dipula INCOME FUND

(Incorporated in the Republic of South Africa (Registration number 2005/013963/06)
JSE code for A-linked units: DIA ISIN for A-linked units: ZAE000158317
JSE code for B-linked units: DIB ISIN for B-linked units: ZAE000158325
("Dipula" or "the company", and together with its subsidiaries, "the Fund" or "the group")

Audited condensed consolidated results

for the year ended 31 August 2012

Highlights for the period

- Distributions in line with Prospectus forecast
  - A-linked units **79,370** cents
  - B-linked units **60,821** cents
- 5% increase in GLA to **461 158** m²
- Post reporting period acquisitions of **R1,3 billion** concluded

Condensed consolidated statement of comprehensive income

	Audited Year ended 31 August 2012 R'000	Audited Year ended 31 August 2011 R'000
REVENUE		
Property portfolio	299 583	110 171
Rental income	300 731	106 647
Straight-line rental income accrual	(1 148)	3 524
Total revenue	299 583	110 171
Property expenses	(58 080)	(27 394)
Administration and corporate costs	(11 757)	(4 691)
Net operating profit	229 746	78 086
Changes in fair values of investment properties	85 072	3 350
Fair value gain on investment property	83 924	6 874
Adjustment resulting from straight-lining of rental revenue	1 148	(3 524)
Profit from operations	314 818	81 436
Net interest paid	(65 209)	(140 573)
Interest paid	(67 305)	(140 895)
Interest received	2 096	322
Profit/(Loss) before debenture interest and taxation	249 609	(59 137)
Debenture interest	(147 947)	(5 096)
Profit/(Loss) before taxation	101 662	(64 233)
Taxation	(20 843)	9 771
Profit/(Loss) for the year after taxation	80 819	(54 462)
Other comprehensive income	–	–
Total comprehensive income/(loss) for the year attributable to equity holders	80 819	(54 462)
Reconciliation of earnings/(loss), headline earnings/(loss) and distributable earnings		
Earnings/(Loss) for the year attributable to equity holders	80 819	(54 462)
Debenture interest	147 947	5 096
A-linked units	83 761	2 918
B-linked units	64 186	2 178
Earnings/(Loss) attributable to linked unitholders	228 766	(49 366)
Change in fair value of properties (net of deferred taxation)	(60 318)	(3 006)
Change in fair value of properties	(85 072)	(3 350)
Deferred taxation (including effect of rate change)	24 754	344
Headline earnings/(loss) attributable to linked unitholders	168 448	(52 372)
Straight-line rental income accrual (net of deferred taxation)	827	(2 537)
Straight-line rental income accrual	1 148	(3 524)
Deferred taxation	(321)	987
Lease cancellation income not distributed	(19 003)	–
Deferred taxation asset raised on tax losses and doubtful debt provisions	(3 591)	(11 102)
Debt breakage costs	–	71 107
Pre-acquisition profits of Asakhe Realty Investments acquired in 2011	1 266	–
Distributable earnings attributable to linked unitholders	147 947	5 096
Total number of linked units	211 064 786	211 064 786
Number of A-linked units in issue	105 532 393 *	105 532 393 *
Number of B-linked units in issue	105 532 393 *	105 532 393 *
Weighted average number of A-linked units in issue	105 532 393	4 336 948
Weighted average number of B-linked units in issue	105 532 393	4 336 948
Basic earnings/(loss) per share (cents)	38,29	(627,88)
Headline earnings/(loss) per share (cents)	9,71	(662,54)
Basic earnings/(loss) per A-linked unit (cents)	117,66	(560,60)
Basic earnings/(loss) per B-linked unit (cents)	99,11	(577,66)
Headline earnings/(loss) per A-linked unit (cents)	89,08	(595,26)
Headline earnings/(loss) per B-linked unit (cents)	70,53	(612,32)
Distributable earnings per A-linked unit (cents)	79,370	2,77
– Interim	39,685	N/A
– Final	39,685	2,77
Distributable earnings per B-linked unit (cents)	60,821	2,06
– Interim	27,741	N/A
– Final	33,080	2,06

* *Excluding treasury linked units.*
The company does not have any dilutionary instruments in issue.

Condensed consolidated statement of changes in equity

	Stated capital R'000	Fair value reserve R'000	Accumulated loss R'000	Total equity R'000
Balance at 1 September 2010	–	111 589	(11 168)	100 421
Issue of linked units	468 940	–	–	468 940
Share issue expenses	(18 094)	–	–	(18 094)
Treasury shares	(22 994)	–	–	(22 994)
Total comprehensive loss for the year	–	–	(54 462)	(54 462)
Transfer of capital items to fair value reserve	–	5 306	(5 306)	–
Balance at 1 September 2011	427 852	116 895	(70 936)	473 811
Total comprehensive income for the year	–	–	80 819	80 819
Transfer of capital items to fair value reserve	–	58 667	(58 667)	–
Balance at 31 August 2012	427 852	175 562	(48 784)	554 630

Condensed consolidated statement of cash flows

	Audited Year ended 31 August 2012 R'000	Audited Year ended 31 August 2011 R'000
Cash inflows/(outflows) from operating activities	91 275	(62 319)
Cash generated from operations	232 637	78 254
Net finance costs	(65 109)	(140 573)
Distribution paid	(76 253)	–
Cash outflows from investing activities	(142 144)	(517 840)
Cash inflows from financing activities	187 762	603 978
Net movement in cash and cash equivalents	136 893	23 819
Cash and cash equivalents at the beginning of the year	25 260	1 441
Cash and cash equivalents at the end of the year	162 153	25 260

Segmental information

For the year ended 31 August 2012				
Extracts from the statement of comprehensive income	**Retail R'000**	**Industrial R'000**	**Offices R'000**	**Total R'000**
Rental income	148 530	42 286	109 915	300 731
Property expenses	(28 105)	(9 933)	(20 042)	(58 080)
Net property income	120 425	32 353	89 873	242 651
Straight-line rental income accrual				(1 148)
Administration and corporate costs				(11 757)
Net operating profit				229 746
Extracts from the statement of financial position				
Investment property at year-end	1 397 443	391 919	604 124	2 393 486
Non-current assets held for sale (excluding deferred taxation)	17 075	9 770	25 500	52 345

For the year ended 31 August 2011				
Extracts from the statement of comprehensive income	**Retail R'000**	**Industrial R'000**	**Offices R'000**	**Total R'000**
Rental income	57 481	8 678	40 488	106 647
Property expenses	(12 643)	(4 455)	(10 296)	(27 394)
Net property income	44 838	4 223	30 192	79 253
Straight-line rental income accrual				3 524
Administration and corporate costs				(4 691)
Net operating profit				78 086
Extracts from the statement of financial position				
Investment property at year-end	1 124 730	332 300	650 069	2 107 099
Non-current assets held for sale (excluding deferred taxation)	1 400	–	20 000	21 400

Condensed consolidated statement of financial position

	Audited 31 August 2012 R'000	Audited 31 August 2011 R'000
ASSETS		
Non-current assets	2 441 968	2 155 581
Investment property	2 393 486	2 107 099
Goodwill	48 482	48 482
Current assets	188 665	46 338
Trade and other receivables	25 310	21 078
Loan to related party	1 202	–
Cash and cash equivalents	162 153	25 260
Non-current assets held for sale		
Investment property held for sale	54 987	21 400
Total assets	2 685 620	2 223 319
EQUITY AND LIABILITIES		
Equity	554 630	473 811
Stated capital	427 852	427 852
Reserves	126 778	45 959
Non-current liabilities	1 848 872	1 677 216
Debentures	900 629	900 629
Interest-bearing liabilities	906 562	759 500
Deferred taxation	41 681	17 087
Current liabilities	282 118	71 182
Trade and other payables	46 120	66 086
Linked unitholders for distribution	76 790	5 096
Interest-bearing liabilities	159 208	–
Non-current liabilities held for sale		
Investment property held for sale – Deferred taxation	–	1 110
Total equity and liabilities	2 685 620	2 223 319
Net asset value per A-linked unit (excluding deferred taxation) (cents)	707,98	659,81
Net asset value per B- linked unit (excluding deferred taxation) (cents)	707,98	659,81
Net asset value per A-linked unit (cents)	689,48	651,19
Net asset value per B- linked unit (cents)	689,48	651,19

Notes

1. **Basis of preparation**

The audited condensed consolidated financial results have been prepared in accordance with the requirements of International Financial Reporting Standards, the AC 500 series of interpretations, IAS 34: *Interim Financial Reporting*, the JSE Listings Requirements and the requirements of the South African Companies Act, 2008. These results have been prepared by the Financial Director, Brigitte de Bruyn CA(SA).

The accounting policies adopted in the preparation of these results are consistent with those applied in the preparation of the financial statements for the year ended 31 August 2011.

The directors are not aware of any matters of circumstances arising subsequent to 31 August 2012 that require any additional disclosure or adjustment to the financial statements.

PKF (Jhb) Inc. have issued their unmodified audit opinion on the group financial statements for the year ended 31 August 2012, which is available for inspection at the company's registered office.

2. **Summary of financial performance**

	Audited 31 August 2012 R'000	Audited 31 August 2011 R'000
Distributable earnings per A-linked unit (cents)	79,370	2,77
– Interim	39,685	N/A
– Final	39,685	2,77
Distributable earnings per B-linked unit (cents)	60,821	2,06
– Interim	27,741	N/A
– Final	33,080	2,06
A-linked units in issue*	105 532 393	105 532 393
B-linked units in issue*	105 532 393	105 532 393
Net asset value per combined linked unit (cents)**	1 378,96	1 302,38
Net asset value per A-linked unit (cents)	689,48	651,19
Net asset value per B-linked unit (cents)	689,48	651,19
Gearing ratio (%)***	38,1	34,2

* *Excluding treasury linked units.*
** *Net asset value includes total equity and debentures.*
*** *The gearing ratio is calculated by dividing interest-bearing liabilities, excluding short-term portion of bank funding and excluding debenture liabilities, by total assets.*

3. **Debt facilities**

Expiry	Type	Amount R'million	Fixed rate %	Margin over JIBAR for floating facility %	Rate below prime for floating facility %
2013	Floating	42,0			1,25
2015	Fixed	506,7	8,63		
2016	Fixed	100,0	9,26		
2016	Floating	137,3		2,38	
2016	Floating	99,4			0,95
2017	Fixed	125,0	8,95		
2017	Floating	400,0		2,16	
		1 410,4			

The average all-in rate for borrowings at 31 August 2012 is 8,39%.

4. **Lease expiry profile (Unaudited)**

Lease expiry	Based on GLA %	Based on rental revenue %
Vacant	10,4	
Unlettable space	3,8	
Monthly and expired	6,8	7,2
August 2013	25,4	28,4
August 2014	14,4	14,5
August 2015	12,8	14,1
August 2016	10,0	10,1
August 2017 and beyond	16,4	25,7
	100,0	100,0

5. **Payment of final distributions**

The board has approved and notice is hereby given of final cash interest distributions (distribution number 3) of 39,685 cents per A-linked unit and 33,080 cents per B-linked unit for the six months ended 31 August 2012. These interest distributions are not subject to dividend withholding tax.

The payment of the distributions will be in accordance with the abbreviated timetable set out below:

	2012
Last date to trade *cum* distribution	Friday, 30 November
Linked units trade ex distribution	Monday, 3 December
Record date	Friday, 7 December
Payment date	Monday, 10 December

Linked unit certificates may not be dematerialised or rematerialised between Monday, 3 December 2012 and Friday, 7 December 2012, both days inclusive.

Directors
ZJL Matlala *(Chairperson)**, IS Petersen *(CEO)*, BH Azizollahoff*ᵠ, B de Bruyn *(FD)*
NS Gumede, E Links*, Y Waja* * *Independent non-executive*, ᵠ *British*

Registered office
Block B Dunkeld Park, 6 North Road, Dunkeld West
PO Box 875, Parklands, 2121

Transfer secretaries
Link Market Services South Africa (Proprietary) Limited

Sponsor
Java Capital

Company secretary
Probity Business Services (Proprietary) Limited

COMMENTARY

1. **Profile and property portfolio**

Dipula is a property loan stock company which listed in the Real Estate sector of the JSE on 17 August 2011.

Investors in Dipula can invest in either A-linked units or B-linked units or both. A-linked units entitle the investor to a preferential 5% growth in distributions until 2017, and thereafter distributions will grow at the lower of 5% or CPI. B-linked unitholders receive all the residual income not distributed to the A-linked unitholders thus benefiting from the gearing effect of any growth in excess of 5%.

The Fund owns a sectorally and geographically diversified portfolio with a retail bias. The portfolio consists of 49,4% retail, 36,5% office and 14,1% industrial properties by gross rental revenue. Approximately 70,6% of the portfolio is concentrated in Gauteng with properties in the eight other provinces. As at 31 August 2012, the portfolio which comprised 176 properties was valued at R2,4 billion.

The Fund is externally managed by the 100% BEE owned and controlled Dipula Asset Management Trust. Management owns a significant stake in the Fund, thus aligning the interests of management and other Dipula unitholders.

Dipula invests in individual assets generally between R20,0 million and R200,0 million across all sectors throughout South Africa. The strategy is to prudently grow the portfolio to R10,0 billion over the next four to six years, with specific focus on sustainable income growth. Management will continue to ensure first rate asset and property management which includes maximising revenue, cost containment, maintaining the assets as well as conservatively managing interest rates and funding risks.

These final results are for the 12 months ended 31 August 2012. The August 2011 period is not directly comparable as it only related to 15 days post the merger of Dipula Property Fund and Mergence Africa Property Fund and the R700,0 million acquisitions made on listing on 17 August 2011.

2. **Distributable income**

As a result of the aforementioned merger and the acquisition of the Asakhe and Redefine portfolios totalling R700 million only occurring late in August 2011, no comparison can be made to the prior year earnings. A more meaningful comparison to the forecast presented in the Prospectus dated 28 July 2011 has therefore been presented. The forecast, including the assumptions on which it is based and the financial information from which it is prepared, is the responsibility of the directors of Dipula. The forecast was reported on by the independent reporting accountants.

Actual earnings are in line with those presented in the forecast, with the B-linked units benefiting from the marginally better than forecast distributions of 2,5% for the total year. Lease cancellation income of R19,0 million has not been distributed as this relates to earnings for 2013 (R9,5 million) and 2014 (R9,5 million). The aforementioned amounts do not include any interest that will be earned. The directors are of the view that the income should be distributed in the periods to which the income relates.

Comparison of actual distribution to Prospectus forecast	Actual year ended 31 August 2012 R'000	Prospectus forecast year ended 31 August 2012 R'000	Variance %
Property portfolio rental income	300 731	283 514	6,1
Property expenses	(58 080)	(64 398)	9,8
Net property income	242 651	219 116	10,7
Asset management fee	(7 240)	(6 975)	(3,8)
Administration and corporate costs	(4 517)	(3 402)	(32,8)
Net interest paid	(65 209)	(62 360)	(4,6)
Profit before fair value adjustment on investment property, debenture interest and taxation	165 685	146 378	13,2
Debenture interest	(147 947)	(146 378)	1,1
Distribution per A-linked unit (cents)	79,370	79,370	–
Distribution per B-linked unit (cents)	60,821	59,340	2,5

Total distributions for the year ended 31 August 2012 for A-linked unitholders amounted to 79,370 cents per A-linked unit and for B-linked unitholders amounted to 60,821 cents per B-linked unit. A-linked unitholders will receive 39,685 cents per A-linked unit as per their entitlement for the six months ended 31 August 2012, whilst B-linked unitholders will receive the balance of the distributable income for the same period. This translates to distributions for the six months ended 31 August 2012 of 33,080 cents per B-linked unit.

3. **Financial results**

Dipula has achieved its forecast distributions despite the challenging economic climate. Net property income, excluding the acquisitions of the McCormick properties and the Metcash lease cancellation income, is in line with the Prospectus forecast.

4. **Changes in fair value**

The group's property portfolio was valued in terms of its valuation policy on 31 August 2012. Properties with values greater than R8,0 million were independently valued and properties with values below R8,0 million were valued by the directors. The net increase in the value of the property portfolio was R85,0 million.

5. **Deferred taxation**

Dipula has accounted for capital gains tax at the increased rate of 18,6% which affects disposals after 1 September 2012. The change in rate resulted in deferred taxation increasing by R9,1 million.

6. **Vacancies**

Vacancies have increased from 7,9% at listing to 10,4% at 31 August 2012.

7. **Asset management**

As previously reported, Dipula's strategy is to grow the portfolio whilst disposing of smaller non-core properties.

7.1 **Acquisitions**

The following retail properties were acquired in the current year:

Property name	GLA m²	Purchase price R'000	Yield	Effective from	Transfer date
Nquthu Plaza	14 972	136 701	9.5%	May 2012	June 2012
Bochum and Blouberg Plaza	12 529	117 208	9.5%	May 2012	Transfer expected November 2012

7.2 **Disposals**

The following property was disposed of and transferred during the financial year:

Property name	GLA m²	Book value R'000	Sale price R'000	Transfer date
Kleynhans Corner	1 019	2 750	3 500	August 2012

7.3 **Investment properties held for sale**

The following properties are held for sale at year-end:

Property name	Sector	GLA m²	Book value at 31 August 2012 R'000	Sale price R'000
360 Pretoria Avenue	Office	4 185	19 300	19 300
Saficon Driehoek	Industrial	1 894	5 400	5 400
Perm Kempton	Office	3 527	5 200	5 200
Sandvale	Industrial	874	4 370	4 370
Victoria and Knox Streets	Retail	3 618	2 600	2 600
Princess Jones	Retail	1 141	2 250	2 250
Princess Geenrich	Retail	1 400	2 100	2 100
Bears Amanzimtoti	Retail	1 384	1 900	1 900
Standard Bank Amanzimtoti	Retail	783	1 600	1 600
Saficon Germiston	Retail	1 927	1 550	1 550
1 Palm Street Phalaborwa	Retail	935	1 400	1 400
Attie Fourie Place	Retail	915	1 000	1 000
Perm Springs	Office	2 011	1 000	1 000
Odendaalsrus Centre	Retail	1 055	675	675
Metro Koringpunt	Retail	1 200	600	600
Virgin Active portion of land	Retail	8 100	1 400	1 400
			52 345	52 345

8. **Funding**

Dipula has an all-in blended rate of funding of 8,39% at 31 August 2012 and has fixed interest debt of R506,0 million for three years, R100,0 million for four years and R125,0 million for five years respectively. A floating facility of R236,7 million expires in approximately three years and an additional facility of R400,0 million has been negotiated for five years which is not as yet fixed. Management intends to fix this facility when the funds are drawn down to settle the purchase considerations of already announced acquisitions. A bridging facility of R42,0 million expires in 2013 and this will be settled out of the proceeds of the capital raising announced on SENS on 25 October 2012. To ensure effective cash management, surplus cash is deposited into the floating debt facility.

9. **Commitments**

Per the following SENS announcements, the group has signed various acquisition agreements:

- the SENS announcement dated 29 May 2012 detailed the acquisition of the Plaza Shopping Centre, Randfontein Station Shopping Centre and Bushbuckridge Shopping Centre totalling R329,9 million;
- the SENS announcement dated 28 August 2012 detailed the acquisition of the SAPS VIP building, the SAPS IJS building and the Absa Home loans building totalling R431,0 million;
- the SENS announcement dated 7 September 2012 detailed the acquisition of the Smada Properties for R116,0 million and Tower Mall for R152,7 million; and
- the SENS announcement dated 12 November 2012 detailed the acquisitions of Tembisa Mega Mart for R170,0 million, the first phase Orange Farm shopping centre for R42,0 million and the Melki Portfolio for R57,0 million.

The commitments will be funded using a combination of bank funding in the form of a R400,0 million facility negotiated with Nedbank and proceeds from the capital raising embarked upon in November 2012, as announced on SENS on 25 October 2012.

10. **Prospects**

There has been sustained pressure on local and global economies and South Africa's economy is expected to grow at just above 2%. Inflation has been edging upward but the Reserve Bank is not expected to increase interest rates as it needs to maintain a "balancing act" between economic growth and inflation control. The cost of Municipal rates and electricity are likely to remain a challenge for both landlords and tenants as Government passes on the burden of underfunded municipalities and attempts to fund the Eskom expansion programme. Despite these challenging conditions, through income-enhancing acquisitions, efficient management of costs and by reducing vacancies, Dipula expects to deliver growth in distributions to unitholders. In addition, management is assessing various acquisitions of portfolio improving assets. Distribution growth is anticipated to be between 7% and 9% for the 2013 financial period. This forecast has not been reviewed or reported on by the group's independent external auditors.

By order of the Board

Johannesburg
14 November 2012

Website: www.dipula.co.za

ince