dipula
INCOME FUND
Sustainable Property Returns

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 AUGUST

2015

HIGHLIGHTS

Distributable earnings ▲ **33% to R332.3 million**	Full year distribution ▲ **7.05% to 172.176 cents per share**	A-share distribution ▲ **5% to 91.880 cents per share**
B-share distribution ▲ **9.5% to 80.296 cents per share**	Net asset value per share ▲ **14.5% to 934 cents**	Portfolio value at year end ▲ **33% to R5.6 billion**

Portfolio value inclusive of acquisitions subject to transfer **R6.6 billion**

Acquisition concluded during year **R2.2 billion**

Properties transferred during year **R1.2 billion**

20% reduction in vacancies from the interim period

COMMENTARY

Profile

Dipula is a diversified REIT with outstanding BEE credentials, which owns a diversified R5.6 billion property portfolio, comprising retail, office and industrial properties. The properties are located across nine provinces in South Africa, with the majority in Gauteng.

Dipula trades under the codes DIA and DIB. DIA shares are entitled to a 5% preferred income growth while DIBs receive the remainder of the growth.

Distributable earnings

During the year ended 31 August 2015 ("the year") Dipula achieved an increase in distributable earnings of 33% compared to the prior year, translating into a 7.05% growth in distributions per share over the preceding twelve months and in line with management's guidance of between 6.5% – 7.5% announced in the interim results.

The total distribution attributable to the A-share is 91.880 cents per share (2014: 87.504 cents per share), comprising the 45.94007 cents per share declared at interims and the 45.94007 cents per share for the second half of the year. This equates to a 5% increase from the previous year and is in line with the distribution policy for A-shareholders.

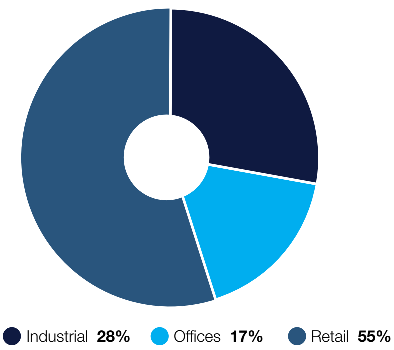
The total dividend attributable to the B-shares is 80.296 cents per share (2014: 73.333 cents per share), which includes 44.95016 cents per share (2014: 40.995 cents per share) for the final dividend, equating to an increase of 9.5% on the prior year.

Property portfolio

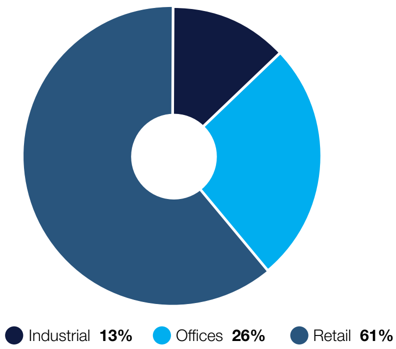
The portfolio consists of 177 investment properties valued at R5.6 billion with a total gross lettable area ("GLA") of approximately 702 000m². During the year, properties to the value of R1.2 billion were transferred into the Fund. Post year end Dipula acquired 80% in a R860 million property portfolio from the Moolman Group. This together with Gillwell Mall will increase Dipula's portfolio size to R6.6 billion when transferred by November 2015. The effective date for the Moolman transaction was 1 August 2015. The property cost-to-income ratio remained in line with the prior year at 34.5% on a gross basis and 19.8% on a net basis.

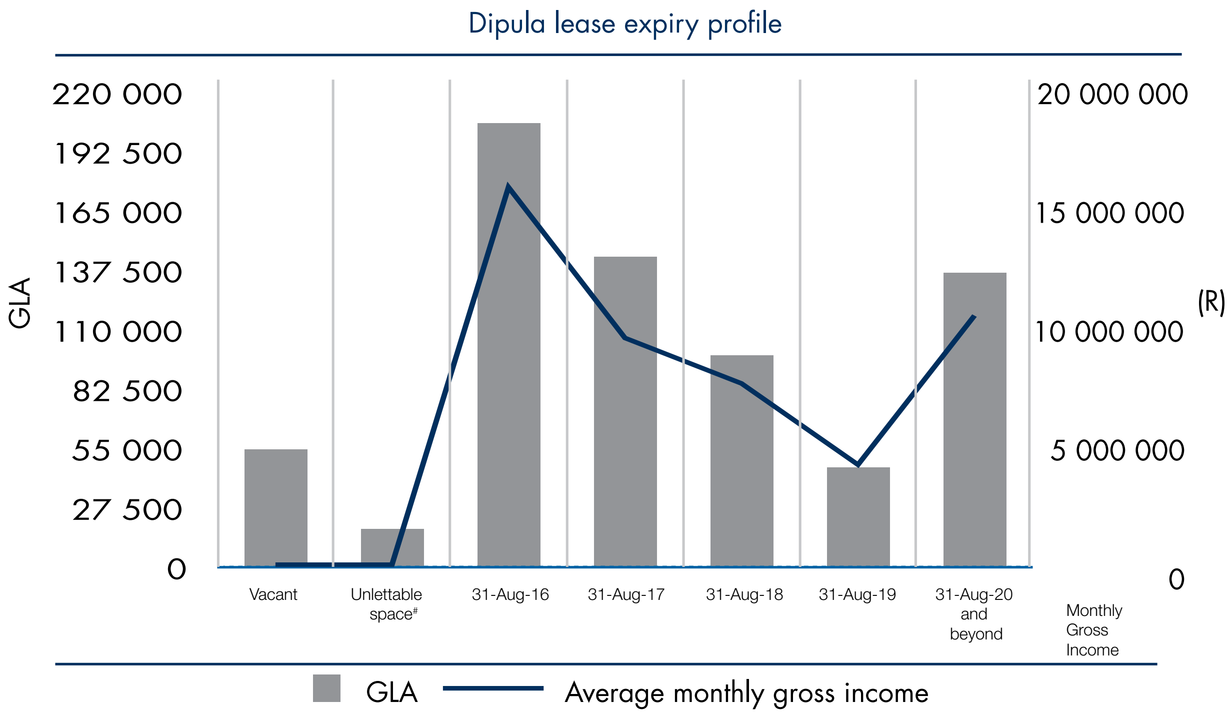
The segmental and geographic breakdown of Dipula's portfolio as at 31 August 2015 was as follows:

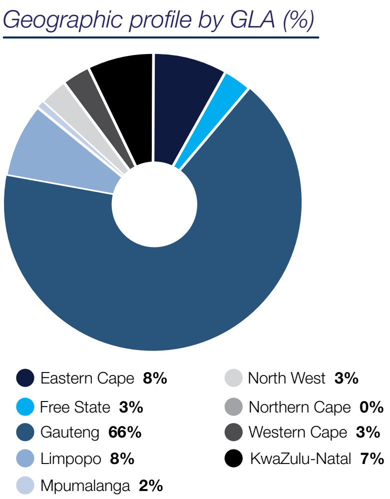
Sectoral profile by GLA (%)

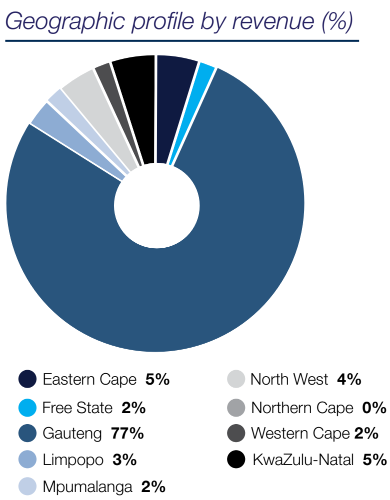


Sectoral profile by revenue (%)









Vacancies

Vacancies relative to the prior year reduced to 8% from 9%. Industrial vacancies closed at 7% (2014: 5%) and retail vacancies were at 8% (2014: 7%). Office vacancies reduced by an impressive 56% from the prior year and is now 8% (2014: 19%).

Acquisitions

The Group acquired properties for an aggregate cost of R1.2 billion between 1 September 2014 and 31 August 2015.

Refurbishments and redevelopments

Refurbishments and upgrades at a cost of approximately R350 million will be undertaken over the next 12 to 18 months at an average yield of approximately 11%. These projects will be funded by a combination of debt and equity. A total of R58.6 million was spent on redevelopments and capex during 2015.

Disposals

A total of 17 properties amounting to R92.2 million were sold during the year in line with the Group's strategy of disposing of non-core properties.

Subsequent events

Dipula has commitments for further property acquisitions of R1 billion which comprises 80% of the Moolman portfolio and Gillwell Taxi Retail Park. These acquisitions will be funded by a combination of debt and equity.

Funding

As at 31 August 2015, the Group's all-in blended interest rate is 8.12%. The Company has total debt facilities of R2.38 billion, with R2.04 billion utilised to date.

67% of the drawn down debt has been fixed through a combination of interest rate swaps and fixed interest loans.

Dipula has successfully registered its R2 billion Domestic Medium Term Note Programme with the JSE in November 2015.

Debt maturities profile

	Facility		Fixed		Floating	
	R'000	%	R'000	%	R'000	%
FY 2016	336 530	14	189 506	8	147 024	6
FY 2017	275 000	12	125 000	5	150 000	6
FY 2018	1 024 905	43	244 456	11	780 449	33
FY 2019	146 401	6	123 601	5	22 800	1
FY 2020	594 654	25	–	–	594 654	25
	2 377 489	**100**	**682 563**	**29**	**1 694 927**	**71**

SWAP maturity profile

Maturity date	R'000	Nominal rate
16 Jan 20	21 250	6.78
16 Jan 18	85 000	6.47
01 Dec 17	506 666	7.10
27 Oct 17	70 000	6.95
	682 916	

Prospects

Dipula has an acquisitions pipeline of approximately R1.5 billion for 2016. Further value will be unlocked in the existing portfolio through extensions, conversions and revamps.

Entry into the residential sector is being actively pursued, subject to pricing and risk considerations and the establishment of appropriate strategic partnerships.

COMMENTARY continued

Assuming that trading conditions and the macroeconomic environment remain stable and no further major tenant or corporate defaults, the board expects growth in distributions of between 7% and 8% for the year ending 31 August 2016. This forecast has not been reviewed or reported on by the Group's auditors.

Changes to the board of directors

With effect from 31 August 2015, shareholders were advised that Brigitte de Bruyn has resigned as the Financial Director of Dipula to pursue new interests and that Ridwaan Asmal was appointed as Financial Director of Dipula with effect from 1 September 2015. The board thanks Brigitte for her service to the Fund since listing, and wishes Ridwaan everything of the best in his new role.

Payment of final dividend

The board has approved and notice is hereby given of the final dividend (dividend number 9) for the period 1 March 2015 to 31 August 2015 of 45.94007 cents per A-share and 44.95016 cents per B-share.

Dipula shareholders holding B-shares will be offered an election, in respect of all or part of their B-shareholding, to re-invest the cash dividend of 44.95016 cents per B-share in return for B-shares (the "share re-investment alternative"), failing which they will receive the cash dividend. By electing to participate in this share re-investment alternative, B-shareholders will be able to increase their B-shareholding in Dipula without incurring dealing costs. In turn, Dipula will benefit from an increase in the amount of shareholders' funds available to support continued growth. The share re-investment alternative will not be offered to A-shareholders, who will all receive the cash dividend of 45.94007 cents per A-share.

Further details regarding the share re-investment alternative, including the manner in which the number of B-shares to which a participating B-shareholder is entitled will be determined, will be set out in a circular to Dipula B-shareholders to be issued on or about 12 November 2015, and will also be released on SENS.

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

Last day to trade *cum* dividend	Friday, 27 November 2015
Securities trade *ex* dividend	Monday, 30 November 2015
Record date	Friday, 4 December 2015
Payment date	Monday, 7 December 2015

Share certificates may not dematerialised or rematerialised between Monday, 30 November 2015 and Friday, 4 December 2015 both days inclusive.

In respect of dematerialised shareholders, the dividend will be transferred to the CSDP account/broker accounts on Monday, 7 December 2015. Certificated shareholders' dividend payments will be posted on or about Monday, 7 December 2015.

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

By order of the Board

Johannesburg

11 November 2015

Directors: ZJ Matlala* (Chairperson), IS Petersen (CEO), BH Azizollahoff*#, R Asmal (FD), NS Gumede, E Links*, Y Waja*, SA Halliday*

* Independent non-executive, # British

Block B, Dunkeld Park, 6 North Road, Dunkeld West, Johannesburg, 2196

Tel: +2711 325 2112 website: http://www.dipula.co.za

BASIS OF PREPARATION AND ACCOUNTING POLICIES

These results were prepared by the Financial Director, Mr R Asmal assisted by Ms B de Bruyn (previous Financial Director of Dipula).

The reviewed provisional condensed consolidated financial results for the year ended 31 August 2015 have been prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional 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 also, as a minimum, contain the information required by IAS34 Interim Financial Reporting. The accounting policies applied are consistent with those applied in the previous years consolidated annual financial statements. The adoption of these standards did not have any material impact on the Group's results.

Reviewed results for the year ended 31 August 2015

The results for the year ended 31 August 2015 have been reviewed by Deloitte & Touche, and their unmodified review report is available for inspection at the Company's registered office. The auditor's review report does not necessarily report on all of the information contained in these provisional condensed financial results.

Shareholders are therefore advised that in order to obtain a full understanding of the nature of auditor's engagement they should obtain a copy of the auditor's reviewed report together with the accompanying financial information from the issuers registered office. The directors take full responsibility for the preparation of these provisional condensed consolidated financial results.

Measurement of fair value

Investment property

In terms of the accounting policy, the portfolio is valued annually, with properties above R8 million being valued by independent registered valuers. One third of the properties below R8 million (at the last valuation date) are valued externally whilst the remaining two-thirds are valued internally by directors. The properties were valued using either the discounted cash flow or capitalisation methods by the internal and external valuers. The valuations were 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 ranged between 8.5% and 12%. Investment properties held-for-sale were valued at the net sale price, which is considered to be the fair value.

Financial instruments

Financial instruments are measured at fair value including derivatives. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

Hierarchy levels

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

The different levels have been defined as follows:

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

COMMENTARY continued

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

Fair value measurements for investment properties categorised as Level 3:	R'000
Balance at beginning of year	4 116 886
Acquisitions/additions	1 250 178
Property sold	(22 874)
Loss on sale of property	(1 665)
Transferred to non-current assets held for sale	(46 850)
Change in fair value	215 807
Depreciation	(132)
Balance at end of year	**5 511 350**

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental and capitalisation rates. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property, its location and lease terms. Capitalisation model – establishes the market related rental income for the property and applies an appropriate capitalisation rate.	– Expected rental growth varies between 6% to 8% per annum; – Risk-adjusted discount – rates varies between 14% and 16%. – Capitalisation – rates vary between 8.5% to 12%.	The estimated fair value would increase/(decrease) if: – Expected rentals were higher/(lower); – Risk-adjusted discount rates and capitalisation rates were lower/(higher).

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Reviewed 31 August 2015 R'000	Audited 31 August 2014 Restated R'000
ASSETS		
Non-current assets	**5 562 466**	4 165 368
Investment property	**5 511 350**	4 116 886
Fair value of property portfolio for accounting purposes	**5 413 107**	4 022 567
Straight-line rental income accrual	**98 243**	94 319
Goodwill	**48 482**	48 482
Property, plant and equipment	**1 231**	–
Derivative financial assets	**1 403**	–
Current assets	**161 234**	102 593
Trade and other receivables	**98 188**	70 575
Cash and cash equivalents	**63 046**	32 018
Non-current assets held for sale		
Investment property held for sale	**49 366**	74 800
Total assets	**5 773 066**	4 342 761
EQUITY AND LIABILITIES		
Equity	**3 603 971**	841 956
Stated capital	**2 799 016**	427 852
Fair value reserve	**705 947**	494 479
Retained income/(Accumulated loss)	**99 008**	(80 375)
Non-current liabilities	**1 752 422**	2 774 512
Debenture capital	**–**	1 684 659
Interest-bearing liabilities	**1 752 422**	1 089 853
Current liabilities	**416 673**	726 293
Interest-bearing liabilities	**288 822**	506 667
Trade and other payables	**127 851**	88 313
Linked unitholders for distribution	**–**	131 313
Total equity and liabilities	**5 773 066**	4 342 761
Number of A-shares in issue	**192 987 583***	153 941 061*
Number of B-shares in issue	**192 987 583***	156 021 763*
Net asset value per A-share (cents)	**933.73**	815.13
Net asset value per B-share (cents)	**933.73**	815.13
Loan to value (LTV)	**36.7%**	38.1%

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Reviewed 31 August 2015 R'000	Audited 31 August 2014 Restated R'000
Revenue	**729 109**	598 294
Contractual rental income	**578 550**	461 036
Recoveries and other income	**146 482**	112 625
Straight-line rental income accrual	**4 077**	24 633
Property expenses	**(250 216)**	(199 062)
Net property income	**478 893**	399 232
Administration and corporate costs	**(25 789)**	(18 327)
Net operating profit	**453 104**	380 905
Net finance cost	**(269 644)**	(362 672)
Finance income	**7 626**	3 977
Finance cost	**(149 456)**	(121 888)
Debenture interest	**(127 814)**	(244 761)
Net profit after finance cost	**183 460**	18 233
Loss on sale of properties	**(1 665)**	–
Fair value adjustments	**209 056**	69 821
Investment properties and held for sale	**211 730**	94 454
Straight-line rental income accrual	**(4 077)**	(24 633)
Interest rate swaps	**1 403**	–
Profit before taxation	**390 851**	88 054
Taxation	**–**	–
Profit for the year after taxation	**390 851**	88 054
Other comprehensive income	**–**	–
Total comprehensive income for the year attributable to equity holders	**390 851**	88 054

RECONCILIATION BETWEEN EARNINGS, HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS

	Reviewed 31 August 2015 R'000	Audited 31 August 2014 Restated R'000
Total profit and comprehensive income for the year	**390 851**	88 054
Debenture interest	**127 814**	244 761
Earnings	**518 665**	332 815
Adjustments:	**(205 988)**	(69 821)
Loss on sale of properties	**1 665**	–
Fair value – investment properties revaluation	**(211 730)**	(94 454)
Fair value – straight line rental income	**4 077**	24 633
Headline earnings	**312 677**	262 994
Adjustments:	**19 602**	(13 872)
Interest rate swaps	**(1 403)**	–
Amortisation of debt raising fee	**2 187**	888
Lease cancellation income distributed	**–**	9 493
Antecedent interest	**22 895**	380
Straight-line rental income accrual	**(4 077)**	(24 633)
Distributable earnings	**332 279**	249 122
Total number of shares in issue*	**385 975 166**	309 962 824
Number of A-shares in issue	**192 987 583**	153 941 061
Number of B-shares in issue	**192 987 583**	156 021 763
Weighted average number of A-shares in issue*	**178 765 274**	153 798 028
Weighted average number of B-shares in issue*	**179 705 865**	155 850 228
* Net of treasury shares		
Basic earnings per A-share (cents)	**144.69**	114.62
Basic earnings per B-share (cents)	**144.69**	100.44
Headline earnings per A-share (cents)	**87.23**	92.07
Headline earnings per B-share (cents)	**87.23**	77.89
Distribution per A-share	**91.88014**	87.50445
Interim	**45.94007**	43.75200
Final	**45.94007**	43.75245
Distribution per B-share	**80.29606**	73.33284
Interim	**35.34590**	32.33800
Final	**44.95016**	40.99484

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

Following the conversion of the linked units to ordinary shares on 20 July 2015, linked units no longer exist.

The company does not have any dilutionary instruments in issue.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Stated capital R'000	Fair value reserve R'000	Retained income/ (Accumulated loss) R'000	Total equity R'000
Balance at 31 August 2013 (Audited)	427 852	400 024	(73 974)	753 902
Total comprehensive income for the year	–	–	88 054	88 054
Transfer to fair value reserve – investment properties	–	94 455	(94 455)	–
Balance at 31 August 2014 (Audited)	427 852	494 479	(80 375)	841 956
Total comprehensive income for the year	–	–	390 851	390 851
Capitalisation on cancellation of debentures	2 371 164	–	–	2 371 164
Transfer to fair value reserve – investment properties	–	210 065	(210 065)	–
Transfer to fair value reserve – interest rate swaps	–	1 403	(1 403)	–
Balance at 31 August 2015 (Reviewed)	2 799 016	705 947	99 008	3 603 971

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Reviewed 31 August 2015 R'000	Audited 31 August 2014 Restated R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	**460 952**	354 229
Net finance cost	**(141 830)**	(108 862)
Distribution paid	**(265 290)**	(230 080)
Net cash generated from operating activities	**53 832**	15 287
CASH OUTFLOWS FROM INVESTING ACTIVITIES	**(1 160 196)**	(346 837)
Issue of linked units	**692 668**	189 219
Interest-bearing liabilities raised	**444 724**	151 773
CASH INFLOWS FROM FINANCING ACTIVITIES	**1 137 392**	340 992
Net increase in cash and cash equivalents	**31 028**	9 442
Cash and cash equivalents at the beginning of the year	**32 018**	22 576
Cash and cash equivalents at the end of the year	**63 046**	32 018

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

	Retail R'000	Offices R'000	Industrial R'000	Land R'000	Total of operating segments R'000
	YEAR TO 31 AUGUST 2015 (REVIEWED)				
Revenue from property portfolio	447 649	190 746	90 714	–	729 109
Property expenses	(167 183)	(54 440)	(28 580)	(13)	(250 216)
Net property income	280 466	136 306	62 134	(13)	478 893
Investment property at fair value	3 411 227	1 190 703	896 670	12 750	5 511 350
Investment property held for sale	22 766	25 200	–	1 400	49 366
	3 433 993	1 215 903	896 670	14 150	5 560 716
	YEAR TO 31 AUGUST 2014 (RESTATED)				**(AUDITED)**
Revenue from property portfolio	305 463	235 547	57 284	–	598 294
Property expenses	(107 219)	(71 587)	(20 256)		(199 062)
Net property income	198 244	163 960	37 028	–	399 232
Investment property at fair value	2 444 874	1 162 027	497 235	12 750	4 116 886
Investment property held for sale	43 750	31 050	–	–	74 800
	2 488 624	1 193 077	497 235	12 750	4 191 686

The entity has four 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.

RECLASSIFICATION AND RESTATEMENT OF PRIOR YEAR

1. In line with industry practice municipal recoveries have been disclosed as revenue and the 2014 results restated. Previously, municipal recoveries were shown net of municipal cost in the property expense line. The restatement resulted in:

	Restated 2014 R'000	Published 2014 R'000	Difference 2014 R'000
Extract of statement of comprehensive income			
Revenue	598 294	491 249	107 045
Contractual rental income	461 036	461 036	–
Recoveries and other income	112 625	5 580	107 045
Straight-line rental income accrual	24 633	24 633	–
Property expenses	(199 062)	(92 017)	(107 045)
Net property income	399 232	399 232	–

2. A portion of the Group's debt facilities allows for surplus cash to be deposited into the debt facility and withdrawn on a demand basis when required. Previously, the funds that were deposited into these access debt facilities were classified as cash and cash equivalents. This transaction does not comply with the cash and cash equivalent definition in terms of IAS7 (statement of cash flows) and has now been reclassified from cash to interest-bearing liabilities as follows:

	Restated 2014 R'000	Published 2014 R'000	Difference 2014 R'000
Extract of statement of financial position			
Current assets	102 593	131 349	(28 756)
Trade and other receivables	70 575	70 575	–
Cash and cash equivalents	32 018	60 774	(28 756)
Non-current liabilities	2 774 512	2 803 268	(28 756)
Debenture capital	1 684 659	1 684 659	–
Interest-bearing liabilities	1 089 853	1 118 609	(28 756)

The above restatements do not have any impact on earnings per share or headline earnings per share.

CORPORATE INFORMATION

Dipula Income Fund Limited
Registration number 2005/013963/06
Incorporated on 10 May 2005
in the Republic of South Africa

Registered office and business address
Block B Dunkeld Park
6 North Road, Dunkeld West
Johannesburg, 2196

Independent auditors
Deloitte & Touche
Practice number: 902276
Registered Auditors
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
Sandton
Private Bag X6, Gallo Manor, 2052

Transfer secretaries
Link Market Services South Africa
Proprietary Limited
(Registration number 2000/007239/07)
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

Bankers
The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
3rd Floor, East Wing, 30 Baker Street
Rosebank, 2196
(PO Box 8786, Johannesburg, 2000)

Corporate advisor and Sponsor
Java Capital Proprietary Limited
Registration number 2012/089864/07
6A Sandown Valley Crescent
Sandton, 2196
(PO Box 2087, Parklands, 2121)

Company secretary
CIS Company Secretaries Proprietary Limited
(Registration number 2006/024994/07)
70 Marshall Street
Johannesburg

www.dipula.co.za