



 **dipula**
INCOME FUND
Sustainable Property Returns

INTEGRATED
ANNUAL REPORT
2014

FOR THE YEAR ENDED
31 AUGUST

DIPULA AT A GLANCE

181 properties valued at	R4,2bn
Total GLA	583 511m²
Average portfolio rental escalation	8,1%
Average property size 3 224m ²	R23m

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NAVIGATION



RETAIL



INDUSTRIAL



OFFICE



MORE INFO

FINANCIAL AND PORTFOLIO HIGHLIGHTS

R987 million
New acquisitions

Total portfolio (including
new acquisitions,
yet to transfer)
R5,4 billion

R76 million
Average asset acquired
in 2014

R506 million
Debt successfully
restructured

R103 million
Disposals

Vacancies
9%

Increase in NAV to
815 cents **3,8%**

R42 million revamps completed at an 11% yield

Portfolio growth

Acquisition **9%**



Capital appreciation **4%**



Disposals **(1%)**

ABOUT THIS REPORT

Dipula is a REIT listed on the JSE's Main Board in the Property: Real Estate Investment Trusts sector. The company owns a diversified R4,2 billion property portfolio, comprising retail, office and industrial properties. The company is currently weighted towards retail although weighting shift is continuous given the ongoing growth of the portfolio. The properties are located across nine provinces in South Africa, with the majority in Gauteng. At the start of the financial year under review, 1 September 2013, Dipula's status was converted from a Property Loan Stock Company to a REIT.

Key data at 31 August 2014

Registration number 2005/013963/06

DIA ISIN: ZAE000158317

DIB ISIN: ZAE000158325

JSE Main Board sector: Property Real Estate Investment Trust

Share code: DIA and DIB

Listing date: 17 August 2011

Number of A-units in issue: 153 941 061 linked units (excluding treasury units)

Number of B-units in issue: 156 021 763 linked units (excluding treasury units)

Number of properties: 181 retail, industrial and office

BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with IFRS, the requirements of the Companies Act, the Listings Requirements of the JSE and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

Dipula has further considered and applied many of the recommendations contained in the International Integrated Reporting Framework issued in December 2013. The company has also applied the majority of the principles in the King III Report. Explanation is offered where any non-application has occurred.

SCOPE OF THIS REPORT

This, our third integrated annual report, presents the financial results and the ESG performance of the group for the year 1 September 2013 to 31 August 2014, and follows our prior integrated annual report published in December 2014. It is primarily targeted at current unitholders, potential new institutional investors, fund and asset managers, funders and potential property vendors.

There was no change to the boundary or any measurement techniques. Restatements during the year are outlined on pages 136 to 138.

ABOUT THIS REPORT

(continued)

The content included in this integrated annual report endeavours to identify and explain the material issues faced by the group. This should enable the group's stakeholders to accurately evaluate Dipula's ability to create and sustain value over the short, medium- and long-term.

Asset management is performed by an empowered external asset manager, DAMT. The beneficiaries of DAMT have a significant stake in the company. The property management function is also outsourced, currently to three recognised contractors: Broll, JHI and McCormick. These companies are individually responsible for reporting on their respective operations as they are neither constituted for nor solely dedicated to the service of Dipula. Accordingly, information relating to the operations of these companies is not included in this integrated annual report.

SIGNIFICANT EVENTS DURING REPORTING PERIOD

As previously reported, the following milestones were achieved in the year:

- Dipula acquired Gillwell Taxi Rank Proprietary Limited, which includes a property under development in East London, effective September 2015.
- Acquired Govan Mbeki Place, effective October 2014.
- Dipula acquired six properties in Soweto and Hamanskraal in line with its strategy of acquiring portfolio-enhancing retail assets in underserved areas.
- Dipula disposed of 17 properties considered to be non-core, effective on various dates, some of which will be post year-end. The sales will reduce the number of properties in the Dipula portfolio from 181 to 164 prior to the transfer of recent acquisitions and new planned disposals.

ASSURANCE

The combined assurance model of the group in its current format is set out below:

Business process	Nature of assurance	Status	Assurance provider	Integrated report disclosure
Annual financial statements	Unqualified audit	Assured	Grant Thornton	81
B-BBEE	BEE scorecard	Assured	Honeycomb	10

CORPORATE INFORMATION

The group's contact people are Izak Petersen (CEO), Brigitte de Bruyn (Financial Director). They can be contacted at the registered office of the company (see inside back cover). Dipula's integrated annual report 2014 is available in hard copy from the company secretary on request, and is also posted on the group's website: www.dipula.co.za.

RESPONSIBILITY STATEMENT AND REVIEW

The Audit and Risk Committee and the board acknowledge their responsibility to ensure the integrity of this integrated annual report. It has accordingly been reviewed by the Audit and Risk Committee, board, company secretary and sponsor. The annual financial statements included

in this integrated annual report have been audited by the external auditors.



IS Petersen
CEO



B de Bruyn
Financial Director



Y Waja
Chair Audit and Risk Committee

INVESTMENT CASE

- Portfolio size (post transfers)

R5,4bn

- Geographically and sectorally diversified portfolio (retail bias)
- National footprint (nine provinces)
- Above-inflation contractual escalations
- Blue-chip tenant base
- Potential vacancy upside
- Rental growth potential

- Relatively low interest rate risk

76%
FIXED

- Portfolio-enhancing acquisitions since listing

R3,2bn

- Low asset management fees

0,3%

- Good quality income as evidenced – A+B tenant profile

87%

- Exceptional BEE credentials
- Significant management stake aligning interests with unitholders
- Stable, competent, skilled management and experienced board

INVESTMENT CASE (continued)

- Structured investment – A and B linked units for different risk appetites:
 - A linked unitholders 5% distribution growth until 2017; 2017 onwards – lower of 5% and CPI
 - Residual distributions to B linked unitholders – any growth above the 5% threshold has a positive gearing effect on B linked unitholders' income growth
-

HIGHLIGHTS FOR THE YEAR

FINANCIAL AND PORTFOLIO

New acquisitions (some yet to transfer)	R987m
Total portfolio (including new acquisitions, yet to transfer)	R5,4bn
Average asset cost acquired in 2014	R76m
Portfolio growth	
– acquisitions 9%	12%
– capital appreciation 4%	
– disposals (1%)	
Debt successfully restructured	R506m
Disposals	R103m
Vacancies stable at	9%
Increase in NAV to 815 cents	3,8%
R42 million revamps completed at a yield of	11%

WEALTH CREATION

DIA/DIB ROI since listing	50%/80%
Overall distribution growth, DIA 5%, DIB 10% ahead of guidance	7,2%
Increase in distributable income	16%

SUSTAINABILITY

Dipula's newly developed R155 million 15 400m² Tower Mall in Jouberton opens almost fully let

Dipula's part owned 27 000m², R400 million Eyethu Orange Farm Mall opens, a trailblazer in socially responsible investment for commercial property owners

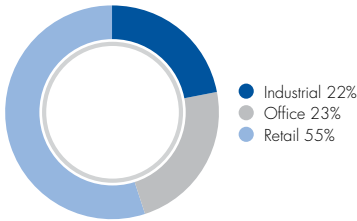
Additional independent non-executive director appointed

Manco staff complement increased

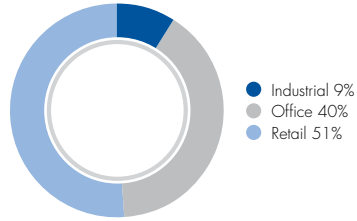
BBB credit rating

ORGANISATIONAL OVERVIEW

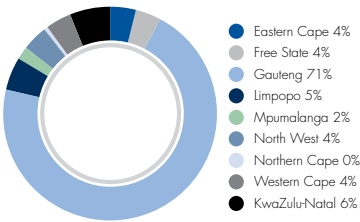
SECTORAL SPLIT BY GLA



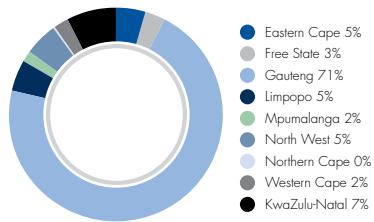
SECTORAL SPLIT BY REVENUE



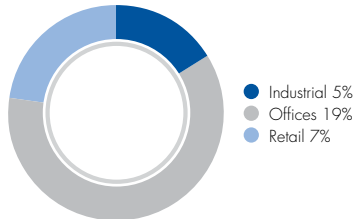
GEOGRAPHICAL SPLIT BY GLA



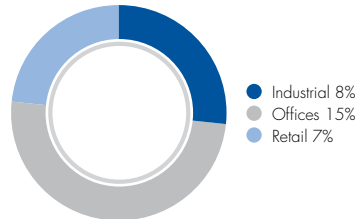
GEOGRAPHICAL SPLIT BY REVENUE



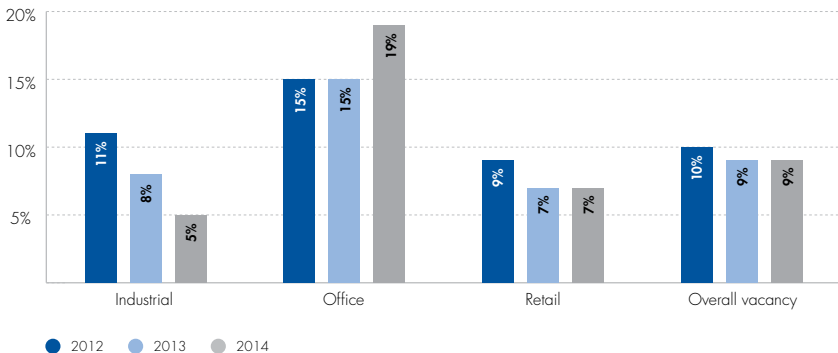
VACANCY AUGUST 2014



VACANCY AUGUST 2013



THREE YEAR VACANCY TREND



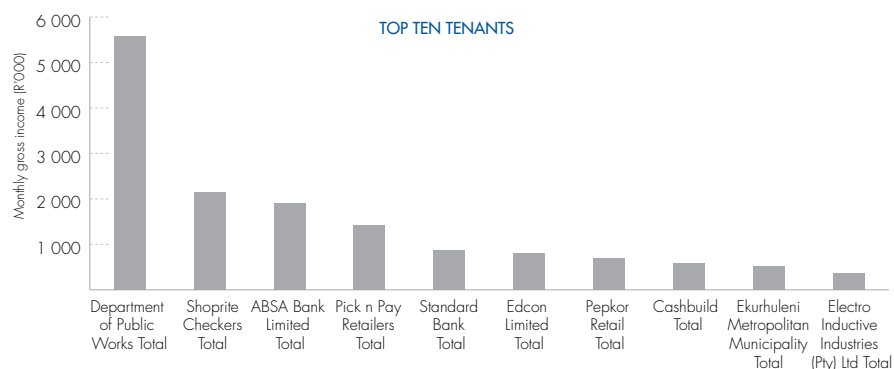
TENANT PROFILE

Tenant profile by GLA

	Industrial (m ²)	Office (m ²)	Retail (m ²)	Occupied GLA (m ²)	% of GLA
A Grade	31 780	81 048	208 984	321 812	61
B Grade	76 261	20 889	42 038	139 188	27
C Grade	13 989	6 495	41 808	62 291	12
				523 291	100

Tenant profile by rental income

	Industrial (R)	Office (R)	Retail (R)	Monthly rental income (R)	% of rental income
A Grade	1 671 946	7 398 414	15 665 266	24 735 626	68
B Grade	2 582 989	1 490 276	3 029 977	7 103 242	19
C Grade	486 824	377 168	3 895 828	4 759 820	13
Total				36 598 688	100



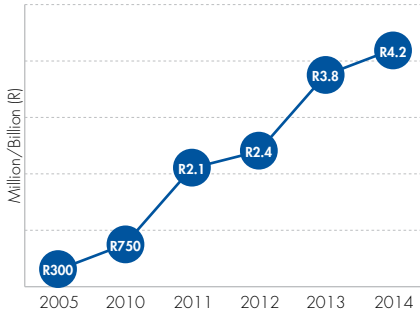
TOP 10 PROPERTIES BY VALUE

Building name	Region	Property type	GLA m ²	Value as at 31 August 2014 (Rm)
SAPS VIP	Gauteng	Office	21 478	262,0
Gezina Galleries	Gauteng	Retail	16 670	160,6
Nquthu Plaza	KwaZulu-Natal	Retail	14 912	157,8
Tower Mall	North West	Retail	15 433	153,2
SAPS IJS	Gauteng	Office	7 874	132,0
Bochum Plaza	Limpopo	Retail	12 081	130,0
Ziyabuya Shopping Centre	Eastern Cape	Retail	14 584	120,9
Woodmead Super Value Mall	Gauteng	Retail	7 169	101,0
Absa Home Loans	Gauteng	Office	5 048	92,0
Belle Ombre Shopping Centre	Gauteng	Retail	7 829	81,3

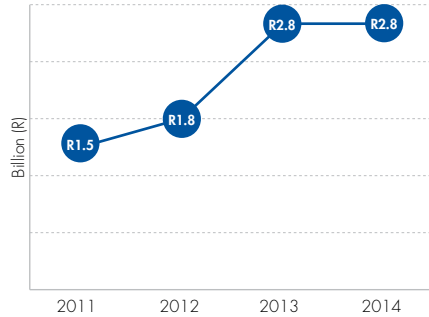
ORGANISATIONAL OVERVIEW

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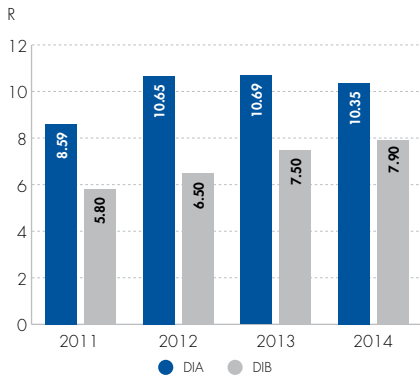
PORTFOLIO SIZE



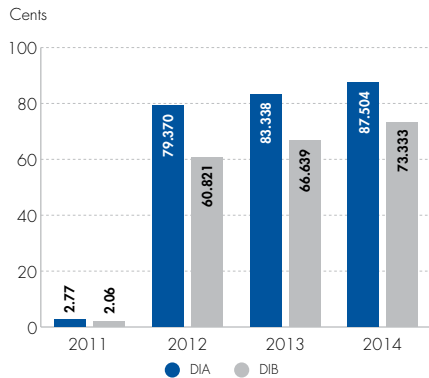
MARKET CAPITALISATION



UNIT PRICE



DISTRIBUTION PER SHARE



BEE scorecard

Code	August 2014
Ownership	20
Management control	9,5
Employment equity*	n/a
Skills development*	n/a
Preferential procurement	13,08
Enterprise development	10
Socio-economic development	0
Economic development	8
Level	3

* These two areas of the scorecard do not apply to Dipula as there are no direct employees and all management is outsourced to DAMT and property managers Broll, JHI and McCormick.

Micro Internet Cafe



PHB

Pick



ORGANISATIONAL OVERVIEW

(continued)

CSI AND ENTERPRISE DEVELOPMENT

During the year Dipula and our partners in Orange Farm sponsored the occupation of space and space fit out for Afrika Tikkun in Eyethu Orange Farm Mall (EOFM). Afrika Tikkun will bring much needed early childhood development to this community.

In addition to this Theta FM was also provided space in the centre free of charge in the return for advertising and the opportunity for them to gain advertising revenue from tenants in EOFM to ensure their sustainability. Before that Theta FM was operating out of a classroom at a local school.

Dipula facilitated the funding of a 10% stake for the community of Orange Farm through granting a loan and signing surety in 2013. This loan was repaid during the year and refinanced with the NEF.

In 2013, Dipula signed surety for SLD Proprietary Limited, a 50% black-owned property developer which is a partner in EOFM.

At Tower Mall Dipula sponsored the local boxing and karate tournaments, hosted Miss Matlosana and utilised local unemployed youth in its marketing campaigns.

At the same centre we were also sponsors for the Nelson Mandela Day charity event that took place in Jouberton.

Dipula sponsored the Charter Council research into the impact of property on the South African economy as well as a breakfast by the Charter Council that explored ways of improving transformation of the sector.

Dipula continues to support emerging businesses in the sector and for three years has been supporting Koen & Associates, an emerging BEE architectural firm.

Dipula also disposed of various properties to emerging BEE property owners during the year under review.

OUR MILESTONES

2005

- Dipula Property Fund founded with R300 million portfolio

2010

- Portfolio R750 million

2011

- Merger of Dipula Property Fund with Mergence Africa Property Fund to form Dipula Income Fund Limited
- Acquisition of Asakhe portfolio for R314 million and a Redefine portfolio for R395 million
- Dipula lists on JSE

2012

- Acquisition of McCormick Portfolio for R254 million

2013

- Acquisition of Abland portfolio for R431 million
- Acquisition of Orange Farm Phase 1 for R42 million
- Acquisition of Smada portfolio for R116 million
- Acquisition of Capital portfolio for R559 million
- Successful R650 million private placement concluded
- New debt facilities of R410 million

2014

- Acquisition of Gillwell Taxi Retail Park for R316 million
- Disposal of 17 non-core properties valued at R103 million
- Acquisition of Redefine properties for R425 million
- Transfer of UBC and Fairways on Main for R57 million
- Dipula's newly developed 15 400m² Tower Mall opens in Jouberton
- Acquired Govan Mbeki Place for R50,5 million

OUR PORTFOLIO

Key indicators

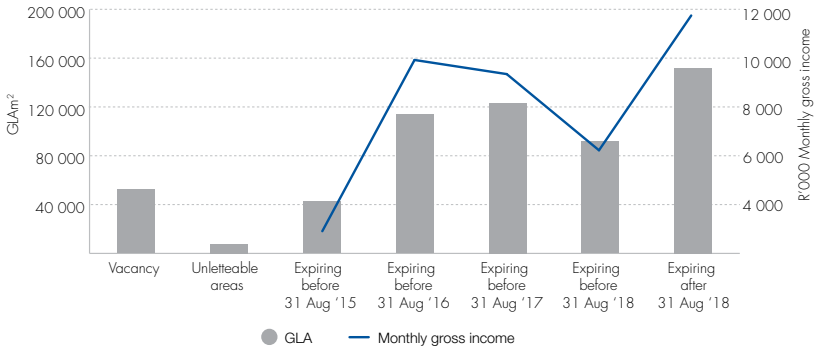
At 31 August 2014	Industrial	Office	Retail	Total
Number of properties	26	38	117	181
Portfolio valuation	R497 million	R1,2 billion	R2,5 billion	R4.2 billion
Gross lettable area (m ²)	127 934	134 001	321 576	583 511
Average value per m ² (R)	3 887	8 999	7 737	7 182
Vacancy (%)	4,6	18,8	6,8	9,1
Average monthly gross rental per m ² by GLA	42,85	99,27	82,53	76,75
Average escalation (%) by GLA	8,3	8,7	7,8	8,1
Average escalation (%) by				
Income	7,9	8,5	7,7	7,9



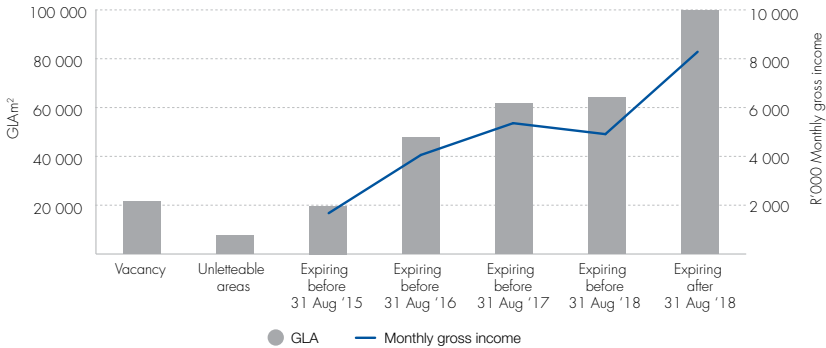
ORGANISATIONAL OVERVIEW

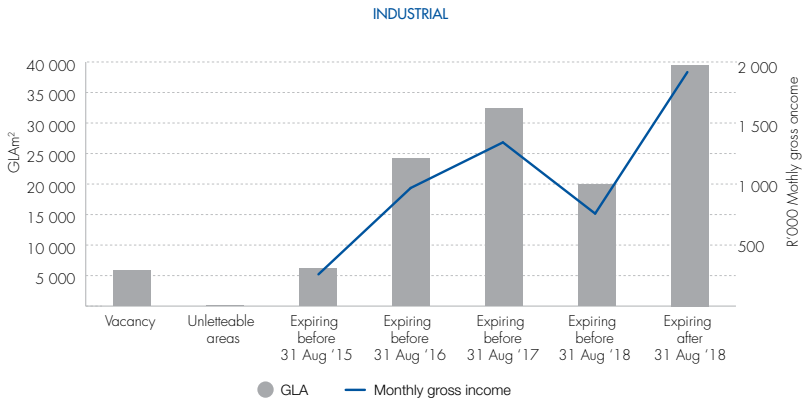
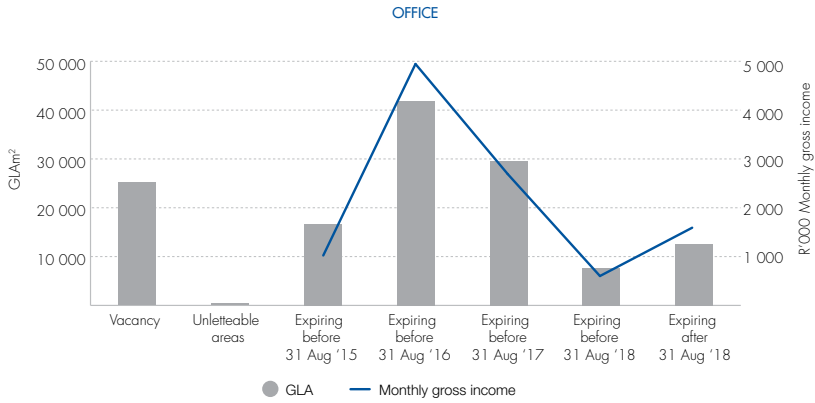
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PORTFOLIO



RETAIL

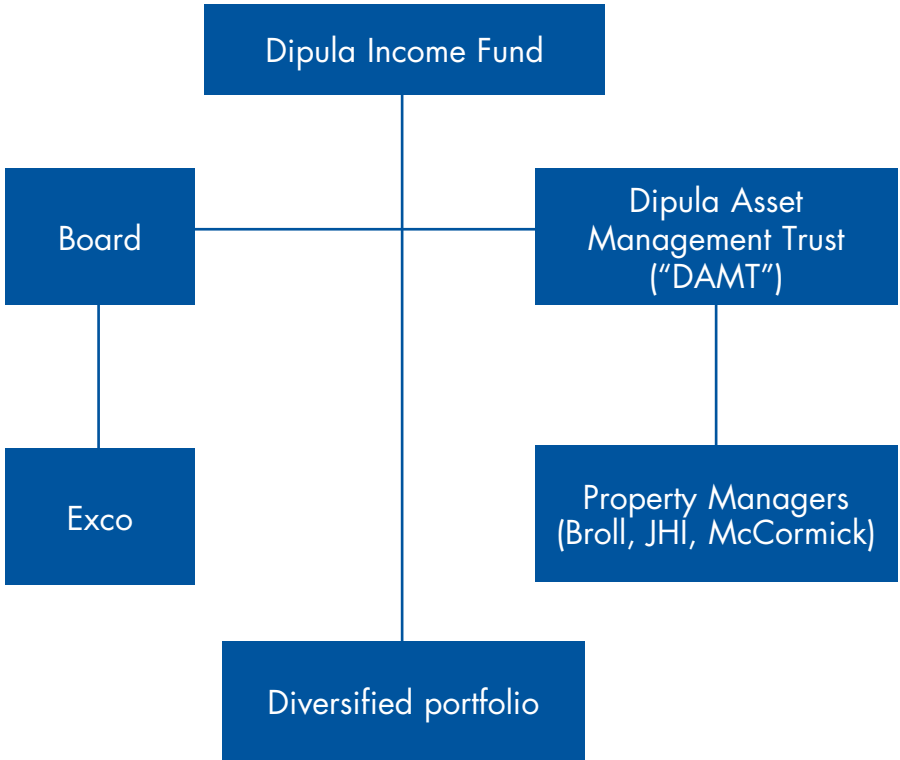




ORGANISATIONAL OVERVIEW

(continued)

BUSINESS STRUCTURE



DRIVING OUR BUSINESS

DIRECTORATE

Executive directors



Izak Petersen (41)
CEO
CA(SA)

Izak originally co-founded the Mergence group of companies a decade ago. Mergence was co-principal in the formation and listing of Dipula Income Fund through the merger of Mergence Africa Property Fund and Dipula Property Fund. He has been heading up Mergence Africa Properties from the acquisition of its first asset. Izak continues to serve as an executive and shareholder of the Mergence Group and is also the MD of Mergence Africa Capital. Prior to this he worked for PSG Investment Bank and Deloitte. Izak holds directorships in a number of Mergence group companies and represents Dipula on the SA REIT Association and has served on numerous industry bodies over the years. He currently serves as a board member of SAPOA.



Brigitte de Bruyn (41)
Financial Director
BCom, BAcc, CA(SA)

Brigitte joined Dipula from Grapnel Property Group Proprietary Limited, where she was financial director. She served her articles at Deloitte & Touche Audit Division and in 1999 left to gain experience with Deloitte & Touche Los Angeles. From 1999 to December 2005 she held various positions in Deloitte & Touche Special Services Group, a consulting division within the

firm, including a secondment to Zurich, Switzerland. In 2004 she was promoted to a senior manager role and onto the Exco of the Special Services Group.



Nyangeni Saul Gumede (58)
BCom, CPMR

Saul is a co-founder of Dipula. In 1998 he founded Dijalo Property Services, of which he became CEO. Dijalo provides property management services, facility management, broking and leasing, development facilitation, property consulting and property valuations to the property and financial industries. Prior to this he was assistant general manager at SEBO, a Bophuthatswana government pension property portfolio valued at R800 million. He also formerly worked for Old Mutual Properties in various positions. He began his career at Deloitte & Touche in 1985.

Independent non-executive directors



Zanele Joyce Matlala (51)
Chairperson
BCompt (Hons), CA(SA)

Zanele joined the Merafe board in 2005 as an independent non-executive director, and in 2012 was appointed Merafe's chief executive officer. Prior to this she was financial director of Kagiso Investments Proprietary Limited. Her first appointment as chief financial officer was at the Development Bank of Southern Africa (DBSA), which she joined from the IDC where she had been head of Wholesale Venture Capital Funds.

DRIVING OUR BUSINESS

(continued)

She is currently a non-executive director of Stefanutti Stocks Holdings Limited and Business Partners Limited.



Brian Hilton Azizzollahoff (53)

(British)

BA (NY), MBA (Wits)

Brian has almost 26 years' experience in the property industry. He served as chief executive officer of Redefine from 2003 until its merger with ApexHi Properties Limited and Madison Property Fund Managers Limited in 2009. He resigned from Redefine to form Capstone Property Group. He also sits on the National Council of SAPOA.



Elias ('Elie') Links (67)

BCom, MCom (Economics), MA (Economics), PhD (Economics)

Professor Links is a non-executive director of a number of companies including AfriSam Proprietary Limited, Freeworld Coatings Limited, Business Partners Limited, Juta Limited and TerraSan Limited. He is also the chair of Doing Business in Africa at the Stellenbosch Graduate School of Business. He further serves as a member of the B-BBEE Council of the President. Previously, he served as the South African Ambassador to the European Union, Belgium and Luxembourg as well as the Permanent Representative of South Africa at the World Bank and International Monetary Fund, Washington DC.



Syd Halliday (67)

CAIB (SA), ACIS

Syd has over 30 years' experience as a lending banker and currently serves on the board of Hospitality Property Fund. He retired from Nedbank in 2004 having held various senior credit risk management positions in the property finance departments of Nefic, Syfrets, Nedcor Investment Bank and Nedbank. He served as the Independent Chairman of Nedbank Corporate Property Finance's main property lending committee up to December 2012.



Younaid Waja (62)

BCom (Hons), BCompt, CA(SA), HDip Tax Law

Younaid is a private consultant with extensive experience across a range of business sectors including telecommunications, property, asset management, gaming, motor and transportation, and economic growth facilitation. He currently serves as a director of various public sector and JSE companies. From 1996 to 2007 he was a senior partner and executive chairman of APF Chartered Accountants Inc., a consortium of black auditing and accounting firms. During his career he served as chairman of the Public Accountants and Auditors Board (PAAB, now IRBA); vice president of the Association for the Advancement of Black Accountants of Southern Africa (ABASA); and an executive member of the Black Business Council (BBC).

BABY CITY

Andiccio24
PIZZA

BABY CITY

BALEANO

supaquick
TIRE EXPRESS



STRATEGIC INTENT

Dipula is focused on building a diversified, resilient portfolio in South Africa through portfolio-enhancing acquisitions and developments. The portfolio is currently retail biased but subject to continual shifting in weightings given ongoing growth.

In addition to acquisitive growth, Dipula continually disposes of non-core properties as part of asset management and portfolio rebalancing.

Cost efficiencies and the tenant mix are reviewed and improved on an ongoing basis.

In order to unlock latent value in the existing portfolio, Dipula also undertakes redevelopments, refurbishments and extensions of properties.

The group's emphasis is on key income and value drivers, when considering acquisitions and disposals.

In the long term Dipula may consider geographical expansion outside of the country's borders. Dipula aims to increase average value per property and reduce the number of properties in the medium term.

The Asset Manager is responsible for driving strategic direction and presents the strategic objectives to the board for directors' input and approval. The board monitors the achievement of strategic objectives in terms of KPIs set out in the asset management mandate.

OUR VISION

Dipula aims to be the leading property investment company in South Africa in terms of sustainable returns, quality of income and above-average long-term capital growth.

Our drivers	How we action the drivers
Delivery-motivated performance	<ul style="list-style-type: none"> • Deliver sustainable distribution growth • Conservative interest rate risk management policy in terms of which the majority of interest exposure is fixed, reducing the risk of distribution erosion • Grow total returns over the long-term (4 – 6 years)
Focus on quality	<ul style="list-style-type: none"> • Acquire quality enhancing properties in chosen markets (retail, office, industrial) • Broaden partnerships to unlock new pipeline sources • Acquire buildings between R50 million – R500 million • Increase average value of property in portfolio to R40 million • Implement conservation and introduce greener alternatives • Dispose of non-core assets (assets which no longer fit the criteria due to size, growth fundamentals)
Cost structure	<ul style="list-style-type: none"> • 'Lean and mean' • Focus on utilities and property operating costs • Efficient funding <ul style="list-style-type: none"> – Broaden funding sources – Utilise effective interest rate hedging – Achieve optimal levels of debt and equity
Tenant focus	<ul style="list-style-type: none"> • Ensure quality income with A and B graded tenants making up the majority • Regular tenant interaction and surveys aimed at tenant retention and recruitment • Redevelopments and extensions

Our drivers	How we action the drivers
Active, high quality asset management	<ul style="list-style-type: none"> • Income and portfolio-enhancing acquisitions • Acquire assets with high occupancy by national/blue-chip/ government tenants • Strategic, well-timed disposals • Ethical behaviour in all dealings • Closely monitor property managers • Frequent site visits • Instil a culture of ownership • Hands-on asset management • DAMT leading by example • Recruit additional skills • Direct relationships with key tenants
Entrepreneurial flair and drive	<ul style="list-style-type: none"> • Delegation of authority to Asset Manager and property managers • Deal flow
Proudly South African	<ul style="list-style-type: none"> • Striving for highest B-BBEE rating through compliance with all scorecard categories
Solution oriented	<ul style="list-style-type: none"> • Nimble decision making • Prudent but bold thinking • Tenacity

STRATEGY SCORECARD FY14 AND FY15 OBJECTIVES

	FY15 Future	FY14 Actual*	FY14 Target	At listing Initial
Market capitalisation (R)	R4 billion	R2,8 billion	R3 billion	R1,5 billion
Average portfolio value (R)	R43 million	R30 million	R28 billion	R12 million
Average property size (m ²)	5 000	3 900	3 620	2 495
Legacy portfolio as a % of total portfolio	20	31	35	66
Portfolio size	R7 billion	R5,4 billion	R5 billion	R2,1 billion
Rentable area (m ²)	832 000	695 061	680 000	436 600
Number of properties	160	180	n/a	175
LTV %	40	40	40	40
Vacancy %	7	9	9	9

* Includes acquisitions and disposals yet to transfer

MATERIAL ISSUES AND KEY RISKS

MATERIAL ISSUES

In formulating our growth strategy we consider the full range of issues, and the related risks, that influence the sustainability of our business.

Our most material issues and related risks are determined with reference to stakeholder feedback.

The material issues have been compiled by the asset manager and reviewed by the board.

Material issue	Stakeholder	Strategic driver	What we measure
Income growth	<ul style="list-style-type: none"> • Unitholders • Funders 	<ul style="list-style-type: none"> • Delivery-motivated performance 	<ul style="list-style-type: none"> • Growth in distributions
Municipal costs	<ul style="list-style-type: none"> • Unitholders • Funders • Property managers • Tenants • Municipalities 	<ul style="list-style-type: none"> • Cost structure 	<ul style="list-style-type: none"> • Municipal and utility statements • Municipal valuations
Occupancy levels	<ul style="list-style-type: none"> • Unitholders • Funders • Property managers • Brokers 	<ul style="list-style-type: none"> • Tenant focus 	<ul style="list-style-type: none"> • Vacancies and tenant retention rates
Lease expiry profile	<ul style="list-style-type: none"> • Unitholders • Funders • Property managers 	<ul style="list-style-type: none"> • Tenant focus 	<ul style="list-style-type: none"> • Length of leases and probability of renewals
Management quality	<ul style="list-style-type: none"> • Unitholders • Funders • Asset managers • Property managers 	<ul style="list-style-type: none"> • Active, high quality asset management and property management 	<ul style="list-style-type: none"> • Annual growth in distributions vs sector average over three years.
Asset quality	<ul style="list-style-type: none"> • Unitholders • Funders • Asset manager • Property managers • Tenants 	<ul style="list-style-type: none"> • Active, high quality asset management and property management 	<ul style="list-style-type: none"> • Occupancy levels • Rental escalations • Tenant retention rates • Maintenance records
Bad debts	<ul style="list-style-type: none"> • Unitholders • Funders • Property manager • Assets managers 	<ul style="list-style-type: none"> • Active, high quality asset management and property management 	<ul style="list-style-type: none"> • Tenant profile • Distributions growth • Level of write-offs
Access to capital	<ul style="list-style-type: none"> • Unitholders • Funders 	<ul style="list-style-type: none"> • Cost structure 	<ul style="list-style-type: none"> • Funding spreads • Share price performance

KEY RISKS

The table below sets out the most material risks identified in our risk management process. These are not the only risks facing the company. Other risks have been identified but may not yet have been designated as material, or are currently unknown. Future events could lead to their escalation and therefore negative impact on Dipula's operations. Dipula's full risk management processes are discussed in detail on page 73.

Key risk	Impact	Mitigation
Socio-political risk <ul style="list-style-type: none"> Regulatory Investment risk (higher than market value with insufficient yields) Interest rates Local municipalities DTI and DPVW policy changes 	<ul style="list-style-type: none"> Potential fines and censure for non-compliance Reputational impact Dilution in distributable income and possible capital erosion 	<ul style="list-style-type: none"> Ongoing engagement with JSE, sponsor, company secretary Compliance process in place including annual checklist Investment Committee in place to assess acquisitions for board approval Detailed due diligence of all acquisitions Interest rate fixes (76% of local borrowings) Swap maturities are staggered
Underperformance of Asset Manager	<ul style="list-style-type: none"> Inability to meet our strategic objectives Underperformance relative to the market Reduced distributable earnings Poor returns to unitholders Inability to compete effectively for capital 	<ul style="list-style-type: none"> Asset management mandate with KPIs Monitoring by board Option to terminate in the event of consistent underperformance
Liquidity and refinancing Not being able to meet financial commitments and/or inability to roll over debt at optimal funding rates and/or exposure to single source of funding	<ul style="list-style-type: none"> Insufficient cash resources to meet interest payments timeously Inability to pursue acquisitions for growth Inability to refinance borrowings on expiry 	<ul style="list-style-type: none"> Cash flow management Maintaining conservative loan-to-value ratios Ongoing monitoring of environment and engagement with bankers Monitoring debt profile (maturity evenly spread) Diversifying funding sources
People (the Asset Manager; property managers) <ul style="list-style-type: none"> Skills shortage Retention 	<ul style="list-style-type: none"> Loss of key people would impact performance and therefore the ability to support the Fund in meeting our strategic objectives 	<ul style="list-style-type: none"> Strong retention strategies in place at the Asset Manager and property managers including remuneration benchmarking, incentives, performance evaluations, and development plans

MATERIAL ISSUES AND KEY RISKS

(continued)

Key risk	Impact	Mitigation
Increased costs <ul style="list-style-type: none"> Admin and operating costs Municipal charges (increases risk of default as impacts tenants' ability to service rental) Electricity cost increases 	<ul style="list-style-type: none"> Reduction of margins Erosion of distributable income growth 	<ul style="list-style-type: none"> Negotiating medium-term supplier contracts Leveraging economies of scale due to our size and that of property managers Focus on cost efficiencies Consumption saving initiatives (and educating tenants thereon for further savings) Review of recoveries from tenants Investigating alternative power sources, where viable for continuity of supply
Reduced social grants	<ul style="list-style-type: none"> Reduction of margins Erosion of distributable income growth 	<ul style="list-style-type: none"> Ownership of diversified property portfolio Trading out of non-core assets Strategic revamps Acquisition of dominant properties
Changing occupancy trends eg IT – virtual offices; modernisation of processes such as manufacturing requiring less space	<ul style="list-style-type: none"> Reduction of margins Erosion of distributable income growth 	<ul style="list-style-type: none"> Ownership of diversified property portfolio Trading out of non-core assets Strategic revamps
Arrears and bad debts	<ul style="list-style-type: none"> Negative impact on cash flow Large write-offs Eviction of, eg anchor tenant impacting negatively on smaller surrounding tenants, increasing risk of default 	Vigilant credit control by property managers and oversight by the Asset Manager, including: <ul style="list-style-type: none"> Continued engagement with tenants including iro lease negotiation Rigorous tenant credit checks Deposits and sureties
Overexposure to single tenant	<ul style="list-style-type: none"> Inability to replace tenant when they vacate 	<ul style="list-style-type: none"> Ongoing monitoring of single tenant exposures Acquiring assets with multiple user profiles
Building obsolescence <ul style="list-style-type: none"> Physical deterioration of the structures as well as failing locations 	<ul style="list-style-type: none"> Reducing rental income compressing distributable income Capital erosion 	Three-year maintenance plan in place and regularly reviewed by property managers and Asset Manager <ul style="list-style-type: none"> Disposing of potentially obsolescent properties Strategic revamps
Under-insurance	<ul style="list-style-type: none"> Losses suffered carried by Dipula, impacting negatively on net profit 	<ul style="list-style-type: none"> Annual review by Asset Manager in consultation with property managers re: accurate replacement values

OUR STAKEHOLDERS

Communication with our stakeholders is integral to the way we do business. Our thorough understanding of the group's key ESG impacts is critical for identifying our material issues and devising the strategic drivers to address these. The outcome of our stakeholder engagement informs our key strategic discussions at group level. We engage in open and timeous communication with our stakeholders and treat them all equitably.

The Asset Manager is responsible for identifying stakeholders for approval by the board, and for devising an appropriate engagement programme for each group. The board monitors the performance of the Asset Manager in this regard.

IDENTIFIED STAKEHOLDERS

Stakeholders	What matters to them	How we communicate	Our response	Activities in FY14
Unitholders	<ul style="list-style-type: none"> Financial performance Unit price growth Sustainable earnings growth Risk and mitigation strategies Management stability and competence 	<ul style="list-style-type: none"> Website Results presentations 1:1 meetings Roadshows Media Integrated report 	<ul style="list-style-type: none"> Feedback from results presentations 1:1 meetings is relayed to and dealt with at board level 	<ul style="list-style-type: none"> Property visits August 2014 1:1 sessions with various unitholders and banks Biannual results presentations Press releases and news articles Radio and TV interviews
Property managers	<ul style="list-style-type: none"> Job security Good working environment Support from Asset Manager 	<ul style="list-style-type: none"> Flat reporting structure and open door policy Annual performance review by the Asset Manager 	<ul style="list-style-type: none"> Flat reporting structure and open door policy Annual performance review by the Asset Manager 	<ul style="list-style-type: none"> Monthly meetings Adhoc meetings Functions
Asset Managers	<ul style="list-style-type: none"> Sustainable company Fair mandate conditions 	<ul style="list-style-type: none"> Annual performance review by board relative to mandate terms 	<ul style="list-style-type: none"> Feedback communicated to board 	<ul style="list-style-type: none"> Quarterly board meetings with Asset Manager represented by Executive Directors
Funders	<ul style="list-style-type: none"> Loan covenant compliance Solvency Quality of assets Adequate security Tenant quality 	<ul style="list-style-type: none"> 1:1 meetings Property site visits Integrated report 	<ul style="list-style-type: none"> Feedback to board 	<ul style="list-style-type: none"> 1:1 meetings Publication of credit rating

OUR STAKEHOLDERS

(continued)

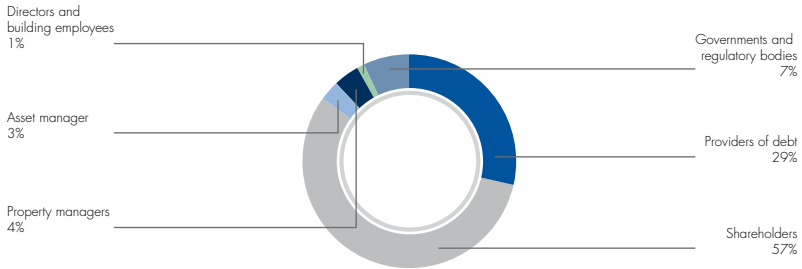
Stakeholders	What matters to them	How we communicate	Our response	Activities in FY14
Tenants	<ul style="list-style-type: none"> Rental levels and occupancy costs Compliance with building regulations Safety Service (Property Manager) 	<ul style="list-style-type: none"> Regular site visits Email and letters Management meetings 	<ul style="list-style-type: none"> Feedback from property managers discussed at the Asset Manager level and communicated to board 	<ul style="list-style-type: none"> Ongoing meetings between Asset Managers, property managers and tenants and formal written correspondence
Industry bodies	<ul style="list-style-type: none"> Market trends BEE Industry-specific development Collective bargaining 	<ul style="list-style-type: none"> Membership of SAPOA and SA REIT Ongoing relationships and representation Speaking and attendance at events 	<ul style="list-style-type: none"> Feedback to board Publications in media 	<ul style="list-style-type: none"> Executives spoke at various conferences Attendance at conferences CEO is a SAPOA board member
Municipalities	<ul style="list-style-type: none"> Payment of levies and compliance with by-laws Property values 	<ul style="list-style-type: none"> Direct written and verbal communication SAPOA 	<ul style="list-style-type: none"> Putting structures in place to communicate effectively with municipalities 	<ul style="list-style-type: none"> Written and verbal communication Objection to unfair valuations
National and Provincial Government	<ul style="list-style-type: none"> Payment of taxes Compliance with national laws and regulations 	<ul style="list-style-type: none"> Media Direct written and verbal communication Collective bargaining through SAPOA and SA REIT 	<ul style="list-style-type: none"> Relationship building and education 	<ul style="list-style-type: none"> Event and conference attendance Various written and verbal communication Submissions through SAPOA and SA REIT

VALUE ADDED STATEMENT

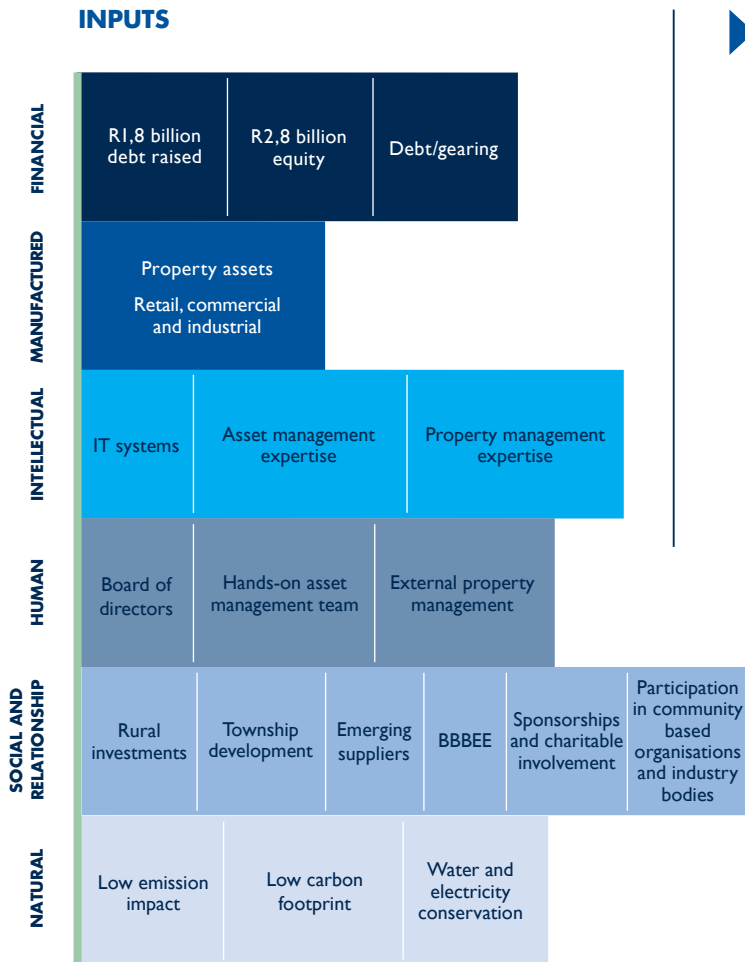
CASH VALUE CREATED

	R'000
Revenue	466 616
Interest received	3 977
Property and other expenses	(43 776)
	426 817
Providers of debt	121 888
Shareholders	244 761
Asset manager	12 965
Property manager	14 943
Directors and building employees	2 748
Governments and regulatory bodies	29 512
	426 817

CASH VALUE DISTRIBUTED



OUR INTEGRATED BUSINESS MODEL



BUSINESS ACTIVITIES

DIPULA IS A REIT THAT OFFERS INVESTORS THE **OPPORTUNITY TO INVEST** IN A DIVERSIFIED PROPERTY PORTFOLIO OF **RETAIL, INDUSTRIAL AND OFFICE** PROPERTIES IN SOUTH AFRICA.

VALUE CHAIN



PROPERTY OWNERSHIP



EXTERNAL ASSET MANAGER



OUTPUTS

Capital investment growth
Regular, growing income distributions

Growing property portfolio

Exposure to a diversified portfolio of properties that is actively managed in a strict governance framework

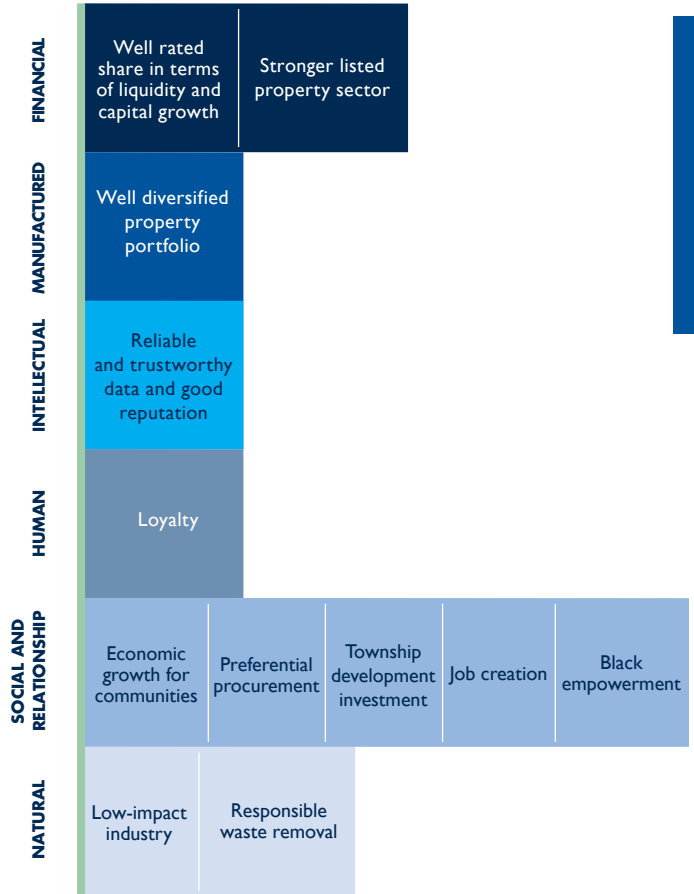
Service level agreements with asset and property managers

Real estate investment in under invested communities

SMME empowerment through procurement support and enterprise development

Energy and water efficient buildings

OUTCOMES



DIPULA AT A GLANCE

EXTERNAL PROPERTY MANAGEMENT

(tenant acquisition; retention and optimisation; property management; rental collections)

BI-ANNUAL DISTRIBUTIONS

PROPERTY PORTFOLIO – Retail

Building name	Location
Gezina Galleries	Corner Frederick and 12th Streets, Gezina
Nquthu Plaza	Erf 4008 Nquthu, Manzolwande Drive, Nquthu
Tower Mall	N12 and Jabulani Street, Jouberton
Bochum Plaza	Corner Dendron and Blouberg Roads
Ziyabuya Shopping Centre	Corner Uitenhage and Ralo Streets, Kwadwesi
Woodmead Super Value	Woodmead Drive, Woodmead
Belle Ombre Shopping Centre	Corner Boom and Potgieter Streets, Marabstad, Pretoria
Shoprite, Pretoria North	251 Ben Viljoen Street, Pretoria North
Blackheath Pavilion	Pendoring Road, Blackheath
Palm Court	Corner JG Strydom and Fern Roads, Weltevreden Park, Johannesburg
274 Beyers Naude Drive	274 Beyers Naude Drive, Northcliff, Blackheath, Johannesburg
Welkom High Park Building	Corner Stateway and Bok Streets, Sanlam Business Centre, Welkom
Kopanong Centre	Malatsi Street, Ivory Park, Thembisa
Orange Farm Phase 1	Link Road, Orange Farm CBD
Randfontein Station Mall	Brury Street, Randfontein
Fairways On Main	45 Main Road, Howick
Pick 'n Pay, Kroonstad	Corner President and Truter Streets, Kroonstad
Giyani	Magistrate Street, Giyani
Blackheath Galleries	Corner Beyers Naude Drive and Mountain View Avenue, Blackheath, Johannesburg
Score Vosloorus	Sam Sekoti Avenue, Vosloorus
Umgeni Business Park	1 Kosi Place, Springfield
Woodmead Square	Woodmead Drive, Woodmead
Alberton Crossing	Corner Voortrekker Road and Ring Road West, New Redruth
Perm, East London	42 – 46 Oxford Street, East London
Atlas Road	Atlas and Dunswart Roads, Anderbolt, Boksburg
Checkers, Nigel	Corner Main and Hendrik Verwoerd Streets
Planet Fitness, Montana	33 Tibouchina Street and Zambesi Drive, Montana Park, Pretoria
Virgin Active, Horison View	38 Van Santen Drive, Horizon View, Roodepoort
Standard Bank, Doornfontein	49 Beit Street and Siemart Road, Doornfontein, Johannesburg
Casseys Auto, Springs	140 – 2nd Street, Springs

Region	Acquisition date	GLA (m ²)	Vacancy (%)	Market value as at 31 August 2014 (R'000)	Average gross rentals R/m ²
Gauteng	2013/07/19	16 670	3,0	160 600	92,47
KwaZulu-Natal	2012/05/01	14 912	2,5	157 800	89,24
North West	2013/12/20	15 433	–	153 200	99,13
Limpopo	2012/05/01	12 081	–	130 000	88,28
Eastern Cape	2013/07/25	14 584	3,5	120 900	80,89
Gauteng	2013/07/31	7 169	–	101 000	171,61
Gauteng	2011/07/01	7 829	–	81 300	100,40
Gauteng	2013/07/15	6 510	6,0	77 400	112,67
Gauteng	2013/07/15	6 270	2,9	74 000	115,75
Gauteng	2011/07/01	6 284	13,4	61 700	118,06
Gauteng	2011/07/01	3 784	–	60 400	148,98
Free State	2008/04/25	7 510	0,2	53 000	77,31
Gauteng	2011/07/01	3 950	–	46 700	133,63
Gauteng	2012/12/20	5 591	–	44 600	68,52
Gauteng	2014/07/07	5 920	3,6	43 513	92,95
KwaZulu-Natal	2013/10/22	5 974	–	33 200	104,27
Free State	2007/06/07	4 499	3,7	33 000	50,80
Limpopo	2011/07/01	4 934	–	31 300	60,41
Gauteng	2011/07/01	3 667	13,8	30 700	100,68
Gauteng	2007/05/31	3 600	–	30 000	66,36
KwaZulu-Natal	2013/11/04	3 671	–	28 500	97,23
Gauteng	2013/07/31	2 945	–	28 000	138,54
Gauteng	2007/06/07	2 185	–	26 000	129,57
Eastern Cape	2008/04/25	3 436	29,6	25 000	117,99
Gauteng	2011/07/01	3 210	46,3	23 700	109,77
Gauteng	2008/04/25	3 443	–	22 900	77,19
Gauteng	2011/07/01	2 472	–	22 800	74,36
Gauteng	2011/07/01	2 500	–	22 400	77,28
Gauteng	2011/07/01	2 149	–	21 000	83,05
Gauteng	2008/04/25	6 884	–	20 400	29,23

PROPERTY PORTFOLIO – Retail

(continued)

Building name	Location
Shoprite, Westonarea	Corner Edwards Avenue and Allen Street, Westonaria District, Randfontein
Ellerines Centre Newcastle	54 Scott Street
29 Main Street Mafikeng	29 Main Street, Mafikeng
233 Bram Fisher Drive	233 Bram Fischer Drive, Randburg, Johannesburg
40 Scott Street	40/42 Scott Street, Newcastle
Bethal Sanlam	Corner Eeufees and Mark Streets
30 Voortrekker Road, Bellville	30 Voortrekker Road, Bellville
Absa Secunda	Tropsch Plane, Secunda
Absa Centre, Krugersdorp	Corner Burger and Monument Streets, Krugersdorp
BMW Bruma	146 South Boulevard, East Gate Office Park, Bruma, Johannesburg
Sales House	Corner Fraser and Bree Streets, Johannesburg
Score, Ivory Park	2nd October Avenue, Ivory Park, Ext 8
Blouberg Plaza	Corner Dendron and Blouberg Roads
Nedbank, East London	63 – 71 Oxford Street, East London
Standard Bank, Krugersdorp	39 Human Street, Krugersdorp
Mafikeng Centre	20 Shippard Street, Mafikeng
Score, Braamfisherville	Corner Freedom Drive and Amanda Boulevard
Supermart, Newcastle	27 Allen Street, Newcastle
Absa, Silverton	177 De Boulevard Street and corner Pretoria Road, Silverton, Pretoria
6 Old Pretoria Road	6 Old Pretoria Road, Richards Drive, Halfway House
Metro Giyani	Stand BA 43, 44 and 46 Giyani, Giyani Business Districts
Citizens Springs	4th Avenue, Springs
Norwood Centre	74 Grant Avenue, Norwood, Johannesburg
24A Bok Street	24A Bok Street
Palm Street Mall, Phalaborwa	24 Palm Street, Phalaborwa, Limpopo
Absa, Malvern	585 Jules Street, Malvern
Citizens, Vereeniging	28 Voortrekker Street, Gauteng
Geen and Richards	6 West Street, Kempton Park
Score, Evaton	Chief Bambatha Street, Evaton West, Ext 11
Standard Bank, Vanderbijlpark	10 Van Rign Street, Gauteng
Alvaro Centre	82 President Kruger Street, Vanderbijlpark

Region	Acquisition date	GLA (m ²)	Vacancy (%)	Market value as at 31 August 2014 (R'000)	Average gross rentals R/m ²
Gauteng	2007/06/07	2 576	–	20 300	66,61
KwaZulu-Natal	2008/04/25	2 125	6,6	19 600	94,49
North West	2008/04/25	2 600	–	18 800	80,43
Gauteng	2011/07/01	2 960	100,0	18 100	Vacant
KwaZulu-Natal	2008/04/25	2 312	53,6	17 600	75,37
Mpumalanga	2008/04/25	2 424	–	17 500	73,89
Western Cape	2007/06/11	2 335	–	16 900	72,17
Mpumalanga	2008/04/25	2 359	–	16 000	75,51
Gauteng	2008/04/25	3 397	29,1	16 000	66,40
Gauteng	2011/07/01	1 847	–	16 000	87,05
Gauteng	2007/06/07	2 071	–	15 400	73,95
Gauteng	2007/05/31	1 500	–	14 800	79,10
Limpopo	2012/05/01	971	–	14 100	126,15
Eastern Cape	2008/04/25	1 577	33,3	13 800	132,83
Gauteng	2008/04/25	3 128	0,6	13 300	46,45
North West	2008/04/25	1 764	–	12 900	80,62
Gauteng	2007/05/31	1 500	–	12 500	68,15
KwaZulu-Natal	2008/04/25	2 489	–	12 200	60,27
Gauteng	2008/04/25	2 023	26,8	12 000	86,41
Gauteng	2008/01/11	5 016	28,8	11 700	29,59
Limpopo	2008/03/05	1 982	–	11 200	45,65
Gauteng	2008/04/25	1 155	–	10 700	85,15
Gauteng	2011/07/01	1 102	8,7	10 700	113,62
Free State	2008/04/25	1 997	–	10 300	53,76
Limpopo	2008/04/25	2 546	16,8	10 200	49,71
Gauteng	2008/04/25	774	–	10 000	135,92
Gauteng	2008/04/25	1 332	–	9 900	81,86
Gauteng	2008/04/25	1 063	–	9 900	84,18
Gauteng	2007/05/31	1 500	–	9 800	70,65
Gauteng	2008/04/25	2 650	5,1	9 400	44,13
Gauteng	2008/04/25	3 858	–	9 200	25,21

PROPERTY PORTFOLIO – Retail

(continued)

Building name	Location
Voortrekker Street, Benoni	21 Voortrekker Street, Benoni
Absa, Derdepoort	62 Baviaanspoort Road, East Lynne, Pretoria
Nedbank Centre, Vereeniging	12 Merriman Avenue Vereeniging
41 and 43 Pretoria Road	41/43 Pretoria Road
Kruger, Corner Vanderbijlpark	13 President, Kruger Street, Vanderbijlpark
Standard Bank, Grahamstown	Church Square, Eastern Cape
Beacon Centre, Vereeniging	14 Beaconsfield Avenue, Vereeniging
Kotze Place, Hillbrow	62 Kotze Street, Hillbrow
OK Express Centre, Kempton Park	23 Pretoria Road, Kempton Park
Pep, Nigel	28 Hendrick Verwoerd Street, Nigel
Standard Bank, Brakpan	622 Voortrekker Road, Brakpan
Pretoria Street BARNETTS, Kempton Park	33 Pretoria Road, Kempton Park
31 and 33 Third Street	31 and 33 Third Street
Absa, Hercules	569 Van Der Hoff Street, Hercules, Pretoria
Tzaneen, Ellerines	Joubert and Agatha Streets, Tzaneen
Standard Bank, Mafikeng	Corner Main and Robinson Streets, Mafikeng
Fastfood Corner, Springs	Corner 9th Ave and 7 2nd Street, Selection Park, Springs
FNB, Florida	12 Goldman Road, Florida
Amethyst – Carletonville	4 Amethyst Street, Carletonville
A & M Wescen, Kempton Park	Corner West and Central Streets, Kempton Park
Beares Centre	9 Bears Street Kuruman
CMH, Kempton Park	6 – 8 Jubilee Street, Kempton Park
Buffalo Corner, East London	38 – 40 Buffalo Street, East London
Hobhouse Centre, Klerksdorp	19 Emily Hob House, Klerksdorp
Beaconsfield, Vereeniging	15 Beaconsfield Avenue, Vereeniging
Standard Bank, Sasolburg	Kirchoffer Boulevard, Sasolburg
1 President Street, Germiston	1 President Street, Germiston 1401
Perm Boksburg	310 Commissioner Street, Boksburg
Church Street, West Pretoria	472 Church Street, Pretoria
Standard Bank, Humansdorp	612 Main Street, Humansdorp
Barberton Ellerines	100 De Villiers Street, Barberton
Standard Bank, Meyerton	4A Loch Street, Meyerton
Aliwal North Edgars	20 Somerset Street, Erf 103 Aliwal North

Region	Acquisition date	GLA (m ²)	Vacancy (%)	Market value as at 31 August 2014 (R'000)	Average gross rentals R/m ²
Gauteng	2008/04/25	2 102	29,1	9 000	48,27
Gauteng	2008/04/30	870	–	8 700	95,21
Gauteng	2008/04/25	1 744	4,2	8 500	57,02
Gauteng	2008/04/30	1 532	–	8 400	58,75
Gauteng	2008/04/25	1 773	4,5	8 400	49,90
Eastern Cape	2008/04/25	865	–	8 250	96,72
Gauteng	2008/04/25	1 595	–	8 000	52,47
Gauteng	2008/04/25	740	–	8 000	112,62
Gauteng	2008/04/30	850	–	8 000	74,22
Gauteng	2008/04/25	1 027	–	7 700	71,60
Gauteng	2008/04/25	1 355	–	7 600	60,03
Gauteng	2008/04/30	846	–	7 600	84,55
Gauteng	2008/04/25	2 748	–	7 500	33,02
Gauteng	2008/04/30	1 375	22,3	7 470	71,75
Limpopo	2008/04/25	913	–	7 300	67,68
North West	2008/04/25	1 071	83,5	7 200	83,60
Gauteng	2008/04/25	452	44,0	6 700	183,68
Gauteng	2008/04/25	1 087	–	6 689	92,96
Gauteng	2008/05/12	800	–	6 200	93,54
Gauteng	2008/04/30	866	–	6 052	65,19
Northern Cape	2008/04/25	1 806	1,2	6 003	34,57
Gauteng	2008/04/25	1 493	–	5 774	37,67
Eastern Cape	2008/04/25	1 083	–	5 709	57,03
North West	2008/04/25	832	–	5 600	71,59
Gauteng	2008/04/25	880	–	5 531	39,35
Free State	2008/04/25	885	–	5 352	59,96
Gauteng	2008/04/25	2 558	44,0	5 259	27,09
Gauteng	2008/04/25	1 669	70,7	5 097	79,33
Gauteng	2008/04/30	866	–	4 789	59,90
Eastern Cape	2008/04/25	548	–	4 700	85,43
Mpumalanga	2008/04/25	883	–	4 606	52,04
Gauteng	2008/04/25	690	–	4 469	60,19
Eastern Cape	2008/04/25	787	–	4 355	53,55

PROPERTY PORTFOLIO – Retail

(continued)

Building name	Location
39 Oxford Street, East London	39 Oxford Street, East London
Town Talk, Tzaneen	Corner Danie Joubert and Agatha Streets, Tzaneen
Standard Bank, Boksburg	262 Commissioner Street, Boksburg
Main Reef 69, Randfontein	69 Main Reef Road, Randfontein
Town Talk, Modjadjiskloof	Main Road and Botha Streets, Modjadjiskloof
Trentyre, Alberton	56 – 7th Avenue, Alberton
Ellerines, Kuruman	8 Beare Street, Kuruman
Geen and Richards, Phalaborwa	22 Palm Street, Phalaborwa
Goodyear, Kempton Park	79 Pretoria Road, Kempton Park
Hartbeesfontein	92 Voortrekker Street
Miladys, Brakpan	572 Voortrekker Street, Brakpan
Trentyre, Benoni	49 Lake Avenue, Benoni

Total retail

* Total weighted average rental by rental income.

Total weighted average rental by GLA.

Region	Acquisition date	GLA (m ²)	Vacancy (%)	Market value as at 31 August 2014 (R'000)	Average gross rentals R/m ²
Eastern Cape	2008/04/25	490	–	4 346	91,52
Limpopo	2008/04/25	653	–	4 287	47,10
Gauteng	2008/04/25	1 396	47,0	3 800	66,28
Gauteng	2008/04/25	1 010	–	3 783	43,09
Limpopo	2008/04/25	1 072	–	3 500	34,62
Gauteng	2008/04/25	850	–	3 250	18,83
Northern Cape	2008/04/25	667	–	3 200	38,66
Limpopo	2008/04/25	810	–	2 968	33,03
Gauteng	2008/04/25	900	100,0	2 700	Vacant
North West	2008/04/25	301	–	2 400	73,09
Gauteng	2008/04/25	450	–	2 206	50,24
Gauteng	2008/04/25	595	–	2 115	39,12
		305 783		2 444 874	94,57*
					82,53#

PROPERTY PORTFOLIO – Office

Building name	Location
SAPS VIP	Corner Park and Troye Streets, Sunnyside, Pretoria
SAPS IJS	Corner Swartkop and Prieska Roads, Pretoria
Absa Home Loans	27 Beatrix Street, Arcadia, Pretoria
Boardwalk Place, Midrand	10 Boardwalk, Midrand, Halfway House
50 Hamilton Street	50 Hamilton Street, Arcadia
Nemisa Building	21 Girton Road, Parktown
Finance House	25 Ernest Oppenheimer Drive, Bruma, Johannesburg
Byron Place	Corner 320 Sophie De Bruyn and Nana Sita Streets, Pretoria
Absa, Horizon Park	161 Ondekkers Road, Horizon Park, Roodepoort
Sanburn Building, Benoni	68 Woburn Avenue, Benoni
Crownwood Corner	49 Crownwood Road, Ptn 10 Erf 25 Theta Ext 1 Township, Johannesburg
Bruma Boulevard	20 Zulberg Close, Bruma, Johannesburg
Old Mutual, Secunda	Harwood Street between Lourens Muller and Heunis Streets, Secunda
Markem Office, Kempton Park	21 Margaret Avenue, Kempton Park
Montrose Place	Waterfall Parkbekker Road, Vorna Valley Ext 21, Midrand
295 Kent Avenue	295 Kent Avenue, Randburg
Howick Mews	1342 Howick Close
360 Pretoria Avenue	360 Pretoria Avenue, Randburg, Johannesburg
College House	26 Peter Place, Lyme Park, Johannesburg
Sloane Park, Bryanstan	1 Libertas Road Corner Main Road and Sloane Street, Bryanston Ext 16 Sandton
Sandhaven Office Park	Corner Pongola Crescent and Katherine Street, Eastgate Ext 17, Sandton
New Road Office	30 New Road Midrand, Randjiespark, Johannesburg
Sars, Welkom	Graaf Street, Welkom
Johnson Wax	192 Smit Street, Fairlands, Johannesburg
Horison Office Park	Number 4/6 Kingfisher Street, Horizon Park, Roodepoort
Waterview Corner	2 Ernest Oppenheimer Drive, Bruma, Johannesburg
Fairlands Office Park	Corner 4th Ave and Smit Street, Fairland
Selbourne House, Bloemfontein	Corner First and Selbourne Streets, Bloemfontein
Witbank, Hoskins House	6 Neven Street, Witbank
Emsure Benoni	Corner Elston and Rothsay Streets, Benoni
Mellis Park 2	Portion 2, 334 Rivonia Road, Ext 20
Mellis Park	Portion 1, 334 Rivonia Road, Ext 20
26 and 28 Siddle Streets	26 and 28 Siddle Street, Klerksdorp
Enel	Somerset Office Park, 5 Libertas Road, Bryanston, Johannesburg
Total office	

* Total weighted average rental by rental income.

Total weighted average rental by GLA.

Region	Acquisition date	GLA (m ²)	Vacancy (%)	Market value as at 31 August 2014 (R'000)	Average gross rentals R/m ²
Gauteng	2012/12/20	21 478	–	262 000	116,84
Gauteng	2012/12/21	7 874	–	132 000	146,31
Gauteng	2012/12/19	5 048	–	92 000	151,80
Gauteng	2007/02/23	6 455	–	64 400	109,84
Gauteng	2013/11/28	4 500	–	55 500	113,14
Gauteng	2006/12/12	3 600	–	43 000	144,61
Gauteng	2011/07/01	8 451	45,0	40 800	84,93
Gauteng	2013/04/18	3 272	0,4	36 500	115,09
Gauteng	2011/07/01	2 427	–	35 200	203,84
Gauteng	2011/07/01	6 757	–	33 800	63,18
Gauteng	2007/11/01	7 273	–	33 000	0,00
Gauteng	2011/07/01	4 623	40,4	28 300	70,20
Mpumalanga	2008/02/08	3 704	38,7	24 800	101,07
Gauteng	2006/12/04	4 626	24,0	24 500	74,17
Gauteng	2007/06/19	3 942	11,1	24 500	81,31
Gauteng	2007/05/18	3 145	61,7	24 000	77,08
Gauteng	2007/04/24	3 639	62,8	22 900	87,93
Gauteng	2011/07/01	4 185	100,0	20 800	Vacant
Gauteng	2011/07/01	1 850	27,7	19 400	131,28
Gauteng	2007/05/31	1 304	–	18 500	170,80
Gauteng	2007/01/23	1 901	13,3	18 000	99,21
Gauteng	2007/06/07	1 798	–	15 800	94,23
Free State	2008/04/25	2 738	14,1	14 250	54,89
Gauteng	2011/07/01	1 716	–	13 700	79,48
Gauteng	2011/07/01	3 010	–	13 000	56,39
Gauteng	2011/07/01	2 460	100,0	11 300	Vacant
Gauteng	2013/10/22	1 894	27,2	8 282	69,39
Free State	2008/04/25	1 188	100,0	8 000	Vacant
Mpumalanga	2008/04/25	614	–	6 600	115,44
Gauteng	2011/07/01	1 383	–	5 000	40,49
Gauteng	2013/09/13	634	–	3 593	55,40
Gauteng	2007/01/31	634	100,0	3 201	Vacant
North West	2008/04/25	1 317	100,0	2 766	Vacant
Gauteng	2011/07/01	300	90,7	2 635	0,00
		129 740		1 162 027	117,10*
					99,27#

PROPERTY PORTFOLIO – Industrial

Building name	Location
Sterkolite Building	Corner Swartkop and Prieska Roads, Pretoria
Range Road Blackheath	5 Range Way, Blackheath, Kuils River
Vana Road	Corner Vana Drive and Pero Road, Jupiter Ext 3, Germiston
Sifon Park	238 Sifon Street, Robertville Ext 10
Bernie Street	Corner Bernie Street and Hillston Road
14 Mandy Road	14 Mandy Road, Reuven, Johannesburg
Jasco Building	12 Delphi Street, Eastgate Ext 18, Sandton
Arbeid Avenue	11 Arbeid Street, Strydom Park
Anderbolt Mccarthy	246 Francis Road, Dormehl, Anderbolt, Boksburg
9 Grenville Avenue, Epping	9 Grenville Avenue, Epping
381/382 Robertville	1037 – 1041 Anvil Road, Robertville, Roodepoort
Alert	26 Western Boulevard, City West, Johannesburg
139 Sixth Street	139 Sixth Street, Wynberg
African Glass Centurion	13 Park Avenue North, Rooihuiskraal Ext 31
Seatings	14 Bunsen Street, Industria, Johannesburg
No 1 Killarney Road	Number 1 Killarney Avenue, Western Cape
Wynberg 506	56, 6th Street, Wynberg
Wynpol 679	Corner Thora Crescent and 4th Street, Wynberg
Eastgate Minis	11 and 13 Delphi Street
Deco Distribution Services	16 Leon Bartel Street, Erf 26787, Bloemfontein Ext 126
Cavaleros Malvern	7 Geldenhuis Road, Malvern East, Germiston, 1401
Dauphin Seatings: Industria	12 Bunsen Street, Industria, Johannesburg
Humcor	9 Borax Street, Alrode Ext 7, Alberton
5th Avenue Corner Wynberg	326 5th Avenue Wynberg
African Magnet	5/7 Leeuwenhoek Road, Vereeniging
289 Granville Road	289 Granville Avenue, Robertville, Roodepoort

Total industrial

* Total weighted average rental by rental income

Total weighted average rental by GLA

Region	Acquisition date	GLA (m ²)	Vacancy (%)	Market value as at 31 August 2014 (R'000)	Average gross rentals R/m ²
Gauteng	2013/04/18	12 782	–	80 000	75,22
Western Cape	2007/06/07	10 979	–	47 500	35,32
Gauteng	2007/06/07	8 195	–	33 000	42,58
Gauteng	2007/06/07	9 298	15,5	29 000	40,30
Gauteng	2007/02/06	6 343	–	24 200	52,21
Gauteng	2011/07/01	7 115	–	22 700	27,40
Gauteng	2011/07/01	4 544	–	22 600	54,90
Gauteng	2007/06/07	5 478	–	21 100	39,48
Gauteng	2011/07/01	3 026	–	19 650	59,13
Western Cape	2007/06/11	7 022	0,6	18 500	28,99
Gauteng	2011/07/01	4 701	–	16 500	47,23
Gauteng	2011/07/01	4 351	–	16 400	45,93
Gauteng	2007/06/07	4 570	–	16 400	42,13
Gauteng	2008/04/30	2 218	–	14 500	66,26
Gauteng	2011/07/01	5 332	–	14 300	31,20
Western Cape	2008/04/11	3 073	–	13 100	35,99
Gauteng	2008/04/25	4 332	–	12 200	33,71
Gauteng	2008/04/25	3 532	12,5	10 790	29,68
Gauteng	2007/06/07	2 600	–	10 000	42,46
Free State	2007/02/14	2 867	–	10 000	31,56
Gauteng	2008/04/25	3 750	71,5	9 890	41,37
Gauteng	2011/07/01	3 476	–	9 700	23,67
Gauteng	2008/04/25	2 658	48,9	8 400	38,00
Gauteng	2008/04/25	2 100	–	7 000	33,07
Gauteng	2008/04/30	2 522	–	6 305	29,45
Gauteng	2011/07/01	1 070	–	3 500	39,61
		127 934		497 235	47,57*
					42,85#

PROPERTY PORTFOLIO – Land

Building name	Location
Lephalale Conference Centre	Portion 9 of Erf 2631, Ellisras, Ext 16

Land

PROPERTY PORTFOLIO – Held-for-sale

Building name	Location
Agency 1, Sunninghill	Corner Witkoppen and Leeukop Drives, Sunninghill, Johannesburg
Perm Plaza, Newcastle	58 Scott Street, Newcastle
Standard Bank, Newcastle	96 Scott Street, Newcastle, 2940
Nedbank, Germiston	Corner Jack and Victoria Streets, Germiston
Score, Tsakane	Corner Mbazima and Tsakane Streets, Tsakane Ext 5, Ekurhuleni
Standard Bank, Isando	Corner Kram and Monteer Roads, Isando
Nedbank, Isando	Corner Monteer Road and Brewery Street, Isando Ext 1
Town Talk, Mkuze	Main Street, Mkuze
Volksrust, Ackermans	61 Joubert Street, Volksrust
Mauriso Court	100 Knox Street, Germiston
Zeolite Park, Carletonville	3 Zeolite Street, Carletonville
Standard Bank Secunda	Etienne Rossouw Street, Secunda
96 Cambridge Road	96 Cambridge Road, Bethlehem
Virgin Active portion of land	38 Van Santen Drive, Horizon View, Roodepoort
Metro Malaita	B 66/08 Sekhukhuni Streets, Malaita Sekhukhuni

Total properties held-for-sale

Total property portfolio

The average property yield, on an annualised basis, is 8,8%

Region	Acquisition date	GLA (m ²)	Vacancy (%)	Market Value as at 31 August 2014 (R'000)	Average gross rentals R/m ²
Limpopo	2014/05/02	1	n/a	12 750	n/a
		1		12 750	

Region	Property Type	Acquisition date	GLA (m ²)	Vacancy (%)	Market value as at 31 August 2014 (R'000)	Average gross rentals R/m ²
Gauteng	Office	2011/07/01	2 596	–	26 000	103,62
KwaZulu-Natal	Retail	2008/04/25	2 501	26,4	11 400	104,59
KwaZulu-Natal	Retail	2008/04/25	1 713	65,0	6 200	120,31
Gauteng	Retail	2011/07/01	1 046	16,1	4 800	86,51
Gauteng	Retail	2007/05/31	1 050	100,0	4 500	Vacant
Gauteng	Retail	2008/04/25	1 824	100,0	3 500	Vacant
Gauteng	Office	2008/04/25	1 125	85,2	3 500	112,69
KwaZulu-Natal	Retail	2008/04/25	1 050	11,4	2 900	54,77
KwaZulu-Natal	Retail	2008/04/25	500	–	2 800	40,70
Gauteng	Retail	2008/04/25	1 529	31,5	1 900	8,00
Gauteng	Retail	2008/05/12	2 017	–	1 750	11,73
Mpumalanga	Retail	2008/04/30	863	100,0	1 600	Vacant
Free State	Office	2008/04/25	539	–	1 550	49,98
Gauteng	Retail	2011/07/01	n/a		1 400	n/a
Mpumalanga	Retail	2008/03/05	1 700	100,0	1 000	Vacant
			20 053		74 800	
			583 511		4 191 686	

Zanele Joyce Matlala

DIPULA DELIVERED
A LAUDABLE
PERFORMANCE
FOR THE YEAR
WITH OUR ASSET
ACQUISITION
STRATEGY STARTING
TO BEAR FRUIT.

Total number
of properties

181

Non-core properties
sold

17

INTRODUCTION

In our maiden year operating as a REIT, Dipula delivered a commendable performance ahead of initial forecasts, as the value of our property portfolio grew and rental income rose. Our asset acquisition strategy continued to gain momentum as our portfolio grew to 181 properties valued at R4,2 billion.

We also disposed of 17 non-core properties of which R29 million transferred during the year. Growth was further driven by robust leasing, incisive property management and astute debt management.

OUR TRADING ENVIRONMENT

While there is some degree of improvement in the macroeconomic environment, the globe remains a mixed bag of fortunes. The US economy is showing signs of recovery and parts of Western Europe seem to be back on track, but China's economy is slowing, Japan's recovery is faltering again and predicted growth in emerging markets has been revised downwards.

The South African economy is expected to grow at significantly less than 2% in the year ahead, considerably subdued by labour unrest as well as stagnation in emerging markets and slow growth in the economies of our Western trading partners. It appears that interest rates have entered an upward cycle, which combined with other inflationary pressures like rising food and utility costs, will make for a tough operating environment. Electricity supply constraints are likely to have a significant impact on the property sector as a whole.

Despite this, the listed property sector has held up well and in fact, is seen as a safety haven by investors seeking yield and capital appreciation.

GOVERNANCE AND SUSTAINABILITY

Dipula has continued to apply high governance standards aimed at ensuring group sustainability, the creation of long-term shareholder value and benefits for other stakeholders. During the year we strengthened our board by appointing Syd Halliday as an independent non-executive director. Syd has over 30 years' experience as a lending banker and in property finance and I am confident that his experience and expertise will be of great value to the group.

In addition a Remuneration Committee was established post year-end, comprising independent non-executive director Elias Links and myself and chaired by Syd. The committee is responsible for

ensuring that the group's remuneration strategy aligns executive benefits with stakeholder interests. This will be achieved through appropriate refinements to fixed, variable and long-term remuneration arrangements relative to the company performance and industry-remuneration practices.

During the year our newly-developed Tower Mall opened while Eyethu Orange Farm Mall (which we part-own) opened post year-end. Tower Mall is the largest ever private investment into the growing Jouberton community and amongst the largest in the City of Matlosana in recent years. Eyethu Orange Farm Mall is setting new benchmarks in socially responsible investment for commercial property owners. The Orange Farm Community Trust holds a 10% stake. Both further Dipula's focus on retail assets in underserved areas. These investments will make a meaningful contribution to the communities in which they are located in terms of job creation and skills, and will form a catalyst for further local investment.

2015 FOCUS

Unlocking further value from our portfolio will remain a priority in the coming year, with R33 million worth of revamps planned at a 12% yield. In addition, we will continue on the acquisition trail, targeting quality enhancing acquisitions to a value of R1 – R1,5 billion. We have earmarked R200 million of non-core assets for disposals and cost efficiencies will remain a key focus.

THANKS

I commend Izak and the Dipula team on their achievements during the year. This includes delivering distributions ahead of expectations and the value added to the portfolio. You have successfully cemented a solid platform for long-term growth.

I extend my appreciation to my fellow board members and welcome our new member, Syd, to the board. Our asset managers are also critical to our success and your hard work is greatly appreciated.

Thank you too to our shareholders, tenants and all business partners for your ongoing support.



Zanele Joyce Matlara
Chairperson



Izak Petersen

DURING THE YEAR
OUR PORTFOLIO
GREW BY 9% FROM
R3,75 BILLION TO
R4,2 BILLION.

Acquired properties
worth

R987m

Combined linked unit
distribution growth

7,2%

INTRODUCTION

We are pleased to report distributions of 87,504 cents per A unit and 73,333 cents per B unit, representing a combined year-on-year growth of 7,2%.

This growth is significantly above the CPI inflation and represents 5% year-on-year for A unit holders and just more than 10% for B unit holders. NAV growth year-on-year was 4%.

PORTFOLIO

Key to our performance was the quality of our tenants, with A and B graded tenants making up 87% of our income, quality assets acquired with high occupancies, positive rental renewals of 10%, keeping vacancies consistent at 9% and achieving a retention rate of 74%.

We increased leases expiring beyond 2015 by an impressive 240 000m² or R21,3 million per month. In addition to the solid leasing performance we remained disciplined and sustained our cost to income ratio at a competitive 20% despite higher than inflation cost increases.

During the year our portfolio grew by 9% from R3,75 billion in the prior year to R4,2 billion. Total GLA now stands at a noticeable 583 511m² compared to a portfolio of 175 buildings valued at R2,1 billion with a total GLA of 436 600m² at listing. This equates to an impressive growth of 100% in our portfolio in just three years.

We acquired good quality buildings while disposing of non-core properties. The average property value more than doubled from R12 million to R30 million, inclusive of acquisitions yet to transfer. The legacy portfolio is now only 31% of the total portfolio compared to 66% at listing. Since listing we acquired properties at an average price of R98 million, thereby increasing our average property value. Our aim is to reduce the number of properties in the medium to long-term for better management efficiencies.

ACQUISITIONS

Continuing our strategy to acquire portfolio enhancing assets, we acquired property worth

R987 million during the year of which R328 million transferred during the financial year.

Transferred

Randfontein Station Mall

Randfontein Station Mall transferred in May 2014 at a cost of R43 million. This commuter centre is anchored by Shoprite.

Umgeni Business Centre (UBC)

UBC transferred in December 2013. This is a well located value mart with excellent street frontage facing a major arterial.

Fairways on Main

This is the only non-CBD centre in Howick and it attracts a higher LSM clientele. The centre is anchored by Pick n Pay on a lease expiring in 2020.

Post year-end transfers

Govan Mbeki Place

This 7 998m² mixed-use retail and office building at 51 Govan Mbeki Avenue in Port Elizabeth is strategically located with strong tenants, including government (upper level), Absa and the Foschini Group with leases in excess of four years.

Turnkey developments transferred

Tower Mall

Tower Mall transferred in December 2013 and is anchored by Shoprite and Cashbuild. It has 60 tenants in occupation and is the dominant centre in the Western Townships of Klerksdorp.

Tsakane Corner

Tsakane Corner was completed in May 2014 and transferred post year-end in November 2014. The centre is anchored by Cashbuild and Shoprite and offers much needed convenience shopping to the people of Tsakane.

Turnkey developments yet to transfer

Eyethu Orange Farm Mall

Eyethu Orange Farm Mall was completed during October 2014 and is now ready for transfer. This is a high quality asset serving the underserved market between Johannesburg and Vereeniging. It has approximately 90% national tenants with two food anchors, Pick n Pay and Shoprite.

CEO'S REPORT

(continued)

In addition the centre offers most of the fashion brands in SA with the largest being the Edcon group.

The property is expected to transfer in January 2015.

Gillwell Tax Retail Centre

Gillwell Taxi Retail Centre is a well located commuter centre in the heart of the East London CBD. Anchored by Shoprite and Game and offering a wide variety of fashion brands. This centre seeks to consolidate shopping in the busy East London CBD where retail options are currently scattered. We expect the centre to be completed in September 2015.

Soweto and Hammanskraal

See page 50.

STRATEGIC REVAMPS Range Road

The revamp and upgrade to the previously vacant Range Road has been completed and a 10-year lease with a strong tenant signed. This was completed at a cost of R21 million, and an initial yield of 9,4%.

Atlas Road

We successfully upgraded and revamped part of this property as phase 1 of a larger refurbishment project. A 5-year 1 400m² lease was concluded with SARS and the tenant has occupied the building. Phase 2 will include a Chicken Licken drive through and an upgrade to the offices.

Phase 1 was done at an initial yield of 17% and phase 2 is expected to have a yield of 11,7%.

Planned revamps, relative capex and expected yields are set out below:

Property	Capex R million	Expected yield %
Gezina Galleries	3,6	12,2
Vosloorus Shopping Centre	13	12,1
Atlas Road phase 2	8,2	11,7
Selbourne House	8,5	10,8
Nemisa		9 – 11
6 Old Pretoria Road		9 – 11

DISPOSALS

We disposed of 17 non-core properties for R103 million during the year under review. The majority of these had transferred by year-end and subsequent to year-end an additional 20 properties worth R200 million were identified for sale in the coming year.

LEASING

This financial year was a very active year in terms of leasing. Vacancies stayed consistent at about 9%. New leases totalling 58 515m² and valued at R174,1 million were concluded with renewals totalling 49 125m² valued at R133,5 million. Our retention rate was a satisfactory 74% while we had an upward movement in expiry rentals at 10% at a portfolio level.

The retail and industrial sector held up well with vacancies currently at 7% and 5%, respectively, while offices remain a challenge at 18%. Our broker and tenant incentives are bearing fruit considering the post year-end leasing of more than 8 000m² of office space.

CREDIT RATING AND DCM

We have achieved a BBB rating from GCR. While we are happy with our first-ever rating, we intend improving our rating as the market familiarises itself with our credit. Importantly, our new credit rating paves the way to raise capital in the debt capital markets. Subject to market conditions. We will make our first issue in 2015, with the possibility of enhancing our rating through a secured issuance.

SUSTAINABILITY

Investing in a responsible and sustainable manner is key for the survival of all companies with a long-term view. South Africa is faced with unique socio-economic and political challenges that cannot be ignored by any investor. We therefore need to seek innovative ways of helping contribute to a better South Africa. One is often confronted with the reality of the hardship faced by some of the communities we invest in.

In many instances our assets tend to be either a first or single largest investment in these communities and not only provide an essential shopping service and experience to the community but also restore the dignity and pride of these communities that have seen gross under investment in their areas for more than a century.

Bringing centres to the people means that they too have access to a world class shopping experience without having to take long journeys at exorbitant costs thereby literally putting more money in their pockets to buy key essentials. It goes without saying that this is positive for the centre, especially in light of employment created for locals and the resultant valuable spend that circulates within these communities, keeping the benefit in the area.

These investments turn out to be economic catalysts, boosting local GDP in the communities by creating employment during construction and throughout the life of the asset. They also provide business and franchise opportunities for locals, and our malls undertake social responsibility initiatives to benefit their specific communities.

These malls establish new hubs from a zero base, and become integrated into the heart of their communities.

Investors in Dipula can pride themselves with the thought that they have invested in an impactful manner while being rewarded fairly and contributing to a sustainable 'SA Inc'.

With more community investment and involvement than the norm in South Africa, Dipula's flagship investment, Eyethu Orange Farm Mall (see side bar), opened on 28 October 2014. Dipula holds a 30% investment in this quality retail asset, which has set new benchmarks in socially responsible investment for commercial property owners.

The top-quality 27 000m², R400 million regional **Eyethu Orange Farm Mall** is located midway between Johannesburg and Vereeniging, and has helped create a flourishing central business district for its community. It is linked to the Stretford Railway Station and features an integrated regional taxi rank.

Dipula will co-own Eyethu Orange Farm Mall with the Orange Farm Community Trust which holds a 10% stake. Its other co-owners, each with a 30% stake, include the mall's developers Stretford Land Developments and Flanagan & Gerard Investments.

We are thrilled to be invested in this quality asset, which epitomises both innovation and inspiration and meets our strategy of investing in retail assets in underserved areas. Dipula's investment is playing a key role in bringing much needed access to top-quality retail for this community. It is meaningful responsible investment that will boost the local economy and benefit our shareholders.

Besides the Community Trust ownership, Eyethu Orange Farm Mall brings many other benefits, including great shopping from a wide variety of leading retailers, to its community. The asset provides approximately 1 500 permanent jobs, while 2 000 jobs were created during the construction phase. As part of CSI in the community, the centre is sponsoring space to Afrika Tikkun preschool and community radio station, Thetha FM. Both parties are expected to make a massive impact on Orange Farm. Afrika Tikkun will contribute towards much needed early childhood development and Thetha FM will continue to broadcast and create debate about a better Orange Farm. Thetha FM will also provide advertising for the mall and to tenants thereby making them more sustainable and contributing towards enterprise development.

CEO'S REPORT

(continued)

POST YEAR-END ACQUISITIONS

Soweto and Hammanskraal Retail

The acquisition of two Hammanskraal and four Soweto retail properties for R425 million is a strategic transaction for Dipula.

The retail properties include Soweto shopping centres, Meadowpoint Shopping Centre, Proteapoint Shopping Centre, Dobsonpoint Shopping Centre and Pimville Square. Kudube Hammanskraal Centre and Kudube Kopanong Centre are both situated in Hammanskraal in the North West Province.

This deal furthers our growth strategy of acquiring well-located retail properties in targeted underserved markets and has unlocked unique access to the dense Soweto and Hammanskraal markets. All the properties are underpinned by long leases from quality anchor tenants. Going forward we intend unlocking further value through the utilisation of additional bulk and strategic re-tenanting.

GOALS FOR 2015

We will bed down all our acquisitions while prudently buying R1 billion to R1,5 billion worth of properties. Post implementation we will have a total GLA of 832 000m². We have also identified

properties worth R200 million for sale. In the year ahead the legacy portfolio will only account for 20% of the portfolio. We will focus on tenant retention, improving property management and streamlining MDA. We will also explore the debt capital markets for further funding. For 2015, we anticipate 7.5% – 8% growth in distributions, 5% DIA and more than 12% for DIB's.

WORD OF APPRECIATION

My appreciation to our executive team, all asset management staff and our property managers for their hard work and dedication in helping to grow and enhance our portfolio. I also extend my thanks to our board for their wise counsel during the year. A thank you also to our investors, bankers, business partners and service providers for their continued loyal support.



Izak Petersen
CEO







Brigitte de Bruyn

DIPULA ACHIEVED
16% GROWTH
IN DISTRIBUTABLE
INCOME OVER THE
PRIOR COMPARABLE
PERIOD.

Rental income
increased by

36%

Municipal cost
recoveries of

91%

OVERVIEW

The year ended 31 August 2014 marks Dipula's third year as a listed entity and its first full year as a REIT. Dipula was granted REIT status with effect from 1 September 2013.

STATEMENT OF DISTRIBUTABLE INCOME

	GROUP		Variance %
	2014 Audited R'000	2013 Restated R'000	
Rental income	461 036	338 301	36
Property expenses	(92 017)	(70 136)	(31)
Net property income	369 019	268 165	38
Other income	5 580	13 276	100
Administration and corporate costs	(18 327)	(14 244)	(29)
Asset management fees	(12 965)	(8 763)	(48)
Corporate costs	(5 362)	(5 481)	2
Net operating profit	356 272	267 197	33
Net interest paid	(117 911)	(75 389)	(56)
Profit after interest	238 361	191 808	24
Lease cancellation income distributed	9 492	9 511	0
Amortisation of debt raising fees	888	330	100
Antecedent interest	380	13 567	(97)
Distributable income	249 121	215 216	16
A-linked units	134 705	119 590	13
B-linked units	114 416	95 626	20
Property expenses as a % of revenue	20,0	20,7	

DISTRIBUTABLE INCOME

Distributable income increased by 16% on the prior year.

During the 12 months ended 31 August 2014 Dipula achieved total distribution growth per unit of 7,2% over the prior comparable period. This was higher than management's previous guidance of between 6,0% and 7,0%.

The total distribution attributable to the A-linked units of 87,504 cents (2013: 83,338 cents) per unit includes 43,752 cents (2013: 41,669 cents) for the final distribution, which equates to the 5% preferred increase on the prior year.

The total distribution attributable to the B-linked units of 73,333 cents (2013 : 66,639 cents) per unit includes 40,995 cents (2013: 36,835 cents) for the final distribution, which equates to an 11,3% increase on the prior year.

FINANCIAL DIRECTOR'S REPORT

(continued)

RENTAL INCOME

Rental income includes gross rental revenue and recoveries of rates and operating costs, excluding VAT.

	GROUP		Variance %
	2014 R'000	2013 R'000	
Gross rentals	428 772	307 438	(39)
Turnover rental	2 458	2 391	(3)
Rental cancellation	6	2 876	(100)
Rates recoveries	22 301	18 483	(21)
Operating cost recoveries	7 499	7 113	(5)
	461 036	338 301	(36)

During the period under review, R328 million worth of properties were acquired and transferred. These properties were acquired at an average yield of 9,9% which contributed positively to the increases in revenue and net operating profit.

In 2012, Dipula received a R22,5 million lease cancellation settlement from Metcash in respect of the cancellation of their lease.

The lease cancellation amount related to 26 months of rental of which R3,5 million was distributed in 2012 and R9,5 million in 2013.

In the current year, the remaining R9,5 million was distributed as it relates to rentals that would have been earned in 2014, had the lease not been cancelled. The building is currently vacant but management is exploring all avenues to find a viable solution for this building.

NET PROPERTY EXPENSES

	2014 R'000	% of total	2013 R'000	% of total
Recoveries				
Municipal recoveries	(92 346)		(72 443)	
Other recoveries	(14 699)		(3 452)	
Total recoveries	(107 045)		(75 895)	
Expenses				
Municipal expenses	130 469	66	99 837	68
Property management	15 003	8	10 875	7
Security	11 408	6	8 883	6
Repairs and maintenance	9 721	5	6 172	4
Levies	5 397	3	1 636	1
Provision for doubtful debts	5 005	3	4 204	3
Bad debt recovery	(731)	0	(847)	(1)
Cleaning	4 973	2	2 559	2
Tenant installations	3 734	2	3 126	2
Letting commissions	3 358	2	2 642	2
Insurance	3 489	2	2 571	2
Insurance claims	(1 299)	(1)	(523)	0
Air-conditioning and lift contracts	1 904	1	1 101	1
Legal	1 891	1	1 560	1
Garden maintenance	1 638	1	1 026	1
Meter reading	1 283	1	600	0
Salaries	912	0	609	0
Other	907	0	-	0
Total expenses	199 062		146 031	
Net property expenses	92 017		70 136	

Municipal recoveries and municipal expenses have increased with the enlarged portfolio.

The recovery of municipal expenses has decreased slightly to 87,9% (2013: 91,1%). This is calculated taking into account rates recoveries. The majority of water, sewer and waste expenses were recovered. All other property related expenditure has increased in line with the enlarged property portfolio.

FINANCIAL DIRECTOR'S REPORT

(continued)

OTHER INCOME

	GROUP	
	2014 R'000	2013 R'000
Net rental guarantee received	–	9000
Reversal of capital provisions	1 208	
Development fee income	4 000	3500
Suretyship fee	–	600
Other	372	176
	5 580	13 276

ASSET MANAGEMENT FEES

Asset management fees were paid to Dipula Asset Management Trust, the BEE-owned asset manager of the Fund. Fees are charged at 0,3% of enterprise value. The increase in fees is attributable to an increase in the unit prices of both the A-linked and B-linked units as well as an increase in debt as a result of acquisitions amounting to R328 million.

NET INTEREST PAID

The weighted average cost of debt increased from 7,96% in 2013 to 8,51% in 2014. This was mainly due to the 75bps increase in the repo rate in the current financial year as only 50% of borrowings were fixed at 31 August 2013.

EXTRACTS FROM THE STATEMENTS OF FINANCIAL POSITION

	GROUP	
	2014 Audited R'000	2013 Audited R'000
ASSETS		
Non-current assets	4 165 368	3 779 817
Investment property at fair value	4 116 886	3 722 994
Goodwill	48 482	48 482
Other non-current receivables	–	8 341
Current assets	131 349	88 071
Trade and other receivables	70 575	33 983
Loan to related party	–	–
Cash and cash equivalents	60 774	54 088
Non-current assets held-for-sale		
Investment property held-for-sale	74 800	30 250
Total assets	4 371 517	3 898 138
EQUITY AND LIABILITIES		
Equity	841 956	753 902
Stated capital	427 852	427 852
Reserves	414 104	326 050
Non-current liabilities	2 803 268	2 974 791
Debentures	1 684 659	1 499 420
Interest-bearing liabilities	1 118 609	1 475 371
Current liabilities	726 293	169 445
Interest-bearing liabilities	506 667	–
Trade and other payables	88 313	56 793
Linked unitholders for distribution	131 313	112 652
Total equity and liabilities	4 371 517	3 898 138
Number of A-linked units in issue	153 941 061*	143 499 683*
Number of B-linked units in issue	156 021 763*	143 499 683*
Net asset value per A-linked unit (cents)	815,13	785,13
Net asset value per B-linked unit (cents)	815,13	785,13

* Excluding treasury linked units.

FINANCIAL DIRECTOR'S REPORT

(continued)

INVESTMENT PROPERTY

	R'000
Opening balance 2013	3 722 994
Closing balance 2014	4 116 886
Movement for the year	393 892
The movement for the year can be detailed as follows:	
Acquisitions/additions	370 559
Transferred to non-current assets held-or-sale	(73 400)
Change in fair value	69 821
Net movements in tenant installations and lease commissions	2 279
Straight-line rental income accrual	24 633
Movement for the year	393 892

The group's property portfolio was valued in terms of its valuation policy on 31 August 2014. Properties with values greater than R8,0 million were independently valued.

One third of properties with values below R8,0 million (based on the prior year's valuation) were valued independently and the remaining two thirds were valued internally by the directors.

The net increase in the value of the property portfolio was R94,5 million.

GOODWILL

	R'000
Opening balance 2013	48 482
Closing balance 2014	48 482
Movement for the year	–

Goodwill relates to the acquisition of Mergence and Asakhe in August 2011. There was no goodwill impairment for the year.

TRADE AND OTHER RECEIVABLES

	R'000
Opening balance 2013	33 983
Closing balance 2014	70 575
Movement for the year	36 592

The provision for impairment is R6,9 million (2013: R5,9 million) and represents 21% (2013: 25%) of the arrears at year-end.

In the opinion of management, the current provision is conservative and reflective of deteriorating trading conditions currently being experienced country and worldwide. Refer to note 7 to the annual financial statements for an analysis of amounts included in other receivables.

CASH AND CASH EQUIVALENTS

	R'000
Opening balance 2013	54 088
Closing balance 2014	60 774
Movement for the year	6 686

The movement of cash flow can be detailed as follows:

Generated by operations	354 229
Net interest paid	(108 862)
Linked unit distributions paid	(230 080)
Investments	(346 837)
Funding raised	338 236
Movement for the year	6 686

NON-CURRENT ASSETS HELD-FOR-SALE

	R'000
Opening balance 2013	30 250
Closing balance 2014	74 800
Movement for the year	44 550

The movement for the year can be detailed as follows:

Property sold and transferred	(28 850)
Properties transferred from investment property	73 400
	44 550

FINANCIAL DIRECTOR'S REPORT

(continued)

Non-current assets transferred during the year:

Property name	Sector	GLA m ²	Sale price R'000
Alcom House	Office	1 350	16 500
Hazelwood Place, Pretoria	Office	895	7 500
Perm Plaza, Kempton Park	Office	3 528	4 850
		5 773	28 850

Non-current assets held-for-sale at the end of 31 August 2014

Property name	Sector	GLA m ²	Fair value R'000
Agency 1 Erf 1087, Sunninghill	Office	2 596	26 000
Mauriso Court	Retail	1 498	1 900
Nedbank, Isando	Office	1 125	3 500
Perm Plaza, (Newcastle)	Retail	2 501	11 400
Standard Bank, Isando	Retail	1 824	3 500
Standard Bank, Newcastle	Retail	1 713	6 200
Zeolite Park (Ex Qtyre)	Retail	2 017	1 750
96 Cambridge Road	Office	539	1 550
Metro, Malaita	Retail	1 700	1 000
Score, Tsakane	Retail	1 050	4 500
Standard Bank, Secunda	Retail	863	1 600
Town Talk, Mkuze	Retail	1 050	2 900
Ackermans, Volksrust	Retail	500	2 800
Nedbank, Germiston	Retail	1 046	4 800
Virgin Active portion of land included with Virgin Active	Retail	–	1 400
		20 022	74 800

CAPITAL STRUCTURE

	R'000
Stated capital	427 852
Debenture capital	1 684 659
Total capital structure	2 112 511

Dipula's equity capital is issued in the form of a linked share and debenture. Debentures are indivisibly linked to ordinary shares so that unitholders are one and the same persons, holding their shares and debentures in the form of linked or combined units that cannot be traded on the JSE other than as linked units. Dipula has A-linked and B-linked units in issue which carry different risk profiles.

The debentures are subordinated to all other claims and liabilities as far as payment of interest or capital is concerned.

Interest payable on the debentures is calculated at a variable rate, relative to profits earned, after payment of all expenses, including interest payable on external borrowings.

Dipula's management therefore regards the debentures as an integral part of the company's capital structure, even though under IAS 32 debentures are classified as part of non-current liabilities.

The increase resulted from the issue of R200 million of linked units during the year.

In line with Dipula's conversion to a REIT, the current capital structure will be revised with the debentures being derecognised and forming part of the equity of the Fund.

NON-CURRENT INTEREST-BEARING LIABILITIES

	R'000
Non-current opening balance 2013	1 475 371
Non-current closing balance 2014	1 118 609
Movement for the year	(356 762)
The movement for the year can be detailed as follows:	
New facilities raised	170 500
Expiring long-term facility transferred to current liabilities	(506 667)
Facilities repaid on properties sold	(20 595)
Movement for the year	(356 762)

Although the non-current interest-bearing borrowings have decreased since August 2013, overall interest-bearing borrowings have increased. A facility of R506,7 million that was due to expire on 31 August 2015, was successfully re-negotiated post year-end for a further three years and the margin reduced from 2,2% to 1,65% at a fixed rate of 8,75%. This amount was reclassified to current interest-bearing liabilities for the purposes of year-end reporting.

The facilities from Standard Bank and Nedbank have increased in line with the increase in investment properties as most of the acquisitions in the current year were funded with debt.

FINANCIAL DIRECTOR'S REPORT

(continued)

At 31 August 2014, the facilities were as follows:

Provider and type of loan	Facility R'million	Utilised amount R'million	Expiry	Fixed rate	Margin over Jibar for floating facility	Rate below prime for floating facility
Standard Bank – Fixed	506,7	506,7	2015	8,63%		
Standard Bank – Fixed	100,0	100,0	2016	9,26%		
Standard Bank – Floating	112,1	112,1	2016		2,20%	
Standard Bank – Floating	81,1	81,1	2016			0,95%
Standard Bank – Floating	23,5	23,5	2018		1,76%	
Standard Bank – Fixed	46,4	46,4	2018	9,16%		
Standard Bank – Floating	11,6	11,6	2018		2,00%	
Standard Bank – Fixed	89,5	89,5	2016	8,34%		
Standard Bank – Floating	22,3	22,3	2016		1,70%	
Standard Bank – Fixed	89,5	89,5	2018	9,06%		
Standard Bank – Floating	22,3	22,3	2018		1,90%	
Nedbank – Fixed	125,0	125,0	2017	8,95%		
Nedbank – Fixed	108,6	108,6	2018	9,31%		
Nedbank – Floating	108,6	108,6	2018			1,45%
Nedbank – Floating	182,8	24,0	2018			1,45%
Nedbank – Floating	91,9	91,9	2019			1,55%
Nedbank – Floating	22,9	22,9	2018			1,45%
Nedbank – Floating	31,7	31,7	2018			1,45%
Other non-bank	11,1	11,1	2027	6,50%		
	1 679,0	1 628,8				

The average all-in rate for borrowings at 31 August 2014 was 8,51%. As at 31 August 2014, 66,1% of the debt was fixed.

Subsequent to year-end various facilities were converted from floating interest rates to fixed interest rates which resulted in an aggregate 76% of the debt post year-end being fixed. The average length of fixes being 3,3 years with a current blended rate of 8,67%.

DEFERRED TAXATION LIABILITY

	R'000
Opening balance 2013	-
Closing balance 2014	-
Movement for the year	-

The Fund's application to the JSE Limited for REIT status was approved on 24 June 2013. The conversion to an REIT is effective from 1 September 2013. As such, the group will not be liable for capital gains tax in terms of section 25BB of the Income Tax Act.

Deferred tax on investment properties and the related straight-line rental adjustment has been reduced to nil as capital gains tax will no longer apply.

CURRENT INTEREST-BEARING LIABILITIES

	R'000
Opening balance 2013	-
Closing balance 2014	506 667
Movement for the year	506 667

See comments under non-current interest-bearing liabilities.

TRADE AND OTHER PAYABLES

	R'000
Opening balance 2013	56 793
Closing balance 2014	88 313
Movement for the year	31 520

Refer to note 14 to the annual financial statements for an analysis of amounts included in trade and other payables

TRANSPARENCY AND ACCOUNTABILITY

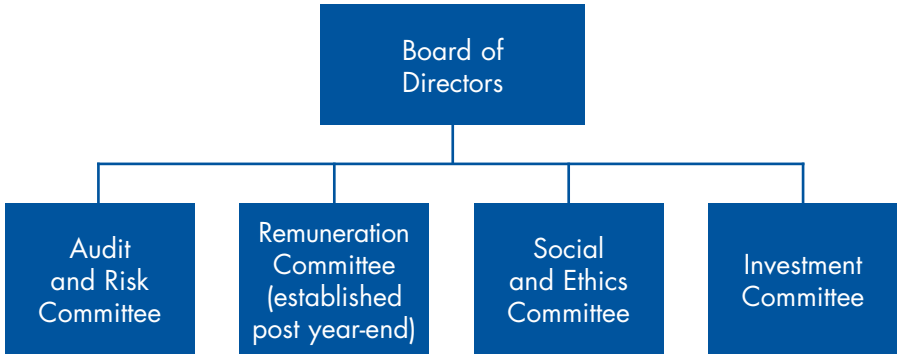
ETHICAL LEADERSHIP

Dipula is committed to upholding the highest standards of ethics, transparency and good governance while pursuing wealth and value creation. To this end the board is committed to ongoing review of its governance principles and practices in terms of relevant local and international best practice. The Social and Ethics Committee, which is accountable to the board, is mandated to assist the board in this endeavour.

Dipula is guided by our vision and values (as encapsulated in our Code of Ethics/Conduct) and principles outlined in our board and committee charters, all within the regulatory framework of the JSE Listings Requirements and King III. The company is fully committed, where practical and relevant for an organisation of our size and nature, to compliance with the Code of Corporate Practices and Conduct set out in the King III Report. See the full King III checklist available on Dipula's website and Chapter 2 on pages 69 to 72.

GOVERNANCE

GOVERNANCE STRUCTURE



THE BOARD

A brief *curriculum vitae* for each director is set out on pages 17 to 18 of the integrated report.

THE BOARD		
Composition and attendance	<i>Executive directors</i>	No. of meetings
	I Petersen (CEO)	4 (4)
	B de Bruyn (FD)	4 (4)
	NS Gumede	4 (4)
	<i>Independent non-executive directors</i>	
	Z] Matlala (Chairperson)	4 (4)
	BH Azizollahoff	4 (4)
	SA Halliday (<i>appointed 27 May 2014</i>)	1 (4)
	E Links	3 (4)
	Y Waja	4 (4)
	Rotation of directors	
	The group's Memorandum of Incorporation provides for one-third of the directors to retire by rotation after a three-year term of office. Accordingly, BH Azizollahoff and NS Gumede will retire at the upcoming annual general meeting and, being eligible, will stand for re-election. Newly appointed director SA Halliday also requires his appointment to be confirmed at the annual general meeting.	
	Succession planning	
	In terms of succession, management has followed a strategy of ensuring that there are, where practical, strong support structures in place for key members of the management team, including executive directors being able to deputise for each other (for a limited period) in event of this being necessary.	

GOVERNANCE

(continued)

THE BOARD	
Role and responsibilities	<ul style="list-style-type: none"> • The performance and affairs of the group, ensuring that the group's strategic direction is in line with the value drivers of its business and interests of its unitholders. • Custodian of governance and implementation of King III recommendations • Sound judgement and leadership with integrity based on the King III RAFT principles (see Ethical leadership on page 64). • Accountable to unitholders for setting ESG direction and values to which the company adheres. • Determines investment and performance criteria. • Timely, relevant and meaningful reporting to stakeholders to provide a clear and objective view of the company and its activities. • Continually monitors the solvency and liquidity of the group as well as non-financial aspects. • Safeguards sustainability, compliance and controls. • Formal and transparent nomination and appointment of new directors. <p><i>The role and responsibilities are documented in the board charter available at www.dipula.com.</i></p>
Delegation	<p>The responsibilities of the Chairperson and CEO, and those of other independent non-executive and executive directors, are clearly separated. The Chairperson provides leadership to the board in all deliberations ensuring independent input, and oversees its efficient operation. The CEO is responsible for proposing, updating, implementing and maintaining the strategic direction of Dipula as well as ensuring appropriately supervised and controlled daily operations. In this regard, the CEO is assisted by the Financial Director and the Asset Manager.</p> <p>The independent non-executive directors are high merit individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board's decision-making process. These directors are not involved in the daily operations of the company.</p> <p>The board has delegated certain functions to the Audit and Risk Committee, the Social and Ethics Committee, the Remuneration Committee and the Investment Committee.</p>
Reviews and evaluation	<p>The performance and effectiveness of the Chairperson is evaluated annually by the board, and the CEO is evaluated by the Chairperson or a subcommittee appointed by the board. The board as a whole is self-evaluated and individual directors' performances are also reviewed periodically.</p>

THE BOARD

Board committees	Audit and Risk Committee <i>(for the full report see page 79)</i>		Investment Committee		Social and Ethics Committee <i>(for the full report see page 74)</i>		Remuneration Committee <i>(established post year-end)</i>
Composition and attendance	<i>Independent non-executive directors:</i> Y Waja (Chair) BH Azizollahoff E Links <i>Invitees:</i> I Peterson (CEO) B de Bruyn (FD) NS Gumede J Junkoon	<i>No. of meetings</i> 5 (5) 5 (5) 4 (5) 5 (5) 5 (5) 5 (5) 5 (5)	<i>Executive directors:</i> I Petersen NS Gumede <i>Independent non-executive directors:</i> BH Azizollahoff (Chair) <i>Invitees:</i> B de Bruyn SA Halliday G Abrahams	<i>No. of meetings</i> 4 (4) 4 (4) 4 (4) 2 (4) 2 (4) 4 (4)	<i>Executive directors:</i> NS Gumede <i>Independent non-executive directors:</i> E Links (Chair) BH Azizollahoff Y Waja <i>Invitees:</i> I Petersen B de Bruyn	<i>No. of meetings</i> 2 (2) 2 (2) 2 (2) 2 (2) 2 (2) 2 (2)	<i>Independent non-executive directors:</i> SA Halliday (Chair) E Links Z] Matlala
Role and responsibilities	<ul style="list-style-type: none"> • Reviews interim and annual financial statements • Oversees compilation of integrated annual report • Internal control framework and procedures • Confirms and reviews internal, financial and operational controls • Reviews risk management, reporting and compliance • Monitors outsourced internal audit and IT governance functions • Approves appointment of auditors for non-audit services 		<ul style="list-style-type: none"> • Assesses and recommends to board acquisitions, large revamps and disposals within its delegated limits 		<ul style="list-style-type: none"> • Initiates goals and reporting on safety, health and environment as well as responsible corporate citizenship, social responsibility, ethics, values and transformation. 		<ul style="list-style-type: none"> • Reviews group remuneration strategy.
Delegation	There is transparency and full disclosure from board committees to the board. Committee chairmen provide the board with a verbal report on recent committee activities and the minutes of committee meetings are tabled at board meetings (for information purposes). In addition, the chairmen of the committees or a nominated committee member attend the company's annual general meeting to answer any questions from stakeholders pertaining to the relevant matters handled by their respective committees. The directors are satisfied that all committees have executed their responsibilities during the year.						

(The board and committee charters/Terms of Reference are available on www.dipula.co.za.)

GOVERNANCE

(continued)

COMPANY SECRETARY

During the year the group's company secretary Probitry Business Services Proprietary Limited, was acquired by Computershare Investor Services Proprietary Limited. CIS Company Secretaries Proprietary Limited, a subsidiary of Computershare, has been appointed as the company secretary of Dipula with effect 18 June 2014.

The board is comfortable that its representative, Neville Toerien, is sufficiently qualified and skilled to act in accordance with and update directors in terms of the King III Report and other relevant regulations and legislation. The company secretary advises the board on procedures regarding meetings and generally ensures that an adequate governance framework is maintained. The board is satisfied that an arm's length relationship is maintained between the company secretary and the board and its sub-committees. The company secretary's independence was confirmed via an independence declaration and their competence was assessed by the Audit and Risk Committee.

LEGAL COMPLIANCE

The board is responsible for ensuring compliance with laws and regulations. New legislation that impacts the group is discussed at board meetings. The directors are assisted in this regard by the company secretary.

Dipula currently adheres to the following legislation:

- Companies Act 2008
- B-BBEE Act

No fines or non-monetary sanctions were imposed on the group for non-compliance with any laws or regulations during the year under review, nor has the group been party to any legal actions for anti-competitive behaviour or anti-trust and monopoly practices during the year.

King III application

Areas of non-compliance	Explanation of non-compliance
IT governance	The internal auditors are undertaking a high level overview of the IT controls in place to ascertain the areas which require redress
Shareholders' approval of the remuneration policy	As the executive directors are remunerated by the asset manager and Dipula does not have any direct employees, a policy is not considered necessary
Assurance of sustainability and disclosure	This will be considered going forward

The company's application of King III in relation to Chapter 2 is set out below.

King III principle	Comment
Chapter 2: board and directors	
2.1 The board should act as the focal point for and custodian of corporate governance	The board is the focal point and custodian of corporate governance at Dipula. In accordance with the board charter the board is committed to the highest standards of corporate governance. The board charter, which is reviewed annually, clearly sets out its role and duties with regard to achieving sustainable value for the company in a transparent and responsible manner.
2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable	The board, in accordance with the board charter, and all committee terms of reference reviewed in line with King III, is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations. The board both informs and approves company strategy and is accountable for its execution. The board is responsible for ensuring the integrity of the group's risk management policies and procedures and internal controls.
2.3 The board should provide effective leadership based on an ethical foundation	The board provides effective leadership and is committed to the highest levels of corporate governance as a key driver of sustainability. Directors are required to adhere to the values set out in the Code of Ethics/Conduct. Deliberations, decisions and actions of the board are based on fairness, accountability, responsibility and transparency.
2.4 The board should ensure that the company is and is seen to be a responsible corporate citizen	Dipula's Social and Ethics Committee reflects and effects the company's commitment to responsible corporate citizenship. In addition to compliance with King III, Dipula has a Code of Ethics/Conduct in place which guides directors' relationships with and commitment to stakeholders.
2.5 The board should ensure that the company's ethics are managed effectively	The board has established a Social and Ethics Committee, which assists in ensuring that the company's ethics are managed effectively. The committee focuses on social investment, transformation, ethics and sustainable development within the company.
2.6 The board should ensure that the company has an effective and independent audit committee	The membership of the Audit and Risk Committee comprises three independent non-executive directors who meet at least four times each year. The Audit and Risk Committee's terms of reference have been approved by the board and are reviewed every year. The effectiveness of the committee is monitored by the board every year.
2.7 The board should be responsible for the governance of risk	This function is delegated to the Audit and Risk Committee, which conducted an evaluation of risk and is satisfied with the effective management of risk. The board is ultimately responsible for the governance of risk within the company.
2.8 The board should be responsible for information technology (IT) governance	Property management is fully outsourced to JHI and Broll both of which are ISO 9001: 2008 accredited.

GOVERNANCE

(continued)

King III principle	Comment
2.9 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The company strives to comply with all applicable laws to the best of its ability. Compliance is an ethical imperative and is monitored by the Audit and Risk Committee and in applicable instances, the Social and Ethics Committee and reported to the board. The Audit and Risk Committee is responsible for assisting the board with the oversight of compliance-related matters.
2.10 The board should ensure that there is an effective risk-based internal audit	<p>The Internal Audit function includes an outsourced dedicated internal auditor who reports directly to the Audit and Risk Committee and has unhindered access to the board Chairperson.</p> <p>Property management is fully outsourced to JHI, Broll and Mc Cormick. Whilst these companies have their own internal audit divisions, Dipula executives, the Audit and Risk Committee and the Asset Manager are working with them to formalise the work performed and to ensure the risks identified by Dipula are addressed.</p>
2.11 The board should appreciate that stakeholders' perceptions affect the company's reputation	The board recognises the importance of developing and nurturing positive and stable relationships with key stakeholders as a key driver of business success. (See page 25).
2.12 The board should ensure the integrity of the company's integrated report	The board is responsible for the integrity of the integrated report and approves the report prior to publication.
2.13 The board should report on the effectiveness of the company's system of internal controls	The board continuously ensures the soundness of the company's system of internal controls.
2.14 The board and its directors should act in the best interests of the company	<p>The board acknowledges its role as a trustee on behalf of the unitholders. The board and its directors always act in the best interests of the company. The board has unrestricted access to all company information, records, documents and property. The board also has access to this information through the company secretary.</p> <p>Directors are required to disclose their shareholdings, additional directorships and any potential conflicts of interest as well as any share dealings in the company's securities to the company secretary who, together with the sponsor and CEO, ensures publication of their dealings in Dipula on SENS. The company operates a policy (in compliance with JSE Listings Requirements) of prohibiting dealings by directors and certain other managers including prescribed officers in periods immediately preceding the announcement of its interim and year-end financial results, any period while the company is trading under cautionary announcement, and at any other time deemed necessary by the board. The directors and all other relevant persons are informed by email when the company enters a "closed period".</p>

King III principle	Comment
2.15 The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	The board monitors the company's solvency and liquidity. Business rescue has not been required.
2.16 The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	The Chairperson, ZJ Matlala is an independent non-executive director and is not a former CEO. The role of the Chairperson is clearly defined in the board charter. Further, a clear division of responsibilities between the roles of the chairperson and that of the CEO exists.
2.17 The board should appoint the CEO and establish a framework for the delegation of authority	The board has appointed I Petersen as CEO and a delegation of authority framework is in place and reviewed regularly.
2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	The board comprises a majority of independent non-executive directors – 5/8. The responsibilities of the Chairperson and CEO, and those of other non-executive and executive directors, are clearly separated to ensure a balance of power and prevent any one director from exercising unfettered powers of decision-making.
2.19 Directors should be appointed through a formal process	Directors' appointments are formal and transparent, and currently undertaken by the board as a whole. At this stage a separate nomination committee is not considered necessary.
2.20 The induction of and ongoing training and development of directors should be conducted through formal processes	<p>A formal orientation induction programme for new directors is in place. All new directors are familiarised with company operations, senior management and its business environment. Those with no or limited board experience will receive additional development training to inform them of their duties, responsibilities, powers, and potential liabilities</p> <p>Directors receive further briefings from time to time on relevant new laws and regulations as well as on changing economic risks. Directors are responsible for ensuring that they have a working understanding of applicable laws.</p>

GOVERNANCE

(continued)

King III principle	Comment
2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	The company secretary is empowered by the board to effectively perform his duties. The role and function of the company secretary are clearly formulated in writing. The company complies with the provisions of the Companies Act, 2008 in relation to the appointment and removal, and the duties allocated to the company secretary. (see page 68 for more further details)
2.22 The evaluation of the board, its committees and the individual directors should be performed every year	The performance and effectiveness of the Chairperson is evaluated annually by the board, and that of the CEO by the Chairperson or a sub-committee appointed by the board. The board as a whole is self-evaluated and individual directors' performances are also reviewed periodically.
2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The board delegates certain functions without abdicating its own responsibilities to the following committees: <ul style="list-style-type: none"> • Audit and Risk Committee • Investment Committee • Social and Ethics Committee • Remuneration Committee
2.24 A governance framework should be agreed between the group and its subsidiary boards	All subsidiaries are wholly-owned and a governance framework is not necessary.
2.25 Companies should remunerate directors and executives fairly and responsibly	The executive directors are remunerated by the Asset Manager and Dipula does not have any direct employees. Annual benchmarking of remuneration will be performed by the board.
2.26 Companies should disclose the remuneration of each individual director and certain senior executives	Non-executive directors' fees are approved by the board and Dipula unitholders at the annual general meeting.
2.27 Shareholders should approve the company's remuneration policy	As the executive directors are remunerated by the Asset Manager and Dipula does not have any direct employees, a policy is not considered necessary.

RISK MANAGEMENT

Dipula's risk management process is built on the following fundamentals:

- Ethical leadership and an ethical business environment
- Clear strategic drivers and business principles
- Ongoing identification and review processes for mitigating key risks to an acceptable level

Risk management is integral in day-to-day operations. In the ordinary course of business the group is exposed to a wide range of risks that may have serious consequences for our operations and performance, and therefore our sustainability. Effective management of these risks supports the delivery of our strategic objectives. This is achieved by identifying, assessing, managing and monitoring all practical risks to which the business is exposed. Key risks so managed are set out on pages 23 and 24. Our annual formal risk assessment in the year confirmed that we are adequately addressing all identified risks.

The board has adopted an enterprise-wide approach that includes systems of internal control comprising of policies, procedures and information intended to safeguard assets and reduce the risk of fraud, error, loss and other irregularities, ensure the accuracy and completeness of accounting records and reporting, and ensure the timely preparation of financial statements and information in compliance with legislation and generally accepted accounting policies and practices.

Responsibility matrix

Board	Audit and Risk Committee	EXCO	Asset Manager
<ul style="list-style-type: none"> • Overall responsibility • Interrogates 'softer' risks • Delegates identification and management of risk to the Audit and Risk Committee 	<ul style="list-style-type: none"> • Identifies and manages risk on behalf of the board • Monitors effectiveness of risk policy • Oversees the monitoring and management of risk (by Asset Manager) 	<ul style="list-style-type: none"> • Identifies risks together with the Audit and Risk Committee • Reviews the risk matrix bi-annually • Day-to-day risk management including loss prevention and internal control framework 	<ul style="list-style-type: none"> • Sets the level of risk tolerance • Sets the risk appetite • Monitors risk in terms of asset management mandate from Dipula • Measures qualitative risks in terms of year-on-year movement

The Asset Manager's performance criteria are outlined in the mandate agreement between Dipula and DAMT. Risk monitoring is one such KPI. The review of the Asset Manager's performance relative to these KPIs is undertaken by Dipula's independent non-executive directors.

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee's responsibility is to ensure that the company acts as a responsible corporate citizen and establishes ethical guidelines within which staff should engage with its stakeholders and interact with the environment. Although management is tasked with overseeing the day-to-day operational sustainability of their respective areas of business and reporting thereon to the Social and Ethics Committee, the board remains ultimately responsible for the objectives which it has delegated.

The committee is chaired by independent non-executive director E Links and further comprises independent non-executive directors BH Azizollahoff and Y Waja and executive director NS Gumede. Details of attendance are set out on page 67.

The purpose of the committee is to set the tone in respect of the board's approach to the ethical conduct of business and to regularly monitor the group's activities with regard to any relevant legislation or prevailing codes of best practice in respect of the following:

- Social and economic development, including the group's standing in terms of the:
 - o 10 principles set out in the United Nations Global Compact Principles
 - o OECD recommendations regarding corruption
- Employment Equity Act
- Broad-Based Black Economic Empowerment Act
- Good corporate citizenship, including the group's:
 - o promotion of equality, prevention of unfair discrimination and reduction of corruption
 - o contribution to development of the communities in which our activities are predominantly conducted or within which our products or services are predominantly marketed
 - o record of sponsorship, donations and charitable giving
- Environment, health and public safety, including the impact of the group's activities and its services
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the group's:
 - o standing in terms of the International Labour Organisation Protocol on decent work and working conditions
 - o employment relationships and our contribution towards the educational development of our employees
- Corporate values and ethical standards (Code of ethics/conduct), and ensuring that the company takes measures to achieve adherence to these in all aspects of the business.

The committee draws these matters to the attention of the board and reports on them to shareholders.

No human rights incidents were reported. Dipula does not tolerate any use of child labour within its own operations.



E Links

Social and Ethics Committee Chairman





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DIRECTORS' RESPONSIBILITY AND APPROVAL

for the year ended 31 August 2014

The directors are responsible for the preparation and fair presentation of the company and group annual financial statements of Dipula Income Fund Limited, comprising the statements of financial position as at 31 August 2014 and statements of comprehensive income, changes in equity and cash flows for the year then ended. To achieve the highest standards of financial reporting, these financial statements have been drawn up to comply with International Financial Reporting Standards and the requirements of the South African Companies Act, 2008.

The directors' responsibility includes the design, implementation and maintenance of internal controls that will ensure the preparation, integrity and fair presentation of the financial statements and other financial information included in this report, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have reviewed the appropriateness of the accounting policies and conclude that estimates and judgements are reasonable. They are of the opinion that the annual financial statements fairly present the financial position of the business at 31 August 2014 and its financial performance and cash flows for the year to 31 August 2014. The external auditors, who have unrestricted access to all records and information, as well as to the Audit and Risk Committee, concur with this statement.

The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The unqualified audit report of Grant Thornton (JHB) Inc. is presented on pages 81 and 82.

In addition, the directors have also reviewed the cash flow forecast for the year to 31 August 2015 and believe that the company and the group have adequate resources to continue in operation for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis. These financial statements support the viability of the company and of the group.

The annual financial statements were approved by the board of directors on 12 December 2014 and are signed on its behalf by:



Izak Petersen
Chief Executive Officer



Brigitte de Bruyn
Financial Director

12 December 2014

CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2) (e) of the Companies Act, 2008, as amended ("the Act"), we declare that to the best of our knowledge, for the year ended 31 August 2014, Dipula Income Fund Limited has lodged with the Companies and Intellectual Property Commission ("CIPC") all such returns as are required of a public company, and all such returns are true, correct and up to date.



CIS Company Secretaries Proprietary Limited
Company Secretary

Johannesburg
12 December 2014

AUDIT AND RISK COMMITTEE REPORT

The information below constitutes the report of the Audit and Risk Committee in respect of the year under review. The committee has an independent role with accountability to unitholders in respect of its statutory duties, and to the board in respect of duties assigned to it by the board as detailed in its terms of reference. The terms of reference are reviewed and updated on a regular basis. The committee has performed its duties during the past financial year in accordance with the terms of Reference.

The committee is chaired by independent non-executive director Y Waja and further comprises independent non-executive directors BH Azizollahoff and Professor E Links. The board of directors is satisfied that these directors act independently for the purposes of the committee. Members of the committee are all financially literate with the requisite levels of financial expertise. The CEO, the Financial Director, the executive director, external auditor and internal auditor attend meetings of the committee by invitation. The external auditor meets with the committee without any of the executives on an annual basis and has unrestricted access to the committee.

The committee meets at least four times a year and special meetings are convened when necessary. Details of attendance by members at meetings for the year under review are set out on page 67.

RESPONSIBILITIES

The committee performed the following activities during the year under review:

- considered the independence and objectivity of the external auditors and ensured that the scope of additional services provided did not impair their independence;
- reviewed the external audit plan and approved the external auditors' fee proposal for the 2014 financial year;
- approved the non-audit-related services performed by the external auditors in the year in accordance with the policy established and approved by the board;
- considered accounting treatments, significant financial transactions and other financial information;
- In compliance with the JSE Listings Requirements 3.84(h), reviewed the performance, appropriateness and expertise of the Financial Director, B de Bruyn and is satisfied therewith; and
- considered the appropriateness of the accounting policies.

After assessing the requirements set out in section 94(7)(a-e) of the Companies Act, the committee is satisfied with the independence and objectivity of the external auditors, and recommends the re-appointment of the external auditors Grant Thornton (Jhb) Inc. at the next annual general meeting.

INTERNAL FINANCIAL CONTROLS

The internal audit function is outsourced to an independent service provider and is an integral part of the enterprise-wide risk management framework. Internal audit reports directly to the Audit and Risk Committee and operates in terms of an internal audit charter approved by the Audit and Risk Committee.

The internal audit plan is approved by the Audit and Risk Committee. Due to the change in property management systems from Nicor and Broll Online to MDA during the year under review, it was considered that an internal audit would not have been appropriate until the new system was fully implemented. There is however an informal information exchange process in place with the external auditors to ensure the efficient coverage of internal controls. Based on control processes in place, assurances obtained from management and the issues raised by the external auditors in their various management reports, nothing has come to our attention to indicate that the significant financial controls are not effective.

AUDIT AND RISK COMMITTEE REPORT

(continued)

FINANCE FUNCTION AND FINANCIAL DIRECTOR

The committee has considered and satisfied itself on the appropriateness of the expertise and adequacy of resources of the finance function of the company. The committee also confirms that the company's Financial Director, Brigitte de Bruyn, has the necessary expertise and experience to carry out her duties.

ANNUAL FINANCIAL STATEMENTS

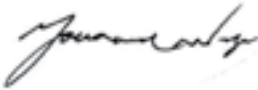
Based on processes and assurances obtained, the committee recommended the annual financial statements to the board for approval.

GOING CONCERN

The committee, through its review of the 2015 budget and discussions with management, reported to the board that it supported management's view that the company will continue to be a going concern in the foreseeable future.

RISK MANAGEMENT

The committee reviews the analysis of the critical risks facing the company on an annual basis. The risk analysis and the company's response to these risks is detailed on pages 23 and 24 of this integrated annual report. The committee is satisfied, to the extent possible given the wide range of known and unknown risks facing the company and all businesses in general, that the compensating controls in place to mitigate the identified key risks are adequate.



Y Waja
Chairman

12 December 2014

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF DIPULA INCOME FUND LIMITED.

We have audited the consolidated and separate financial statements of Dipula Income Fund Limited set out on page 88 to 141, which comprise the statements of financial position as at 31 August 2014 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Dipula Income Fund Limited as at 31 August 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 August 2014, we have read the Directors' Report, the Audit and Risk Committee's Report and the declaration by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT

(continued)

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Grant Thornton (Jhb) Inc

Grant Thornton (Jhb) Inc.

Registered Auditors

Chartered Accountants (SA)

Registration number 1994/001166/21

Director: **Rudi Huiskamp**

Sandton

12 December 2014

DIRECTORS' REPORT

for the year ended 31 August 2014

TO THE UNITHOLDERS OF DIPULA INCOME FUND LIMITED

We have pleasure in presenting the annual financial statements of Dipula Income Fund Limited for the year ended 31 August 2014.

UNIT STRUCTURE

The Dipula A-linked and B-linked unit structure offers investors two distinct risk/reward propositions. The distribution of the A-linked units escalates at 5% per annum until August 2017 and thereafter at the lower of CPI and 5%. These units have preferential entitlement to income distributions.

The remaining distributable income accrues to the B-linked units.

NATURE OF BUSINESS

Dipula is a REIT and is listed on the JSE Limited under the Real Estate – Real Estate Investment Trust sector. Dipula was granted REIT status with effect from 1 September 2013. The company listed on the JSE on 17 August 2011 and its primary business is long-term investment in rental income generating properties. Its subsidiaries own a diversified property portfolio of 181 retail, industrial and office properties.

REVIEW OF OPERATIONS AND ACQUISITIONS

The results of the group and the company are set out in the attached annual financial statements and accompanying notes. Eight properties listed below transferred to the group during the 2014 financial year:

Property	Region	Property		GLA (m ²)	Acquisition cost (R'000)	Yield
		Type	Acquisition Date			
Tower Mall	North West	Retail	2013/12/20	15 433	152 713	9,6%
50 Hamilton Street Randfontein	Gauteng	Office	2013/11/28	4 500	52 643	10,9%
Station Mall	Gauteng	Retail	2014/07/07	5 935	43 513	10,2%
Fairways on Main Umgeni Business Park	KwaZulu-Natal	Retail	2013/10/22	5 868	31 000	9,0%
Lephalale conference centre	KwaZulu-Natal	Retail	2013/11/04	3 671	26 000	10,1%
	Limpopo	Land	2014/05/02	N/A	12 750	N/A
Fairlands Park	Gauteng	Office	2013/10/22	1 894	5 000	9,8%
Mellis Park 2	Gauteng	Office	2013/09/09	634	4 200	8,2%
				37 935	327 819	9,9%

DIRECTORS' REPORT (continued)

for the year ended 31 August 2014

DISPOSALS

In line with its strategy to dispose of non-core assets to improve the overall quality of its portfolio, Dipula disposed of properties worth R103 million. R29,8 million of properties held-for-sale in the prior year transferred during 2014. Sale agreement for a further 15 properties totalling R74.8 million were concluded and these properties are currently held-for-sale.

DISTRIBUTIONS

Dipula achieved total distributions for the year of 87,504 cents (2013: 83,338 cents) per A-linked unit and 73,333 cents (2013: 66,639 cents) per B-linked unit.

A lease cancellation of R22,5 million was received in July 2012 from a tenant which related to a 24 month cancellation period.

The rentals and related recoveries, totalling R9,5 million for the 12 months ended 31 August 2014, have been distributed.

The total R22,5 million has thus been fully distributed by 31 August 2014.

STATED CAPITAL AND DEBENTURES

The authorised share capital of the company consists of 2 billion shares of no par value.

Each ordinary share is linked to a debenture of R4,41 and may only be traded on the JSE as a linked unit.

Further details of the share capital and debentures are set out in notes 10 and 11 of the annual financial statements.

There were no changes to the authorised share capital of the company during the year.

On 6 September 2013, Dipula successfully raised R200 million in terms of a private placement. The purpose of the private placement was to fund previously announced acquisitions.

In terms of the offer 10 441 378 A-linked units were issued at a price of R10,16 and 12 522 080 B-linked units at a price of R7,50. This increased the number of A-linked units to 154 million and B-linked units to 156 million.

The issue prices included an accrued distribution for the six months ended 31 August 2013 of 78,504 cents combined, which translated into 41,669 cents for A-linked units and 36,835 cents for B-linked units, and an accrued distribution of 3,324 cents combined for the period 1 September 2013 to 5 September 2013. This translates to 1,716 cents for A-linked units and 1,608 cents for B-linked units. Excluding the accrued distributions, the private placement linked units were issued at a price of R9,73 per A-linked unit and R7,11 per B-linked unit.

PROPERTY VALUATIONS

The portfolio was valued at 31 August 2014 as per the Investment Property accounting policy (note 1.3) at R4,2 billion (2013: R3,7 billion) and the net asset value per linked unit was R8,15 (2013: R7,86) at yearend.

BORROWINGS

As at 31 August 2014, the all-in blended rate of the group's debt was 8,51%. The company has total debt facilities of R2,2 billion, with R1,6 billion utilised to date. A facility of R507 million that was due to expire on 31 August 2015, was successfully re-negotiated post year-end for a further three years and the margin reduced from 2,2% to 1,65% at a fixed rate of 8,75%.

An aggregate 76% of the debt has been fixed post year-end and the current blended rate is 8,67%. The average length of fixes is 3,3 years.

DIRECTORATE

During the year, SA Halliday was appointed as an independent non-executive director to the board effective 27 May 2014.

The directors of the company as at the date of this report were:

BH Azizollahoff#>

B de Bruyn (Financial Director)*

NS Gumede*

SA Halliday> (appointed 27 May 2014)

E Links>

Z] Matlala (Chairperson) >

IS Petersen (CEO)*

Y Waja>

British

> Independent non-executive

* Executive

BH Azizollahoff and NS Gumede will retire at the forthcoming annual general meeting and both being eligible for re-election, will so offer themselves.

DIRECTORS' REMUNERATION

Fees earned for services as non-executive directors of the company were as follows:

	2014 R'000	2013 R'000
BH Azizollahoff§	323	208
SA Halliday	55	–
E Links	279	176
Z] Matlala (Chairperson)	246	193
Y Waja	279	176
	1 182	753

§ R100 000 (2013: R100 000) was also paid to BH Azizollahoff for acting as a trustee for various trusts within the group.

The executive directors are remunerated from the management fee payable to the asset management company.

- No remuneration was paid to either IS Petersen or NS Gumede by the asset management company during the year as they are paid out of the management fees paid by the asset management company to the companies they hold a shareholding in, namely Mergence Africa Properties Proprietary Limited and Dijalo Property Services Proprietary Limited.
- The remuneration of the Financial Director, Ms B de Bruyn, as paid by the asset management company amounted to R2 113 600 (R1 600 000 basic salary, R513 600 bonus) (2013: R1 764 000 – R1 284 000 basic salary, R480 000 bonus).

DIRECTORS' REPORT (continued)

for the year ended 31 August 2014

DIRECTORS' INTERESTS

The interest of the directors in the linked units of Dipula Income Fund at 31 August 2014 were as follows:

A-linked units (number of units)

	2014			2013		
	Direct beneficial	Indirect beneficial	Total	Direct beneficial	Indirect beneficial	Total
NS Gumede		610 580	610 580	–	610 380	610 380
IS Petersen	1 000	1 065 612	1 066 612	–	1 064 662	1 064 662
Y Waja	20 000		20 000	20 000	–	20 000
	21 000	1 676 192	1 697 192	20 000	1 675 042	1 695 042

B-linked units (number of units)

	2014			2013		
	Direct beneficial	Indirect beneficial	Total	Direct beneficial	Indirect beneficial	Total
NS Gumede		11 084 283	11 084 283	–	8 435 361	8 435 361
IS Petersen	66 667	10 762 908	10 829 575	–	8 522 723	8 522 723
Y Waja	22 500		22 500	22 500	–	22 500
	89 167	21 847 191	21 936 358	22 500	16 958 084	16 980 584

There have been no changes to these holdings between the yearend and the date of this report.

DISTRIBUTION TO UNITHOLDERS

Distributions to unitholders are disclosed in note 19 to the annual financial statements.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The company's status with regard to corporate governance and internal controls is set out in a separate statement in the integrated annual report.

AUDIT AND RISK COMMITTEE AND INDEPENDENCE OF AUDITOR

The Audit and Risk Committee consists only of independent non-executive directors and has reviewed these annual financial statements prior to their submission to the board for approval. The Audit and Risk Committee has also assessed the independence of the external auditors and is satisfied with their independence. Further detail regarding the scope and mandate of the Audit and Risk Committee is detailed on page 79 of this integrated annual report.

SUBSIDIARY COMPANIES

Information relating to the company's interest in its subsidiaries is detailed in note 6 to the annual financial statements. There were no special resolutions passed during the year under review.

GOING CONCERN

The directors are of the opinion that the group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the group's annual financial statements. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

SUBSEQUENT EVENTS

Subsequent to yearend, the R507 million loan facility that was expiring in August 2015, was successfully re-negotiated for a further three years.

The directors are not aware of any other matter or circumstances arising since the end of the financial year to the date of this report, not otherwise dealt with in this report or in the group and company annual financial statements, that would significantly affect the operations, the results and the financial position of the group and company.

Refer to note 23 for subsequent events relating to property acquisitions.

REAL ESTATE INVESTMENT TRUST

The company was awarded Real Estate Investment Trust ("REIT") status effective 1 September 2013. The conversion of the capital structure has not yet taken place. Dipula was waiting for guidance from the JSE regarding the treatment of the A-linked units. The JSE has recently confirmed that they will allow the existing six issuers who have A – and B – linked units to maintain their status quo once they have collapsed the debenture structures.

Dipula will thus commence their conversion of the debentures in the imminent future.

COMPANY SECRETARY

The company secretary is CIS Company Secretaries Proprietary Limited.

Following the acquisition of Probity Business Services Proprietary Limited by Computershare Investor Services Proprietary Limited ("Computershare"), CIS Company Secretaries Proprietary Limited, a subsidiary of Computershare, was appointed as company secretary with effect from 18 June 2014.

BUSINESS ADDRESS

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

POSTAL ADDRESS

PO Box 875, Parklands, 2121

STATEMENTS OF FINANCIAL POSITION

as at 31 August 2014

	Note	GROUP		COMPANY	
		2014 Audited R'000	2013 Audited R'000	2014 Audited R'000	2013 Audited R'000
ASSETS					
Non-current assets		4 165 368	3 779 817	3 922 771	3 556 335
Investment property		4 116 886	3 722 994	-	-
Fair value of property portfolio for accounting purposes	2	4 022 567	3 653 308	-	-
Straightline rental income accrual	3	94 319	69 686	-	-
Goodwill	4	48 482	48 482	-	-
Other non-current receivables	5	-	8 341	-	-
Interest in subsidiaries	6	-	-	3 922 771	3 556 335
Current assets		131 349	88 071	29 693	32 368
Trade and other receivables	7	70 575	33 983	-	-
Cash and cash equivalents	8	60 774	54 088	29 693	32 368
Non-current assets held-for-sale					
Investment property held-for-sale	9	74 800	30 250	-	-
Total assets		4 371 517	3 898 138	3 952 464	3 588 703
EQUITY AND LIABILITIES					
Equity		841 956	753 902	478 617	475 525
Stated capital	10	427 852	427 852	468 940	468 940
Fair value reserve		494 479	400 024	-	-
Accumulated (loss) profit		(80 375)	(73 974)	9 677	6 585
Non-current liabilities		2 803 268	2 974 791	2 826 525	2 996 720
Debenture capital	11	1 684 659	1 499 420	1 719 016	1 532 449
Interest-bearing liabilities	12	1 118 609	1 475 371	1 107 509	1 464 271
Current liabilities		726 293	169 445	647 322	116 458
Interest-bearing liabilities	12	506 667	-	506 667	-
Trade and other payables	14	88 313	56 793	9 342	3 806
Linked unitholders for distribution		131 313	112 652	131 313	112 652
Total equity and liabilities		4 371 517	3 898 138	3 952 464	3 588 703
Number of A-linked units in issue		153 941 061*	143 499 683*		
Number of B-linked units in issue		156 021 763*	143 499 683*		
Net asset value per A-linked unit (cents)*		815,13	785,13		
Net asset value per B-linked unit (cents)*		815,13	785,13		

* Excluding treasury linked units.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 August 2014

	Note	GROUP		COMPANY	
		2014 Audited R'000	2013 Restated R'000	2014 Audited R'000	2013 Restated R'000
Revenue					
Property portfolio		485 669	374 720	–	–
Rental income		461 036	338 301	–	–
Straightline rental income accrual		24 633	36 419	–	–
Total revenue		485 669	374 720	–	–
Other income		5 580	13 276	1 208	–
Property expenses		(92 017)	(70 136)	–	–
Administration and corporate costs		(18 327)	(14 244)	(1 649)	(1 187)
Net operating profit/(loss)	15	380 905	303 616	(441)	(1 187)
Changes in fair values of investment properties		69 821	126 537	–	–
Profit/(loss) from operations		450 726	430 153	(441)	(1 187)
Interest paid	16	(121 888)	(80 863)	(121 013)	(78 556)
Interest received	17	3 977	5 474	369 307	280 859
Profit before debenture interest and taxation		332 815	354 764	247 853	201 116
Debenture interest	30	(244 761)	(194 503)	(244 761)	(194 503)
Profit before taxation		88 054	160 261	3 092	6 613
Taxation	18	–	39 011	–	(28)
Profit for the year after taxation		88 054	199 272	3 092	6 585
Other comprehensive income		–	–	–	–
Total comprehensive income for the year attributable to equity holders		88 054	199 272	3 092	6 585

STATEMENTS OF COMPREHENSIVE INCOME (continued)

for the year ended 31 August 2014

	Note	GROUP	
		2014 Audited R'000	2013 Restated R'000
Total number of units in issue*		309 962 824	286 999 366
Number of A-linked units in issue		153 941 061	143 499 683
Number of B-linked units in issue		156 021 763	143 499 683
Weighted average number of A-linked units in issue*		153 798 028	135 074 065
Weighted average number of B-linked units in issue*		155 850 228	135 074 065
Basic earnings per share (cents)	19	28,44	73,76
Headline earnings per share (cents)	19	5,89	7,55
Basic earnings per A-linked unit (cents)	19	114,62	153,80
Basic earnings per B-linked unit (cents)	19	100,44	137,73
Headline earnings per A-linked unit (cents)	19	92,07	87,59
Headline earnings per B-linked unit (cents)	19	77,89	71,54
Distributable earnings per A-linked unit		87 504	83 338
Distributable earnings per B-linked unit		73 333	66 639

*Net of treasury linked units.

The company does not have any dilutionary instruments in issue.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 August 2014

	Stated capital R'000	Fair value reserve R'000	Accumulated loss R'000	Total equity R'000
GROUP				
Balance at 31 August 2012	427 852	175 562	(48 784)	554 630
Total comprehensive income for the year	–	–	199 272	199 272
Transfer of capital items to fair value reserve	–	224 462	(224 462)	–
Balance at 31 August 2013	427 852	400 024	(73 974)	753 902
Total comprehensive income for the year	–	–	88 054	88 054
Transfer of capital items to fair value reserve	–	94 455	(94 455)	–
Balance at 31 August 2014	427 852	494 479	(80 375)	841 956
COMPANY				
Balance at 31 August 2012	468 940	–	–	468 940
Total comprehensive income for the year	–	–	6 585	6 585
Balance at 31 August 2013	468 940	–	6 585	475 525
Issue of linked units	–	–	–	–
Total comprehensive income for the year	–	–	3 092	3 092
Balance at 31 August 2014	468 940	–	9 677	478 617

STATEMENTS OF CASH FLOWS

for the year ended 31 August 2014

	Note	GROUP		COMPANY	
		2014	2013	2014	2013
		Audited R'000	Restated R'000	Audited R'000	Restated R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	20	354 229	268 549	(3 066)	(3 812)
Interest received		3 977	5 474	369 307	280 859
Interest paid		(112 839)	(78 403)	(111 964)	(76 096)
Distribution paid	21	(230 080)	(165 787)	(230 080)	(165 787)
Taxation paid	22	-	(28)	-	(28)
Net cash generated from operating activities		15 287	29 805	24 197	35 136
Cash flows from investing activities					
Acquisition of investment properties		(378 428)	(1 165 384)	-	-
Repaid/(advanced) loans		2 741	(4 241)	-	-
Loans advanced to subsidiaries		-	-	(366 436)	(1 274 969)
Proceeds on disposal of investment properties		28 850	26 445	-	-
Net cash utilised in investing activities	19	(346 837)	(1 143 180)	(366 436)	(1 274 969)
Cash flows from financing activities					
Linked units issued – debentures	19	190 655	608 806	190 655	608 806
Linked unit issue expenses	19	(1 436)	(2 869)	(108)	(223)
Interest-bearing liabilities raised		149 017	398 171	149 017	515 379
Decrease in related party loans		-	1 202	-	1 202
Net cash generated from financing activities		338 236	1 005 310	339 564	1 125 164
Net increase/(decrease) in cash and cash equivalents		6 686	(108 065)	(2 675)	(114 669)
Cash and cash equivalents at the beginning of the year		54 088	162 153	32 368	147 037
Cash and cash equivalents at the end of the year	8	60 774	54 088	29 693	32 368

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2014

REPORTING ENTITY

Dipula Income Fund Limited ("Dipula" or "the company") is a company domiciled in South Africa. The consolidated financial statements of the company for the year ended 31 August 2014 comprise the company and its subsidiaries (together referred to as the "group"). The financial statements were authorised for issue by the directors on 12 December 2014.

BASIS OF PREPARATION

Basis of measurement

The consolidated and separate financial statements ("financial statements") are prepared on the historical cost basis, except for investment property which is measured at fair value.

Statement of compliance

The annual financial statements have been consistently prepared in accordance with the requirements of International Financial Reporting Standard ("IFRS"), the SAICA Financial Reporting Guides, as issued by the Accounting Practice Committee, the JSE Limited (JSE) Listings Requirements and requirements of the South African Companies Act, 2008.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in South African Rand, which is also the functional currency of the group, rounded to its nearest thousand (R'000) unless otherwise indicated.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year are set out in note 28.

1 ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 August 2014 and the comparative information presented in these financial statements for the year ended 31 August 2013.

1.1 Basis of preparation

Except for the new standards adopted, and the changes set out in note 31 of the annual financial statements, the accounting policies applied by the group, and the preparation of these annual financial statements are consistent with the accounting policies applied in the preparation of the previous annual financial statements.

The group adopted the following new standards:

- Amendment to IFRS – Disclosure – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 – Consolidated Financial Statements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- Revised IAS 27 and 28 – Investments in Associate and Joint Ventures
- Amendments to IAS 32 – Financial Instrument Presentation

There was no material impact on the financial statements identified based on management's assessment of these standards.

1.2 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 August 2014. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 August.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

1.3 Investment property

Investment property

Investment properties are those held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business or for administration purposes.

The cost of investment property comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that there will be future economic benefits from the use of the asset. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition, investment properties are measured at fair value. These fair values are determined on an annual basis, however if acquisitions occur within the last six months of the year, the properties are valued at their acquisition price, as this is considered to be the fair value.

Investment properties above R8 million in value at the last valuation date are valued by external independent registered valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued.

Investment properties below R8 million in value at the last valuation date are valued internally by the directors on an annual basis.

Valuations are done on the open market value basis and the valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of the methods. Gains or losses arising from changes in the fair values are included in profit or loss in the period in which they arise. Unrealised gains are transferred to a non-distributable fair value reserve in the statement of changes in equity. Unrealised losses are transferred to the fair value reserve to the extent that the decrease does not exceed the amount held in the fair value reserve.

Immediately prior to disposal of investment property the investment property is revalued to the net sales proceeds and such revaluation is recognised in profit or loss during the period in which it occurs.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

In the event that the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for redevelopment purposes or, with regard to that part of redevelopment cost financed out of general funds, the weighted average cost of borrowings.

Investment property held-for-sale

Investment property classified as held-for-sale is carried at fair value.

1 ACCOUNTING POLICIES (continued)

1.4 Financial instruments

Financial instruments include cash and cash equivalents, trade and other receivables, loans to related parties, trade and other payables interest-bearing borrowings and debentures.

Recognition

Financial instruments are initially measured at fair value which, except for financial instruments measured at fair value through profit or loss, include directly attributable transaction costs.

Subsequent to initial recognition, financial instruments are measured as follows:

Cash and cash equivalents	– Carried at amortised cost.
Loans	– Stated at amortised cost using the effective interest method net of impairment losses.
Trade and other receivables	– Stated at amortised cost using the effective interest method net of impairment losses.
Trade and other payables	– Carried at amortised cost using the effective interest method.
Interest-bearing borrowings	– Carried at amortised cost using the effective interest method.
Debentures	– Considered to be held-to-maturity and is amortised using the effective interest rate method.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the contractual rights to receive cash flows from the asset have expired; and
- the group or company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group and/or company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 ACCOUNTING POLICIES (continued)

1.5 Intangible assets

Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit and loss on a straightline basis over the estimated useful lives from the date they are available for use.

Intangible assets with an indefinite useful life are stated at cost less accumulated impairment losses and are tested for impairment annually.

1.6 Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries or businesses and comprises the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Negative goodwill arising on acquisition is recognised directly in profit or loss.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

1.7 Impairment

Non-financial assets

The carrying amounts of the group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount is estimated at each reporting date for goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount and is recognised in profit or loss.

Impairment losses recognised are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the unit on a *pro rata* basis.

The recoverable amount of an asset or a cash-generating unit is the greater of their fair value less cost to sell and their value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using the original effective pre-tax discount rate. For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1 ACCOUNTING POLICIES (continued)

1.7 Impairment (continued)

Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss no longer exists.

An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits, accessible funds invested against borrowings and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management, are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

1.9 Stated capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

1 ACCOUNTING POLICIES (continued)

1.10 Provisions

Provisions are recognised when the group has legal or constructive obligations arising from past events, from which outflows of economic benefits are probable, and where reliable estimates can be made of the amounts of the obligations. Where the effect of discounting is material, provisions are discounted. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.11 Revenue

Revenue comprises gross rental revenue and recoveries of rates and operating costs, excluding VAT. Rental revenue from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue over the lease period.

1.12 Expenses

Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

1.13 Finance costs and finance income

Finance costs comprise interest payable on borrowings calculated using the effective interest method.

Finance income comprises interest received on funds invested and is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

1.14 Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position method, based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

1 ACCOUNTING POLICIES (continued)

1.14 Income tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.15 Segmental reporting

A segment is a distinguishable component of the group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The group's primary segment is based on business segments. There are no secondary segments. The business segments are determined based on the group's management and internal reporting structure.

On a primary basis, the group operates in the following segments:

- Retail
- Industrial
- Commercial

The group will from time to time invest in/divest from certain primary segments, in which case segmental reporting will be adjusted to reflect only the relevant operating segments.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of group revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

1.16 Related parties

Related parties in the case of the group include any shareholder who is able to exert a significant influence on the operating policies of the group. Directors, their close family members and any employee who is able to exert significant influence on the operating policies of the group are also considered to be related parties. In the case of the company, related parties would also include subsidiaries.

1.17 Earnings per share and per linked unit

The group presents basic and diluted earnings per share and per linked unit. It also presents headline and diluted headline earnings per linked unit.

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders by the weighted average number of shares in issue during the year.

Basic earnings per linked unit is calculated by dividing profit for the year attributable to equity holders plus interest paid to linked debenture holders by the weighted average number of linked units in issue during the year.

1 ACCOUNTING POLICIES (continued)

1.17 Earnings per share and per linked unit (continued)

Headline earnings per linked unit is calculated by dividing headline earnings by the weighted average number of linked units in issue during the year.

1.18 Net asset value per linked unit

Net asset value per linked unit is calculated as equity per the statement of financial position, adding debenture capital and deducting goodwill, and dividing the result by the number of linked units in issue at the reporting date.

1 ACCOUNTING POLICIES (continued)

Standards and interpretations applicable to the company not yet effective

There are new or revised accounting standards and interpretations in issue that are not yet effective. These include the following standards and interpretations that are material to the business and may have an impact on future financial statements, or those for which the impact has not yet been assessed. These standards were not early adopted.

Standard	Details of amendments	Annual periods beginning on or after
IFRS 3 Business Combinations	Annual Improvements 2010 – 2012 Cycle: amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9.	1 July 14
	Annual Improvements 2011 – 2013 Cycle: amendments to the scope paragraph for the formation of a joint arrangement.	1 July 14
IFRS 8 Operating Segments	Annual Improvements 2010 – 2012 Cycle: amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations.	1 July 14
IFRS 9 Financial Statements	New standard that forms the first part of a three part project to replace IAS 39 Financial Instruments: Recognition and Measurement.	1 January 18
	The IASB aims to replace IAS 39 “Financial Instruments: Recognition and Measurement” (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement, derecognition of financial assets and liabilities and hedge accounting have been issued. Chapters dealing with impairment methodology are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9’s financial asset classification model to address application issues.	1 January 18
IFRS 10 Consolidated Financial Investments	IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of “Investment Entities” must be accounted for at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement.	1 January 14
	Amendments to provide guidance on the accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.	1 January 16

Standard	Details of amendments	Annual periods beginning on or after
IFRS 12 Disclosure of Interest in Other Entities	New disclosures required for Investment Entities (as defined in IFRS 10).	1 January 14
IFRS 13 Fair Value Measurement	Annual Improvements 2010 – 2012 Cycle: amendments to clarify the measurement requirements for those short-term receivables and payables. Annual Improvements 2011 – 2013 Cycle: amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAs 39 or IFRS 9.	1 July 14 1 July 14
IFRS 15 Revenue from Contracts with Customers	New guidance on recognition of revenue that requires recognition of revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.	1 January 17
IAS 1 Presentation of Financial Statements	New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of the entity. Annual Improvements 2009 – 2011 Cycle: Amendments clarifying the requirements for comparative information including minimum and additional comparative information required.	1 January 17
IAS 24 Related Party Disclosures	Clarification of the definition of a related party.	1 July 14

The directors have not yet determined what the impact of these new Standards and Interpretations on the company will be.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

		GROUP		COMPANY	
		2014	2013	2014	2013
		R'000	R'000	R'000	R'000
2	INVESTMENT PROPERTY				
2.1	Net carrying value				
	Cost	3 715 958	3 324 931	–	–
	Fair value surplus	400 928	328 377	–	–
		4 116 886	3 653 308	–	–
2.2	Movement for the year				
	Investment properties at beginning of year	3 722 994	2 393 486	–	–
	Acquisitions/additions	370 559	1 169 182	–	–
	Transferred from non-current assets held-for-sale (note 9)	–	19 300	–	–
	Transferred to non-current assets held-for-sale (note 9)	(73 400)	(24 000)	–	–
	Change in fair value	69 821	126 887	–	–
	Tenant installations	217	(334)	–	–
	Capitalised	3 951	2 806	–	–
	Amortised	(3 734)	(3 140)	–	–
	Lease commissions (and marketing commission)	2 062	2 054	–	–
	Capitalised	5 420	4 497	–	–
	Amortised	(3 358)	(2 443)	–	–
	Straight-line rental income – per the statement of comprehensive income	24 633	36 419	–	–
	Investment properties at end of year	4 116 886	3 722 994	–	–
	Less: Straight-line rental income accrual – per the statement of financial position	(94 319)	(69 686)	–	–
	Net investment properties at end of year	4 022 567	3 653 308	–	–
2.3	Reconciliation to independent and directors' valuations				
	Investment properties at valuation at end of year per 2.2 above	4 022 567	3 653 308	–	–
	Straight-line rental income accrual – per the statement of financial position	94 319	69 686	–	–
	Independent and directors' valuations	4 116 886	3 722 994	–	–
	Total valuations	4 116 886	3 722 994	–	–
	Per independent valuations	3 890 710	2 823 618	–	–
	Acquired in last six months at fair value	56 263	559 030	–	–
	Per directors' valuations	169 913	340 346	–	–

A register of investment properties is available for inspection at the registered office of the company. Refer also to the Property portfolio section on page 30 of the integrated annual report.

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.

Properties acquired in the last six months of the year are not re-valued, as the acquisition prices is considered to be the fair value.

The properties valued by independent registered valuers on 31 August 2014 were performed by:

- Alternative Real Estate
- Asset Valuation Services CC
- Jones Lang LaSalle South Africa

These valuers are all registered valuers in terms of section 19 of the Property Valuers Professional Act, No 47 of 2000.

The properties were valued using discounted cash flow methodology for both internal and external valuations. 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 9% and 13%. Investment properties held-for-sale were valued at the net sale price, which is considered to be the fair value.

Investment properties are encumbered as set out in note 12.

Refer to note 26 for the fair value hierarchy.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
3 STRAIGHT-LINE RENTAL INCOME ACCRUAL				
Balance at beginning of the year	69 686	33 267	–	–
Current year movement	24 633	36 419	–	–
Balance at end of the year	94 319	69 686	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
4 GOODWILL				
Reconciliation of goodwill				
Balance at the beginning of the year	48 482	48 482	–	–
Balance at the end of the year	48 482	48 482	–	–
Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination. For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units expected to benefit for the synergies of the business combination in which the goodwill arises.				
Mergence Africa Property Fund Proprietary Limited	35 155	35 155	–	–
Askahe Realty Investment Fund Proprietary Limited	13 327	13 327	–	–
	48 482	48 482	–	–

The group tests goodwill annually for impairment, or more frequently if there are any indications that goodwill might be impaired.

The recoverable amount of each cash-generating unit was based on its value in use. The carrying amount of each cash-generating unit was compared to the recoverable amount.

The value in use of each cash-generating unit was determined by using the discounted cash flow valuation methodology and based on the 2015 and 2016 forecast distributions.

Discounted cash flow valuations were based on cash flow forecasts in respect of the continuing use of the cash-generating unit.

For the year ended 31 August 2014 the value in use calculations were based on the following key assumptions:

- discount rates of between 15% and 16,5%, which are based on the risk profiles and expected yields of the relevant property portfolios; and
- growth rates of between 5,75% and 7% which do not exceed forecast average long-term growth rates relative to the markets in which the cash generating units operate.

For the year ended 31 August 2013 the value in use calculations were based on the following key assumptions:

- discount rates of between 15,0% and 16,5% , which are based on the risk profiles and expected yields of the relevant property portfolios; and
- growth rates of between 5,75% and 7,0% which do not exceed forecast average long-term growth rates relative to the markets in which the cash-generating units operate.

No goodwill was impaired in either 2014 or 2013.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
5 OTHER LONG-TERM RECEIVABLES				
Loan receivable from Stretford Land Developments Proprietary Limited*	-	4 100	-	-
Prepayment on property acquisition	-	1 500	-	-
Loan receivable from Orange Farm Community Trust#	-	2 741	-	-
	-	8 341	-	-

* The loan receivable from Stretford Land Developments is receivable on transfer of Orange Farm Phase 1, within the next 12 months and thus has been transferred to current receivables.

Loan receivable from Orange Farm Community Trust was repaid.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
6 INTEREST IN SUBSIDIARIES				
Shares at cost	-	-	204 751	204 751
Loans to subsidiaries	-	-	3 718 020	3 351 584
	-	-	3 922 771	3 556 335

6.1 Shares at cost

The company has interests in the following subsidiaries:	Effective interest		Investment	
	2014 %	2013 %	2014 R'000	2013 R'000
Dipula Property Investment Trust	100	100	#	#
Mergence Africa Property Fund Proprietary Limited	100	100	41 856	41 856
Asakhe Realty Investment Fund Proprietary Limited	100	100	162 895	162 895
Mergence Africa Property Investment Trust*	100	100	#	#
Emerald Fire Investments Proprietary Limited§	100	100	#	#
			204 751	204 751

* Held through 100% interest in Mergence Africa Property Fund Proprietary Limited.

§ Held through 100% interest in Asakhe Realty Investment Fund Proprietary Limited.

Less than R1 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
6 INTEREST IN SUBSIDIARIES				
(continued)				
6.2 Loans to subsidiaries				
Mergence Africa Property Investment Trust			2 464 755	2 147 613
Dipula Property Investment Trust			748 999	744 016
Mergence Africa Property Fund Proprietary Limited			329 678	298 841
Emerald Fire Investments Proprietary Limited			133 556	136 804
Asakhe Realty Investment Fund Proprietary Limited			41 032	24 310
 The above loans are all unsecured and carry a variable rate of interest. Interest charged during the financial year ended 31 August 2014 was charged at an average rate of 9,9% (2013: 8,8%) No fixed terms of repayment have been determined. Repayment is not expected within the next 12 months.				
			3 718 020	3 351 584

The carrying amounts of the loans approximate their fair value.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
7 TRADE AND OTHER RECEIVABLES				
Trade receivables	32 130	23 316	-	-
Less: Impairment	(6 897)	(5 933)	-	-
	25 233	17 383	-	-
Deposits	8 422	4 195	-	-
Prepayments	415	198	-	-
Fees receivable from Eris Property Group Proprietary Limited and Isibonelo Property Services Proprietary Limited [#]	4 000	-	-	-
Loan receivable from Stretford Land Developments Proprietary Limited [*]	4 100	-	-	-
Other receivables	9 391	2 348	-	-
Municipal credits	3 844	2 887	-	-
Tenant recovery accruals	15 170	6 972	-	-
	70 575	33 983	-	-

^{*} The loan receivable from Stretford Land Developments is receivable on transfer of Orange Farm Phase 1, within the next 12 months and thus has been transferred to current receivables.

[#] The fees receivable from Eris Property Group Proprietary Limited and Isibonelo Property Services Proprietary Limited relates to a development fee receivable on the transfer of the Gilwell Taxi development and payment is expected in November 2015.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
8 CASH AND CASH EQUIVALENTS				
For the purpose of the cash flow statement, cash and cash equivalents comprise:				
Bank balances held at Standard Bank	31 178	21 771	97	51
Cash deposited against Standard Bank access facility	28 756	31 512	28 756	31 512
Nedbank call account to be utilised on transfer of property	840	805	840	805
	60 774	54 088	29 693	32 368

Material bank balances are with The Standard Bank of South Africa Limited who have a Fitch rating of BBB and Nedbank Limited who have a rating of BBB.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
9 INVESTMENT PROPERTY HELD-FOR-SALE				
At beginning of the year	30 250	54 987	–	–
Deferred taxation	–	(2 642)	–	–
Disposals	(28 850)	(26 445)	–	–
Transferred back to investment properties (note 2)*	–	(19 300)	–	–
Remaining held-for-sale from prior year	1 400	6 600	–	–
Revaluation of prior year non-current assets held-for-sale	–	(350)	–	–
	1 400	6 250		
Transferred from investment property (note 2)	73 400	24 000	–	–
At end of the year	74 800	30 250	–	–

Sale agreements have been concluded prior to year end for all of the properties held in non-current assets held-for-sale.

The risks and rewards of ownership pass on transfer which is expected to take place in the next financial year.

** The purchaser for a property that was held-for-sale in the prior year reneged on the agreement and the property was thus transferred back to investment property. Management have subsequently suspended plans to sell the property.*

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
10 STATED CAPITAL				
Authorised				
2 000 000 000 (2013: 2 000 000 000) ordinary shares of no par value				
Issued				
310 011 824 (2013: 287 048 366) ordinary shares of no par value	310 012	287 048	287 048	287 048
Less: 49 000 (2013: 49 000) ordinary treasury shares	(50)	(50)	-	-
	309 962	286 998	287 048	287 048
Reconciliation of movement in issued shares (A and B shares)				
Balance at beginning of year	427 852	427 852	468 940	468 940
Balance at end of year	427 852	427 852	468 940	468 940

The capital structure comprises an equal number of A and B ordinary shares.

An ordinary share is linked to an A debenture which together comprises an A-linked unit (see note 11).

An ordinary share is linked to a B debenture which together comprises a B-linked unit (see note 11).

The unissued shares are not under the control of the directors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
11 DEBENTURE CAPITAL AND DEBENTURE PREMIUM				
Authorised				
2 000 000 000 ordinary A debentures of 441 cents	8 820 000	8 820 000	8 820 000	8 820 000
2 000 000 000 ordinary B debentures of 441 cents	8 820 000	8 820 000	8 820 000	8 820 000
Issued				
153 965 561 (2013: 143 524 183) A – debentures	153 966	143 524	153 966	143 524
156 046 263 (2013: 143 524 183) B – debentures	156 046	143 524	156 046	143 524
Less: Treasury units 24 500 A debentures (2013: 24 500)	(25)	(25)	–	–
Less: Treasury units 24 500 B debentures (2013: 24 500)	(25)	(25)	–	–
	309 962	286 998	310 012	287 048
Movement for the year				
Balance at beginning of year	1 499 420	900 629	1 532 449	931 012
10 441 378 (2013: 37 967 290) A debentures issued during the year at 441 cents	46 046	167 436	46 046	167 436
12 522 080 (2013: 37 967 290) B debentures issued during the year at 441 cents	55 222	167 436	55 222	167 436
Debenture premium	89 387	273 934	89 387	273 934
Amortisation of debenture premium	(3 980)	(7 146)	(3 980)	(7 146)
Issue expenses	(1 436)	(2 869)	(108)	(223)
	1 684 659	1 499 420	1 719 016	1 532 449

Each A debenture is indivisibly linked to one A ordinary share in the share capital of the company and each B debenture is indivisibly linked to one B ordinary share in the share capital of the company.

The debentures bear interest at a rate of not less than 99% of the distributable earnings as defined in the debenture trust deed.

Initially an A debenture bore interest at a rate of 9,25% based on the initial listing price. Subsequently the interest payable escalates by 5% per annum until 31 August 2017 and at the lower of 5% or CPI thereafter.

A B debenture is entitled to the balance of the distributable income as defined in the Debenture Trust Deed, after servicing the interest on the A debentures, divided by the number of B debentures in issue.

Interest on A debentures and B debentures ("debentures") are payable on a six monthly basis.

The rights of the A debenture holders and the B debenture holders to repayment are subordinated in favour of the claims of other creditors.

The debentures are redeemable:

- at the option of the debenture holders by a debenture special resolution on or within 90 days after:
 - (1) 31 August 2041 (the "election" date); or
 - (2) the 10th anniversary of the election date; or
 - (3) every 10th anniversary of the election date thereafter subject to compliance with statutes and the requirements of the JSE, as applicable;
- at the option of the company subject to compliance with statutes and the requirements of the JSE, as applicable; and
- immediately at the option of the trustee if the company fails to adhere to the terms of the trust deed including monies owed in terms of the deed, commits an act of insolvency or disposes of, or attempts to dispose of the whole or substantially the whole of its undertaking.

Full details and the terms and conditions of the debentures are set out in the Trust Deed which is available for inspection.

12 INTEREST-BEARING LIABILITIES

The group has entered into the following loan agreements, which together with the linked unitholder capital are used to fund its investment activities.

The directors are not restricted by the Memorandum of Incorporation of the company as to the percentage of debt to net asset value that may be incurred.

Interest-bearing loans and borrowings are measured at amortised cost. The group's exposure to interest rate and liquidity risk are discussed in note 26.2.

12 INTEREST-BEARING LIABILITIES (continued)

12.1 Bank loans

12.1.1 The Standard Bank of South Africa Limited ("Standard Bank")

The company has secured a facility totalling R1,1 billion from Standard Bank.

The facility is secured by mortgage bonds of R2 billion over investment property with a carrying value of R3,1 billion.

Amount	Type of rate
R112,0 million (2013: 117,2 million)	Floating, based on 3-month Jibar plus 2,2%
R81,1 million (2013: R99,4 million)	Floating, based on prime less 0,95%
R506,7 million (2013: R506,7 million)*	Fixed
R100 million (2013: R100,0 million)	Fixed
R23,5 million (2013: R20,9 million)	Floating, based on 3-month Jibar plus 1,9%
R46,4 million (2013: R0 million)	Fixed
R11,6 million (2013: R58 million)	Floating, based on 3-month Jibar plus 2,0%
R89,5 million (2013: R0 million)	Fixed
R22,3 million (2013: R111,8 million)	Floating, based on 3-month Jibar plus 1,7%
R89,5 million (2013: R0 million)	Fixed
R22,3 million (2013: R111,8 million)	Floating, based on 3-month Jibar plus 1,9%
(R1,1) million (2013: R1,2 million)	Raising fees

* The R507 million loan expiring in August 2015 was successfully re-negotiated post year-end for a further three years.

		GROUP		COMPANY	
		2014	2013	2014	2013
		R'000	R'000	R'000	R'000
		1 103 883	1 124 627	1 103 883	1 124 627
31 August 2014					
rate	Maturity				
8,23%	17 August 2016	112 061	117 246	112 061	117 246
8,30%	17 August 2016	81 147	99 428	81 147	99 428
8,63%	17 August 2015	506 667*	506 667	506 667	506 667
9,26%	17 August 2016	100 000	100 000	100 000	100 000
7,71%	31 July 2018	23 500	20 874	23 500	20 874
9,16%	31 July 2018	46 400	–	46 400	–
7,96%	31 July 2018	11 600	58 000	11 600	58 000
8,34%	31 July 2016	89 506	–	89 506	–
7,66%	31 July 2016	22 300	111 806	22 300	111 806
9,06%	31 July 2018	89 506	–	89 506	–
7,86%	31 July 2018	22 300	111 806	22 300	111 806
		(1 104)	(1 200)	(1 104)	(1 200)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

12 INTEREST-BEARING LIABILITIES (continued)

12.1 Bank loans (continued)

12.1.2 Nedbank Limited ("Nedbank")

The company has a utilised facility totalling R513,5 million and an unutilised R340,1 million facility for future acquisitions from Nedbank.

The utilised facility is secured by mortgage bonds of R612 million over investment property with a carrying value of R1,1 billion.

Amount	Type of rate
R125 million (2013: R125 million)	Fixed
R217,1 million (Rnil million)	Floating, based on prime less 1,45%
R108,6 million (Rnil million)	Fixed
R108,6 million (Rnil million)	Floating, based on prime less 1,45%
R24,0 million (Rnil million)	Floating, based on prime less 1,45%
R91,9 million (Rnil million)	Floating, based on prime less 1,45%
R22,9 million (Rnil million)	Floating, based on prime less 1,45%
R31,7 million (Rnil million)	Floating, based on prime less 1,45%
(R2,3) million (2013: R2,5 million)	Raising fees

Total bank loans

12.2 Non-bank loans

12.2.1 Cashbuild South Africa Proprietary Limited

On acquisition of Orange Farm Phase 1, the group took over a loan to the vendor by Cashbuild.

Amount	Type of rate
R11,1 million	Fixed

Total non-bank loans

Total interest-bearing loans

Less: Current portion

Non-current interest-bearing liabilities

			GROUP		COMPANY	
			2014	2013	2014	2013
			R'000	R'000	R'000	R'000
			510 293	339 644	510 293	339 644
31 August 2014						
rate		Maturity				
8,95%		3 July 2017	125 000	125 000	125 000	125 000
N/A		N/A	-	217 100	-	217 100
9,31%		2 July 2018	108 550	-	108 550	-
7,80%		2 July 2018	108 550	-	108 550	-
7,80%		2 July 2018	24 037	-	24 037	-
7,70%		2 January 2019	91 886	-	91 886	-
7,80%		1 November 2018	22 890	-	22 890	-
7,80%		3 December 2018	31 710	-	31 710	-
			(2 330)	(2 456)	(2 330)	(2 456)
			1 614 176	1 464 271	1 614 176	1 464 271
			11 100	11 100	-	-
Current rate		Maturity				
6,50%		30 September 2027	11 100	11 100	-	-
			11 100	11 100	-	-
			1 625 276	1 475 371	1 614 176	1 464 271
			(506 667)	-	(506 667)	-
			1 118 609	1 475 371	1 107 509	1 464 271

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

13 DEFERRED TAXATION

The Fund's application to the JSE Limited for REIT status was approved on 24 June 2013. The conversion to a REIT is effective from 1 September 2013. As such, the group is not liable for capital gains tax in terms of section 25BB of the Income Tax Act.

Deferred tax on investment properties and the related straightline rental adjustment has been reduced to nil as capital gains tax will no longer apply.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
14 TRADE AND OTHER PAYABLES				
Trade payables	8 951	2 161	-	-
Accrued expenses	15 447	13 691	-	327
Tenant deposits	25 700	17 955	-	-
Municipal expenses	1 826	5 913	-	-
Tenant receipts paid in advance	21 590	9 682	-	-
Interest due on interest-bearing liabilities	8 719	2 130	8 719	2 130
Payable to vendors	623	1 208	623	1 208
VAT payable	4 720	2 863	-	-
Other payables	737	1 190	-	141
	88 313	56 793	9 342	3 806
15 NET OPERATING PROFIT/(LOSS)				
Net operating profit/(loss) includes the following income:				
Contingent turnover rental	2 458	3 658	-	-
Other income:				
- Net rental guarantee received	-	9 000	-	-
- Development fee income	4 000	3 500	-	-
- Suretyship fee	-	610	-	-
Net operating profit/(loss) includes the following charges:				
Amortisation	7 980	5 913	888	330
Auditor's remuneration	801	883	112	106
- Audit fee: Current year	644	685	112	106
- Audit fee: Prior year underprovision	157	143	-	-
- Other services	-	55	-	-
Asset management fees	12 965	8 763	-	-
Directors' fees	1 181	761	1 181	761
Property management fees	15 003	10 875	-	-
Repairs and maintenance	9 721	6 231	-	-
Trustees' remuneration	100	100	-	-

	GROUP		COMPANY	
	2014	2013	2014	2013
	R'000	R'000	R'000	R'000
16 INTEREST PAID				
Interest paid on interest-bearing liabilities	121 000	80 533	120 125	78 226
Amortisation of debt raising fees	888	330	888	330
	121 888	80 863	121 013	78 556
17 INTEREST RECEIVED				
Interest received from financial institutions	2 590	4 568	1 019	4 159
Interest received from related parties	–	–	368 288	276 700
Interest on overdue accounts	1 387	906	–	–
	3 977	5 474	369 307	280 859
	GROUP		COMPANY	
	2014	2013	2014	2013
	R'000	R'000	R'000	R'000
18 TAXATION				
Normal taxation				
Current	–	28	–	28
– current	–	–	–	–
– Adjustment to prior year	–	28	–	28
Deferred	–	(39 039)	–	–
– Current year	–	(39 039)	–	–
– Change in CGT rate	–	–	–	–
	–	(39 011)	–	28
Reconciliation between applicable taxation rate and effective taxation rate				
South African normal taxation rate applied to income/(loss) before taxation	24 655	44 873	865	1 852
Taxation effect of:				
– Fair value adjustments and straight-lining of leases	(26 447)	(45 217)	–	–
– Permanent differences: Disallowable expenditure	(866)	(2 590)	(866)	(1 850)
– Deferred tax asset (recognised)/not recognised in respect of tax losses	2 713	3 197	–	–
– Derecognition of prior year deferred taxation balance on conversion to REIT	–	(39 039)	–	–
– Other	(55)	(235)	1	26
Effective taxation	–	(39 011)	–	78

GROUP	
2014	2013 Restated
R'000	R'000

19 EARNINGS, HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS

Earnings per A-linked unit is calculated on the weighted average number of 153 798 028 A-linked units (2013: 135 074 065 A-linked units) and net earnings after taxation and interest distributions to linked unitholders of R88,1 million (2013: R199,3 million).

Earnings per B-linked unit is calculated on the weighted average number of 155 850 228 B-linked units (2013: 135 074 065 B-linked units) and net earnings after taxation and interest distributions to linked unitholders of R88,1 million (2013: R199,3 million).

Reconciliation between earnings, headline earnings and distributable earnings

Profit for the year attributable to equity holders	88 054	199 272
Debt interest	244 761	194 503
Earnings	332 815	393 775
Changes in fair value of properties (net of deferred taxation)	(69 821)	(178 872)
Changes in fair value of properties	(69 821)	(126 537)
Deferred taxation	–	(52 335)
Headline earnings attributable to linked unitholders/shareholders	262 994	214 903
Straight-line rental income accrual (net of deferred taxation)	(24 633)	(45 590)
Straight-line rental income accrual	(24 634)	(36 419)
Deferred taxation	–	(9 171)
Lease cancellation income distributed	9 492	9 511
Deferred taxation reversed on tax losses and doubtful debts provision	–	22 467
Taxation paid	–	28
Amortisation of debt raising fees	888	330
Antecedent interest	380	13 567
Distributable earnings attributable to linked unitholders (note 30)	249 121	215 216

Included in profit for the year is Rnil (2013: R9 million) received in respect of a rental guarantee.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
20 CASH GENERATED FROM/ (UTILISED IN) OPERATIONS				
Profit before taxation	88 054	160 261	3 092	6 613
Adjusted for:				
Interest paid	121 888	80 863	121 013	78 556
Interest received	(3 977)	(5 474)	(369 307)	(280 859)
Debenture interest	244 761	194 503	244 761	194 503
Other income	-	(4 100)	-	-
Fair value gain on investment property	(69 821)	(126 537)	-	-
Straightlining income accrual	(24 633)	(36 419)	-	-
Amortisation of tenant installations	3 734	3 140	-	-
Amortisation of leasing commissions	3 358	2 443	-	-
Operating income/(loss) before working capital changes	363 364	268 680	(441)	(1 187)
Working capital changes	(9 135)	(131)	(2 625)	(2 625)
Increase in trade and other receivables	(32 405)	(8 674)	-	17
Increase in trade and other payables	23 270	8 543	(2 625)	(2 642)
	354 229	268 549	(3 066)	(3 812)
21 DISTRIBUTIONS PAID				
Distributions payable at the beginning of the year	(112 652)	(76 790)	(112 652)	(76 790)
Distributions declared	(248 741)	(201 649)	(248 741)	(201 649)
Distributions payable at the end of the year	131 313	112 652	131 313	112 652
	(230 080)	(165 787)	(230 080)	(165 787)
22 TAXATION PAID				
Taxation payable at the beginning of the year	-	-	-	-
Charge per the income statement	-	(28)	-	(28)
Taxation payable at the end of the year	-	-	-	-
	-	(28)	-	(28)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
23 COMMITMENTS				
23.1 Capital commitments				
Property acquisitions	1 421 728	775 568	–	–
Capital improvements on investment properties	45 300	97 000	–	–
– approved and committed	45 300	–	–	–
– approved not yet committed	–	97 000	–	–
	1 467 028	872 568	–	–
*Dipula has signed agreements to acquire various properties:				
Redefine properties	425 000	–	–	–
Gilwell Taxi development	316 000	–	–	–
Plaza Shopping Centre	179 500	179 500	–	–
Orange Farm Phase 2	150 000	120 000	–	–
UTI Distribution Centre	140 000	–	–	–
Bushbuckridge Shopping Centre	104 180	104 180	–	–
Tsakane Corner	56 548	56 548	–	–
Govan Mbeki Place	50 500	–	–	–
Tower Mall	–	154 500	–	–
50 Hamilton	–	52 640	–	–
Randfontein Station Mall	–	46 200	–	–
Fairways on Main	–	31 000	–	–
Umgeni Business Park	–	26 000	–	–
Fairlands	–	5 000	–	–
	1 421 728	775 568	–	–

In the prior year Dipula had committed to fund 33% of the Orange Farm Community Trust's ("OFCT") 10% investment in Orange Farm Phase 2.

This would have taken the form of a maximum loan to OFCT of R20,0 million (Dipula's portion being R6,6 million) and standing surety for OFCT's loan from Standard Bank for R8,25 million (contingent liability).

In the current year the National Empowerment Trust stepped in and repaid Dipula for the R5,2 million that Dipula had loaned OFCT to date.

Dipula no longer stands surety for OFCT's loan from Standard Bank.

The Redefine properties will be settled via the issuance of R316 million worth of linked units to Redefine and the balance from bank funding.

The commitments will be funded using a combination of bank funding and capital.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
24 MINIMUM LEASE PAYMENTS RECEIVABLE				
Minimum lease payments comprise contractual rental income, excluding the straight-line lease adjustment, and operating expense recoveries due in terms of signed lease agreements on investment properties:				
– Receivable within one year	406 996	284 241	–	–
– Receivable within two to five years	823 585	436 630	–	–
– Receivable beyond five years	358 697	114 610	–	–
	1 589 278	835 481	–	–

25 CONTINGENT LIABILITIES AND GUARANTEES

Guarantees totaling R3,4 million (2013: R3,4 million) have been issued on the group's behalf by The Standard Bank of South Africa Limited to various municipal councils in lieu of deposits for services.

Dipula has signed a limited suretyship of R12 million on behalf of Stredford Land Development Proprietary Limited. The suretyship expires on practical completion of the Orange Farm Phase 2 development.

Refer to note 23 for surety of R8,25 million relating to Dipula standing surety for the Orange Farm Community Trust's obligation to Standard Bank for its 10% investment in the Orange Farm Phase 2 development that will be completed in November 2014.

In the prior year Rural Maintenance (Pty) Limited ("Rural"), which previously supplied electricity management services to the Dipula Trust, launched arbitration proceedings against Dipula and was claiming an amount of approximately R50 million. The matter did not proceed as it was amicably settled.

26 FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, long-term liabilities, amounts due from subsidiaries, and third parties, trade and other receivables, trade and other payables, debentures and linked unitholders for distribution. In respect of the aforementioned financial instruments, carrying value approximates fair value. Exposure to market, credit and liquidity risk arises in the normal course of business.

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

26 FINANCIAL RISK MANAGEMENT (continued)

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework.

The board has delegated the responsibility for developing and monitoring the group's risk management policies to the Audit and Risk Committee.

The committee reports to the board of directors on its activities. The group's Audit and Risk Committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

The group's risk management policies are established to ensure:

- improved risk management and control;
- the efficient allocation of funds to maximise returns;
- the maintenance of acceptable levels of risk within the group as a whole; and
- efficient liquidity management and control of funding costs.

26.1 Credit risk management

Credit risk

Credit risk is the risk of financial loss to the group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from tenants, cash and cash equivalents and other non-current loans.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant.

The group's widespread customer base reduces credit risk.

The majority of rental revenue is derived from properties situated in Gauteng, and thus most of the credit risk is concentrated within this province. Management has established a credit policy under which each new customer is analysed individually for credit worthiness before the group's standard payment terms and conditions are offered. When available, the the group's review includes external ratings.

Trade and other receivables relate mainly to the group's tenants and deposits with municipalities. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, size of business and existence of previous financial difficulties.

All specific doubtful debts have been impaired and at year-end, management did not consider there to be any material credit risk exposure that was not already covered by an impairment adjustment.

The quality of the remaining trade receivables is considered by management to be good and likely to be recovered.

A large portion of trade receivables are in 90+ days but management have performed detailed risk assessments on each of the tenants comprising this balance. Tenants that have payment plans in place are abiding by these terms.

26 FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk management (continued)

Trade and other receivables (continued)

The impairment adjustment at 31 August 2014 was R6,9 million (2013: R5,9 million) net of tenant deposits or guarantees held as security. The company held tenant cash deposits and guarantees with a fair value of R26 million at 31 August 2014 (2013: R18 million).

An individual account by account assessment was done based on past credit history, any prior knowledge of the debtor, insolvency or any other risks.

The specifically impaired receivables relate to tenants who have either been summonsed for non-payment, vacated the premises or who have a history of payment default.

It is expected that a portion of the specifically impaired receivables will be recovered.

	GROUP	
	2014 R'000	2013 R'000
Ageing of impaired trade receivables		
Not more than 30 days	272	399
More than 30 days but not more than 60 days	253	492
More than 60 days but not more than 90 days	371	483
More than 90 days but not more than 120 days	415	481
More than 120 days	5 586	4 078
Total	6 897	5 933
Movements on the allowance for the impairment of trade receivables are as follows:		
Opening balance	5 936	6 603
Subsidiaries acquired	–	–
Impairment losses recognised on receivables	5 005	5 394
Impairment losses reversed on receivables	–	(694)
Provision utilised during the year	(4 044)	(5 370)
Closing balance	6 897	5 933

The allowance for impaired receivables and receivables written off are included in property expenses.

Amounts charged to the allowance will be written off when all avenues for recovery have been exhausted and there is no expectation that any further cash will be received.

At reporting date no geographic area, rental sector or size of tenant had been identified as a specific credit risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

		GROUP	
		2014	2013
		R'000	R'000
26	FINANCIAL RISK MANAGEMENT (continued)		
26.1	Credit risk management (continued)		
	Trade and other receivables (continued)		
	Receivables past due but not impaired		
	Receivables are considered to be "past due" when they are uncollected one day or more beyond their contractual due date.		
	Total trade receivables (note 7) net of impairments	25 233	17 383
	Trade receivables neither past due nor impaired	–	(5 316)
	Trade receivables past due but not impaired	25 233	12 067
	As at 31 August 2014, trade receivables of R25 million (2013: R12 million) were considered past due but not impaired. These include varied customers with no recent history of payment default.		
	The ageing of these trade receivables is as follows:		
	Ageing of trade receivables past due but not impaired		
	Not more than 30 days	10 920	6 172
	More than 30 days but not more than 60 days	5 778	2 119
	More than 60 days but not more than 90 days	4 116	999
	More than 90 days	4 419	2 777
		25 233	12 067
	Maximum exposure to credit losses from receivables, after impairment	25 233	12 067
	Less: VAT	(3 099)	(1 482)
	Credit risk exposure	22 134	10 585
	Credit risk exposure mitigated through:		
	Deposits and guarantees held	(7 015)	(7 168)
	Residual exposure	15 119	3 417

Cash and cash equivalents

The group's exposure to credit risk is limited through the use of financial institutions of good standing for investment and cash-handling purposes.

Sureties

The group's policy is to provide sureties with regards to subsidiaries to the extent required in the normal course of business.

Such sureties are provided to enable the subsidiaries to obtain the funding necessary to enable them to acquire investment property or investments.

Certain sureties have been given relating to the development of Orange Farm Phase 2.

The sureties are backed by second bonds on the property.

26 FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk management (continued)

Loan to related party

Loans are only made to entities known to the directors where their recoverability is assured beyond any reasonable doubt.

Other short-term loans

Loans are only made to entities known to the directors where their recoverability is assured beyond any reasonable doubt.

26.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations relating to linked unit interest, interest-bearing liabilities and trade and other payables as they fall due. The group ensures that it always has adequate funds available and seeks to borrow for as long as possible at the lowest possible cost. Liquidity requirements are managed by monitoring forecasted cash flows and the maturity profile of financial liabilities.

The group receives rental on a monthly basis and deposits this into the access facilities of the bank loans until the cash is required to pay distributions. Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

A maturity analysis of financial assets and liabilities is set out in the table overleaf. This analysis excludes interest payments on debentures as the amounts involved are dependent on future changes in interest rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

26 FINANCIAL RISK MANAGEMENT (continued)

26.2 Liquidity risk (continued)

GROUP	Less than 1 year R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
Year ended 31 August 2014				
Financial assets				
Trade and other receivables	70 160	–	–	70 160
Cash and cash equivalents	60 774	–	–	60 774
Total financial assets	130 934	–	–	130 934
Financial liabilities				
Debenture capital	–	–	1 684 659	1 684 659
Interest-bearing liabilities	642 663	1 118 609	–	1 761 272
Trade and other payables	53 284	–	–	53 284
Linked unitholders for distribution	131 313	–	–	131 313
Total financial liabilities	827 260	1 118 609	1 684 659	3 630 528
Year ended 31 August 2013				
Financial assets				
Trade and other receivables	33 785	–	–	33 785
Other non-current receivables	–	4 100	2 741	6 841
Cash and cash equivalents	54 088	–	–	54 088
Total financial assets	87 873	4 100	2 741	94 714
Financial liabilities				
Debenture capital	–	–	1 499 420	1 499 420
Interest-bearing liabilities	117 611	1 475 371	–	1 592 982
Trade and other payables	42 119	–	–	42 119
Linked unitholders for distribution	112 652	–	–	112 652
Total financial liabilities	272 382	1 475 371	1 499 420	3 247 173

26 FINANCIAL RISK MANAGEMENT (continued)

26.2 Liquidity risk (continued)

COMPANY	Less than 1 year R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
Year ended 31 August 2014				
Financial assets				
Loans to subsidiaries	–		3 718 020	3 718 020
Cash and cash equivalents	29 693	–	–	29 693
Total financial assets	29 693	–	3 718 020	3 747 713
Financial liabilities				
Debenture capital	–	–	1 719 016	1 719 016
Interest-bearing liabilities	641 941	1 107 509	–	1 749 450
Trade and other payables	9 342	–	–	9 342
Linked unitholders for distribution	131 313	–	–	131 313
Total financial liabilities	782 596	1 107 509	1 719 016	3 609 121
Year ended 31 August 2013				
Financial assets				
Loans to subsidiaries	–	–	3 351 584	3 351 584
Cash and cash equivalents	32 368	–	–	32 368
Total financial assets	32 368	–	3 351 584	3 383 952
Financial liabilities				
Debenture capital	–	–	1 532 449	1 532 449
Interest-bearing liabilities	116 889	1 464 271	–	1 581 160
Trade and other payables	3 806	–	–	3 806
Linked unitholders for distribution	112 652	–	–	112 652
Total financial liabilities	233 347	1 464 271	1 532 449	3 230 067

26.3 Market risk

Interest rate risk

Market risk is the risk that changes in interest rate will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The group is exposed to interest rate risk through its variable rate cash balances and long-term balances (refer to managing debt section).

26 FINANCIAL RISK MANAGEMENT (continued)

26.3 Market risk (continued)

Interest rate risk (continued)

The group reduces its exposure to changes in interest rates by fixing interest rates in respect of at least 75% of its borrowings. This is achieved by entering into fixed rate loans. At year end the level of fixed rate loans was 67%, but by the time of issuing of this report the level had increased to 76%.

An increase (or decrease) of 1% in interest rates for the year ending 31 August 2014 would have decreased (increased) distributions to unitholders by approximately R5,5 million (2013: R7,4 million).

Currency risk

The group has no exposure to currency risk.

Equity price risk

The group is not exposed to equity price risk.

26.4 Fair values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable further information about the assumption made in determining fair values is disclosed in the notes specific to that asset or liability.

IFRS 7 requires that an entity disclose for each class of financial instruments measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.

The different levels have been defined as:

Level 1 – fair value is determined from quoted prices (unadjusted) in active markets for identical asset or liabilities

Level 2 – fair value is determined through the use of valuation techniques based on observable inputs, either directly or indirectly

Level 3 – fair value is determined through the use of valuation techniques using significant inputs

The debenture capital liability is a level 2 in the hierarchy.

The investment property is a level 3 in the hierarchy.

26 FINANCIAL RISK MANAGEMENT (continued)

26.5 Analysis of financial instruments by category

GROUP	Financial assets Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non- financial assets/ liabilities R'000	Total R'000
Year ended 31 August 2014				
Financial assets				
Trade and other receivables	70 160	–	415	70 575
Cash and cash equivalents	60 774	–	–	60 774
Total financial assets	130 934	–	415	131 349
Financial liabilities				
Debenture capital	–	1 684 659	–	1 684 659
Interest-bearing liabilities	–	1 625 276	–	1 625 276
Trade and other payables	–	53 284	35 028	88 313
Linked unitholders for distribution	–	131 313	–	131 313
Total financial liabilities	–	3 494 532	35 028	3 529 561
Year ended 31 August 2013				
Financial assets				
Trade and other receivables	33 785	–	198	33 983
Other non-current receivables	6 841	–	1 500	8 341
Cash and cash equivalents	54 088	–	–	54 088
Total financial assets	94 714	–	1 698	96 412
Financial liabilities				
Debenture capital	–	1 499 420	–	1 499 420
Interest-bearing liabilities	–	1 475 371	–	1 475 371
Trade and other payables	–	42 119	14 674	56 793
Linked unitholders for distribution	–	112 652	–	112 652
Total financial liabilities	–	3 129 562	14 674	3 144 236

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

26 FINANCIAL RISK MANAGEMENT (continued)

26.5 Analysis of financial instruments by category (continued)

COMPANY	Financial assets Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non- financial assets/ liabilities R'000	Total R'000
Year ended 31 August 2014				
Financial assets				
Interest in subsidiaries	3 718 020	–	204 751	3 922 771
Cash and cash equivalents	29 693	–	–	29 693
Total financial assets	3 747 713	–	204 751	3 952 464
Financial liabilities				
Debenture capital	–	1 719 016	–	1 719 016
Interest-bearing liabilities	–	1 614 176	–	1 614 176
Trade and other payables	–	9 342	–	9 342
Linked unitholders for distribution	–	131 313	–	131 313
Total financial liabilities	–	3 473 847	–	3 473 847
Year ended 31 August 2013				
Financial assets				
Interest in subsidiaries	3 351 584	–	204 751	3 556 335
Cash and cash equivalents	32 368	–	–	32 368
Total financial assets	3 383 952	–	204 751	3 588 703
Financial liabilities				
Debenture capital	–	1 532 449	–	1 532 449
Interest-bearing liabilities	–	1 464 271	–	1 464 271
Trade and other payables	–	3 806	–	3 806
Linked unitholders for distribution	–	112 652	–	112 652
Total financial liabilities	–	3 113 178	–	3 113 178

27 CAPITAL MANAGEMENT

The group considers both the equity attributable to equity holders and linked debentures as the permanent capital of the group.

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors also monitors the level of distribution to unitholders. The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the group's approach to capital management during the year.

In terms of Dipula's Memorandum of Incorporation and the trust deed, there are no restrictions on borrowings. However, to protect Dipula's exposure, the board has imposed a limit on borrowings to 45% of the total property portfolio. In practice, Dipula aims to limit borrowings to 45% of the total property portfolio.

	GROUP	
	2014 R'000	2013 R'000
Value of the property portfolio	4 191 685	3 753 244
45% thereof	1 886 258	1 688 960
Long-term borrowings utilised	(1 625 276)	(1 475 371)
Unutilised borrowings capacity	260 982	213 589

28 ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses with the Audit and Risk Committee the development, selection and disclosure of the group's critical accounting policies and estimates and the application of these policies and estimates.

Investment property

The revaluation of investment property requires judgement in the determination of future cash flows from leases and an appropriate capitalisation rate which vary between 9,0% and 13,0% (2013: 9,0% and 13,0%). Changes in the capitalisation rate attributable to changes in market conditions can have a significant impact on property valuations.

The directors have assessed the properties acquired and have concluded that in their view these acquisitions are property acquisitions in terms of IAS 40 and are therefore accounted for in terms of that standard. In the opinion of the directors these properties did not constitute a business as defined in terms of IFRS 3, as there were not adequate processes identified within these properties to warrant classification as businesses.

28 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Impairment of assets

The group tests whether assets have suffered any impairment in accordance with the accounting policy stated in note 1. The recoverable amounts of cash generating units and intangible assets have been determined based on future cash flows discounted to their present value using appropriate rates. Estimates are based on interpretation of generally accepted industry based market forecasts. (Refer to note 4).

Trade and other receivables

Management identifies impairment of trade and other receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when the collectability is considered to be doubtful. Management believes that the impairment write-off is conservative and there are no significant trade and other receivables that are doubtful and have not been written off. In determining whether a particular receivable could be doubtful, the following factors are taken into consideration:

- age;
- customer current financial status; and
- security held.

Allocation of linked units between stated capital and debentures

At the date of listing the directors considered the fair value of the debentures to be 441 cents.

The fair value of the debentures are determined based on the expected forward distributions.

The debentures are recognised as liabilities as there is a contractual obligation on the company to deliver cash to the holders in the form of distributions. The excess of the fair value above the face value of the debentures are recognised as debenture premium and will be recognised in profit or loss on the effective interest rate method over the term of the debentures. Any remaining value is recognised as stated capital.

Deferred taxation

As the group is a REIT, no provision for current tax has been provided as the group's distributable income is paid to the linked unit holders. No deferred tax has been provided on property fair value movements as no capital gains tax is payable on disposal of properties due to the REIT legislation. No deferred tax is provided on any other timing differences as the group does not expect to have taxable income in the foreseeable future.

29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related parties with whom Dipula transacted during the year were:

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Dipula Asset Management Trust				
– Asset management fee paid	12 965	8 763	–	–
– Management fees capitalised to buildings redeveloped	–	844		
Relationship: Asset manager, board representation				
Dipula Property Investment Trust				
– Interest received	–	–	76 946	72 313
– Loan receivable from related party	–	–	748 999	744 016
Relationship: Subsidiary				
Mergence Africa Property Investment Trust				
– Interest received	–	–	221 217	130 741
– Loan receivable from related party	–	–	2 464 755	2 147 613
Relationship: Subsidiary				
Asakhe Realty Investment Fund Proprietary Limited				
– Interest received	–	–	16 719	12 929
– Loan receivable from related party	–	–	41 032	24 310
Relationship: Subsidiary				
Emerald Fire Investments Proprietary Limited				
– Interest received	–	–	16 570	20 682
– Loan receivable from related party	–	–	133 556	136 804
Relationship: Subsidiary				
Mergence Africa Property Fund Proprietary Limited				
– Interest received	–	–	30 836	40 036
– Loan receivable from related party	–	–	329 678	298 841
Relationship: Subsidiary				

	GROUP		COMPANY	
	2014	2013	2014	2013
	R'000	R'000	R'000	R'000
30 DEBENTURE INTEREST				
Debenture interest payable to linked unitholders	249 121	215 216	249 121	215 216
Less: Amortisation of debenture premium	(3 980)	(7 146)	(3 980)	(7 146)
Less: Antecedent interest portion included initial value of the debenture liability	(380)	(13 567)	(380)	(13 567)
	244 761	194 503	244 761	194 503

31 RECLASSIFICATIONS IN THE COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CASH FLOWS

Following guidance given by the JSE in terms of their proactive monitoring of financial statements process, the group has reclassified the following items in the 2013 statement of comprehensive income and statement of cash flows:

- Previously, the group accounted for antecedent interest, which arises when the group issues units between distribution dates at a market price that includes accrued interest, by recognising this as interest income in the statement of comprehensive income, which is then matched to the interest expense when the group pays its next debenture distribution. Following reviews of the annual financial statements of property companies by the JSE and the Financial Reporting Investigation Panel, it was noted that this accounting treatment is incorrect, in that the antecedent interest should be added to the debenture's initial carrying amount, and this liability reduced when the cash flows of the debenture interest are made on the next distribution date. The change in this accounting treatment has no impact on profit or loss, but results in both interest received and debenture interest being reduced by R13,567 million.
- Previously, the company recognised the amortisation of debenture premium as a component of net finance income/(charges) line in the statement of comprehensive income. Following the review of the annual financial statements of certain property companies by the JSE and the Financial Reporting Investigation Panel, it was noted that this disclosure is incorrect, as the measurement of debentures and amortisation of debenture premium should result in a single amount being disclosed as the interest expense on the debentures, as the application of the effective interest rate method requires this calculation to include premiums and discounts and would therefore not result in separate disclosure items for debenture interest and debenture amortisation (refer note 30 above). The change in this accounting treatment has no impact on profit or loss, but results in both the amortisation of debenture premium and debenture interest paid being reduced by R7,146 million in the comparative statement of comprehensive income.

31 RECLASSIFICATIONS IN THE COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CASH FLOWS (continued)

The comparative figures have been restated.

While this restatement has had no impact on net profit or basic earnings for the year, on the distributions to unitholders or on the statement of financial position, the impact on basic and headline earnings per linked unit is as follows:

	Before (cents)	Restated (cents)
Basic earnings per A-linked unit	162,30	153,80
Basic earnings per B-linked unit	144,56	137,73
Headline earnings per A-linked unit	96,09	87,59
Headline earnings per B-linked unit	78,35	71,54

Set out below is the impact of the above changes based on (a) and (b) above on the comparative statement of comprehensive income and comparative statement of cash flows for the year ended 31 August 2013:

Statement of comprehensive income:

	Restated comparative 2013 R'000	Published 2013 R'000	Difference 2013 R'000
GROUP			
Profit from operations	430 153	430 153	–
Interest paid	(80 863)	(80 863)	
Interest received	5 474	19 041	(13 567)
Amortisation of debenture premium	–	7 146	(7 146)
Profit before debenture interest and taxation	354 764	375 477	(20 713)
Debenture interest	(194 503)	(215 216)	20 713
Profit before taxation	160 261	160 261	–
COMPANY			
Loss from operations	(1 187)	(1 187)	–
Interest paid	(78 556)	(78 556)	
Interest received	280 859	294 426	(13 567)
Amortisation of debenture premium	–	7 146	(7 146)
Profit before debenture interest and taxation	201 116	221 829	(20 713)
Debenture interest	(194 503)	(215 216)	20 713
Profit before taxation	6 613	6 613	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

31 RECLASSIFICATIONS IN THE COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CASH FLOWS (continued)

Statement of cash flows:

GROUP	Restated	Published	Difference
	comparative 2013 R'000	2013 R'000	2013 R'000
Net cash generated from operating activities	29 805	29 805	-
Cash generated from operations	268 549	268 549	-
Interest paid	(78 403)	(78 403)	-
Interest received	5 474	19 041	(13 567)
Distribution paid	(165 787)	(179 354)	13 567
Taxation paid	(28)	(28)	-
Net cash utilised in investing activities	(1 143 180)	(1 143 180)	-
Net cash generated from financing activities	1 005 310	1 005 310	-
Net cash movement	(108 065)	(108 065)	-
Cash at the beginning of the year	162 153	162 153	-
Cash at the end of the year	54 088	54 088	-
COMPANY			
Net cash generated from operating activities	35 136	35 136	-
Cash utilised in operations	(3 812)	(3 812)	-
Interest paid	(76 096)	(76 096)	-
Interest received	280 859	294 426	(13 567)
Distribution paid	(165 787)	(179 354)	13 567
Taxation paid	(28)	(28)	-
Net cash utilised in investing activities	(1 274 969)	(1 274 969)	-
Net cash generated from financing activities	1 125 164	1 125 164	-
Net cash movement	(114 669)	(114 669)	-
Cash at the beginning of the year	147 037	147 037	-
Cash at the end of the year	32 368	32 368	-

32 SEGMENTAL INFORMATION

The entity has three reportable segments based on the sectoral nature – these are the entity's strategic business segments. For each strategic business segments, the entity's executive directors review internal management reports on a monthly basis. All segments are located in South Africa. There are no single major customers.

The segmental information is limited:

- on the statement of comprehensive income to:
 - contractual rental income
 - property expenses
- on the statement of financial position to:
 - investment properties excluding developments
 - non-current assets held-for-sale
 - additions and disposals

All debt is negotiated at a group level and none of the subsidiaries carry any long-term debt, other than inter-company loans.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2014

32 SEGMENTAL INFORMATION (continued)

All other line items are allocated to corporate as they are not split between the subsectors above for management purposes.

2014	Retail R'000
Extracts from the statement of comprehensive income	
Rental income	235 015
Property expenses	(44 400)
Net property income	190 615
Straightline rental income accrual	2 049
Other income	5 580
Administration and corporate costs	(454)
Net operating profit	197 790
Extracts from the statement of financial position	
Investment property at year end	2 444 874
Non-current assets held-for-sale (excluding deferred taxation)	43 750
Disposals	-
2013	
Extracts from the statement of comprehensive income	
Rental income	182 963
Property expenses	(34 567)
Net property income	148 396
Straightline rental income accrual	19 697
Administration and corporate costs	-
Other income	4 276
Net operating profit	172 369
Extracts from the statement of financial position	
Investment property at year-end	2 148 314
Non-current assets held-for-sale (excluding deferred taxation)	1 400
Additions	604 383
Disposals	(15 462)

Offices R'000	Industrial R'000	Land R'000	Corporate R'000	Total R'000
182 971	43 050	-	-	461 036
(38 043)	(9 574)	-	-	(92 017)
144 928	33 476	-	-	369 019
19 032	3 552	-	-	24 633
-	-	-	-	5 580
(344)	(28)	-	(17 501)	(18 327)
163 616	37 000	-	(17 501)	380 905
1 162 027	497 235	12 750	-	4 116 886
31 050	-	-	-	74 800
(28 850)	-	-	-	(28 850)
109 445	45 893	-	-	338 301
(24 681)	(10 888)	-	-	(70 136)
84 764	35 005	-	-	268 165
11 782	4 940	-	-	36 419
-	-	-	(14 244)	(14 244)
9 000	-	-	-	13 276
105 546	39 945	-	(14 244)	303 616
1 125 055	449 625	-	-	3 722 994
28 850	-	-	-	30 250
478 542	86 257	-	-	1 169 182
(1 256)	(9 727)	-	-	(26 445)

UNITHOLDER INFORMATION

ANALYSIS OF UNITHOLDERS – A-LINKED UNITS

Unitholder spread	Number of unit-holdings	%	Number of units	%
1 – 1 000 units	26	9.59	8,629	0.01
1 001 – 10 000 units	29	10.70	133,868	0.09
10 001 – 100 000 units	83	30.63	3,820,445	2.48
100 001 – 1 000 000 units	98	36.16	31,816,392	20.66
1 000 001 units and over	35	12.92	118,186,227	76.76
Totals	271	100.00	153,965,561	100.00

Unitholder spread	Number of unit-holdings	%	Number of units	%
Banks	1	0.37	115,479	0.08
Empowerment	1	0.37	5,000	0.00
Endowment funds	11	4.06	1,924,278	1.25
Individuals	45	16.61	251,375	0.16
Insurance companies	18	6.64	10,714,322	6.96
Investment companies	1	0.37	294,447	0.19
Medical aid schemes	12	4.43	2,671,642	1.74
Mutual funds	70	25.83	94,176,128	61.17
Private companies	10	3.69	4,545,195	2.95
Retirement funds	97	35.79	38,386,852	24.93
Treasury shares	1	0.37	24,500	0.02
Trusts	4	1.48	856,343	0.56
Totals	271	100.00	153,965,561	100.00

Public/Non-public unitholders	Number of unit-holdings	%	Number of units	%
Non-public unitholders	6	2.21	4,371,193	2.84
Directors and associates of the company holdings	2	0.74	21,000	0.01
Strategic holdings	3	1.11	4,325,693	2.81
Treasury units	1	0.37	24,500	0.02
Public unitholders	265	97.79	149,594,368	97.16
Totals	271	100.00	153,965,561	100.00

ANALYSIS OF UNITHOLDERS – A-LINKED UNITS (continued)

Beneficial unitholders holding 5% or more	Number of units	%
Old Mutual	21,213,427	13.78
Coronation Balanced Plus Fund	12,245,303	7.95
Government employees Pension Fund	10,034,981	6.52
Investment solutions	9,734,524	6.32
STANLIB	9,160,690	5.95
Coronation Managed Portfolio	8,612,827	5.59
Nedbank Group	8,093,474	5.26
Coronation Capital Plus Fund	7,966,771	5.17
Totals	87,061,997	56.54

A-LINKED UNITS – TRADE ANALYSIS

Year	Month	High sale	Low sale	Number of deals	Volume	Value
2013	September	1069	1050	30	310,742	3,313,111
2013	October	1050	1047	20	532,430	5,588,963
2013	November	1050	946	57	781,427	8,136,373
2013	December	1020	967	88	742,160	7,332,796
2014	January	1000	960	84	3,811,094	36,938,377
2014	February	970	965	14	96,850	935,083
2014	March	1050	972	20	319,402	3,198,927
2014	April	1100	1050	35	110,603	1,195,951
2014	May	1100	973	36	1,634,155	17,866,438
2014	June	1100	1075	44	2,245,866	24,677,516
2014	July	1100	925	34	419,547	4,483,537
2014	August	1060	1030	16	386,193	4,023,362

JSE STATISTICS

	2014
Traded price (cents per share)	
Close	1035
High	1100
Low	925
Market capitalisation (R)	1,593,543,556
Value of shares traded (R)	117,690,433
Value traded as % of mktcap	7%
Volume of shares traded	11,390,469
Volume traded as % of number in issue	7%
Number of units in issue	153,965,561

UNITHOLDER INFORMATION (continued)

ANALYSIS OF UNITHOLDERS – B-LINKED UNITS

Shareholder spread	Number of shareholdings	%	Number of units	%
1 – 1 000 shares	28	7.49	12,542	0.01
1 001 – 10 000 shares	144	38.50	599,113	0.38
10 001 – 100 000 shares	125	33.42	4,784,299	3.07
100 001 – 1 000 000 shares	62	16.58	20,487,451	13.13
1 000 001 shares and over	15	4.01	130,162,858	83.41
Totals	374	100.00	156,046,263	100.00

Distribution of shareholders	Number of shareholdings	%	Number of units	%
Banks	1	0.27	6,092	0.00
Close corporations	3	0.80	10,800	0.01
Empowerment	2	0.53	51,040,447	32.71
Endowment funds	6	1.60	88,539	0.06
Individuals	135	36.10	1,171,093	0.75
Insurance companies	15	4.01	2,761,437	1.77
Investment companies	2	0.53	151,964	0.10
Medical schemes	7	1.87	169,057	0.11
Mutual funds	56	14.97	27,135,546	17.39
Private companies	29	7.75	6,924,997	4.44
Public company	1	0.27	38,253,504	24.51
Retirement funds	100	26.74	27,842,911	17.84
Trust	16	4.28	465,376	0.30
Treasury stock	1	0.27	24,500	0.02
Totals	374	100.00	156,046,263	100.00

ANALYSIS OF UNITHOLDERS – B-LINKED UNITS (continued)

Public/Non-public shareholders	Number of share-holdings	%	Number of units	%
Non-public shareholders	7	1.87	93,359,875	59.87
Directors and associates	2	0.53	89,167	0.06
Strategic holdings	4	1.07	93,246,208	59.76
Treasury units	1	0.27	24,500	0.06
Public shareholders	367	98.13	62,686,388	40.13
Totals	374	100.00	156,046,263	100.00

Beneficial shareholders holding 5% or more	Number of shares	%
Dipula Trust	50,000,000	32.04
Arrowhead Properties Limited	38,253,504	24.51
Government Employees Pension Fund	13,255,916	8.49
Nedbank Group	10,606,169	6.80
Totals	112,115,589	71.84

B-LINKED UNITS – TRADE ANALYSIS

Year	Month	High sale	Low sale	Number of deals	Volume	Value
2013	September	760	701	325	4,260,077	31,198,716
2013	October	960	745	61	895,817	7,291,244
2013	November	840	720	109	1,357,310	11,125,434
2013	December	794	670	61	1,135,807	8,486,845
2014	January	760	670	71	612,703	4,440,474
2014	February	800	670	45	284,860	2,002,226
2014	March	750	640	214	3,833,489	27,204,696
2014	April	800	700	143	579,589	4,527,792
2014	May	800	725	54	487,779	3,800,287
2014	June	760	700	104	1,042,828	7,544,970
2014	July	750	705	81	353,089	2,565,530
2014	August	790	702	125	1,825,931	13,198,404

UNITHOLDER INFORMATION (continued)

JSE STATISTICS

	2014
Traded price (cents per share)	
Close	790
High	960
Low	640
Market capitalisation (R)	1,232,765,478
Value of shares traded (R)	123,386,616
Value traded as % of mktcap	10%
Volume of shares traded	16,669,279
Volume traded as % of number in issue	11%
Number of units in issue	156,046,263

UNITHOLDERS' DIARY

Financial year-end	August
Preliminary annual results announcement	12 November 2014
Annual report posted	December 2014
Annual general meeting	23 February 2015
Interim results announcement	May

DEFINITIONS

"the board"	The board of directors of Dipula Income Fund Limited
"the Companies Act"	South African Companies Act No 71, of 2008, as amended
"the current year"	The year ending 31 August 2015
"Dipula" or "the company" or "the Fund"	Dipula Income Fund Limited, listed on Main Board JSE in the 'Property: Real Estate' sector
"DAMT" or "the Asset Manager"	Dipula Asset Management Trust, the asset manager of Dipula Income Fund Limited
"ESG"	Economic, social and governance
"EXCO"	Executive committee of Dipula Income Fund Limited
"Gillwell Taxi Retail Park"	Gillwell Taxi Retail Park Proprietary Limited, acquired by Dipula in January 2014. Gillwell Taxi Retail Park is a property which will be developed in East London
"GLA"	Gross lettable area, measured in square metres
"the group"	Dipula Income Fund Limited and its subsidiaries
"IFC"	Inside Front Cover
"JSE"	JSE Limited incorporating the Johannesburg Securities Exchange, the main bourse in South Africa
"King III Report"	King Report on Corporate Governance for South Africa, 2009
"PLS"	Property Loan Stock, a former JSE property investment vehicle (replaced by REIT)
"Redefine acquisition"	Dipula acquired six shopping malls from Redefine Property Limited, effective 21 August 2014
"REIT"	Real Estate Investment Trust, a JSE property investment vehicle which owns and operates income – producing property
"the previous year"	The year ended 31 August 2013
"the year" or "the year under review"	The year ended 31 August 2014

Financial definitions

"EBITDA"	Earnings before interest, taxation, depreciation and amortisation
"HEPS"	Headline earnings per share
"IFRS"	International Financial Reporting Standards

ADMINISTRATION

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

Grant Thornton PKF (Jhb) Inc.

Registration number 1994/001166/21

Registered Auditors

42 Wierda Road West

Wierda Valley, 2196

(Private Bag X10046, Sandton, 2146)

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, The Firs

Corner Cradock Avenue and Biermann Road

Rosebank, 2196

(PO Box 8786, Johannesburg, 2000)

Corporate advisor, trustee for debenture holders and sponsor

Java Capital

2 Arnold Road, Rosebank, 2196

(PO Box 2087, Parklands, 2121)

Company secretary

CIS Company Secretaries Proprietary Limited

Registration number 2006/024994/07

70 Marshall Street

Johannesburg

2001

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS AND DEBENTURE HOLDERS/ UNITHOLDERS

DIPULA INCOME FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2005/013963/06)

JSE share code: DIA ISIN: ZAE000158317

JSE share code: DIB ISIN: ZAE000158325

(Approved as a REIT by the JSE)

("Dipula" or "the company" or "the group")

Notice is hereby given that the annual general meeting of shareholders and debenture holders ("unitholders") of Dipula will be held at the offices of Dipula at Block B Dunkeld Park, 6 North Road, Dunkeld West on Monday, 23 February 2015 at 10:00 ("the annual general meeting") for the purposes of:

- A. receiving and adopting the audited consolidated annual financial statements of the company and the group for the year ended 31 August 2014 and incorporating the directors' report, the Audit and Risk Committee report and Social and Ethics Committee report. A copy of the complete consolidated annual financial statements of the company for the preceding financial year may be obtained from the company's registered office at Block B Dunkeld Park, 6 North Road, Dunkeld West, 2196;
- B. transacting any other business as may be transacted at an annual general meeting of unitholders of a company including the re-appointment of the auditors and the re-election of retiring directors; and
- C. considering and, if deemed fit, adopting, with or without modification, the special and ordinary resolutions set out below:

IMPORTANT DATES

Record date for purposes of receiving this notice:	Friday, 12 December 2014
Last day to trade in order to be eligible to participate in and vote at the annual general meeting:	Friday, 6 February 2015
Record date for purposes of voting at the meeting ("voting record date"):	Friday, 13 February 2015
Last day to lodge forms of proxy by 10:00 on:	Thursday, 19 February 2015
Annual general meeting held at 10:00 on:	Monday, 23 February 2015
Results of annual general meeting released on SENS on:	Monday, 23 February 2015

Kindly note that in terms of section 62(3) (e) of the Companies Act, 71 of 2008 ("the Act"):

- a unitholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the unitholder;
- a proxy need not also be a unitholder of the company;
- meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the annual general meeting; and
- the Chairman must be reasonably satisfied that the right of any person to participate in and vote (whether as a unitholder or as a proxy for a unitholder) has been reasonably verified.

Forms of identification include valid identity documents, drivers' licences and passports.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS AND DEBENTURE HOLDERS/ UNITHOLDERS (continued)

1. **Special resolution number 1: Financial assistance to related or inter-related parties**

"Resolved as a special resolution that, to the extent required by the section 45 of the Companies Act, 71 of 2008 ("Companies Act"), the board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in terms of section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the company for any purpose or in connection with any matter, such authority to endure until the next annual general meeting of the company."

Reason for and effect of special resolution number 1

The company would like the ability to provide financial assistance, if necessary, in accordance with section 45 of the Companies Act. This authority is necessary for the company to provide financial assistance in appropriate circumstances. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted, provided that the board of directors of the company is satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and, immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contemplated in the Companies Act. In the circumstances and in order to ensure, inter alia, that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of unitholders, as set out in special resolution number 1. Therefore, the reason for, and effect of, special resolution number 1 is to permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Companies Act) to the entities referred to in special resolution number 1 above.

This resolution will require the support of at least 75% of the voting rights exercised on it in order for it to be adopted.

2. **Special resolution number 2: Linked unit repurchases**

"Resolved as a special resolution that the company or any of its subsidiaries be and are hereby authorised by way of a general approval to acquire A linked units or B linked units ("linked units") issued by the company, in terms of sections 46 and 48 of the Companies Act, 71 of 2008 as amended (the "Companies Act") and in terms of the Listings Requirements (the "Listings Requirements") of the JSE Limited (the "JSE") being that:

- a. any acquisition of linked units shall be implemented through the order book of the JSE and without prior arrangement;
- b. this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing this special resolution;
- c. the company (or any subsidiary) is duly authorised by its Memorandum of Incorporation to do so;
- d. acquisitions of linked units in the aggregate in any one financial year may not exceed 20% (or 10% where the acquisitions are effected by a subsidiary) of the company's issued ordinary share capital as at the date of passing this special resolution;

- e. in determining the price at which linked units issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such linked units may be acquired will be 10% of the weighted average of the market value on the JSE over the five business days immediately preceding the repurchase of such linked units;
- f. at any point in time the company (or any subsidiary) may appoint only one agent to effect repurchases on its behalf;
- g. repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the Listings Requirements) unless a repurchase programme is in place (where the dates and quantities of linked units to be repurchased during the prohibited period are fixed) and has been submitted to the JSE prior to the commencement of the prohibited period;
- h. an announcement will be published as soon as the company or any of its subsidiaries have acquired linked units constituting on a cumulative basis, 3% of the number of linked units in issue prior to the acquisition pursuant to which the aforesaid threshold is reached and for each 3% in aggregate acquired thereafter, containing full details of such acquisitions; and
- i. the board of directors of the company must resolve that the repurchase is authorised, the company and its subsidiaries have passed the solvency and liquidity test, as set out in section 4 of the Companies Act, and since that test was performed, there have been no material changes to the financial position of the group."

In accordance with the Listings Requirements the directors record that although there is no immediate intention to effect a repurchase of the linked units of the company, the directors will utilise this general authority to repurchase linked units as and when suitable opportunities present themselves, which may require expeditious and immediate action.

The directors undertake that, after considering the maximum number of linked units that may be repurchased and the price at which the repurchases may take place pursuant to the linked unit repurchase general authority, for a period of 12 months after the date of notice of this annual general meeting:

- the company and the group will, in the ordinary course of business, be able to pay its debts;
- the consolidated assets of the company and the group fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the company and the group fairly valued in accordance with International Financial Reporting Standards; and
- the company's and the group's share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the integrated annual report, is provided in terms of paragraph 11.26 of the Listings Requirements for purposes of this general authority:

- Major beneficial unitholders – pages 143 and 145.
- Capital structure of the company – page 111 to 113 (notes 10 and 11)

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS AND DEBENTURE HOLDERS/ UNITHOLDERS (continued)

Directors' responsibility statement

The directors whose names appear on pages 17 and 18 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the Companies Act and the Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated annual report of which this notice forms part, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the financial year ended 30 September 2014 and up to the date of this notice.

Reason for and effect of special resolution 2

The reason for and effect of special resolution 2 is to afford the directors of the company (or a subsidiary of the company) general authority to effect a repurchase of the company's linked units on the JSE.

Linked unitholders are advised that in line with current market practice, Dipula may seek linked unitholder approval to convert the company's linked unit capital structure into an all share structure. Should such capital conversion be implemented while any of the authorities granted to the company in terms of the resolutions set out in this notice of annual general meeting remain operative, the relevant authorities shall apply *mutatis mutandis* to the company's securities as constituted, post any such capital conversion.

This resolution will require the support of at least 75% of the voting rights exercised on it in order for it to be adopted.

3. Ordinary resolution number 1: Confirmation of appointment of director

"Resolved that the appointment of SA Holliday as director (effective 27 May 2014) be confirmed."

An abridged *curriculum vitae* is included in the integrated annual report of which this notice forms part.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

4. Ordinary resolution number 2: Re-election of BH Azizollahoff as director

"Resolved that BH Azizollahoff who retires as a director in terms of the company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be re-elected as a director of the company."

An abridged *curriculum vitae* is included in the integrated annual report of which this notice forms part.

The board has considered BH Azizollahoff's past performance and contribution to the company and recommends that BH Azizollahoff is re-elected as a director of the company.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

5. Ordinary resolution number 3: Re-election of NS Gumede as director

"Resolved that NS Gumede who retires as a director in terms of the company's Memorandum of Incorporation and who, being eligible, offers himself for re-election, be re-elected as a director of the company."

An abridged *curriculum vitae* is included in the integrated annual report of which this notice forms part.

The board has considered NS Gumede's past performance and contribution to the company and recommends that NS Gumede is re-elected as a director of the company.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

6. Ordinary resolution numbers 4.1 to 4.3: Re-appointment of members of the Audit and Risk Committee

6.1 Ordinary resolution number 4.1: Re-appointment of Y Waja as a member of the Audit and Risk Committee

"Resolved that Y Waja, an independent non-executive director, be re-appointed as a member and chairman of the Audit and Risk Committee."

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

6.2 Ordinary resolution number 4.2: Re-appointment of BH Azizollahoff as a member of the Audit and Risk Committee

"Resolved that BH Azizollahoff, an independent non-executive director, be re-appointed as a member of the Audit and Risk Committee."

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

1.6.3 Ordinary resolution number 4.3: Re-appointment of E Links as a member of the Audit and Risk Committee

"Resolved that E Links, an independent non-executive director, be re-appointed as a member of the Audit and Risk Committee."

These resolutions will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

1.7 Ordinary resolution number 5: Re-appointment of auditors

"Resolved that Grant Thornton, together with Rudi Huiskamp be re-appointed as the auditors of the company."

The Audit and Risk Committee has nominated for appointment as auditors of the company under section 90 of the Companies Act 71 of 2008, Grant Thornton.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS AND DEBENTURE HOLDERS/ UNITHOLDERS (continued)

8. Ordinary resolution number 6: Authority to place unissued linked units under the control of the directors

"Resolved that up to a maximum of 10% of the issued linked units of the company be and are placed under the control of the directors of the company which directors are hereby authorised and empowered to allot, issue and otherwise dispose of such linked units to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit subject to the provisions of the Companies Act 71 of 2008, any debenture trust deed entered into by the company, the Memorandum of Incorporation of the company and the JSE Listings Requirements, provided that the maximum discount at which linked units may be issued is 5% of the weighted average price on the JSE of those linked units over 30 days prior to the date that the price of the issue is agreed between the company and the party subscribing for the linked units, adjusted for a dividend where the ex date in respect of the dividend occurs during the 30-day period in question."

Linked unitholders are advised that in line with current market practice, Dipula may seek linked unitholder approval to convert the company's linked unit capital structure into an all share structure. Should such capital conversion be implemented while any of the authorities granted to the company in terms of the resolutions set out in this notice of annual general meeting remain operative, the relevant authorities shall apply *mutatis mutandis* to the company's securities as constituted, post any such capital conversion.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

9. Ordinary resolution 7: Specific authority to issue linked units pursuant to a reinvestment option

"Resolved that, subject to the provisions of the Companies Act, the company's Memorandum of Incorporation and JSE Listings Requirements, the directors be and are hereby authorised by way of a specific standing authority to A linked units and B linked units, as and when they deem appropriate, for the exclusive purpose of affording linked unitholders opportunities from time to time to elect to reinvest their distributions in new linked units of the company pursuant to a reinvestment option."

Linked unitholders are advised that in line with current market practice, Dipula may seek linked unitholder approval to convert the company's linked unit capital structure into an all share structure. Should such capital conversion be implemented while any of the authorities granted to the company in terms of the resolutions set out in this notice of annual general meeting remain operative, the relevant authorities shall apply *mutatis mutandis* to the company's securities as constituted, post any such capital conversion.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

10. Ordinary resolution number 8: Signature of documentation

"Resolved that a director of the company or the company secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of ordinary resolutions numbers 1, 2, 3, 4, 5, 6 and 7 and special resolutions number 1 and 2 which are passed by the linked unitholders with and subject to the terms thereof."

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

VOTING AND PROXIES

Any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a unitholder/as a proxy for a unitholder) has been reasonably verified.

A unitholder of the company entitled to attend, speak and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and to vote in his stead. The proxy need not be a unitholder of the company.

On a show of hands, every unitholder of the company present in person or represented by proxy shall have one vote only. On a poll, every unitholder of the company present in person or represented by proxy shall have one vote for every linked unit in the company held by such unitholder.

A form of proxy is enclosed for the convenience of certificated and own-name dematerialised unitholders holding linked units in the company who cannot attend the annual general meeting but wish to be represented thereat.

Such unitholders must complete and return the attached form of proxy and lodge it with the transfer secretaries of the company, Link Market Services South Africa Proprietary Limited at 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg 2000) to be received by no later than 10:00 on Thursday, 19 February 2015. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the unitholder subsequently decide to do so.

Dematerialised unitholders who have not elected own-name registration in the sub-register of the company through a Central Securities Depository Participant ("CSDP") and who wish to attend the annual general meeting, must instruct the CSDP or broker to provide them with the necessary authority to attend.

Dematerialised unitholders who have not elected own-name registration in the sub-register of the company through a CSDP and who are unable to attend, but wish to vote at the annual general meeting, must timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that unitholder and the CSDP or broker. Such unitholders are advised that they must provide their CSDP or broker with separate voting instructions in respect of the shares and the debentures in terms of their linked units.

ELECTRONIC PARTICIPATION

The company has made provision for shareholders or their proxies to participate electronically in the annual general meeting by way of telephone conferencing. Should you wish to participate in the annual general meeting by telephone conference call as aforesaid, you, or your proxy, will be required to advise the company thereof by no later than 10:00 on Thursday, 19 February 2015 by submitting by e-mail to the company secretary at pbs@probitysecretaries.co.za or by fax to be faxed to +27 11 327 7149, for the attention of Neville Toerien, relevant contact details, including:

- an e-mail address;
- cellular number and landline; and
- full details of the shareholder's title to securities issued by the company and proof of identity;
 - for certificated ordinary shares – copies of identity documents and share certificates; and
 - for dematerialised ordinary shares – written confirmation from the shareholder's CSDP confirming the shareholder's title to the dematerialised ordinary shares.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS AND DEBENTURE HOLDERS/ UNITHOLDERS (continued)

Upon receipt of the required information the shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the annual general meeting. Shareholders must note that access to the electronic communication will be at the expense of the shareholders who wish to utilise the facility. Shareholders and their appointed proxies attending by conference call will not be able to cast their votes at the annual general meeting through this medium.

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, or posted or faxed to the transfer secretaries Link Market Services South Africa Proprietary Limited, to be received at least 48 hours prior to the annual general meeting. Any unitholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the unitholder subsequently decide to do so.

By order of the board

CIS Company Secretaries Proprietary Limited

Company Secretary

Registered office and business address

Block B, Dunkeld Park
6 North Road, Dunkeld West, 2196
PO Box 875, Parklands, 2121

Transfer Secretaries

Link Market Services South Africa Proprietary Limited
13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001
PO Box 4844, Johannesburg, 2000

FORM OF PROXY OF SHAREHOLDERS/UNITHOLDERS

DIPULA INCOME FUND LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number 2005/013963/06)
 JSE share code: DIA ISIN: ZAE000158317
 JSE share code: DIB ISIN: ZAE000158325
 (Approved as a REIT by the JSE)
 ("Dipula" or "the company")

Each of the linked units comprises one ordinary share and one debenture. Certificated and own-name dematerialized shareholders/unitholders are therefore advised that they must complete a form of proxy for certificated and own-name dematerialised shareholders/unitholders in order for their vote/s to be valid.

This form of proxy is for use by the holders of the company's certificated linked units ("certificated unitholders") and/or dematerialised linked units held through a Central Securities Depository Participant ("CSDP") or broker who have selected own name registration and who cannot attend but wish to be represented at the annual general meeting of the company at the offices of Dipula at Block B Dunkeld Park, 6 North Road, Dunkeld West on Monday, 23 February 2015 at 10:00 or any adjournment, if required. Additional forms of proxy are available at the company's registered office.

Not for the use by holders of the company's dematerialised linked units who have not selected own-name registration. Such unitholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting but wish to be represented thereat, in order for the CSDP or broker to vote in accordance with their instructions.

I/We (Name in block letters)

of (Address)

being the registered holder/s of A-linked units and/or B-linked units in Dipula,

hereby appoint: of or failing him,

the Chairman of the annual general meeting, as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done, the proxy will vote as he thinks fit.

	In favour of	Against	Abstain
1. Special resolution number 1: General authority for the company to grant financial assistance to related or inter-related companies			
2. Special resolution number 2: Linked units repurchase			
3. Ordinary resolution number 1: To confirm the appointment of SA Holliday as a director of the company			
4. Ordinary resolution number 2: To re-elect BH Azizollahoff as a director of the company			
5. Ordinary resolution number 3: To re-elect NS Gumede as a director of the company			
6. Re-appointment of members of the Audit and Risk Committee:			
6.1 Ordinary resolution number 4.1: To re-appoint Y Waja as a member of the Audit and Risk Committee			
6.2 Ordinary resolution number 4.2: To re-appoint BH Azizollahoff as a member of the Audit and Risk Committee			
6.3 Ordinary resolution number 4.3: To re-appoint E Links as a member of the Audit and Risk Committee			
7. Ordinary resolution number 5: To re-appoint Grant Thornton as auditors of the company			
8. Ordinary resolution number 6: Authority to place unissued linked units under the control of the directors			
9. Ordinary resolution number 7: Specific authority to issue linked units pursuant to a reinvestment option			
10. Ordinary resolution number 8: To authorise the signature of documentation			

Signed this _____ day of _____ 2015

Signature _____

Assisted by (if applicable) _____

Please read the notes on the reverse.

NOTES TO FORM OF PROXY OF SHAREHOLDERS/ UNITHOLDERS

1. Each of the linked units comprises one ordinary share and one debenture. Certificated and own-name dematerialised shareholders/unitholders are therefore advised that they must complete a form of proxy for certificated and own-name dematerialised shareholders/unitholders in order for their vote/s to be valid.
2. This form of proxy is to be completed only by those members who are holding linked units in certificated form or recorded in the sub-register in electronic form in their "own name".
3. Each unitholder is entitled to appoint one or more proxies (none of whom need to be a unitholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
4. Unitholders who are certificated or own-name dematerialised unitholders may insert the name of a proxy or the names of two alternate proxies of the unitholder's choice in the space/s provided, with or without deleting "the Chairman of the annual general meeting", but any such deletion must be initialled by the shareholders. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy, the Chairman shall be deemed to be appointed as the proxy.
5. A unitholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the unitholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the Chairman, to vote or abstain from voting as deemed fit and in the case of the Chairman to vote in favour of any resolution.
6. A unitholder or his proxy is not obliged to use all the votes exercisable by the unitholder, but the total of the votes cast or abstained from may not exceed the total of the votes exercisable in respect of the linked units held by the unitholder.
7. Forms of proxy must be lodged at, or posted to the transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received at least 48 hours prior to the annual general meeting.
8. The completion and lodging of this form of proxy will not preclude the relevant unitholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such unitholder wish to do so. Where there are joint holders of linked units, the vote of the first joint holder who tenders a vote as determined by the order in which the names stand in the register of unitholders, will be accepted. In addition to the foregoing, a unitholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the unitholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
9. Where there are joint holders of any linked units, only that holder whose name appears first in the register in respect of such linked units needs to sign this form of proxy.
10. The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the Chairman is satisfied as to the manner in which the unitholder concerned wishes to vote.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Link Market Services South Africa (Proprietary) Limited or waived by the Chairman of the annual general meeting.
12. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
13. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
14. The foregoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, No. 71 of 2008, as amended.

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

Grant Thornton (Jhb) Inc.
(Registration number 1994/001166/21)
Registered Auditors
42 Wierda Road West
Wierda Valley, 2196
(Private Bag X10046, Sandton, 2146)

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, The Firs
Corner Cradock Avenue and Biermann Road
Rosebank, 2196
(PO Box 8786, Johannesburg, 2000)

Corporate advisor

Java Capital Proprietary Limited
2 Arnold Road, Rosebank, 2196
(PO Box 2087, Parklands, 2121)

Company secretary

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

Trustee for debenture holders and sponsors

Java Capital Trustees and Sponsors Proprietary
Limited
2 Arnold Road
Rosebank, 2196
(PO Box 2087, Parklands, 2121)



www.dipula.co.za