate failures occur and that tenants will be able to absorb rising utility and assessment rates costs. Forecast rental income is based on contractual escalations and market-related renewals. This forecast has not been reviewed or reported on by the group's auditors.

Payment of interim dividend

The board has approved and notice is hereby given of the interim dividend (dividend number 14) for the period 1 September 2017 to 28 February 2018 of 52.67488 cents per A-share and 44.07594 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, 5 June 2018
Shares trade *ex* dividend	Wednesday, 6 June 2018
Record date	Friday, 8 June 2018
Payment date	Monday, 11 June 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 June 2018 and Friday, 8 June 2018, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 11 June 2018. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 11 June 2018.

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

On behalf of the board

Zanele Matlala
Chairperson

Izak Petersen
CEO

21 May 2018

Condensed consolidated statements of financial position

	Unaudited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
ASSETS			
Non-current assets	**7 149 994**	6 742 881	6 989 754
Investment property	**6 911 103**	6 692 741	6 882 691
Fair value of property portfolio	**6 748 850**	6 541 767	6 727 095
Straight-line rental income accrual	**162 253**	150 974	155 596
Intangible assets	**144 577**	48 482	13 327
Property, plant and equipment	**1 574**	1 658	1 267
Derivative financial assets	**271**	–	–
Loan receivable	**92 469**	–	92 469
Current assets	**205 775**	275 398	374 260
Trade and other receivables	**173 114**	170 632	153 817
Loan receivable	**–**	–	89 936
Derivative financial assets	**–**	–	281
Cash and cash equivalents	**32 661**	104 766	130 226
Non-current assets held-for-sale			
Investment property held-for-sale	**164 446**	336 722	42 942
Total assets	**7 520 215**	7 355 001	7 406 956
EQUITY AND LIABILITIES			
Equity	**4 537 595**	4 356 792	4 424 473
Stated capital	**3 460 604**	3 167 159	3 346 742
Fair value reserve	**1 033 359**	978 810	998 793
Retained income	**43 632**	81 467	78 938
Non-controlling interest	**–**	129 356	–
Non-current liabilities	**1 830 204**	1 881 495	2 306 139
Interest-bearing liabilities	**1 758 918**	1 881 495	2 271 057
Non-interest bearing liabilities	**50 154**	–	–
Derivative liabilities	**21 132**	–	35 082
Current liabilities	**1 152 416**	1 116 714	676 344
Interest-bearing liabilities	**1 032 079**	979 667	551 008
Derivative liabilities	**–**	9 037	–
Trade and other payables	**120 337**	128 010	125 336
Total equity and liabilities	**7 520 215**	7 355 001	7 406 956

Condensed consolidated statements of comprehensive income

	Unaudited 28 February 2018 R'000	Unaudited 28 February 2017 R'000	Audited 31 August 2017 R'000
Revenue	**537 160**	537 439	1 069 660
Contractual rental income	**419 018**	411 367	825 555
Recoveries and other income	**111 484**	115 253	226 962
Straight-line rental income accrual	**6 658**	10 819	17 143
Property expenses	**(183 082)**	(184 434)	(353 463)
Net property income	**354 078**	353 005	716 197
Administration and corporate costs	**(11 519)**	(17 559)	(31 887)
Net operating profit	**342 559**	335 446	684 310
Net finance cost	**(120 723)**	(125 713)	(243 632)
Finance income	**13 229**	3 801	20 606
Finance cost	**(133 952)**	(129 514)	(264 238)
Net profit after finance cost	**221 836**	209 733	440 678
Transaction costs on business combination	**(2 543)**	–	–
Amortisation of intangible assets/ goodwill impaired	**(18 750)**	–	(35 155)
Fair value adjustments	**27 908**	(24 893)	1 352
Investment properties and properties held-for-sale	**20 626**	(821)	57 512
Straight-line rental income accrual	**(6 658)**	(10 819)	(17 143)
Interest rate swaps	**13 940**	(13 253)	(39 017)
Profit before taxation	**228 451**	184 840	406 875
Taxation	**–**	–	–
Profit for the period after taxation	**228 451**	184 840	406 875
Other comprehensive income	**–**	–	–
Total comprehensive income for the period	**228 451**	184 840	406 875
Total profit and comprehensive income for the period attributable to:			
Shareholders of the company	**227 163**	178 474	387 922
Non-controlling interests	**1 288**	6 366	18 953
	228 451	184 840	406 875
Earnings and diluted earnings per share			
A-share (cents)	**51.33**	42.87	91.59
B-share (cents)	**51.33**	42.87	91.59

Reconciliation between profit, earnings and headline earnings

	Unaudited 28 February 2018 R'000	Unaudited 28 February 2017 R'000	Audited 31 August 2017 R'000
Earnings	**227 163**	178 474	387 922
Adjustments	**4 782**	11 640	7 372
Amortisation of intangible assets/goodwill impaired	**18 750**	–	35 155
NCI portion of fair value adjustment	**–**	–	12 586
Fair value – investment properties and held-for-sale	**(20 626)**	821	(57 512)
Fair value – straight-line rental income	**6 658**	10 819	17 143
Headline earnings	**231 945**	190 114	395 294
Weighted average number of A-shares in issue*	**218 817 494**	208 160 748	211 771 488
Weighted average number of B-shares in issue*	**223 755 974**	208 160 748	211 771 516
Basic and diluted earnings per A-share (cents)	**51.33**	42.87	91.59
Basic and diluted earnings per B-share (cents)	**51.33**	42.87	91.59
Headline and diluted earnings per A-share (cents)	**52.41**	45.67	93.33
Headline and diluted earnings per B-share (cents)	**52.41**	45.67	93.33
Dividend per A-share (cents)	**52.67488**	50.64892	101.29784
Interim	**52.67488**	50.64892	50.64892
Final	**–**	–	50.64892
Dividend per B-share (cents)	**44.07594**	41.83993	95.49834
Interim	**44.07594**	41.83993	41.83993
Final	**–**	–	53.65841
Combined dividend per share (cents)	**96.75082**	92.48885	196.79618
Interim	**96.75082**	92.48885	92.48885
Final	**–**	–	104.30733
Total number of shares in issue*	**448 276 813**	419 921 746	436 932 798
Number of A-shares in issue	**219 172 546**	209 960 873	218 466 344
Number of B-shares in issue	**229 104 267**	209 960 873	218 466 454
Net asset value per A-share (cents)	**1 012.23**	1 006.72	1 012.62
Net asset value per B-share (cents)	**1 012.23**	1 006.72	1 012.62
Loan to value ("LTV")	**39.0%**	39.2%	38.9%

* *Net of treasury shares*

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

The company does not have any dilutionary instruments in issue.

Condensed consolidated statements of changes in equity

	Stated capital R'000	Fair value reserve R'000	Retained income R'000	Non-controlling interest R'000	Total equity R'000
Balance at 31 August 2016 (audited)	3 107 931	992 884	93 599	131 190	4 325 604
Total comprehensive income for the period	–	–	178 474	6 366	184 840
Dividends declared	–	–	(204 680)	(8 200)	(212 880)
Issue of shares	59 228	–	–	–	59 228
Transfer to fair value reserve – investment properties	–	(821)	821	–	–
Transfer to fair value reserve – interest rate swaps	–	(13 253)	13 253	–	–
Balance at 28 February 2017 (unaudited)	3 167 159	978 810	81 467	129 356	4 356 792
Balance at 31 August 2017 (audited)	**3 346 742**	**998 793**	**78 938**	**–**	**4 424 473**
Total comprehensive income for the period	**–**	**–**	**227 163**	**1 288**	**228 451**
Dividends declared	**–**	**–**	**(227 903)**	**(1 288)**	**(229 191)**
Issue of shares	**113 862**	**–**	**–**	**–**	**113 862**
Transfer to fair value reserve – investment properties	**–**	**20 626**	**(20 626)**	**–**	**–**
Transfer to fair value reserve – interest rate swaps	**–**	**13 940**	**(13 940)**	**–**	**–**
Balance at 28 February 2018 (unaudited)	**3 460 604**	**1 033 359**	**43 632**	**–**	**4 537 595**

Condensed consolidated statements of cash flow

	Unaudited 28 February 2018 R'000	Unaudited 28 February 2017 R'000	Audited 31 August 2017 R'000
Cash flows from operating activities			
Cash generated from operations	**309 284**	329 801	691 395
Net finance cost	**(121 105)**	(125 713)	(245 228)
Dividends paid	**(227 903)**	(212 880)	(413 184)
Net cash (utilised in)/generated from operating activities	**(39 724)**	(8 792)	32 983
Cash flows from investing activities			
Acquisition of investment properties and capital expenditure	**(136 247)**	(50 006)	(110 424)
Acquisition of business combination	**(44 839)**	–	–
Acquisition of non-controlling interest	**–**	–	(133 633)
Acquisition of property, plant and equipment	**(233)**	(324)	(460)
Proceeds on disposal of investment properties	**52 194**	71 430	111 642
Net cash (utilised in)/generated from investment activities	**(129 125)**	21 100	(132 875)
Cash flows from financing activities			
Issue of shares	**13 562**	59 228	238 811
Loans receivable	**89 936**	–	–
Interest-bearing liabilities repaid	**(32 214)**	(25 502)	(67 425)
Net cash generated from financing activities	**71 284**	33 726	171 386
Net (decrease)/increase in cash and cash equivalents	**(97 565)**	46 034	71 494
Cash and cash equivalents at beginning of year	**130 226**	58 732	58 732
Cash and cash equivalents at end of period	**32 661**	104 766	130 226

Condensed consolidated segmental information

	Retail R'000	Offices R'000	Industrial R'000	Land R'000	Total R'000
Six months ended 28 February 2018					
Extracts from the statement of comprehensive income					
Revenue from property portfolio#	**379 029**	**86 520**	**64 953**	**–**	**530 502**
Property expenses	**(131 752)**	**(31 839)**	**(19 483)**	**(8)**	**(183 082)**
Net property income	**247 277**	**54 681**	**45 470**	**(8)**	**347 420**
Extracts from the statement of financial position					
Investment property at fair value	**4 612 492**	**1 267 394**	**1 003 994**	**27 223**	**6 911 103**
Non-current assets held-for-sale	**161 900**	**–**	**–**	**2 546**	**164 446**
Total	**4 774 392**	**1 267 394**	**1 003 994**	**29 769**	**7 075 549**
Six months ended 28 February 2017					
Extracts from the statement of comprehensive income					
Revenue from property portfolio#	373 139	83 174	70 307	–	526 620
Property expenses	(132 646)	(30 774)	(21 006)	(8)	(184 434)
Net property income	240 493	52 400	49 301	(8)	342 186
Extracts from the statement of financial position					
Investment property at fair value	4 455 800	1 223 936	987 091	25 914	6 692 741
Investment property held-for-sale	313 022	10 600	11 700	1 400	336 722
Total	4 768 822	1 234 536	998 791	27 314	7 029 463

 # Excluding straight-line rental income

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

	Unaudited 28 February 2018 R'000	Unaudited 28 February 2017 R'000	Audited 31 August 2017 R'000
Reconciliation of reportable segment revenue and profit			
Revenue			
Total revenue for reportable segments	**530 502**	526 620	1 052 517
Straight-line rental income accrual	**6 658**	10 819	17 143
Consolidated revenue	**537 160**	537 439	1 069 660
Profit			
Total profit for reportable segments	**347 420**	342 186	699 054
Straight-line rental income accrual	**6 658**	10 819	17 143
Administration and corporate cost	**(11 519)**	(17 559)	(31 887)
Net finance cost	**(120 723)**	(125 713)	(243 632)
Fair value adjustments	**27 908**	(24 893)	1 352
Transaction costs on business combination	**(2 543)**	–	–
Amortisation of intangible assets/goodwill impaired	**(18 750)**	–	(35 155)
Profit before taxation	**228 451**	184 840	406 875
Distributable earnings			
Reconciliation of profit for the period to distributable earnings			
Profit attributable to shareholders of the company	**227 163**	178 474	387 922
Fair value – investment properties revaluation	**(20 626)**	821	(57 512)
Fair value – straight-line rental income	**6 658**	10 819	17 143
Fair value – interest rate swaps	**(13 940)**	13 253	39 017
NCI portion of fair value adjustment	**–**	–	12 586
Antecedent interest	**2 538**	1 642	10 991
Transaction costs on business combination	**2 543**	–	–
Amortisation of intangible assets/goodwill impaired	**18 750**	–	35 155
Straight-line rental income accrual	**(6 658)**	(10 819)	(17 143)
Distributable earnings and dividends declared	**216 428**	194 190	428 159
Distribution statement			
Revenue	**530 502**	526 620	1 052 517
Contractual rental income	**419 018**	411 367	825 555
Recoveries and other income	**111 484**	115 253	226 962
Property expenses	**(183 082)**	(184 434)	(353 463)
Net property income	**347 420**	342 186	699 054
Administration and corporate costs	**(11 519)**	(17 559)	(31 887)
Net operating profit	**335 901**	324 627	667 167
Net finance cost	**(120 723)**	(125 713)	(243 632)
Antecedent dividend	**2 538**	1 642	10 991
Non-controlling interests	**(1 288)**	(6 366)	(6 367)
Distribution	**216 428**	194 190	428 159

Basis of preparation and accounting policies

The unaudited condensed consolidated interim results for the period ended 28 February 2018 have been prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act, 71 of 2008 of South Africa. The interim report has been prepared in accordance with IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the unaudited condensed consolidated interim results are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the preparation of the previous year's consolidated annual financial statements.

These results have been prepared under the historical cost convention, except for investment properties, which are measured at fair value, and certain financial instruments, which are measured at fair value.

These unaudited condensed consolidated interim results were prepared by the Financial Director, Mr R Asmal and the Group Financial Manager, Mrs N Kotze, and they have not been reviewed or reported on by the company's independent external auditors.

Measurement of fair value

Investment property

On an annual basis, investment properties above R12 million (at the last valuation date) and one-third of properties below R12 million are valued by external independent registered valuers, whilst the remaining two-thirds are valued internally by directors. Independent valuations for these below R12 million in value properties are obtained on a rotational basis, ensuring that every property below the threshold is valued at least once every three years by an external independent valuer.

At the interim reporting stage, the properties are valued internally by directors.

The properties are valued using either the discounted cash flow or capitalisation methods by the directors 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 7.5% and 13.10%. 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 including derivatives. 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.

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 (ie as prices) or indirectly (ie derived from prices); and
- Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable input).

Investment properties and derivative financial instruments have been categorised as Level 3 and 2, respectively. There has been no material change between levels during the year.

Fair value measurements for investment properties categorised as Level 3:

	R'000
Balance at beginning of year	**6 882 691**
Acquisitions/additions	**179 171**
Transferred to non-current assets held-for-sale	**(152 968)**
Tenant installation/lease commission	**2 209**
Balance at end of year	**6 911 103**

Valuation technique and significant unobservable inputs:

Investment property – Level 3

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% and 8% per annum. ■ Risk-adjusted discount rates vary between 14% and 16%.	The estimated fair value would increase/(decrease) if: ■ expected rentals were higher/(lower); and ■ Risk-adjusted discount rates and capitalisation rates were lower/(higher).
Capitalisation model: Establishes the market-related rental income for the property and applies an appropriate capitalisation rate.	■ Capitalisation rates vary between 7.5% to 13.10%.	The estimated fair value would increase/(decrease) if: ■ Capitalisation rates were lower/(higher).

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.

Business combinations

During the six months ended 28 February 2018, the group acquired 100% of the investment units in its asset manager DAMT, for R150 million. This acquisition was in terms of the group's agreement to internalise its asset management.

The acquisition was funded by the allotment and issue of 9 931 631 Dipula B-shares for the equivalent of R100 299 995.84 issued at a 30-day volume weighted average price per Dipula B-share and a cash payment of R49 700 003.65.

The practical effective date of the acquisition was 1 September 2017.

The acquisition of 100% of the investment units in DAMT is accounted for in terms of IFRS 3: *Business Combinations*. Going forward, the asset management internalisation will better align the interests of management with that of the group's shareholders and with global best practice.

	DAMT September 2017 R'000
The assets and liabilities arising from the acquisition are as follows:	
Property, plant and equipment	74
Trade and other receivables	852
Cash and cash equivalents	4 861
Assets	5 787
Trade and other payables	5 787
Liabilities	5 787
Fair value of assets and liabilities acquired	–
Total purchase consideration	150 000
Intangible asset	150 000
Transaction costs of R2.432 million were incurred on the acquisition and have been reflected in the statement of comprehensive income.	
Purchase consideration	150 000
Add: Acquisition-related costs	2 432
Less: Settled in Dipula B-shares	(100 300)
Purchase consideration settled in cash	52 132
Cash and cash equivalents in trust acquired	(4 861)
Net cash outflow on acquisition	47 271
Revenue of DAMT included in the statement of comprehensive income and eliminated on consolidation – September 2017 to February 2018	13 423
Profit of DAMT included in the statement of comprehensive income and eliminated on consolidation – September 2017 to February 2018	6 128

Corporate information

Dipula Income Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/013963/06)
JSE share code: DIA ISIN for A-shares: ZAE000203378
JSE share code: DIB ISIN for B-shares: ZAE000203394
(Approved as a REIT by the JSE)
("Dipula" or "the company" or "the Fund", and together with its subsidiaries, "the group")

Directors
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IS Petersen (CEO)
BH Azizollahoff*#
R Asmal (FD)
E Links*
Y Waja*
SA Halliday*

** Independent non-executive*
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