



2022

**UNAUDITED
CONDENSED CONSOLIDATED
INTERIM RESULTS**

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022



Sustainable Property Returns



HIGHLIGHTS

A-share **re-purchase**
and delisting approved
by shareholders

Average growth in
retail turnovers of **14%**
period on period

Contractual income
up **0.6%**

Palm Court

Loan to value
of **36.7%**
(2021: 35.7%)

Distributable earnings
up **0.1%**

Combined NAV
per share of **R20.78**
(2021: R21.18)

Distributable earnings
per A-share up **5%**
to **61.97 cents**
(2021: 59.02 cents)

Distributable earnings
per B-share of **42.22 cents**
(2021: 45.10 cents)

COMMENTARY

Introduction

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

Dipula is listed on the Johannesburg Stock Exchange ("JSE") and has A-shares and B-shares in issue, trading under the codes DIA and DIB. In compliance with Dipula's MOI, A-shares are entitled to a preferred dividend growth of the lower of 5% or the consumer price inflation ("CPI"), while B-shares receive the remaining distributable income to the extent distributed. A-shares and B-shares rank equally in all other respects. With effect from June 2022 all A-shares will be repurchased by the company at a swap ratio of 2.4 B-shares for each A-share, resulting in a single ordinary share capital structure.

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

Financial results

Dipula continues to experience extremely challenging trading conditions driven by global factors, slow domestic economic growth and socio-political uncertainties being experienced in South Africa.

Contractual rental income for the period increased by 0.6% to R541 million (2021: R538 million). Property-related expenses showed an inflationary increase of 5.8% to R232 million (2021: R219 million). Net property income amounted to R441 million (2021: R457 million).

At the end of the period distributable earnings had increased by 0.1% to R275.7 million (2021: R275.5 million). This resulted in growth in distributable earnings per A-share of 5% to 61.97 cents (2021: 59.02 cents) and B-share distributable earnings per share of 42.22 cents (2021: 45.10 cents).

The lower increase in contractual income and higher increase in property related expenses resulted in the group's cost-to-income ratio increasing to 38.5% (2021: 36.8%).

Cost-to-income ratios

	28 February 2022	28 February 2021
Cost-to-income ratio	38.5%	36.7%
Administrative cost-to-income ratio	3.9%	3.6%

Net asset value

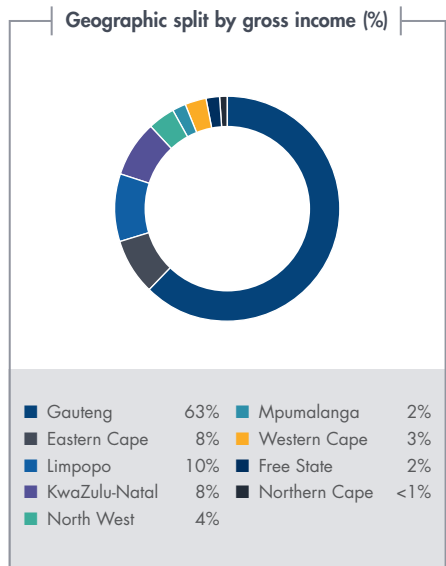
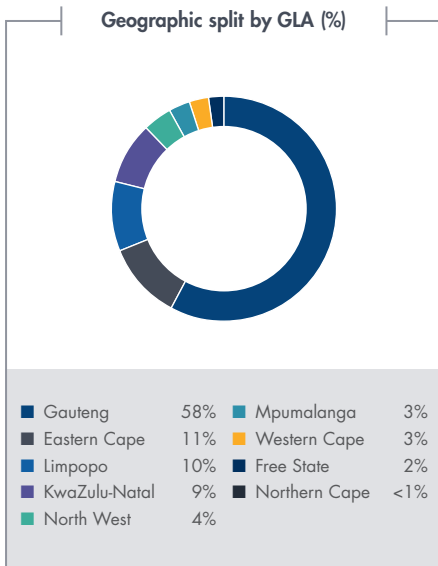
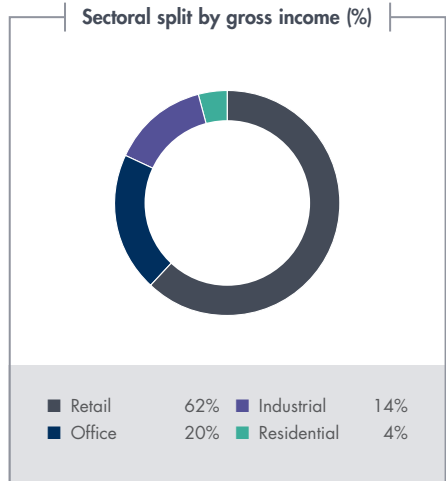
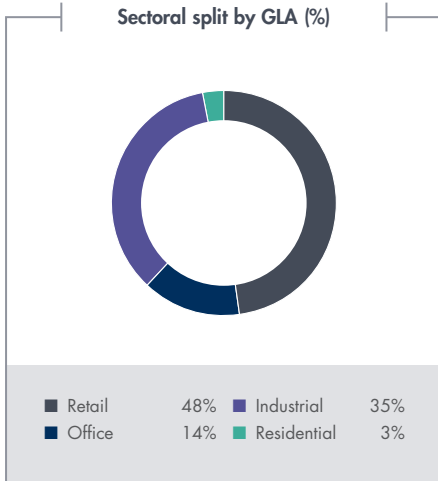
The group's combined net asset value per share decreased marginally by 2% to R20.78 (2021: R21.18).

COMMENTARY (CONTINUED)

Property portfolio

As at 28 February 2022, Dipula’s portfolio value remained stable at approximately R9 billion. The portfolio is comprised of 186 properties (2021: 189 properties) with a total gross lettable area (“GLA”) of 925 251 m² (2021: 926 648 m²).

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



Leasing

New leases (excluding residential)

During the period, Dipula concluded 93 new leases with a total GLA of 35 016 m², which amounts to approximately R184 million in lease value at a weighted average escalation of 6.8% and a weighted average lease expiry ("WALE") of four years.

Renewals (excluding residential)

During the period, the group concluded renewals with a total GLA of 70 041 m². This amounts to gross lease income of approximately R397 million over the lease terms. The WALE for renewals was three years. The group recorded a weighted average reversion rate of 1% for the portfolio. This was due to reversions in the retail and industrial portfolios of 2.4% and 12.3% respectively and a positive renewal rate of 5.4% for offices.

Tenant retention (excluding residential)

The total vacated space for the period amounted to 24 922 m² with 6 351m² re-let during the period.

The tenant retention rate was 78% (2021: 77%). The sectoral retention rates are broken down as follows:

Tenant retention rate by sector

	28 February 2022	28 February 2021
Retail	63%	74%
Office	93%	78%
Industrial	91%	83%
Total	78%	77%

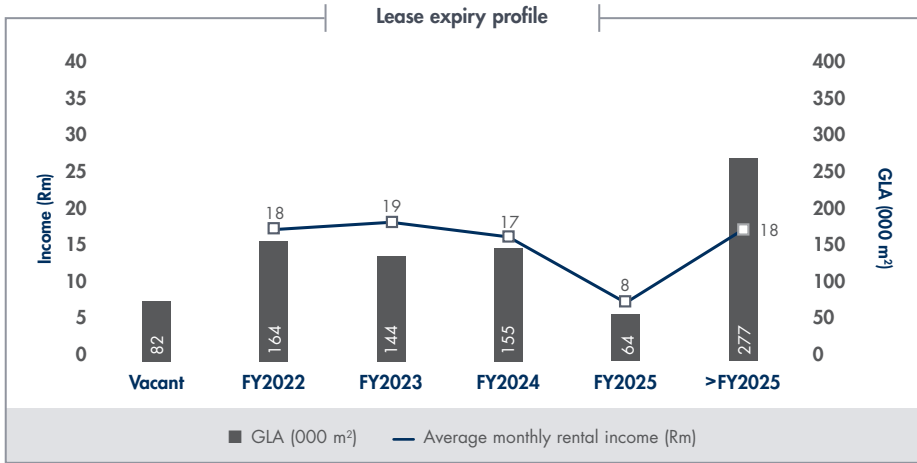
Vacancy (excluding residential)

The non-residential portfolio vacancy factor increased to 9.3% (2021: 7.6%) driven primarily by the office sector as tenants downsize space due to changing user needs and current challenging economic conditions.

Vacancy by sector

	28 February 2022	28 February 2021
Retail	10.8%	9.9%
Office	17.3%	11.6%
Industrial	3.9%	3.2%
Total	9.3%	7.6%

COMMENTARY (CONTINUED)



Acquisitions

The group made no acquisitions during the period.

Refurbishments and redevelopments

Approximately R45 million was invested in refurbishments and redevelopments during the period. A further R445 million worth of refurbishments is planned over the next 18 to 24 months.

Disposals

During the period, Dipula disposed of properties to a value of R21 million with an additional R35 million of disposals awaiting transfer at the end of the period.

Retail centres trading

Dipula's portfolio of convenience retail centres recorded an average growth in turnovers of 14% period on period. This growth was primarily driven by township and rural centres.

KwaZulu-Natal floods

We are saddened by the many lives lost as well as the trail of infrastructure destruction that the floods in KwaZulu-Natal have caused. The effects of this will no doubt increase the burden on an already strained fiscus and negatively affect the economy. Dipula suffered no direct loss during these floods but we are concerned about the socio economic knock-on effects and human suffering that may follow on from this unprecedented catastrophe.

Residential portfolio

At 28 February, Dipula's residential portfolio comprised of 712 units (2021: 440 units) valued at R434 million (2021: R265 million). The total vacancy was 18% mainly due to vacancies at Palm Springs which was impacted by COVID-19-related job losses. Palm Springs had a vacancy of 27%. Occupancies at Urban Village Norwood, Bruma and Midrand were 92%, 97% and 96% respectively. Subsequent to period end there has been a reduction in vacancies at Palm Springs to 22%.

Funding

During the period, debt facilities of R1.2 billion were renewed at a weighted average funding rate of 6.0%, for a weighted average period of 3 years.

On 28 February 2022, Dipula's blended weighted average cost of debt was 8.13% (2021: 7.82%). The company had total debt of R3.5 billion. The weighted average debt period to expiry was 2.17 years, and the aggregate hedge expiry period was 2.23 years. All debt was Rand denominated and 78% (2021: 61%) of the group's interest rate exposure was hedged.

The group's gearing at period end was 36.7% (2021: 35.7%) with undrawn facilities of R131 million at period-end.

The group is negotiating to renew R228 million worth of debt facilities which expire during the 2022 financial year. The debt maturity and hedging profile is detailed below:

Financial year-end	Facility		Fixed/Swap		Floating	
	R'000	%	R'000	%	R'000	%
FY2022	228 210	6.4	400 000	11.2	(171 790)	(4.8)
FY2023	932 000	26.2	300 000	8.4	632 000	17.8
FY2024	932 402	26.2	525 000	14.8	407 402	11.5
FY2025	1 089 545	30.6	1 350 000	37.9	(260 455)	(7.3)
FY2026	249 399	7.0	200 000	5.6	49 399	1.4
>FY2026	126 425	3.6	-	0.0	126 425	3.6
Total	3 557 981	100.0	2 775 000	78.0	782 981	22.0

Credit rating

With effect from September 2021, GCR Ratings maintained Dipula's long and short-term credit rating of BBB (ZA) and A3 (ZA), with a stable outlook.

Covenants

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

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

	28 February 2022	28 February 2021
LTV	36.7%	35.7%
ICR	3.22 times	3.18 times

Capital commitments

Dipula has capital commitments of R207 million at the end of the period. These will be funded through capital recycling, insurance proceeds and new debt facilities.

Civil unrest update

Dipula suffered losses at 12 of its properties during the July 2021 social unrest. Eleven of the affected properties are now fully operational and trading while one is still being restored. Dipula has received partial settlements from its insurers in respect of the damaged properties and is in the final stages of agreeing the final settlement figures with the insurers.

COMMENTARY (CONTINUED)

Board changes

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

Prospects

Corporate structure

The board is pleased with the overwhelming support received from the Dipula A and B shareholders in respect of the repurchasing of all Dipula A-shares at a ratio of 2.4 Dipula B-shares for every Dipula A-share held. On 3 May 2022 the company informed shareholders via SENS that all outstanding conditions precedent in respect of the A-share repurchase had been fulfilled and that the Takeover Regulation Panel had issued a compliance certificate in terms of section 119(4) of the Companies Act. The listing of the A-shares is expected to be terminated at the commencement of trade on 7 June 2022.

A simplified capital structure is expected to align all stakeholders' interests and position the company for growth. The combined Dipula share is further anticipated to be more liquid and tradable.

Trading conditions

The South African macro-economic environment remains extremely challenging mainly due to the ongoing COVID-19 pandemic, the July 2021 social unrest, low economic growth, the recent KwaZulu-Natal floods and ongoing political uncertainties. Eskom's problems coupled with dysfunctional municipalities add to the challenges faced by the property sector. We do not expect trading conditions to improve in the short term, but management will strive to run the business efficiently and to "sweat" the assets to the very best of its ability.

Way forward

Management will optimise the balance sheet through sensible disposals of non-core properties and carefully planned refurbishments and upgrades funded from the recycled capital. Dipula remains committed to unlocking sensible growth opportunities in the SA market, predominantly within convenience retail.

Payment of interim dividend

The board has approved, and notice is hereby given of an interim gross dividend (dividend number 20) for the period 1 September 2021 to 28 February 2022 of 61.97130 cents per A-share and 42.21706 per B-share.

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

Last day to trade <i>cum</i> dividend	Tuesday, 31 May 2022
Shares trade ex-dividend	Wednesday, 1 June 2022
Record date	Friday, 3 June 2022
Payment date	Monday, 6 June 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 June 2022 and Friday, 3 June 2022, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 6 June 2022. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 6 June 2022.

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

On behalf of the board

Zanele Matlala
Chairman

Izak Petersen
Chief Executive Officer

5 May 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Audited year ended 31 August 2021 R'000
ASSETS			
Non-current assets	9 185 955	9 088 266	9 127 262
Investment property	9 149 663	9 040 889	9 108 970
Fair value of property portfolio	8 822 791	8 662 312	8 778 044
Right-of-use asset	85 827	83 460	84 606
Straight-line rental income accrual	241 045	295 117	246 320
Intangible assets	–	18 750	–
Property, plant and equipment	2 523	2 977	2 709
Deferred taxation	6 282	–	6 281
Derivative financial assets – swaps	10 065	–	2 328
Derivative financial assets – options	–	15 447	–
Loans receivable	17 422	10 203	6 974
Current assets	256 670	449 251	298 287
Trade and other receivables	189 134	188 334	233 183
Loans receivable	3 328	136 312	2 528
Cash and cash equivalents	64 208	124 605	62 576
Non-current assets held-for-sale			
Investment property held-for-sale	78 859	78 147	101 242
Total assets	9 521 484	9 615 664	9 526 791
EQUITY AND LIABILITIES			
Shareholders' interest	5 497 165	5 604 248	5 450 805
Stated capital	4 238 627	4 243 513	4 243 513
Fair value reserve	1 070 303	1 032 372	1 016 796
Retained income	179 256	324 516	184 544
Share-based payment reserve	8 979	3 847	5 952
Non-controlling interests	209 428	239 762	210 224
Non-current liabilities	2 824 225	2 747 216	2 503 933
Interest-bearing liabilities	2 680 613	2 545 044	2 329 353
Non-interest-bearing liabilities	–	–	–
Option premium	3 568	11 500	3 568
Lease liability	106 516	104 080	105 192
Derivative financial liabilities – swaps	33 528	86 592	65 820
Current liabilities	990 666	1 024 438	1 361 829
Interest-bearing liabilities	770 542	830 976	1 097 516
Trade and other payables	206 216	169 163	237 987
Derivative financial liabilities – swaps	5 820	16 439	18 239
Lease liability	8 088	7 860	8 087
Total equity and liabilities	9 521 484	9 615 664	9 526 791

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Audited year ended 31 August 2021 R'000
Revenue	677 426	678 441	1 313 956
Contractual rental income	540 810	537 833	1 089 104
Municipal and property recoveries	141 892	130 503	263 544
Straight-line rental income accrual	(5 276)	10 105	(38 692)
Property-related expenses	(232 127)	(219 483)	(443 929)
Impairment loss on trade receivables	(3 879)	(1 919)	(4 089)
Net property income	441 420	457 039	865 938
Administration and corporate costs	(26 644)	(24 249)	(42 325)
Net operating profit	414 776	432 790	823 613
Net finance cost	(135 527)	(136 715)	(282 812)
Finance income	8 273	11 111	14 449
Finance cost	(143 800)	(147 826)	(297 261)
Net profit after finance cost	279 249	296 075	540 801
Amortisation of intangible assets	-	(18 750)	(37 500)
Fair value adjustments	58 783	43 908	65 614
Investment properties and properties held-for-sale	1 059	1 863	(35 013)
Straight-line rental income accrual	5 276	(10 105)	38 692
Options	-	-	(11 515)
Interest rate swaps	52 448	52 150	73 450
Profit before taxation	338 032	321 233	568 915
Taxation	-	-	(85 718)
Profit for the period after taxation	338 032	321 233	483 197
Other comprehensive income	-	-	-
Total comprehensive income for the period/year	338 032	321 233	483 197
Total profit and comprehensive income for the period/year attributable to:			
Shareholders of the company	324 882	308 991	429 454
Non-controlling interests	13 150	12 242	53 743
	338 032	321 233	483 197
Basic earnings per A-share (cents)	61.38	58.38	81.14
Diluted earnings per A-share (cents)	60.38	57.85	80.09
Basic earnings per B-share (cents)	61.38	58.38	81.14
Diluted earnings per B-share (cents)	60.38	57.85	80.09

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Stated capital R'000	Fair value reserve R'000	Share-based payment reserve R'000	Retained income R'000	Non- controlling interest R'000	Total equity R'000
Balance at 31 August 2020 (audited)	4 243 513	978 359	2 155	70 995	250 499	5 545 521
Total comprehensive income for the period	–	–	–	308 991	12 242	321 233
Dividends declared	–	–	–	–	(12 822)	(12 822)
Acquisition of non-controlling interest	–	–	–	(1 457)	(9 925)	(11 382)
Finance cost on NCI loan	–	–	–	–	809	809
Repayment of NCI loan	–	–	–	–	(1 041)	(1 041)
Recognition of staff share-based payments	–	–	1 692	–	–	1 692
Transfer to fair value reserve – investment properties	–	1 863	–	(1 863)	–	–
Transfer to fair value reserve – interest rate swaps	–	52 150	–	(52 150)	–	–
Balance at 28 February 2021 (unaudited)	4 243 513	1 032 372	3 847	324 516	239 762	5 844 010
Balance at 31 August 2021 (audited)	4 243 513	1 016 796	5 952	184 544	210 224	5 661 029
Total comprehensive income for the period	–	–	–	324 882	13 150	338 032
Costs relating to issue of shares capitalised	(4 886)	–	–	–	–	(4 886)
Dividends declared	–	–	–	(276 663)	(14 397)	(291 060)
Finance cost on NCI loan	–	–	–	–	451	451
Recognition of staff share-based payments	–	–	3 027	–	–	3 027
Transfer to fair value reserve – investment properties	–	1 059	–	(1 059)	–	–
Transfer to fair value reserve – interest rate swaps	–	52 448	–	(52 448)	–	–
Balance at 28 February 2022 (unaudited)	4 238 627	1 070 303	8 979	179 256	209 428	5 706 593

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Audited year ended 31 August 2021 R'000
Cash flows from operating activities			
Cash generated from operations	456 590	405 882	850 360
Finance income	8 273	7 690	14 449
Finance cost	(127 362)	(134 536)	(272 174)
Dividends paid	(299 743)	(12 822)	(302 122)
Taxation paid	–	–	(85 996)
Net cash generated from operating activities	37 758	266 214	204 517
Cash flows from investing activities			
Acquisition of business combination	–	–	(19 989)
Capital expenditure on investment properties	(45 026)	(28 064)	(68 852)
Acquisition of property, plant and equipment	(57)	(118)	(366)
Proceeds on disposal of investment properties	50 267	11 850	28 350
Net movement in loans receivable	752	673	31 697
Net cash generated from/(utilised in) investing activities	5 936	(15 659)	(29 160)
Cash flows from financing activities			
Repayment of lease liabilities	(3 969)	(3 750)	(7 642)
Share issue expenses	(4 886)	–	–
Additional shares acquired in subsidiary	(46 397)	–	–
Net movement in non-interest-bearing liabilities	48	(231)	–
Net movement in interest-bearing liabilities	13 142	(171 326)	(154 496)
Movement in access facility	134 702	(165 326)	(76 645)
Interest-bearing liabilities raised	–	–	19 149
Permanent reduction	(121 560)	(6 000)	(97 000)
Net cash utilised in financing activities	(42 062)	(175 307)	(162 138)
Net increase in cash and cash equivalents	1 632	75 248	13 219
Cash and cash equivalents at the beginning of the period/year	62 576	49 357	49 357
Cash and cash equivalents at the end of the period/year	64 208	124 605	62 576

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

The entity has five reportable segments 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.

	Retail R'000	Offices R'000	Industrial R'000	Residential R'000	Land R'000	Corporate R'000	Total R'000
SIX MONTHS ENDED							
28 FEBRUARY 2022							
Extracts from the statement of comprehensive income							
Contractual rental income and recoveries (excluding straight-line)	440 855	121 025	99 891	20 931	–	–	682 702
Property-related expenses	(166 793)	(35 293)	(18 590)	(15 319)	(11)	–	(236 006)
Net property income	274 062	85 732	81 301	5 612	(11)	–	446 696
Extracts from the statement of financial position							
Investment property at fair value	5 615 527	1 721 693	1 358 670	433 833	19 940	–	9 149 663
Investment property held-for-sale	–	45 000	33 859	–	–	–	78 859
Total	5 615 527	1 766 693	1 392 529	433 833	19 940	–	9 228 522
SIX MONTHS ENDED							
28 FEBRUARY 2021							
Extracts from the statement of comprehensive income							
Contractual rental income and recoveries (excluding straight-line)	423 504	128 892	99 766	16 174	–	–	668 336
Property-related expenses	(156 350)	(38 817)	(19 767)	(6 457)	(11)	–	(221 402)
Net property income	267 154	90 075	79 999	9 717	(11)	–	446 934
Extracts from the statement of financial position							
Investment property at fair value	5 544 046	1 832 578	1 400 712	243 424	20 129	–	9 040 889
Investment property held-for-sale	31 251	–	46 896	–	–	–	78 147
Total	5 575 297	1 832 578	1 447 608	243 424	20 129	–	9 119 036
YEAR ENDED							
31 AUGUST 2021							
Extracts from the statement of comprehensive income							
Contractual rental income and recoveries (excluding straight-line)	854 543	249 881	195 186	53 038	–	–	1 352 648
Property-related expenses	(305 982)	(76 013)	(36 719)	(18 766)	(21)	(10 517)	(448 018)
Net property income	548 561	173 868	158 467	34 272	(21)	(10 517)	904 630
Extracts from the statement of financial position							
Investment property at fair value	5 517 754	1 760 730	1 376 800	433 836	19 850	–	9 108 970
Investment property held-for-sale	88 263	–	11 491	–	1 488	–	101 242
Total	5 606 017	1 760 730	1 388 291	433 836	21 338	–	9 210 212

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION (CONTINUED)

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Audited year ended 31 August 2021 R'000
Reconciliation of reportable segment revenue and profit			
Revenue			
Total revenue for reportable segments	682 702	668 336	1 352 648
Other income for reportable segments	–	–	–
Straight-line rental income accrual	(5 276)	10 105	(38 692)
Consolidated revenue	677 426	678 441	1 313 956
Profit			
Total profit for reportable segments	446 696	446 934	904 630
Straight-line rental income accrual	(5 276)	10 105	(38 692)
Administration and corporate costs	(26 644)	(24 249)	(42 325)
Net finance cost	(135 527)	(136 715)	(282 812)
Fair value adjustments	58 783	43 908	65 614
Amortisation of intangible assets	–	(18 750)	(37 500)
Profit before taxation	338 032	321 233	568 915

RECONCILIATION BETWEEN PROFIT, EARNINGS AND HEADLINE EARNINGS

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Audited year ended 31 August 2021 R'000
Total profit and comprehensive income for the period/year (earnings)	324 882	308 991	429 454
<i>Adjustments:</i>	(4 217)	8 640	15 979
Fair value – investment properties and held-for-sale (net of non-controlling interest)	1 059	(1 465)	54 671
Fair value – straight-line rental income	(5 276)	10 105	(38 692)
Headline earnings	320 665	317 631	445 433
Total number of shares in issue*	529 282 638	529 282 638	529 282 638
A-shares	264 641 319	264 641 319	264 641 319
B-shares	264 641 319	264 641 319	264 641 319
Total weighted average number shares in issue*	529 282 638	529 282 638	529 282 638
A-shares	264 641 319	264 641 319	264 641 319
B-shares	264 641 319	264 641 319	264 641 319
Total diluted weighted average number shares in issue*	538 094 116	534 126 895	536 201 129
A-shares	265 443 354	264 641 319	265 056 166
B-shares	272 650 763	269 485 576	271 144 963
Headline earnings per A-share (cents)	60.58	60.01	84.16
Diluted headline earnings per A-share (cents)	59.59	59.47	83.07
Headline earnings per B-share (cents)	60.58	60.01	84.16
Diluted headline earnings per B-share (cents)	59.59	59.47	83.07

* Net of treasury shares.

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

BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim results were prepared by the Group Financial Director, Mr R Asmal and the Group Finance Executive, Mrs R Maree CA(SA). These results have not been reviewed or reported on by the company's independent external auditor.

The unaudited condensed consolidated interim financial results for the period ended 28 February 2022 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require provisional consolidated financial reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and to contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies and methods of computations applied are consistent with those applied in the previous year's consolidated annual financial statements.

Measurement of fair value

The assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	28 February 2022				28 February 2021			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
ASSETS								
Investment property	-	-	9 149 663	9 149 663	-	-	9 040 889	9 040 889
Derivative financial assets – swaps	-	10 065	-	10 065	-	-	-	-
Derivative financial assets – options	-	-	-	-	-	-	15 447	15 447
Investment property held-for-sale	-	-	78 859	78 859	-	-	78 147	78 147
Total	-	10 065	9 228 522	9 238 587	-	-	9 134 483	9 134 483
LIABILITIES								
Derivative financial liabilities – swaps	-	39 348	-	39 348	-	103 031	-	103 031
Option premium	-	-	3 568	3 568	-	-	11 500	11 500
Total	-	39 348	3 568	42 916	-	103 031	11 500	114 531
Net fair value	-	49 413	9 232 090	9 281 503	-	103 031	9 145 983	9 249 014

Hierarchy levels

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The different levels have been defined as follows:

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

There were no changes in valuation techniques and there were no transfers between Level 1, Level 2 and Level 3 during the period.

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% (2021: 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.

Investment properties have been categorised as Level 3. There has been no material change between levels during the period and there were no transfers between levels.

Derivative 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.

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

- ▶ The fair value of the options is determined by utilising open market sales for similar properties in the identified notes at the reporting date.

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

Movement in Level 3 instruments

	28 February 2022			28 February 2021			
	Investment property	Investment property held-for-sale	Option premium	Investment property	Investment property held-for-sale	Derivative financial assets – options	Option premium
Balance at the beginning of the year	9 108 970	101 242	3 568	9 094 502	13 488	15 447	11 500
Acquisitions/additions	33 964	–	–	21 008	–	–	–
Change in fair value	–	–	–	798	–	–	–
Transferred to non-current assets held-for-sale/disposals	1 695	(1 695)	–	(76 659)	76 659	–	–
Disposals	–	(20 688)	–	–	(12 000)	–	–
Right-of-use asset	1 221	–	–	1 215	–	–	–
Options exercised	–	–	–	–	–	(15 447)	(7 932)
Net tenant installation/lease commission	3 813	–	–	25	–	–	–
Balance at the end of the period	9 149 663	78 859	3 568	9 040 889	78 147	–	3 568

BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Significant unobservable inputs and ranges of estimates used

	28 February 2022						28 February 2021			
	Discount rate		Capitalisation rate		Vacancy rate range	Average gross rent range	Discount rate		Capitalisation rate	
	Range %	Weighted average %	Range %	Weighted average %			Range %	Weighted average %	Range %	Weighted average %
Total portfolio	10 – 17	12.60	8 – 15	9.70	0 – 8	94 – 117	10 – 17	13.40	8 – 15	9.80
Retail	10 – 17	13.40	8 – 12	9.50	0 – 9	111 – 134	10 – 17	13.60	8 – 12	9.60
Office	11 – 16	13.30	9 – 11	9.90	0 – 16	124 – 165	12 – 16	13.60	9 – 12	10.00
Industrial	12 – 17	11.80	9 – 15	10.20	0 – 4	35 – 44	13 – 16	12.00	9 – 15	10.40
Residential	15 – 15	14.80	9 – 10	9.40	0 – 23	95 – 154	15 – 15	14.80	10 – 10	9.80

	28 February 2022							
	Impact on valuation							
	Discount rate (0.5%) %	Discount rate +0.5% %	Capitalisation rate (0.5%) %	Capitalisation rate +0.5% %	Market rentals +5% %	Market rentals (5%) %	Vacancy rate +1.0% %	Vacancy rate (1.0%) %
Total portfolio	2.40	(2.20)	4.70	(4.00)	6.10	(6.10)	0.90	(0.90)
Retail	2.40	(2.20)	4.80	(4.10)	6.40	(6.10)	0.90	(0.90)
Office	2.50	(2.40)	4.80	(4.00)	5.50	(7.00)	0.90	(0.90)
Industrial	2.00	(2.00)	4.00	(3.40)	5.60	(5.20)	0.90	(0.90)
Residential	1.90	(1.90)	3.30	(3.30)	5.10	(5.10)	1.30	(1.30)

	28 February 2021					
	Impact on valuation					
	Discount rate (0.5%)	Discount rate +0.5%	Capitalisation rate (0.5%)	Capitalisation rate +0.5%	Market rentals +5%	Market rentals (5%)
Total portfolio	1.80	(1.70)	3.40	(3.00)	5.30	(5.50)
Retail	1.80	(1.70)	3.40	(3.10)	5.20	(5.50)
Office	1.80	(1.70)	3.30	(3.00)	6.40	(6.70)
Industrial	1.80	(1.70)	3.10	(2.80)	4.20	(3.40)
Residential	na	na	na	na	na	na

APPENDIX 1 – SUPPLEMENTAL INFORMATION

DISTRIBUTION STATEMENT

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Unaudited year ended 31 August 2021 R'000
Reconciliation of profit for the year to distributable earnings			
Profit attributable to shareholders of the company	324 882	308 991	429 454
Fair value – investment properties revaluation	(1 059)	(1 863)	35 013
Fair value – straight-line rental income	(5 276)	10 105	(38 692)
Fair value – interest rate swaps	(52 448)	(52 150)	(73 450)
Fair value – put options	–	–	11 515
NCI portion of fair value adjustment	–	398	19 658
IFRS 16: <i>Rental paid adjustment</i>	(3 969)	(3 750)	(7 642)
IFRS 16: <i>Finance cost adjustment</i>	5 292	5 168	10 399
Share-based payments	3 027	–	3 797
Amortisation of intangible assets	–	18 750	37 500
Taxation	–	–	85 936
Straight-line rental income accrual	5 276	(10 105)	38 692
Distributable earnings	275 725	275 544	552 180
Distribution statement			
Revenue	682 702	668 336	1 352 648
Contractual rental income	540 810	537 833	1 089 104
Recoveries	141 892	130 503	263 544
Property-related expenses	(239 975)	(225 152)	(455 660)
Net property income	442 727	443 184	896 988
Administration and corporate costs	(23 617)	(24 249)	(38 528)
Net operating profit	419 110	418 935	858 460
Net finance cost	(130 235)	(131 547)	(272 413)
Taxation	–	–	218
Non-controlling interests	(13 150)	(11 844)	(34 085)
Distributable earnings	275 725	275 544	552 180
Distributable earnings per A-share (cents)			
Interim	61.97130	59.02029	118.95304
Final	–	–	59.93275
Distributable earnings per B-share (cents)			
Interim	42.21706	45.09965	89.69993
Final	–	–	44.60028
Combined distributable earnings per share (cents)			
Interim	104.18837	104.11995	208.65297
Final	–	–	104.53303

APPENDIX 2 – SUPPLEMENTAL INFORMATION

SA REIT BEST PRACTICE RECOMMENDATION RATIOS

The BPR is effective for the reporting periods commencing on or after 1 January 2020. The comparative figures have been disclosed on the same basis.

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Unaudited year ended 31 August 2021 R'000
SA REIT Funds from Operations (SA REIT FFO) per share			
Profit for the period attributable to the parent	324 882	308 991	429 454
Adjusted for:			
Accounting/specific adjustments	(816)	17 381	84 768
Fair value adjustments to:			
– Investment property	(6 335)	8 242	(3 679)
– Options	–	–	11 515
Depreciation and amortisation of intangible assets	243	19 244	38 487
Deferred tax movement recognised in profit or loss	–	–	(247)
Straight-lining operating lease adjustment	5 276	(10 105)	38 692
Foreign exchange and hedging items	(52 448)	(52 150)	(73 450)
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	(52 448)	(52 150)	(73 450)
Other adjustments	–	398	19 658
Non-controlling interests in respect of the above adjustments	–	398	19 658
SA REIT FFO	271 618	274 620	460 430
Number of shares outstanding at end of period (net of treasury shares)	529 282 638	529 282 638	529 282 638
SA REIT FFO average per share (cents)	51.32	51.89	86.99
Company-specific adjustments	4 108	924	91 750
IFRS 16: Rental paid	(3 969)	(3 750)	(7 642)
IFRS 16: Finance cost adjustment	5 292	5 168	10 399
Taxation prior year	–	–	85 936
Deferred tax movement recognised in profit or loss	–	–	247
Share-based payments	3 027	–	3 797
Depreciation of property, plant and equipment	(243)	(494)	(987)
Distributable earnings	275 725	275 544	552 180

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Unaudited year ended 31 August 2021 R'000
Distributable earnings per A-share (cents)	61.97130	59.02029	118.95304
Interim	61.97130	59.02029	59.02029
Final	–	–	59.93275
Distributable earnings per B-share (cents)	42.21706	45.09965	89.69993
Interim	42.21706	45.09965	45.09965
Final	–	–	44.60028
Combined earnings per share (cents)	104.18837	104.11995	208.65297
Interim	104.18837	104.11995	104.11994
Final	–	–	104.53303

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Unaudited year ended 31 August 2021 R'000
SA REIT Net Asset Value (SA REIT NAV)			
Reported NAV attributable to the parent	5 497 165	5 604 248	5 450 805
Adjustments:			
Dividend to be declared	(275 725)	(275 544)	(276 638)
Fair value of certain derivative financial instruments	29 283	103 031	81 731
Goodwill and intangible assets	–	(18 750)	–
SA REIT NAV	5 250 723	5 412 985	5 255 898
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)	529 282 638	529 282 638	529 282 638
Effect of dilutive instruments (options, convertibles and equity interests)	8 811 478	4 844 257	8 726 797
Dilutive number of shares in issue	538 094 116	534 126 895	538 009 435
SA REIT NAV per share	9.76	10.13	9.77

APPENDIX 2 – SUPPLEMENTAL INFORMATION (CONTINUED)

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Unaudited year ended 31 August 2021 R'000
SA REIT cost-to-income ratio			
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	232 127	219 483	443 929
Administrative expenses per IFRS income statement	26 644	24 249	42 325
Other expenses – impairment loss and write off of receivables	3 879	1 919	4 089
<i>Exclude:</i>			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(243)	(494)	(987)
Company-specific adjustments	243	494	987
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	243	494	987
Operating costs	262 650	245 651	490 343
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	540 810	537 833	1 089 104
Utility and operating recoveries per IFRS income statement	141 892	130 503	263 544
Gross rental income	682 702	668 336	1 352 648
SA REIT cost-to-income ratio	38.5%	36.8%	36.3%

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Unaudited year ended 31 August 2021 R'000
SA REIT administrative cost-to-income ratio			
Expenses			
Administrative expenses as per IFRS income statement	26 644	24 249	42 325
Administrative costs	26 644	24 249	42 325
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	540 810	537 833	1 089 104
Utility and operating recoveries per IFRS income statement	141 892	130 503	263 544
Gross rental income	682 702	668 336	1 352 648
SA REIT administrative cost-to-income ratio	3.9%	3.6%	3.1%
SA REIT vacancy			
Gross lettable area of vacant space	86 048	70 787	76 783
Gross lettable area of total property portfolio	925 251	920 632	926 765
SA REIT GLA vacancy rate	9.3	7.6	8.3

APPENDIX 2 – SUPPLEMENTAL INFORMATION (CONTINUED)

	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Unaudited year ended 31 August 2021 R'000
SA REIT loan-to-value			
Gross debt	3 451 155	3 376 020	3 426 869
<i>Less:</i>			
Cash and cash equivalents	(64 208)	(124 605)	(62 576)
<i>Add:</i>			
Derivative financial instruments	29 283	103 031	81 731
Net debt	3 416 230	3 354 446	3 446 024
Total assets – per statement of financial position	9 521 484	9 615 664	9 526 791
<i>Less:</i>			
Cash and cash equivalents	(64 208)	(124 605)	(62 576)
Derivative financial assets	(10 065)	–	(2 328)
Goodwill and intangible assets	–	(18 750)	–
Trade and other receivables	(189 134)	(188 334)	(233 183)
Carrying amount of property-related assets	9 258 077	9 283 975	9 228 704
SA REIT loan-to-value (“SA REIT LTV”)	36.90%	36.13%	37.34%
	Unaudited six months ended 28 February 2022 R'000	Unaudited six months ended 28 February 2021 R'000	Unaudited year ended 31 August 2021 R'000
SA REIT Cost of debt			
Variable interest-rate borrowings			
Floating reference rate plus weighted average margin	6.04%	5.29%	5.76%
Fixed interest-rate borrowings			
Weighted average fixed rate	–	–	–
Pre-adjusted weighted average cost of debt:	6.04%	5.29%	5.76%
Adjustments:			
Impact of interest rate derivatives	1.86%	2.48%	2.42%
Amortised transaction costs imputed into the effective interest rate	0.23%	0.05%	0.08%
All-in weighted average cost of debt	8.13%	7.82%	8.26%

CORPORATE INFORMATION

DIPULA INCOME FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2005/013963/06)

JSE share code: DIA ISIN: ZAE000203378

JSE share code: DIB ISIN: ZAE000203394

(Approved as a REIT by the JSE)

("Dipula" or "the company" or "the fund", and together with its subsidiaries, "the group")

Directors

ZJ Matlala* (Chairperson)

IS Petersen (CEO)

R Asmal (FD)

BH Azizzollahoff*#

E Links*

Y Waja*

SA Halliday*

◆ *Independent non-executive*

British

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Mazars Gauteng

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Registered auditors

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