



FR
FIRESTATION
ROSEBANK

27FOUR
TSENSE
RUBY ROCK INVESTMENTS
TABIS TRADE SOLUTIONS
BATHO
CURRENCY PARTNERS
LUTHER CAPITAL

 **dipula**
INCOME FUND
Sustainable Property Returns

INTEGRATED ANNUAL REPORT **2018**

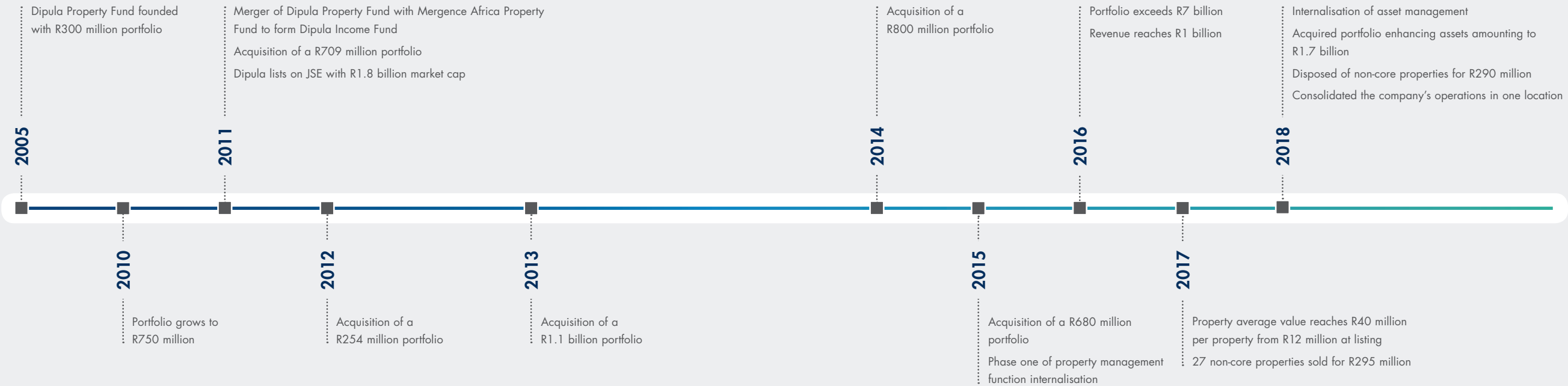
CONTENTS

1	2	3	4	5	6	7
ABOUT DIPULA	GROUP OVERVIEW	OUR STRATEGIC APPROACH	PERFORMANCE REVIEW	ACCOUNTABILITY	ANNUAL FINANCIAL STATEMENTS	SHAREHOLDER INFORMATION

About this report	4	Overview	10	Strategy	24	Five-year review	36
Key facts	6	Portfolio snapshot	12	The market in which we operate	25	Leadership report	38
Investment case	6	Business model	20	Three-year plan	27	Financial review	41
Highlights	7			Strategy scorecard	28	Sustainability	46
				Objectives achieved	29		
				Performance drivers	30		
				Risk management	31		

Directorate	52	Annual financial statements	74	Shareholder analysis	164
Stakeholder engagement	54			JSE statistics	168
Governance	56			Shareholders' diary	168
Remuneration report	64			Definitions	169
Social and ethics committee report	73			Corporate information	IBC

OUR MILESTONES



ABOUT DIPULA

About this report	4
Key facts	6
Investment case	6
Highlights	7



Firestation Rosebank

Date of establishment of original fire station: 1930's.

Interesting fact: The fire station is still being used for emergencies for the Rosebank Gautrain Station.

Office development completed April 2018. Dipula acquired three floors in the property.



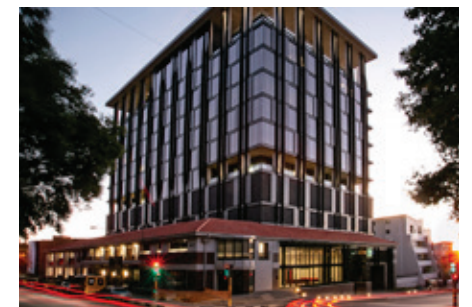
Office



16 Baker Street,
Rosebank



GLA: 4 259 m²



ABOUT THIS REPORT

Basis of preparation

The annual financial statements have been prepared in accordance with IFRS, the requirements of the Companies Act, the JSE Listings Requirements 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 principles in the King IV Report.

Scope of this report

This, our seventh integrated annual report, presents the financial results and the ESG performance of the group for the year 1 September 2017 to 31 August 2018, and follows our prior integrated annual report published in December 2017. It is primarily targeted at current shareholders, potential new investors, fund and asset managers, funders, tenants, potential property vendors and employees.

The content included in this integrated annual report endeavours to identify and explain the material issues faced by the group. These have been determined by assessing issues critical to achieving strategic objectives, identified risks and feedback from stakeholders. The following have therefore been identified as material to the group:

- Growth in dividends per share;
- Property valuations and growth in NAV;

- Occupancy levels;
- Negative rental reversions;
- Acquisition of new assets;
- Arrears and bad debts; and
- Access to capital.

We endeavour to discuss these material issues throughout this integrated annual report and in specific in the *Our strategic approach* section on pages 22 to 33. 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.

Significant events during reporting period

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

- The group acquired portfolio enhancing assets amounting to R1.7 billion;
- Disposed of seven non-core properties for R290 million at an average yield of 9.2%;
- Internalised a further 40% of previously externally managed properties, bringing the total to 97%;
- Consolidated the company's operations into one location;
- Spent R195 million on capital expenditure and redevelopments;
- Refinanced R557 million debt and raised new debt of R480 million; and
- Raised R790 million equity capital.

Key JSE information

Registration number: 2005/013963/06
DIA ISIN: ZAE000203378
DIB ISIN: ZAE000203394
JSE-listed REIT: 1 September 2013
JSE share codes: DIA and DIB

Date listed: 17 August 2011
B-BBEE: Level 6
Market capitalisation: R4.8 billion
Closing price (31 August 2018): DIA: R9.60
DIB: R8.45

Assurance

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

Business process	Annual financial statements	Property valuations
Nature of assurance	Unqualified audit	Valuation report
Status	Assured	Assured
Assurance provider	Deloitte & Touche	Various independent valuers
Disclosure in integrated report	Page 81	Page 109

Corporate information and stakeholder feedback

The group's contacts are Izak Petersen, izak@dipula.co.za (Chief Executive) and Ridwaan Asmal, ridwaan@dipula.co.za (Financial Director). They can be contacted at the registered office of the company (see inside back cover).

Dipula's integrated annual report 2018 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

Dipula's board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its collective mind and, in its opinion, this integrated report addresses all material matters, offers a balanced view of its strategy, and how it relates to the organisation's ability to create value in the short, medium and long term. We, as the board, believe that this report has been prepared

in accordance with the International Integrated Reporting Framework.

Forward-looking statement

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 August 2018. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements.

The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation.



IS Petersen
Chief Executive



R Asmal
Financial Director



Z Matlala
Chairperson



Y Waja
Independent
non-executive director



Brian Azizollahoff
Independent
non-executive director



Syd Halliday
Independent
non-executive director



Elias Links
Independent
non-executive director



KEY FACTS

Portfolio

R8.6 billion

Diversified



Retail



Offices



Industrial

203

properties

Footprint across nine provinces

– Gauteng bias

Average property size

4 584 m² valued
at R41 million

Market capitalisation

R4.8 billion

INVESTMENT CASE

SA-focused

Geographically and
sectorally diverse

Defensive portfolio
(predominantly
retail tenancies)

Blue-chip tenant
base

Internalised
management

Conservative
interest rate
hedging
(87% hedged)

Above CPI
contractual
escalations

A and B-shares to
meet different risk
appetites

HIGHLIGHTS



Property portfolio
R8.6 billion
up 25%



Non-core
disposals of
R290 million



Vacancies
down to
7.5%



Reduction in
office vacancies
of **51%**



Capital raise of
R790 million
(32% oversubscribed)



Distributable
earnings
R504.2 million
up 17.8%



Market
capitalisation
R4.8 billion
up 9%



A-share dividend
105.80560
cents per share
up 4.45%



B-share dividend
99.67872
cents per share
up 4.38%

GROUP OVERVIEW

Overview	10
Portfolio snapshot	12
Business model	20

Meadowpoint Shopping Centre

The area originated with the introduction of the Natives Resettlement Act, Act No 19 of 1954. The township is part of greater Soweto area.

Dipula acquired the centre in December 2014 and completed its renovation in July 2018.

Anchor tenants include Pick n Pay, P & L Hardware and Roots Butchery.



-  Retail
-  Zone 2, Meadowlands, Soweto
-  GLA: 7 100 m²



OVERVIEW

About Dipula

Dipula is a South African focused REIT listed on the JSE's Main Board since August 2011. In the seven years since listing Dipula's portfolio grew by a compounded 21% per annum, from R2.1 billion to R8.6 billion and the average value per asset increased from R12 million to R41 million. Dipula tactically reduced its office property exposure from 40% to 14% in GLA terms.

It trades under the share codes DIA and DIB. DIA denotes Dipula A-shares which are entitled to a preferred income growth of the lower of 5% or CPI at the end of the reporting period. DIB denotes Dipula B-shares which receive the remaining net distributable income. Other than the above distinction, both shares rank equally in all respects.

The company owns a diversified R8.6 billion property portfolio, comprising 203 retail, office and industrial properties. The portfolio is currently weighted towards retail, which accounts for 66% of rental income. The properties are located across all nine provinces of South Africa, with the majority in Gauteng, which accounts for 64% of rental income.

Dipula operates out of its Johannesburg office and employs 76 people. Our strategic focus is to continue growing and improving our portfolio through enhancing acquisitions, the disposal of non-core assets and the upgrade, refurbishment and redevelopment of key properties in order to increase their economic life cycle.

Dipula's portfolio
grew by a
compounded
21% per annum

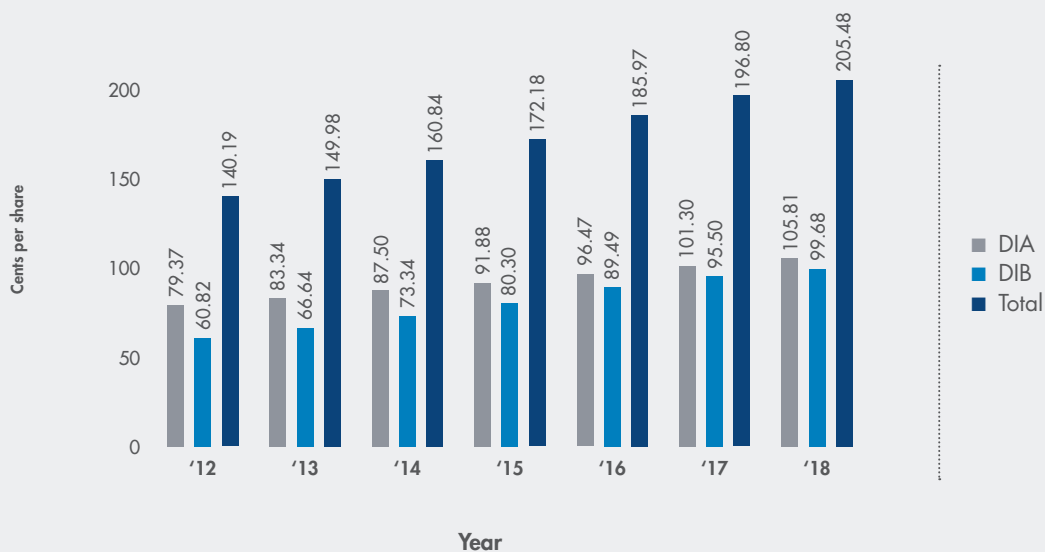
Average value
per asset
increased from
R12 million to
R41 million

Tactically reduced
its office property
exposure from
40% to **14%** in
GLA terms

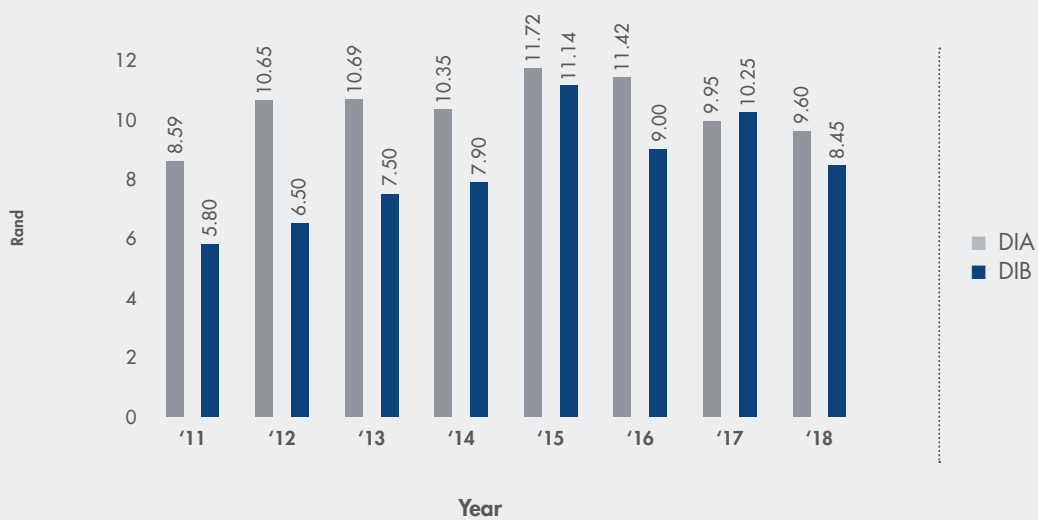


Firestation Rosebank

Distribution growth



Share price history



PORTFOLIO SNAPSHOT

Total portfolio **R8.6 billion**

The diversified R8.6 billion property portfolio comprises **203 retail, office and industrial properties.**

Portfolio top 10 properties

Building	Gillwell Taxi Retail Park	SAPS VIP	Chilli Lane	Kerk Street Johannesburg	Nquthu Plaza	Umzimkhulu Mall	Gezina Galleries	Kopanong Shopping Centre	Corporate Park II Polokwane	Bochum Plaza
Region	Eastern Cape	Gauteng	Gauteng	Gauteng	KwaZulu-Natal	KwaZulu-Natal	Gauteng	Gauteng	Limpopo	Limpopo
Property type										
GLA (m²)	22 090	21 478	13 607	9 147	14 912	15 853	16 670	10 767	28 058	12 081
Property value (R'm)	318.9	295.5	277.0	230.0	222.4	221.5	200.3	190.4	184.0	178.5
Value per m² (R/m²)	14 436	13 758	20 356	25 144	14 914	13 972	12 015	17 683	6 557	14 775
% of total portfolio	3.7%	3.4%	3.2%	2.7%	2.6%	2.6%	2.3%	2.2%	2.1%	2.1%

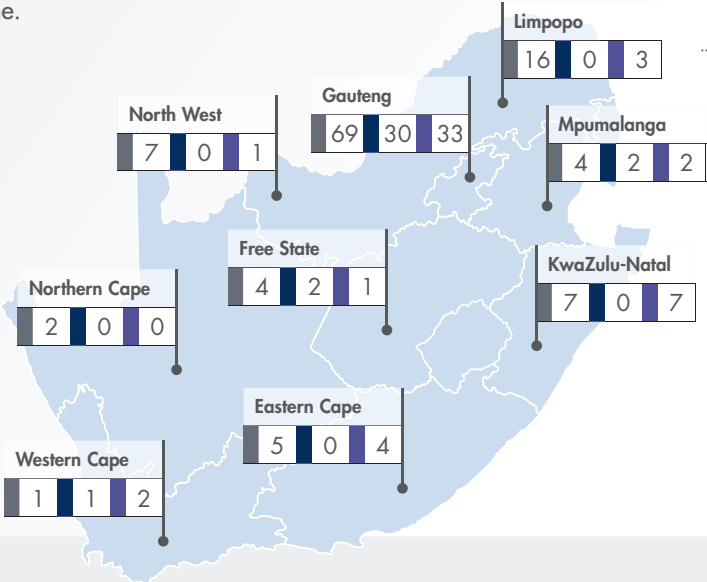
Key indicators

	Retail	Office	Industrial	Total
Number of properties	115	35	53	203
Portfolio value (R'm)	5 379	1 717	1 220	8 316*
GLA (m²)	464 914	131 037	334 693	930 644*
Average value per m² (R/m²)	11 570	13 107	3 645	8 936
Vacancy (%)	8.1	9.2	5.8	7.5
Weighted average monthly gross rental by GLA (R/m²)	120.67	122.08	33.91	88.58
Weighted average monthly gross rental by income (R/m²)	141.32	133.16	48.92	126.29
Weighted average escalation by GLA (%)	7.3	8.1	7.9	7.6
Weighted average escalation by income (%)	7.5	7.9	7.8	7.6

* Excluding NCI and land.

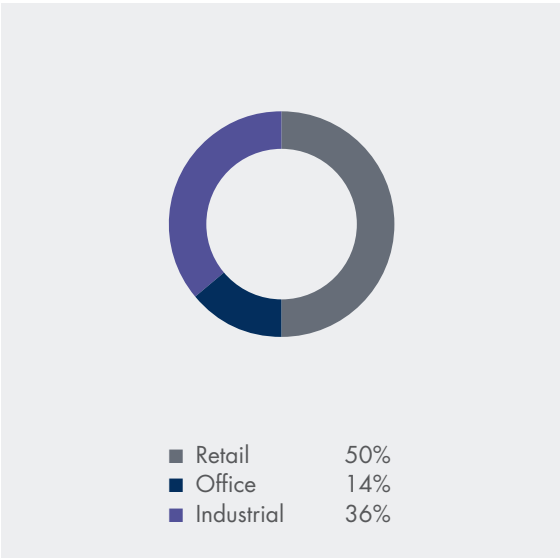
Average annualised property yield was **9.7% on the year-end property portfolio valuation.**

The portfolio is currently weighted towards retail, which accounts for 66% of rental income. The properties are located across all nine provinces of South Africa – with the majority in Gauteng, which accounts for 64% of rental income.

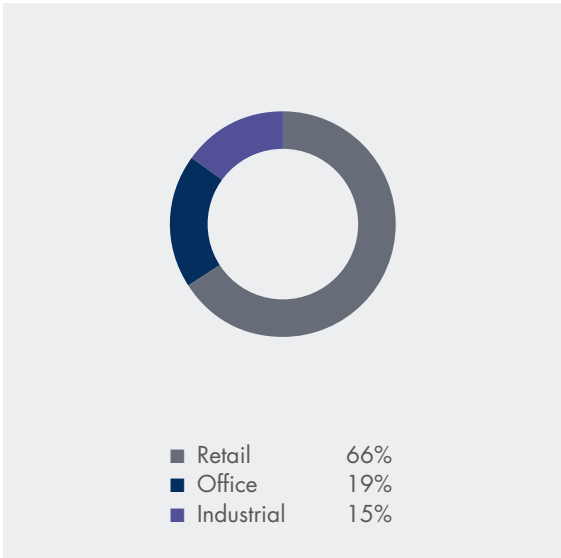


PORTFOLIO SNAPSHOT

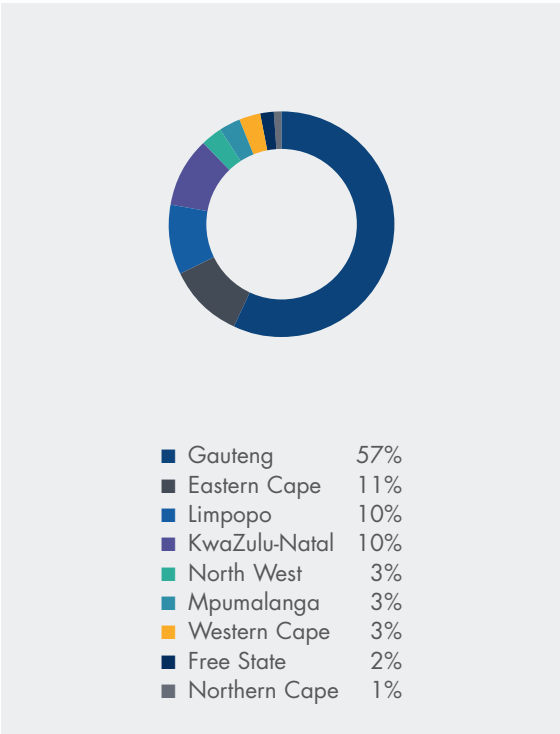
Sectoral profile by GLA (%)



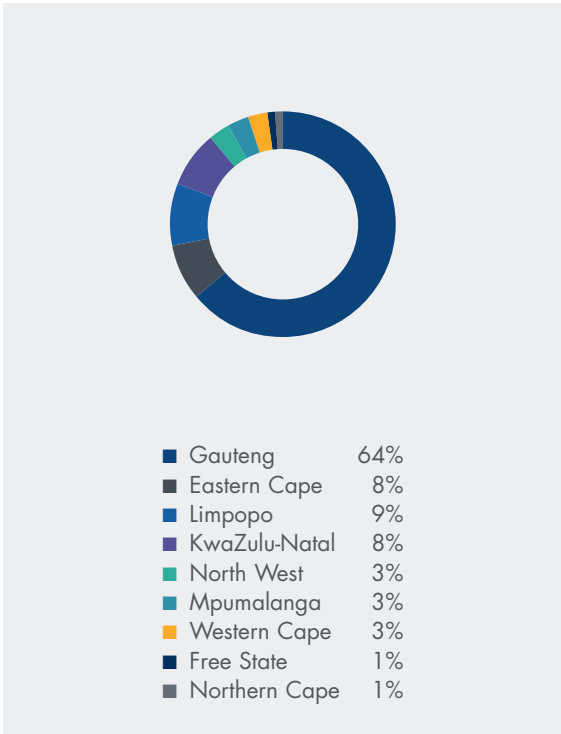
Sectoral split by gross rental income (%)



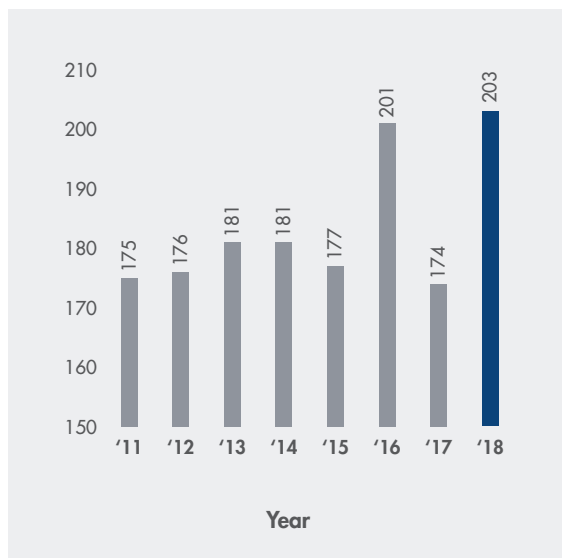
Geographic profile by GLA (%)



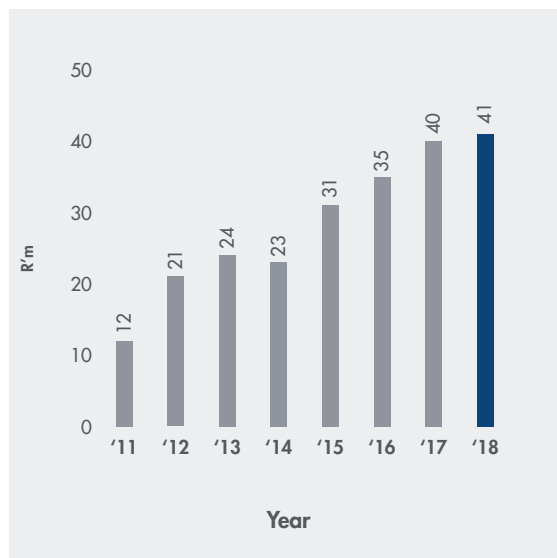
Geographic split by gross rental income (%)



Number of properties



Average property value



Portfolio indicators



Portfolio size



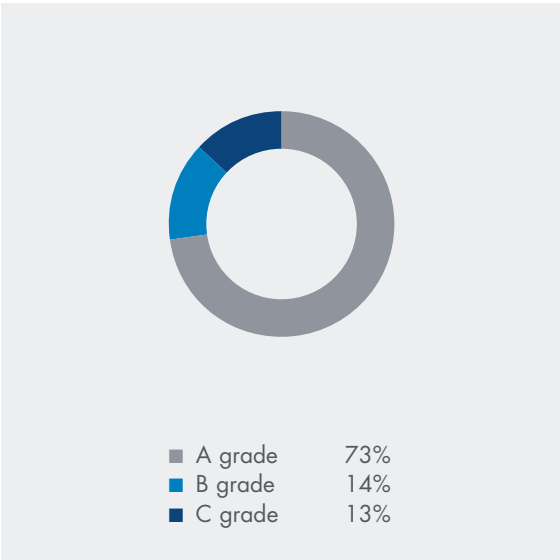
PORTFOLIO SNAPSHOT (CONTINUED)



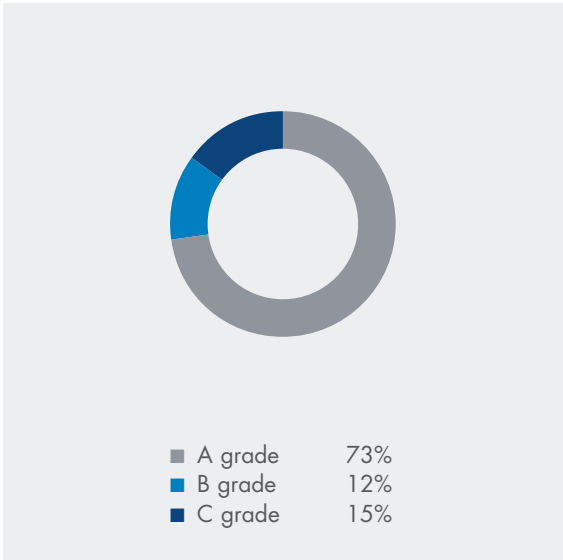
Tenant quality

Tenants in the portfolio are majority A grade, which underpins our distinct quality and collectability of income. As a result we consider the risk of default on rentals low relative to the size of the company.

Tenant grading by GLA (%)



Tenant grading by rental income (%)



A

Large national tenants, large listed tenants, government and major franchises.

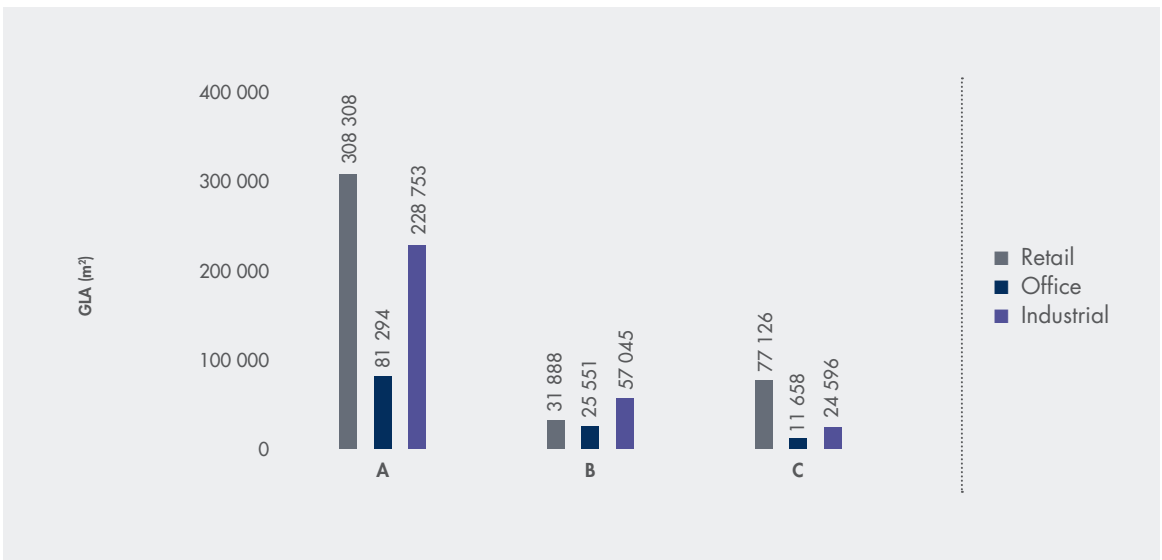
B

National tenants, listed tenants, franchisees, medium to large professional firms.

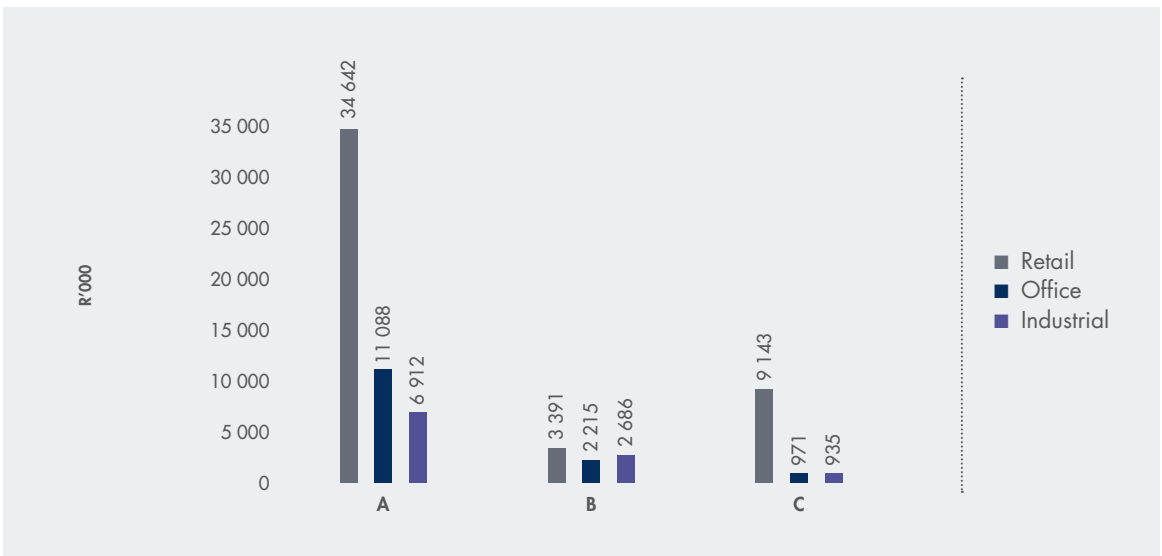
C

Other (596 tenants).

Tenant grade by GLA



Tenant grade by rental income



PORTFOLIO SNAPSHOT (CONTINUED)



Occupancy

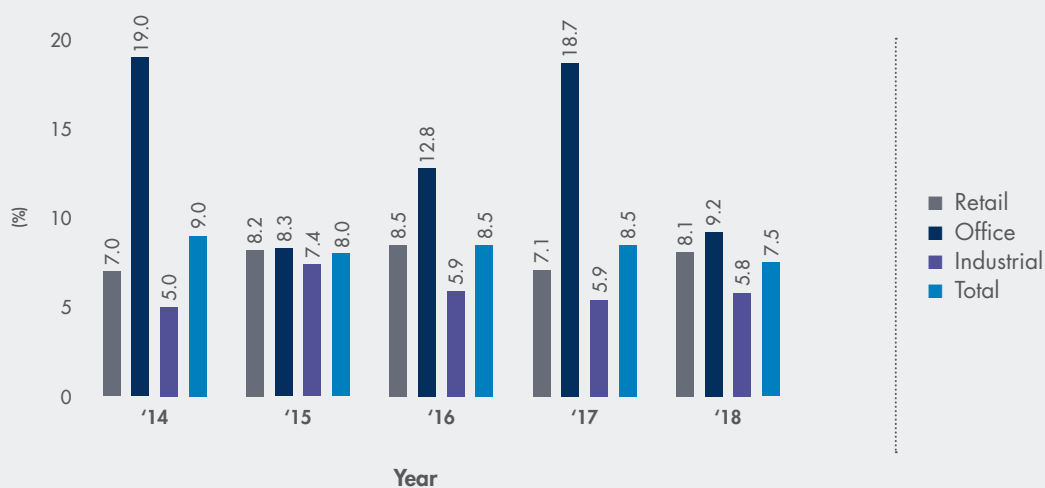
Vacancies dropped from 8.5% to 7.5% in spite of challenging economic conditions due to:

Intense management

Tenant centric approach

Service orientation

Vacancy profile

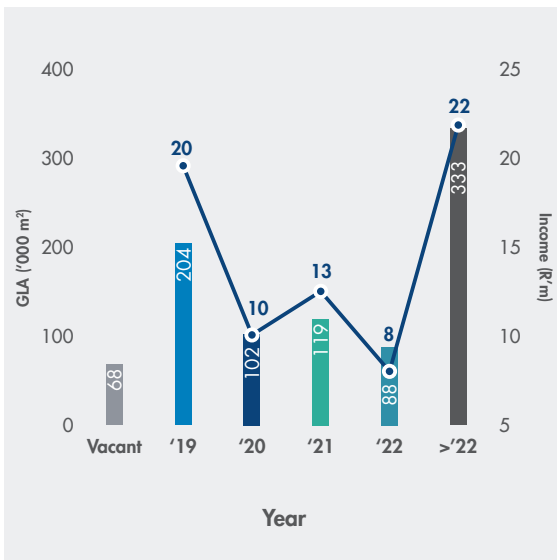




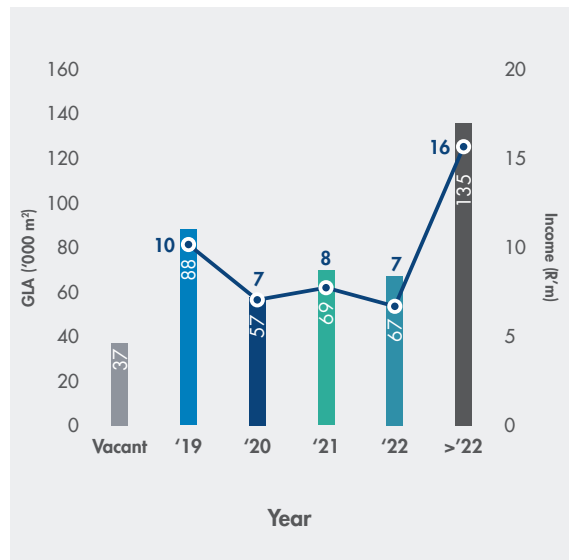
Lease expiry profile

- Average monthly gross income
- Vacant
- Before 31 August 2019
- Before 31 August 2020
- Before 31 August 2021
- Before 31 August 2022
- After 31 August 2022

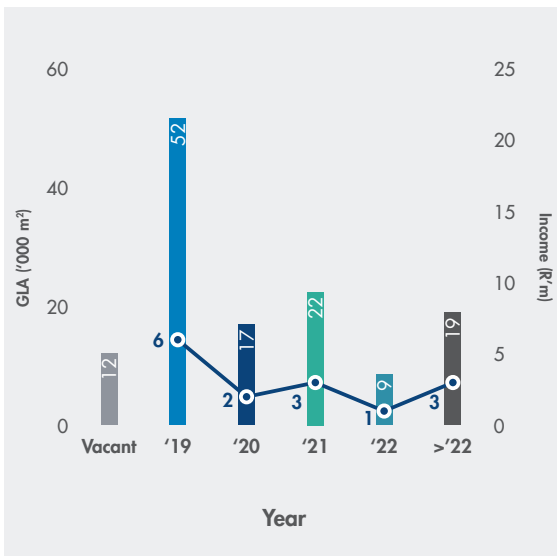
Total portfolio



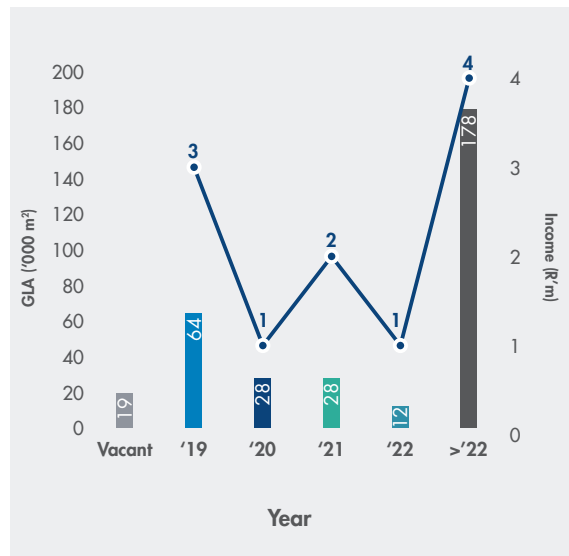
Retail



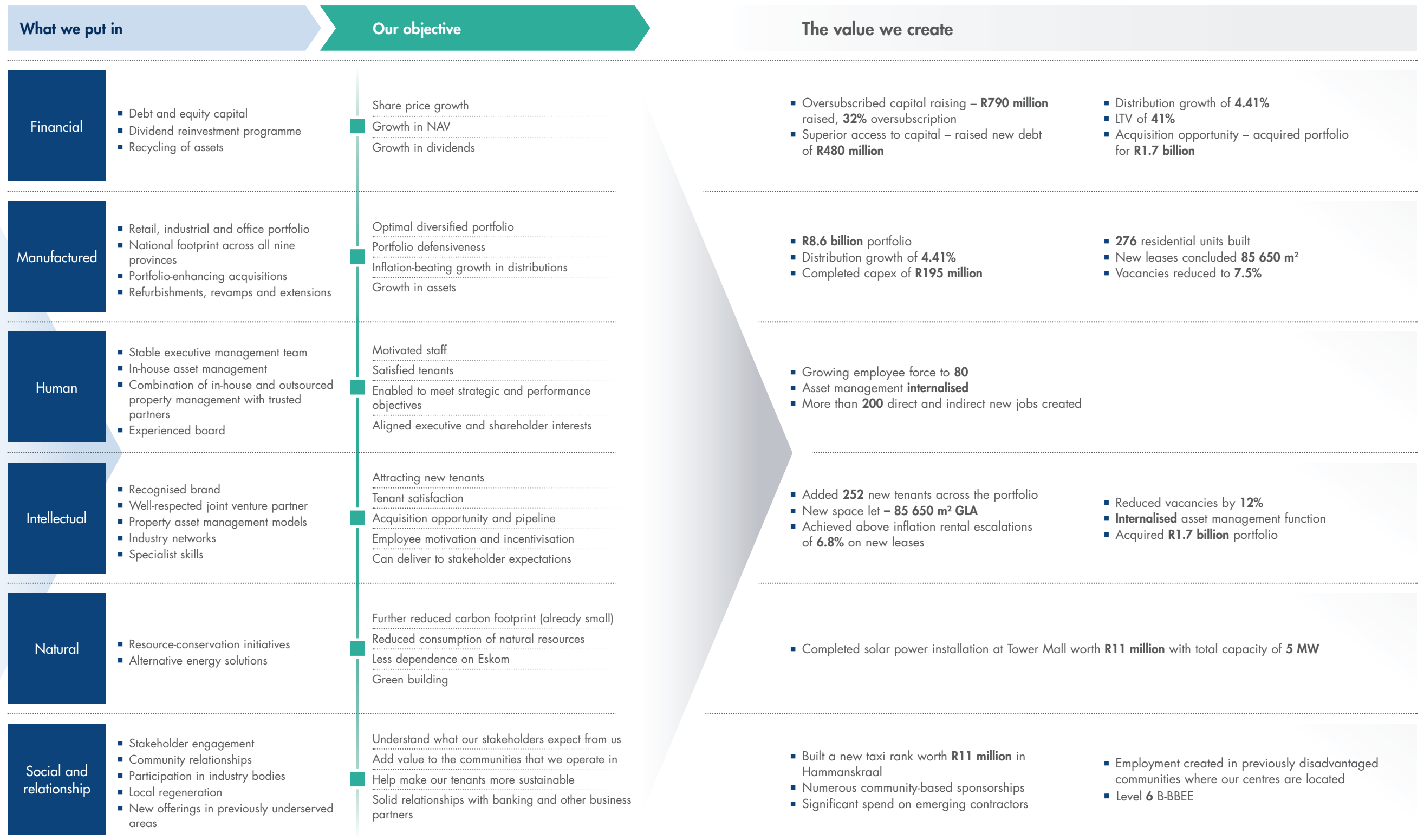
Office



Industrial



BUSINESS MODEL



OUR STRATEGIC APPROACH

Strategy	24
The market in which we operate	25
Three-year plan	27
Strategy scorecard	28
Objectives achieved	29
Performance drivers	30
Risk management	31



-  Office
-  Centenary Street
-  GLA: 2 165 m²



Detnet

Newly acquired office building located in the rapidly growing Modderfontein area. Dipula owns 66% of the property.

Tenant operates in multiple continents and is a leader in its field.

Modderfontein – large tracks of land earmarked for development.



STRATEGY



THE MARKET IN WHICH WE OPERATE

Office vacancies

Dipula 9.2% compared to national average of 11.1%



The macro market

Over recent months the JSE property sector has seen a sharp downward correction, mainly as a result of specific-company valuation concerns and the ongoing deterioration of economic conditions in South Africa. In addition three new property indices, introduced in 2017, have created increased demand of certain REITs.

The sector consequently ended the 12 months to November 2018 more than 20% down on the previous year.

Bucking the sector trend DIA closed on R9.60 at year-end, down from R9.95 at August 2017, and DIB on R8.45 compared to R10.25 last year-end. This implies a combined share price reduction of 8.4% relative to a fall of more than 20% by the sector. Dipula also managed to grow its property portfolio value by 25% from R6.9 billion to R8.6 billion at year-end.

While a global push in interest rates is combining with political and economic instability in South Africa to create a backtrack in distributions growth, Dipula grew distributions by 4.4% for the year under review.

The rand has been exceedingly volatile in 2018, weakening from a strong position in February 2018 to recent lows. This has been driven by the ongoing trade dispute between the US and other countries, the widening current account deficit, and Moody's concerns around political risk in the country. The SA 10-year bond has been under pressure, yielding in excess of 9% for most of the 2018 calendar year thus putting pressure on property valuation.

Market performance

The South African listed property sector has grown almost six-fold to R600 billion and has often been the top-performing local asset class over the past 10 years. Some of these gains have reversed significantly over the past 12 months. 2018 is also the year that recorded the lowest capital raising activity for the sector in the recent past with no new listings.

From the perspective of underlying assets, an oversupply in particularly the office sector persists in many areas – most notably Gauteng, where Dipula has its greatest footprint. In spite of this, Dipula managed to drop office vacancies by 51% from 18.7% to 9.2%.

The current sector vacancy rates are: retail 4.2%, industrial 3.3%, and office 11.1%. While this is not out of sync with previous years, it is somewhat misleading as the sample set has seen lesser quality assets removed due to undesirability or conversion to residential. Comparatively, Dipula vacancies in retail closed at 8.1%, industrial at 5.9% and office at 9.2%. The latter reflects the success of mitigation measures in the office sector including leasing and successfully converting Finance House and Broadwalk Place to residential. Overall Dipula has reduced its office exposure from 40% at listing to 14% at year-end.

The industry in context

Retail

Generally sales have slowed for most consumer items, save for pharmaceutical goods and cosmetics. The 0.7%* overall growth in sales volumes for the year to June 2018 was well below market expectations of 2.0%. Retail trade decreased successively over the six months to June 2018, with sporadic monthly gains (eg May 2018) lost in the following month.

However, from a Dipula perspective, retail remains a stable performer. The retail portfolio is well diversified with very little tenant concentration risk. Dipula's retail portfolio achieved a 3% year-on-year growth in turnover and a positive rental renewal rate of 1%.

The global trend of increasing online shopping will take longer to impact Dipula's retail assets, regardless of the almost 100% cellphone penetration in South Africa. At this stage online shopping is mainly a higher LSM phenomenon.

* Sources: JSE Market consultation: FTSE/JSE Listed Properties Indices, SAPOA, StatsSA.

THE MARKET IN WHICH WE OPERATE (CONTINUED)

Dipula focuses on community and convenient retail which is characterised by lower LSM shoppers. There are also far fewer credit cards in circulation for lower LSM groups which further obstructs online shopping.

Office

Occupancy rates remain a risk in the short to medium term given the ongoing deterioration in business activity and confidence, and a consequent reduction in investment in business. As far back as 1990, capital investment was seen to be strongly correlated to the office vacancy cycle.

Dipula is successfully countering this by being highly selective in this sector, targeting fewer single-tenant buildings and focusing on office nodes with less oversupply. Given that the current phase of the cycle is characterised by large-scale new developments, often single-tenanted, Dipula has limited acquisitions in this sector overall. Management is pleased with having achieved a vacancy of 9.2% which is lower than the current national average of 11.1%.

Asking rentals remain negative in real terms (since 2011).

Industrial

South African manufacturing production posted its highest year-on-year growth of 2.6% in December 2017. While this is certainly encouraging, the future growth potential

of the sector depends on sustained improvements in efficiency measures like capacity utilisation and unit labour costs. Basic rentals growth in the sector of 6.7% for the same year has not translated into equal capital growth, which suggests that property valuers are still taking a cautious view on the sector's near-term earnings.

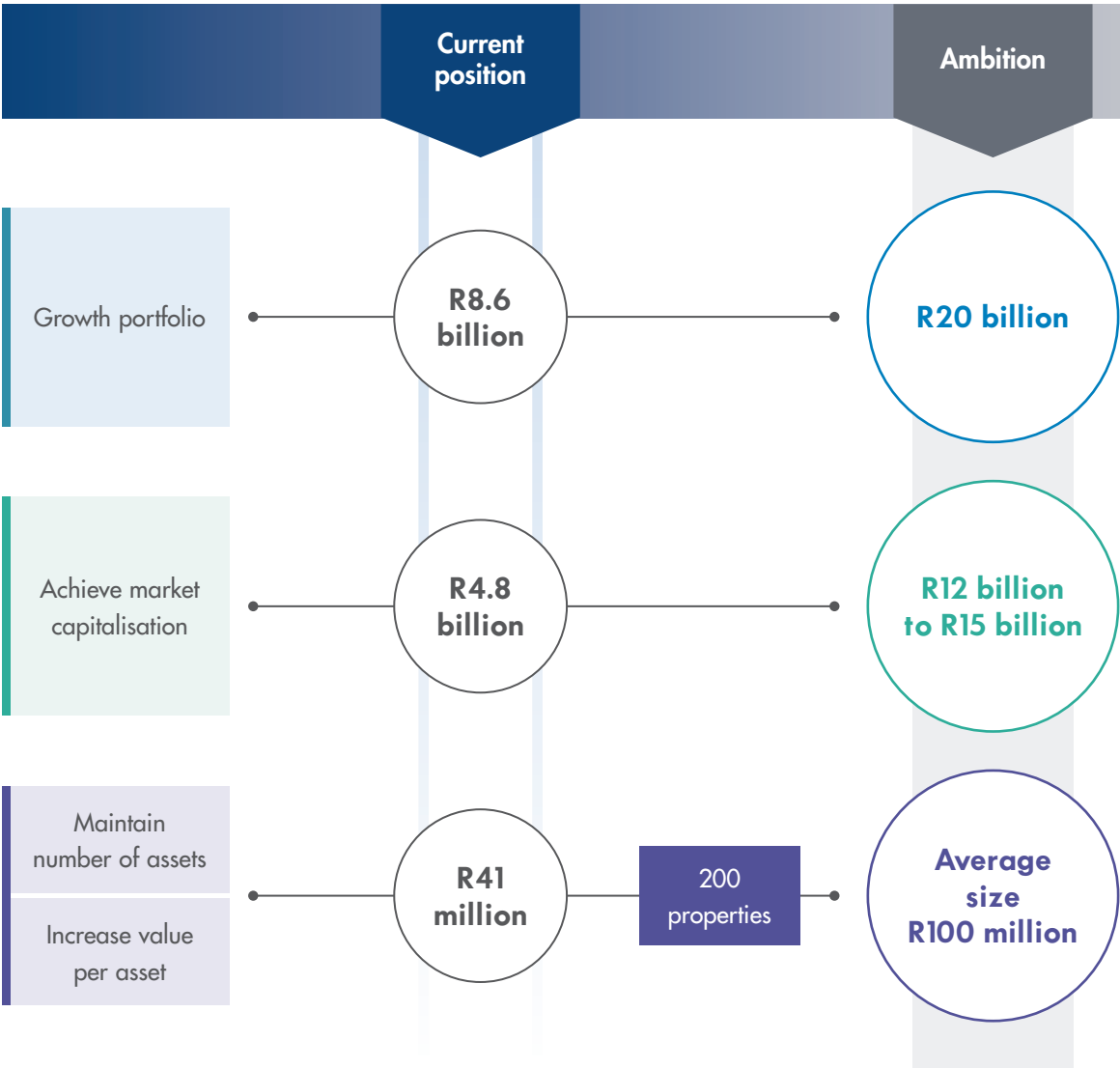
Again Dipula employs a focused and targeted strategy in this market segment, with selective acquisitions and only in well-located nodes. Management believes that logistics property, specifically, will continue to hold up even with the market slow down.

Looking ahead

The rate of recovery in the property sector will largely depend on attaining sustainable GDP growth in South Africa and even then, it will take time before this translates into reasonable rental growth. In the release of a brief commentary on South Africa's latest GDP figures, ratings agency Moody's confirms that South Africa is in recession, with projected GDP growth figures for 2018 cut down to just 0.7% from 1.5%. Goldman Sachs has also cut its GDP growth forecast for 2018 from 2.0% to 0.8%, while Merrill Lynch's is down from 1.6% to 0.9%.

Moody's is the only ratings agency still holding South Africa above "junk status", having affirmed the country's rating at one notch above sub-investment grade in March 2018 following positive changes on the political front.

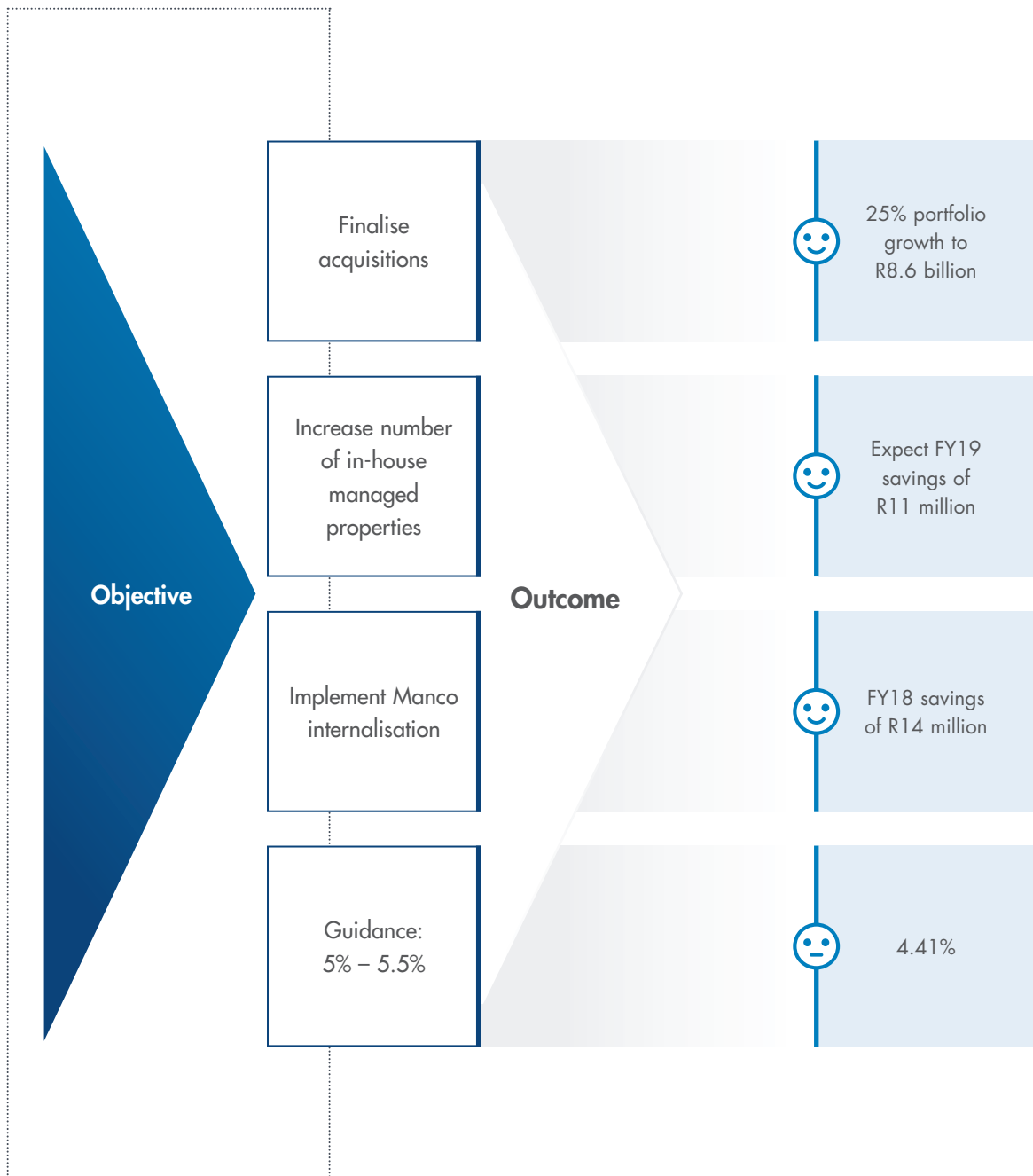
THREE-YEAR PLAN



STRATEGY SCORECARD

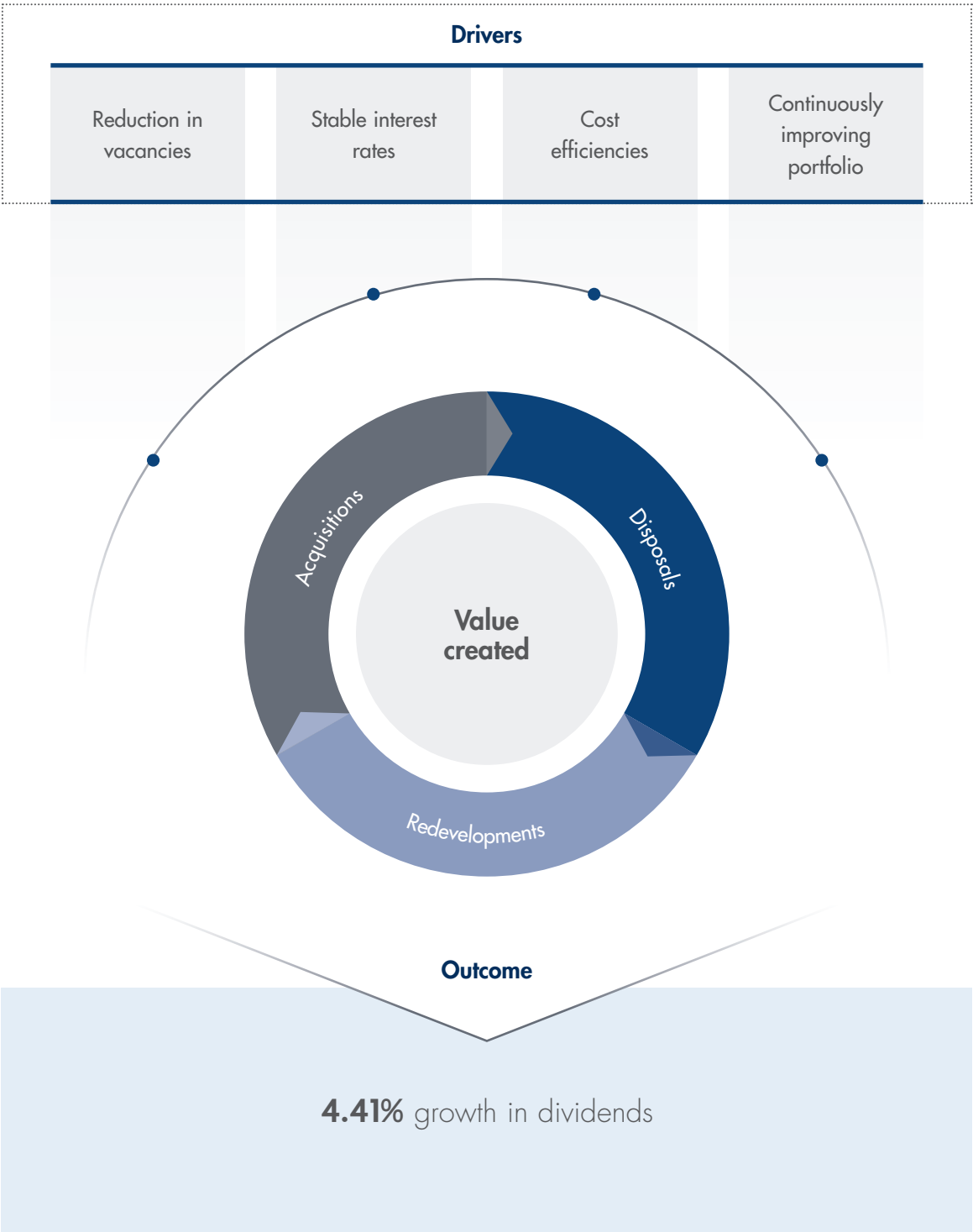
Objective	Target FY18	Progress FY18	Target FY19
Inflation-beating growth in dividends	5% – 5.5%	4.41%	0%
Improving liquidity	20% growth in market capitalisation on FY17	9% growth	10% growth
Solidifying management	Finalise Manco and property management internalisation	Manco internalisation implemented on 1 September 2017 Property management 97% in-house Implement STI and LTI schemes	Implement performance management initiatives
Making it into the SAPY index	Implement R1.5 billion pipeline	Group acquisitions of R1.7 billion	Acquisitions of R700 million
Attracting and retaining the right people	Bring more properties in-house to be managed	97% property management in-house	Implement strategies to make Dipula employer of choice

OBJECTIVES ACHIEVED





PERFORMANCE DRIVERS



RISK MANAGEMENT

Risk management process

Risk management is integral in day-to-day operations as well as to the group's growth strategy. Effective management of the range of risks to which the group is exposed helps in delivering on our strategic objectives. A formal process is in place to identify, assess, manage and monitor all practical risks. The risk management process is underpinned by our ethical leadership and business principles.

The board has adopted an enterprise-wide approach that includes systems of internal control comprising 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 financial reporting standards and practices.

Risk responsibility matrix

The group's process for identifying and managing risk has been delegated by the board to the audit and

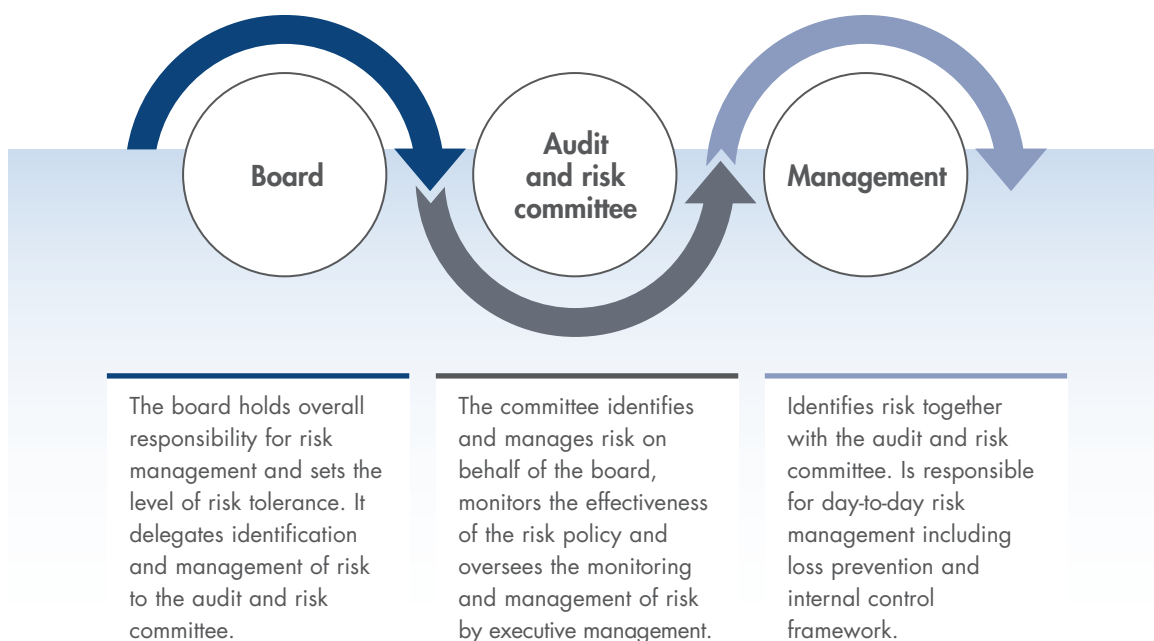
risk committee. The day-to-day responsibility for risk management, including maintaining an appropriate loss prevention and internal control framework remains with executive management.

Key features of Dipula's risk management system are:

- Setting the tone from the top in terms of ethical leadership and creating an ethical environment.
- Clear business objectives and business principles.
- An established risk policy.
- An ongoing process for identification and evaluation of significant risks.
- Management processes in place to mitigate significant risks to an acceptable level.
- Ongoing monitoring of internal and external factors that may impact the organisation's risk profile.

Our risk management process has identified the key risks as set out in the table on pages 32 and 33. These are not the only risks facing the company. Other risks have been identified but have not been designated as material in the current environment.

Our risk management framework



RISK MANAGEMENT (CONTINUED)

Risk	Impact	Mitigation measures
1. Low economic growth		
Low economic growth in SA and fiscal policy uncertainty placing significant pressure on GDP growth required to stimulate economy and reduce vacancies.	Negative impact on letting premises and tenant defaults resulting in decrease in rental income impacting distributable income and share price.	■ Appropriate selection criteria to assess tenants' financial status and sustainability. ■ Longer leases with national tenants to secure income. ■ Assisting viable tenants through difficult periods. ■ Swift action, including legal, with prospective defaulters.
2. Arrears and bad debts		
Increase in arrears and bad debts. The slow economic growth affecting tenants' businesses and cash flows.	■ Failure to recover amounts owing. ■ Negative impact on Fund's cash flow. ■ Large write-offs. ■ Knock-on effect on smaller retail tenants as a result of loss of a major anchor tenant.	■ Improved credit control procedures. ■ Strong internal legal team and outside attorneys. ■ Willingness to negotiate payment terms to retain tenants. ■ Appropriate security from tenants. ■ Limiting tenant concentration risk.
3. Vacancies and lease expiries		
Increasing vacancy and reduced rental on expiry of leases.	■ Negative impact on revenue stream of Fund, increase in property holding costs resulting in failure to meet budgets and deteriorating building values and net asset value. ■ Underperforming relative to market.	■ Asset management team directly involved with material new lets/renewals. ■ Diversified portfolio. ■ Creative leasing strategies. ■ Emphasis on retention of existing tenants on lease expiries. ■ Behave in a tenant centric manner.
4. Social unrest		
Social unrest due to service delivery issues and criminal opportunists.	Damage to property and safety concerns. Disruption in operations of tenants which may cause financial pressure on their business and ability to service rentals.	■ Insurance cover. ■ Implementation of safety and security contingency plans. ■ Form closer links to community.

Risk	Impact	Mitigation measures
5. Liquidity of Dipula shares		
Equity raise challenging due to low liquidity.	Difficult to conclude new acquisitions and developments – limited growth of portfolio.	- Market Dipula to new investors who actively trade share. - Facilitate sale of shares from large shareholder blocks who do not trade. - Ensure that Fund performs adequately to maintain investor confidence.
6. Human capital		
- Skills shortage. - High staff turnover.	Loss of key management members impact adversely on the company's ability to implement its strategic objectives.	Retention strategy which encompass performance incentives, remuneration benchmarking, performance evaluation and personal development plans.
7. Interest rate risk		
Increase in interest rates and margins.	- Increased borrowing costs. - Reduced distributable income.	- Maintain a high debt hedging level - Avoiding concentration risk of debt and swap maturities.
8. Municipal billing and resolution of queries		
Incorrect municipal billings and difficulty in resolving queries.	- Tenants refusing to pay incorrect bills, resulting in cash drag and negative impact on net property income impacting distributable income directly. - Incorrect disruptions of services at property while queries being investigated.	Employment and appointment of utility specialists to liaise with municipalities.
9. Regulatory risk		
Non-compliance with laws and regulations.	- Fines and public censures if non-compliance occurs. - Reputational issues. - Non-REIT compliance resulting in tax liabilities.	- Appointment of competent sponsor. - Creation of internal compliance function. - Monitoring by audit and risk committee.

PERFORMANCE REVIEW

Five-year review	36
Leadership report	38
Financial review	41
Sustainability	46

PIMVILLE
square

Pimville Square

Interesting fact: located next to Kliptown, the oldest black residential district of Johannesburg, first established in 1891.

Dipula acquired the centre in December 2014 and completed its renovation in September 2018.

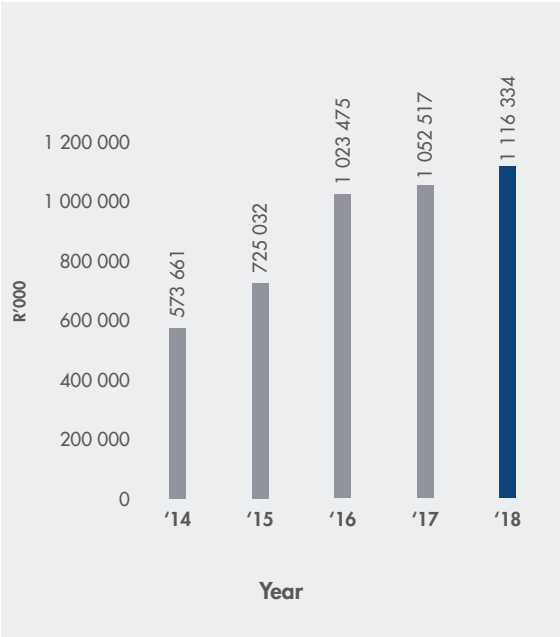
Anchor tenants include Shoprite and Icon.

-  Retail
-  Modjadji Street
-  GLA: 4 291 m²

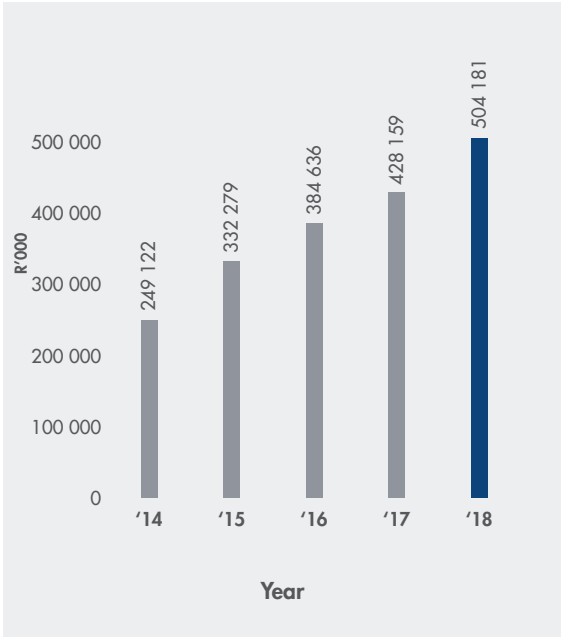


FIVE-YEAR REVIEW

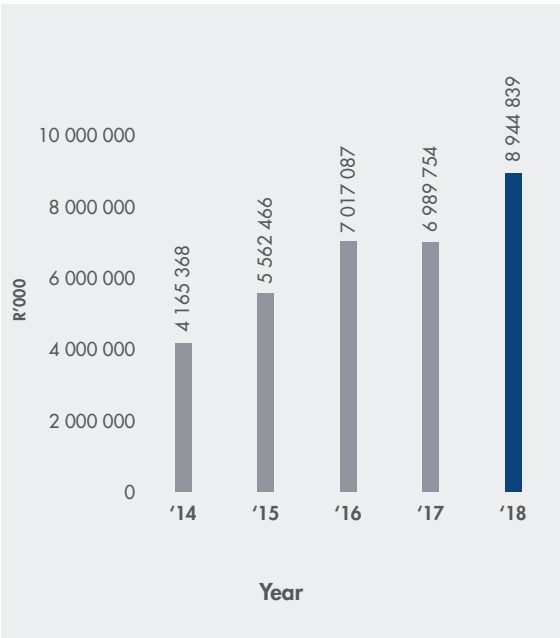
Revenue



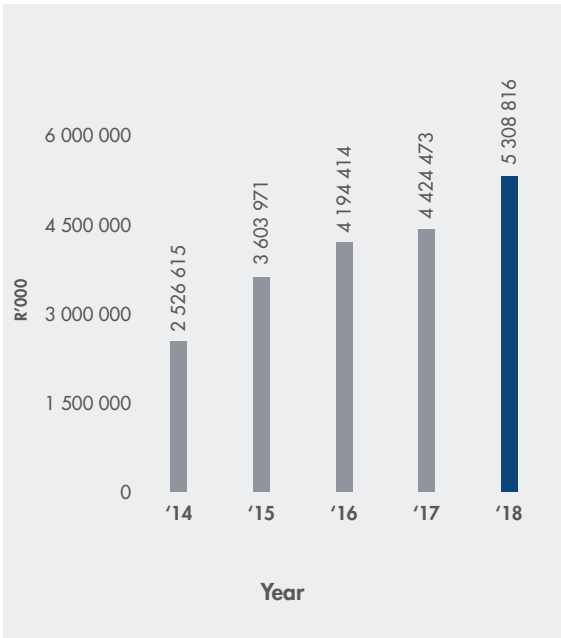
Distribution



Non-current assets



Shareholder interest



	August 2018 R'000	August 2017 R'000	August 2016 R'000	August 2015 R'000	August 2014 R'000
1. Distribution statement					
Revenue	1 116 334	1 052 517	1 023 475	725 032	573 661
Property expenses	(362 824)	(353 463)	(349 646)	(250 216)	(199 062)
Net property income	753 510	699 054	673 829	474 816	374 599
Administration and corporate costs	(24 470)	(31 887)	(32 013)	(25 789)	(18 327)
Net operating profit	729 040	667 167	641 816	449 027	356 272
Net finance cost	(231 605)	(243 632)	(242 002)	(141 830)	(117 911)
Lease cancellation income	–	–	–	–	9 493
Antecedent dividend	13 881	10 991	2 492	22 895	380
Amortisation of debt raising fee	–	–	–	2 187	888
Non-controlling interests	(7 135)	(6 367)	(17 670)	–	–
Distribution	504 181	428 159	384 636	332 279	249 122
2. Summarised statement of financial position					
Non-current assets	8 944 839	6 989 754	7 017 087	5 562 466	4 165 368
Current assets	298 532	374 260	206 704	161 234	102 593
Non-current assets held for sale	30 013	42 942	93 850	49 366	74 800
Total assets	9 273 384	7 406 956	7 317 641	5 773 066	4 342 761
Non-current liabilities	2 602 100	2 306 139	2 631 664	1 752 422	1 089 853
Current liabilities	1 206 672	676 344	360 373	416 673	726 293
Total liabilities excluding debentures	3 808 772	2 982 483	2 992 037	2 169 095	1 816 146
Non-controlling interest	155 796	–	131 190	–	–
Shareholders' interest	5 308 816	4 424 473	4 194 414	3 603 971	2 526 615
3. Distribution					
A-share (cents)	105.81	101.30	96.47	91.88	87.50
Growth in distribution	4.5%	5.0%	5.0%	5.0%	5.0%
B-share (cents)	99.68	95.50	89.49	80.30	73.34
Growth in distribution	4.4%	6.7%	11.5%	9.5%	10.0%
Combined (cents)	205.49	196.80	185.97	172.18	160.84
Growth in distribution	4.4%	5.8%	8.0%	7.1%	7.2%
4. Statistics					
Market price at year-end (cents)					
A-share	960	995	1142	1172	1035
B-share	845	1025	900	1114	790
NAV per share (cents)	1003	1013	1046	934	815
Premium/(discount) to NAV	(10.0%)	(0.3%)	(2.4%)	22.4%	12.0%
LTV	40.6%	38.9%	40.1%	36.0%	37.0%

LEADERSHIP REPORT



Zanele Matlala *Chairperson*



Izak Petersen *Chief Executive*

Trading environment

The past year was by far the toughest we have experienced since listing as SA continues to bleed economically due to global pressures as well as self-inflicted slow economic growth resulting in high unemployment and lacklustre retail and manufacturing activity.

SA's ageing infrastructure together with a lack of new investment in this area due to dysfunctional parastatals and municipalities is adding to our problems.

Our inefficient bloated public sector and dwindling national purse has already resulted in an increase in the VAT rate to 15%, putting further strain on the consumer. The reported wastage of public funds as evidenced by qualified Auditor General reports for most parts of government including national, provincial, municipal and parastatals is indeed a worrying sign and has resulted in negative business confidence for a sustained period.

No doubt that with our population growth outstripping economic growth we need to move with haste as a country to reposition SA and curb social unrest and instability.

There has generally been a positive reaction to the changes in the ruling party after the last elective

conference and we are confident that positive change is on the horizon.

Strategic review

We remain committed to our focus on a SA-based, retail biased portfolio that we have been improving through quality acquisitions, good management and non-core disposals. We stretched our WALE by 12 months from 36 months in the prior year to 48 months at the end of the financial year. The quality of our tenants continues to improve with our A and B graded tenants having increased to 87% from 82% in the prior year.

The disciplined execution of our strategy has resulted in the average value per asset increasing, which now stands at R41 million compared to R12 million at listing. That is a total increase of 242% in seven years and it is the outcome of a 21% compound growth rate in our portfolio from R2.1 billion at 11 August 2011 (listing date) to R8.6 billion at FY18 year-end.

In order to improve the liquidity and tradability of our shares, we have set ourselves an ambitious target of growing our portfolio to R20 billion in the next three years. In keeping with our culture, this will be done in a disciplined manner without deviation from our focus areas.

The disciplined execution of our strategy has resulted in the average value per asset increasing, which now stands at R41 million compared to R12 million at listing.



14 Kramer

Now that most management functions are performed in-house, the board is focused on ensuring that there is good succession planning, business continuity and that we retain and attract the best skills in order to succeed in a challenging and competitive market. A STI and LTI scheme was introduced during the year and is dealt with extensively in the remuneration report on page 64.

The new B-BBEE codes have resulted in a lower B-BBEE rating for the group in spite of a high level of black shareholding and above average black management control within Dipula relative to the sector. Our management is working hard in addressing the rating and we are confident that it will improve.

Dipula engaged in various sustainability initiatives as reflected in the Sustainability report on page 46. Our CSI initiatives are mainly targeted towards the communities in which we operate and we are committed to continuing to make a difference in those communities.

Operational performance

We are pleased to report that Dipula managed to deliver double-digit growth in distributable earnings to R504.2 million, and therefore increased combined dividends per share by 4.4%, in line with interim guidance to market.

We delivered this solid performance mainly due to a reduction in vacancies, which improved by 12% to 7.5%, with a 51% decrease in office vacancies being the catalyst. The company also achieved an impressive 88% tenant retention ratio and inflation beating contractual escalations of 7.6%. We further managed to contain costs as reflected in our reduced total cost-to-income ratio of 35.9% from 36.6% in the prior year. Aiding this performance was the conclusion of income and quality enhancing acquisitions of R1.7 billion as well as disposals of non-core assets of R290 million.

A total of R195 million capex was invested in ensuring a defensive portfolio with enhancements and redevelopments during the year.

Share performance

The dire state of the JSE property sector knocked 3.5% and 17.6% off the price of our DIAs and DIBs, respectively. Notwithstanding our market capitalisation increased by 9% from R4.4 billion to R4.8 billion by year-end thanks to an oversubscribed capital raise of R790 million.

NAV per share was largely maintained on par with last year at R10.03 compared to R10.13 in the prior year, resulting in a combined discount to NAV of 10%.

LEADERSHIP REPORT (CONTINUED)

Governance

We are committed to good governance. We aim to conduct the group's business with integrity, applying appropriate corporate governance policies and principles. We continuously evaluate areas where governance can be improved. Improvements have been made in our King IV reporting as set out in the Governance section of this report (see page 56).

Directorate

Mr NS Gumede resigned as a director effective from 22 December 2017. We thank Saul for his dedication and valuable contribution to the company and wish him well in his future endeavours.

Management

Effective 1 September 2017, the internalisation of the Manco was finalised through the acquisition of 100% of the beneficial interest in the Dipula Asset Management Trust, for an aggregate acquisition cost of R150 million. The internalisation is consistent with industry best practice and more closely aligns the interests of the company's management with investors.

We further achieved our strategic objective to defensively position the REIT to withstand future headwinds through successfully increasing in-house managed properties.

Outlook

We remain cautious regarding trading conditions in the near term. Real improvement in the SA economy is expected to materialise only after the national elections in 2019. In the interim, Dipula will continue to focus on extracting value from its portfolio, as well as executing on our pipeline of projects to position the business for long-term sustainability.

The various initiatives in the past seven years since listing have built a solid foundation from which Dipula can grow its assets and produce income growth. We will remain vigilant and adaptable in continuing to implement our proven growth strategy.

Capital expenditure for refurbishments and developments over the next 18 months is expected to be R250 million.

Although negative sentiment persists in SA, Dipula will not be deterred by this in finding value and sensibly growing our portfolio and market capitalisation in order to address the tradability and liquidity of our shares. We believe that there is opportunity in adversity.

For the year ahead dividends are expected to remain flat, given activities in the year to position Dipula for longer-term growth. We are confident of delivering 7% growth in dividends for the following financial year to August 2020.

Appreciation

In tough times the mettle of people is truly tested. We are proud that our people have not been found wanting. We thank them for their ongoing tenacity and performance in trying conditions, including our fellow board members whose advice is key in helping us navigate the prevailing rough waters.

We also thank our loyal investors and business partners.



Zanele Matlala
Chairperson



Izak Petersen
Chief Executive

14 December 2018

FINANCIAL REVIEW



Dipula acquired a portfolio valued at R1.25 billion from Setso and RecTrust with a forward yield of 11.8%

Portfolio

At year-end Dipula's property portfolio consisted of 203 properties valued at R8.6 billion with a total GLA of 930 644 m² (2017: 174 properties; R6.9 billion value; 757 363 m² GLA).

Acquisitions

Dipula acquired a portfolio valued at R1.25 billion from Setso Holdco (Pty) Ltd and Rec Group Property Trust with a forward yield of 11.8%, which became effective on 26 June 2018. In addition sections in Firestation Rosebank, Harding Shopping Centre (50% undivided interest) and 14 Kramer (Kramerville) for a purchase price of R229.50 million at an aggregate forward yield of 9.7% were also concluded.

Disposals

Seven properties were sold for R290 million at an average yield of 9.2%, the largest being the 30% undivided interest in Eyethu Orange Farm Mall for R146.7 million.

Broadwalk Place and Finance House residential developments were sold for R75 million on 1 July 2018 as a tactical leasing strategy to derisk the initial 24 month income stream. However, Dipula has obtained an option to repurchase these properties after 24 months.

Vacancies

Vacancies reduced by 12% to 7.5% (2017: 8.5%) mainly due to a 51% reduction in office vacancies. The breakdown of vacancies by sector is as follows: Retail 8.1% (2017: 7.1%), Office 9.2% (2017: 18.7%), Industrial 5.8% (2017: 5.4%).

Distributable income

Dipula has two classes of shares in issue that trade under the codes DIA and DIB. DIA shares are entitled to a preferred income growth of the lower of 5% or CPI, while DIB shares receive the remaining net distributable income.

During the year, distributable earnings increased 17.8% to R504.2 million (2017: R428.2 million) amounting to a combined dividend per share of 205.48432 cents which represents growth of 4.41% (2017: 5.8%). The dividend per A-share increased by 4.45% year-on-year to 105.80560 cents per share (2017: 101.29784 cents) and is in accordance with the A-share dividend policy. The dividend per B-share increased by 4.38% year-on-year to 99.67872 cents per share (2017: 95.49384 cents).

FINANCIAL REVIEW (CONTINUED)

Distribution statement

	31 August 2018 R'000	31 August 2017 R'000	Variance %
Revenue	1 116 334	1 052 517	6.1
Rental income (excluding straight-line)	860 027	825 555	4.2
Recoveries	217 557	226 962	(4.1)
Other income	38 750	–	100.0
Property expenses	(362 824)	(353 463)	2.6
Net property income	753 510	699 054	7.8
Administration and corporate costs	(24 470)	(31 887)	(23.3)
Net operating profit	729 040	667 167	9.3
Net finance cost	(231 605)	(243 632)	(4.9)
Profit after interest	497 435	423 535	17.4
Antecedent dividend	13 881	10 991	26.3
Non-controlling interests	(7 135)	(6 367)	12.1
Distributable income	504 181	428 159	17.8
A-share	256 055	220 330	16.2
B-share	248 126	207 829	19.4

	Interim	Final	Total
Dividend (cents per share) 2018			
A-share	52.67488	53.13072	105.80560
B-share	44.07594	55.60278	99.67872
Combined dividend	96.75082	108.7335	205.48432

	Interim %	Final %	Total %
Dividend (% growth on 2017) 2017			
A-share	4.0	4.9	4.5
B-share	5.3	3.6	4.4
Combined dividend	4.6	4.2	4.4

	31 August 2018 %	31 August 2017 %	31 August 2016 %
Property cost to income (gross basis)	33.7	33.6	34.2
Property cost to income (net basis)	18.6	17.8	16.9
Total cost to income (net basis)	21.4	21.6	20.8

Net asset value

The investment property portfolio increased by 24.7% from R6.9 billion to R8.6 billion.

Interest-bearing liabilities increased by R0.7 billion (24.8%) to R3.5 billion.

The LTV increased from 38.9% to 40.6% in the prior year.

NAV per share remained flat at R10.03 compared to R10.13 in the previous year.

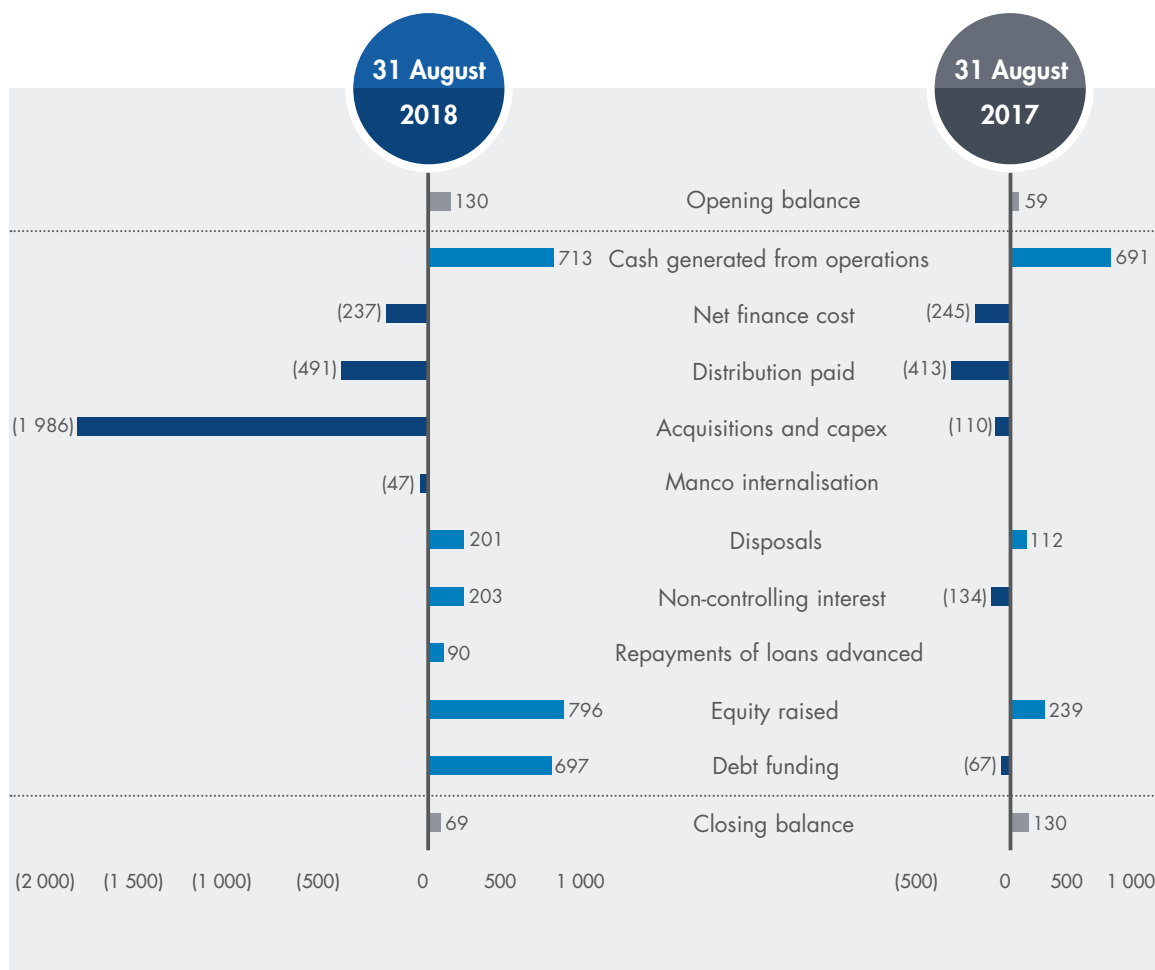
	2018 R'000	2017 R'000	Variance %
Investment property and held-for-sale	8 637 872	6 925 633	24.7
Interest-bearing liabilities	3 521 151	2 822 065	24.8
Other	(192 095)	(320 905)	(40.1)
Net asset value	5 308 816	4 424 473	20.0

	2018	2017
LTV	40.60%	38.90%
NAV per A-share	R10.03	R10.13
NAV per B-share	R10.03	R10.13

FINANCIAL REVIEW (CONTINUED)

Cash flow

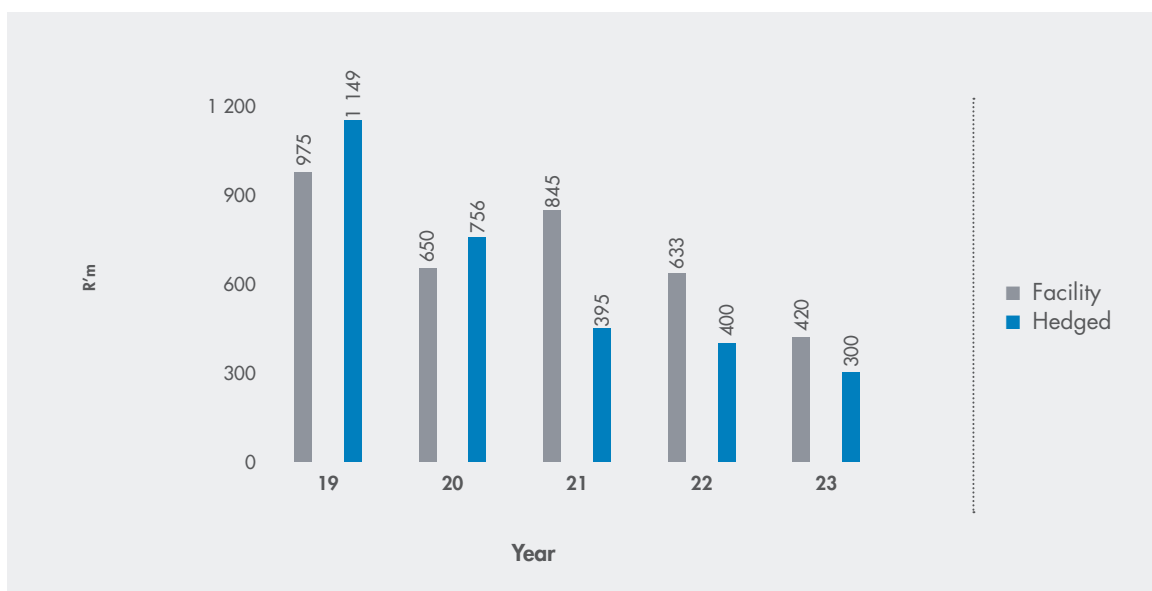
Acquisitions and capital expenditure of R1 986 million was funded mainly through equity of R796 million, debt of R697 million, proceeds from disposals of R201 million and non-controlling interest of R203 million.



Funding

At 31 August 2018, Dipula's all-in blended rate of interest was 9.25% (2017: 9.17%). The company has total debt of R3.5 billion. The weighted average debt expiry is 2.7 years and hedge expiry is 2.1 years. 87% of the interest on the debt had been fixed at the end of the year (2017: 90%).

Debt maturity and hedging profile



Ridwaan Asmal
Financial Director

14 December 2018

SUSTAINABILITY

Dipula is committed to creating sustainable value for all its stakeholders. In doing so the company is cognisant of conducting its business in a manner that considers the environment, economic development, our people and our social surroundings.

Our people

Following the internalisation of the Manco during the year our staff complement now stands at 76 employees. Our people are integral to our success and going forward we will be focusing on putting processes in place to attract, foster and retain key skills.

B-BBEE shareholding

Transformation is central to our organisation and we are proud to be a black-owned and managed company. Black executive management makes up 100% of the group and the board comprises 71% black directors with the chairperson being a black female. Dipula's B-BBEE ownership shareholding at year-end, based on voting rights of black people, was 49.24%, including mandated investments. In terms of the B-BBEE Codes Dipula is a Level 6.

The environment

By the nature of our operations we are a low environmental impact company. However, Dipula actively seeks to reduce any negative environmental impact we may have in conducting our business. In doing so we are introducing practices and policies that seek to limit pollution and reduce consumption.

Electricity

Two of our properties have already had roof top solar power systems installed and we have identified a further 10 buildings for solar power roll out in the medium-term.

Any installation of mechanical equipment is carried out using modern energy efficient equipment wherever possible. All new light installations in our properties are fitted with LEDs.

Our buildings are designed to ensure maximum natural light and thereby limit the use of electricity.

Water

Our teams are encouraged to replace old plumbing in order to limit water wastage due to leaks. The replacement of old pipes and leak detection is scheduled annually in our capex and opex programmes.

Our gardens are designed to be water efficient with primarily indigenous plants.

Our ablution facilities in our buildings use water efficient flushing systems and water usage is closely monitored.

Going forward, wherever possible, we will implement rain water harvesting.

Healthy living

We design residential buildings with abundant open recreational spaces to maximise outdoor dwelling and healthy living. We also seek to locate properties close to transport nodes in order to encourage the use of public transport and thereby limit carbon emissions.

Corporate social investment ("CSI")



We are committed to supporting the communities in which we operate and the group's CSI projects for 2018 have covered a wide range of community initiatives as set out below.

A number of our centres have created safe and secure children's play areas which provide a safe environment for children while their parents are shopping.

In a number of our communities we assisted young high school girls with our "Keep a girl in School" campaigns by collecting and donating much needed sanitary towels.

Dipula supported the Pink Drive, Breast Cancer awareness and testing campaigns in our communities and we believe that early detection saves lives.

Through our exhibition spaces, we assist the SANBS with hosting blood donation drives which assists the community when blood supply is low.

Dipula takes part in Mandela Day and supports a number of local communities on an ongoing basis.

We have commenced the roll out of amphitheatres in our centres to encourage and provide exposure for local talent and aid in reducing crime by youth in the communities in which we operate.

A number of our centres have installed future boxes, which assist the local communities by increasing computer literacy within the community and thereby increasing the opportunity for future employment.

We are committed not only to the skills development of our employees but also the wider community and in this light will be launching a graduate development programme in 2019.

Dipula seeks to provide support to informal businesses in and around our centres. We achieve this by providing these businesses with free accommodation, water and electricity. During the year we undertook economic development projects at Gillwell Taxi Retail Park and Hammanskraal Shopping Centre.



Gillwell Taxi Retail Park



Enterprise development

During the year, Dipula provided loan funding to previously disadvantaged companies that were first entrants into the property market.

Small business procurement

As part of our commitment to assisting new black emerging business, Dipula has been one of the main supporters of Koen and Associates, a 100% black owned and managed company, since its formation in 2012. The business provides architectural as well as turnkey construction services. From modest beginnings with only the founder, the business now employs 35 people and boasts a good track record having expended its services to more than 15 clients in SA and the African continent.



ACCOUNTABILITY

Directorate	52
Stakeholder engagement	54
Governance	56
Remuneration report	64
Social and ethics committee report	73



Broadwalk Urban Village

Previously an office building which was converted to residential in October 2018 with 133 units developed. The development is located 200 meters from the Midrand Gautrain station. It is Dipula's first office to residential conversion.

-  Residential
-  10 Broadwalk Road
-  133 units





DIRECTORATE



Standing from left to right:

- | | |
|------------------------------|-----------------|
| 4. BRIAN HILTON AZIZOLLAHOFF | 7. YOUNAID WAJA |
| 3. RIDWAAN ASMAL | 5. SYD HALLIDAY |
| 1. ZANELE JOYCE MATLALA | 6. ELTIE LINKS |
| 2. IZAK PETERSEN | |

1. ZANELE JOYCE MATLALA (55)

Appointed:
20 May 2011
Independent non-executive Chairperson
BCompt (Hons), CA(SA)

Zanele has been the CEO at Merafe Resources Limited (Merafe) since 1 June 2012 and previously served as the CFO of Merafe from 1 October 2010. Prior to joining Merafe, she was the group FD of Kagiso Trust

Investments Proprietary Limited. Zanele has previously served as CFO at the Development Bank of Southern Africa. She has also worked in various roles at the Industrial Development Corporation.

2. IZAK PETERSEN (45)

Appointed:
20 May 2011
Chief Executive
CA(SA)

Izak originally co-founded the Mergence Group of companies more than a decade ago. Mergence was co-principal in the formation and listing of Dipula through the merger of Mergence Africa Property Fund and Dipula Property Fund. He headed Mergence Africa Properties from the acquisition of its first asset, to its listing of Dipula and has spearheaded the growth of Dipula's asset base from R1.4 billion to R8.6 billion. 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 has served on numerous industry bodies over the years including SAPOA, ABASA Western Cape, ABSIP and SA REIT Association, of which he is Chairman.

3. RIDWAAN ASMAL (46)

Appointed:
1 September 2015
Financial Director
BCom (Accounting)

Ridwaan has 24 years' experience in listed property with specific skills in financial reporting, property and asset management, acquisitions, disposals and treasury. He started his career at Anglo American Property Services before joining Brall Property Group and thereafter CORONIB Asset Management. In 2006 Ridwaan was appointed Financial Director of

Hospitality Property Fund Limited where he was involved in acquisitions, structuring, funding and asset management of a portfolio of hotel properties across South Africa. He joined Dipula as Financial Director in September 2015 responsible for the overall financial management of the Fund and the internalised property management company.

4. BRIAN HILTON AZIZOLLAHOFF (57)

Appointed:
20 May 2011
Independent non-executive (British)
BA (NY), MBA (Wits)

Brian has 31 years' experience in the property industry. He was a director of Anglo American Properties and then managing director of ApexHi Properties Limited. He served as CEO of Redefine from 2003 until its merger with ApexHi and Madison Property Fund Managers Limited in 2009 and then

resigned from Redefine to form Capstone Property Group. In 2016 he sold out of Capstone to form a new company, Propertiq. He also sits on the audit committee of SAPOA. Brian recently joined the board of Liberty2Degrees Limited as non-executive director.

5. SYD HALLIDAY (71)

Appointed:
27 May 2014
Independent non-executive
CAIB (SA), ACIS

Syd retired from Nedbank in 2004 where he had held various senior credit risk management positions in the property finance divisions of Nefic, Syfrets, Nedcor Investment Bank and Nedbank. Following his retirement, he served as the independent chairman of Nedbank Corporate Property Finance's main property lending committee up to December 2012. Syd joined

the board of Dipula in May 2014 and is a member of the investment and remuneration committees. He also serves on the board of Hospitality Property Fund Limited as an independent non-executive director. Syd also consults to Rand Merchant Bank in their Investment Banking Real Estate Division and to Sasfin Bank in their Property Private Equity Fund.

6. ELIAS ("ELTIE") LINKS (72)

Appointed:
20 May 2011
Independent non-executive
PhD (Economics)

Professor Links is a non-executive director of a number of companies including Kansai Plascon Limited, Telesure Holdings Limited, Allianz Global Corporate and Specialty Limited and TerraSan Limited. He has also been appointed as a Professor Extraordinaire at the University of Stellenbosch Business School.

He further serves as a member of The Presidential Advisory Council on B-BBEE. 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.

7. YOUNAID WAJA (66)

Appointed:
6 June 2011
Independent non-executive
BCom (Hons), BCompt, CA(SA), HDip Tax Law

Younaid is a tax, business and governance consultant, an independent director of JSE companies and serves and has served as a member of various audit, risk, social and ethics, remuneration and investment committees. He has extensive experience across a range of business sectors including telecommunications, property, asset management, gaming, motor and transportation, and economic growth facilitation. Younaid has also served as a director of various public

sector and JSE companies. 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"). He is also a member of the Income Tax Court.

STAKEHOLDER ENGAGEMENT

Communication with our stakeholders is integral to our sustainability and forms a central part of our strategy. We seek to engage in open and timeous communication at all times. This engagement helps inform and support our strategic discussions and feedback on engagement is communicated to the board. The executive management is responsible for identifying stakeholders and devising the engagement plan. Ultimately the board monitors and reviews this engagement plan.

We communicate with stakeholders via our website, bi-annual results presentations, one-on-one meetings, interaction with the media, our integrated report, the annual general meeting, newsletters and informal and formal discussions.

In addition, we actively engage with stakeholders through our membership of industry bodies such as SAPOA, SACSC and SA REIT Association.

Our key stakeholders, what matters to them and specific issues raised during the year are set out below:

	What matters to them	Issues raised in 2018
 Investors	■ Sustainable growth ■ Share price performance ■ Risk and mitigation strategies ■ Management stability and competence	■ Liquidity and tradability of Dipula shares ■ SA socio-economic environment ■ Transparency and standardisation of reporting in the REIT sector ■ Quality of earnings in the sector ■ Ethics and governance in the sector
 Employees	■ Job security ■ Fair remuneration ■ Good working environment	■ Need for LTI scheme

	What matters to them	Issues raised in 2018
Funders 	▪ Loan covenant compliance ▪ Solvency ▪ Quality of assets ▪ Adequate security ▪ Tenant quality	▪ Leasing in the office sector ▪ Property fundamentals as a result of tough trading conditions
Tenants 	▪ Rental and occupancy costs ▪ Safety ▪ Quality property management	▪ Continued rapid increases in administered costs ▪ Economic growth ▪ Political risks
Industry bodies 	▪ Market trends ▪ B-BBEE ▪ Industry developments ▪ Collective bargaining	▪ Competition Commission inquiry on retail exclusivity clauses in leases ▪ Endless problems with municipalities ▪ Unstable socio-political environment ▪ Complexity of the B-BBEE charter ▪ Slow pace of empowerment in the sector
Municipalities 	▪ Rates and service payments ▪ By-law compliance ▪ Property values	▪ No material issues raised

GOVERNANCE

Dipula's board recognises that good governance and strong, strategic and ethical leadership create shareholder value and confidence.

Dipula has mindfully interpreted and applied King IV in a manner that is appropriate for the organisation and the REIT sector in which it operates. To this end, the board has adopted an appropriate governance framework for the group. The board oversees the implementation of the governance framework, which it believes has resulted in the group being a good corporate citizen and achieving an honest and ethical culture, good performance, effective control within the organisation and legitimacy with stakeholders.

The group's governance framework monitors the adherence to all applicable legislation, regulations and codes.

The board is confident that the group has substantially adopted the principles and contains the majority of the disclosure requirements of King IV. A register of the group's application of King IV principles can be viewed on www.dipula.co.za. The company's reporting philosophy and scope of the report can be found on page 4.

During the year under review the board concentrated on the implementation of the internalisation of the asset management function, the alignment of its remuneration policy with best practice and enhanced remuneration reporting disclosure.

The process of further implementing and enhancing certain practices to strengthen King IV compliance is an ongoing process. The board will focus on executive succession planning in FY19.

Effective and ethical leadership

The board has instilled a strong ethical culture, which flows through to executive management. The executive management team has a "hands-on" asset management approach and ensures that the company's ethical principles and business practices are implemented by staff. The group associates itself with business partners and service providers with similar ethical values.

Directors and staff are required to adhere to the group's code of conduct, which is reviewed annually by the social and ethics committee. Dipula does not tolerate any form of bribery or corruption. The social and ethics committee has an increased responsibility for the monitoring of good corporate citizenship and the management of ethics and for ensuring that anti-corruption and anti-fraud principles are adhered to. The report of the social and ethics committee can be found on page 73. The implementation and monitoring of the code of conduct is the responsibility of the executive management team and has been included as a key performance indicator for both the chief executive officer and financial director in the calculation of their short and long-term incentives.



Meadowpoint Shopping Centre

The code of conduct deals with the company's ethical values, its business conduct and how people should be treated. It commits to a workplace free from any type of discrimination, harassment or intimidation of employees. It explains the nature of conflicts of interests and requires for any real or perceived conflict of interest, to be disclosed as soon as possible. General declarations of interests are made by board members annually and updated throughout the year.

Share dealing and whistle blowing policies support the code of conduct. The share dealing policy is aligned with the JSE Listings Requirements and prohibits directors and key staff ("affected parties") from dealing in Dipula's shares during closed and cautionary periods. Clearance is required for any trade in Dipula shares by affected parties outside of these prohibited periods.

The group's whistle blowing function is independently managed by Deloitte and is accessible to all staff and Dipula's tenants. Any report made is anonymous and depending on its nature, is directed to either executive management or the chairperson of the audit and risk committee for further investigation. No reports were received during FY18.

Directors and staff receive training on the above governance policies as part of the group's induction programme and as and when any updates to these policies require it.

The board of directors

Dipula has a unitary board. The board met on four occasions during the year under review. Details of meeting attendance can be found on page 60.

The board is accountable to its stakeholders for the group's performance and activities. In order to achieve its responsibility for the sustainable success and overall control of the group, the board has approved the group's governance framework, policies and its strategy, the implementation of which has been delegated to executive management and is monitored by the board, through detailed quarterly reporting to the board and its committees.

Executive management is held accountable for the implementation of strategy and ethical leadership and their performance is measured annually as set out in the remuneration implementation report on page 68.

Composition

At year-end the board comprised seven members of which two were executive directors and five were independent non-executive directors.

The chairperson is an independent non-executive director and provides leadership to the board and ensures that the board operates effectively. The responsibilities of the chairperson and chief executive officer, and those of other independent non-executive directors, are clearly





GOVERNANCE (CONTINUED)

separated. A delegation of authority framework is in place and allows for the clear division of responsibilities between the chairperson and the chief executive officer.

Directors' profiles are included on pages 52 and 53 of the report and include their qualifications and experience, period of service, age and positions held on other governing or professional bodies.

Mr NS Gumede resigned as an executive director on 22 December 2017. Mr Gumede's resignation followed the implementation of the internalisation of the asset management function as was communicated to shareholders at the time of the transaction.

Appointments to the board and rotation of directors

Appointments to the board are made in a formal and transparent manner by the full board on the recommendation of the nomination committee.

In accordance with the company's Memorandum of Incorporation, one-third of the company's directors are required to retire at each AGM and, if eligible, may offer themselves for re-election.

Board evaluation and effectiveness

An internal evaluation of the effectiveness of the board and its committees was conducted during the period under review. Matters for consideration included:

- board composition;
- risk management;
- board dynamics;
- remuneration of executive directors;
- succession planning;
- role of the chairperson;
- effectiveness of the audit and risk committee;
- effectiveness of the remuneration and nomination committee; and
- effectiveness of the social and ethics committee.

No major concerns were noted. Areas flagged by members for improvement included: executive succession planning; directors' continued training and development; and remuneration.

Executive succession planning has been added to the board's FY19 annual work plan for consideration and improvement. Directors' continued training was

addressed. Directors are encouraged to keep abreast of all factors which will enable them to continue making meaningful contributions to the board and to remain relevant as directors. Directors receive regular updates on legal and corporate governance developments including the JSE Listings Requirements. Refer to compliance on page 63. Directors are also exposed to the asset management element of the business and in this regard site visits to and briefings on Dipula's properties have and will continue to be undertaken.

The internalisation of the asset management function allowed the board to effectively deal with improvements around remuneration, which included the establishment of an appropriate remuneration framework and remuneration mix; the development of a long-term incentive plan, which will be presented to shareholders at the AGM for approval; and enhanced remuneration disclosure. Further information on the aforementioned remuneration practices can be found on page 64 of the remuneration report.

The overall outcome of the internal board evaluation is that the board and its committees operate effectively.

The board is satisfied that its current composition comprises an appropriate mix of knowledge, skills, experience, diversity and independence.

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter.

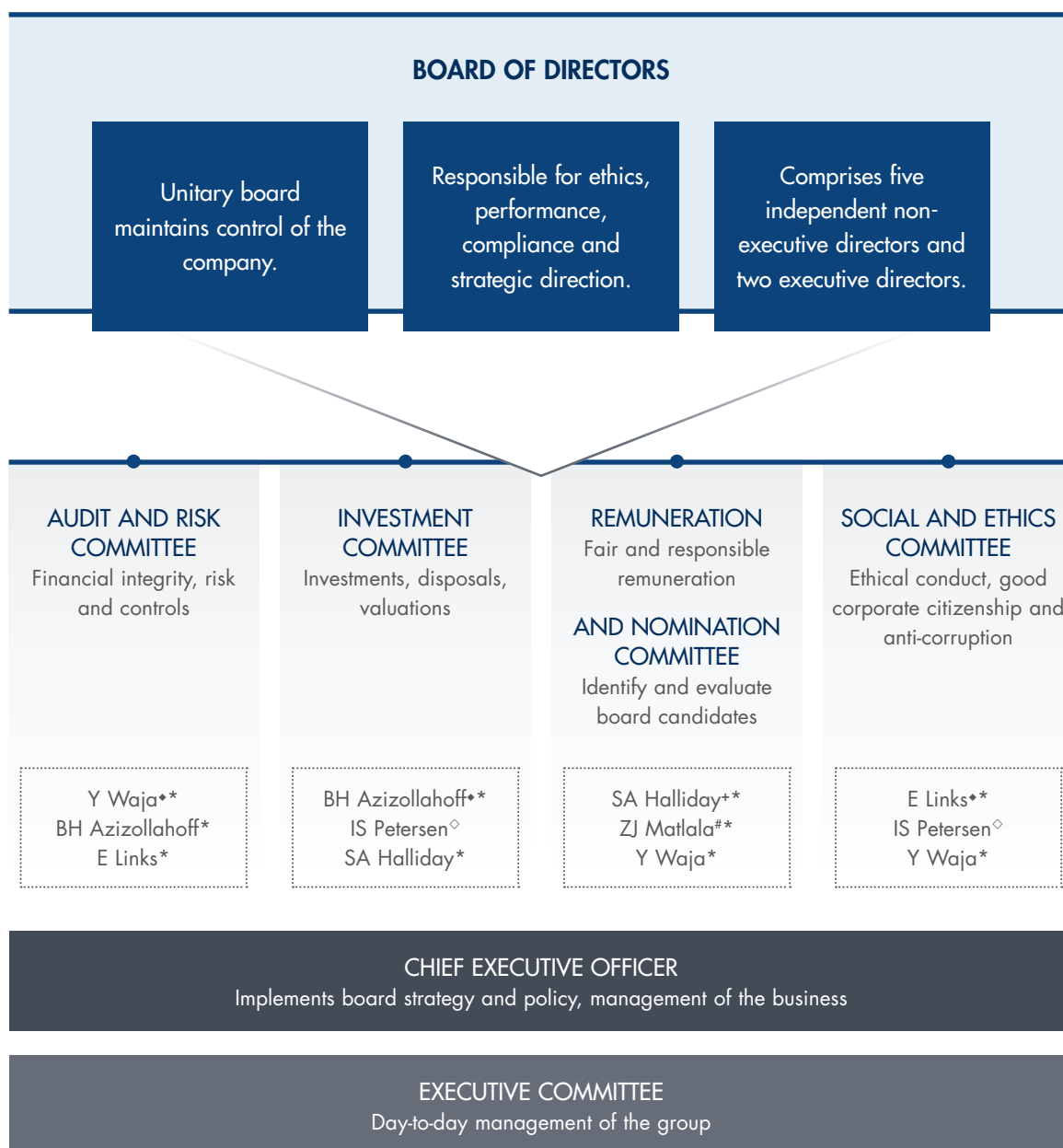
Race and gender diversification

The board has adopted a formal race and gender diversification policy. The board recognises that diversity of skill, experience, background, knowledge, thought, culture, race and gender strengthens its ability to effectively carry out its duties and add value to the group. The board is comfortable with its race diversity being more than 70% black directors and has committed to ensure female representation on the board of at least 25% by 2020.

The board has constituted the following committees, to which it has delegated certain group responsibilities, as defined in their respective approved terms of reference. The board retains accountability for the execution of their responsibilities, even when these are delegated.

Group governance framework

at 31 August 2018



* Independent non-executive director.

◇ Executive director.

◆ Chairperson.

+ Chairperson in respect of remuneration matters.

Chairperson in respect of nomination matters.

GOVERNANCE (CONTINUED)

Board and committee meeting attendance

	Board	Audit and risk committee	Social and ethics committee	Remuneration and nomination committee	Investment committee
Number of meetings held	4	4	2	2	3
Executive directors					
IS Petersen	4(4)	–	1(1) [#]	–	3(3)
R Asmal	4(4)	–	–	–	–
Independent non-executive directors					
ZJ Matlala	4(4)	–	–	2(2)	–
BH Azizollahoff	4(4)	4(4)	1(1) [#]	–	3(3)
SA Halliday	4(4)	–	–	2(2)	3(3)
E Links	3(4)	4(4)	2(2)	–	–
Y Waja	4(4)	4(4)	2(2)	2(2)	–
NS Gumede*	1(1)	–	–	–	–

* Resigned 22 December 2017.

[#] IS Petersen replaced BH Azizollahoff as a member of the social and ethics committee on 17 May 2018.



Audit and risk committee

The audit and risk committee report can be found on page 78 of the consolidated annual financial statements.

The responsibilities of the audit and risk committee include:

- Monitoring the implementation of the group's risk management policy and processes in order to identify and manage key risks and opportunities.
- Ensuring that appropriate financial reporting procedures have been established and are operating and that financial reporting is accurate.
- Reviewing the effectiveness of the company's systems of internal financial controls as well as the internal and external audit functions.
- Carrying out its statutory duties as set out in section 90 of the Companies Act, 2008.
- Ensuring that the company complies with legislation and regulations applicable, including the JSE Limited Listings Requirements.
- Assessing the expertise and experience of the Financial Director as well as the appropriateness and effectiveness of the group's finance function.
- Making recommendations to shareholders regarding the appointment or re-appointment of the independent external auditor, following an evaluation and assessment of the external auditor and the designated audit partner, the suitability for such appointment and independence of the external auditor and audit partner and considering and accepting the relevant submission by the external auditor to the company as set out in section 22.15(h) of the JSE Limited Listings Requirements.
- The approval of non-audit services.
- Review accounting policies.

The audit and risk committee meets at least quarterly. Ad-hoc meetings are held to consider special business, as required. The CEO, FD, external auditor and internal

auditor attend all meetings of the committee by invitation in order to contribute pertinent insights and information.

The audit and risk committee has considered and satisfied itself as to the appropriateness of the expertise and experience of the FD, Mr R Asmal, and the finance function.

Internal audit forms part of the group's combined assurance. The audit and risk committee has examined and discusses with the internal auditor the appropriateness of internal controls. The audit and risk committee is comfortable with the internal audit function and that internal audit has the necessary skills and resources to address the complexity and volume of risks faced by the organisation. The committee will continuously evaluate and review the group's internal audit function, which is at this stage appropriate for the size and activities of the group.

The committee has evaluated the independence and effectiveness of the external auditor, Deloitte & Touche ("Deloitte") having considered the requirements under section 90 of the Companies Act and is satisfied that the external auditor is independent of the group. The committee accordingly nominates Deloitte as independent external auditor for re-appointment at the AGM, with Patrick Michael Kleb as the designated audit partner. Deloitte has been the external auditor of the group for four years. The designated audit partner was appointed to the group in August 2015.

Non-audit services approved throughout the year included mainly certificates of turnover.

The audit and risk committee is satisfied that it has fulfilled its statutory responsibilities and its additional responsibilities in accordance with its terms of reference, for the reporting period.

Key focus areas addressed during the 2018 financial year

- Continued monitoring of the maturing of the risk identification and risk management processes.
- Assessed and reviewed the internal audit plan for the 2018 financial year.

Key focus areas for the 2019 financial year

- Ensure implementation of new IFRS standards.
- Expand internal audit function in property management division.

GOVERNANCE (CONTINUED)

Remuneration and nomination committee

Remuneration

The remuneration committee is chaired by an independent non-executive director. The remuneration committee oversees the implementation of the remuneration policy for the group. The committee ensures that the remuneration policy and the remuneration implementation report is tabled annually to shareholders at the AGM for separate non-binding advisory votes.

The committee recommends to the board the remuneration and incentivisation of the company's directors; evaluates the performance of the executive directors and sets their annual key performance indicators.

The committee meets at least twice a year. Ad-hoc meetings are held to consider special business, as required. The CEO and FD attend meetings of the remuneration committee, or part thereof, by invitation.

The remuneration and remuneration implementation reports can be found on page 64.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, for the reporting period.

Nomination

The nomination committee is chaired by an independent non-executive director. The nomination committee ensures that the board has the appropriate composition and balance of skills for it to execute its duties effectively. It ensures that the appointment of directors is transparent and made through a formal process, which includes the identification and evaluation of potential candidates for appointment to the board. The committee considers and applies the company's approved policy of gender and race diversity in the nomination and appointment of directors.

The committee is responsible for induction and ongoing training and development of directors and succession planning. The committee is responsible for assessing the outcome of board, committee and directors' evaluations.

The nomination committee meets at least twice a year. Ad-hoc meetings are held to consider special business, as required. The CEO and FD attend meetings of the nomination committee.

The committee is satisfied that it fulfilled its responsibilities in accordance with its terms of reference, for the reporting period.

Key focus areas addressed during the 2018 financial year

- Reviewing the remuneration policy and remuneration mix.
- Considering an appropriate Long Term Incentive plan, being the Dipula Income Fund Limited Conditional Share Plan ("CSP") and recommending the CSP to shareholders for approval at the upcoming AGM.

Key focus areas for the 2019 financial year

- Aligning executive directors' fees to benchmarked outcomes on total guaranteed packages.
- Implementing the CSP, subject to shareholder approval.

Key focus areas addressed during the 2018 financial year

- Assessing the outcome of the board and committee evaluation undertaken during the reporting period.

Key focus areas for the 2019 financial year

- Consider and ensure that an appropriate executive succession plan is in place.

Social and ethics committee

The social and ethics committee is a statutory committee of the board. The committee oversees and reports on the following areas:

- The group's organisational ethics in line with the group's adopted code of conduct.
- Responsible corporate citizenship, including the promotion of equality, the prevention of unfair discrimination, the environment, health and public safety, including the impact of the company's activities and of its products or services.
- Socio and economic development.
- Employment relationships.

The social and ethics committee draws to the attention of the board matters within its mandate as required and reports to shareholders at the company's AGM.

The social and ethics committee meets a minimum of twice a year. Ad-hoc meetings are held to consider special business, as required. The report of the social and ethics committee can be found on page 73.

The committee is satisfied that it has fulfilled its statutory duties in terms of the Companies Act, 71 of 2008 and its other responsibilities in accordance with its terms of reference, for the reporting period.

Key focus areas addressed during the 2018 financial year

- Finalising policies to ensure that the organisation operates with the highest ethics and as a responsible corporate citizen.
- Monitor the company's labour practices post the internalisation of the management company.

Key focus areas for the 2019 financial year

- Monitor B-BBEE strategy with the aim of improving the group's B-BBEE rating.
- Assist with Dipula's strategy to become an employer of choice.

Investment committee

The investment committee is responsible for evaluating all investment opportunities, valuations, disposals and investment strategies or any matter related to investments and to make recommendations to the board with regard thereto. The committee is chaired by an independent non-executive director.

The committee meets at least four times a year. Ad-hoc meetings are held to consider business, as required.

The FD attends meetings of the committee by invitation.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, for the reporting period.

Company Secretary

The independent Company Secretary is CIS Company Secretaries Proprietary Limited, a subsidiary of Computershare Investor Services Proprietary Limited. The board is satisfied that its representatives, Gillian Prestwich and Nazli Reid are competent and have the appropriate qualifications and experience required by the group.

Compliance

A legal universe compliance framework is in place. The board is responsible for ensuring compliance with applicable laws and regulations. New legislation that impacts the group is tabled for discussion at board meetings. The directors are assisted in this regard by the company secretary and an internal legal manager. 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 conduct.



REMUNERATION REPORT

Dipula has a combined remuneration and nomination committee, which operates under separate terms of reference as detailed on page 62 of this report. Syd Halliday chairs the committee in respect of remuneration matters. For the purpose of this report, reference will be to the remuneration committee ("the committee").

BACKGROUND STATEMENT

Letter from the Chairman

Dear Shareholder,

I am pleased to present Dipula's remuneration report for the 2018 financial year.

Following the internalisation of the company's asset management function on 1 September 2017 (further details can be found on page 68 of this report), which brought about the direct employment of executives and staff by Dipula, the committee has focused on reviewing the group's remuneration policy and on achieving an appropriate remuneration mix that supports the company's remuneration philosophy of attracting and retaining competent and qualified staff, whilst aligning the interests of stakeholders with that of executive management in achieving sustainable long-term performance and value creation.

In this regard, PwC was engaged to undertake benchmarking exercises of executive directors' total guaranteed package ("TGP"); short-term incentive ("STI") and to recommend a suitable long-term incentive ("LTI") component. The comparator groups and benchmarking outcomes are further detailed in the remuneration report.

A review of the remuneration policy has not brought about any significant changes. Although the employment structure has changed, with staff now being directly employed by Dipula, the group's remuneration principles and philosophy remain the same and will continue to be monitored and implemented by the Remco.

Establishing an appropriate remuneration framework has resulted in a number of improvements to the remuneration mix overall and are set out in this report. A key component being the proposal of the Dipula Income Fund Limited Conditional Share Plan ("CSP") to shareholders for approval at the upcoming Annual General Meeting

("AGM"). The salient features of the CSP are outlined in this report and are annexed to the Notice of the Annual General Meeting.

Shareholders' endorsement of the remuneration policy and remuneration implementation report

At the AGM on 1 February 2018, 55.04% voted against the group's remuneration policy and 55.20% against the remuneration implementation report. The dissenting votes were mainly due to limited disclosure on executive remuneration, including performance measures and the lack of appropriate LTIs. As a result of the direct employment of executives and staff following the internalisation of the asset management function, the board of Dipula, via the remuneration committee ("Remco"), now has control over the remuneration policy and its implementation and has made significant progress during the year to improve remuneration practices and disclosure and to implement a LTI scheme which will be tabled to shareholders for approval at the AGM.

In the event that the remuneration policy or remuneration implementation report, or both, are voted against by more than 25% of the votes cast at the AGM of the company to be held on 5 February 2019, the group will engage with dissenting shareholders within 30 days of the AGM, to address all legitimate and reasonable objections and concerns.

Remuneration consultants

To ensure the implementation of the remuneration policy, based on market-related information, PwC was appointed as the independent consultant to the Remco. The Remco is satisfied that PwC was at all times independent and objective in this capacity.

Focus and reporting

The remuneration report has been drafted in line with King IV and the JSE Listings Requirements.

During FY19, the Remco will focus on the implementation of the CSP, subject to shareholder approval and the further enhancement of remuneration reporting. The Remco's responsibilities, its composition and meeting attendance can be found on pages 59, 60 and 62 of this report.

Overall, the Remco is satisfied that the remuneration policy achieved its stated objectives for FY18 and that there have been no deviations from the remuneration policy.

Dipula looks forward to receiving the support of shareholders on the proposed CSP and the advisory resolutions on the remuneration report and remuneration implementation policy, which will be presented to shareholders at the AGM.



SA Halliday
Chairman
Remuneration committee

14 December 2018

OVERVIEW OF THE REMUNERATION POLICY

Objective of the remuneration policy

It is the company's objective to create a strong performance orientated culture, where exceptional individual contribution is recognised and rewarded fairly. Dipula is of the view that suitably designed, responsible, fair and competitive remuneration is imperative in driving and retaining top calibre executives and staff, whose interests are aligned with stakeholders

and who positively contribute to the implementation of the company's strategic objectives.

Remuneration structure

The remuneration framework takes into account the rate of inflation, as measured by the Consumer Price Index, the nature of the company's business, its risk profile and the competitive environment in which it operates.

General drivers of remuneration include

Market comparisons

Performance output as measured by periodic performance evaluations

Scarcity of skills and related market forces

Internal parity

Financial affordability

Sustainability

REMUNERATION REPORT (CONTINUED)

The table below summarises the composition of total remuneration for executives:

TGP	STI	LTI, ie Dipula income fund conditional share plan*
Fixed	Variable	Variable
CTC inclusive of benefits. Independently benchmarked at least every three years.	Between 60% and 70% of TGP.	Between 100% and 116% of TGP.
Commencing at the median level for a specific position and adjusted up or down based on qualifications, experience, general drivers of remuneration and individual predetermined performance criteria.	Based on company performance and individual key performance indicators ("KPIs"). KPIs for executives are pre-approved by the Remco.	Based on the three-year average dividend growth relative to CPI (40% weighting) and peer performance (40% weighting) and achieving preset individual KPIs# (20% weighting).
Reviewed annually by the Remco. Increases are effective from 1 September annually.	The performance period is in line with the financial year-end, ie 1 September to 31 August. Payable in December.	Performance is measured over a period of three years. Vesting takes place on conclusion of three-year measurement period, during March of the year following the last measurement period.
Positioned to attract and retain talented individuals.	A cash bonus to reward individuals for high performance against predetermined company and individual criteria.	A retention mechanism and an incentive to individuals to deliver the group's business strategy over the long term.

* The CSP will be presented to shareholders for approval at the AGM. The salient features of the CSP are set out in Annexure A to the AGM notice.

KPIs applied for the STI and CSP are the same.

Summary of total remuneration for key staff

Key staff receive a TGP. An internal examination of TGPs was undertaken for key staff during the period under review. TGPs were compared to market for relevance by an independent recruitment specialist. Overall TGPs were in line with market. STIs for key staff are based on predetermined individual KPIs and are capped at a maximum of three to four months of TGP, dependent on the seniority of the key staff member. The Remco identifies key staff for participation in the CSP.

Executive directors' service contracts

The CEO is seconded to Dipula through a service level agreement with Mergence Africa Holdings Proprietary Limited. The FD is a full time employee of Dipula. The contracts of the CEO and FD are subject to two-year lock-in periods, commencing 1 September 2017. Their contracts contain no specific contractual conditions related to termination.

Total guaranteed package

Remco approved average annual increases of 6% to the TGPs of executive directors and staff. Employees utilising public transport were granted a fixed monthly allowance to lessen the burden of increasing transport costs.

Executive directors' remuneration was independently benchmarked by PwC during the year under review, against a comparator group of JSE listed REITs with a similar turnover, total asset value and market capitalisation to that of Dipula.

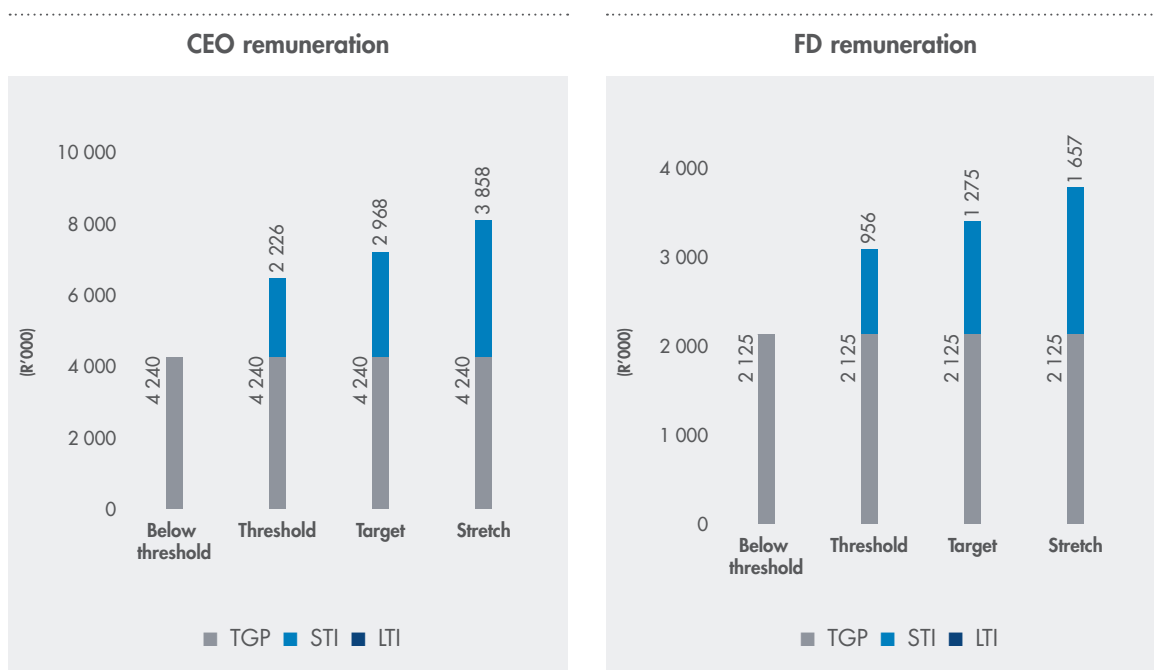
The TGPs of the CEO and FD were found to be in the upper and lower TGP quartiles, respectively. The Remco has considered the benchmarking results in determining the TGP increases for FY19.

KPIs for variable pay

The achievement of predetermined KPIs are measured annually.

Potential consequence on total executive remuneration, assuming specific performance

The following graphs reflect the mix of remuneration for threshold (minimum requirement), target, stretch (outperformance) and below threshold performance:



Non-executive directors' fees

Non-executive directors are not subject to any other fixed terms of employment other than the conditions contained in the company's MOI and, as such, no service contracts have been entered into with the company.

Non-executive directors' fees are reviewed annually. Increases are based on inflation and are benchmarked at least every three years, against a suitable comparator group of JSE listed REITs.

Non-executive directors' fees are approved in advance by shareholders by special resolution at the company's AGM.

Non-executive directors are reimbursed for travel expenses and official business where necessary and reasonable.

In order to avoid any conflicts of interest and to maintain their independence, no share options or other incentive awards geared to share price or corporate performance are made to non-executive directors.

Full remuneration report for download

The full remuneration policy can be downloaded from the company's website at www.dipula.co.za.

REMUNERATION REPORT (CONTINUED)

REMUNERATION IMPLEMENTATION REPORT

Executive directors' remuneration in FY18

The table below provides an analysis of total remuneration received by the executive directors in FY18.

	TGP R	STI* R	LTI# R	Total remuneration R
Executive				
IS Petersen	4 240 000	2 316 524	–	6 556 524
R Asmal	2 125 000	988 974	–	3 113 974
	6 365 000	3 305 498	–	9 670 498

* Paid in December 2018 relating to the 31 August 2018 financial year.

No LTI was in place for FY18.

Manco internalisation consideration

IS Petersen

On the internalisation of Dipula Asset Management Trust, a total consideration of R64.9 million (including interest of R1.8 million) was paid to Mergence Africa Properties Proprietary Limited in which IS Petersen has an interest. The total consideration paid comprised of R43.1 million in Dipula B-shares, R21.8 million in cash.

R Asmal

A total consideration of R1.485 million (including interest of R0.04 million) was paid to R Asmal on the internalisation of Dipula Asset Management Trust, which comprised of R1.44 million of Dipula B-shares and cash of R0.04 million.

STI performance measures

Based on company performance and individual set KPIs. KPIs for executive directors are pre-approved by the Remco. The tables overleaf show the STI outcomes against each element of the performance metric.

CEO Financial

Performance measure	Weighting %	Threshold target %	Stretch target %	Performance score %	Weighted score %
Acquisitions					
– identifying and concluding value accretive acquisitions	10	75	130	130	13.0
Total return on net tangible asset value (return on NTAV = (dividend + change in NTAV)/(NTAV))	10	75	130	–	–
Combined distribution growth to prior year	15	75	130	88	13.2
Balance sheet management					
– ensuring that gearing and hedging remain within pre-approved ranges	10	75	130	100	10.0
Property portfolio operations					
– execute approved property strategy					
– net property income					
– vacancy levels					
– rental collections					
– tenant retentions	10	75	130	75	7.5
Disposal of non-core assets with minimum dilution	5	75	130	95	4.8
Portfolio acquisitions					
– three-year actual performance comparison compared to initial forecast	10	75	130	96	9.6
Total financial	70				58.1

Individual

Performance measure	Weighting %	Threshold target %	Stretch target %	Performance score %	Weighted score %
Behavioural competencies					
– ethical leadership					
– staff management	10	75	130	100	10.0
Stakeholder management	10	75	130	100	10.0
Achieving a predetermined B-BBEE rating	10	75	130	–	–
Total personal	30				20.0

Grand total 78.1

REMUNERATION REPORT (CONTINUED)

FD

Financial

Performance measure	Weighting %	Threshold target %	Stretch target %	Performance score %	Weighted score %
Acquisitions					
– identifying and concluding value accretive acquisitions	5	75	130	130	6.5
Implementation of acquisitions and corporate actions	10	75	130	100	10.0
Total return on net tangible asset value (return on NTAV = (dividend + change in NTAV)/(NTAV))	10	75	130	–	–
Combined distribution growth to prior year	10	75	130	88	8.8
Balance sheet management					
– ensuring that gearing and hedging remain within pre-approved ranges	15	75	130	100	15
Property portfolio operations					
– execute approved property strategy					
– net property income					
– vacancy levels					
– rental collections					
– tenant retentions	10	75	130	75	7.5
Disposal of non-core assets with minimum dilution	2.5	75	130	95	2.4
Portfolio acquisitions					
– three-year actual performance comparison compared to initial forecast	2.5	75	130	96	2.4
Total financial					52.6

Individual

Performance measure	Weighting %	Threshold target %	Stretch target %	Performance score %	Weighted score %
Financial reporting and annual audit					
– timeous and accurate internal and external financial reporting					
– clean audit report	12.5	75	130	100	12.5
Behavioural competencies					
– ethical leadership					
– staff management	7.5	75	130	100	7.5
Information technology and systems	5	75	130	100	5
Achieving a predetermined B-BBEE rating	10	75	130	–	–
Total individual					25.0

Grand total 77.6

STI outcomes for FY18

Executive	Allocation %	TGP R	Financial performance %	Non-financial %	Total score %	Actual STI R
CEO	70	4 240 000	58.1	20.0	78.1	2 316 524
FD	60	2 124 770	52.6	25.0	77.6	988 974
		6 364 770				3 305 498

LTI: Proposed conditional share plan

No LTI scheme was in place for FY18. The company proposes that shareholders approve the introduction of a new LTI plan aligned with good global practice. The CSP will be tabled to shareholders at the AGM. The salient features of the CSP are set out in full in Annexure A to the AGM notice.

The CSP will provide participants with the opportunity to share in the success of the company and to be incentivised to deliver the business strategy of the company in the long term. This will be achieved through the awarding of conditional Dipula B-shares (with no dividend rights or voting rights until the shares vest and become unrestricted) to executives and key staff, as identified by the company, based on performance, measured over a period of three years, commencing FY19 and including FY20 and FY21 ("three-year period").

Vesting of the Dipula B-shares take place on conclusion of the three-year measurement period, during March of the year following the last measurement period.

The CSP usage limit of 5% of the issued share capital of the company is proposed, which will allow for five to 10 years of awards under the plan. Termination of employment (fault and no-fault terminations) provisions, which are aligned to global good practice will apply. Malus (pre-vesting forfeiture) and clawback (post-vesting forfeiture) provisions will apply to the award of Dipula B-shares, upon the occurrence of certain "trigger events".

The nature and extent of performance conditions applicable to the award of Dipula B-shares will be approved by the Remco annually and will be specifically included in the award letter to participants. The performance conditions applicable to the first award of Dipula B-shares ("DIB") are detailed on page 72.

The CEO and FD can earn up to 116% and 110% of their TGPs, respectively, in CSP awards. For illustrative purposes assuming a Dipula B-share price of R8.00 on the award date the maximum allocated number of shares to the executive directors (assuming stretch performance conditions are met) will be 880 396.

Executive	Allocation %	TGP R	Face value of the allocation R	Number of shares allocated
CEO	116	4 240 000	4 918 400	614 800
FD	100	2 124 770	2 124 770	265 596
		6 364 770	7 043 170	880 396

REMUNERATION REPORT (CONTINUED)

The following performance conditions are applicable to the first issue of Dipula B-shares in 2019:

Performance conditions	Weighting	Threshold (37.5%)	Target (62.5%)	Stretch (100.0%)
Average combined dividend growth relative to CPI (measured over the three-year period)	40%	CPI	CPI + 1%	CPI + 2%
Average combined dividend growth relative to peers over the three-year period (weighted by market value)	40%	95% of index	110% of index	120% of index
KPI achievement (based on three-year KPI performance)	20%	–	–	–
	100%			

Termination policy

Reasons for termination

	Voluntary resignation	Dismissal	Normal and early retirement, retrenchment and death	Mutual separation
TGP	Paid over the notice period or as a lump sum	No payment	Paid for a defined period based on cause and local policy	Paid over the notice period or as a lump sum
STI	Paid if in employ on date of payment	None	None	By negotiation

Non-executive directors' fees for FY18

	Chairman (per annum) R	Member (per annum) R
Board	321 772	229 369
Audit and risk committee	78 641	57 670
Investment committee	78 641	57 670
Social and ethics committee	78 641	57 670
Remuneration and nomination committee	68 155	57 670

SOCIAL AND ETHICS COMMITTEE REPORT

Functions of the committee

This committee executes the duties assigned to it by the Companies Act as well as any additional duties delegated to it by the board of directors of Dipula. Its functions and responsibilities include but are not limited to:

Monitoring the company's activities, having regard to relative legislation, codes of best practice, and with regard to matters relating to social and economic development, including the company's standing in term of the goals and purposes of:

- The 10 principles set out in the United Nations Global Compact Principles; and
- The OECD recommendations regarding corruption.

The committee further needs to ensure that Dipula complies with good corporate citizenship, good labour and employment practices including employment equity as well as the application of ethical and effective leadership in the conduct of its business. The monitoring of compliance with Broad-Based Economic Empowerment legislation is an integral part of the functions of the committee.

Management is tasked with attending to day-to-day responsibilities in 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 comprises of two independent non-executive directors: E Links, who chairs the committee and Y Waja, as well as executive director, IS Petersen. The committee met twice during the year and details of attendance are set out on page 60.

A formal charter has been adopted which guides the committee in ensuring that the group conducts its business in an ethical and properly governed manner and in reviewing or developing policies, governance structures and practices for sustainability.

Management reports to the committee on matters relevant to its deliberations and the committee in turn draws relevant matters to the attention of the board and reports on them to the shareholders at the annual general meeting. Please see pages 63 for reporting on the committee's areas of focus during the year.



E Links

Chairman, social and ethics committee

ANNUAL FINANCIAL STATEMENTS

Directors' responsibility and approval	76
Certificate of the company secretary	77
Audit and risk committee report	78
Independent auditors' report	81
Directors' report	85
Statements of financial position	89
Statements of comprehensive income	90
Statements of changes in equity	91
Statements of cash flows	93
Notes to the annual financial statements	94

Preparer of financial statements

The consolidated and separate annual financial statements of Dipula Income Fund Limited ("Dipula" or "the company" or "the group") as approved by the board of directors ("the board") on 14 December 2018 were prepared by Mrs N Kotze CA(SA) (Group Financial Manager) and Mr R Asmal BCom (Accounting) (Financial Director). These financial statements were audited in compliance with section 30 of the Companies Act, No 71 of 2008 ("the Companies Act").

14 Kramer

Kramerville is known as the décor and design hub of Johannesburg. Located off the Marlboro off ramp off the M1.

Anchor tenant is Coricraft.



	Retail
	14 Kramer Road, Kramerville
	GLA: 4 692 m ²



DIRECTORS' RESPONSIBILITY AND APPROVAL

for the year ended 31 August 2018

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Dipula Income Fund Limited, comprising the statements of financial position at 31 August 2018 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 Companies Act of South Africa.

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 2018 and its financial performance and cash flows for the year ended 31 August 2018. 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 Deloitte & Touche is presented on pages 81.

In addition, the directors have also reviewed the cash flow forecast for the year ending 31 August 2019 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 14 December 2018 and are signed on its behalf by:



Izak Petersen
Chief Executive Officer



Ridwaan Asmal
Financial Director

14 December 2018

CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, we declare that to the best of our knowledge, for the year ended 31 August 2018, Dipula Income Fund Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company, and all such returns are true, correct and up to date.



GM Prestwich

CIS Company Secretaries Proprietary Limited

Company Secretary

Johannesburg

14 December 2018





AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee ("the committee") has pleasure in submitting this report, as required by section 94(7) of the Companies Act and incorporating the recommendations of the King IV Report on Corporate Governance for South Africa 2016 ("King IV").

The committee has an independent role with accountability to shareholders 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 periodic basis and approved by the board. The committee assesses its performance and effectiveness 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 internal auditor and the external auditor attend meetings of the committee by invitation. The external auditor and internal auditor meet with the committee without the presence of the executives on an annual basis and have 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 60.

Responsibilities

The committee has performed the duties assigned to it by the Companies Act and as governed by other legislative requirements including the statutory audit committee functions required for subsidiary companies. The committee performed the following activities, amongst others, during the year under review:

- reviewed and recommended to the board the interim financial results and annual financial statements;
- assisted the board in overseeing the quality and integrity of the group's integrated annual report process;
- considered accounting treatments, significant financial transactions and other financial information;
- reviewed compliance with the financial conditions of loan covenants and determined the capital of the group was adequate;
- reviewed the external auditor's report including the key audit matters included in the report;
- reviewed the representation letter relating to the annual financial statements that was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements;
- ensured compliance with the JSE Listings Requirements and other applicable legislations and amendments thereto;
- in compliance with paragraph 3.84(h)(i) of the JSE Listings Requirements, reviewed the performance, appropriateness and expertise of the Financial Director, R Asmal and is satisfied therewith; in addition the committee is satisfied with the composition, experience and skills of the group's finance function;
- recommended to shareholders the reappointment of Deloitte & Touche as auditors, as well as the appointment of the designated partner, Patrick Michael Kleb, for the 2018 financial year, by following the procedures prescribed by the Companies Act and the JSE Listings Requirements;
- obtained an annual confirmation from the external auditors that their independence was not impaired;
- 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 2018 financial year. Audit fees are described in note 19 to the financial statements;
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment; and
- ensured that in compliance with paragraph 3.84(h)(ii) of the JSE Listings Requirements, the company has established appropriate financial reporting procedures and that these procedures are operating.

After assessing the requirements set out in section 94(7)(a-e) of the Companies Act and paragraph 3.84(h)(iii) of the JSE Listings Requirements, the committee is satisfied with the independence, objectivity and suitability of the external auditors and designated partner, and recommends the reappointment of the external auditors Deloitte & Touche, as well as the reappointment of the designated partner, Patrick Michael Kleb, at the next annual general meeting. This will be the fifth year of the firm and the fifth year of the designated partner as auditors of the company and the group.

Internal financial controls and the finance function

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 committee and operates in terms of the internal audit plan approved by the committee. Based on enquiries made, the assurance obtained from management and the reports obtained from the internal and external auditors, the committee has satisfied itself that no significant breakdown in current controls, procedures and systems have occurred during the year that could have a material impact on financial reporting.

Going concern

The committee, through its review of the 2019 budget and cash flows and discussions with management, reported to the board that it supported management's view that the group will be a going concern for the next financial year.

Annual financial statements

Following a review by the committee and based on processes and assurances obtained, the committee recommended the annual financial statements of Dipula for the year ended 31 August 2018 to the board for approval.

Risk management

The committee reviews the analysis of the critical risks facing the group on a quarterly basis. The risk analysis and management's response to these risks is detailed on pages 32 and 33 of this integrated annual report. The committee is satisfied, to the extent possible given the wide range of known and unknown risks facing the group and all businesses in general, that the compensating controls in place to mitigate the identified key risks are adequate. The committee confirms that it has monitored compliance with the company's risk management policy and confirms that the company has complied with the policy in all material respects.

Subsidiary companies

The functions of the committee are also performed for the subsidiary companies and business entities of Dipula on the basis that the management of the group is centralised and reports to this committee and the board on a group basis.

External audit: Key audit matters and significant risks

At the start of the audit cycle, Deloitte & Touche presented their audit strategy, identifying their assessment of the key risks for the purposes of the audit and the scope of their work.

The group's investment property comprises properties which are measured at fair value using significant judgements and estimates regarding vacancies and discount rates determined by management in their valuation of each property. Due to the significance of this amount to the financial statements as a whole and combined with the judgement associated with determining the fair value, Deloitte & Touche have identified the valuation of investment property as a key audit matter.



INDEPENDENT AUDITORS' REPORT

To the shareholders of Dipula Income Fund Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Dipula Income Fund Limited set out on pages 89 to 161, which comprise the statements of financial position as at 31 August 2018, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 August 2018, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the *audit of the consolidated and separate financial statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters apply to the consolidated and separate financial statements in the same manner.

Key audit matter	How the matter was addressed in the audit
Valuation of investment properties	
Due to the significance of the balance to the consolidated and separate financial statements as a whole, combined with the judgement associated with determining the fair value, we identified the valuation of investment properties as representing a key audit matter.	We assessed the competence capabilities and objectivity of the directors' independent valuations specialists and verified their qualifications. In addition, we discussed the scope of their work with management and reviewed the terms of the engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We confirmed that the approaches they used are consistent with IFRS and industry norms.
The carrying value of investment properties amounted to R8.6 billion for the group and the company: R260 million and the fair value adjustment in profit for the year in respect of investment properties was a loss of R16.5 million for the group and an increase of R171 000 for the company.	We have assessed the design and implementation and performed substantive procedures on the assumptions made by the directors in valuing the properties.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key audit matter	How the matter was addressed in the audit
Valuation of investment properties (continued)	
The property portfolio is valued annually, with properties exceeding R12 million (at the last valuation date) being valued by independent registered valuation specialists. 92% of the property portfolio is valued externally whilst the remaining 8% is valued internally by the directors. The data inputs with the most significant impact on these valuations are disclosed in note 3, and include the following: ■ Rental income; ■ Property specific expense ratios; ■ Capitalisation rates; and ■ Short-term vacancy rates.	Our audit procedures included testing the completeness and accuracy of directors' schedules and performing further analytical review procedures based on the variance parameters that were noted. We tested a selection of data inputs underpinning the investment property valuation, including: ■ Rental income; ■ Property operating costs; ■ Short-term vacancy rates; ■ Tenancy schedules; ■ Escalation rates; and ■ Capitalisation rates. These were found to be accurate, reliable and complete. Our independent external valuer compared selected inputs used to market data and entity-specific historical information to confirm the appropriateness of these inputs on a sample basis. Our independent external valuer furthermore reviewed the following: ■ The models used by the directors and their independent valuers; and ■ The significant judgements relating to the assumptions of the discount and revisionary cap rates. We performed sensitivity analyses on the significant assumptions to evaluate the extent of the impact on the fair values and assessed the appropriateness of the group's disclosures relating to these sensitivities. We found that the models used for the properties were appropriate and the discount rates and capitalisation rates applied were comparable to the market. We reviewed the disclosure in the financial statements against IFRS 13: <i>Fair Value Measurement</i> disclosure requirements pertaining to investment property disclosure requirements. Based on the testing undertaken, the presentation and disclosures in respect of the investment properties are consistent with the requirements of IFRS.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee's Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

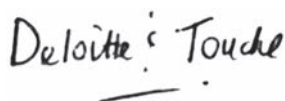
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Dipula Income Fund Limited for four years.



Deloitte & Touche

Registered Auditor

Per: Patrick Kleb

Partner

Address

Building 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead Sandton, Private Bag X6
Gallo Manor 2052, South Africa
Johannesburg

14 December 2018

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the year ended 31 August 2018.

Nature of business

Dipula is a REIT and is listed on the JSE Limited under the Property: 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.

Given the nature of its business, Dipula uses dividend per share as its key performance measure instead of earnings or headline earnings per share.

Its subsidiaries own a diversified property portfolio of retail, industrial and office properties.

Group entities

The group comprises the following entities:

- Dipula Income Fund Limited
- Asakhe Realty Investment Fund Proprietary Limited
- Bajascope Proprietary Limited
- Dipula Property Management Proprietary Limited
- Emerald Fire Investments Proprietary Limited
- Gillwell Taxi Retail Park Proprietary Limited
- Hynorex Proprietary Limited
- Jarrabilla Investments Proprietary Limited
- Lizinex Proprietary Limited
- Luxanio Trading 181 Proprietary Limited
- Mergence Africa Property Fund Proprietary Limited
- Mergence Africa Property Investment Trust
- The Dipula Property Investment Trust

Capital structure

The Dipula A and B-share structure offers investors two distinct risk/reward propositions. The dividend of the A-share escalates at the lower of CPI and 5%. These shares have preferential entitlements to income distributions. The remaining distributable income accrues to the B-shares.

Review of operations and acquisitions

The results of the group and the company are set out in the attached financial statements and accompanying notes.

Acquisitions

During the year under review, Dipula acquired the following interests in entities:

- 50.1% in Hynorex Proprietary Limited (subsidiary)
- 50.01% in Bajascope Proprietary Limited (subsidiary)
- 100% in Luxanio Trading 181 Proprietary Limited (subsidiary)
- 50% share in Harding Corner Centre (joint operation)

Effective 1 September 2017, Dipula acquired 100% of the investment units in its management entity, Dipula Asset Management Trust for R150 million. This acquisition was in terms of the group's agreement to internalise its management.

DIRECTORS' REPORT (CONTINUED)

Disposals

In line with the strategy to dispose of non-core assets to improve the quality of its portfolio, Dipula disposed of seven properties for R290 million during the year at an average yield of 9.2%. The largest single disposal was that of Dipula's 30% share in Eyethu Orange Farm Mall for R146.7 million.

Distributions

Distributions for the year amounted to 105.80560 cents (2017: 101.29784 cents) per A-share and 99.67872 cents (2017: 95.49834) per B-share.

Directors' remuneration

Please refer to note 33.2 in the annual financial statements.

Stated capital

The authorised share capital of the company consists of 1 billion A ordinary shares of no par value and 1 billion B ordinary shares of no par value.

There were 264 665 819 A ordinary shares in issue at 31 August 2018 and 264 665 819 B ordinary shares in issue at 31 August 2018.

The company issued the following shares during the year under review:

Date of issue	Purpose	Number of A-shares issued	Number of B-shares issued	Issued price per A-share Rand	Issued price per B-share Rand
12 December 2017	Dividend reinvestment plan	706 202	706 182	9.82	9.86
22 December 2017	Manco internalisation – special resolution	–	9 931 631	–	10.10
17 April 2018	Vendor consideration placing	45 468 773	35 537 052	9.50	10.04

Further details on stated capital are set out in note 13.

Property valuations

The portfolio was valued at 31 August 2018 as per the Investment Property accounting policy (note 2.5) at R8.6 billion (2017: R6.9 billion) and the net asset value per share was R10.03 (2017: R10.12) at year-end.

Borrowings

As at 31 August 2018, the all-in blended rate of the group's debt was 9.25% (2017: 9.17%). The group has total debt facilities of R3.5 billion (2017: R3.0 billion), with R3.5 billion (2017: R2.7 billion) utilised to date.

87% of the drawn down debt has been fixed through a combination of interest rate swaps and fixed interest loans.

Subsequent events

Subsequent events are detailed in note 36 of the annual financial statements.

Directorate

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

Independent non-executive

■ ZJ Matlala (Chairperson)	South African
■ BH Azizollahoff	British
■ SA Halliday	South African
■ E Links	South African
■ Y Waja	South African

Executive

■ IS Petersen (Chief Executive Officer)	South African
■ R Asmal (Financial Director)	South African
■ NS Gumede (resigned 22 December 2017)	South African

R Asmal, Y Waja and BH Azizollahoff will retire at the forthcoming annual general meeting and all being eligible for re-election, will so offer themselves.

Directors' interests

The interest of the directors in the shares of Dipula at 31 August 2018 were as follows:

A-shares (number of shares)

	Direct beneficial 2018	Indirect beneficial 2018	Total 2018	Direct beneficial 2017	Indirect beneficial 2017	Total 2017
NS Gumede*	–	–	–	–	325 275	325 275
IS Petersen	1 007	1 066 677	1 067 684	1 000	1 065 612	1 066 612
Y Waja	20 000	–	20 000	20 000	–	20 000
	21 007	1 066 677	1 087 684	21 000	1 390 887	1 411 887

B-shares (number of shares)

	Direct beneficial 2018	Indirect beneficial 2018	Total 2018	Direct beneficial 2017	Indirect beneficial 2017	Total 2017
NS Gumede*	–	–	–	–	12 285 233	12 285 233
IS Petersen	660 783	28 803 686	29 464 469	66 667	12 088 552	12 155 219
R Asmal	340 896	–	340 896	–	–	–
Y Waja	22 500	–	22 500	22 500	–	22 500
	1 024 179	28 803 686	29 827 865	89 167	24 373 785	24 462 952

* NS Gumede resigned as director on 22 December 2017.

There have been no changes in directors' interests in shares between 31 August 2018 and the date of finalisation of this integrated annual report.



DIRECTORS' REPORT (CONTINUED)

Corporate governance and internal controls

The group's status with regard to corporate governance and internal controls is set out in a separate statement in the integrated annual report (see pages 56 to 63).

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 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 61 of this integrated annual report.

Subsidiary companies

Information relating to the company's interest in its subsidiaries is detailed in note 9 of the annual financial statements.

Going concern

Although the group and the company are in a net current liability position as at 31 August 2018, the directors are of the opinion that the group and company have 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 consolidated and separate annual financial statements. The directors have satisfied themselves that the group and the company are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements.

The net current liability position in the group and the company is largely due to the short-term portion of interest-bearing liabilities amounting to R974 million (2017: R551 million) in the group and R853 million (2017: R551 million) in the company.

These are loans with Standard Bank and Nedbank which expire during the next 12 months and will be refinanced for periods ranging from two to five years, three months prior to maturity.

As the risk of refinancing is minimal, it would appear that the group and the company would be able to service their liabilities in the next 12 months.

Auditors

Deloitte & Touche, together with Patrick Michael Kleb as the designated partner, have been the auditors of the group for four years.

Company Secretary

The Company Secretary is CIS Company Secretaries Proprietary Limited (Registration number: 2006/024994/07).

Business address

Firestation Rosebank
12th Floor
16 Baker Street
Rosebank

Postal address

Private Bag X3
Rosebank
2132

STATEMENTS OF FINANCIAL POSITION

as at 31 August 2018

		Consolidated		Company	
	Note	2018 R'000	2017 R'000	2018 R'000	2017 R'000
ASSETS					
Non-current assets		8 944 839	6 989 754	7 489 104	5 932 911
Investment property		8 607 859	6 882 691	260 328	23 500
Fair value of property portfolio	3	8 427 249	6 727 095	257 975	23 018
Straight-line rental income accrual	4	180 610	155 596	2 353	482
Goodwill	5.1	–	13 327	–	–
Intangible assets	5.2	112 500	–	–	–
Property, plant and equipment	6	3 886	1 267	2 245	44
Derivative financial assets	7	26 315	–	26 315	–
Loans receivable	8	194 279	92 469	88 610	–
Interest in subsidiaries	9	–	–	7 111 606	5 909 367
Current assets		298 532	374 260	86 160	112 437
Trade and other receivables	10	208 266	153 817	32 290	523
Loans receivable	8	–	89 936	–	–
Derivative financial assets	7	1 202	281	1 202	281
Cash and cash equivalents	11	89 064	130 226	52 668	111 633
Non-current assets held-for-sale					
Investment property held-for-sale	12	30 013	42 942	–	–
Total assets		9 273 384	7 406 956	7 575 264	6 045 348
EQUITY AND LIABILITIES					
Shareholders' interest		5 308 816	4 424 473	4 545 579	3 588 380
Stated capital	13	4 243 513	3 346 742	4 318 956	3 422 185
Fair value reserve	14	1 037 803	998 793	23 245	(32 443)
Retained income		27 500	78 938	203 378	198 638
Non-controlling interests		155 796	–	–	–
Non-current liabilities		2 602 100	2 306 139	2 132 338	1 892 089
Interest-bearing liabilities	15	2 546 926	2 271 057	2 128 288	1 857 007
Non-interest-bearing liabilities	16	51 124	–	–	–
Derivative financial liabilities	7	4 050	35 082	4 050	35 082
Current liabilities		1 206 672	676 344	897 347	564 879
Trade and other payables	18	209 648	125 336	21 523	13 871
Interest-bearing liabilities	15	974 225	551 008	853 025	551 008
Bank overdraft	11	20 048	–	20 048	–
Derivative financial liabilities	7	2 751	–	2 751	–
Total equity and liabilities		9 273 384	7 406 956	7 575 264	6 045 348

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 August 2018

		Consolidated		Company	
	Note	2018 R'000	2017 R'000	2018 R'000	Restated* 2017 R'000
Revenue		1 141 348	1 069 660	717 717	639 641
Contractual rental income		860 027	825 555	6 975	2 803
Municipal and property recoveries		217 557	226 962	5 145	496
Other income	20	38 750	–	25 750	–
Management fees		–	–	13 889	1 823
Dividends received from group companies	33	–	–	664 087	634 384
Straight-line rental income accrual		25 014	17 143	1 871	135
Property-related expenses		(362 824)	(353 463)	(10 532)	(863)
Net property income		778 524	716 197	707 185	638 778
Administration and corporate costs		(24 470)	(31 887)	(4 593)	(4 563)
Net operating profit	19	754 054	684 310	702 592	634 215
Net finance cost		(231 605)	(243 632)	(209 370)	(216 818)
Finance income	22	42 103	20 606	26 145	6 311
Finance cost	21	(273 708)	(264 238)	(235 515)	(223 129)
Net profit after finance cost		522 449	440 678	493 222	417 397
Transaction costs on business combination		(2 543)	–	(2 543)	–
Loss on sale of property, plant and equipment		(153)	–	(100)	–
Goodwill impaired	5.1	(13 327)	(35 155)	–	–
Amortisation of intangible assets	5.2	(37 500)	–	–	–
Fair value adjustments		13 996	1 352	53 817	(37 954)
Investment properties and properties held-for-sale		(16 507)	57 512	171	1 198
Straight-line rental income accrual		(25 014)	(17 143)	(1 871)	(135)
Interest rate swaps		55 517	(39 017)	55 517	(39 017)
Profit before taxation		482 922	406 875	544 396	379 443
Taxation	23	–	–	–	–
Profit for the year after taxation		482 922	406 875	544 396	379 443
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		482 922	406 875	544 396	379 443
Total profit and comprehensive income for the year attributable to:					
Shareholders of the company		471 540	387 922	544 396	379 443
Non-controlling interests		11 382	18 953	–	–
		482 922	406 875	544 396	379 443
Basic and diluted earnings per A-share (cents)	24	99.09	91.59		
Basic and diluted earnings per B-share (cents)	24	99.09	91.59		

* See note 35.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 August 2018

	Consolidated				
	Stated capital R'000	Fair value reserve R'000	Retained income R'000	Non- controlling interests R'000	Total equity R'000
Balance at 31 August 2016	3 107 931	992 884	93 599	131 190	4 325 604
Total comprehensive income for the year	–	–	387 922	18 953	406 875
Acquisition of non-controlling interests	–	–	8 310	(141 943)	(133 633)
Shares issued net of share issue expenses	238 811	–	–	–	238 811
Dividends declared	–	–	(404 984)	(8 200)	(413 184)
Transfer to fair value reserve – investment properties	–	44 926	(44 926)	–	–
Transfer from fair value reserve – interest rate swaps	–	(39 017)	39 017	–	–
Balance at 31 August 2017	3 346 742	998 793	78 938	–	4 424 473
Total comprehensive income for the year	–	–	471 540	11 382	482 922
Equity contributed by non-controlling interests	–	–	–	151 549	151 549
Shares issued net of share issue expenses	896 771	–	–	–	896 771
Dividends declared	–	–	(483 968)	(7 135)	(491 103)
Transfer from fair value reserve – investment properties	–	(16 507)	16 507	–	–
Transfer to fair value reserve – interest rate swaps	–	55 517	(55 517)	–	–
Balance at 31 August 2018	4 243 513	1 037 803	27 500	155 796	5 464 612

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 August 2018

	Company				
	Stated capital R'000	Fair value reserve R'000	Retained income R'000	Non- controlling interests R'000	Total equity R'000
Balance at 31 August 2016	3 183 374	5 376	186 360	–	3 375 110
Total comprehensive income for the year	–	–	379 443	–	379 443
Shares issued net of share issue expenses	238 811	–	–	–	238 811
Dividends declared	–	–	(404 984)	–	(404 984)
Transfer to fair value reserve – investment properties	–	1 198	(1 198)	–	–
Transfer from fair value reserve – interest rate swaps	–	(39 017)	39 017	–	–
Balance at 31 August 2017	3 422 185	(32 443)	198 638	–	3 588 380
Total comprehensive increase for the year	–	–	544 396	–	544 396
Shares issued net of share issue expenses	896 771	–	–	–	896 771
Dividends declared	–	–	(483 968)	–	(483 968)
Transfer to fair value reserve – investment properties	–	171	(171)	–	–
Transfer to fair value reserve – interest rate swaps	–	55 517	(55 517)	–	–
Balance at 31 August 2018	4 318 956	23 245	203 378	–	4 545 579

STATEMENTS OF CASH FLOWS

for the year ended 31 August 2018

		Consolidated		Company	
	Note	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cash flows from operating activities					
Cash generated from operations	25	713 649	691 395	12 692	1 740
Finance income	22	38 493	20 606	22 535	6 311
Finance cost	21	(275 830)	(265 834)	(237 637)	(224 725)
Dividends received from group companies	33	–	–	664 087	634 384
Dividends paid	26	(491 103)	(413 184)	(483 968)	(404 984)
Net cash (utilised in)/generated from operating activities		(14 791)	32 983	(22 291)	12 726
Cash flows from investing activities					
Acquisition of investment properties	3	(1 821 730)	(13 830)	(229 530)	–
Capital expenditure		(161 267)	(96 594)	(7 156)	(2)
Acquisition of property, plant and equipment	6	(3 724)	(460)	(2 508)	–
Acquisition of shares in subsidiaries	9	–	–	(550 918)	–
Acquisition of business combination	9.2	(47 382)	–	(52 243)	–
Acquisition of non-controlling interests	9.3	–	(133 633)	–	–
Proceeds on disposal of property, plant and equipment		380	–	63	–
Repayment of loans advanced		89 936	–	–	–
Loans advanced to subsidiaries		–	–	(581 921)	(119 198)
Proceeds on disposal of investment properties		201 416	111 642	–	–
Net cash utilised in investing activities		(1 742 371)	(132 875)	(1 424 213)	(119 200)
Cash flows from financing activities					
Issue of shares net of share issue expenses	13	796 471	238 811	796 471	238 811
Shares issued to non-controlling interests		151 549	–	–	–
Non-interest-bearing liabilities raised	16	51 124	–	–	–
Interest-bearing liabilities raised/(repaid)		696 808	(67 425)	571 020	(57 396)
Net cash generated from financing activities		1 695 952	171 386	1 367 491	181 415
Net (decrease)/increase in cash and cash equivalents		(61 210)	71 494	(79 013)	74 941
Cash and cash equivalents at beginning of year		130 226	58 732	111 633	36 692
Cash and cash equivalents at end of year	11	69 016	130 226	32 620	111 633

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2018

1. Standards and interpretations issued and not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2018 or later periods.

Accounting standard or interpretation	Amendment	Impact on financial statement
IFRS 9: <i>Financial Instruments</i> – Effective for the financial reporting period ending 31 August 2019	Classification and measurement of financial assets - All financial assets are initially measured at fair value with subsequent reclassification to either amortised at cost, fair value through profit or loss, or fair value through other comprehensive income - Debt instruments are subsequently measured at fair value through profit or loss - Equity instruments are measured at fair value through profit or loss	The group already measures its financial instruments at amortised cost and at fair value through profit and loss. Due to the criteria for classifications into these categories being significantly different this may result in changes in classification between amortised cost and fair value through profit and loss but due to the group's limited exposure to these financial assets the impact is not expected to be material. The group will adopt this standard on 1 September 2018.
	Classification and measurement of financial liabilities For liabilities measured at fair value through profit or loss, the change in the fair value of the liability attributable to changes in credit risk is presented in other comprehensive income.	The group classifies its derivative liabilities at fair value through profit and loss and should changes in fair value arise due to credit risk these amounts will be presented in other comprehensive income. The group will adopt this standard on 1 September 2018.
	Impairment The impairment requirements are based on expected credit loss model. Entities are required to recognise 12 month expected credit loss on initial recognition and thereafter, as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime expected credit loss.	Due to IFRS 9 amending the impairment model from an "incurred loss" model in IAS 39 to an "expected credit loss" model, the provision for bad debts is expected to increase due to the forward looking component which may introduce additional losses. The group will adopt this standard on 1 September 2018.
	Hedge accounting	Per IFRS 9 the hedge effectiveness is prospective and depending on the hedge complexity, can be qualitative. As the group does not apply hedge accounting, no impact is expected.

1. Standards and interpretations issued and not yet effective (continued)

Accounting standard or interpretation	Amendment	Impact on financial statement
IFRS 15: <i>Revenue from contracts with customers</i> – Effective for the financial reporting period ending 31 August 2019	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.	The group earns the majority of its revenue from rental revenues, which is to be accounted for under IFRS 16. The effect of the standard has not been examined but is not expected to have a material affect on the group once implemented. The group will adopt this standard on 1 September 2018.
IFRS 16: <i>Leases</i> – Effective for the financial reporting period ending 31 August 2020	The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17: <i>Lease</i> .	■ As lessor: The new standard is not expected to have a significant impact on how the group accounts for leases due to the carry forward of the lessor accounting model from IAS 17. Further enhanced disclosures may be required. ■ As lessee: In a few instances where the group is a lessee (land leases), we do not anticipate significant changes to the accounting for those leases. The group will adopt this standard on 1 September 2018.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

2. Accounting policies

Reporting entity

Dipula is a company domiciled in South Africa.

The consolidated financial statements of the company for the year ended 31 August 2018 comprise the company and its subsidiaries (together referred to as the "group") and the accounting policies listed below apply to both the consolidated and separate financial statements. The financial statements were authorised for issue by the directors on 14 December 2018.

Basis of preparation

Basis of measurement

The consolidated and separate financial statements ("financial statements") are prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair value. Fair value adjustments (where applicable) do not affect the calculation of distributable earnings but do affect the net asset value per share to the extent that adjustments are made to the carrying values of assets and liabilities.

Statement of compliance

The financial statements have been consistently prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides, as issued by the Accounting Practice Committee and the Companies Act, except for the classification of dividends received from group companies as per note 35. This reclassification is due to a change in accounting policy. Dividends received from group companies are now included in revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

2. Accounting policies (continued)

Basis of preparation (continued)

Statement of compliance (continued)

The accounting policies are consistent with those applied in the prior period.

None of the amendments to standards which were effective for the financial period commencing 1 September 2017 have had a material impact on the group.

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 30.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 August 2018 and the comparative information presented in these financial statements for the year ended 31 August 2017.

2.1 Basis of preparation

The accounting policies applied by the group, and the preparation of these financial statements are consistent with the accounting policies applied in the preparation of the previous financial statements, except for the classification of dividends received from group companies as set out in note 35.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries).

Control is defined as and when the company 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. The company controls the subsidiary if and only if the company has all the following elements:

- Power over the subsidiary;
- Exposure, or rights, to variable returns from its involvement with the subsidiary; and
- The ability to use its power over the subsidiary to affect the amount of the company's returns.

Power is defined as existing rights that give the current ability to direct the relevant activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2. Accounting policies (continued)

2.2 Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the group.

The consolidated financial statements combine like items of assets, liabilities, equity, income, expenses and cash flows of the company with those of its subsidiaries. The carrying amount of the company's investment in each subsidiary and the company's portion of equity of each subsidiary is offset and any related goodwill is recognised in accordance with IFRS 3: *Business Combinations*.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group, and the profits or losses resulting from intra-group transactions that are recognised in assets such as property, plant and equipment are eliminated on consolidation.

The non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. The non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination.

When there is a change in the company's ownership interest in a subsidiary, but the company does not cease to have control, this is accounted for as an equity transaction.

2.2.1 Subsidiaries

Subsidiaries are those entities controlled by the group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases.

In the case of the company, investments in subsidiaries are measured at cost less impairment losses.

The group has not changed its control conclusion in respect of its investments in subsidiaries.

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3: *Business Combinations* are recognised at their fair values at the acquisition date, except for:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12: *Income Taxes* and IAS 19: *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements in the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2: *Share-Based Payment* at the acquisition date; and
- non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

2. Accounting policies (continued)

2.3 Business combinations (continued)

For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's net fair value of the identifiable net assets.

When the consideration transferred by the group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39: *Financial Instruments: Recognition and Measurement* or IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* is measured at fair value with changes in fair value recognised either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is not within this scope, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

When a business combination is achieved in stages, the group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the item for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.4 Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue, including its share of revenue arising from the sale of the output arising from the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

2. Accounting policies (continued)

2.4 Joint operations (continued)

The group accounts for assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the group does not recognise its share of the gains and losses until it resells those assets to a third party.

2.5 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.

Unless there has been a material change in the condition of the property which would require a new assessment of the value of the property.

Investment properties above R12 million in value at the last valuation date are valued annually by external independent registered valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued.

One third of the below R12 million in value (at the last valuation date) are valued externally whilst the remaining two thirds are valued internally by directors. Independent valuations for these below R12 million in value properties are obtained on a rotational basis, ensuring that every property below the threshold is valued at least once every three years by an external independent valuer.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

2. Accounting policies (continued)

2.5 Investment property (continued)

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.

Tenant installation and lease commission costs are amortised over the period of the lease.

Gains or losses on subsequent measurement or disposals of investment properties are recognised in profit or loss. Such gains or losses are excluded from the calculation of distributable earnings.

Investment property held-for-sale

Classification

Non-current assets held-for-sale are those investment properties whose carrying amount will be recovered principally through sale rather than use. To classify the investment property as a non-current asset held-for-sale, it must be available for immediate sale in its present condition, subject only to terms that are usual for the sale of such assets, and the sale must be highly probable within a year. For the sale to be highly probable, management must be committed to a plan to dispose of the investment properties, actively market them, and expect that the properties will be sold within a year.

Measurement

Investment property classified as held-for-sale is carried at fair value in terms of IAS 40: *Investment Properties*.

2.6 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Leasehold improvements are depreciated over the shorter of the useful life of the asset or the lease term.

2. Accounting policies (continued)

2.6 Property, plant and equipment (continued)

Item	Average useful life
Motor vehicles	Five years
Computer equipment	Three/five years
Furniture and fixtures	Six years
Office equipment	Five/six years
IT software	Three years
Signage boards	Ten years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

2.7 Financial instruments

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

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 rate method net of impairment losses.

Trade and other receivables

Stated at amortised cost using the effective interest rate method net of impairment losses.

Trade and other payables

Carried at amortised cost using the effective interest rate method.

Loans to and from related parties

Carried at amortised cost using the effective interest rate method

Interest-bearing borrowings

Carried at amortised cost using the effective interest rate method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

2. Accounting policies (continued)

2.7 Financial instruments (continued)

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.

2.8 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.

2.9 Intangible assets

Intangible assets are acquired separately or in a business combination and are not internally generated. Intangible assets acquired in a business combination are recognised separately from goodwill, at fair value at acquisition date.

Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset from the date the asset is available for use. The amortisation method and useful life is reviewed at each reporting period and adjusted if necessary.

2. Accounting policies (continued)

2.9 Intangible assets (continued)

The residual value of intangible assets is assessed as Rnil and the estimated total useful lives for the current periods are as follows:

- Render asset management services: four years.

2.10 Impairment

Non-financial assets

The carrying amounts of the group's non-financial assets, other than investment property 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.

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.

All impairment losses and the reversal of impairment losses are recognised in profit or loss.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

2. Accounting policies (continued)

2.10 Impairment (continued)

Financial assets (continued)

The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

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.

All impairment losses and the reversal of impairment losses are recognised in profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits, 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.

2.12 Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment losses. Receivables with a short duration are not discounted as the effects of discounting are immaterial.

2.13 Trade and other payables

Trade and other payables are measured at amortised cost, using the effective interest rate method.

2.14 Loans to and from related parties

Loans to and from related parties are measured at amortised cost, using the effective interest rate method.

2.15 Other financial liabilities

Interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest rate basis.

2.16 Derivative financial instruments

The group uses derivative financial instruments to economically hedge its exposure to interest rate risk arising from its financing activities. The group does not hold or issue derivative financial instruments for trading purposes. However, as the hedge relationship is not designated as a hedge for accounting purposes, the derivatives are accounted for as trading instruments.

Subsequent to initial recognition derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. Any gains or losses on these financial instruments arising from changes in fair value do not affect distributable earnings. These gains or losses are transferred from retained earnings to a fair value reserve as they are not available for distribution.

The only derivative instruments held by the group are interest rate swaps. The fair value of an interest rate swap is the estimated amount that the group would receive or pay to terminate the swap at the reporting date, taking account of current interest rates and the current creditworthiness of the swap counterparties

2. Accounting policies (continued)

2.17 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.

2.18 Revenue

Revenue comprises gross rental revenue and recoveries of rates, operating costs and municipal recoveries, excluding VAT. Rental revenue from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Contingent rentals (turnover rentals) are included in revenue when the amounts can be reliably measured. Premiums to terminate leases are recognised in profit or loss when they arise.

Lease incentives granted are recognised as an integral part of the total rental revenue over the lease period.

Dividends are recognised when the entity's right to receive payment is established.

2.19 Expenses

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

2.20 Finance costs and finance income

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

2.21 Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to business combinations or items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided for the following temporary differences: initial recognition of assets and liabilities in a transaction that is not a business combination, where the initial recognition affects neither accounting nor taxable profit or loss and on differences relating to investments in subsidiaries, associates and joint ventures to the extent that the parent company is able to control the timing of the reversal of the temporary differences and they will probably not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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 reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

2. Accounting policies (continued)

2.21 Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable group, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Non-REIT assets and liabilities

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.

REIT assets and liabilities

In respect of investment properties the measurement of deferred tax is based on a rebuttable presumption that the amount of the investment property will be recovered entirely through sale. Capital gains and losses for property sold by a REIT are disregarded and the rate relevant to recoupments is 28%. Investment properties are held as long-term income generating assets. Therefore, should any property no longer meet the company's investment criteria and be sold, any profits or losses will be capital in nature and will be taxed at rates applicable to capital gains (current nil). Allowances previously claimed will be recouped on sale.

Where an accumulated loss is available to shield this recoupment, a deferred tax asset is raised.

In respect of other assets and liabilities deferred tax is provided based on the expected manner of realisation or settlement taking into account the entity's expectation that it will pay dividends and will receive a tax deduction making it in substance exempt.

2.22 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;
- Offices;
- Land; and
- Corporate.

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.

2. Accounting policies (continued)

2.23 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.

2.24 Earnings per share

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

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.

Headline earnings per share is calculated by dividing headline earnings by the weighted average number of shares in issue during the year.

2.25 Employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. Short-term employee benefits are measured on an undiscounted basis.

The accrual for employee entitlements to salaries and leave represent the amount which the group has a present obligation to pay as a result of the employees' services provided to the reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
3. Investment property				
3.1 Net carrying value				
Cost	7 470 977	5 729 302	257 799	21 142
Fair value surplus	1 136 882	1 153 389	2 529	2 358
	8 607 859	6 882 691	260 328	23 500
3.2 Movement for the year				
Investment properties at beginning of year	6 882 691	6 963 015	23 500	22 300
Additions at cost	2 014 350	101 151	236 528	2
– arising from acquisitions	1 821 730	13 830	229 530	–
– arising from subsequent expenditure	188 220	82 899	6 998	2
– capitalised borrowing costs	4 400	4 422	–	–
Transferred to non-current assets held-for-sale (note 12)	(169 635)	(306 648)	–	–
Investment properties sold	(87 113)	–	–	–
Change in fair value	(35 927)	122 455	170	1 198
Expenses incurred on investment properties sold	712	–	–	–
Depreciation	–	481	–	–
Tenant installations net of amortisation	974	264	–	–
Lease commissions net of amortisation	1 807	1 973	130	–
Investment properties at end of year	8 607 859	6 882 691	260 328	23 500
Less: Straight-line rental income accrual – per the statement of financial position	(180 610)	(155 596)	(2 353)	(482)
Net investment properties at year-end	8 427 249	6 727 095	257 975	23 018

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
3. Investment property (continued)				
3.3 Reconciliation to independent and directors' valuations				
Investment properties at valuation at end of year per 3.2 above	8 427 249	6 727 095	257 975	23 018
Straight-line rental income accrual – per the statement of financial position	180 610	155 596	2 353	482
Independent and directors' valuations	8 607 859	6 882 691	260 328	23 500
Total valuations	8 607 859	6 882 691	260 328	23 500
Per independent valuations	6 640 520	6 507 178	23 800	23 500
Acquired in last six months at fair value	1 729 435	13 830	236 528	–
Per directors' valuations	237 904	361 683	–	–

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 150 of the integrated annual report.

In terms of the accounting policy, the portfolio is valued annually, with properties above R12 million being valued by independent registered valuers. One third of the properties below R12 million (at the last valuation date) are valued externally whilst the remaining two thirds are valued internally by directors.

The properties valued by independent registered valuers on 31 August 2018 were performed by:

- Asset Valuation Services CC;
- Jones Lang LaSalle South Africa;
- Real Insight; and
- Yield Enhancement Solutions Proprietary Limited.

These external, independent property valuers have the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. They are all registered valuers in terms of section 19 of the Property Valuers Professional Act, No 47 of 2000.

The properties were valued using either the discounted cash flow or capitalisation methods by the internal and external valuers. The valuations were done on an open market basis with consideration given to the future earnings potential and applying an appropriate capitalisation rate to a property. The capitalisation rates used ranged between 7.8% and 13.25% (2017: between 7.5% and 13.10%). Investment properties held-for-sale were valued at the net sale price, which is considered to be the fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

3. Investment property (continued)

3.3 Reconciliation to independent and directors' valuations (continued)

Investment properties are encumbered as set out in note 15. The group has no restrictions on the realisability of its investment properties, or the remittance of income and proceeds of disposal. Refer to note 30.4 for the fair value hierarchy.

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is disclosed in note 27.

For rental income and direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period refer to note 34.

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
4. Straight-line rental income accrual				
Balance at beginning of year	155 596	140 155	482	347
Current year movement	25 014	17 143	1 871	135
Transferred to held-for-sale	–	(1 702)	–	–
Balance at end of year	180 610	155 596	2 353	482
5. Goodwill and intangible assets				
5.1 Goodwill				
Reconciliation of goodwill				
Balance at beginning of year	13 327	48 482	–	–
Impairment loss recognised in profit or loss	(13 327)	(35 155)	–	–
Balance at end of year	–	13 327	–	–

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.

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Asakhe Realty Investment Fund Proprietary Limited	–	13 327	–	–
	–	13 327	–	–

5. Goodwill and intangible assets (continued)

5.1 Goodwill (continued)

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 2019 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 2018 and 31 August 2017 the value in use calculations were based on the following key assumptions:

- discount rates of between 14% and 16.5% (2017: 11.12% and 13.56%), which are based on the risk profiles and expected yields of the relevant property portfolios; and
- growth rates of between -2.5 % and 2% (2017: 2.5% and 6.5%) which do not exceed forecast average long-term growth rates relative to the markets in which the cash-generating units operate.

The goodwill in Mergence Africa Property Fund Proprietary Limited which related to the properties held in Mergence Africa Property Investment Trust was impaired in 2017 and the goodwill in Asakhe Realty Investment Fund Proprietary Limited was impaired in 2018. The impairment loss of R13.327 million (2017: R35.155 million) was recognised in the profit or loss section.

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
5.2 Intangible assets				
Cost	150 000	–	–	–
Amortised during the year	(37 500)	–	–	–
Balance at end of year	112 500	–	–	–

The intangible asset arose on the business combination of Dipula Asset Management Trust on 1 September 2017. The intangible asset relates to the asset management agreement entered into between Dipula Income Fund Limited and Dipula Asset Management Trust. In terms of the asset management agreement, Dipula Asset Management Trust is to render asset management services to the Dipula Income Fund Limited subsidiaries. The contract is in force for a further four years. Based on these terms, the intangible asset will be amortised over four years.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
6. Property, plant and equipment				
Motor vehicles	182	260	182	–
Cost	396	396	396	–
Accumulated depreciation	(214)	(136)	(214)	–
Computer equipment	478	192	351	–
Cost	724	678	445	–
Accumulated depreciation	(246)	(486)	(94)	–
Furniture and fittings	2 527	519	1 143	–
Cost	3 090	794	1 400	–
Accumulated depreciation	(563)	(275)	(257)	–
IT software	160	61	88	44
Cost	233	106	161	88
Accumulated depreciation	(73)	(45)	(73)	(44)
Signage boards	385	179	384	–
Cost	434	190	433	–
Accumulated depreciation	(49)	(11)	(49)	–
Office equipment	154	56	97	–
Cost	227	94	151	–
Accumulated depreciation	(73)	(38)	(54)	–
Property, plant and equipment	3 886	1 267	2 245	44
Balance at beginning of year	1 267	1 374	44	73
Additions – cost	3 724	460	1 464	–
Motor vehicles	–	147	–	–
Computer equipment	461	19	243	–
Furniture and fittings	2 640	68	957	–
IT software	208	18	73	–
Signage boards	265	190	117	–
Office equipment	150	18	74	–

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
6. Property, plant and equipment (continued)				
Business acquired – net book value*	74	–	1 044	–
Motor vehicles	–	–	208	–
Computer equipment	39	–	142	–
Furniture and fittings	29	–	362	–
IT software	–	–	–	–
Signage boards	–	–	293	–
Office equipment	6	–	39	–
Disposals – net book value	(533)	–	(162)	–
Motor vehicles	–	–	–	–
Computer equipment	(37)	–	(7)	–
Furniture and fittings	(455)	–	(134)	–
IT software	(13)	–	–	–
Signage boards	–	–	(13)	–
Office equipment	(28)	–	(8)	–
Depreciation	(646)	(567)	(145)	(29)
Motor vehicles	(78)	(76)	(26)	–
Computer equipment	(179)	(291)	(26)	–
Furniture and fittings	(202)	(139)	(44)	–
IT software	(109)	(30)	(29)	(29)
Signage boards	(47)	(11)	(13)	–
Office equipment	(31)	(20)	(7)	–
Balance at end of year	3 886	1 267	2 245	44

* During the year the company acquired property, plant and equipment from Dipula Property Management Proprietary Limited.

Encumbrances

There are no encumbrances over property, plant and equipment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

7. Derivative financial assets and derivative financial liabilities

At the reporting date, the following interest rate swap agreements were in place:

	Nominal rate %	Commence-ment date	Maturity	Nominal value R'000	Consolidated		Company	
					2018 R'000	2017 R'000	2018 R'000	2017 R'000
Standard Bank	6.47	16/01/15	16/01/18	–	–	281	–	281
Standard Bank	6.78	16/01/15	16/01/20	21 250	189	(11)	189	(11)
Standard Bank	8.27	04/02/16	04/02/20	100 000	(1 176)	(3 545)	(1 176)	(3 545)
Standard Bank	7.85	04/07/16	06/07/20	360 000	(2 302)	(10 235)	(2 302)	(10 235)
Standard Bank	7.66	26/10/16	29/08/19	150 000	(464)	(2 775)	(464)	(2 775)
Standard Bank	7.67	26/10/16	28/10/19	150 000	(572)	(3 031)	(572)	(3 031)
Standard Bank	6.87	21/07/17	21/07/19	325 000	1 202	(1 096)	1 202	(1 096)
Standard Bank	7.19	24/07/17	26/07/21	150 000	2 124	(1 337)	2 124	(1 337)
Standard Bank	7.34	24/07/17	25/07/22	100 000	1 694	(1 055)	1 694	(1 055)
Standard Bank	7.08	02/07/18	01/07/22	300 000	7 584	–	7 584	–
Nedbank	8.05	29/08/16	29/08/19	200 000	(1 354)	(5 141)	(1 354)	(5 141)
Nedbank	7.50	03/04/17	03/04/19	350 000	(933)	(4 352)	(933)	(4 352)
Nedbank	7.19	10/07/17	02/09/19	125 000	108	(1 190)	108	(1 190)
Nedbank	7.12	21/07/17	21/07/21	200 000	3 259	(1 314)	3 259	(1 314)
Nedbank	7.00	19/02/18	19/02/21	100 000	1 550	–	1 550	–
Nedbank	7.20	02/07/18	03/07/23	300 000	9 807	–	9 807	–
				2 931 250	20 716	(34 801)	20 716	(34 801)
Negative value denotes that swap is in the bank's favour.								
Disclosed as follows in the annual financial statements:								
Non-current assets					26 315	–	26 315	–
Current assets					1 202	281	1 202	281
Non-current liabilities					(4 050)	(35 082)	(4 050)	(35 082)
Current liabilities					(2 751)	–	(2 751)	–
					20 716	(34 801)	20 716	(34 801)

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
8. Loans receivable				
Vandanex Proprietary Limited	92 469	182 405	–	–
Phepha Prop 006 Proprietary Limited	88 610	–	88 610	–
Sakhumzi Restaurant CC	13 200	–	–	–
	194 279	182 405	88 610	–
Less: Current portion receivable	–	(89 936)	–	–
Non-current loan receivable	194 279	92 469	88 610	–

8. Loans receivable (continued)

Vandanex Proprietary Limited

The loan agreement is between Jarrabilla Investments Proprietary Limited and Vandanex Proprietary Limited.

In terms of the loan agreement the amount of the outstanding balance is payable by 28 February 2022.

Interest is payable at a simple rate of interest of 10.5% per annum from 1 March 2017, with such rate escalating at 6.5% (on a compounding basis) on 1 March of each year.

Vandanex Proprietary Limited will be entitled to, at any time prior to the expiry of the loan repay all or part of the loan. The amount has been secured in terms of the security agreement entered into between Jarrabilla Investments Proprietary Limited and Vandanex Proprietary Limited.

Phepha Prop 006 Proprietary Limited

An amount of R85 million was effectively advanced to Phepha Prop 006 Proprietary Limited on 1 July 2018 by Dipula Income Fund Limited to fund the acquisition by Phepha Prop 006 Proprietary Limited of the properties being Portion 1 of Erf 204, Bruma Township and Erf 47, Grand Central Extension 5 Township, both properties being in Gauteng.

In terms of the loan agreement entered into between Phepha Prop 006 Proprietary Limited and Dipula Income Fund Limited the outstanding amount of the loan is repayable in one single bullet payment on the repayment date expected to be 31 December 2021.

The loan bears interest at an average rate of 10.4% over the term of the loan.

Dipula Income Fund Limited is entitled, at its cost, to register second ranking mortgage bonds over the respective properties subject to it obtaining prior written cost of any debt funding providers to Phepha Prop 006 Proprietary Limited holding first ranking mortgage bonds over the properties.

Sakhumzi Restaurant CC

The loan agreement between Mergence Africa Property Investment Trust and Sakhumzi Restaurant CC arose as a result of the sale of Portion 7 of Erf 146 Bruma Township.

The loan bears interest at a fixed rate of 11.75%, charged monthly in arrears. The monthly repayment on the loan is R210 666 per month with the last instalment on 31 August 2026.

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
9.1 Interest in subsidiaries				
Shares at cost	–	–	905 669	204 751
Loans to subsidiaries	–	–	6 205 937	5 704 616
	–	–	7 111 606	5 909 367

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

	Effective interest		Investment	
	2018 %	2017 %	2018 R'000	2017 R'000
9.1 Interest in subsidiaries (continued)				
9.1.1 Shares at cost				
The company has interests in the following subsidiaries: (all incorporated in South Africa)				
The 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	*	*
Dipula Property Management Proprietary Limited	100	100	#	#
Jarrabilla Investments Proprietary Limited	100	100	**	**
Lizinex Proprietary Limited	100	100	**	**
Gillwell Retail Taxi Park Proprietary Limited	100	100	#	#
Dipula Asset Management Trust	100	–	150 000	–
Hynorex Proprietary Limited	50.1	–	**	–
Luxanio Trading 181 Proprietary Limited	100	–	399 308	–
Bajascap Proprietary Limited	50.01	–	151 610	–
			905 669	204 751

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

** Held through Mergence Africa Property Fund Proprietary Limited.

Less than R1 000.

All of the above entities' principal activity is property investment, with the exception of Dipula Property Management Proprietary Limited which is a property management enterprise and Dipula Asset Management Trust which is an asset management trust.

	Company	
	2018 R'000	2017 R'000
9.1 Interest in subsidiaries (continued)		
9.1.2 Loans to subsidiaries		
Mergence Africa Property Investment Trust	3 777 105	3 897 242
The Dipula Property Investment Trust	796 197	813 037
Mergence Africa Property Fund Proprietary Limited	649 319	677 871
Emerald Fire Investments Proprietary Limited	73 098	117 661
Asakhe Realty Investment Fund Proprietary Limited	106 748	60 078
Dipula Property Management Proprietary Limited	1 423	1 713
Gillwell Retail Taxi Park Proprietary Limited	132 178	137 014
Luxanio Trading 181 Proprietary Limited	663 872	–
Bajascap Proprietary Limited	7	–
Dipula Asset Management Trust	5 990	–
	6 205 937	5 704 616

The above loans are all unsecured.

With the exception of Dipula Property Management Proprietary Limited ("DPM"), no fixed terms of repayment have been determined and no interest is incurred on the loans. The DPM loan will be repaid within nine years of the commencement date. For the remaining loans, repayment is not within the next 12 months.

The carrying amounts of the loans approximate their fair value.

9.2 Business combination

Effective 1 September 2017, Dipula acquired 100% of the beneficial interest in its asset management entity, Dipula Asset Management Trust ("DAMT") for R150 million. This acquisition was in terms of the group's agreement to internalise its management and to obtain total control of DAMT.

The acquisition was funded by the allotment and issuing of 9 931 631 Dipula B-shares for the equivalent of R100.3 million issued at the 30-day volume weighted average price per Dipula B-share and a cash payment of R49.7 million.

The acquisition of 100% of the beneficial interest in DAMT is accounted for in terms of IFRS 3: *Business Combinations*. The asset management internalisation will better align the interests of management with that of the group's shareholders and with global best practice.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

9.2 Business combination (continued)

The assets and liabilities arising from the acquisition are as follows:

	DAMT 1 September 2017 R'000
Property, plant and equipment	74
Trade and other receivables*	852
Cash and cash equivalents	4 861
Assets	5 787
Trade and other payables	5 787
Liabilities	5 787
Fair value of assets and liabilities acquired	–
Total purchase consideration	150 000
Difference recognised as intangible asset	150 000
Transaction costs of R2.5 million were incurred on the acquisition and have been included in business combination costs in the statement of comprehensive income.	
Purchase consideration	150 000
Add: Acquisition related costs	2 543
Less: Settled in Dipula B-shares	(100 300)
Purchase consideration settled in cash	52 243
Cash and cash equivalents in trust acquired	(4 861)
Net cash outflow on acquisition	47 382
Revenue of DAMT FY18	28 317
Profit of DAMT FY18	12 118

* Carrying value of trade and other receivables approximates their fair value, with all gross contractual cash flows collectable.

9.3 Acquisition of subsidiaries – current year

Hynorex Proprietary Limited acquisition

Effective 1 December 2017, through its subsidiary, Mergence Africa Property Fund Proprietary Limited, the group acquired a 50.1% share in Hynorex Proprietary Limited, by subscribing and paying R501.00 for 501 shares. An amount of R50 million was advanced as a shareholder loan to Hynorex Proprietary Limited by Mergence Africa Property Fund Proprietary Limited.

Hynorex's assets consist of two retail centres located in Marikana, Rustenburg.

Luxanio Trading 181 Proprietary Limited acquisition

As a result of the Setso acquisition, as announced by Dipula in a SENS notice on 28 June 2018, Dipula paid R399 million for 100% of the shares in Luxanio Trading 181 Proprietary Limited.

9.3 Acquisition of subsidiaries – current year (continued)

Bajascap Proprietary Limited

As a result of the Setso acquisition, as announced by Dipula in a SENS notice on 28 June 2018, Dipula paid R152 million for 50.01% of the shares in Bajascap Proprietary Limited. Bajascap Proprietary Limited acquired the properties from the Rec Group Property Trust.

Acquisition of additional interest in subsidiaries – prior year

On 1 March 2017, Mergence Africa Property Fund Proprietary Limited acquired the remaining 20% in Jarrabilla Investments Proprietary Limited and Lizinex Proprietary Limited.

The amount payable was as follows:

	R'000
Jarrabilla Investments Proprietary Limited	
Purchase price payable for 20% interest	65 525
Lizinex Proprietary Limited	
Purchase price payable for 20% interest	68 108
	133 633

The above purchase prices were based on the adjusted net asset values of Jarrabilla Investments Proprietary Limited and Lizinex Proprietary Limited as at 28 February 2017.

The primary reason for the acquisition of the non-controlling interest was to ensure total control over Jarrabilla Investments Proprietary Limited and Lizinex Proprietary Limited.

100% of Jarrabilla Investments Proprietary Limited and Lizinex Proprietary Limited was held as at the 31 August 2017.

9.4 Joint operations

On 16 March 2018, Dipula acquired a 50% undivided interest in a property called Harding Corner Centre for an amount of R55.5 million. The group sold its 30% interest in Eyethu Orange farm on 28 March 2018 for R146.7 million.

On 26 June 2018, Luxanio Trading 181 Proprietary Limited acquired a 66.67% undivided interest in a property called Detnet situated in Modderfontein.

The 50% interest in Fairways on Main, 50% interest in Harding Corner Centre, 50% interest in Seshego Circle Consortium, 66.67% in Detnet and are joint operations involved in the letting of investment properties. These joint venture operations are undivided interest in the properties with the relationship covered by co-ownership agreements.

The group has determined that the above investments constitute a joint operation as a result of the contractually agreed sharing of control between the parties due to decisions about the relevant activities requiring the unanimous consent of the parties sharing control.

Name of joint operation	Country of incorporation	Proportion of ownership
Fairways on Main	South Africa	50%
Detnet	South Africa	66.67%
Harding Corner Centre	South Africa	50%
Seshego Circle Consortium	South Africa	50%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

	Note	Consolidated		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
10. Trade and other receivables					
Trade receivables		74 703	55 205	8 473	–
Less: Impairment	30.1	(16 288)	(10 638)	–	–
Net trade receivables		58 415	44 567	8 473	–
Deposits		17 518	16 587	–	–
Prepayments		2 677	5 668	127	78
VAT receivable		5 465	–	4 685	–
Other receivables		89 071	48 357	18 939	378
Municipal recoveries		35 120	38 638	66	67
		208 266	153 817	32 290	523

Management assessed that the fair values of trade and other receivables approximate their carrying amount due to the short-term maturities of these instruments.

		Consolidated		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
11. Cash and cash equivalents					
For the purpose of the cash flow statement, cash and cash equivalent comprise:					
Standard Bank bank balances		86 274	80 181	51 528	61 633
First National bank balances		1 547	45	–	–
Stanlib money market balance		60	50 000	60	50 000
Nedbank call account balance		1 078	–	1 078	–
Investec bank account		67	–	–	–
Petty cash		38	–	2	–
Bank balances		89 064	130 226	52 668	111 633
ABSA overdraft		(20 048)	–	(20 048)	–
		69 016	130 226	32 620	111 633

Management assessed that the fair values of cash and cash equivalents approximate their carrying amount due to the short-term maturities of these instruments.

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
12. Investment property held-for-sale				
At beginning of year	42 942	93 850	–	–
Transferred from investment property (refer to note 3.2)	169 635	306 648	–	–
Disposals	(202 127)	(295 155)	–	–
Tenant amortisation	–	(25)	–	–
Lease commission amortisation	–	(7)	–	–
Additions	144	1 466	–	–
Change in fair value of properties held-for-sale	19 419	(63 835)	–	–
At end of year (refer to note 34)	30 013	42 942	–	–

The investment property classified as property held-for-sale are properties that the directors have decided will be recovered through sale rather than through use. The opening balance relates to one retail property and one piece of land. The retail property was sold on 10 October 2017 but the piece of land has not been sold as yet and remains in held-for-sale at 31 August 2018. A decrease in fair value of R1.1 million was recorded in profit or loss in the current year relating to this piece of land. Proceeds of R40.5 million were received on the retail property.

During the year two retail properties were transferred from investment property to held-for-sale and were subsequently sold for R158.7 million. There was a favourable fair value adjustment of R20.8 million recorded in profit or loss in the current year on the sale of these two retail properties.

Sale agreements have been entered into for six retail properties, two offices and the one piece of land mentioned above. The fair value of these held-for-sale properties amount to R30.013 million.

13. Stated capital

Authorised

A ordinary share: 1 000 000 000 ordinary shares of no par value

B ordinary share: 1 000 000 000 ordinary shares of no par value

	Consolidated		Company	
	A ordinary share R'000	B ordinary share R'000	A ordinary share R'000	B ordinary share R'000
2018 issued				
Number of ordinary shares in issue	264 665 819	264 665 819	264 665 819	264 665 819
Number of treasury ordinary shares	(24 500)	(24 500)	–	–
	264 641 319	264 641 319	264 665 819	264 665 819
Stated capital (R'000)	4 243 513	–	4 318 956	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

13. Stated capital (continued)

	Consolidated		Company	
	A ordinary share R'000	B ordinary share R'000	A ordinary share R'000	B ordinary share R'000
2017 issued				
Number of ordinary shares in issue	218 490 844	218 490 954	218 490 844	218 490 954
Number of treasury ordinary shares	(24 500)	(24 500)	–	–
	218 466 344	218 466 454	218 490 844	218 490 954
Stated capital (R'000)	3 346 742	–	3 422 185	–

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Stated capital				
Reconciliation of movement in issued shares (A and B-shares)				
Balance at beginning of year	3 346 742	3 107 931	3 422 185	3 183 374
Shares issued net of share issue expenses	896 771	238 811	896 771	238 811
Gross proceeds	902 947	240 306	902 947	240 306
– Dividend reinvestment	13 902	99 215	13 902	99 215
– Acquisition of Dipula Asset Management Trust (non-cash flow)	100 300	–	100 300	–
– Accelerated book build	788 745	141 091	788 745	141 091
Share issue expenses	(6 176)	(1 495)	(6 176)	(1 495)
– Dividend reinvestment	(231)	(501)	(231)	(501)
– Acquisition of Dipula Asset Management Trust	(109)	–	(109)	–
– Accelerated book build	(5 836)	(994)	(5 836)	(994)
Balance at end of year	4 243 513	3 346 742	4 318 956	3 422 185

14. Fair value reserve

Fair value of investment properties	1 017 087	1 033 594	2 529	2 358
Fair value of interest rate swaps	20 716	(34 801)	20 716	(34 801)
	1 037 803	998 793	23 245	(32 443)

The fair value reserve encompasses all adjustments to the fair values of investment properties and financial instruments.

15. Interest-bearing liabilities

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

Interest-bearing loans and borrowings are measured at amortised cost. The group's exposure to interest rate and liquidity risk are discussed in note 30.3 and note 30.2.

15.1 Bank loans

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

The group has secured a facility totalling R2.3 billion from Standard Bank. The facility is secured by mortgage bonds over investment property with a carrying value of R5.8 billion.

			Consolidated		Company	
Type	Nominal interest rate	Maturity	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Fixed	Fixed – 9.16%	31 Jul 18	–	46 400	–	46 400
Fixed	Fixed – 9.06%	31 Jul 18	–	89 506	–	89 506
Total fixed			–	135 906	–	135 906
Floating	3-month JIBAR plus 1.98%	31 Jul 22	57 438	–	57 438	–
Floating	3-month JIBAR plus 1.98%	31 Jul 22	111 805	–	111 805	–
Floating	3-month JIBAR plus 1.98%	31 Jul 22	22 305	22 305	22 305	22 305
Floating	Prime less 1.3%	31 May 19	66 476	736	66 476	736
Floating	3-month JIBAR plus 1.85%	31 Oct 19	22 500	18 000	22 500	18 000
Floating	3-month JIBAR plus 1.75%	30 June 20	59 000	47 200	59 000	47 200
Floating	3-month JIBAR plus 2.0%	31 Jul 18	–	8 830	–	8 830
Floating	3-month JIBAR plus 1.9%	31 Jul 18	–	17 840	–	17 840
Floating	3-month JIBAR plus 1.85%	30 Nov 19	85 000	68 000	85 000	68 000
Floating	3-month JIBAR plus 1.95%	31 Oct 20	8 500	6 800	8 500	6 800
Floating	3-month JIBAR plus 1.75%	11 Oct 18	79 200	63 360	79 200	63 360
Floating	3-month JIBAR plus 1.95%	11 Oct 20	52 800	42 240	52 800	42 240
Floating	3-month JIBAR plus 1.92%	31 May 19	380 865	380 865	380 865	380 865
Floating	3-month JIBAR plus 1.96%	30 Nov 19	191 665	174 666	191 665	174 666
Floating	Prime less 1.25%	30 Nov 19	49 091	123 977	49 091	123 977
Floating	3-month JIBAR plus 2.1%	30 Nov 20	200 000	200 000	200 000	200 000
Floating	3-month JIBAR plus 1.21%	30 Nov 21	200 000	200 000	200 000	200 000
Floating	3-month JIBAR plus 1.89%	28 Feb 21	50 000	–	50 000	–
Floating	3-month JIBAR plus 2.09%	31 Jul 23	420 000	–	420 000	–
Floating	Prime	30 Nov 18	30 000	–	30 000	–
Floating	3-month JIBAR plus 1.8%	30 Nov 18	93 000	93 000	–	–
Floating	3-month JIBAR plus 2.0%	30 Nov 20	62 000	62 038	–	–
Floating	3-month JIBAR plus 1.8%	30 Nov 18	28 200	28 200	–	–
Floating	3-month JIBAR plus 2.0%	30 Nov 20	25 200	25 213	–	–
Total floating			2 295 045	1 583 270	2 086 645	1 374 819
Unamortised debt raising fees			(6 490)	(3 627)	(6 490)	(3 627)
Total Standard Bank			2 288 555	1 715 549	2 080 155	1 507 098

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

15. Interest-bearing liabilities (continued)

15.1 Bank loans (continued)

15.1.2 Nedbank Limited ("Nedbank")

The group has a utilised facility totalling R1.2 billion.

The utilised facility is secured by mortgage bonds over investment property with a carrying value of R2.8 billion.

			Consolidated		Company	
Type	Nominal interest rate	Maturity	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Fixed	Fixed – 9.01%	2 Jan 19	91 886	91 886	91 886	91 886
Fixed	Fixed – 9.31%	2 Jul 18	–	108 550	–	108 550
Fixed	Fixed – 9.15%	3 Dec 18	31 710	31 710	31 710	31 710
Total fixed			123 596	232 146	123 596	232 146
Floating	Prime less 1.45%	3 Jul 22	132 577	132 577	132 577	132 577
Floating	Prime less 1.45%	1 Nov 18	22 888	22 888	22 888	22 888
Floating	Prime less 1.45%	1 Nov 19	27 308	27 308	27 308	27 308
Floating	Prime less 1.45%	1 Jun 20	213 340	213 340	213 340	213 340
Floating	1-month JIBAR plus 2.07%	5 Sep 18	150 000	149 992	150 000	149 992
Floating	3-month JIBAR plus 2.05%	3 Jul 18	–	125 000	–	125 000
Floating	3-month JIBAR plus 2.35%	3 Jul 21	125 000	–	125 000	–
Floating	3-month JIBAR plus 2.4%	3 Jul 22	108 550	–	108 550	–
Floating	Prime less 0.50%	10 Dec 24	126 379	–	–	–
Floating	Prime less 1.55%	1 Dec 20	195 141	195 141	–	–
Total floating			1 101 183	866 246	779 663	671 105
Total Nedbank			1 224 779	1 098 392	903 259	903 251
Unamortised debt raising fees			(2 101)	(2 334)	(2 101)	(2 334)
Total Nedbank			1 222 678	1 096 058	901 158	900 917
Total bank loans			3 511 233	2 811 607	2 981 313	2 408 015

15. Interest-bearing liabilities (continued)

15.2 Non-bank loans

15.2.1 Cashbuild South Africa Proprietary Limited

On acquisition of Orange Farm Phase 1, the lender ceded its rights and obligations in respect of the Cashbuild loan to the group

			Consolidated		Company	
Type	Nominal interest rate	Maturity	2018 R'000	2017 R'000	2018 R'000	2017 R'000
R11.1 million	Fixed – 6.05%	30 Sep 27	9 918	10 458	–	–
Total non-bank loans			9 918	10 458	–	–
Total interest-bearing loans			3 521 151	2 822 065	2 981 313	2 408 015
<i>Less: Current portion</i>			<i>(974 225)</i>	<i>(551 008)</i>	<i>(853 025)</i>	<i>(551 008)</i>
Non-current interest-bearing liabilities			2 546 926	2 271 057	2 128 288	1 857 007

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
16. Non-interest-bearing liabilities				
Mobe Investments Proprietary Limited	51 124	–	–	–
	51 124	–	–	–

In terms of the shareholders' agreement between Dipula Income Fund Limited, Mergence Africa Property Fund Proprietary Limited, Mobe Investments Proprietary Limited and Hynorex Proprietary Limited, the loan is unsecured, bears no interest and is repayable within nine years of the commencement date, being 1 December 2017, unless the directors resolve that it shall be repaid or business rescue proceedings are commenced in respect of the company.

17. Deferred taxation

The conversion of the Fund to a REIT was 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 straight-line rental adjustment has been reduced to nil as capital gains tax will no longer apply. Consequently, no deferred tax was raised on deferred capital gains of investment property.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
18. Trade and other payables				
Trade payables	14 673	3 534	2 075	52
Accrued expenses	78 228	25 502	1 182	7
Tenant deposits	39 897	38 993	270	–
Tenant receipts paid in advance	32 249	19 749	–	–
Interest due on interest-bearing liabilities	15 658	13 440	15 657	13 440
Payable to vendors	–	5 065	–	65
VAT payable	6 584	6 834	314	22
Other payables	22 359	12 219	2 025	285
	209 648	125 336	21 523	13 871

Management assessed that the fair values of trade and other payables approximate their carrying amount due to the short-term maturities of these instruments.

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
19. Net operating profit				
Net operating profit includes the following charges:				
Auditor's remuneration	1 317	1 516	122	156
Auditor's disbursements	39	–	39	–
Auditor's services other	6	–	6	–
Asset management fees	–	22 438	311	73
Directors' fees	1 957	1 829	1 957	1 829
Property management fees	12 284	12 835	–	–
Repairs and maintenance	5 949	10 074	–	–
Trustees' remuneration	114	107	–	–
Depreciation	646	86	145	29
Loss on sale of property, plant and equipment	153	–	100	–
Amortisation of tenant installations	4 129	3 987	–	–
Amortisation of leasing commissions	9 325	6 037	28	–

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
20. Other income				
Development fees	5 000	–	5 000	–
Early equity raise incentive fee	2 000	–	2 000	–
Put/call option premiums	22 000	–	16 000	–
Debt raising fee on vendor loans	2 750	–	2 750	–
Pre-emptive right cancellation fee	7 000	–	–	–
	38 750	–	25 750	–
21. Finance cost				
Interest paid on interest-bearing liabilities	261 090	262 905	223 194	221 796
Interest paid on interest rate swaps	10 026	2 929	10 026	2 929
Interest paid on acquisition of business	4 417	–	4 417	–
Interest paid on overdue accounts	297	–	–	–
Capitalised borrowing costs	(4 400)	(4 422)	(4 400)	(4 422)
Amortisation of debt raising fees	2 278	2 826	2 278	2 826
	273 708	264 238	235 515	223 129
22. Finance income				
Interest received from financial institutions	19 427	8 968	17 620	6 311
Interest received from Setso Holdco Proprietary Limited	4 315	–	4 315	–
Interest received sundry	423	–	411	–
Interest received from Vandanex Proprietary Limited	11 819	9 786	–	–
Interest received from Phepha Prop 006 Proprietary Limited (non-cash flow)	3 610	–	3 610	–
Interest received from related parties	–	–	189	–
Interest on overdue accounts	2 509	1 852	–	–
	42 103	20 606	26 145	6 311
23. Taxation				
Normal taxation				
Current	–	–	–	–
– Current year	–	–	–	–
Deferred	–	–	–	–
– Current year	–	–	–	–
	–	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

	Consolidated		Company	
	2018 %	2017 %	2018 %	2017 %
23. Taxation (continued)				
Reconciliation between applicable taxation rate and effective taxation rate				
South African normal taxation rate applied to income before taxation	28.0	28.0	28.0	28.0
Taxation effect of:	–	–	–	–
– Fair value adjustments and straight-lining of leases	(2.3)	(1.3)	(2.9)	2.8
– REIT distribution deduction	(25.8)	(26.7)	(25.1)	(30.8)
– Deferred tax asset (recognised)/not recognised in respect of tax losses	0.1	–	–	–
Effective taxation	–	–	–	–

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
South African normal taxation rate applied to income before taxation	135 218	113 925	152 431	106 244
Taxation effect of:				
– Fair value adjustments and straight-lining of leases	(10 923)	(5 179)	(15 593)	10 589
– REIT distribution deduction	(124 581)	(108 746)	(136 838)	(116 833)
– Deferred tax asset (recognised)/not recognised in respect of tax losses	286	–	–	–
Effective taxation	–	–	–	–

24. Earnings and headline earnings

Earnings per share for the group is calculated on the weighted average number of 236 062 841 A-shares (2017: 211 771 488 A-shares) and 239 790 665 B-shares (2017: 211 771 516 B-shares) and net earnings after taxation of R471.540 million (2017: R387.922 million).

	Consolidated			
	Gross 2018 R'000	Net 2018 R'000	Gross 2017 R'000	Net 2017 R'000
24. Earnings and headline earnings (continued)				
Reconciliation between profit, earnings and headline earnings				
Total profit and comprehensive income for the year (earnings)	471 540	471 540	387 922	387 922
Adjustments:				
Goodwill impaired	13 327	13 327	35 155	35 155
Fair value	41 521	45 768	(40 369)	(27 783)
Fair value – investment properties revaluation	16 507	20 754	(57 512)	(44 926)
Fair value – straight-line rental income	25 014	25 014	17 143	17 143
Headline earnings	526 388	530 635	382 708	395 294
Total number of shares in issue*	529 282 638		436 932 798	
Number of A-shares in issue	264 641 319		218 466 344	
Number of B-shares in issue	264 641 319		218 466 454	
Total weighted average number of shares in issue*	475 853 506		423 543 004	
Weighted average number of A-shares in issue*	236 062 841		211 771 488	
Weighted average number of B-shares in issue*	239 790 665		211 771 516	
Basic and diluted earnings per A-share (cents)	99.09		91.59	
Basic and diluted earnings per B-share (cents)	99.09		91.59	
Headline earnings per A-share (cents)	111.51		93.33	
Headline earnings per B-share (cents)	111.51		93.33	

* Net of treasury linked units.

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

The company does not have any dilutionary instruments in issue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
25. Cash generated from operations				
Profit before taxation	482 922	406 875	544 396	379 443
Adjusted for:				
Dividends received from group companies	–	–	(664 087)	(634 384)
Finance costs	275 830	265 834	237 637	224 725
Amortisation debt raising fees	2 278	2 826	2 278	2 826
Capitalised borrowing costs	(4 400)	(4 422)	(4 400)	(4 422)
Finance income	(42 103)	(20 606)	(26 145)	(6 311)
Fair value adjustment	(13 996)	(1 352)	(53 817)	37 954
Straight-lining income accrual	(25 014)	(17 143)	(1 871)	(135)
Goodwill impaired	13 327	35 155	–	–
Amortisation of intangible assets	37 500	–	–	–
Depreciation – property, plant and equipment	646	567	145	29
Depreciation – investment property	–	(481)	–	–
Transaction costs on business combination	2 543	–	2 543	–
Loss on sale of property, plant and equipment	153	–	100	–
Amortisation of tenant installations	4 129	3 987	–	–
Amortisation of leasing commissions	9 325	6 037	28	–
Operating income/(loss) before working capital changes	743 140	677 277	36 807	(275)
Working capital changes	(29 491)	14 118	(24 115)	2 015
(Increase)/decrease in trade and other receivables	(53 597)	(5 845)	(31 767)	1 272
Increase in trade and other payables	24 106	19 963	7 652	743
Net cash generated from operations	713 649	691 395	12 692	1 740
26. Dividends paid				
Dividends paid	(483 968)	(404 984)	(483 968)	(404 984)
Dividends paid to non-controlling interest	(7 135)	(8 200)	–	–
	(491 103)	(413 184)	(483 968)	(404 984)

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
27. Commitments				
27.1 Capital commitments				
Property acquisitions	–	1 496 710	–	1 446 710
Dipula Asset Management Trust acquisition	–	150 000	–	150 000
Capital improvements on investment properties	291 368	222 443	–	–
– Approved and committed	251 600	110 341	–	–
– Approved not yet committed	39 768	112 102	–	–
	291 368	1 869 153	–	1 596 710

The commitments will be funded using a combination of bank funding, equity and proceeds from property disposals.

28. Minimum lease payments receivable

Future 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:

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
– Receivable within one year	838 966	613 568	16 533	2 780
– Receivable within two to five years	2 091 532	1 359 946	49 399	13 372
– Receivable within year six	197 318	149 724	7 011	311
	3 127 816	2 123 238	72 943	16 463

The group has entered into operating leases on its investment property portfolio consisting of certain office, retail and industrial buildings. These leases have an average terms of between 12 months and five years. Future minimum lease payments have only been disclosed up to a six-year period.

29. Contingent liabilities and guarantees

Guarantees

Guarantees totalling R2.1 million (2017: R2.1 million) have been issued on the group's behalf by the Standard Bank to various municipal councils in lieu of deposits for services.

Dipula has guaranteed the interest-bearing liabilities of the following subsidiaries with their respective debt funders:

	Interest-bearing liability as at 31 August 2018 R'000
Jarrabilla Investments Proprietary Limited	155 038
Lizinex Proprietary Limited	53 400
Gillwell Taxi Retail Park Proprietary Limited	195 141
Bajascap Proprietary Limited	63 190

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

30. 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 and shares. 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; and
- Market risk.

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 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.

30.1 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 wide spread 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 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.

30. Financial risk management (continued)

30.1 Credit risk management (continued)

Trade and other receivables (continued)

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 has performed detailed risk assessments on each of the tenants comprising this balance. Tenants that have payment plans in place are abiding by these terms.

The impairment adjustment at 31 August 2018 was R16.3 million (2017: R10.6 million) net of tenant deposits or guarantees held as security. The company held tenant cash deposits and guarantees with a fair value of R40 million at 31 August 2018 (2017: R39 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.

	Consolidated	
	2018 R'000	2017 R'000
Ageing of impaired trade receivables		
Not more than 30 days	–	65
More than 30 days but not more than 60 days	837	96
More than 60 days but not more than 90 days	15	221
More than 90 days but not more than 120 days	28	41
More than 120 days	15 408	10 215
Total	16 288	10 638
Movements on the allowance for the impairment of trade receivables are as follows:		
Opening balance	10 638	7 866
Impairment losses recognised on receivables	8 494	6 319
Impairment losses reversed on receivables	(559)	(258)
Provision utilised during the year	(2 285)	(3 289)
Closing balance	16 288	10 638

The allowance for impaired receivables and receivables written off are included in property-related 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 2018

	Consolidated	
	2018 R'000	2017 R'000
30. Financial risk management (continued)		
30.1 Credit risk management (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 10) net of impairments	58 415	44 567
Trade receivables neither past due nor impaired	–	–
Trade receivables past due but not impaired	58 415	44 567
As at 31 August 2018, trade receivables of R58.4 million (2017: R44.6 million) were considered past due but not impaired.		
The ageing of these trade receivables is as follows:		
Ageing of trade receivables past due but not impaired		
Not more than 30 days	20 190	13 733
More than 30 days but not more than 60 days	6 099	4 312
More than 60 days but not more than 90 days	6 627	2 379
More than 90 days	25 499	24 143
	58 415	44 567
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:		
Maximum exposure to credit losses from receivables, after impairment	58 415	44 567
Less: VAT	(7 971)	(5 473)
Credit risk exposure	50 444	39 094
Credit risk exposure mitigated through:		
Deposits and guarantees held	(5 302)	(15 127)
Residual exposure	45 142	23 967

The group holds deposits over certain trade and other receivables in the form of cash tenant deposits and bank guarantees as indicated above.

The directors are of the opinion that the financial assets have a low credit risk.

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.

30. Financial risk management (continued)

30.1 Credit risk management (continued)

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.

Loan to related party

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

30.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations relating to 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 its money market account or access facilities of the bank loans until the cash is required to pay dividends. 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 reasonably be predicted, such as natural disasters.

A maturity analysis of financial assets and liabilities is set out in the table below.

	Group			
	Less than one year R'000	One to five years R'000	More than five years R'000	Total R'000
Year ended 31 August 2018				
Financial assets				
Trade and other receivables	200 124	–	–	200 124
Loans receivable	–	181 079	13 200	194 279
Cash and cash equivalents	89 064	–	–	89 064
Total financial assets	289 188	181 079	13 200	483 467
Financial liabilities				
Interest-bearing liabilities	974 225	2 546 926	–	3 521 151
Non-interest-bearing liabilities	–	–	51 124	51 124
Bank overdraft	20 048	–	–	20 048
Trade and other payables	203 064	–	–	203 064
Total financial liabilities	1 197 337	2 546 926	51 124	3 795 387

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

30. Financial risk management (continued)

30.2 Liquidity risk (continued)

	Group			
	Less than one year R'000	One to five years R'000	More than five years R'000	Total R'000
Year ended 31 August 2017				
Financial assets				
Trade and other receivables	148 149	–	–	148 149
Loans receivable	89 936	92 469	–	182 405
Cash and cash equivalents	130 226	–	–	130 226
Total financial assets	368 311	92 469	–	460 780
Financial liabilities				
Interest-bearing liabilities	551 008	2 271 057	–	2 822 065
Trade and other payables	118 502	–	–	118 502
Total financial liabilities	669 510	2 271 057	–	2 940 567
	Company			
	Less than one year R'000	One to five years R'000	More than five years R'000	Total R'000
Year ended 31 August 2018				
Financial assets				
Trade and other receivables	27 478	–	–	27 478
Loans to subsidiaries	–	–	6 205 937	6 205 937
Cash and cash equivalents	52 668	–	–	52 668
Total financial assets	80 146	–	6 205 937	6 286 083
Financial liabilities				
Interest-bearing liabilities	853 025	2 128 288	–	2 981 313
Bank overdraft	20 048	–	–	20 048
Trade and other payables	21 209	–	–	21 209
Total financial liabilities	894 282	2 128 288	–	3 022 570

30. Financial risk management (continued)

30.2 Liquidity risk (continued)

	Company			
	Less than one year R'000	One to five years R'000	More than five years R'000	Total R'000
Year ended 31 August 2017				
Financial assets				
Trade and other receivables	445	–	–	445
Loans to subsidiaries	–	–	5 704 616	5 704 616
Cash and cash equivalents	111 633	–	–	111 633
Total financial assets	112 078	–	5 704 616	5 816 694
Financial liabilities				
Interest-bearing liabilities	551 008	1 857 007	–	2 408 015
Trade and other payables	13 849	–	–	13 849
Total financial liabilities	564 857	1 857 007	–	2 421 864

30.3 Market risk

Interest rate risk

Market risk is the risk that changes in interest rates 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's debt carries both fixed and floating interest rates.

The group reduced its exposure to changes in interest rates at year-end by fixing interest rates and entering into swap agreements in respect of 87% of its borrowings.

The interest rate swaps are not designated as cash flow hedges for accounting purposes and thus any changes to the interest rate at the date of reporting would affect profit or loss but, as these gains or losses are not available for distribution, they would be transferred to a fair value reserve.

The group is exposed to interest rate risk through its variable rate cash balances and long-term balances.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

30. Financial risk management (continued)

30.3 Market risk (continued)

Interest rate risk (continued)

A change in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below.

	Consolidated	
	2018 R'000	2017 R'000
Sensitivity analysis		
Fair value sensitivity (mark to market on interest rate swaps)		
– 0.50% increase in interest rate	27 323	26 098
– 1.00% increase in interest rate	54 646	52 196
– 1.50% increase in interest rate	81 969	78 294
Cash flow sensitivity (interest-bearing borrowings)		
– 0.50% increase in interest rate	(14 528)	(14 251)
– 1.00% increase in interest rate	(29 038)	(28 560)
– 1.50% increase in interest rate	(43 557)	(42 840)

The sensitivity analysis is based on the contractual terms of the derivatives and the estimated movement in JIBAR rates.

Currency risk

The group has no exposure to currency risk.

Equity price risk

The group is not exposed to equity price risk.

30.4 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.

Hierarchy levels

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements.

The level within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value in its entirety.

The different levels have been defined as follows:

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

30. Financial risk management (continued)

30.4 Fair values (continued)

Hierarchy levels (continued)

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

For derivative financial instruments, the fair value of interest rate swaps is based on broker quotes.

These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the reporting date.

The group's audit committee determines the policies and procedures for recurring fair value measurement.

In terms of the accounting policy, the portfolio is valued annually, with properties above R12 million being valued by independent registered valuers. One third of the properties below R12 million (at the last valuation date) are valued externally whilst the remaining two thirds are valued internally by directors (refer to note 3).

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to market conditions and other relevant documents.

Valuation technique and significant unobservable inputs: Investment property – Level 3

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental and capitalisation rates. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property, its location and lease terms.	- Expected rental growth varies between 6% and 8% per annum; - Risk-adjusted discount rates varies between 14% and 16.5% (2017: 14% and 16%).	The estimated fair value would increase/(decrease) if: - expected rentals were higher/(lower); - risk-adjusted discount rates and capitalisation rates were lower/(higher).
Capitalisation model: Establishes the market-related rental income for the property and applies an appropriate capitalisation rate.	Capitalisation rates vary between 7.8% and 13.25% (2017: 7.5% and 13.10%).	The estimated fair value would increase/(decrease) if: capitalisation rates were lower/(higher).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

30. Financial risk management (continued)

30.4 Fair values (continued)

Valuation technique and significant unobservable inputs: Derivative financial instruments – Level 2

Interest rate swaps

Description	Valuation technique	Significant unobservable units
Interest rate swaps	Valued by discounting the future cash flows using the South African swap curve at the dates when the cash flows take place.	Interest rate swap curve dates when the cash flows take place.

30.5 Carrying amounts and fair values of financial and non-financial instruments

	Group			
	Financial assets, loans and receivables R'000	Financial liabilities R'000	Non-financial assets/liabilities R'000	Total R'000
Year ended 31 August 2018				
Financial assets				
Trade and other receivables	200 124	–	8 142	208 266
Loans receivable	194 279	–	–	194 279
Cash and cash equivalents	89 064	–	–	89 064
Total financial assets	483 467	–	8 142	491 609
Financial liabilities				
Interest-bearing liabilities	–	3 521 151	–	3 521 151
Non-interest-bearing liabilities	–	51 124	–	51 124
Bank overdraft	–	20 048	–	20 048
Trade and other payables	–	203 064	6 584	209 648
Total financial liabilities	–	3 795 387	6 584	3 801 971
Year ended 31 August 2017				
Financial assets				
Trade and other receivables	148 149	–	5 668	153 817
Loans receivable	182 405	–	–	182 405
Cash and cash equivalents	130 226	–	–	130 226
Total financial assets	460 780	–	5 668	466 448
Financial liabilities				
Interest-bearing liabilities	–	2 822 065	–	2 822 065
Trade and other payables	–	118 502	6 834	125 336
Total financial liabilities	–	2 940 567	6 834	2 947 401

30. Financial risk management (continued)

30.5 Carrying amounts and fair values of financial and non-financial instruments (continued)

	Company			
	Financial assets, loans and receivables R'000	Financial liabilities R'000	Non-financial assets/liabilities R'000	Total R'000
Year ended 31 August 2018				
Financial assets				
Trade and other receivables	27 478	–	4 812	32 290
Interest in subsidiaries	6 205 937	–	905 669	7 111 606
Cash and cash equivalents	52 668	–	–	52 668
Total financial assets	6 286 083	–	910 481	7 196 564
Financial liabilities				
Interest-bearing liabilities	–	2 981 313	–	2 981 313
Bank overdraft	–	20 048	–	20 048
Trade and other payables	–	21 209	314	21 523
Total financial liabilities	–	3 022 570	314	3 022 884
Year ended 31 August 2017				
Financial assets				
Trade and other receivables	445	–	78	523
Interest in subsidiaries	5 704 616	–	204 751	5 909 367
Cash and cash equivalents	111 633	–	–	111 633
Total financial assets	5 816 694	–	204 829	6 021 523
Financial liabilities				
Interest-bearing liabilities	–	2 408 015	–	2 408 015
Trade and other payables	–	13 849	22	13 871
Total financial liabilities	–	2 421 864	22	2 421 886

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

31. Capital management

The group considers its shareholder equity 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 shareholders. 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.

The current LTV covenants are 45% and the unutilised borrowings are reflected below.

	Consolidated	
	2018 R'000	2017 R'000
Value of the property portfolio	8 637 872	6 925 633
45% thereof	3 887 042	3 116 535
Borrowings utilised	(3 521 151)	(2 822 065)
Unutilised borrowings capacity	365 891	294 470

32. 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 7.8% and 13.25% (2017: 7.5% and 13.10%). 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.

Impairment of assets

The group tests whether assets have suffered any impairment in accordance with the accounting policy stated in note 2.10. 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 5).

32. Accounting estimates and judgements (continued)

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.

Business combinations

The group considers the definition of a business combination per IFRS 3 when determining whether an acquisition is a business combination. A business consists of inputs and processes applied to inputs that have the ability to create outputs.

In considering the above, the group considered the acquisition of the Dipula Asset Management Trust to constitute a business as this was an acquisition of a well-established asset management enterprise which included processes currently in place to generate economic returns.

Control and joint control

The company controls the subsidiary if and only if the company has all the following:

- Power over the subsidiary;
- Exposure, or rights, to variable returns from its involvement with the subsidiary; and
- The ability to use its power over the subsidiary to affect the amount of the company's returns.

Power is defined as existing rights that give the current ability to direct the relevant activities.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The group has concluded that its investment in Fairways on Main, Harding Corner Centre, Seshego Circle Consortium and Detnet constitutes a joint operation as a result of the contractually agreed sharing of control due to decisions about the relevant activities requiring the unanimous consent of the parties sharing control.

In addition, the group has a 50% (Fairways on Main), 50 % (Harding Corner Centre), 50% (Seshego Circle Consortium) and 66.67% (Detnet) undivided interest in the properties upon which the joint operations are situated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

33. Related-party transactions

33.1 Related-parties

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:

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Dipula Asset Management Trust				
– Asset management fee paid	–	(22 438)	(311)	(73)
– Manager salary recharge paid	–	(408)	–	–
– Leasing salary recharge paid	–	(960)	–	–
– Development fees paid and capitalised to investment property	–	(828)	–	–
– Lease commissions paid	–	(2 962)	–	–
– Management fees received	–	–	6 128	–
Relationship: Asset manager, Dipula Income Fund Limited is 100% beneficiary.				

Effective 1 September 2018, Dipula acquired 100% of the units and hence the income received by Dipula Asset Management Trust is eliminated on consolidation.

	Company	
	2018 R'000	2017 R'000
Dividends received from group companies	664 087	634 384
The Dipula Property Investment Trust	65 958	76 666
Mergence Africa Property Investment Trust	424 813	431 953
Asakhe Realty Investment Fund Proprietary Limited	46 650	47 202
Emerald Fire Investments Proprietary Limited	–	–
Mergence Africa Property Fund Proprietary Limited	61 368	66 394
Gillwell Taxi Retail Park Proprietary Limited	10 358	12 169
Luxanio Trading 181 Proprietary Limited	45 778	–
Bajascap Proprietary Limited	3 172	–
REIT qualifying dividend – rental income	658 097	634 384
Dipula Asset Management Trust	5 990	–
Distribution from asset management trust	5 990	–

33. Related-party transactions (continued)

33.1 Related-parties (continued)

	Company	
	2018 R'000	2017 R'000
Loans receivable from group companies	6 205 937	5 704 616
The Dipula Property Investment Trust	796 197	813 037
Mergence Africa Property Investment Trust	3 777 105	3 897 242
Asakhe Realty Investment Fund Proprietary Limited	106 748	60 078
Emerald Fire Investments Proprietary Limited	73 098	117 661
Mergence Africa Property Fund Proprietary Limited	649 319	677 871
Dipula Property Management Proprietary Limited	1 423	1 713
Gillwell Taxi Retail Park Proprietary Limited	132 178	137 014
Luxanio Trading 181 Proprietary Limited	663 872	–
Bajascap Proprietary Limited	7	–
Dipula Asset Management Trust	5 990	–
Interest received from group companies	189	–
Dipula Property Management Proprietary Limited	189	–

33.2 Directors' remuneration

Non-executive directors

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

	Consolidated		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
BH Azizollahoff*	423	396	423	396
SA Halliday	355	332	355	332
E Links	366	342	366	342
ZJ Matlala (chairperson)	390	363	390	363
Y Waja	423	396	423	396
	1 957	1 829	1 957	1 829

* During the 31 August 2018 year, Propertiq Proprietary Limited, a company in which BH Azizollahoff's family trust, The Azizfamaa Trust, has a 30% interest, received income in total of R905 000 from Dipula Property Investment Trust and Mergence Africa Property Investment Trust for services rendered with respect to redevelopments. The total value of the development management fee is approximately R1.1 million payable over a 14-month duration of which R66 000 is benefited to BH Azizollahoff.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

33. Related party transactions (continued)

33.2 Directors' remuneration (continued)

Executive directors

	Consolidated	
	2018 R'000	2017 R'000
IS Petersen ^{#*}	4 240	–
NS Gumede ^{*+}	–	–
R Asmal – salary [◇]	2 125	2 004
R Asmal – bonus [◇]	350	679
R Asmal – value of shares and interest received [*]	1 485	–
	8 200	2 683

Amount paid by Dipula Asset Management Trust to Mergence Africa Holdings Proprietary Limited for services during the August 2018 year. On the internalisation of Dipula Asset Management Trust, a total consideration of R64.9 million, including interest of R1.8 million, was paid to Mergence Africa Properties Proprietary Limited in which IS Petersen has an interest. The total consideration paid consisted of R43.1 million in Dipula B-shares, R20 million in cash and R1.8 million in interest.

* No remuneration was paid to either IS Petersen or NS Gumede by Dipula Asset Management Trust, the asset management company, during the 2017 year as they were paid out of the distribution paid by the asset management company to the companies they held a shareholding in, namely Mergence Africa Properties Proprietary Limited and Dijalo Asset Management Proprietary Limited.

◇ Amount paid by Dipula Asset Management Trust.

◆ Received on the internalisation of Dipula Asset Management Trust.

+ On the internalisation of Dipula Asset Management Trust, a total consideration of R64.9 million, including interest of R1.8 million, was paid to Dijalo Asset Management Proprietary Limited in which NS Gumede has an interest. The total consideration paid consisted of R43.1 million in Dipula B-shares, R20 million cash and R1.8 million in interest.

Non-executive director – trustees fees

Fees earned for services as trustee for various trusts within the group were as follows:

	Consolidated	
	2018 R'000	2017 R'000
BH Azizollahoff	114	107

34. Segmental information

The entity has five reportable segments based on the sectoral nature including the property management segment – these are the entity's strategic business segments. For each strategic business segment, the entity's chief executive officer reviews the internal management reports on a monthly basis. All segments are located in South Africa. There are no single major customers.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Four of the segments generate rental income from the letting of investment properties.

34. Segmental information (continued)

The segmental information is limited:

- On the statement of comprehensive income to:
 - Contractual rental income; and
 - Property-related expenses.
- On the statement of financial position to:
 - Investment properties; and
 - Non-current assets held-for-sale.

All the debt is negotiated at a group level with some of the subsidiaries carrying long-term debt.

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

	Retail R'000	Offices R' 000	Industrial R'000	Land R'000	Corporate R'000	Total R'000
2018						
Extracts from the statement of comprehensive income						
Contractual rental income and recoveries (excluding straight-line)	734 157	201 269	142 158	–	–	1 077 584
Other income	8 358	24 392	6 000	–	–	38 750
Property-related expenses	(250 529)	(56 972)	(36 094)	(21)	(19 208)	(362 824)
Net property income	491 986	168 689	112 064	(21)	(19 208)	753 510
Extracts from the statement of financial position						
Investment property at year-end	5 423 068	1 760 137	1 394 504	30 150	–	8 607 859
Investment property held-for-sale	22 050	6 475	–	1 488	–	30 013
Total	5 445 118	1 766 612	1 394 504	31 638	–	8 637 872
2017						
Extracts from the statement of comprehensive income						
Contractual rental income and recoveries (excluding straight-line)	737 589	177 611	137 317	–	–	1 052 517
Property-related expenses	(259 152)	(57 808)	(36 488)	(15)	–	(353 463)
Net property income	478 437	119 803	100 829	(15)	–	699 054
Extracts from the statement of financial position						
Investment property at year-end	4 633 166	1 221 630	1 001 315	26 580	–	6 882 691
Investment property held-for-sale	40 500	–	–	2 442	–	42 942
Total	4 673 666	1 221 630	1 001 315	29 022	–	6 925 633

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

34. Segmental information (continued)

Reconciliations of reportable segment revenue and profit

	R'000
2018	
Revenue	
Total revenue for reportable segments	1 077 584
Other income for reportable segments	38 750
Straight-line rental income accrual	25 014
Consolidated revenue	1 141 348
Profit	
Total profit for reportable segments	753 510
Straight-line rental income accrual	25 014
Administration and corporate costs	(24 470)
Net finance cost	(231 605)
Transaction costs on business combination	(2 543)
Fair value adjustments	13 996
Loss on sale of property, plant and equipment	(153)
Goodwill impaired	(13 327)
Amortisation of intangible assets	(37 500)
Profit before taxation	482 922
2017	
Revenue	
Total revenue for reportable segments	1 052 517
Straight-line rental income accrual	17 143
Consolidated revenue	1 069 660
Profit	
Total profit for reportable segments	699 054
Straight-line rental income accrual	17 143
Administration and corporate costs	(31 887)
Net finance cost	(243 632)
Fair value adjustments	1 352
Goodwill impaired	(35 155)
Profit before taxation	406 875

34. Segmental information (continued)

Reconciliations of reportable segment assets

	R'000
2018	
Assets	
Total assets for reportable segments	8 637 872
Intangible assets	112 500
Property, plant and equipment	3 886
Loans receivable – non-current	194 279
Derivative financial assets – non-current	26 315
Derivative financial assets – current	1 202
Trade and other receivables	208 266
Cash and cash equivalents	89 064
Total assets	9 273 384
2017	
Assets	
Total assets for reportable segments	6 925 633
Goodwill	13 327
Property, plant and equipment	1 267
Loans receivable – non-current	92 469
Derivative financial assets – current	281
Loans receivable – current	89 936
Trade and other receivables	153 817
Cash and cash equivalents	130 226
Total assets	7 406 956

	Consolidated	
	2018 R'000	2017 R'000
Reconciliation of profit for the year to distributable earnings		
Profit attributable to shareholders of the company	471 540	387 922
Fair value – investment properties revaluation	16 507	(57 512)
Fair value – straight-line rental income	25 014	17 143
Fair value – interest rate swaps	(55 517)	39 017
NCI portion of fair value adjustments	4 247	12 586
Transaction costs on business combination	2 543	–
Loss on sale of property, plant and equipment	153	–
Goodwill impaired	13 327	35 155
Amortisation of intangible assets	37 500	–
Antecedent dividend	13 881	10 991
Straight-line rental income	(25 014)	(17 143)
Distributable earnings attributable to shareholders	504 181	428 159

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

34. Segmental information (continued)

Property portfolio information

 Retail property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Gillwell Taxi Retail Park	Cnr Gillwell and Fleet Streets, East London	◆	Multi	Nov 15	22 090	131.72
Gezina Galleries	Cnr Michael Brink and Frederika, Gezina, Pretoria	◇	Multi	Jul 13	16 670	114.81
Umzimkhulu Mall	Bird and Main Street, Umzimkhulu	+	Multi	Jun 15	15 608	126.01
Tower Mall	Cnr N12 and Jabulani Street, Jouberton, Klerksdorp	◎	Multi	Dec 13	15 437	113.34
Seshego Circle (50%)	Confluence Nelson Mandela and Polokwane Drive, Seshego, Polokwane	■	Multi	Aug 15	15 168	129.25
Nquthu Plaza	Erf 4008 Nquthu, Manzolwande Drive, Nquthu	+	Multi	May 12	14 912	121.10
Ziyabuya Shopping Centre	Cnr Uitenhage Road and Makhwenkwe, Kwadesi	◆	Multi	Jul 13	14 578	88.80
Chilli Lane	Cnr Rivonia and Leeuwkop Road, Sunninghill	◇	Multi	Jun 18	13 607	169.71
Bochum Plaza	Cnr Dendron and Blouberg Road, Bochum	■	Multi	May 12	12 081	122.53
Hammanskraal Shopping Centre	Douglas Rens Road, Hammanskraal	◇	Multi	Dec 14	11 286	109.90
Kopanong Kudube Shopping Centre	Malatsi Street, Ivory Park, Tembisa	◇	Multi	Dec 14	10 767	177.85
Soweto Asambhe Centre	Cnr Chris Hani and Dynamo Streets, Soweto	◇	Multi	Aug 15	9 984	98.61
Kerk Street Johannesburg	Kerk Street, Johannesburg	◇	Single	Jun 18	9 147	*
Harding Corner	Cnr Hawkins and Livingstone Streets, Harding	+	Multi	Mar 18	8 700	123.28
Game Groblersdal	Cnr Barlow Street and Grobler Avenue, Groblersdal	■	Multi	Aug 15	7 856	122.39
Belle Ombre Shopping Centre	Cnr Boom and Potgieter Street, Marabastad, Pretoria	◇	Multi	Jul 11	7 829	119.83

34. Segmental information (continued)

Property portfolio information (continued)

 Retail property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Welkom High Park Building	Stateway and Bok Street, Sanlam Business Centre, Welkom	◆	Multi	Apr 08	7 812	102.80
Phangami Mall	Cnr R524 (Punda Maria Road) and R523 (Sibasa Road)	■	Multi	Aug 15	7 290	116.83
Woodmead Super Value Mall	Waterfall Crescent South, Woodmead	◇	Multi	Jul 13	7 170	214.21
Meadowpoint Shopping Centre	Zone 2, Meadowlands	◇	Multi	Dec 14	7 100	102.59
51 Govan Mbeki	51 Govan Mbeki Avenue, Port Elizabeth	◆	Multi	Oct 14	6 966	100.85
Giyani Shopping Centre	Magistrate Street, Giyani	■	Multi	Jul 11	6 934	56.15
Casseys Auto Springs	140 – 2nd Street, Springs	◇	Single	Apr 08	6 884	*
Fairways on Main (50%) Palm Court	45 Main Road, Howick	+	Multi	Oct 13	6 700	113.16
	Cnr JG Strydom and Fern Road, Weltevreden Park	◇	Multi	Jul 11	6 514	151.80
Blackheath Pavillion	309 Pendoring Road, Blackheath	◇	Multi	Jul 13	6 346	121.58
Marikana Shoprite	Farm Rooikoppies 297, Marikana	◎	Multi	Dec 17	6 138	150.99
Randfontein Station Shopping Centre	Cnr Station and Sutherland Roads, Randfontein	◇	Multi	Jul 14	5 962	119.45
Shoprite Sibasa	57 Miluwani Street, Sibasa, Thohoyandou	■	Multi	Aug 15	5 907	91.83
Shoprite Centre Pretoria North	259 Ben Viljoen Street, Pretoria North	◇	Multi	Jul 13	5 782	161.00
Fin Forum	Cnr Dr Van der Merwe Road and Sefako Makgatho Drive, Montana, Pretoria	◇	Multi	Aug 15	5 772	238.23
Orange Farm/Town Square	Link Road, Orange Farm CBD	◇	Multi	Dec 12	5 591	130.43
Tsakane Corner	Sibongiseni Street, Tsakane	◇	Multi	Nov 14	5 407	123.95
Boxer Tzaneen	9 Station Road, Extension 4, Tzaneen	■	Multi	Aug 15	5 094	93.53
Chilli on Top	721 Leeuwkop Road, Sunninghill	◇	Multi	Jun 18	5 042	143.33
Midway Centre	6 Old Pretoria Road, Richards Drive, Halfway House	◇	Multi	Nov 08	4 966	45.51

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

34. Segmental information (continued)

Property portfolio information (continued)

 Retail property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
14 Kramer	14 Kramer, Kramerville	◇	Multi	Aug 18	4 692	97.96
Proteapoint Shopping Centre	Protea North, Soweto	◇	Multi	Dec 14	4 622	158.54
Pick n Pay Kroonstad	Cnr President and Truter Streets, Kroonstad	◇	Multi	Jun 07	4 476	63.49
Pimville Square	Modjadji Street, Pimville Zone 7	◇	Multi	Dec 14	4 291	116.35
Kopanong Shopping Centre	Douglas Rens Road, Kudube Ext 4, Hammanskraal	◇	Multi	Jul 11	3 952	171.72
Alvaro Centre	82 President Kruger Street, Vanderbijlpark, Gauteng	◇	Multi	Apr 08	3 858	49.08
Sam Sekoti Vosloorus	Sam Sekoti Avenue, Vosloorus	◇	Multi	May 07	3 851	94.44
Dobsonpoint Shopping Centre	Mohajane Drive, Dobsonville	◇	Multi	Dec 14	3 798	138.58
Umgeni Business Park	1 Kosi Place, Springfield Park, Durban	+	Multi	Nov 13	3 688	126.71
Main Street Corner Nigel	Cnr Main and Hendrik Verwoerd Streets	◇	Multi	Apr 08	3 443	84.83
Atlas Road Banking Centre	Atlas/Dunswart Road, Anderbolt, Boksburg	◇	Multi	Jul 11	3 300	99.56
Woodmead Square	Waterfall Crescent South, Woodmead	◇	Multi	Jul 13	2 945	161.38
Blackheath Galleries	Cnr Beyers Naude Drive and Mountain View, Blackheath	◇	Multi	Jul 11	2 937	104.22
Marikana Old Church	Farm Rooikoppies 297, Marikana	⊙	Multi	Dec 17	2 784	151.52
31 and 33 Third Street Springs	31 and 33 Third Street	◇	Multi	Apr 08	2 748	67.98
29 Main Street Mafikeng	29 Main Street, Mafikeng	⊙	Multi	Apr 08	2 601	114.87
Shoprite Westonaria	Cnr Edwards and Allen Street, Westonaria, Randfontein	◇	Single	Jun 07	2 576	*
Palm Street Mall	24 Palm Street, Phalaborwa, Limpopo	■	Multi	Apr 08	2 567	60.32
Planet Fitness Montana	33 Tibouchina Street, Zambesi Drive, Montana Park, Pretoria	◇	Single	Jul 11	2 472	*
Eufoes Corner Bethal	Cnr Eufoes and Mark Street, Bethal	■	Multi	Apr 08	2 415	100.23

34. Segmental information (continued)

Property portfolio information (continued)

 Retail property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
30 Voortrekker Road	30 Voortrekker Road, Bellville	🏠	Single	Jun 07	2 335	*
40 Scott Street Newcastle	40/42 Scott Street, Newcastle	🏠	Multi	Apr 08	2 303	107.40
Alberton Crossing	Cnr Voortrekker and Ring Road, Alberton	◇	Multi	Jun 07	2 194	169.81
54 Scott Street Newcastle	54 Scott Street, Newcastle	+	Multi	Apr 08	2 125	88.59
Dulux Polokwane	53 General Joubert Street, CBD, Polokwane	■	Multi	Aug 15	2 103	53.62
Sales House	Cnr Fraser and Bree Street, Johannesburg	◇	Single	Jun 07	2 071	*
Bears Centre	9 Bears Street, Kuruman	●	Multi	Apr 08	2 020	40.09
24A Bok Street Welkom	24A Bok Street, Welkom	◇	Multi	Apr 08	1 997	69.53
Boxer Giyani	Stand BA 43, 44 and 46 Giyani, Giyani Business District	■	Single	Mar 08	1 982	*
Kruger Corner Vanderbijlpark	13 President Kruger Street, Vanderbijlpark	◇	Multi	Apr 08	1 773	48.39
Mafikeng Centre	20 Shippard Street, Mafikeng	◎	Multi	Apr 08	1 764	101.75
Duiwelskloof	Cnr Charles Maberley Street and Gordon Street, Duiwelskloof	■	Multi	Aug 15	1 757	61.29
Merriman Arcade Vereeniging	12 Merriman Avenue, Vereeniging	◇	Multi	Apr 08	1 744	67.93
Standard Bank Vanderbijlpark	10 Van Rign Street, Vanderbijlpark	◇	Single	Apr 08	1 679	*
Excelsior 13	13 Excelsior Street, CBD, Polokwane	■	Multi	Aug 15	1 661	85.17
Beacon Centre Vereeniging	14 Beaconsfield Avenue, Vereeniging	◇	Multi	Apr 08	1 595	60.59
41 and 43 Pretoria Road	41/43 Pretoria Road, Gauteng	◇	Multi	Apr 08	1 532	71.45
October Avenue Ivory Park	2nd October Avenue Ivory Park Ext 8	◇	Single	May 07	1 500	*
Amandla BLVD Bramfischerville	Cnr Freedom Drive and Amanda Boulevard	◇	Multi	May 07	1 500	91.72
Jubilee Street Kempton Park	6 – 8 Jubilee Street, Kempton Park	◇	Single	Apr 08	1 493	*
ABSA Centre Krugersdorp	Cnr Burger and Monument Streets, Krugersdorp	◇	Multi	Apr 08	1 450	75.94

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

34. Segmental information (continued)

Property portfolio information (continued)

 Retail property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Perm East London	42 – 46 Oxford Street, East London	◆	Multi	Apr 08	1 369	152.46
Standard Bank Brakpan	622 Voortrekker Road, Brakpan	◇	Single	Apr 08	1 355	*
ABSA Silverton	177 De Boulevard Street, Silverton, Pretoria	◇	Multi	Apr 08	1 215	97.19
Nedbank East London	63 – 71 Oxford Street, East London	◆	Multi	Apr 08	1 210	130.40
Norwood Centre	74 Grant Avenue, Norwood	◇	Multi	Jul 11	1 208	106.21
Standard Bank Doornfontein	49 Beit Street and Siemert, Doornfontein	◇	Single	Jul 11	1 144	*
Heritage House Mafikeng	Cnr Main and Robinson Street, Mafikeng	⊙	Multi	Apr 08	1 071	43.54
Absa Hercules	569 Van Der Hoff Street, Hercules, Pretoria	◇	Multi	Apr 08	1 069	84.34
West Place Kempton Park	6 West Street, Kempton Park, Gauteng	◇	Single	Apr 08	1 063	*
FNB Florida	12 Goldman Road, Florida	◇	Multi	Apr 08	1 058	99.32
Pep Nigel	28 Hendrik Verwoerd Street, Nigel	◇	Multi	Apr 08	1 027	86.72
Blouberg Plaza	Cnr Dendron and Blouberg Road, Blouberg	■	Multi	May 12	971	150.76
Beaconsfield Vereeniging	15 Beaconsfield Avenue, Vereeniging	◇	Single	Apr 08	964	*
De Villiers Street Barberton	100 De Villiers Street, Barberton	■	Single	Apr 08	895	*
Standard Bank Sasolburg	Kirchoffer Boulevard, Sasolburg	◆	Single	Apr 08	892	*
ABSA Derdepoort	62 Baviaanspoort Road, East Lynne, Pretoria	◇	Single	Apr 08	870	*
Express Centre Kempton Park	23 Pretoria Road, Kempton Park	◇	Single	Apr 08	850	*
33 Pretoria Street Kempton Park	33 Pretoria Road, Kempton Park	◇	Single	Apr 08	846	*
51 Joubert Street	51 General Joubert Street, Polokwane	■	Multi	Aug 15	843	86.61
Hobhouse Centre – Klerksdorp	19 Emily Hobhouse, Kerksdorp	⊙	Single	Apr 08	832	*

34. Segmental information (continued)

Property portfolio information (continued)

 Retail property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Amethyst	4 Amethyst Street, Carltonville	◇	Multi	May 08	800	100.41
Seventh Avenue Alberton	56 – 7th Avenue, Alberton	◇	Single	Apr 08	787	*
Citizen Springs	4th Avenue, Springs	◇	Multi	Apr 08	755	80.52
Standard Bank Krugersdorp	39 Human Street, Krugersdorp	◇	Multi	Apr 08	742	100.77
Kotze Place Hillbrow	62 Kotze Street, Hillbrow	◇	Single	Apr 08	740	*
Standard Bank Meyerton	4A Loch Street, Meyerton	◇	Single	Apr 08	690	*
8 Beare Street Kuruman	8 Beare Street, Kuruman	●	Single	Apr 08	667	*
Fastfood Corner Springs	Cnr 9th Avenue 7 2nd Street, Selection Park, Springs	◇	Multi	Apr 08	452	185.25
1 President Street Germiston	1 President Street, Germiston	◇	Single	Apr 08	300	*
Total retail					464 374	120.36
* Average retail gross rental (single tenants)						132.17

 Office property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
SAPS VIP	Corner Park and Troye Streets, Sunnyside, Pretoria	◇	Single	Dec 12	21 478	□
Avanti	Cnr Carl Cronje and Bill Bezuidenhout Roads, Tygervalley	■	Multi	Jun 18	8 370	157.03
SAPS IJS	463 Prieska Street, Erasmuskloof, Pretoria	◇	Single	Dec 12	7 874	□
Valley View Office Park	680 Joseph Lister Street, Constantia Kloof	◇	Multi	Jun 18	6 793	102.62
Sanburn Building Benoni	68 Woburn Avenue, Benoni	◇	Single	Jul 11	6 757	□
Nemisa Office Building	21 Girton Road Parktown	◇	Single	Dec 06	5 112	□
Steve Biko Corner	27 Beatrix Street, Arcadia, Pretoria	◇	Single	Dec 12	5 048	□

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

34. Segmental information (continued)

Property portfolio information (continued)

 Office property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Bruma Boulevard	20 Zulberg Close, Bruma, Johannesburg	◇	Multi	Jul 11	4 623	77.61
Markem Office Building	21 Margaret Avenue, Kempston Park	◇	Multi	Dec 06	4 572	91.34
Carnation Place	Constantia Boulevard and Albert Schweitzer Street, Constantia Kloof	◇	Single	Jun 18	4 541	□
50 Hamilton Street	50 Hamilton Street, Arcadia, Pretoria	◇	Single	Nov 13	4 500	□
Firestation Rosebank	16 Baker Street, Rosebank	◇	Multi	Apr 18	4 259	258.75
Montrose Place	Waterfall Park, Bekker Road, Vorna Valley Ext 21, Midrand	◇	Multi	Jun 07	3 922	89.44
Horwood Centre Secunda	Horwood Street, Secunda	■	Multi	Feb 08	3 630	86.91
Howick Mews	1342 Howick Close, Waterfall Park, Midrand	◇	Multi	Apr 07	3 356	80.18
Byron Place	320 Sophie De Bruyn, Pretoria	◇	Multi	Apr 13	3 272	124.19
Horison Office Park	No. 4/6 Kingfisher Street, Horizon Park, Roodepoort	◇	Multi	Jul 11	3 008	67.20
295 Kent Avenue	295 Kent Avenue, Randburg	◇	Multi	May 07	2 993	70.15
SARS Welkom	Graaf Street, Welkom	◆	Single	Apr 08	2 687	□
Waterview Corner	2 Ernst Oppenheimer Drive, Bruma, Johannesburg	◇	Multi	Jul 11	2 460	66.37
ABSA Horizon Park	161 Ontdekkers Road, Horizon Park, Roodepoort	◇	Multi	Jul 11	2 427	113.45
55 Hyde Park	55 Hyde Park	◇	Single	Jun 18	2 191	□
Detnet (66.67%)	Centenary Street, Modderfontein	◇	Single	Jun 18	2 165	□
College House	26 Peter Place, Lyme Park, Bryanston	◇	Multi	Jul 11	1 850	119.05
New Road Offices	30 New Road Midrand, Randjespark	◇	Single	Jun 07	1 798	□
Fairland Office Park	200 Smit Street, Fairlands	◇	Multi	Oct 13	1 774	74.99
Reclam – Illovo Head Office	Oxford Street, Illovo	◇	Single	Jul 18	1 755	□
Sandhaven Office Park	Cnr Pongola and Katherine Streets, Eastgate, Sandton	◇	Multi	Jan 07	1 719	92.86

34. Segmental information (continued)

Property portfolio information (continued)

 Office property	Address	Multi/ Regionsingle	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Johnson Wax	192 Smit Street, Fairlands	◇ Single	Jul 11	1 716	□
Sloan Park	Cnr Main Road and Sloane Street, Bryanston	◇ Multi	May 07	1 320	108.33
Selbourne House Bloemfontein	Cnr First and Selbourne Streets, Bloemfontein	◆ Single	Apr 08	1 188	□
Hyde West	Building 7, Albury Park, Dunkeld West	◇ Single	Aug 15	1 132	□
Witbank Hoskins House	6 Neven Street X60, Witbank	■ Single	Apr 08	614	□
Total office				130 904	123.74
□ Average office gross rental (single tenants)					134.07

 Industrial property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Corporate Park II Polokwane	Ext 12, Pietersburg	■	Multi	Jun 15	28 058	54.79
Reclam – Wilsonia	Bert Kipling Street, East London	◆	Single	Jul 18	25 900	#
Reclam – Prospecton	Jeffels Road, Isipingo	+	Single	Jul 18	25 062	#
New Brighton PE	8 Struan Way, Struandale	◆	Single	Mar 15	23 928	#
Reclam – Vanderbijlpark	Delfos Boulevard, Vanderbijlpark	◇	Single	Jul 18	23 612	#
Reclam – PE Grahamstown Road	Grahams Road, Port Elizabeth	◆	Single	Jul 18	22 179	#
Reclam – PE Burman Road	Burman Road, Port Elizabeth	◆	Single	Jul 18	17 843	#
Reclam – Wentworth	Teakwood Road, Wentworth	+	Single	Jul 18	17 271	#
Reclam – Wadeville 4	Cnr Manchester and Bezuidenhout, Wadeville	◇	Single	Jul 18	15 937	#
Reclam – Wadeville 3	Snoek Place, Wadeville	◇	Single	Jul 18	14 784	#
Reclam – Newcastle	Van der Bijl Street, Newcastle	+	Single	Jul 18	14 571	#
Reclam – Middelburg 2	Watt Street, Industria, Middelburg	■	Single	Jul 18	13 886	#

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

34. Segmental information (continued)

Property portfolio information (continued)

 Industrial property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Reclam – Middelburg	Watt Street, Industria, Middelburg	■	Single	Jul 18	12 858	#
Sterkolite Building	Corner Swartkop and Prieska Roads, Pretoria	◇	Single	Apr 13	12 782	#
Reclam – Richards Bay	Alumina Alley, Alton Industrial Park, Richards Bay	+	Single	Jul 18	11 532	#
Range Road Blackheath	5 Range Way, Blackheath, Kuils River	◆	Multi	Jun 07	10 980	46.17
Reclam – Rustenburg	Hefer Street, Rustenburg	◎	Single	Jul 18	10 813	#
Renaissance Park	49 Crownwood Road, Johannesburg	◇	Single	Nov 07	10 680	#
Reclam – Alrode	Alrode, Johannesburg	◇	Single	Jul 18	10 583	#
Reclam – Clayville	Industry Road, Clayville Industrial	◇	Single	Jul 18	9 798	#
SIFON Park	238 Sifon Street, Robertville Ext 10	◇	Multi	Jun 07	9 298	40.20
Vana Road Germiston	Cnr Vana Drive and Pero, Jupiter Ext 3, Germiston	◇	Multi	Jun 07	8 195	54.49
Reclam – Watloo 3	Battery Street, Watloo, Pretoria	◇	Single	Jul 18	8 009	#
Reclam – Pietermaritzburg	Lincoln Road, Woodlands Industrial, Pietermaritzburg	+	Single	Jul 18	7 500	#
14 Mandy Road	14 Mandy Road, Reuven, Johannesburg	◇	Single	Jul 11	7 115	#
Tedstone Park Wadeville	Tedstone Road, Wadeville	◇	Multi	Aug 15	6 940	56.83
Bernie Street	Cnr Bernie Street and Hilston Road	◇	Multi	Feb 07	6 342	52.72
Seatings	14 Bunsen Street, Industria, Johannesburg	◇	Single	Jul 11	5 332	#
Reclam – Congella	Sydney Road, Congella, Durban	+	Single	Jul 18	5 084	#
Jasco Eastgate Ext Sandton	12 Delphi Street, Eastgate Ext 18, Sandton	◇	Single	Jul 11	5 014	#
Reclam – Alrode South	Bosworth Street, Alrode	◇	Single	Jul 18	4 843	#
381/382 Robertville	1037 – 1041 Anvil Road, Robertville, Roodepoort	◇	Multi	Jul 11	4 701	40.29
Reclam – Wadeville 1	Kreupelhout Street, Wadeville	◇	Single	Jul 18	4 587	#

34. Segmental information (continued)

Property portfolio information (continued)

 Industrial property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Fifth and Sixth Streets Wynberg	139 Sixth Street, Wynberg	◇	Multi	Jun 07	4 570	59.94
Dawn Warehouse	17 – 21 20th Street, PB003, Polokwane	■	Single	Aug 15	4 500	#
Wynberg 506	56 6th Street, Wynberg	◇	Multi	Apr 08	4 451	32.86
Alert Engine Parts	26 Western Boulevard, City West, Johannesburg	◇	Single	Jul 11	4 351	#
Border Place Malvern	7 Geldenhuis Road, Malvern East, Germiston	◇	Multi	Apr 08	3 593	15.78
Reclam – Phoenix	Aberdare Drive, Phoenix	+	Single	Jul 18	3 566	#
Dauphin Seatings	12 Bunsen Street, Industria, Johannesburg	◇	Single	Jul 11	3 476	#
Wynpol 679	Cnr Thora Crescent and 4th Street, Wynberg	◇	Multi	Apr 08	3 092	34.31
1 Killarney Avenue	No 1 Killarney Avenue, Milnerton	◆	Single	Apr 08	3 073	#
Anderbolt McCarthy	246 Francis Road, Dormehl, Anderbolt, Boksburg	◇	Single	Jul 11	3 026	#
Bartel Industrial Bloemfontein	16 Leon Bartel Street, Bloemfontein	◆	Single	Feb 07	2 867	#
Humcor	9 Borax Street, Alrode Ext 7, Alberton	◇	Multi	Apr 08	2 658	38.26
Reclam – Hercules	Taljaard Street, Pretoria	◇	Single	Jul 18	2 620	#
Eastgate Mini	11 and 13 Delphi Street, Eastgate, Sandton	◇	Single	Jun 07	2 600	#
Leeuwenhoek Industrial	5/7 Leeuwenhoek Road, Vereeniging	◇	Single	Apr 08	2 522	#
Park Avenue Industrial	13 Park Avenue, North Rooihuiskraal Extension 31	◇	Single	Apr 08	2 218	#
Wynberg Corner	326 5th Avenue Wynberg	◇	Single	Apr 08	2 100	#
Saint Gobain	49 Silicon Street, PB017, Polokwane	■	Single	Aug 15	1 810	#
289 Granville Road	289 Granville Avenue, Robertville, Roodepoort	◇	Single	Jul 11	1 070	#
Total industrial					474 179	28.28
# Average industrial gross rental (single tenants)						23.46

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2018

34. Segmental information (continued) Property portfolio information (continued)

Land property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Lephalale Conference Centre	Ptn 9 of erf 2631, Ellisras	■	Land	May 14	–	–
Stellendale Village (land)	Belhar Road, Kuils Rivier	◆	Land	Dec 16	–	–

Held-for-sale property	Address	Region	Multi/ single	Acqui- sition date	GLA m ²	Average gross rent R/m ²
Virgin Active Horizon View	38 Van Santen Drive, Horizon View, Roodepoort	◇	Single	Jul 11	2 502	–
Standard Bank Boksburg	262 Commissioner Street, Boksburg	◇	Single	Apr 08	1 396	–
Geen & Richards, Witbank	Cnr Escombe Street and President Avenue, Witbank	■	Multi	Aug 15	1 259	95.71
Main Road Modjadjiskloof	Main Road and Botha Street, Modjadjiskloof	■	Single	Apr 08	1 072	–
Main Reef 69 Randfontein	29 Main Reef Road, Randfontein	◇	Single	Apr 08	1 010	–
Agatha Street Tzaneen	Joubert and Agatha Street, Tzaneen	■	Multi	Apr 08	913	54.97
Mellis Park	334 Rivonia Road, Rivonia	◇	Single	Nov 13	634	–
Mellis Park 2	334 Rivonia Road, Rivonia	◇	Single	Jan 07	634	–
Bloem Corner Boksburg	310 Commissioner Street, Boksburg	◇	Multi	Apr 08	202	169.00
Virgin Active Horizon View (land)	38 Van Santen Drive, Horizon View, Roodepoort	◇	Held for sale	Jul 11	–	–
Total land and held-for-sale					9 622	45.31
Total investment property and held-for-sale					1 079 080	79.64

◆ Eastern Cape
◇ Gauteng
+ KwaZulu-Natal

⊙ North West
■ Limpopo
□ Mpumalanga

◇ Free State
◆ Western Cape
● Northern Cape

35. Restatement of dividends received in the statements of comprehensive income

For the year ended 31 August 2018, dividends received from group companies were included in the company in revenue in the statements of comprehensive income. The 2017 figures were adjusted to show the restatement in revenue. This restatement had no impact on the results of the company or the group.

	Company		
	Restated comparative 2017 R'000	Published 2017 R'000	Effects of restatement 2017 R'000
Extract of statements of comprehensive income			
Revenue	639 641	5 257	634 384
Contractual rental income	2 803	2 803	–
Municipal and property recoveries	496	496	–
Management Fees	1 823	1 823	–
Dividends received from group companies	634 384	–	634 384
Straight-line rental income accrual	135	135	–
Property-related expenses	(863)	(863)	–
Net property income	638 778	4 394	634 384
Dividends received from group companies	–	634 384	(634 384)
Administration and corporate costs	(4 563)	(4 563)	–
Net operating profit	634 215	634 215	–

36. Subsequent events

Declaration of dividend after reporting period

In line with IAS 10: *Events After the Reporting Period*, the declaration of the final gross dividend (dividend number 15) for the period 1 March 2018 to 31 August 2018 of 53.13072 cents per A-share and 55.60278 cents per B-share occurred after the end of the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

SHAREHOLDER INFORMATION

Shareholder analysis	164
JSE statistics	168
Shareholders' diary	168
Definitions	169
Corporate information	IBC



Chilli on Top

Total catchment 5.29 km². Population 11 260.

Newly acquired retail centre with a long WALE of six years.

Anchor tenants include Dischem and Food Lovers Market.

	Retail
	721 Leeuwkop Road, Sunninghill
	GLA: 5 042 m ²



SHAREHOLDER ANALYSIS

as at 31 August 2018

Dipula Income Fund Limited: A-shares

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	50	10.62	6 320	0.00
1 001 – 10 000	61	12.95	323 072	0.12
10 001 – 100 000	136	28.87	6 556 521	2.48
100 001 – 1 000 000	175	37.15	57 879 841	21.87
Over 1 000 000	49	10.40	199 900 065	75.53
Total	471	100.00	264 665 819	100.00
Distribution of shareholders				
Assurance companies	12	2.55	9 945 164	3.76
BEE entities	2	0.42	14 013	0.01
Close corporations	1	0.21	8 500	0.00
Collective investment schemes	87	18.47	138 056 324	52.16
Foundations and charitable funds	18	3.82	1 791 969	0.68
Hedge funds	1	0.21	96 065	0.04
Insurance companies	4	0.85	5 212 576	1.97
Investment partnerships	2	0.42	273 253	0.10
Managed funds	16	3.40	4 121 241	1.56
Medical aid funds	9	1.91	2 364 013	0.89
Organs of state	1	0.21	36 777 995	13.90
Private companies	13	2.76	2 451 074	0.93
Public entities	2	0.42	393 129	0.15
Retail shareholders	126	26.75	1 333 324	0.50
Retirement benefit funds	157	33.33	56 664 889	21.41
Scrip lending	2	0.42	2 464 821	0.93
Stockbrokers and nominees	4	0.85	1 174 794	0.44
Trusts	14	2.97	1 522 675	0.58
Total	471	100.00	264 665 819	100.00
Shareholder type				
Non-public shareholders	4	0.85	37 865 679	14.31
Directors and associates	3	0.64	1 087 684	0.41
Strategic holders (beneficial holders > 10%)	1	0.21	36 777 995	13.90
Public shareholders	467	99.15	226 800 140	85.69
Total	471	100.00	264 665 819	100.00

	Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares		
Coronation Fund Managers	142 277 155	53.76
Public Investment Corporation	36 777 995	13.90
Old Mutual Investment Group	25 462 853	9.62
Sesfikile Capital	12 829 157	4.85
Total	217 347 160	82.12
Beneficial shareholders with a holding greater than 3% of the issued shares		
Coronation Fund Managers	80 027 939	30.24
Government Employees Pension Fund	36 777 995	13.90
Old Mutual Group	28 084 592	10.61
Sanlam Group	10 063 645	3.80
Alexander Forbes Investments	9 668 354	3.65
Total	164 622 525	62.20

SHAREHOLDER ANALYSIS (CONTINUED)

as at 31 August 2018

Dipula Income Fund Limited: B-shares

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	41	14.91	7 693	0.00
1 001 – 10 000	57	20.73	232 625	0.09
10 001 – 100 000	75	27.27	3 340 887	1.26
100 001 – 1 000 000	81	29.45	30 102 088	11.37
Over 1 000 000	21	7.64	230 982 526	87.27
Total	275	100.00	264 665 819	100.00
Distribution of shareholders				
Assurance companies	10	3.64	849 360	0.32
BEE entities	2	0.73	58 028 999	21.93
Close corporations	2	0.73	9 821	0.00
Collective investment schemes	43	15.64	69 266 927	26.17
Custodians	1	0.36	28 093	0.01
Foundations and charitable funds	6	2.18	519 537	0.20
Hedge funds	1	0.36	100 728	0.04
Insurance companies	2	0.73	257 663	0.10
Investment partnerships	1	0.36	28 000	0.01
Managed funds	3	1.09	130 585	0.05
Medical aid funds	3	1.09	690 853	0.26
Organs of state	3	1.09	52 936 004	20.00
Private companies	13	4.73	10 859 519	4.10
Public companies	1	0.36	45 581 241	17.22
Public entities	2	0.73	704 696	0.27
Retail shareholders	85	30.91	1 872 442	0.71
Retirement benefit funds	85	30.91	22 549 731	8.52
Stockbrokers and nominees	3	1.09	44 610	0.02
Trusts	9	3.27	207 010	0.08
Total	275	100.00	264 665 819	100.00
Shareholder type				
Non-public shareholders	7	2.55	185 188 187	69.97
Directors and associates	4	1.45	29 827 865	11.27
Strategic holders (beneficial holders > 10%)	3	1.09	155 360 322	58.70
Public shareholders	268	97.45	79 477 632	30.03
Total	275	100.00	264 665 819	100.00

	Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares		
Public Investment Corporation	51 761 561	19.56
Bridge Fund Managers	46 630 708	17.62
Mazi Capital	16 470 365	6.22
Stanlib Asset Management	10 714 997	4.05
Sesfikile Capital	8 502 678	3.21
Total	134 080 309	50.66
Beneficial shareholders with a holding greater than 3% of the issued shares		
Dipula BEE Trust Holdings (Pty) Ltd	58 017 520	21.92
Government Employees Pension Fund	52 936 004	20.00
Arrowhead Properties Ltd	45 581 241	17.22
Nedbank Group	29 369 460	11.10
Bridge Fund Managers	15 266 000	5.77
Stanlib	9 867 715	3.73
Total	211 037 940	79.74



JSE STATISTICS

for the 12 months ended 31 August 2018

	A-share	B-share	Combined
Share price performance			
Opening price 1 September 2017	R9.95	R10.25	R20.20
Closing price 31 August 2018	R9.60	R8.45	R18.05
Closing high for period	R10.50	R10.88	R21.38
Closing low for period	R8.20	R8.45	R16.65
Number of shares in issue at 31 August 2018	264 665 819	264 665 819	529 331 638
Volume traded during period	30 530 645	26 579 939	57 110 584
Ratio of volume traded to shares issued (%)	11.5%	10.0%	10.8%
Market capitalisation at 31 August 2018	R2 540 791 862	R2 236 426 171	R4 777 218 033
Rand value traded during the period	R291 901 583	R253 445 459	R545 347 042
Ratio of value traded to market capitalisation (%)	11.5%	11.3%	11.4%

SHAREHOLDERS' DIARY

Financial year-end	31 August
Provisional annual results announcement	19 November 2018
Annual report posted	December 2018
Annual general meeting	5 February 2019
Interim results announcement	May 2019

DEFINITIONS

"ABASA"	Association for the Advancement of Black Accountants
"ABSIP"	Association of Black Securities and Investment Professionals
"AFS"	Annual financial statements
"the board"	The board of directors of Dipula Income Fund Limited
"CEO"	Chief Executive Officer
"the Companies Act"	South African Companies Act, No 71 of 2008, as amended
"CSI"	Corporate social investment
"CSP"	Conditional share plan
"CTC"	Cost to company
"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" or "Manco" or "Asset Management Company"	Dipula Asset Management Trust, the asset manager of Dipula Income Fund Limited
"DMTNP"	Domestic Medium-Term Note Programme
"DPW"	Department of Public Works
"EBITDA"	Earnings before interest, taxation, depreciation and amortisation
"ESG"	Economic, social and governance
"Exco"	Executive committee of Dipula Income Fund Limited
"FD"	Financial Director
"FY"	Financial year
"GDP"	Gross domestic product
"GLA"	Gross lettable area, measured in square metres
"Gross rental"	Includes basic rental, operating cost and rates recoveries
"the group"	Dipula Income Fund Limited and its subsidiaries
"HEPS"	Headline earnings per share
"IBC"	Inside back cover
"IFC"	Inside front cover
"IFRS"	International Financial Reporting Standards

DEFINITIONS (CONTINUED)

"JSE"	JSE Limited incorporating the JSE Securities Exchange, the main bourse in South Africa
"King IV"	King IV Report on Corporate Governance for South Africa, 2016
"KPI"	Key performance indicator
"LSM"	Living standards measure
"LTI"	Long-term incentive
"LTV"	Loan-to-value
"Moolman acquisition"	Dipula acquired 80% stake in retail portfolio comprising 28 properties from the Moolman Group, effective 1 August 2015
"NAV"	Net asset value
"NCI"	Non-controlling interest
"the previous year"	The year ended 31 August 2017
"REIT"	Real Estate Investment Trust, a JSE property investment vehicle which owns and operates income-producing property
"Revenue"	Includes gross rental plus all utility recoveries and other income
"SA"	South Africa
"SACSC"	South African Council of Shopping Centres
"SAIBPP"	South African Institute of Black Property Professionals
"STI"	Short-term incentive
"TGP"	Total guaranteed package
"the year" or "the year under review"	The year ended 31 August 2018
"US"	United States of America
"WALE"	Weighted average lease expiry

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



NOTES

172 **Dipula Income Fund** Integrated Annual Report 2018

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

Firestation Rosebank
16 Baker Street
Rosebank
Johannesburg
2196
(Private Bag X3, Rosebank, 2132)

Independent auditors

Deloitte & Touche
Practice number: 902276

Registered Auditors

Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
Sandton
(Private Bag X6, Gallo Manor, 2052)

Transfer secretaries

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

Bankers

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

Corporate advisor and sponsor

Java Capital
6A Sandown Valley Crescent
Sandton
2196
(PO Box 522606, Saxonwold, 2132)

Company secretary

CIS Company Secretaries Proprietary Limited
(Registration number 2006/024994/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
(PO Box 61051, Marshalltown, 2107)

