



dipula

INCOME FUND

Sustainable Property Returns

2023

**UNAUDITED CONDENSED
CONSOLIDATED INTERIM RESULTS**

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

Dipula's people drive its vision to be a prominent, diversified, South Africa focused REIT that delivers sustainable value for its shareholders.

VISION LED

PEOPLE DRIVEN

VALUE DELIVERED

HIGHLIGHTS

- 
- ▶ NAV increased by 7% to **R5.9 billion**
 - ▶ Contractual rental income increased by 3% to **R556 million**
 - ▶ Net property income increased by 1% to **R447 million**
 - ▶ Disposals of **R183 million**
 - ▶ New leases worth **R120 million** concluded
 - ▶ Lease renewals worth **R387 million** concluded
 - ▶ Tenant retention rate of **91%** (excluding residential)

COMMENTARY

Dipula is an internally managed, South Africa focused REIT that owns a portfolio of retail, office, industrial and residential property assets throughout South Africa, with the majority of the portfolio located in Gauteng.

Dipula's strategy is to own a defensive portfolio with a bias towards convenience, rural and township retail centres. The portfolio has yielded a solid performance since listing. The company focuses on specific market segments and continuously repositions the portfolio to adapt to changing market dynamics.

Dipula applies diligent asset management and prudent balance sheet management in delivering consistent sustainable financial performance.

The group is continuously reducing its risk by improving the portfolio through employing a range of value-add strategies.

Positioning statement

Dipula invests in conveniently located retail properties that have a positive impact on communities.
Dipula seeks to provide its quality retail tenants with suitable trading spaces to achieve their objectives.

Dipula's office and industrial properties are well located in South Africa's urban areas.

Dipula's residential properties provide much-needed accommodation at good value for money.

Dipula provides sustainable returns for its investors.

Financial results

Dipula shareholders approved the repurchase of all of the company's A-shares in April 2022 for a consideration of 2.4 Dipula B-shares for every Dipula A-share by way of a scheme of arrangement (the "capital restructuring"). The capital restructuring was implemented on 6 June 2022. As a result, Dipula's issued share capital excluding treasury shares on 28 February 2023 consisted of 893 664 473* ordinary shares compared to 264 641 319 A-shares and 264 641 319 B-shares on 28 February 2022. Some of the figures reported for this period will therefore not be comparable to the prior reporting period.

Contractual rental income for the period increased by 3% to R556 million (2022: R541 million). Prudent cost management ensured that property-related expenses increased by a below inflation 3% to R239 million (2022: R232 million). Net property income was slightly ahead of the prior period at R447 million (2022: R441 million).

Despite the solid operational performance, the group delivered distributable earnings of R257 million (2022: R276 million), 7% lower than the prior period. This was mainly due to a 3.25% increase in interest rates period on period. The resultant distributable earnings per share amounted to 28.72 cents (2022: 42.22 cents per B-share and 61.97 cents per A-share). The distributable earnings per share being reported are not comparable to the prior period due to the collapsing of Dipula's A and B share structure in June 2022.

Cost-to-income ratio

The group's cost-to-income ratios have increased slightly but were still competitive relative to industry norms. The cost-to-income ratio has increased by approximately 2% to 40.4% (2022: 38.5%) due to a significantly higher office vacancy relative to the prior period. The administrative cost-to-income ratio has increased to 5.3% (2022: 3.9%) largely due to the transaction incentive awarded to management during the period relating to the successful collapsing of the dual share structure.

	28 February 2023	28 February 2022
Cost-to-income ratio	40.4%	38.5%
Administrative cost-to-income ratio	5.3%	3.9%

* Per the audited annual financial statements and reflecting the repurchase of the shares forming the subject of the appraisal rights exercised following the implementation of the scheme of arrangement, the repurchase of which was implemented post period-end.

Net asset value

Dipula’s net asset value (“NAV”) increased by 7% to R5.9 billion (2022: R5.5 billion). The increase in NAV resulted primarily from increased portfolio revaluations. The NAV per share amounted to R6.58 at the end of the period, which is not comparable to the prior period due to the capital restructuring.

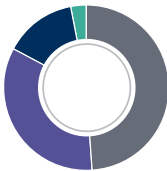
	28 February 2023 R’000	28 February 2022 R’000	Variance %
Investment property and properties held-for-sale	9 679 766	9 228 522	4.9
Interest-bearing liabilities	(3 703 603)	(3 451 155)	7.3
Derivative liabilities – swaps	56 806	(29 283)	294.0
Lease liabilities – IFRS 16	(117 037)	(114 604)	2.1
Other	(34 292)	(136 315)	(74.8)
Net asset value	5 881 640	5 497 165	7.0
NAV per share (Rand)	6.58	10.39	(36.6)
Total number of shares in issue*	893 664 473	529 282 638	68.8

* Per the audited annual financial statements and reflecting the repurchase of the shares forming the subject of the appraisal rights exercised following the implementation of the scheme of arrangement, the repurchase of which was implemented post period-end.

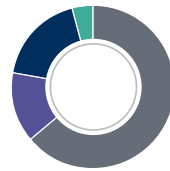
Property portfolio

At 28 February 2023, Dipula’s portfolio was valued at approximately R9.6 billion (2022: R9.2 billion) resulting from increased revaluations at the end of August 2022. The portfolio is comprised of 179 properties (2022: 186 properties) with a total gross lettable area (“GLA”) of 915 243 m² (2022: 925 251 m²).

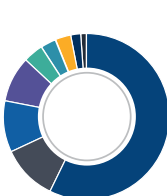
The sectoral and geographic breakdown of Dipula’s portfolio is set out below:



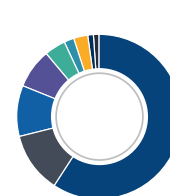
Sectoral split by GLA (%)



Sectoral split by gross income (%)



Geographic split by GLA (%)



Geographic split by gross income (%)

Leasing

New leases (excluding residential)

During the period, Dipula concluded 99 new leases with a total GLA of 20 825 m², which amounts to approximately R120 million in lease value at a weighted average escalation of 7.3% and a weighted average lease expiry ("WALE") of three years.

Renewals (excluding residential)

During the period, the group concluded 137 renewals with a total GLA of 63 897 m². This amounts to gross lease income of approximately R387 million over the lease terms. The WALE for renewals was three years. The group recorded a weighted average positive renewal rate of 2.7% for the portfolio. This resulted from positive renewal rates of 4% for retail and 1% for offices while the industrial portfolio recorded a reversion rate of (2%).

Tenant retention (excluding residential)

Management's focus on attentive tenant service is paying off as evidenced in the impressive tenant retention rate of 91% (2022: 78%), which resulted from high retention rates in all sectors as contained in the table below:

	28 February 2023	28 February 2022
Retail	84%	63%
Office	97%	93%
Industrial	94%	91%
Total	91%	78%

Vacancy (excluding residential)

The non-residential portfolio vacancy increased to 9.9% (2022: 9.3%) driven primarily by the office sector which has only recently started recovering from the adverse effects of Covid-19, that resulted in material structural changes in office space utilisation globally. The reduction in the retail vacancy will primarily be driven by re-tenanting of the highly lettable space vacated by Game at Gillwell Mall, the completion of the redevelopment of Atrium @ 45 and various other strategic letting interventions. In addition, offices will be repurposed, and space leased predicated on increased enquiries relative to the past three years. Special effort is being made to reduce the group's vacancy to between 6% and 8% in the next 18 months.

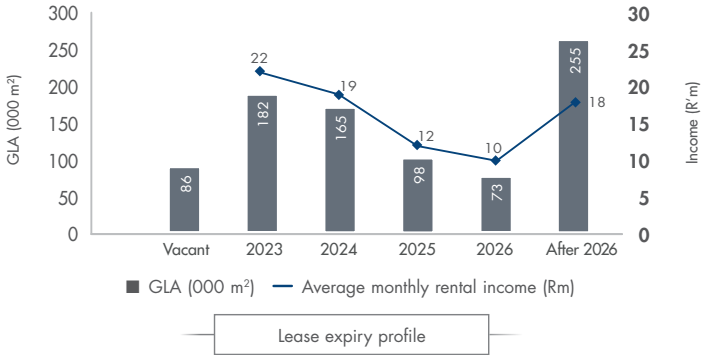
Vacancy by sector

	28 February 2023	28 February 2022
Retail	9.4%	10.8%
Office	27.4%	17.3%
Industrial	3.6%	3.9%
Total	9.9%	9.3%

COMMENTARY (CONTINUED)

Lease expiry profile (excluding residential)

At the end of the period, Dipula had 182 000 m² to renew for the 2023 financial year. These expiries are spread across the portfolio, and it is expected that most leases will be renewed.



Acquisitions

The group made no acquisitions during the period.

Refurbishments and redevelopments

Approximately R63 million (2022: R45 million) was invested in refurbishments and redevelopments during the period. Restorations of properties damaged in the July 2021 riots were completed in November 2022. By the end of the period, the Amanda Boulevard (Braamfisherville) and Fin Forum refurbishments had been completed with upgrades to Gezina Galleries, Gillwell Mall, Sterkolite, Kroonstad Circle, and Range Road at advanced stages of completion. Post period-end, Dipula had made good progress in leasing at Atrium @ 45 (Kerk Street, Johannesburg) and expects this centre to trade from April 2024. Upgrades at Chilli Lane and Chilli on Top will commence in 2023. Dipula expects to commence works within the 2023 calendar year on three of the six office properties earmarked for residential conversions.

Disposals

As of the reporting date, Dipula had disposed of 16 properties with a book value of approximately R180 million, for a total consideration of R183 million and an average yield of 9%. At the end of the period three of the sold properties had been transferred, with the remainder at various stages of transfer. The proceeds from these sales will be utilised for debt repayment, strategic value enhancing revamps and the roll-out of renewable energy and back-up power across the portfolio.

Residential portfolio

At 28 February 2023, Dipula's residential portfolio is comprised of 712 units (2022: 712 units) valued at R387 million (2022: R434 million). The total vacancy was 9% (2022: 18%). Palm Springs, Cosmo City had a vacancy of 11%. Occupancies at Urban Village Norwood, Bruma and Midrand were 92%, 94% and 96% respectively.

Balance sheet

Funding

During the period, debt facilities of R711 million were renewed at a weighted average margin of 2.1% above three-month JIBAR for a weighted average period of 3.6 years. A new facility of R100 million at a margin of 2.03% above three-month JIBAR was raised during the period for a three year tenure. Post period-end, a R100 million one year facility was raised at a margin of 1.6% above three-month JIBAR.

On 28 February 2023, Dipula's blended weighted average cost of debt was 8.74% (2022: 8.13%). The company had total debt of R3.7 billion.

The weighted average debt expiry period was 2.8 years, and the aggregate hedge expiry period was 2.4 years. All debt was Rand denominated and 73% (2022: 78%) of the group's interest rate exposure was hedged. The group's gearing at period end was 36.9% (2022: 36.7%).

The debt maturity and hedging profile is detailed below:

	Facility		Fixed/swap		Floating	
	R'000	%	R'000	%	R'000	%
Financial year-end						
FY2023	420 000	11.4	300 000	8.2	120 000	3.3
FY2024	933 302	25.4	825 000	22.5	108 302	2.9
FY2025	1 496 520	40.8	1 050 000	28.6	446 520	12.2
FY2026	699 784	19.1	500 000	13.6	199 784	5.4
FY2027	–	0.0	–	0.0	–	0.0
>FY2027	119 460	3.3	–	0.0	119 460	3.3
Total	3 669 066	100.0	2 675 000	72.9	994 066	27.1

The group is in the process of implementing a debt restructuring and syndication and further information will be circulated in this regard.

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 2023	28 February 2022
LTV	36.9%	36.7%
ICR	2.9 times	3.2 times

Credit rating

Dipula's current credit rating by GCR Ratings is BBB+ (ZA) long term and A2 (ZA) short term, with a stable outlook.

Capital commitments

Dipula had capital commitments of R141 million at the end of the period which will be funded with capital recycled from sold properties and additional debt.

PV solar and back-up power

Solar PV will be rolled out in three phases. Properties have been prioritised based on financial feasibility, optimisation of trading hours and tenant needs. The group will utilise a combination of batteries, diesel generators and gas generators for back-up power.

Board changes

As part of Dipula's board succession, diversity and rotation strategy we are pleased to welcome Zaida Adams, Nthime Khoele and Kevin Teeroovengadam to the Dipula board of directors ("the board") as independent non-executive directors with effect from 1 February 2023.

Zaida, Nthime and Kevin will replace current board members Younaid Waja, Elias Links and Syd Halliday, who will all retire on 31 May 2023.

Ridwaan Asmal resigned as financial director of Dipula with effect from 1 March 2023. Sudesh Moodley has been appointed to replace Ridwaan as financial director with effect from the same date. Ridwaan will continue in a consulting capacity until the handover and transition is complete.

Prospects

Conditions in the office sector are showing some signs of stabilisation from the challenges of the past few years. We expect improved performance from our office assets in the short to medium term. The demand for good space by retail tenants who are expanding will drive positive performance in Dipula's retail portfolio. It is management's view that the industrial sector will remain relatively robust. Well located and correctly priced affordable residential units are expected to record high occupancies in the short term due to demand and supply dynamics. The property sector is facing headwinds related to loadshedding, dysfunctional local authorities, increasing interest rates and weak economic fundamentals. We expect these factors to weigh heavily on Dipula and the sector at large which will have some impact on the defensive performance that the Dipula portfolio continues to demonstrate. In spite of these challenges Dipula's focus remains on significantly reducing vacancies and sustaining its cost containment efforts in order to drive near term growth.

Management anticipates that the debt restructuring will be concluded by the end of the financial year. In addition to this, the renewable energy and back-up power roll out will be accelerated while the optimisation of the portfolio continues through asset enhancing revamps and refurbishments. Dipula remains committed to undertaking activities to lower its cost of capital and creating value for its shareholders.

Dividend Policy

As previously communicated to the market, the Dipula board has resolved to, at its discretion and based on operational considerations, apply a payout ratio of between 90% and 100% for the 2023 financial year. Retained earnings will be utilised for strategic capital expenditure.

Payment of interim dividend

Dipula has declared 90% of its distributable earnings for the interim period as dividends. Notice is hereby given of an interim gross dividend (dividend number 22) for the period 1 September 2022 to 28 February 2023 of 25.84695 cents per share.

Dipula shareholders will be offered an election, in respect of all or part of their shareholding, to re-invest the cash dividend of 25.84695 cents per share in return for shares (the "re-investment option"). By electing to participate in this re-investment option, shareholders will be able to increase their shareholding in Dipula without incurring dealing costs. In turn, Dipula will benefit from an increase in the amount of shareholders' funds available to support its growth initiatives. Further details regarding the re-investment option, including the manner in which the number of shares to which a participating shareholder is entitled and the action to be taken by shareholders in order to participate in the re-investment option, will be set out in a circular to shareholders to be issued on 17 May 2023, and a separate announcement in this regard will be released on SENS.

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

Last day to trade <i>cum</i> dividend	Tuesday, 6 June 2023
Shares trade <i>ex-dividend</i>	Wednesday, 7 June 2023
Record date	Friday, 9 June 2023
Payment date	Monday, 12 June 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2023 and Friday, 9 June 2023, both days inclusive. Unless the reinvestment option is elected, the dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 12 June 2023. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 12 June 2023.

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

Zanele Matlala
Chairperson

Izak Petersen
Chief Executive Officer

17 May 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended 28 February 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Audited year ended 31 August 2022 R'000
ASSETS			
Non-current assets	9 591 298	9 185 955	9 661 061
Investment property	9 516 751	9 149 663	9 583 856
Fair value of property portfolio	9 202 606	8 822 791	9 264 087
Right-of-use asset	87 826	85 827	86 794
Straight-line rental income accrual	226 319	241 045	232 975
Property plant and equipment	2 456	2 523	2 660
Deferred taxation	6 282	6 282	6 281
Derivative financial assets – swaps	60 356	10 065	61 836
Loans receivable	5 453	17 422	6 428
Current assets	335 569	256 670	275 052
Trade and other receivables	203 101	189 134	209 273
Loans receivable	1 673	3 328	1 537
Cash and cash equivalents	130 795	64 208	64 242
Non-current assets held-for-sale			
Investment property held-for-sale	163 015	78 859	37 445
Total assets	10 089 882	9 521 484	9 973 558
EQUITY AND LIABILITIES			
Shareholders' interest	5 881 640	5 497 165	5 926 588
Stated capital	4 187 464	4 238 627	4 197 351
Fair value reserve	1 522 282	1 070 303	1 519 831
Retained income	166 529	179 256	196 888
Share-based payment reserve	5 365	8 979	12 518
Non-controlling interests	153 904	209 428	151 694
Non-current liabilities	2 618 577	2 824 225	2 469 043
Interest-bearing liabilities	2 502 654	2 680 613	2 351 793
Option premium	–	3 568	–
Lease liability	112 373	106 516	111 474
Derivative financial liabilities – swaps	3 550	33 528	5 776
Current liabilities	1 435 761	990 666	1 426 233
Interest-bearing liabilities	1 200 949	770 542	1 164 953
Trade and other payables	230 148	206 216	253 402
Derivative financial liabilities – swaps	–	5 820	3 518
Lease liability	4 664	8 088	4 360
Total equity and liabilities	10 089 882	9 521 484	9 973 558

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited six months ended 28 February 2023 R'000	Restated* Unaudited six months ended 28 February 2022 R'000	Audited year ended 31 August 2022 R'000
Revenue	691 512	677 426	1 351 977
Contractual rental income	555 751	540 810	1 083 119
Municipal and property recoveries	142 446	141 892	282 174
Straight-line rental income accrual	(6 685)	(5 276)	(13 316)
Property-related expenses	(238 762)	(232 127)	(466 744)
Impairment loss on trade receivables	(5 880)	(3 879)	(5 468)
Net property income	446 870	441 420	879 765
Administration and corporate costs	(37 260)	(26 644)	(46 583)
Fair value adjustments	9 136	58 783	519 919
Investment properties and properties held-for-sale	(1 813)	1 059	368 761
Straight-line rental income accrual	6 685	5 276	13 316
Options	–	–	3 568
Interest rate swaps	4 264	52 448	134 274
Net profit before finance cost	418 746	473 559	1 353 101
Net finance cost	(149 780)	(135 527)	(275 244)
Finance income	7 503	8 273	15 273
Finance cost	(157 283)	(143 800)	(290 517)
Profit before taxation	268 966	338 032	1 077 857
Taxation	–	–	–
Profit for the period after taxation	268 966	338 032	1 077 857
Other comprehensive income	–	–	–
Total profit and comprehensive income for the period/year	268 966	338 032	1 077 857
Total profit and comprehensive income for the period/year attributable to:			
Shareholders of the company	254 901	324 882	1 080 512
Non-controlling interests	14 065	13 150	(2 655)
	268 966	338 032	1 077 857
Basic earnings per B-share (cents)	28.52	36.35	120.91
Diluted earnings per B-share (cents)	28.13	35.90	119.32

* The Feb 2022 basic earnings and diluted earnings have been restated to account for the adjusted weighted average number of shares.

The layout of the Statement of Comprehensive Income has been reclassified to achieve better comparability with industry peers and to better reflect the group's operations.

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 2021 (audited)	4 243 513	1 016 796	5 952	184 544	210 224	5 661 029
Total profit and comprehensive income for the period	–	–	–	324 882	13 150	338 032
Dividends declared	–	–	–	(276 663)	(14 397)	(291 060)
Costs relating to issue of shares capitalised	(4 886)	–	–	–	–	(4 886)
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
Balance at 31 August 2022 (audited)	4 197 351	1 519 831	12 518	196 888	151 694	6 078 282
Total profit and comprehensive income for the period	–	–	–	254 901	14 065	268 966
Appraisal rights exercised	(9 645)	–	–	–	–	(9 645)
Dividends declared	–	–	–	(276 858)	(14 065)	(290 923)
Share issue expenses	(242)	–	–	–	–	(242)
NCI loan movement	–	–	–	–	2 210	2 210
Recognition of staff share-based payments	–	–	(13 104)	–	–	(13 104)
Transfer to share-based payment reserve	–	–	5 951	(5 951)	–	–
Transfer from fair value reserve – investment properties	–	(1 813)	–	1 813	–	–
Transfer to fair value reserve – interest rate swaps	–	4 264	–	(4 264)	–	–
Balance at 28 February 2023 (unaudited)	4 187 464	1 522 282	5 365	166 529	153 904	6 035 544

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Unaudited six months ended 28 February 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Audited year ended 31 August 2022 R'000
Cash flows from operating activities			
Cash generated from operations	427 187	456 590	864 995
Finance income	7 503	8 273	15 273
Finance cost	(143 683)	(127 362)	(279 832)
Dividends paid	(290 923)	(299 743)	(588 292)
Taxation paid	(29)	–	–
Net cash generated from operating activities	55	37 758	12 144
Cash flows from investing activities			
Capital expenditure on investment properties	(79 391)	(45 026)	(105 740)
Acquisition of property, plant and equipment	(294)	(57)	(804)
Proceeds on disposal of investment properties	16 602	50 267	97 037
Shares acquired in terms of share-based payment	(16 103)	–	–
Net movement in loans receivable	839	752	1 537
Net cash (utilised in)/generated from investing activities	(78 347)	5 936	(7 970)
Cash flows from financing activities			
Repayment of lease liabilities	(4 203)	(3 969)	(8 088)
Share issue expenses	(242)	(4 886)	(21 807)
Additional shares acquired in subsidiary*	(25 313)	(46 397)	(46 396)
Non-interest-bearing liabilities received (repaid)	2 210	48	(5 986)
Net movement in interest-bearing liabilities	172 393	13 142	79 769
Movement in access facility	83 693	134 702	163 980
Interest-bearing liabilities raised	100 000	–	59 070
Permanent reduction	(11 300)	(121 560)	(143 281)
Net cash generated from/(utilised in) financing activities	144 845	(42 062)	(2 508)
Net increase in cash and cash equivalents	66 553	1 632	1 666
Cash and cash equivalents at the beginning of the period/year	64 242	62 576	62 576
Cash and cash equivalents at the end of the period/year	130 795	64 208	64 242

* Relates to the settlement of the additional 19.9% acquired in Unlocked Properties 18 Proprietary Limited by Dipula at 31 August 2022. Amount settled subsequent to 2022 financial year.

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

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

	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 2023							
Extracts from the statement of comprehensive income							
Contractual rental income	346 818	98 118	91 861	18 954	-	-	555 751
Municipal and other recoveries	112 919	16 899	9 685	2 943	-	-	142 446
Property-related expenses	(175 185)	(39 077)	(19 971)	(10 397)	(12)	-	(244 642)
Net property income	284 552	75 940	81 575	11 500	(12)	-	453 555
Extracts from the statement of financial position							
Investment property at fair value	5 972 483	1 745 399	1 391 100	387 309	20 460	-	9 516 751
Investment property held-for-sale	91 652	4 473	66 890	-	-	-	163 015
Total	6 064 135	1 749 872	1 457 990	387 309	20 460	-	9 679 766
SIX MONTHS ENDED 28 FEBRUARY 2022							
Extracts from the statement of comprehensive income							
Contractual rental income	329 231	103 829	89 245	18 505	-	-	540 810
Municipal and other recoveries	111 624	17 196	10 646	2 426	-	-	141 892
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
YEAR ENDED 31 AUGUST 2022							
Extracts from the statement of comprehensive income							
Contractual rental income	653 039	206 746	179 666	43 668	-	-	1 083 119
Municipal and other recoveries	220 618	35 225	21 247	5 084	-	-	282 174
Property-related expenses	(320 794)	(77 561)	(37 343)	(25 809)	(23)	(10 682)	(472 212)
Net property income	552 863	164 410	163 570	22 943	(23)	(10 682)	893 081
Extracts from the statement of financial position							
Investment property at fair value	6 088 175	1 707 569	1 380 362	387 350	20 400	-	9 583 856
Investment property held-for-sale	10 445	27 000	-	-	-	-	37 445
Total	6 098 620	1 734 569	1 380 362	387 350	20 400	-	9 621 301

	Unaudited six months ended 28 February 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Audited year ended 31 August 2022 R'000
Reconciliation of reportable segment revenue and profit			
Revenue			
Total revenue for reportable segments	698 197	682 702	1 365 293
Straight-line rental income accrual	(6 685)	(5 276)	(13 316)
Consolidated revenue	691 512	677 426	1 351 977
Profit			
Total profit for reportable segments	453 555	446 696	893 081
Straight-line rental income accrual	(6 685)	(5 276)	(13 316)
Administration and corporate costs	(37 260)	(26 644)	(46 583)
Net finance cost	(149 780)	(135 527)	(275 244)
Fair value adjustments	9 136	58 783	519 919
Profit before taxation	268 966	338 032	1 077 857

RECONCILIATION BETWEEN PROFIT, EARNINGS AND HEADLINE EARNINGS

	Unaudited six months ended 28 February 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Audited year ended 31 August 2022 R'000
Total profit and comprehensive income for the period/year (earnings)	254 901	324 882	1 080 512
<i>Adjustments:</i>	<i>(4 872)</i>	<i>(4 217)</i>	<i>(412 548)</i>
Fair value – investment properties and held-for-sale	1 813	1 059	(368 761)
Non-controlling interest fair value of investment properties revaluation	–	–	(30 471)
Fair value – straight-line rental income	(6 685)	(5 276)	(13 316)
Headline earnings	250 029	320 665	667 964
Total number of shares in issue*	893 664 473	529 282 638	893 664 473
A-shares	–	264 641 319	–
B-shares	893 664 473	264 641 319	893 664 473
Total weighted average number shares in issue**	893 664 473	893 664 473	893 664 473
A-shares	–	–	–
B-shares	893 664 473	893 664 473	893 664 473
Total diluted weighted average number shares in issue**	906 202 855	904 923 632	905 568 500
A-shares	–	–	–
B-shares	906 202 855	904 923 632	905 568 500
Headline earnings per B-share (cents) [#]	27.98	35.88	74.74
Diluted headline earnings per B-share (cents) [#]	27.59	35.44	73.76

* Net of treasury and appraisal rights shares.

Adjusted for the repurchase and cancellation of A-shares in consideration for the issue of 2.4 B-shares for every A-share effective 6 June 2022 in terms of the scheme of arrangement. In terms of IAS 33 the weighted number of shares is to be adjusted for the proportionate change in the number of B-shares outstanding as if the event occurred at the beginning of the earliest period being presented.

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

These interim results were prepared by the Group Financial Director, Mr S Moodley CA(SA) 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 2023 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 2023				28 February 2022			
	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	-	-	9 516 751	9 516 751	-	-	9 149 663	9 149 663
Derivative financial assets – swaps	-	60 356	-	60 356	-	10 065	-	10 065
Investment property held-for-sale	-	-	163 015	163 015	-	-	78 859	78 859
Total	-	60 356	9 679 766	9 740 122	-	10 065	9 228 522	9 238 587
LIABILITIES								
Derivative financial liabilities – swaps	-	3 550	-	3 550	-	39 348	-	39 348
Option premium	-	-	-	-	-	-	3 568	3 568
Total	-	3 550	-	3 550	-	39 348	3 568	42 916

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.

BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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 14.0% (2022: 8.0% and 14.0%). 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 are based on statement valuations from reputable financial institutions. 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.

Movement in level 3 instruments

	28 February 2023			28 February 2022		
	Investment property	Investment property held-for-sale	Option premium	Investment property	Investment property held-for-sale	Option premium
Balance at the beginning of the period	9 583 856	37 445	–	9 108 970	101 242	3 568
Acquisitions/additions	71 337	–	–	33 964	–	–
Transferred to non-current assets held-for-sale	(136 015)	136 015	–	1 695	(1 695)	–
Disposals	(6 926)	(10 445)	–	–	(20 688)	–
Right-of-use asset	1 032	–	–	1 221	–	–
Fair value adjustment	(2 076)	–	–	–	–	–
Net tenant installation/lease commission	5 543	–	–	3 813	–	–
Balance at the end of the period	9 516 751	163 015	–	9 149 663	78 859	3 568

Significant unobservable inputs and ranges of estimates used

	28 February 2023						28 February 2022									
	Discount rate		Capitalisation rate		Vacancy rate		Average gross rent		Discount rate		Capitalisation rate		Vacancy rate		Average gross rent	
	Range	Weighted average %	Range	Weighted average %	Range	Weighted average %	Range	Weighted average %	Range	Weighted average %	Range	Weighted average %	Range	Weighted average %	Range	Weighted average %
Total portfolio	10 – 16	13.80	8 – 14	10.20	0 – 10	20 – 450	10 – 17	12.60	8 – 15	9.70	0 – 8	94 – 117				
Retail	11 – 16	13.40	8 – 12	9.90	0 – 8	51 – 450	10 – 17	13.40	8 – 12	9.50	0 – 9	111 – 134				
Office	13 – 16	14.30	9 – 12	10.30	0 – 20	74 – 320	11 – 16	13.30	9 – 11	9.90	0 – 16	124 – 165				
Industrial	13 – 16	14.30	9 – 14	10.80	0 – 4	20 – 80	12 – 17	11.80	9 – 15	10.20	0 – 4	35 – 44				
Residential	13 – 15	13.50	9 – 10	8.80	0 – 10	17 – 156	15 – 15	14.80	9 – 10	9.40	0 – 23	95 – 154				

	28 February 2023							
	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	1.80	(1.90)	2.80	(3.20)	5.90	(5.10)	(1.13)	0.73
Retail	1.79	(1.92)	2.19	(3.33)	6.49	(5.19)	(1.17)	0.58
Office	1.79	(1.76)	3.34	(3.10)	5.08	(5.03)	(0.99)	0.90
Industrial	1.90	(1.64)	4.67	(2.75)	3.82	(5.01)	(0.93)	0.82
Residential	2.07	(2.01)	4.13	(3.67)	6.08	(5.30)	(1.56)	1.48

	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)

Subsequent events – Pending Litigation

Included in trade and other payables is an amount of R34 million in relation to a litigation matter in which Dipula was involved in at period end. The matter is in relation to a dispute about the quantum payable in respect of appraisal rights exercised by a shareholder during the capital restructuring that occurred during the 2022 financial year. Subsequent to period end the matter was successfully settled between Dipula and the shareholder for a total consideration of R34 million.

APPENDIX 1 – SUPPLEMENTAL INFORMATION

Distribution statement

	Unaudited six months ended 28 February 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Audited year ended 31 August 2022 R'000
Reconciliation of profit for the period to distributable earnings			
Profit attributable to shareholders of the company	254 901	324 882	1 080 512
Fair value – investment properties revaluation	1 813	(1 059)	(368 761)
Fair value – straight-line rental income	(6 685)	(5 276)	(13 316)
Fair value – interest rate swaps	(4 264)	(52 448)	(134 274)
Fair value – put options	–	–	(3 568)
NCl portion of fair value adjustment	–	–	(30 471)
IFRS 16: <i>Rental paid adjustment</i>	(4 203)	(3 969)	(8 088)
IFRS 16: <i>Finance cost adjustment</i>	5 405	5 292	10 642
Share-based payments	2 998	3 027	6 566
Straight-line rental income accrual	6 685	5 276	13 316
Distributable earnings	256 650	275 725	552 558
Distribution statement			
Revenue	698 197	682 702	1 365 293
Contractual rental income	555 751	540 810	1 083 119
Recoveries	142 446	141 892	282 174
Property-related expenses	(248 845)	(239 975)	(480 300)
Net property income	449 352	442 727	884 993
Administration and corporate costs	(34 262)	(23 617)	(40 017)
Net operating profit	415 090	419 110	844 976
Net finance cost	(144 375)	(130 235)	(264 602)
Non-controlling interests	(14 065)	(13 150)	(27 816)
Distributable earnings	256 650	275 725	552 558
Distribution payout ratio	90%	100%	100%
Dividend declared	230 985	275 725	552 558

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 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Unaudited year ended 31 August 2022 R'000
SA REIT Funds from Operations (SA REIT FFO) per share			
Profit for the period attributable to the parent	254 901	324 882	1 080 512
Adjusted for:			
Accounting/specific adjustments	2 311	(816)	(371 476)
Fair value adjustments to:			
– Investment property	(4 872)	(6 335)	(382 077)
– Options	–	–	(3 568)
Depreciation and amortisation of intangible assets	498	243	853
Straight-lining income accrual	6 685	5 276	13 316
Foreign exchange and hedging items	(4 264)	(52 448)	(134 274)
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	(4 264)	(52 448)	(134 274)
Other adjustments	–	–	(30 471)
Non-controlling interests in respect of the above adjustments	–	–	(30 471)
SA REIT FFO	252 948	271 618	544 291
Number of shares outstanding at the end of the period (net of treasury shares)	893 664 473	529 282 638	893 664 473
SA REIT FFO average cents per share	28.30	51.32	60.91
Company-specific adjustments	3 702	4 107	8 267
IFRS 16: <i>Rental paid</i>	(4 203)	(3 969)	(8 088)
IFRS 16: <i>Finance cost adjustment</i>	5 405	5 292	10 642
Share-based payments	2 998	3 027	6 566
Depreciation of property, plant and equipment	(498)	(243)	(853)
Distributable earnings (Rand value)	256 650	275 725	552 558
Distribution payout ratio	90%	100%	100%
Dividend declared	230 985	275 725	552 558

APPENDIX 2 – SUPPLEMENTAL INFORMATION (CONTINUED)

	Unaudited six months ended 28 February 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Unaudited year ended 31 August 2022 R'000
Distributable earnings per A-share (cents)*		61.97130	61.97130
Interim		61.97130	61.97130
Final		–	–
Distributable earnings per B-share (cents)*	28.71883	42.21706	73.19430
Interim	28.71883	42.21706	42.21706
Final	–	–	30.97724
Combined distributable earnings per share (cents)		104.18837	135.16560
Interim		104.18837	104.18836
Final		–	30.97724
Dividend per A-share (cents)		61.97130	61.97130
Interim		61.97130	61.97130
Final		–	–
Dividend per B-share (cents)	25.84695	42.21706	73.19430
Interim	25.84695	42.21706	42.21706
Final	–	–	30.97724
Combined dividend per share (cents)		104.18837	135.16560
Interim		104.18837	104.18836
Final		–	30.97724

* Excluding treasury shares. Distributable earnings per share not comparable due to the company repurchasing all of the A-shares in consideration for the issue of 2.4 B-shares for every A-share purchased on 6 June 2022.

	Unaudited six months ended 28 February 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Unaudited year ended 31 August 2022 R'000
SA REIT Net Asset Value (SA REIT NAV)			
Reported NAV attributable to the parent	5 881 640	5 497 165	5 926 588
Adjustments:			
Dividend to be declared	(230 985)	(275 725)	(276 833)
Fair value of certain derivative financial instruments	(56 806)	29 283	(9 294)
SA REIT NAV	5 593 849	5 250 723	5 659 049
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)	893 664 473	529 282 638	893 664 473
Effect of dilutive instruments (options, convertibles and equity interests)	12 538 406	8 811 478	12 538 406
Dilutive number of shares in issue	906 202 879	538 094 116	906 202 879
SA REIT NAV per share	6.17	9.76	6.24
SA REIT cost-to-income ratio			
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	238 762	232 127	466 744
Administrative expenses per IFRS income statement	37 260	26 644	46 583
Other expenses – impairment loss and write off of receivables	5 880	3 879	5 468
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(498)	(243)	(853)
Company-specific adjustments	498	243	853
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	498	243	853
Operating costs	281 902	262 650	518 795
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	555 751	540 810	1 083 119
Utility and operating recoveries per IFRS income statement	142 446	141 892	282 174
Gross rental income	698 197	682 702	1 365 293
SA REIT cost-to-income ratio	40.4%	38.5%	38.0%

APPENDIX 2 – SUPPLEMENTAL INFORMATION (CONTINUED)

	Unaudited six months ended 28 February 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Unaudited year ended 31 August 2022 R'000
SA REIT administrative cost-to-income ratio			
Expenses			
Administrative expenses as per IFRS income statement	37 260	26 644	46 583
Administrative costs	37 260	26 644	46 583
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	555 751	540 810	1 083 119
Utility and operating recoveries per IFRS income statement	142 446	141 892	282 174
Gross rental income	698 197	682 702	1 365 293
SA REIT administrative cost-to-income ratio	5.3%	3.9%	3.4%

	Unaudited six months ended 28 February 2023 R'000	Unaudited six months ended 28 February 2022 R'000	Unaudited year ended 31 August 2022 R'000
SA REIT vacancy			
Gross lettable area of vacant space	87 186	86 048	87 107
Gross lettable area of total property portfolio	915 243	925 251	894 392
SA REIT GLA vacancy rate	9.5	9.3	9.7

	Unaudited six months ended 28 February 2023 %	Unaudited six months ended 28 February 2022 %	Unaudited year ended 31 August 2022 %
SA REIT cost of debt			
Variable interest-rate borrowings			
Floating reference rate plus weighted average margin	8.72	6.04	6.52
Fixed interest-rate borrowings			
Weighted average fixed rate	–	–	–
Pre-adjusted weighted average cost of debt	8.72	6.04	6.52
Adjustments:			
Impact of interest rate derivatives	(0.02)	1.86	1.58
Amortised transaction costs imputed into the effective interest rate	0.04	0.23	0.25
All-in weighted average cost of debt	8.74	8.13	8.35
SA REIT loan-to-value			
Gross debt			
	3 703 603	3 451 155	3 516 746
<i>Less:</i>			
Cash and cash equivalents	(130 795)	(64 208)	(64 242)
<i>Add/less:</i>			
Derivative financial instruments	(56 806)	29 283	(52 542)
Net debt	3 516 002	3 416 230	3 399 962
Total assets – per statement of financial position			
	10 089 882	9 521 484	9 973 558
<i>Less:</i>			
Cash and cash equivalents	(130 795)	(64 208)	(64 242)
Derivative financial assets	(60 356)	(10 065)	(61 836)
Trade and other receivables	(203 101)	(189 134)	(209 273)
Carrying amount of property-related assets	9 695 630	9 258 077	9 638 207
SA REIT loan-to-value ("SA REIT LTV")	36.26%	36.90%	35.28%

CORPORATE INFORMATION

DIPULA INCOME FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2005/013963/06)

JSE share code: DIB ISIN: ZAE000203394

(Approved as a REIT by the JSE)

(“Dipula” or “the company” and together with its subsidiaries, “the group”)

Directors

ZJ Matlala* (Chairperson)

IS Petersen (CEO)

S Moodley (FD)

BH Azizollahoff*#

E Links*

Y Waja*

SA Halliday*

Z Adams*

N Khoele*

K Teeroovengadam*

◆ *Independent non-executive*

British

Registered office and business address

12th Floor

Firestation Rosebank

16 Baker Street

Rosebank

2196

Independent auditors

Mazars Gauteng

Practice number 900222

Registered auditors

Mazars House

54 Glenhove Road

Melrose Estate

Johannesburg

Transfer secretaries

JSE Investor Services Proprietary Limited

(Registration number 2000/007239/07)

5th Floor

One Exchange Square

Gwen Lane

Sandown

2196

Bankers

The Standard Bank of South Africa Limited

(Registration number 1962/000738/06)

3rd Floor

East Wing

30 Baker Street

Rosebank

2196

Corporate advisor and sponsor

Java Capital

6th Floor

1 Park Lane

Wierda Valley

Sandton

2196

Company secretary

Acorim Proprietary Limited

(Registration number 2013/087325/07)

13th Floor

Illovo Point

68 Melville Road

Illovo

Sandton

