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")

Unaudited condensed consolidated interim results

for the six months ended 28 February 2013

Highlights

- *Acquisitions totalling R737 million concluded*
- *Successful R650 million private placement completed*
- *Portfolio value increased to R2,9 billion*
- *Revenue increased by 11,8% to R153,6 million*
- *Net operating profit increased by 17,3% to R125,5 million*
- *44,1% increase in distributable earnings to R102,6 million*
- *5% increase in A-linked distribution to 41,669 cents*
- *7,4% increase in B-linked distribution to 29,804 cents*

Condensed consolidated statement of comprehensive income

	Unaudited Six months ended 28 February 2013 R'000	Unaudited Six months ended 29 February 2012 R'000	Audited Year ended 31 August 2012 R'000
REVENUE			
Property portfolio	**159 347**	142 752	299 583
Rental income	**153 649**	137 417	300 731
Straight-line rental income accrual	**5 698**	5 335	(1 148)
Total revenue	**159 347**	142 752	299 583
Property expenses	**(27 218)**	(30 755)	(58 080)
Administration and corporate costs	**(6 590)**	(4 964)	(11 757)
Net operating profit	**125 539**	107 033	229 746
Changes in fair values of investment properties	**(270)**	(7 043)	85 072
Fair value gain/(loss) on investment property	**5 428**	(1 708)	83 924
Adjustment resulting from straight-lining of rental revenue	**(5 698)**	(5 335)	1 148
Profit from operations	**125 269**	99 990	314 818
Net finance charges	**(19 669)**	(30 542)	(65 209)
Finance charges	**(38 864)**	(31 176)	(67 305)
Amortisation of debenture premium	**2 382**	–	–
Finance income	**16 813**	634	2 096
Profit before debenture interest and taxation	**105 600**	69 448	249 609
Debenture interest	**(102 563)**	(71 156)	(147 947)
A-linked units	**(59 795)**	(41 881)	(83 761)
B-linked units	**(42 768)**	(29 275)	(64 186)
Profit/(loss) before taxation	**3 037**	(1 708)	101 662
Taxation	**1 738**	(8 589)	(20 843)
Total comprehensive income/(loss) for the period attributable to equity holders	**4 775**	(10 297)	80 819
Reconciliation of earnings, headline earnings and distributable earnings			
Profit/(loss) for the period attributable to equity holders	**4 775**	(10 297)	80 819
Debenture interest	**102 563**	71 156	147 947
Earnings	**107 338**	60 859	228 766
Change in fair value of properties (net of deferred taxation)	**220**	5 728	(60 318)
Change in fair value of properties	**270**	7 043	(85 072)
Deferred taxation	**(50)**	(1 315)	24 754
Headline earnings attributable to linked unitholders/shareholders	**107 558**	66 587	168 448
Straight-line rental income accrual (net of deferred taxation)	**(4 103)**	(3 841)	827
Straight-line rental income accrual	**(5 698)**	(5 335)	1 148
Deferred taxation	**1 595**	1 494	(321)
Lease cancellation income distributed/ (not distributed)	**4 660**		(19 003)
Deferred taxation – other adjustments	**(3 284)**	8 410	(3 591)
Amortisation of debenture premium	**(2 382)**		
Amortisation of structuring fee	**114**		
Pre-acquisition profits of Asakhe Realty Investments acquired in 2011			1 266
Distributable earnings attributable to linked unitholders	**102 563**	71 156	147 947
Total number of linked units	**286 999 366**	211 064 786	211 064 786
Number of A-linked units in issue	**143 499 683***	105 532 393*	105 532 393*
Number of B-linked units in issue	**143 499 683***	105 532 393*	105 532 393*
Weighted average number of A-linked units in issue	**126 533 296***	105 532 393*	105 532 393*
Weighted average number of B-linked units in issue	**126 533 296***	105 532 393*	105 532 393*
Basic earnings/(loss) per share (cents)	**1,89**	(4,88)	38,29
Headline earnings/(loss) per share (cents)	**1,97**	(2,16)	9,71
Basic earnings per A-linked unit (cents)	**49,14**	34,81	117,66
Basic earnings per B-linked unit (cents)	**35,69**	22,86	99,11
Headline earnings per A-linked unit (cents)	**49,23**	37,52	89,08
Headline earnings per B-linked unit (cents)	**35,77**	25,58	70,53
Distributable earnings per A-linked unit (cents)	**41,669**	39,685	79,370
– Interim	**41,669**	39,685	39,685
– Final	**N/A**	N/A	39,685
Distributable earnings per B-linked unit (cents)	**29,804**	27,741	60,821
– Interim	**29,804**	27,741	27,741
– Final	**N/A**	N/A	33,080

** Excluding treasury shares.*
The company does not have any dilutionery instruments in issue.

Condensed consolidated statement of changes in equity

	Stated capital/ Share capital R'000	Fair value reserve R'000	Accumu-lated loss R'000	Total equity R'000
Balance at 1 September 2011	427 852	116 895	(70 936)	473 811
Total comprehensive loss for the six months			(10 297)	(10 297)
Transfer of capital items to fair value reserve		(11 405)	11 405	–
Balance at 29 February 2012	427 852	105 490	(69 828)	463 514
Balance at 1 September 2012	427 852	175 562	(48 784)	554 630
Total comprehensive profit for the six months			4 775	4 775
Transfer of capital items to fair value reserve		(35)	35	–
Balance at 28 February 2013	**427 852**	**175 527**	**(43 974)**	**559 405**

Condensed consolidated statement of cash flows

	Unaudited Six months ended 28 February 2013 R'000	Unaudited Six months ended 29 February 2012 R'000	Audited Year ended 31 August 2012 R'000
Cash inflows from operating activities	**11 460**	63 111	91 275
Cash outflows from investing activities	**(466 764)**	(4 498)	(142 144)
Cash inflows from financing activities	**519 464**	–	187 762
Net movement in cash and cash equivalents	**64 160**	58 613	136 893
Cash and cash equivalents at the beginning of the period	**162 153**	25 260	25 260
Cash and cash equivalents at the end of the period	**226 313**	83 873	162 153

Segmental information

	For the six months ended 28 February 2013			
	Retail R'000	Industrial R'000	Offices R' 000	Total R'000
Extracts from statement of comprehensive income				
Total revenue from property portfolio	**86 811**	**21 063**	**45 775**	**153 649**
Property expenses	**(18 691)**	**(5 070)**	**(3 457)**	**(27 218)**
Net property income	**68 120**	**15 993**	**42 318**	**126 431**
Extracts from statement of financial position				
Investment property	**1 489 964**	**357 279**	**1 039 402**	**2 886 645**

	For the six months ended 29 February 2012			
	Retail R'000	Industrial R'000	Offices R' 000	Total R'000
Extracts from statement of comprehensive income				
Total revenue from property portfolio	75 209	20 921	41 287	137 417
Property expenses	(15 965)	(5 854)	(8 936)	(30 755)
Net property income	59 244	15 067	32 351	106 662
Extracts from statement of financial position				
Investment property	1 124 730	332 300	650 069	2 107 099

Condensed consolidated statement of financial position

	Unaudited 28 February 2013 R'000	Unaudited 29 February 2012 R'000	Audited 31 August 2012 R'000
ASSETS			
Non-current assets	**2 935 127**	2 155 581	2 441 968
Investment property	**2 886 645**	2 107 099	2 393 486
Goodwill	**48 482**	48 482	48 482
Current assets	**242 517**	98 277	188 665
Trade and other receivables	**16 204**	14 404	25 310
Loan to related party	**–**	–	1 202
Cash and cash equivalents	**226 313**	83 873	162 153
Non-current assets held for sale			
Investment property held for sale	**28 850**	1 400	54 987
Total assets	**3 206 494**	2 255 258	2 685 620
EQUITY AND LIABILITIES			
Equity	**559 405**	463 514	554 630
Stated capital	**427 852**	427 852	427 852
Reserves	**131 553**	35 662	126 778
Non-current liabilities	**2 505 894**	1 686 964	1 848 872
Debentures	**1 504 498**	900 629	900 629
Interest-bearing liabilities	**964 123**	759 550	906 562
Deferred taxation	**37 273**	26 785	41 681
Current liabilities	**141 195**	104 780	282 118
Interest-bearing liabilities	**–**	–	159 208
Trade and other payables	**38 632**	33 624	46 120
Linked unitholders for distribution	**102 563**	71 156	76 790
Total equity and liabilities	**3 206 494**	2 255 258	2 685 620
Net asset value per A-linked unit (excluding deferred taxation) (cents)	**732,12**	659,01	707,98
Net asset value per B-linked unit (excluding deferred taxation) (cents)	**732,12**	659,01	707,98
Net asset value per A-linked unit (cents)	**719,13**	646,31	689,48
Net asset value per B-linked unit (cents)	**719,13**	646,31	689,48

Notes

1. Basis of preparation

The unaudited condensed consolidated interim 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 Limited (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 2012.

The directors are not aware of any matters of circumstances arising subsequent to 28 February 2013 that require any additional disclosure or adjustments to the financial statements.

These results have not been audited or reviewed by the company's auditors, PKF (Jhb) Inc.

2. Summary of financial performance

	Unaudited 28 February 2013 R'000	Unaudited 29 February 2012 R'000	Audited 31 August 2012 R'000
Distribution per A-linked unit (cents)	**41,669**	39,685	79,370
– Interim	**41,669**	39,685	39,685
– Final	**N/A**	N/A	39,685
Distribution per B-linked unit (cents)	**29,804**	27,741	60,821
– Interim	**29,804**	27,741	27,741
– Final	**N/A**	N/A	33,080
A-linked units in issue	**143 499 683***	105 532 393*	105 532 393*
B-linked units in issue	**143 499 683***	105 532 393*	105 532 393*
Net asset value per combined linked unit (cents)**	**1 438,26**	1 292,63	1 378,97
Net asset value per A-linked unit (cents)	**719,13**	646,31	689,48
Net asset value per B-linked unit (cents)	**719,13**	646,31	689,48
Gearing ratio*** (%)	**30,1**	33,7	38,1

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

3. Current bank debt facilities

	Facility R'million	Utilised amount R'million	Expiry	Fixed rate %	Margin over jibar for floating facility %	Rate below prime for floating facility %
Provider and type of loan						
Standard Bank – Fixed	506,7	506,7	2015	8,63		
Standard Bank – Fixed	100,0	100,0	2016	9,26		
Standard Bank – Floating	118,1	118,1	2016		2,38	
Standard Bank – Floating	99,4	99,4	2016			0,95
Nedbank – Fixed	125,0	125,0	2017	8,95		
Nedbank – Floating	400,0	–	5 years from date of first drawdown			
Standard Bank – Floating	23,5	–	5 years from date of first drawdown			
Standard Bank – Floating	58,0	–	5 years from date of first drawdown			
Nedbank – Floating	77,0	–	5 years from date of first drawdown			
	1 507,7	949,2				

4. Payment of interim distributions

The Board has approved and notice is hereby given of interim cash interest distributions (distribution no 4) of 41,669 cents per A-linked unit and 29,804 cents per B-linked unit for the period ended 28 February 2013 in accordance with the abbreviated timetable set out below:

Last date to trade *cum* distribution	Thursday, 13 June 2013
Linked units trade *ex* distribution	Friday, 14 June 2013
Record date	Friday, 21 June 2013
Payment date	Monday, 24 June 2013

Linked unit certificates may not be dematerialised or rematerialised between Friday, 14 June 2013 and Friday, 21 June 2013, both days inclusive.

Directors:
ZJ Matlala (Chairperson)*
IS Petersen (CEO)
BH Azizollahoff*#
B de Bruyn (FD)
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E Links*
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Sponsor:
Java Capital

Company secretary:
Probity Business Services (Pty) Ltd

Website: www.dipula.co.za

Commentary

1. PROFILE

Dipula is a property loan stock company that has been listed on the Financial Services Real Estate sector of the JSE since 17 August 2011.

2. FINANCIAL RESULTS

During the period under review, R473 million of properties were transferred. These properties were acquired at an aggregate yield of 10,0% which contributed positively to the increases in revenue and net operating profit.

Property expenses were positively impacted as a result of certain over-provisions that were released. On a normalised basis, property expenses have been contained at 21,9% of revenue.

Finance income included R13,6 million of antecedent income relating to the private placement.

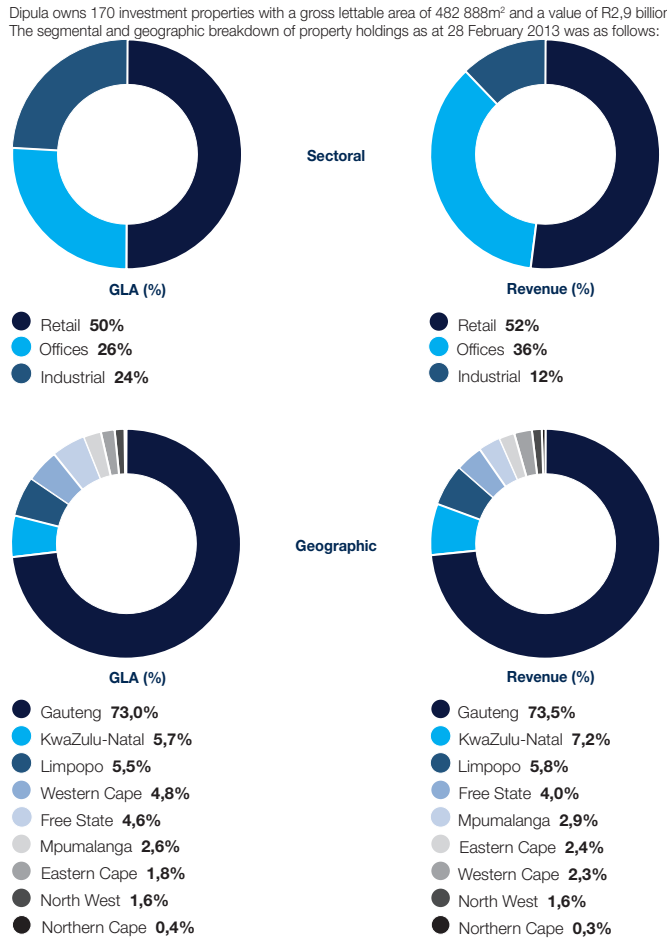
3. DISTRIBUTABLE EARNINGS

During the six months ended 28 February 2013 Dipula achieved total distribution growth per combined unit of 6,0% over the prior comparable period. Of the total distribution for the interim period, 41,669 cents accrues to the A-linked units and 29,804 cents to the B-linked units, representing distribution growth of 5,0% and 7,4% per unit respectively.

The combined distribution for the A and B units is 71,473 cents compared to the total distribution of 67,426 cents for the prior comparable period.

4. PROPERTY PORTFOLIO

Dipula owns 170 investment properties with a gross lettable area of 482 888m² and a value of R2,9 billion. The segmental and geographic breakdown of property holdings as at 28 February 2013 was as follows:



5. VACANCIES

Vacancies declined from 10,4% at 31 August 2012 to a current 9,8%. The sectoral split is offices 12,1%, retail 10,1% and industrial 6,7%.

Dipula continues to successfully execute its strategy of improving the quality of its portfolio and income. With the acquisitions and sales it is anticipated that the vacancy factor will decline further over time.

6. ACQUISITIONS

Since listing Dipula has acquired R2,3 billion worth of properties, of which R843 million has been transferred to date, a further R946 million is awaiting transfer and R499 million will transfer as developments are completed, with Tower Mall expected to be completed at the end of September 2013. The aggregate yield of these acquisitions is approximately 10%.

7. DISPOSALS

Sixteen properties totalling R42,8 million were disposed of during the period under review. A further 24 properties that no longer fit the profile of Dipula have been earmarked for sale.

8. REFURBISHMENTS, EXTENSIONS AND REDEVELOPMENTS

The refurbishment of Arbeid Street was completed during the period and the property was re-let from 1 March 2013.

The following properties have been identified for refurbishments, extensions or redevelopment:

PROPERTY	SECTOR	LOCATION	GLA	Refurbishment/ Extension/ Redevelopment	Estimated cost
Kopanong	Retail	Thembisa, Gauteng	4 024	Refurbishment/Extension	R5 million
Score Ivory Park	Retail	Ivory Park, Gauteng	1 504	Refurbishment/Extension	R4 million
6 Old Pretoria Main Road	Retail	Midrand, Gauteng	5 760	Redevelopment	R23 million
Belle Ombre	Retail	Pretoria, Gauteng	7 838	Refurbishment	R16 million
Nquthu Plaza	Retail	Nquthu, KwaZulu-Natal	14 942	Extension	R10 million
Bochum Plaza	Retail	Bochum, Limpopo	11 557	Extension	R4 million
Range Road	Industrial	Kuilsriver, Western Cape	10 979	Extension/ Refurbishment	R25 million
Crownwood Corner (formerly Metcash)	Office	Ormonde, Gauteng	7 273	Redevelopment/ Refurbishment	R20 million

9. FUNDING

Dipula had an all-in blended rate of 8,47% at 28 February 2013 and has fixed interest debt of R506 million for 2,5 years, R100 million for 3,5 years and R125 million for 4,5 years respectively. A floating facility of R217,5 million expires in approximately 3,5 years.

Additional unutilised facilities of R558,5 million have been secured for five years from date of first draw down. Once accessed, the majority of these facilities will be fixed.

10. PRIVATE PLACEMENT

On 21 November 2012, Dipula successfully raised R650 million in terms of a private placement that was oversubscribed. In terms of the offer, 37 967 290 A-linked units were issued at a price of R10,45 and 37 967 290 B-linked units were issued at a price of R6,67. This increased the number of A-linked and B-linked units in issue to 143 524 183 respectively.

The issue prices included an accrued distribution for the six months ended 31 August 2012 of 72,765 cents combined, which translated into 39,685 cents for the A-linked units and 33,080 cents for the B-linked units, and an accrued distribution of 35,735 cents combined for the period 1 September 2012 to 20 November 2012. This translated to 20,834 cents for the A-linked units and 14,9 cents for the B-linked units. Excluding the accrued distribution, the private placement linked units were issued at a price of R9,485 per A-linked unit and R6,19 per B-linked unit.
The purpose of the private placement was to fund announced acquisitions. As a result of delays in the transfer of certain properties, the opportunity cost of holding cash amounted to approximately R2 million.

11. PROSPECTS

Based on the assumptions that the macro-economic environment will not deteriorate further, no major corporate failures will occur and that tenants will be able to absorb rising operating costs, the Board forecasts that Dipula will achieve growth in distributions of between 6,5% and 7,5% for the full 2013 financial year.

This forecast has not been audited or reviewed by Dipula's auditors.

By order of the Board

Johannesburg
28 May 2013

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