



2021

**INTEGRATED
ANNUAL REPORT**

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ABOUT THIS REPORT

OBJECTIVE, BOUNDARY AND SCOPE

The objective of this report is to provide quality information to Dipula's providers of financial capital on how we create, preserve and erode value over the short, medium and long term. We define short term as the next 18 months and medium term as 19 months to five years. Anything beyond five years is considered long term.

Our business activities are undertaken in an integrated manner, applying our six capitals which are interdependent and interconnected. Although this report is primarily aimed at providers of financial capital it also caters for all our other stakeholders. Information presented in this report is in respect of Dipula and all its subsidiaries and holistically deals with our strategy, the environment in which we operate, our business model, our risks and opportunities, our performance and our ESG initiatives.

MATERIALITY

This integrated annual report endeavours to identify and explain the most material financial and non-financial issues faced by the group. Determining materiality is a comprehensive process that combines risk identification and assessment with strategic objectives, stakeholder feedback, market conditions and our own performance to prioritise issues that are key to our sustainability now and in the future. Ordinarily, these matters are those that are discussed at board and executive meetings.

These include:

- ▶ strategic factors;
- ▶ operational issues;
- ▶ socio-economic and political factors;
- ▶ governance and management;
- ▶ societal issues;
- ▶ environmental issues; and
- ▶ key financial indicators.

We use our strategic objectives to determine our strategy, to assess and mitigate our risks and to take advantage of opportunities in areas that we identify as significant for value creation.

The following matters have been identified as material to the group:

- ▶ optimisation of our portfolio;
- ▶ changing user space needs;
- ▶ employee and board wellbeing, retention, development and succession;
- ▶ availability of financial capital;
- ▶ delivering sustainable income and capital returns;
- ▶ our capital structure; and
- ▶ operating sustainably.

We discuss these strategic objectives throughout this integrated annual report and specifically in the Our Strategic Approach section on pages 27 to 41. This should enable our stakeholders to accurately evaluate Dipula's ability to create and sustain value over the short, medium and long term.

BASIS OF PREPARATION

We have applied the guiding principles and content elements of the International Integrated Reporting Council's <IR> framework and considered the following other guidelines in preparing this report:

- ▶ IFRS;
- ▶ The Companies Act;
- ▶ JSE Listings Requirements;
- ▶ the BPR; and
- ▶ King IV™.



ABOUT THIS REPORT (CONTINUED)

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 reports
Status	Assured	Assured
Assurance provider	Mazars	Various independent valuers
Disclosure in integrated report	Page 95	Page 128

CORPORATE INFORMATION

For further information relating to the group contact Izak Petersen, CEO (izak@dipula.co.za) or Ridwaan Asmal, FD (ridwaan@dipula.co.za). The registered office of the company is located on the 12th Floor of the Firestation Rosebank, 16 Baker Street, Rosebank, 2196, Johannesburg, South Africa.

Dipula's integrated annual report is available in hard copy from the company secretary on request and is also available 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 annual report. The board has accordingly applied its collective mind, and, in its opinion, this integrated annual report addresses all material matters, offers a balanced view of its strategy, how it relates to the organisation's ability to create value in the short, medium and long term and presents fairly the performance of the group. We believe that this report has substantially been prepared in terms of the <IR> framework, IFRS, The Company's Act, JSE listings requirements, the BPR and King IV™.

FORWARD-LOOKING STATEMENT

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 August 2021. 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



ZJ Matlala
Chairperson



Brian Azizollahoff
Independent
non-executive director



Y Waja
Independent
non-executive director



Elias Links
Independent
non-executive director



Syd Halliday
Independent
non-executive director



Carnation Place

NAVIGATION ICONS

Throughout our integrated report, the following icons are used to show the integration between sections:

Our capitals



Financial capital



Manufactured capital



Human capital



Social and relationship capital



Intellectual capital



Natural capital

Our strategic objectives



Optimisation of our portfolio



Tactical asset and capital allocation



Delivering sustainable income and capital returns



Our capital structure



Operating sustainably



Changing space needs



Employee and board wellbeing, retention, development and succession



01

ABOUT **DIPULA**

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FIRESTATION
ROSEBANK

WHO WE ARE

Dipula is an internally managed, South African focused REIT that owns a sectoral and geographically diversified portfolio of retail, office, industrial and residential rental assets throughout South Africa, with the majority of its assets located in Gauteng.

Dipula is listed on the JSE and has A and B shares in issue, trading under the codes DIA and DIB. A shares have preferential entitlements to dividends (if declared), which are not cumulative, and A shareholders do not participate in any residual dividends in excess of their preferential entitlement. The A shares' preferential entitlement to dividends (if declared) is on a per share basis (and does not dilute if Dipula issues further A shares) and the preferential entitlement to dividends grows annually by the lower of CPI and 5%. B shares are the "ordinary" equity of Dipula, receiving any residual dividend after settlement of the A shares' preferential dividend entitlement.

The company's strategy is to own a defensive, diversified portfolio with a bias towards convenience, rural and township

centres. Dipula's portfolio has yielded a solid performance since listing.

The group's internalised management team has proven expertise in our chosen markets. This combined with diligent portfolio management has been the cornerstone of our consistent performance.

Dipula is continuously growing, improving and de-risking its portfolio through employing a range of value-add strategies including leasing, conversions, extensions, and redevelopments.

We are focused on our chosen market segments and continuously reposition our portfolio in line with changing market dynamics.

VISION

To be a prominent, diversified, South African focused REIT that delivers sustainable returns.

MISSION

To provide relevant space to our tenant partners, make an impact and think beyond the obvious.

POSITIONING STATEMENT

We invest in retail properties that have a positive impact on communities and provide bespoke spaces to our tenants whilst being conveniently located for the customer.

Our office and industrial properties are predominantly situated in good locations in SA's urban areas.

Our residential properties provide much needed accommodation, good facilities at the best value for money.

We create sustainable returns for our investors.

VALUE PROPOSITION

We are an internally managed, innovative, diversified REIT that creates sustainable value through resourcefulness and consistency, for the provision of bespoke spaces and excellent service to our tenants. We consider each tenant a partner and form lasting relationships with all our stakeholders.

OUR TOOLS

Competent team

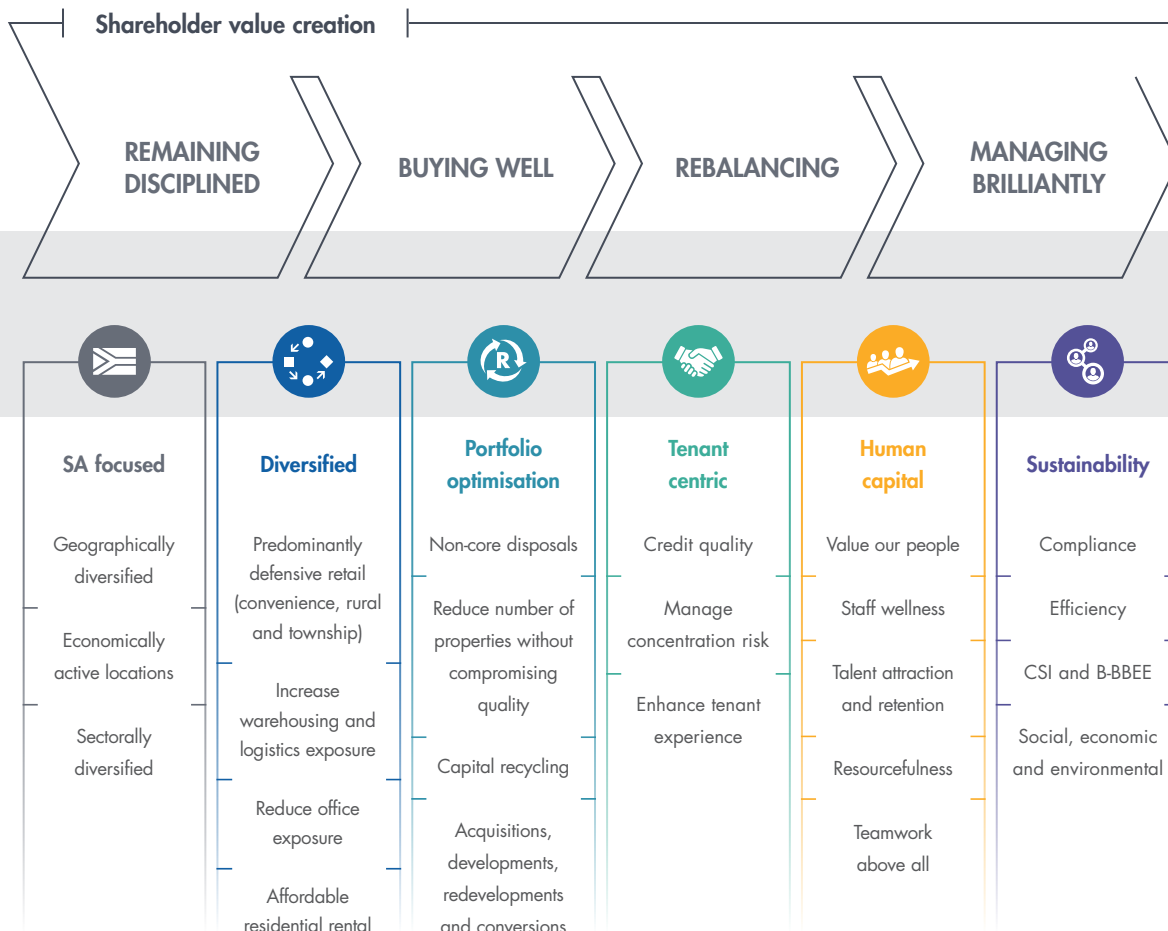
Good capital allocation

Research and analysis

Focus

Good balance sheet management

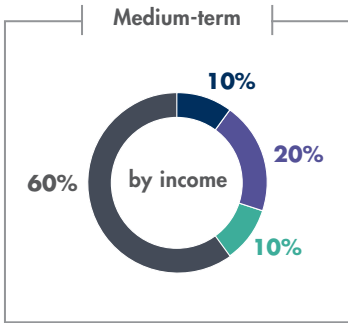
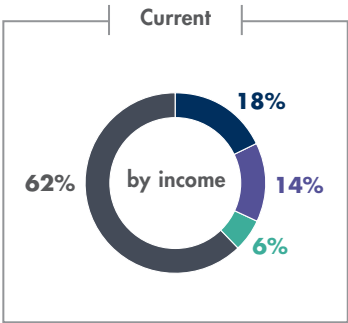
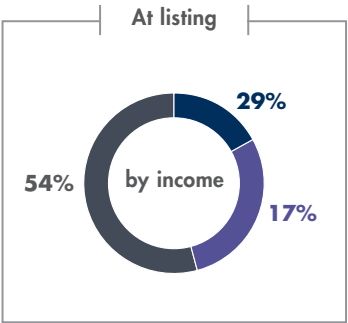
STRATEGY



Randfontein Station mall

STRATEGY (CONTINUED)

STRATEGIC CAPITAL ALLOCATION



Retail



Office



Industrial



Residential

Allocation of capital into areas of core competency

Build capacity for operational excellence

Tactically going underweight offices

Increasing retail and industrial exposure

Chosen retail segment defensive and resilient through different cycles

Industrial assets that are relevant to market needs

Affordable residential rental market

Residential portfolio to be capped at 20% of gross income

Shift towards well-located residential in response to demand driven by a changing SA culture, low savings, falling disposable income, unaffordable upfront acquisition cost and urbanisation

STRATEGIC VALUE DRIVERS

Reduce cost of capital

SA economic rebound

Sensible corporate action and strategic tie-ups

Build strong human capital capacity

Continuous portfolio optimisation

DIPULA AT A GLANCE

Diversified REIT

Retail	Office	Industrial	Residential
			
A and B share structure		In-house management	

Portfolio

R9.1 billion including NCI	187 properties	Across South Africa's nine provinces – Gauteng bias	Average property size 4 956 m ² valued at R47 million	Gross lettable area 926 765 m ²
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Key financial information

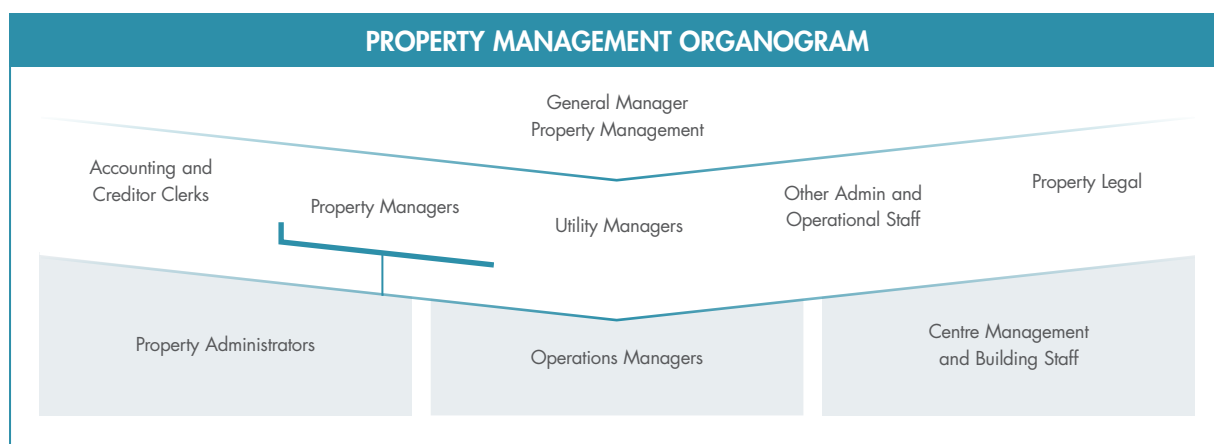
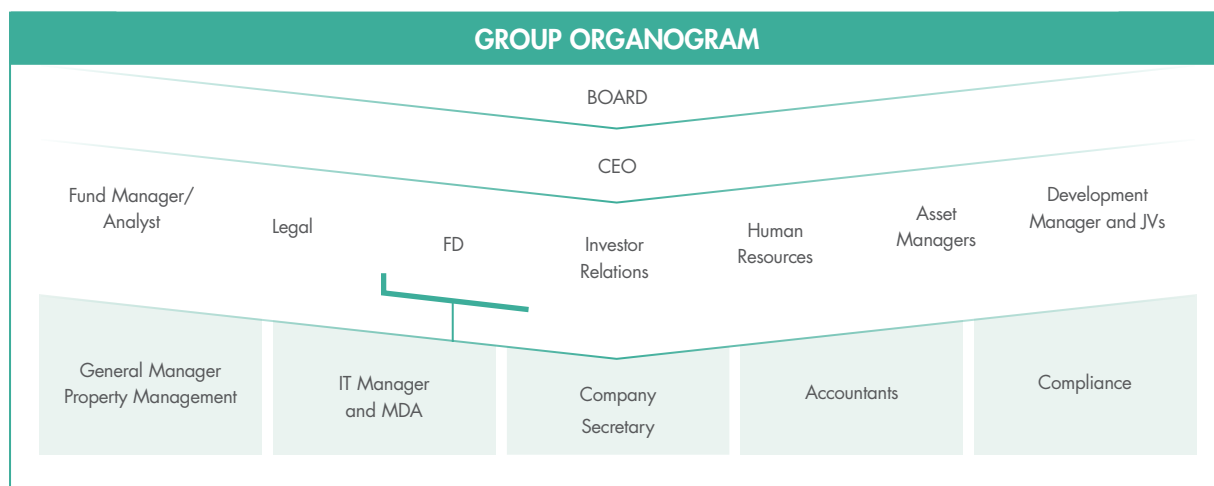
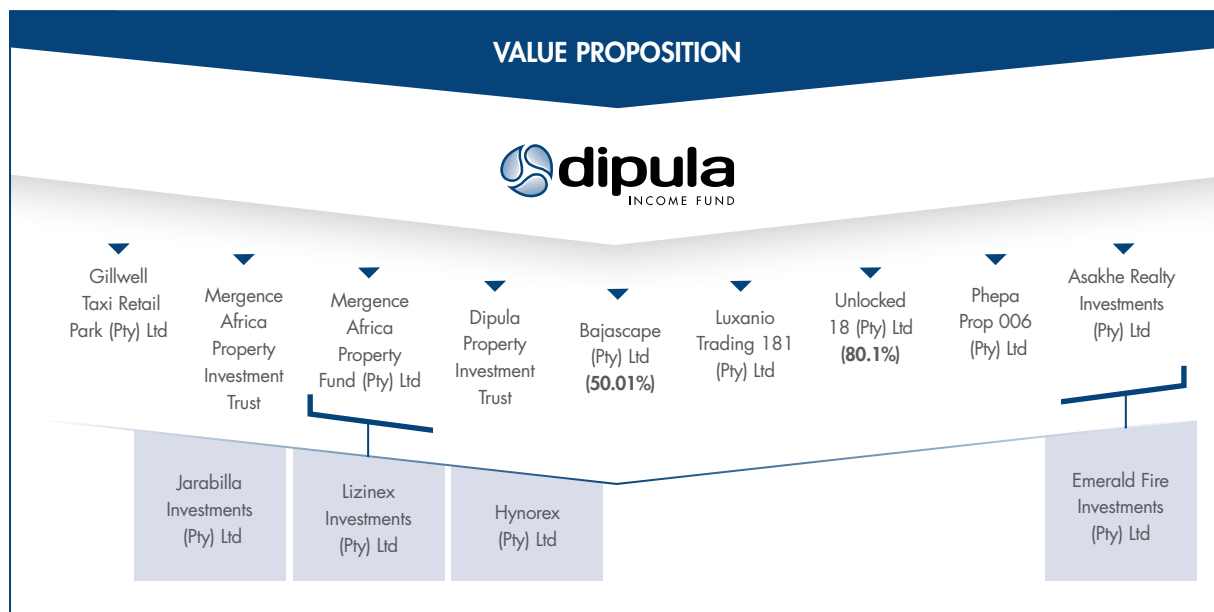
NAV per share R10.30	Gearing 36.5%	Debt R3.4 billion
Interest rate hedge level 67%	Average interest rate 8.2%	GCR credit rating: BBB (ZA) long-term, A3 (ZA) short-term

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 8
 Market capitalisation: R3.4 billion
 Closing price (31 August 2021):
 DIA: R8.70, DIB: R4.10

GROUP STRUCTURE



KEY MILESTONES

Dipula Property Fund founded with R300 million portfolio



'05

Merger of Dipula Property Fund with Mergence Africa Property Fund to form Dipula Income Fund



'10

Portfolio grows to R750 million



Acquisition of a R709 million portfolio



'11

Dipula lists on JSE with R1.8 billion market capitalisation



'12

Acquisition of a R254 million portfolio



Acquisition of a R680 million portfolio



'13

Acquisition of a R1.1 billion portfolio



Phase one of property management function internalisation



'14

Acquisition of a R800 million portfolio



Average property value reaches R40 million per property from R12 million at listing



'15

Portfolio exceeds R7 billion



27 non-core properties sold for R295 million



'16

Revenue reaches R1 billion



Group portfolio value reaches R8.9 billion mark



'17

Internalisation of asset management



Launched Urban Villages brand



'18

Acquired portfolio enhancing assets amounting to R1.7 billion



Property management internalisation complete



'19

Disposed of non-core properties for R290 million



Consolidated the company's operations in one location



R788 million equity and R546 million debt raised for Setso transaction



Total portfolio maintained at R9 billion



Residential portfolio increases to 712 units valued at R381 million



'20

Residential portfolio grows to 226 units valued at R122 million



Acquisitions of R294 million



'21

Disposals of R102 million



PERFORMANCE HIGHLIGHTS

Strategy scorecard

Strategic priorities	Target FY2021	Progress FY2021	Capitals and strategic objectives impacted
Maintain low gearing	LTV below 45%	Achieved: gearing 36.5%	           
Maintain good ICR	ICR of minimum 2 times	Achieved: 3.15 times	
Dispose of non-core assets to optimise portfolio	Disposals of R150 million	Partly achieved: R102 million	
Address risks related to A&B structure	Single share structure	Work in progress	
Manage the impact of Covid-19 and ensure minimal reduction in distributable earnings per share	Reduction in distributable earnings of a maximum of 15%	Achieved: distributable earnings up 23.5%	
High staff retention rate	Retain a minimum of 90% of staff	Achieved: 99% staff retention rate	

Strategic priorities for FY2022

Address risks related to A&B structure	 
Reduce vacancies to 6%	
Non-core disposals of R200 million	
Distributable income not to reduce by more than 5%	
Achieve BEE rating of 6	
Intensify community-based CSI initiatives	
Roll out solar projects of between 3 000 kWp and 5 000 kWp	
Commence the rolling out of water and electricity smart meters	
Strategic revamps and extensions worth R178 million over 18 to 36 months	
Staff development, growth and retention rate of 90%	
Continuous process automation	  
Implement board succession	

Capitals and strategic objectives impacted

A photograph of the Umzimkhulu Mall building, a modern structure with a blue facade and a glass-enclosed upper section. The name 'UMZIMKHULU MALL' is visible on the glass. A red sign for 'BIG JO'S' is mounted on the blue wall. The image is used as a background for the report's cover page, with a large white diamond shape overlaid on the left side containing text.

SIGNIFICANT EVENTS DURING THE YEAR

A share distributable earnings
per share up **3.9%**

Property acquisitions of
R294 million

B share distributable earnings
per share up **64.7%**

Umzimkhulu Mall

LTV reduced to **36.5%**

Portfolio value maintained
at **R9.1 billion**

Combined NAV per share
up **3%** to **R10.30**

Distributable earnings
up **23.5%**

PORTFOLIO OVERVIEW

At year-end, Dipula's property portfolio consisted of 187 properties valued at R9.1 billion (including NCI) with a total GLA of 926 765 m², compared to 190 properties with a GLA of 923 964 m² valued at R9.1 billion (including NCI) in the prior year.

KEY INDICATORS (EXCLUDING RESIDENTIAL)

at 31 August 2021

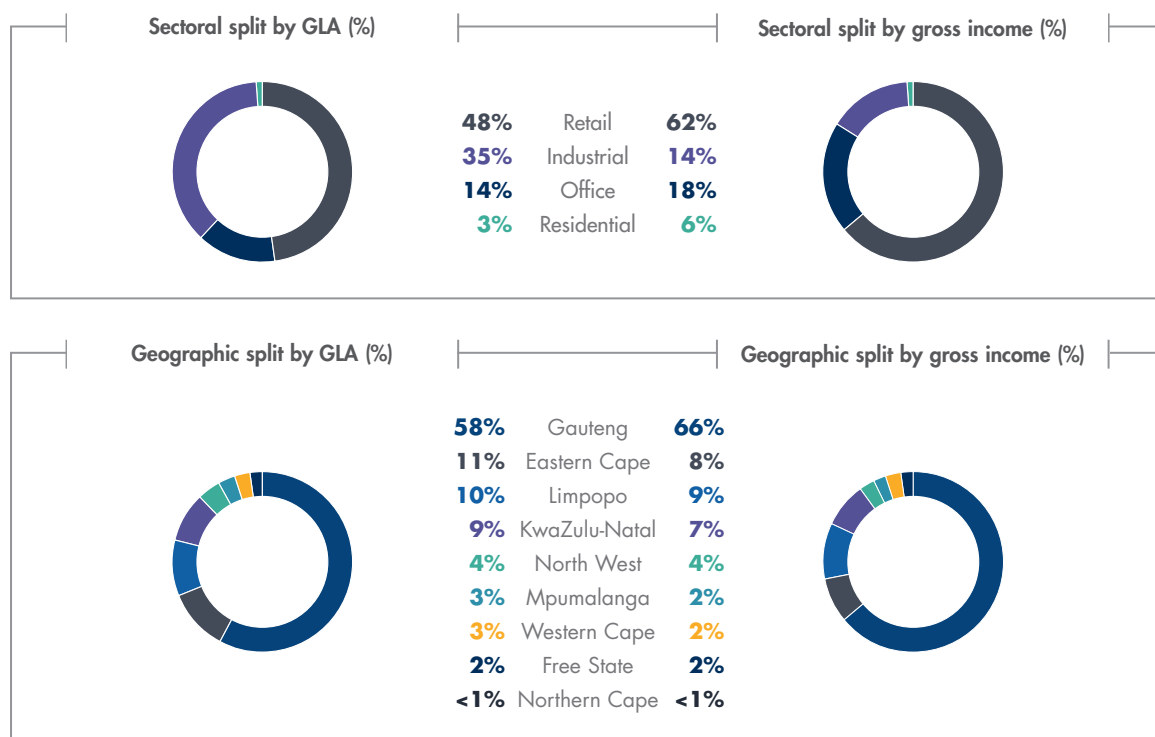
	Retail	Office	Industrial	Total
Number of properties	100	34	49	183
Portfolio valuation (R'000) *	5 532 361	1 737 330	1 167 299	8 436 990
Gross lettable area (m ²)	448 731	129 509	322 786	901 026
Average value per m ² (R/m ²)	12 329	13 415	3 616	9 364
Vacancy (%)	9.0	16.3	3.6	8.0
Weighted average monthly gross rental per m ² by GLA (R/m ²)	134.52	143.21	38.65	99.39
Weighted average monthly gross rental per m ² by income (R/m ²)	163.09	152.01	56	145.3
Weighted average escalation by GLA (%)	6.8	7.1	7.6	7.1
Weighted average escalation by income (%)	6.9	7.1	7.4	7.0

* Excluding NCI and land.

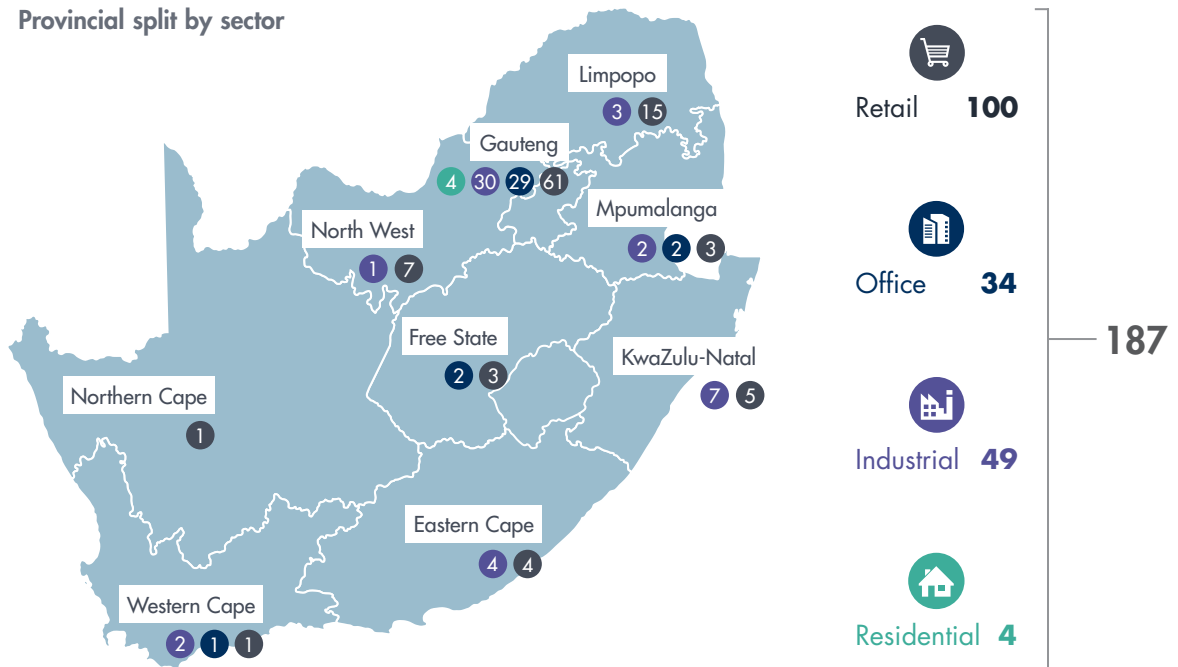
Average annualised property yield was approximately 10% on the year end property portfolio valuation.

SECTORAL AND GEOGRAPHIC PROFILE

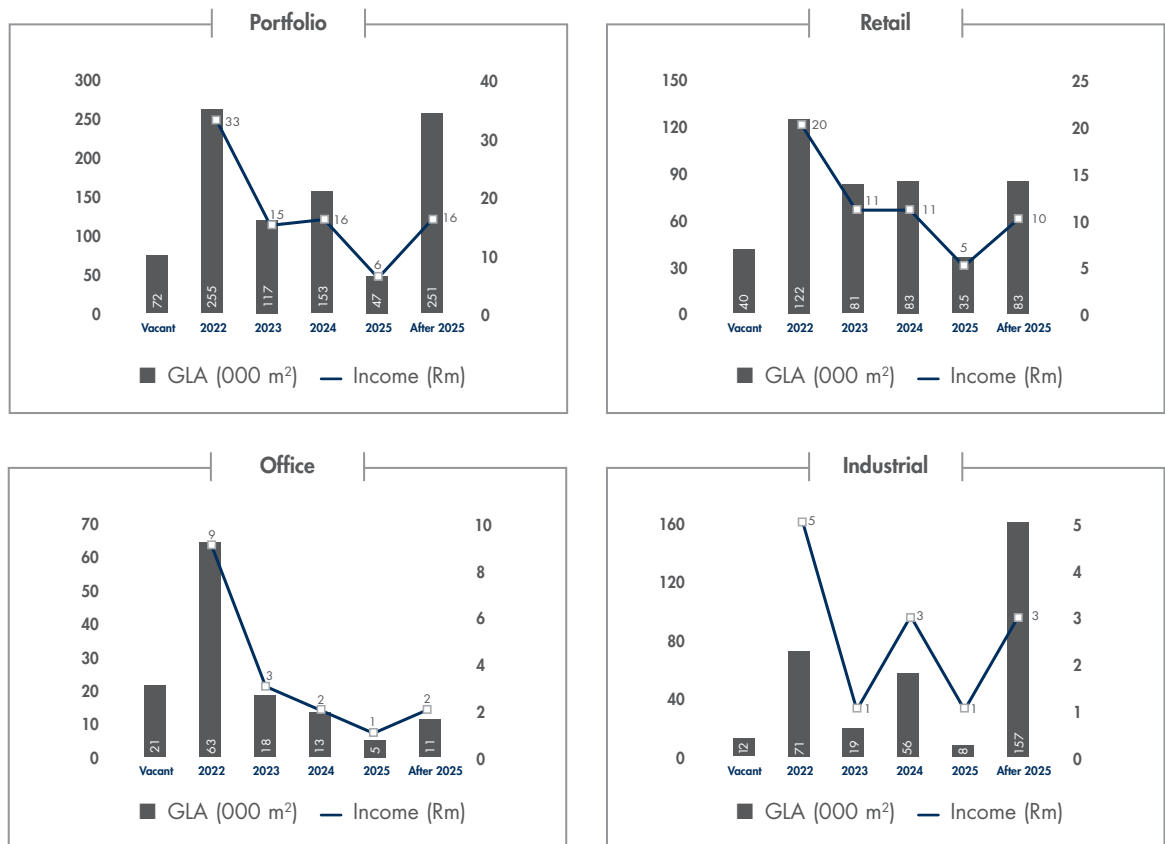
The portfolio is currently weighted towards retail, which accounts for 62% of rental income. The properties are located across all nine provinces of South Africa, with the majority in Gauteng, which accounts for 66% of rental income.



Provincial split by sector



LEASE EXPIRY PROFILE



PORTFOLIO OVERVIEW (CONTINUED)

TOP 10 PROPERTIES

161 757 m² GLA
17% of total portfolio

Value R2.7 billion
31% of total portfolio



SAPS VIP

Region	Gauteng
GLA (m ²)	21 478
Value (R'm)	366
Value per m ² (R/m ²)	17 027



Gillwell Mall

Region	Eastern Cape
GLA (m ²)	22 090
Value (R'm)	331
Value per m ² (R/m ²)	14 966



Chilli Lane

Region	Gauteng
GLA (m ²)	13 597
Value (R'm)	305
Value per m ² (R/m ²)	22 409



Seshego Circle

Region	Limpopo
GLA (m ²)	15 579
Value (R'm)	303
Value per m ² (R/m ²)	19 429



Palm Springs

Region	Gauteng
GLA (m ²)	18 796
Value (R'm)	259
Value per m ² (R/m ²)	13 780





Umzimkhulu Mall

Region	KwaZulu-Natal
GLA (m ²)	15 759
Value (R'm)	254
Value per m ² (R/m ²)	16 130



Nquthu Plaza

Region	KwaZulu-Natal
GLA (m ²)	14 912
Value (R'm)	252
Value per m ² (R/m ²)	16 933



Gezina Galleries

Region	Gauteng
GLA (m ²)	16 707
Value (R'm)	242
Value per m ² (R/m ²)	14 515



Bochum Plaza

Region	Limpopo
GLA (m ²)	12 073
Value (R'm)	196
Value per m ² (R/m ²)	16 235



Kopanong Hammanskraal

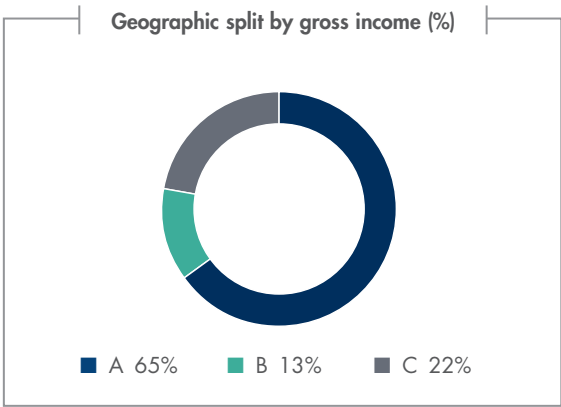
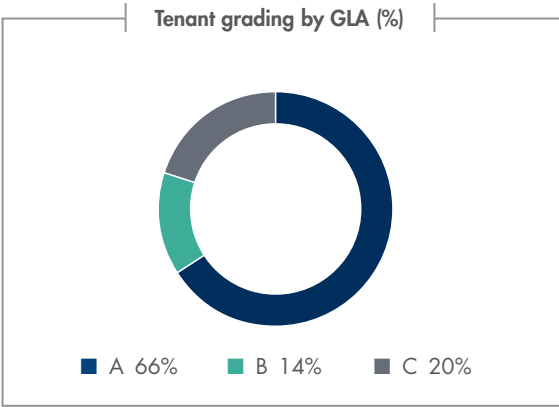
Region	Gauteng
GLA (m ²)	10 767
Value (R'm)	193
Value per m ² (R/m ²)	17 948



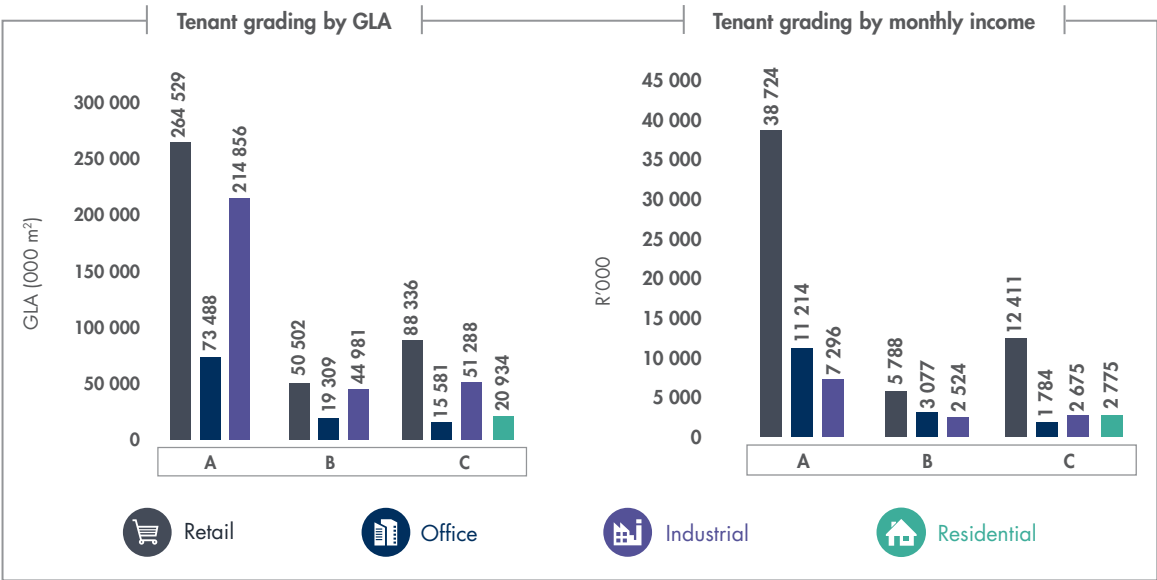
PORTFOLIO OVERVIEW (CONTINUED)

TENANT QUALITY

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



A	Large national tenants, large listed tenants, government and major franchises
B	National tenants, regional tenants with multiple branches, listed tenants, franchises, medium to large professional firms
C	Other (684 tenants) Residential tenants (569)



TOP 10 TENANTS BY INCOME

Exposure	Tenants	Exposure	Tenants
 13%	DPW and Government	 3%	Reclamation Holdings
SHOPRITE 9%	Shoprite Group	 2%	Cashbuild
WOOLWORTHS 5%	Woolworths	 2%	Residential Portfolio
PEPKOR 4%	Pepkor Group	DSV 2%	DSV Solutions
 4%	Pick n Pay	 1%	Spar Group

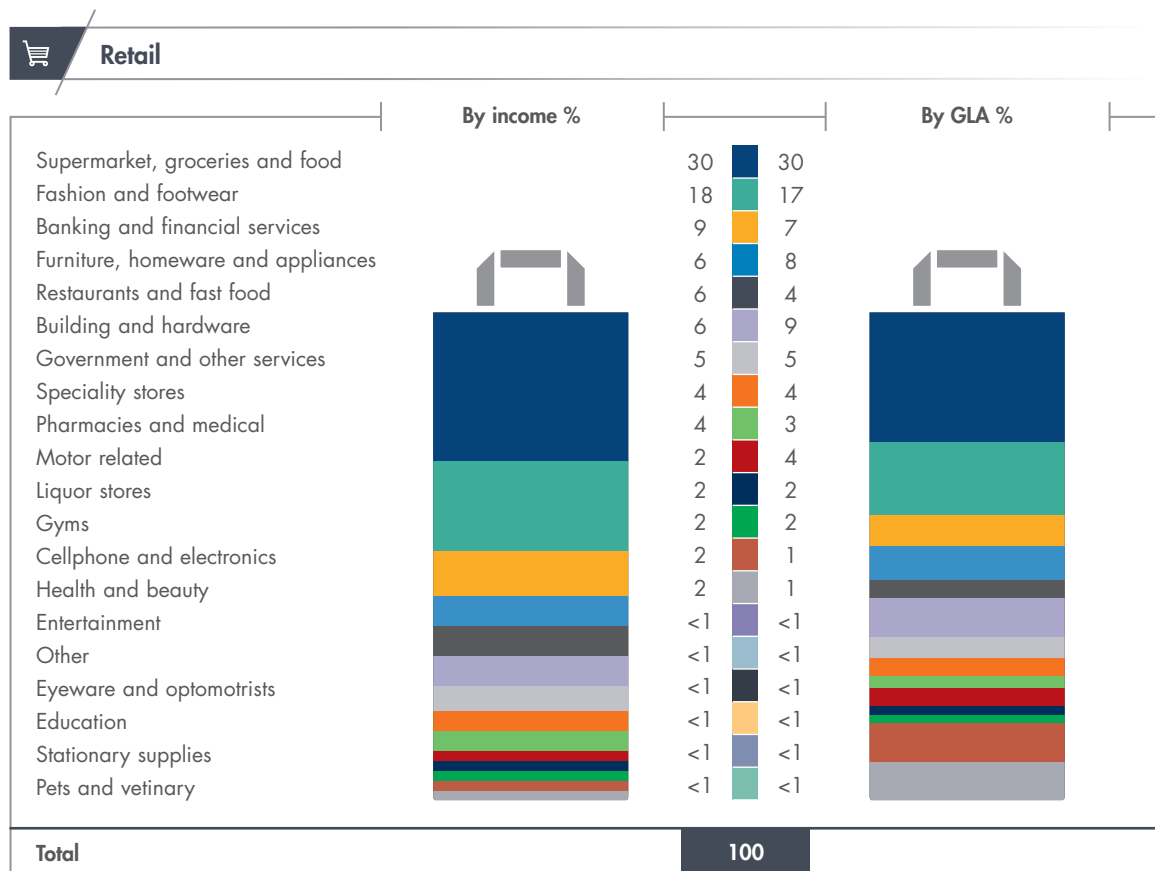
14 Kramer

TOP 10 TENANTS BY GLA

Exposure	Tenants	Exposure	Tenants
 17%	Reclamation Holdings	DSV 3%	DSV Solutions
 10%	DPW and Government	 2%	Residential Portfolio
SHOPRITE 8%	Shoprite Group	 2%	Cashbuild
PEPKOR 3%	Pepkor Group	 2%	Spar Group
 4%	Pick n Pay	WOOLWORTHS 1%	Woolworths

PORTFOLIO OVERVIEW (CONTINUED)

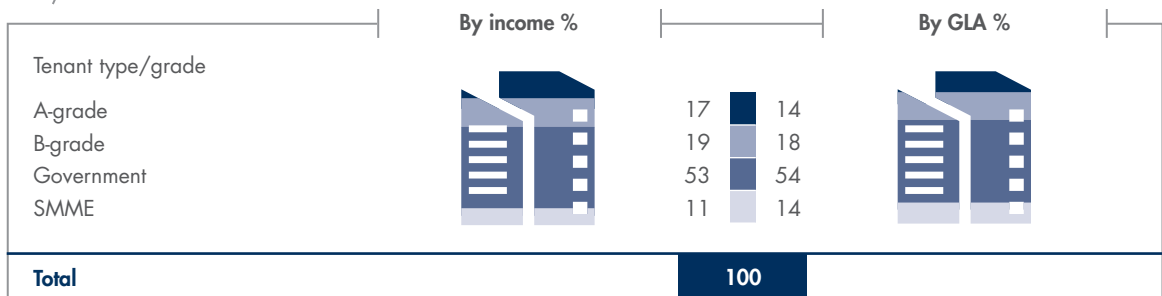
TENANT PROFILE



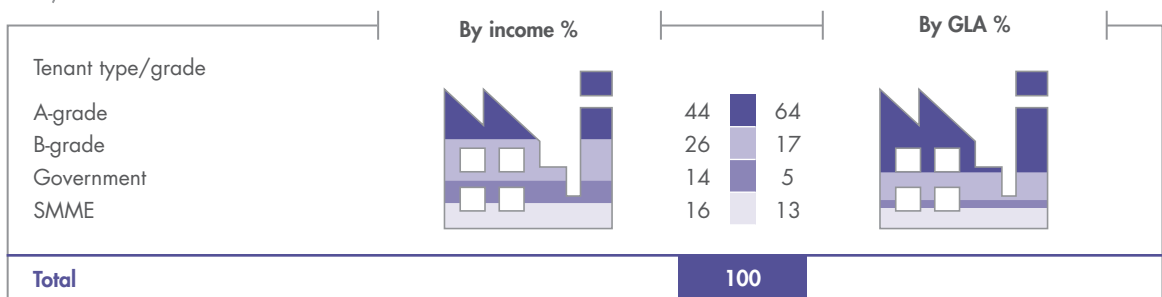
Urban Village Bruma



Office



Industrial



RESIDENTIAL UNIT PROFILE

	Urban Village Norwood			Palm Springs (100%)		
Unit type	Average rental (R)	Average rental (R/m ²)	Average unit size (m ²)	Average rental (R)	Average rental (R/m ²)	Average unit size (m ²)
Studio	5 885	224.62	26.2	–	–	–
1 bed	6 793	178.76	38.0	4 823	142.15	33.9
2 bed	8 535	109.45	78.0	6 051	130.13	46.5
Total	8 169	116.15	70.3	5 718	131.15	43.6

	Urban Village Midrand			Urban Village Bruma		
Unit type	Average rental (R)	Average rental (R/m ²)	Average unit size (m ²)	Average rental (R)	Average rental (R/m ²)	Average unit size (m ²)
Studio	3 801	160.97	23.6	4 356	171.20	25.4
1 bed	4 603	157.17	29.3	4 990	149.68	33.3
2 bed	5 411	112.42	48.1	6 715	133.91	50.1
Total	4 472	151.46	29.5	5 517	145.24	38.0

PORTFOLIO OVERVIEW (CONTINUED)

RESIDENTIAL VACANCY PROFILE

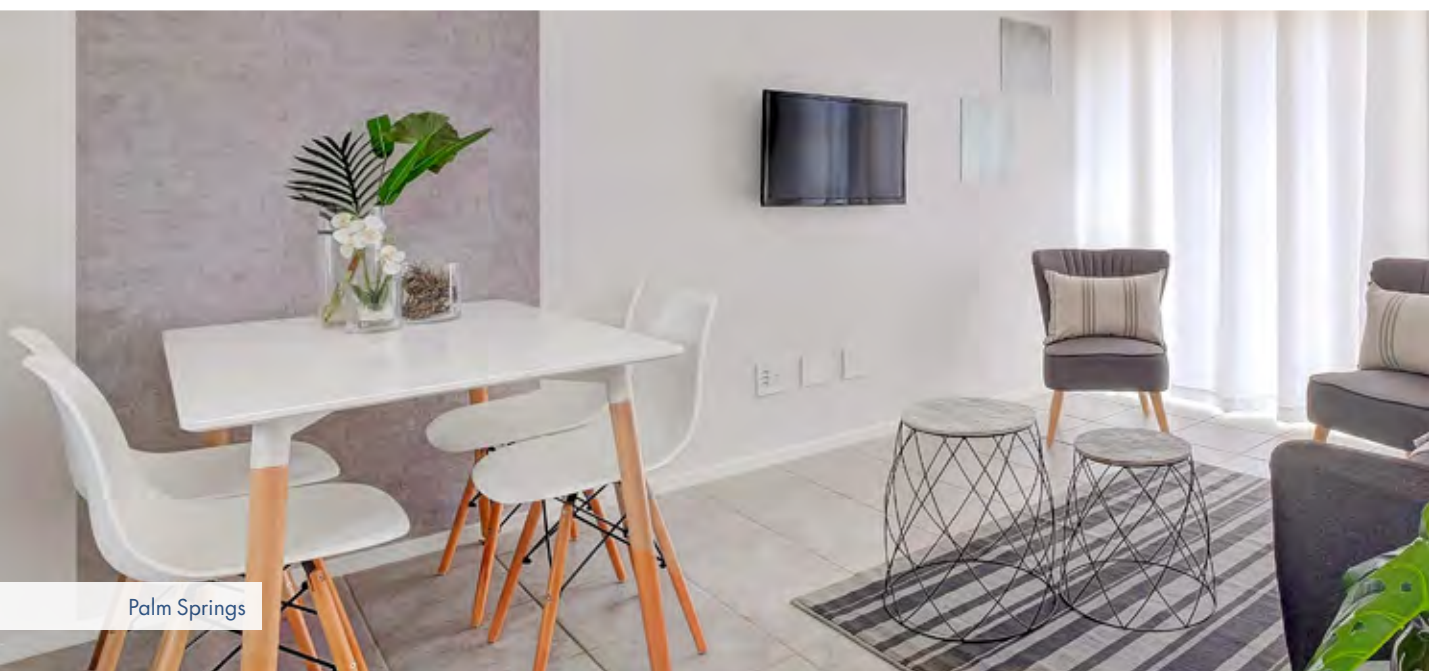
Vacant units

Unit type	Urban Village Norwood	Palm Springs (100%)	Urban Village Midrand	Urban Village Bruma	Total residential
Studio	–	–	–	–	–
1 bed	–	6	–	5	11
2 bed	–	118	11	3	132
Total	–	124	11	8	143

% vacant units

Unit type	Urban Village Norwood	Palm Springs (100%)	Urban Village Midrand	Urban Village Bruma	Total residential
Studio	–	–	–	–	–
1 bed	–	7%	–	6%	4%
2 bed	–	35%	73%	7%	33%
Total	–	29%	8%	6%	20%

Retention rates range from 20% to 40% with flat rentals year-on-year.



Palm Springs

Vacant GLA (m²)

Unit type	Urban Village Norwood	Palm Springs (100%)	Urban Village Midrand	Urban Village Bruma	Total residential
Studio	–	–	–	–	–
1 bed	–	203	–	143	346
2 bed	–	5 510	560	150	6 220
Total	–	5 713	560	293	6 566

% vacant GLA

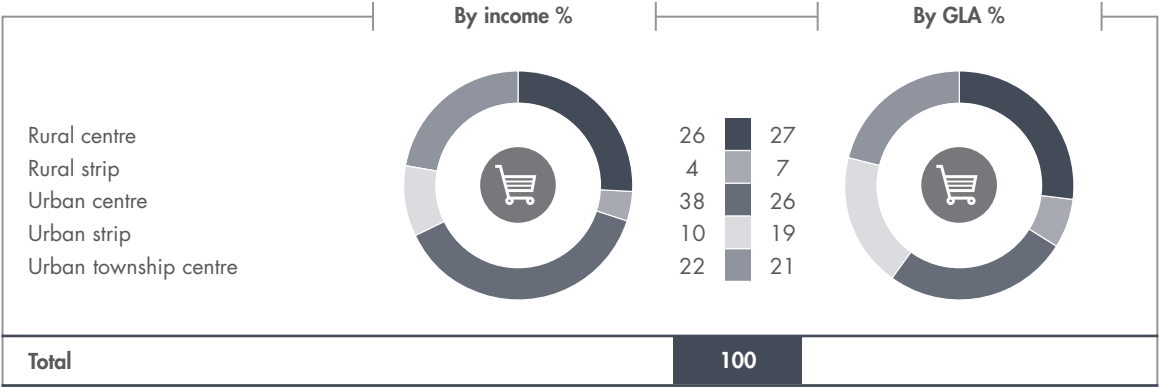
Unit type	Urban Village Norwood	Palm Springs (100%)	Urban Village Midrand	Urban Village Bruma	Total residential
Studio	–	–	–	–	–
1 bed	–	7%	–	5%	4%
2 bed	–	35%	78%	7%	32%
Total	–	30%	14%	6%	23%



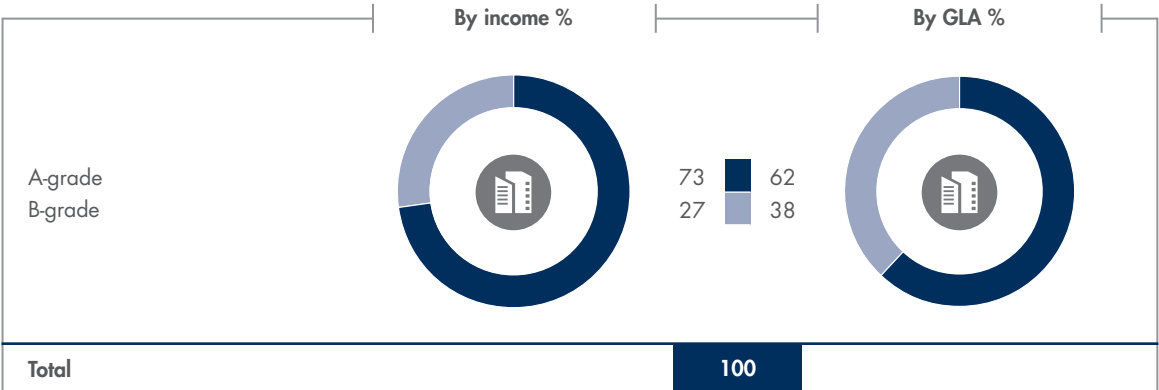
PORTFOLIO OVERVIEW (CONTINUED)

BUILDING PROFILE

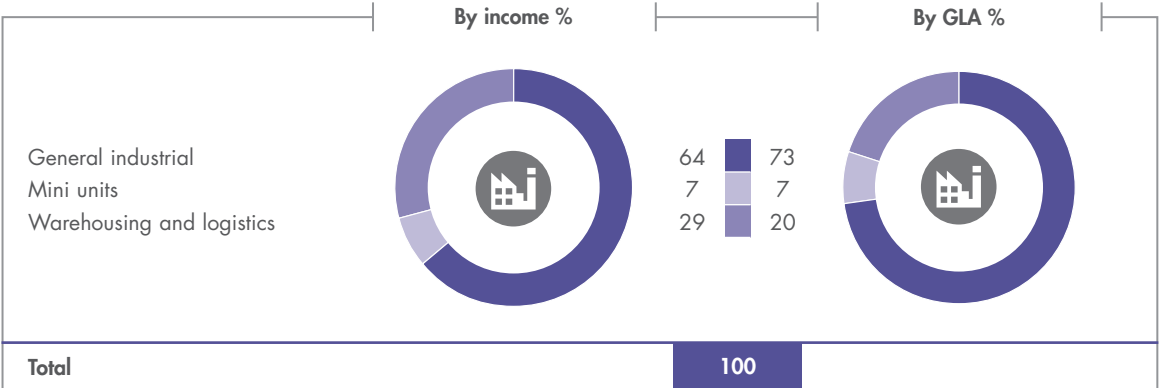
Retail portfolio by type of centre



Office portfolio grading

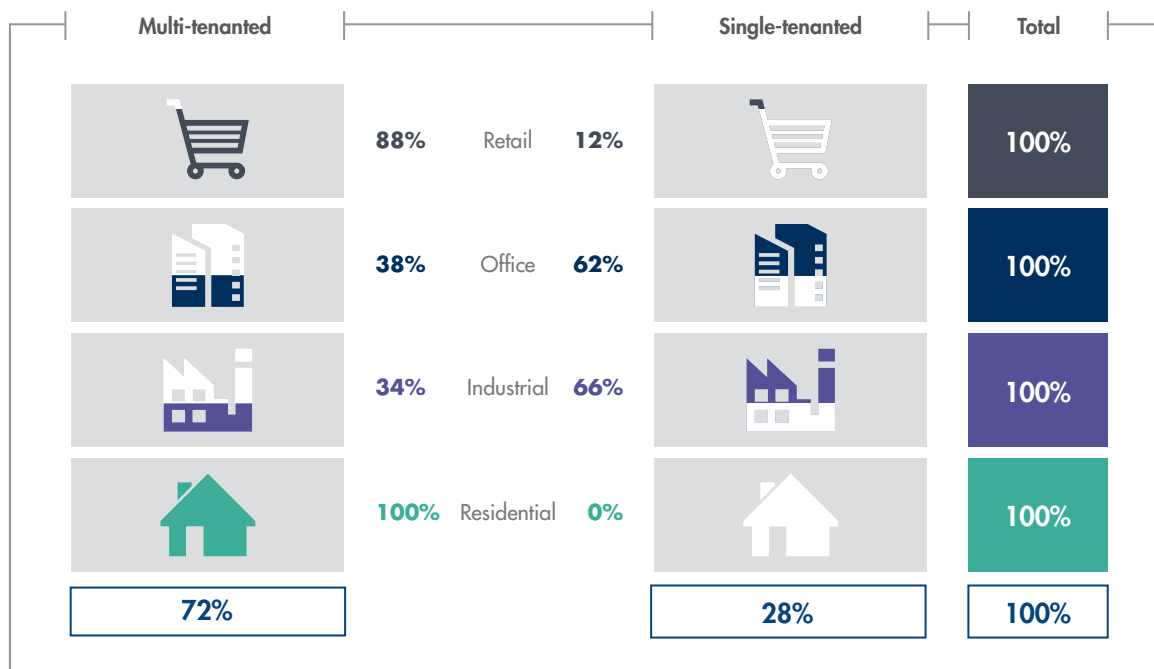


Industrial portfolio by type

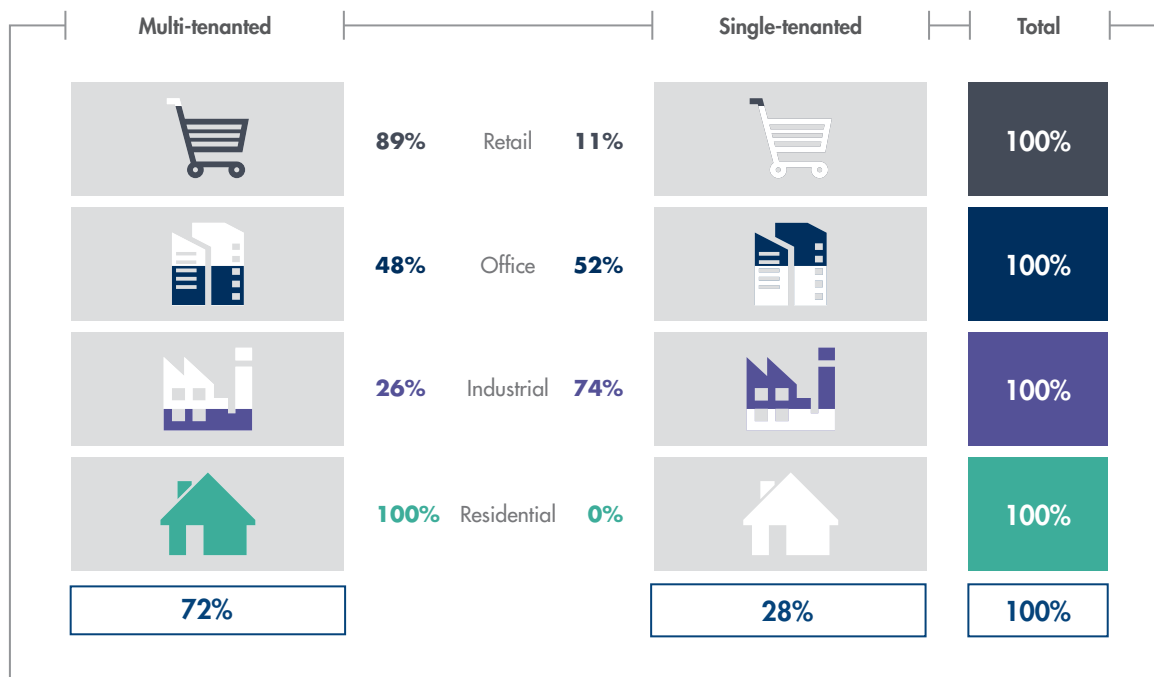


SECTOR SPACE EXPOSURE

By income



By GLA





02

OUR STRATEGIC APPROACH

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RENAISSANCE PARK
JOHANNESBURG

OUR OPERATING ENVIRONMENT

INTRODUCTION

South African real estate has experienced structural and cyclical changes since 2018. Covid-19 ("the pandemic") exacerbated the situation resulting in listed property being the worst performing asset class on the JSE between 2018 and 2020.

MACRO-ECONOMIC ENVIRONMENT

Low economic growth

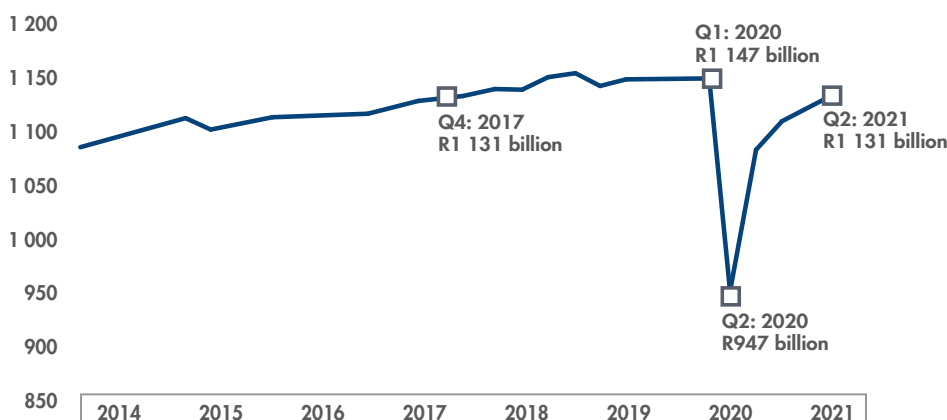
In the first quarter of 2020, prior to Covid-19, real GDP was R1 147 billion, tumbling to R947 billion in the following quarter as the country barricaded itself against the pandemic. The below graph depicts a sudden drop in economic activity during the second quarter of 2020, when lockdown restrictions were at their most severe.

PWC in their South Africa Economic Outlook Report for October 2021 ("the PWC report") expects the economy to grow by 3.9% in 2021 and 2.5% in 2022 as a baseline outlook. Their probability weighted forecast is for real GDP growth of 4.1% in 2021 and 2.6% in 2022, compared to the SARB's expected economic growth of 5.3% for 2021.

PWC does, however, acknowledge the possibility of better-than-expected outcomes over the coming 12 months, with the caveats of no further loadshedding this year, a vaccine rollout at a daily average of 200 000 jobs and the Medium-Term Budget Policy Statement announcing an increase in fiscal spending on the back of better-than-expected tax revenues. Combined, these factors could see GDP rise to 4.9% this year.

Covid-19: The economy in Q2: 2021 was the same size as what it was in Q4: 2017

The economy is 1.4% smaller than what it was before the pandemic. Real GDP (constant 2015 prices, seasonally adjusted).



Source: SARB second quarter GDP 2021.

According to Statistics South Africa's website, the South African economy recorded its fourth consecutive quarter of growth, expanding by 1.2% in the second quarter of 2021 (April to June). This followed a revised 1.0% rise in real GDP in the first quarter (January to March). Despite the gains made over the four quarters to June 2021, the economy is still 1.4% smaller than pre-pandemic levels.

Some of these gains may be reversed by the impact of the July 2021 violent protest actions in KwaZulu-Natal and Gauteng. The effects of these riots will only reflect in the third quarter GDP numbers due for release in December 2021.

Loadshedding

South Africa continues to lag the economic growth experienced internationally. A key contributor to this is the return of loadshedding. After 11 weeks without power outages, South Africa was again hit with loadshedding in October 2021 following unexpected power station breakdowns, delays in returning some units under maintenance to service and the depletion of emergency fuel supplies. According to the PWC report, loadshedding is expected to reduce 2021 GDP growth by 3.0 percentage points and cost the country 350 000 in potential jobs.

Deteriorating public service sector service delivery

In response to Covid-19, National Treasury increased government's equitable share of funding to local governments by 12.6% during the 2020/2021 fiscal year, part of which was to be used for Covid-19 response measures. According to National Treasury's 2021 Budget Review, some of this will be clawed back in the 2021/2022 fiscal year with total transfers reducing R78.0 billion (PWC Budget review slide 3 and 2021 National Treasury Budget Review 2021). It is expected that most municipalities will attempt to cover this shortfall through increased property rates and service charges for electricity, water, sanitation, and refuse.

Yet, despite consistent significant increases in municipal charges, debt owed to them has been growing due to non-payment for services by citizens and inept management at municipalities. The latest data from National Treasury indicates that outstanding debt owed to metropolitan municipalities stands at a staggering R114.5 billion as at June 2021. This is a substantial (almost 60%) increase from the R72.4 billion owed by mid-2018.

Deteriorating public sector service delivery and unabated cost increases pose a serious threat to sustainability of the sector, impacting both landlords and tenants.

Political unrest and the July 2021 riots

In addition to the loss of income and costs associated with rebuilding and repairing damaged infrastructure resulting from the July 2021 riots in Gauteng and Kwa-Zulu-Natal, the civil unrest has led to significant indirect costs to the sector. SAPOA reported that the cost of unrest exceeds R20 billion in KwaZulu-Natal alone with the impact on national gross domestic product estimated to be R50 billion, which may result in the insurance industry reassessing property risk leading to higher premiums.

Increasing interest rate cycle

The central bank's quarterly average inflation forecasts see headline inflation remaining near the mid-point of the 3% to 6% target range over the medium term, peaking at a mean of 5.0% during the fourth quarter of 2021. Nonetheless, the MPC noted upside risks in the short term, including higher international producer and food price inflation, greater volatility in international oil prices, as well as domestic price adjustments in electricity and other administered prices.

In November 2021 the SARB increased interest rates by 25 bps. This will be the start of monetary policy normalisation that, according to the QPM, should take the repo rate to 5.17% by the end of next year and more than 6.36% by the close of 2023.

FOCUS ON TENANT SURVIVAL AND PROTECTING BALANCE SHEETS

REITs provided approximately R3 billion in tenant relief in 2020 to assist tenants through Covid-19 lockdowns which prevented or limited them from trading. During this time, focus was placed on balance sheet strength and having a liquidity buffer to trade through the pandemic. Some REITs breached their gearing and interest cover covenant ratios and had to focus on deleveraging their balance sheets through the sale of assets, the withholding of dividends and lower distribution pay-out ratios.

The situation has since improved with many companies now reporting improved results and resuming the payment of dividends, although predominantly still below historic levels. The resumption of dividend payments has resulted in much better market sentiment as reflected in the 27.5% positive total return of the All-Property Index to 29 October 2021.

SECTOR OUTLOOK

The sentiment for the sector is significantly more positive than last year but still within the context of weak domestic fundamentals. Considering this context, we believe that the sector will be driven by the following trends in 2022:

Domestic property fundamentals to remain weak, although some sub-sectors will continue to outperform

Domestic property fundamentals are expected to remain weak, evidenced by most SA-focused counters still trading at higher discounts to net asset value compared to those with offshore exposure.

REITs with significant exposure to township, rural and community centres as well as niche-focused funds such as logistics and storage are expected to continue to outperform.

Net property income growth to dominate discussions

NPI growth will become a big discussion point in 2022 as like-for-like net property income growth excluding Covid-relief will come into the spotlight.

Vacancies will likely continue to rise, which may impact valuations

Vacancies in especially office portfolios are expected to continue to trend upwards. Property normally lags economic trends and the negative events related to Covid-19 and the July riots may result in business failures and/or lower leasing activity which may place further downwards pressure on valuations, although not as pronounced as before.

OUR OPERATING ENVIRONMENT (CONTINUED)

Earnings and pay-out ratios will remain topical

The focus will be on counters' ability to fund capex, with expectations that most counters will introduce a lower pay-out ratio.

Focus on balance sheet strength will remain a priority

REITs are likely to continue to focus on deleveraging to reduce LTVs and keep ICR ratios well above minimum funder covenant levels.

The key matters flowing from our operating context and our response to them are contained below.

Strong focus on ESG

We believe that ESG will come into sharp focus as investors demand management teams to focus on sustainability and adapt models to include environmental and social initiatives into their activities.

Stock picking will become more prevalent

Considering the disparate performance of listed REITs, the stock picking abilities of asset managers will be put to the test as investors demand alpha from them.

IMPACT AND RESPONSE



Neutral



Negative



Positive

Key matter	Impact on Dipula	Associated risk	Our response
Low GDP growth		Impact of low economic growth	Defensive portfolio
Civil unrest		Political and socio-economic uncertainties in South Africa	▶ Forming meaningful relationships with stakeholders ▶ Insuring our assets ▶ Securing our assets ▶ Being a part of holistically addressing SA challenges
Increased political risk		Political and socio-economic uncertainties in South Africa	Seek tenants that provide limited non-discretionary products and services
The impact of loadshedding		Municipal services	Invest in back-up power and alternative energy
Poor service delivery		Municipal services	Be an active participant in bringing about change and invest in back-up services
Increasing interest rates		Impact of low economic growth	Retain a conservative interest rate hedging policy
Potential low to negative growth in net income		Impact of low economic growth	Invest in a defensive portfolio



Renaissance Park

Key matter	Impact on Dipula	Associated risk	Our response
Higher vacancies		Impact of low economic growth	Differentiate ourselves with superior and attentive property management as well as superior asset management
Reducing dividend pay-out ratios		Dipula's A and B capital structure and liquidity of our shares	Consolidate our A and B shares into a single equity instrument
De-gearing		Impact of low economic growth	De-gear through superior management leading to asset growth as well as responsible asset recycling
ESG focus		N/A	Be responsive to community needs, be ethical, address succession and invest in alternative energy and clean technologies
Increase in municipal costs		Municipal services	Operate our business efficiently and become less dependent on municipalities where possible
Weak domestic property fundamentals		Impact of low economic growth	Invest in and maintain a defensive portfolio

OUR BUSINESS MODEL

Our business model is at the heart of everything we do. It defines the activities we engage in, the resources and relationships (six capitals) we depend on and the outputs and outcomes we aim to achieve in order to create value for all our stakeholders in the short, medium and long term.

The external environment is currently affected by the following four main themes:

Economic conditions

Unprecedented difficult trading conditions exacerbated by Covid-19.

	Capitals	Inputs	Objectives
 Financial	We employ an astute balance between equity, debt, asset recycling and dividend reinvestment programmes to obtain our financial capital.	▶ Debt capital of R3.4 billion from various funders ▶ Equity capital of R5.5 billion from shareholders	▶ Share price growth ▶ Growth in NAV ▶ Growth in dividends
 Manufactured	Our diversified portfolio of retail, office, industrial and residential rental assets is the backbone of our business. The portfolio is continuously enhanced by undertaking strategic revamps, buying well and managing brilliantly.	▶ Property portfolio of R9.1 billion ▶ National footprint across all nine provinces of South Africa	▶ Optimal diversified portfolio ▶ Portfolio defensiveness ▶ Growth in assets
 Human	Attracting and retaining the best talent is key for the sustainability of our business. We demand great commitment and application from our team and live by the motto: Lead, cooperate, win.	▶ Good working environment ▶ Fair remuneration ▶ Training and development ▶ Staff wellness programmes ▶ Stable executive management team ▶ Experienced board	▶ Motivated staff ▶ Tenant satisfaction ▶ Well-managed properties ▶ Alignment of senior management and shareholders
 Intellectual	Our intellectual capital includes our proprietary asset management models, specialist skills, our brands and our reputation as a well-respected and value-adding management team.	▶ Recognised brand ▶ Well-respected JV partner ▶ Proprietary asset management models ▶ Extensive networks ▶ Specialist skills	▶ Attracting new tenants ▶ Tenant satisfaction ▶ Acquisition opportunity and pipeline ▶ Digitisation
 Natural	Reducing the negative impact of our business activities on the environment is paramount to the sustainability of our business and society at large.	▶ Resource-conservation initiatives ▶ Alternative energy solutions ▶ Water storage ▶ Recycling ▶ Responsible water usage ▶ Efficient consumption of electricity	▶ Reduce carbon footprint ▶ Reduce consumption of natural resources ▶ Less dependence on Eskom grid power
 Social and relationship	Our social licence to operate is granted to us by our stakeholders based on our reputation and a trust relationship. Our most valuable stakeholder relationships are with our shareholders, bankers and tenants, employees, industry bodies, shareholders and the communities in which we operate.	▶ Stakeholder engagement ▶ Community relationships ▶ Participation in industry bodies ▶ Local regeneration ▶ New offerings in previously underserved areas	▶ Understand what our stakeholders expect from us ▶ Add value to the communities that we operate in ▶ Help make our tenants more sustainable ▶ Solid relationships with banking and other business partners

Technological change

Accelerated use of technology which will result in reduced and different space demand.

Opportunity to utilise technology for more efficient operations.

Societal issues

Low economic growth and a lack of service delivery leading to increased social unrest, unemployment, and crime.

Environmental challenges

Increased negative impact on the environment intensified by rapid urbanisation and inefficient government and municipal agencies.

Business activities	Outputs	Outcomes
New debt and equity capital raises	▶ Gearing level ▶ Refinancing ▶ New equity ▶ Sale of assets ▶ Accumulated reserves	▶ New and refinanced debt facilities R1.2 billion ▶ Combined NAV of R20.60 per share ▶ Combined share price of R12.80 per share ▶ Distributable earnings growth of 23.5% ▶ LTV of 36.5% ▶ Recycled (sold) assets of R102 million (including properties awaiting transfer) ▶ Credit rating of BBB (ZA) long term and A3 (ZA) short-term
Capital recycling through disposals	▶ Refurbishments, redevelopments ▶ Acquisitions ▶ Valuation growth	▶ Portfolio valuation growth of 0.2% ▶ Acquisitions of R294 million ▶ Strategic revamps of R52 million ▶ Increase in vacancy to 8% ▶ New leases worth R238 million concluded ▶ Renewals worth R398 million concluded
Management of shareholder and debt provider relationships	▶ Staff retention ▶ Staff incentives ▶ Ongoing digitisation and automation of work environment ▶ Transformed workforce	▶ Stable workforce of 90 employees ▶ Multi-skilled and multi-cultured team ▶ Workforce consists of 81% PDIs ▶ 71% of the board is PDIs with the executive team 100% PDIs ▶ STI and LTI schemes ▶ Commission-based incentives
Acquisitions, developments and redevelopments	▶ Enhanced systems and processes ▶ Attracting new tenancies and retaining existing tenants ▶ Creative asset enhancements ▶ Internal asset and property management	▶ 236 new leases concluded across the portfolio ▶ New space let 52 250 m² GLA ▶ Achieved above inflation rental escalations of 7.3% on new leases ▶ Redevelopments of R52 million ▶ Portfolio retention rate of 72% ▶ Electronic approval system developed in-house ▶ Enhancement to asset management data manipulation system
Property and asset management	▶ Solar installations ▶ Consumption (water and electricity) efficiency ▶ Minimising pollution through waste management	▶ Planned solar installation of a minimum of 7 500 kWp ▶ Solar plant of 1 613 kWp installed ▶ Installation of water storage tanks ▶ Rubbish sorting and recycling facilities at various shopping centres ▶ Clean-up initiatives undertaken around our centres
Staff training and development	▶ Good local community relationships ▶ Compliance with laws and regulations ▶ Healthy tenant relationships ▶ Good relationship with suppliers, peers and competitors	▶ CSI spend on informal traders ▶ Covid-19 rent relief of R14 million ▶ Spend on emerging contractors ▶ Direct and indirect employment created ▶ No areas of non-compliance with laws and regulations ▶ Participation in SAPOA, SAIBPP, SA REITs Association ▶ Level 8 B-BBEE
Research and development of systems		
Marketing and business development		
Continuous community liaison and broader stakeholder relationship building		

OUR RISKS AND OPPORTUNITIES

RISK MANAGEMENT

Risk responsibility

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 approach are:

Setting the tone from the top in terms of ethical leadership and creating an ethical environment.

Clear business objectives and business principles.

An ongoing process for the identification and evaluation of material risks.

An established risk management policy.

Putting management processes in place to mitigate material risks to an acceptable level.

An ongoing process for identification and evaluation of material risks.

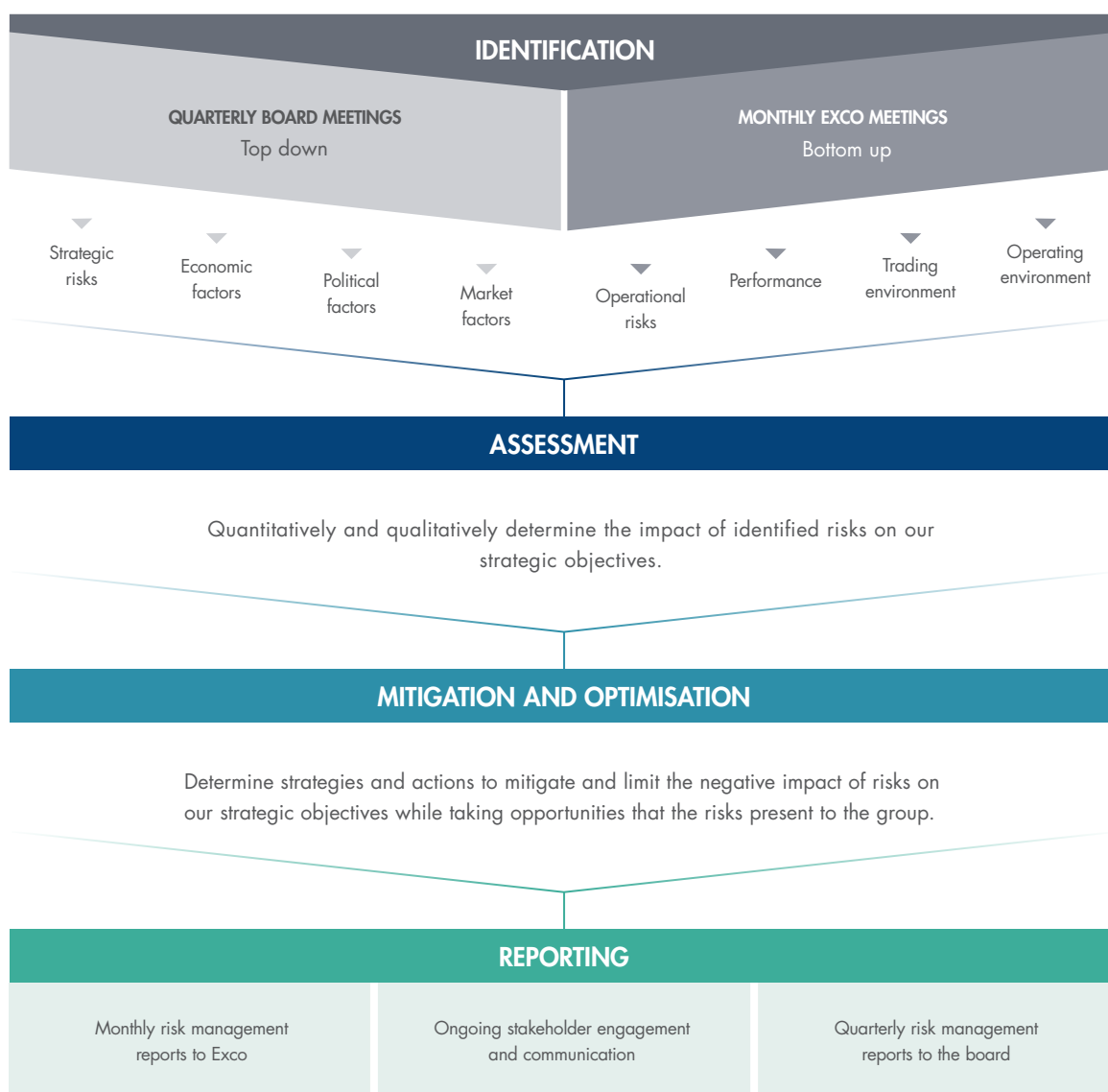
Management processes in place to mitigate material risks to an acceptable level.

Ongoing monitoring of internal and external factors that may impact Dipula's risk profile.



Risk management process

Risk management is integral to the achievement of the group's strategic objectives. We apply a four-step risk management process on a top-down and bottom-up basis. Our board meets quarterly to discuss our strategic risks while our operational teams provide the executive team with regular feedback on risks identified at an operational level which are discussed at monthly Exco meetings.



In applying the above process, the key risks set out in the table on pages 36 to 41 were identified. 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 RISKS AND OPPORTUNITIES (CONTINUED)

IMPACT ON STRATEGIC OBJECTIVES

MOVEMENT FY20/FY21



Risk
increased



Risk
decreased



Unchanged
year-on-year



New
key risk

Risk	Description	Impact
Political and socio-economic uncertainties in South Africa	The current political and socio-economic climate in South Africa is resulting in reduced investment and negative consumer and business sentiment.	▶ Heightened volatility of our share price ▶ Low business and consumer confidence leading to fewer potential tenants and investors ▶ Crime and social unrest ▶ Poverty resulting in tenant sustainability risks ▶ Lower demand for space ▶ Increased tenant defaults
Municipal services	Deteriorating municipal capacity coupled with increasing administered costs leading to lower property valuations and lower operating performance.	▶ Disruption to supply of municipal services ▶ Increased tenant arrears ▶ Business disruption ▶ Increased cost of doing business
Uncertainty and impact of a prolonged Covid-19 pandemic	A prolonged Covid-19 pandemic has negative effects on trading conditions.	▶ Slow economic growth ▶ Tenant business failures ▶ Unavailability of funding ▶ Unemployment ▶ Crime ▶ Human hardship ▶ Limited movement of people ▶ Low footfall numbers at shopping centres ▶ Low property valuations ▶ Falling share prices ▶ Falling NAVs

RISK RANKING



High



Medium



Low

IMPACT



Major



Moderate



Minor

LIKELIHOOD



Remote



Possible



Probable

Mitigation measures

Opportunity

Risk position

Risk ranking and movement FY20/FY21

Capitals and strategic objectives

Impact and likelihood

- ▶ Invest in a defensive portfolio that is relevant to the South African consumer and capable of withstanding unfavourable political and economic cycles
- ▶ Have the appropriate tenant mix
- ▶ Proactive management
- ▶ Community involvement
- ▶ Participation in industry bodies to help shape policy

- ▶ Use our insights of these socio-political conditions and previously disadvantaged communities to invest in our target markets

1



- ▶ Installation of back-up electricity systems (generators)
- ▶ Alternative power sources (solar)
- ▶ Boreholes
- ▶ Strong internal utilities department
- ▶ Back-up firefighting water capacity
- ▶ Focus on cost efficiencies
- ▶ Initiatives to reduce consumption

- ▶ Opportunity to retrofit and install new energy efficient equipment, solar and water systems in existing properties and new development/upgrades.

2



- ▶ Dedicated Covid-19 response committee to proactively manage risk
- ▶ Community CSI initiatives
- ▶ Tenant relief measures
- ▶ Transparent stakeholder communication
- ▶ Defensive tenant mix
- ▶ Alternative funding sources

- ▶ Improve portfolio by increasing the level of essential services tenants
- ▶ Improve our relationship with local communities by supporting them through CSI initiatives
- ▶ Attract tenancies that are reflective of changing shopper habits

3



OUR RISKS AND OPPORTUNITIES (CONTINUED)

Risk	Description	Impact
Dipula's A and B capital structure and liquidity of our shares	The interests of our A shareholders and B shareholders are misaligned.	▶ Low liquidity and tradability of shares ▶ Inability to raise capital ▶ Sustained high discount to NAV ▶ Perception that Dipula is a value trap
Impact of low economic growth	The South African economy has been in constant decline with no signs of a recovery.	▶ Pressure on rentals ▶ Tenant defaults ▶ Low to negative dividend growth
Lack of viable LTI scheme due to market conditions	Dipula's LTI scheme is unlikely to yield returns for participants and management has never been properly incentivised.	▶ A lack of key staff retention ▶ Lack of alignment between management and shareholders
Succession planning for non-executive directors	The average age of Dipula's board is 62 years, compared to an industry average of 52 years. Most board members have served for more than ten years and may have to be rotated.	▶ Lack of continuity and loss of institutional memory ▶ A lack of new ideas ▶ Market may not perceive the board as independent ▶ Board members may not be re-elected by some shareholders
Insurance risk	Recent riots and the high crime rate in SA are impacting the appetite of insurers for SA risk.	▶ Higher premiums ▶ Unavailability of insurance

Mitigation measures	Opportunity	Risk position	Risk ranking and movement FY20/FY21	Capitals and strategic objectives	Impact and likelihood
Engage with shareholders to find a balanced solution	Value unlocking corporate activity	4	 	    	 
- Stringent tenant credit vetting - Longer leases with A-grade tenants - Assisting viable tenants through difficult periods - Swift action, including legal, against prospective defaulters	The low economic growth environment compels us to manage our business more efficiently and employ advanced asset management strategies.	5	 	    	 
LTI scheme to be revised to address the risk.	To lock-in management for longer and therefore ensure continuity.	6	 	         	 
The introduction of younger/new directors and retirement of some existing directors.	Bringing in new talent and achieving better board diversity in terms of gender, race, age, skills and qualifications.	7	 	         	 
Improve relationship with brokers and underwriters.	Explore self-insurance individually or collectively as an industry.	8	 	   	 

OUR RISKS AND OPPORTUNITIES (CONTINUED)

Risk	Description	Impact
Human capital	The SA brain drain due to socio-political concerns is leading to a major skills shortage.	▶ Loss of key skills ▶ Increase in labour costs ▶ Inability to implement strategy ▶ High average age of staff
Negative impact of a high compliance burden and inefficient statutory bodies	The high compliance burden related to the various laws and regulations in South Africa is a hinderance for the entry of new business and further capital allocation into the South African economy.	▶ Sustained high unemployment ▶ A smaller pool of tenants ▶ Static to negative disposable income growth ▶ High cost of doing business ▶ Capital flight out of South Africa
Cyber security	Cyber fraud is increasing due to the increased utilisation of online platforms.	▶ Business disruption ▶ Loss of key data ▶ Financial losses
Change in space utilisation	Work from home and flexi work arrangements are impacting user space needs.	▶ Higher office vacancies
Succession planning for management	Dipula needs to address key-man risk of its executive management.	▶ Lack of continuity should something happen to management
Technological enhancements may disrupt the property market	Rapidly enhancing technologies may disrupt traditional property markets, thus leading to a change in use of space and lower space demand.	▶ Property obsolescence ▶ Lower demand for space

Mitigation measures	Opportunity	Risk position	Risk ranking and movement FY20/FY21	Capitals and strategic objectives	Impact and likelihood
▶ Offer competitive remuneration ▶ Provide good STI and LTI schemes ▶ Create a good working environment ▶ Implement a board succession plan	▶ Attract and retain good talent.	9			
▶ Employ competent compliance staff ▶ Participate in industry bargaining groups	▶ Find the competitive edge through a competent team.	10			
▶ Build a culture of cyber security awareness ▶ Ongoing staff training ▶ Proactive IT personnel that monitor and adapt systems and controls	▶ Utilising technology makes our business more efficient.	11			
▶ Avoid large single tenanted office buildings. ▶ Limit our investment in the office sector.	▶ Adapt our offices to cater for co-working requirements ▶ Cater for smaller space pockets in multi tenanted offices.	12			
▶ This risk needs to be addressed relative to the size of Dipula. Dipula should address this risk through the correct recruitment and grooming of talented staff.	▶ Addressing this risk will strengthen management.	13			
▶ Adapt portfolio in accordance with changing trends ▶ Offer flexible tenancies	▶ Retrofit smart technologies that lead to efficiencies ▶ Change offering to be more flexible and relevant ▶ Diversify into newer properties and other defensive sectors	14			



03

PERFORMANCE REVIEW

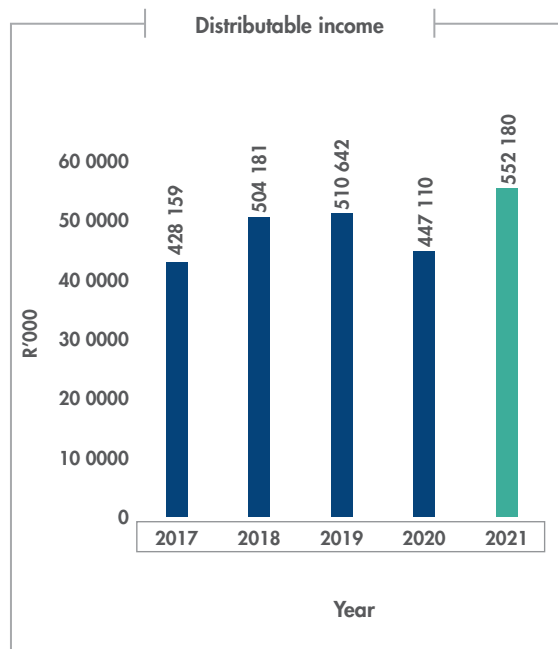
Five-year financial review	44
Leadership report	48
Sustainability report	55



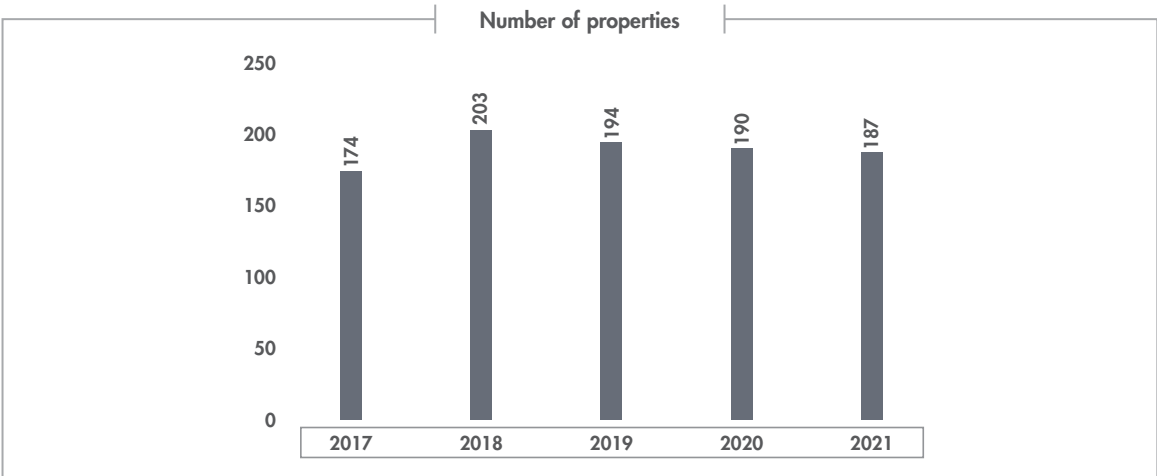
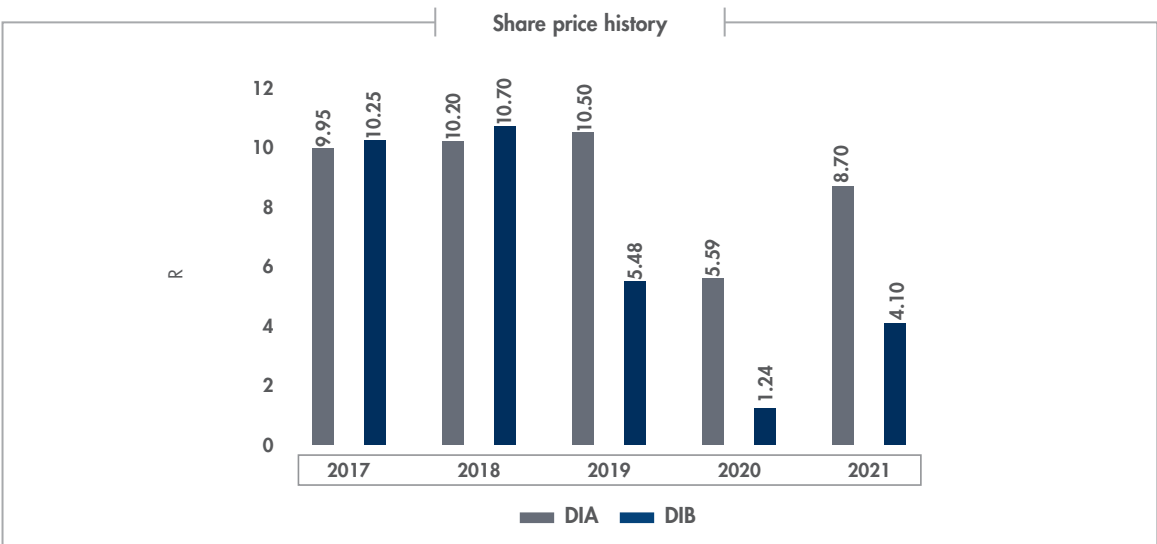
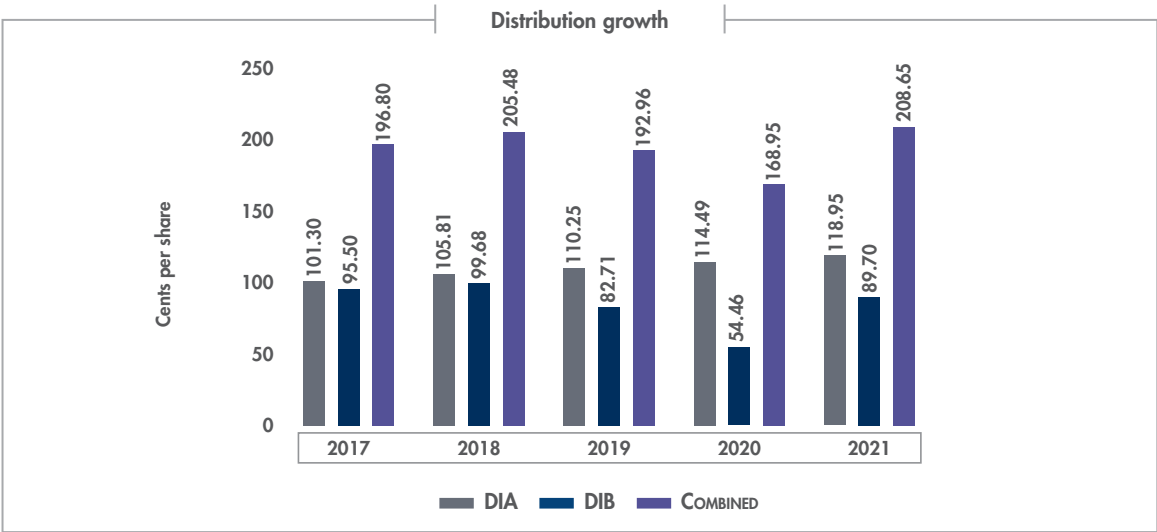
PALM COURT
WELTEVREDEN PARK

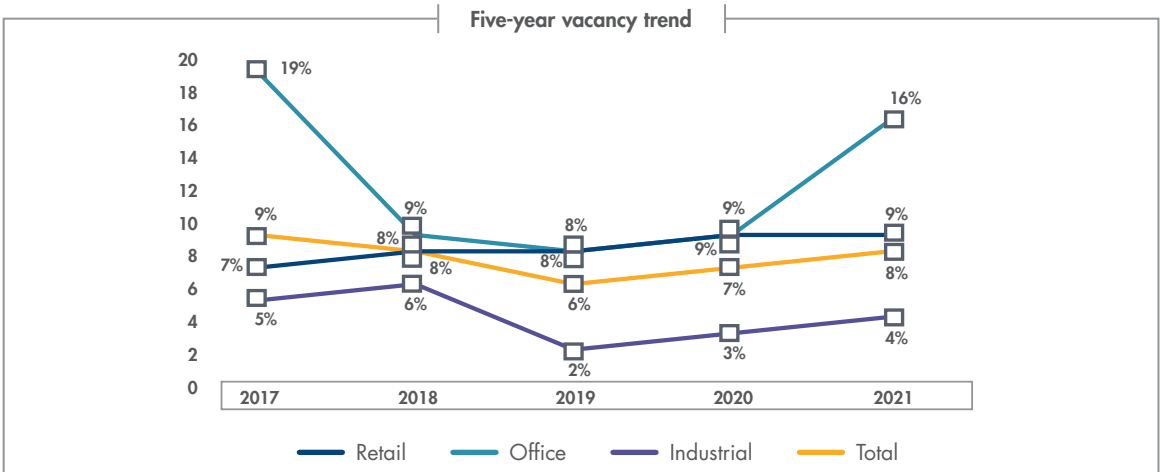
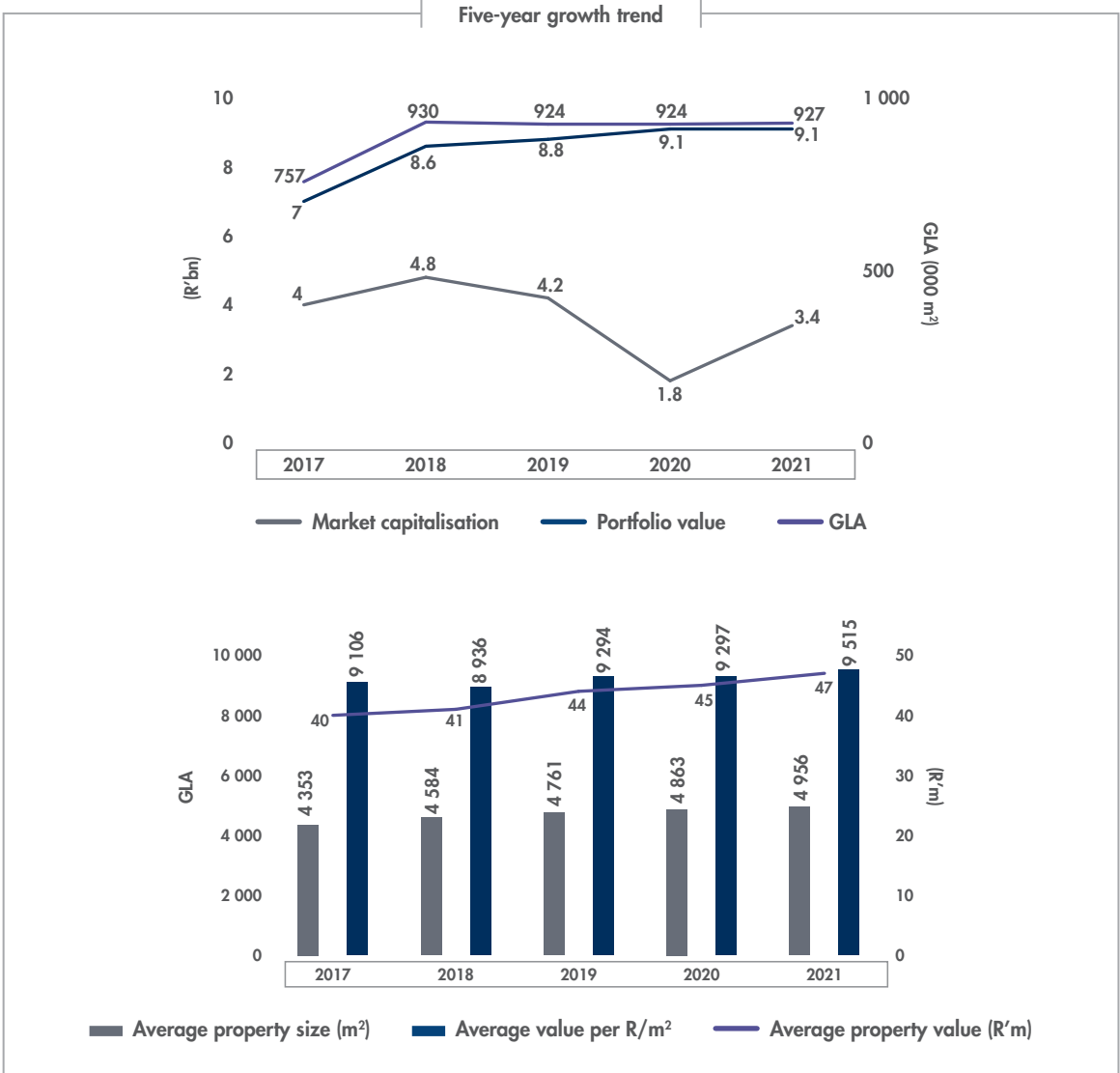
FIVE-YEAR FINANCIAL REVIEW

	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
1. Distribution statement					
Revenue	1 352 648	1 248 199	1 288 789	1 116 334	1 052 517
Property expenses	(455 660)	(440 922)	(411 249)	(362 824)	(353 463)
Net property income	896 988	807 277	877 540	753 510	699 054
Administration and corporate costs	(38 528)	(40 893)	(33 023)	(24 470)	(31 887)
Net operating profit	858 460	766 384	844 517	729 040	667 167
Net finance cost	(272 413)	(292 489)	(308 232)	(231 605)	(243 632)
Antecedent dividend	–	–	–	13 881	10 991
Taxation	218	–	–	–	–
Non-controlling interests	(34 085)	(26 785)	(25 643)	(7 135)	(6 367)
Distributable earnings	552 180	447 110	510 642	504 181	428 159
2. Summarised statement of financial position					
Non-current assets	9 127 262	9 357 414	9 193 244	8 944 839	6 989 754
Current assets	298 287	213 560	279 420	298 532	374 260
Non-current assets held-for-sale	101 242	13 488	50 938	30 013	42 942
Total assets	9 526 791	9 584 462	9 523 602	9 273 384	7 406 956
Non-current liabilities	2 503 933	2 907 517	2 920 218	2 602 100	2 306 139
Current liabilities	1 361 829	1 131 424	994 283	1 206 672	676 344
Total liabilities	3 865 762	4 038 941	3 914 501	3 808 772	2 982 483
Non-controlling interest	210 224	250 499	182 184	155 796	–
Shareholders' interest	5 450 805	5 295 022	5 426 917	5 308 816	4 424 473
3. Distributable earnings per share					
A share (cents)	118.95	114.49	110.25	105.81	101.30
Growth in distribution	3.9%	3.8%	4.2%	4.5%	5.0%
B share (cents)	89.70	54.46	82.71	99.68	95.50
Growth in distribution	64.7%	(34.2%)	(17.0%)	4.4%	6.7%
Combined (cents)	208.65	168.95	192.96	205.49	196.80
Growth in distribution	23.5%	(12.4%)	(6.1%)	4.4%	5.8%
4. Statistics					
Market price at year-end (cents)					
A share	870	559	1 050	960	995
B share	410	124	548	845	1 025
NAV per share (cents)	1 030	1 000	1 025	1 003	1 013
Premium/(discount) to NAV	(37.9%)	(65.9%)	(22.0%)	(10.0%)	(0.3%)
LTV	36.5%	38.9%	40.4%	40.6%	38.9%



FIVE-YEAR FINANCIAL REVIEW (CONTINUED)





LEADERSHIP REPORT



Zanele Matlala
Chairperson



Izak Petersen
Chief executive



Ridwaan Asmal
Financial director

// Our performance this year is testimony to the resilience of our team and our portfolio, which despite the current headwinds, delivered the best results since listing. //

A DECADE LISTED

As we celebrate a decade of being listed on the JSE, we reflect on what has been arguably the most challenging two years economically and for the Real Estate sector in particular. We have certainly, since entering the sector, not seen anything like it, but we remain committed and focused on making Dipula the best that it can be despite our challenges. Our performance this year is testimony to the resilience of our team and our portfolio, which despite the current headwinds, delivered the best results since listing. This was achieved through years of applying discipline and remaining focused on strengthening our portfolio and building unparalleled management capacity. We believe that we have built a great platform for growth and hope to address our capital structure shortcomings which has thus far prevented us from competing fairly in the market and growing to our full potential.

FOCUSING ON MATTERS WITHIN OUR CONTROL

Following the severe economic impact of Covid-19 related lockdowns in the prior year, the listed property sector showed encouraging signs of recovering during the year under review. Optimism about growth in the SA economy was derailed as civil unrest and rampant looting in Gauteng and KwaZulu-Natal during July 2021 resulted in significant damage to infrastructure, assets and business confidence.

Twelve of our properties were affected by the unrest, ten in Gauteng and two in KwaZulu-Natal. The estimated damage to these assets amounts to approximately R100 million. A rapid response by Dipula and our tenant partners led to 10 of the damaged properties being partly or fully trading by the reporting date. Dobsonpoint Shopping Centre and October Avenue Ivory Park Shopping Centre, which were substantially destroyed will take between six to 12 months to repair.

We were extremely shocked and disappointed to see such scenes unfold given the already challenging trading conditions in South Africa, but equally deeply touched and encouraged by the support we received from the communities in which we operate to help safeguard and clean up our centres following the riots. We believe this is living proof of the spirit of ubuntu that is the foundation of our essence as South Africans. We will forever be grateful to those, who, like us, would rather build than cause destruction and despair for their own selfish motives. It is further encouraging to note that our tenants who were impacted harshly by the riots remain committed to ongoing investment in the affected nodes despite the risks, because it is, after all, about bringing much needed facilities, services and jobs to these previously under-invested areas.

We hope that government realises the seriousness of the situation and the devastating effects that such events have on employment, economic development, further investment into the economy and the reputation of South Africa.

Following these events, we expect steep increases in insurance and security costs, amongst others. We feel strongly that government and business should be working more closely together to find solutions that will lead to economic growth and the creation of much needed jobs to prevent similar events in future.

Our team aims to focus on matters within our control. This pragmatism is the cornerstone of what carries us through volatile times including the current Covid-19 pandemic. We apply the following six principles in the execution of our strategy and operational responsibilities:



As a result, our team was able to deliver outstanding results for the 12 months ended 31 August 2021, despite challenging economic conditions, exacerbated by Covid-19 and the civil unrest that unfolded in parts of our country.

HUMAN CAPITAL

Dipula's ability to deliver sustainable shareholder value is anchored on a resourceful and stable team. To this end we are proud to report that we had a 99% staff retention rate during the year. Our internalised asset and property management team increased by nine individuals to 90 during the year. We continue to offer a graduate internship programme which we intend on improving constantly as we progress.

OUR CAPITAL STRUCTURE

On 27 August 2021 and 22 September 2021, shareholders were advised that Resilient proposed making an investment in Dipula subject to conditions including:

- (i) the conclusion of formal agreements; and
- (ii) Dipula simplifying its dual share capital structure into a single class of ordinary shares.

On 15 October 2021, Dipula published a firm intention announcement to shareholders advising that Dipula and Resilient have concluded formal agreements pursuant to which Dipula intends to propose to its shareholders:

- ▶ an equity capital raise by Dipula of R1 billion ("Equity Raise") comprising;
- ▶ an amount of R404.5 million to be invested by Resilient through the disposal of an investment property of equal value, in exchange for an issue of new Dipula B shares;

- ▶ the balance of the Equity Raise to be undertaken by issuing new Dipula B shares for cash, with Resilient underwriting this balance; and
- ▶ a scheme of arrangement between Dipula and the holders of Dipula A shares in terms of section 114(1) read with section 115 of the Companies Act, whereby Dipula will offer to repurchase all issued Dipula A shares in exchange for a combination of Dipula B shares and cash ("Scheme"), (the Equity Raise and the Scheme collectively being referred to as the "Transaction").

The Transaction is an opportunity to improve the outlook for and positioning of Dipula and its shareholders, the objectives being that Dipula achieves a simplified share capital structure (consisting of a single class of ordinary shares) and obtains the benefit of a strategic relationship with Resilient whereby Resilient and Dipula will be co-owners of a retail centre. Resilient will hold a meaningful shareholding in Dipula and will have the right to nominate an appointment to the board of directors of Dipula. Dipula's shares are substantially illiquid. Share trading prices, while volatile, have consistently been at a discount to NAV and do not correlate to Dipula's operational performance reflected in its distributable earnings. The board has considered the complexity and negative impact of Dipula's dual share capital structure and believes that it would be in the best interest of Dipula to have a single class of ordinary shares, which would unlock value for all shareholders. The board is of the view that, if the Transaction is approved and implemented, Dipula will be positioned to unlock value for shareholders with greater investor demand for its shares and, with a better rated and more liquid share, Dipula would have attractive consolidation and strategic opportunities within the property sector.

LEADERSHIP REPORT (CONTINUED)

PULLING OUT ALL THE STOPS

Our team pulled out all the stops and showed enduring commitment under very tough conditions, with the portfolio continuing to demonstrate exceptional defensiveness and resilience. This resulted in an improvement in most of our fundamental metrics, enabling us to pay 100% of our distributable earnings as a dividend.

Financial results

We are pleased with our results for the year ended 31 August 2021. Contractual rental income for the year increased by 8.4% to R1.089 billion (2020: R1.004 billion), due mainly to the resilience of Dipula's portfolio. Property expenses increased by 5% year-on-year to R444 million (2020: R423 million). Net property income amounted to R866 million (2020: R858 million). Net finance costs reduced by 6.5% to R283 million (2020: R303 million) due to lower borrowing costs as a result of interest rate cuts. Distributable earnings increased by a gratifying 23.5% to R552 million (2020: R447 million).

This resulted in growth in distributable earnings per A share for the year of 3.9% to 118.95 cents (2020: 114.49 cents), in line with the company's distribution formula, and B share distributable earnings per share growth of 64.7% to 89.70 cents (2020: 54.46 cents). The combined distributable earnings per share amounted to 208.65 cents per share (2020: 168.95 cents), a 23.5% increase year-on-year.

To support our tenants during the pandemic, Dipula provided rental relief of R49 million in the previous financial year ended 31 August 2020. The reported distributable earnings are net of rental relief of R13.7 million extended to tenants during the current financial year.

Cost-to-income ratio

Our cost-to-income ratio reduced to 36.3% (2020: 38.0%). This was calculated in accordance with the BPR and restated for the prior year for comparability. The administrative cost-to-income ratio reduced slightly to 3.1% from 3.3%, which is amongst the lowest in the sector.

	31 August 2021 %	31 August 2020 %
Cost-to-income ratio	36.3	38.0
Administrative cost-to-income ratio	3.1	3.3

PROPERTY PORTFOLIO

Our portfolio value remained stable at R9 billion despite the number of properties reducing from 190 in the prior financial year to 187 properties as we continue with our portfolio optimisation strategy. Our portfolio had once more proven its resilience under trying times as evidenced in the 0.2% increase in property values year-on-year on a like-for-like basis. This contributed towards a 3% increase in NAV to R10.30 from R10.00 in the prior year.



Avanti

Firestation

Property valuations

Investment properties above R12 million at the last valuation date are valued by external independent registered valuers while properties below R12 million (except if rotated) and properties acquired during the year are valued internally by directors. In order to ensure that each property below R12 million is valued externally at least once every three years, a third of these properties are valued on a rotational basis by external valuers.

By the date of the publication of this report, to the best of our knowledge, there had been no material changes to the information used and assumptions applied by the external valuers.

Key valuation inputs year-on-year

Year ended 31 August 2021

Sector	% of total portfolio by value	Average discount rates (%)	Average exit cap rates (%)	Value (Rm)	Year-on-year (% change)
Retail	62	13.9	10.0	5 521	1.6
Office	20	14.4	10.2	1 761	(3.8)
Industrial	15	14.3	11.3	1 388	(0.9)
Residential	3	14.8	9.6	280	5.9
Total portfolio	100	14.0	10.4	8 972	0.2

Year ended 31 August 2020

Sector	% of total portfolio by value	Average discount rates (%)	Average exit cap rates (%)	Value (Rm)
Retail	61	14.2	10.2	5 437
Office	20	14.4	10.2	1 831
Industrial	16	14.9	10.8	1 401
Residential	3	14.8	10.0	265
Total portfolio	100	14.4	10.4	8 955

Valuation summary

	31 August 2021	
	R'000	%
Independent valuations		
Asset Valuation Services CC	1 702 878	18
Jones Lang LaSalle South Africa Proprietary Limited	2 482 960	27
Real Insight Proprietary Limited	3 224 320	35
Yield Enhancement Solutions Proprietary Limited	1 305 301	14
	8 715 459	94
Internal valuations		
Internal valuations	256 711	3
Acquisitions during the year	153 436	2
	410 147	5
Right-of-use asset (IFRS 16)	84 606	1
	9 210 212	100

LEADERSHIP REPORT (CONTINUED)

Acquisitions

During the year under review, we acquired properties to the value of R294 million (2020: R122 million) at an aggregate yield of 9% (2020: 10.5%). On 1 September 2020, we acquired the remaining 49.9% interest in Shoprite Marikana and Marikana Old Church Street, for a purchase consideration of R63 million, increasing its holding to 100%. Later in the year an additional 30% of the Palm Springs property was acquired for R78 million and R153 million was utilised to acquire Urban Villages Bruma and Midrand. New debt facilities of R50 million were raised to part fund these acquisitions and the balance was funded out of company reserves.

We had grown our residential portfolio to 712 rental units, up from 440 in the prior year, valued at R434 million (2020: R265 million). This amounted to 3% of GLA (2020: 1%) and 6% by rental income (2020: 1%).

Refurbishments and redevelopments

A total of R52 million (2020: R43 million) was invested in refurbishments and capital expenditure during the year. Further capital expenditure of R238 million is planned over the next 18 months, of which R172 million is in respect of portfolio improving refurbishments.

Disposals

During the year, we disposed of properties for R70 million (2020: R63 million) with an additional R32 million of disposals awaiting transfer at the end of the year. These disposals were at an aggregate yield of 9.3%.

Leasing

New leases (excluding residential)

During the year, Dipula concluded new leases with a total GLA of 52 250 m², which translates to R238 million in value, at a weighted average escalation of 7.3% and a WALE of 2.9 years.

Renewals (excluding residential)

During the year, the group concluded renewals with a total GLA of 94 961 m². This amounts to gross lease income of R398 million over the lease terms. The WALE was 2.1 years.

Due to prevailing challenging market conditions, on a portfolio basis the group recorded a negative weighted average reversion rate of 2.6% for the year. This was because of negative reversions in the office, industrial and retail portfolios of 11.3%, 3.3% and 0.5% respectively.

Tenant retention (excluding residential)

The tenant retention rate was 72% (2020: 78%). The sectoral retention rates are broken down as follows:

Sector	31 August 2021 %	31 August 2020 %
Retail	74	72
Office	73	93
Industrial	69	77
Portfolio	72	78

Vacancy (excluding residential)

The portfolio vacancy factor excluding residential increased to 8% (2020: 7%). This was primarily due to the office sector as a result of Covid-19 and challenging economic conditions.

Sector	31 August 2021 %	31 August 2020 %
Retail	9	9
Office	16	9
Industrial	4	3
Portfolio	8	7

Residential vacancies

The total vacancy was 20% mainly due to vacancies at Palm Springs which was affected by Covid-19 related job losses. Palm Springs had a vacancy of 29% at year-end. Occupancies at Norwood, Urban Villages Bruma and Midrand were 100%, 94% and 92% respectively. Management is actively addressing the situation at Palm Springs and is anticipating better letting performance.



Palm Springs – Cosmo City

BALANCE SHEET

Funding

During the year, debt facilities of R987 million were renewed at a weighted average funding rate of 6.3%, for a weighted average period of 2.4 years. Debt facilities of R97 million have been repaid. On 31 August 2021, Dipula's all-in weighted average cost of debt was 8.2% (2020: 9.0%). The company had total debt of R3.4 billion. The weighted average debt expiry period was 2.0 years, and the aggregate hedge expiry period was 2.4 years. All debt was Rand denominated and 67% (2020: 68%) of the group's interest rate exposure was hedged. The group's gearing decreased to 36.5% (2020: 38.9%) with undrawn facilities of R272 million at year-end. The group has, subsequent to year-end, concluded the renewal of facilities amounting to R1.2 billion at a weighted average cost of 5.99% for a weighted average period of 3.0 years.

Cash management

Cash flow for the year was mainly driven by operating activities. The tax paid of R86 million relates to the unpaid distribution for the FY20 year.

Historically Dipula's group LTV covenants requirement with its various debt providers was 45%. We have since successfully negotiated the LTV covenants up to 50%. The Group ICR covenants remain at 2 times. Dipula's covenant levels were substantially within the approved limits at the reporting date, with a LTV ratio of 36.5% (FY20: 38.9%) and an ICR of 3.15 times (FY20: 2.62 times).

Credit rating

On September 2021 GCR Ratings affirmed Dipula's long and short-term credit ratings to BBB(ZA) (2020: BBB(ZA)) and A3(ZA) (2020: A3(ZA)) with a stable outlook.

Capital commitments

At 31 August 2021, Dipula had capital commitments of R68 million (2020: R91 million) relating to refurbishments and re-developments.

Net Asset Value

The group's NAV per A and B share increased by 3.0% to R10.30 (2020: R10.00) as a result of stable property valuations and interest-bearing liabilities being reduced by 3.2%.

	31 August 2021 R'000	31 August 2020 R'000	Variance %
Investment property and held-for-sale	9 210 212	9 107 990	1.1
Intangible assets	–	37 500	(100.0)
Interest-bearing liabilities	(3 426 869)	(3 539 224)	(3.2)
Derivative liabilities – swaps	(84 059)	(155 181)	(45.8)
Lease liabilities – IFRS 16	(105 192)	(103 055)	2.1
Other	(143 287)	(53 008)	170.3
Net asset value	5 450 805	5 295 022	3.0
NAV per A-share	10.30	10.00	3.0
NAV per B-share	10.30	10.00	3.0
NTAV per A-share	10.29	9.93	3.6
NTAV per B-share	10.29	9.93	3.6



Alberton Crossing

LEADERSHIP REPORT (CONTINUED)

DIVIDEND DECLARATION

Historically, except for FY2020 in respect of which no dividends were paid due to liquidity constraints, Dipula has declared 100% of its distributable earnings as dividends. Dipula returned to a dividend paying position in respect of H1 2021, paying 100% of distributable earnings as dividends. For FY2021, the board has resolved to pay out 100% of its distributable earnings consistent with its prior practice (and noting that Dipula's retained earnings in FY2020 resulted in improved liquidity in FY2021). Accordingly, the board declared a final gross dividend (dividend number 19) for the period 1 March 2021 to 31 August 2021 of 59.93275 cents per A share and 44.60028 cents per B share. This resulted in an annual combined dividend of 208.65 cents per share, amounting to 118.95 cents per A share and 89.70 cents per B share.

BOARD CHANGES AND SUCCESSION

There were no changes to the board of directors of Dipula during the year.

We have had illustrious continuity and stability on our board with most of our non-executive board colleagues having served for more than ten years. In terms of our MOI, after nine years, non-executive directors come up for re-election annually. In addition to this, the average age our board is 62 years relative to an industry average of 52 and has therefore been identified as a matter to be addressed. The board has made a decision to address succession and rotation during the course of 2022. We are grateful for the loyal service that Dipula has received from the board in the past 10 years since listing.

PROSPECTS

South Africa continues to lag behind the economic growth being experienced internationally. A key contributor to this lag is a lack of decisive and visionary political leadership, coupled with the return of loadshedding. After 11 weeks without power outages, South Africa was again severely affected by loadshedding in October 2021 following unexpected power station breakdowns, delays in returning some units under maintenance to service and the depletion of emergency fuel supplies. Indications from market commentators are that loadshedding is expected to reduce 2021 GDP growth by 3% and may result in 350 000 job losses. Most municipalities are dysfunctional and continue to charge unsustainable service charges whilst delivering little and in some cases no services. This has led to major cost pressures for the sector and seriously dampened trading fundamentals.

Notwithstanding these challenges which are exacerbated by Covid-19, the board remains confident in Dipula's ability to deliver sustainable growth through its disciplined approach of building a resilient, diversified portfolio with stable management, which is well positioned to withstand tough market conditions.

The board is of the firm conviction that this can be further enhanced, and the company better positioned once it has addressed the capital structure challenges and aligns shareholder interests by way of a single capital structure. Dipula continues to take advantage of market opportunities and will capitalise on these wherever possible. Dipula's executives and staff will continue to demonstrate their resolve and a pragmatic approach as they navigate the pandemic, prevailing low economic growth, and uncertain socio-political market conditions. The company will continue to focus on issues that are within its control, including ongoing value-add asset management activities combined with superior operational management.

APPRECIATION

The year under review has been testing on professional and personal levels and we wish to express our heartfelt gratitude to our staff and professional teams' commitment to Dipula.

We further want to thank our tenants and the communities we serve for their ongoing support and patience during the rebuild following the riots.



Zanele Matlala

Chairman



Izak Petersen

Chief Executive



Ridwaan Asmal

Financial director

SUSTAINABILITY REPORT

This report aims to provide Dipula's stakeholders with critical disclosure and communication of our environmental, social, and governmental ("ESG") impact. ESG is key to future-proofing the success of our business. We believe in being proactive, forward thinking and adopting practices that create and sustain value for our shareholders (profit), prioritises people (society) and safeguards the planet (environment).

Furthermore, reporting ESG data allows stakeholders and investors to gain insight into our ESG business activities and their impact on stakeholders. It should allow us to:

- ▶ Appeal to investors and attract capital;
- ▶ stay ahead of regulatory requirements;
- ▶ manage risks stemming from ESG issues;
- ▶ obtain real value and better terms from the financial sector;
- ▶ build reputation and trust amongst customers and business partners;
- ▶ increase employee retention and motivation;
- ▶ identify our strengths and weaknesses; and
- ▶ create a competitive advantage.

Our report is both forward looking and communicates existing activities and initiatives and groups our activities into three broad categories namely profitability, people (society and employees) and environmental.

We strive to find a balance between running a profitable business and conducting our business in a manner that ensures long-term sustainability.

PROFITABILITY

We are a diversified SA focused REIT that seeks to build a portfolio of well-located, relevant assets that are responsive to tenant requirements. Our assets do not exist in isolation but are there to serve the needs of society and more specifically the requirements of our tenants in the context of SA and the continually changing operating environment. To ensure long-term profitability, we focus on managing our portfolio well by:

- ▶ Buying or developing the right assets;
- ▶ allocating sufficient resources to building maintenance;
- ▶ ongoing proactive improvement of our assets;
- ▶ provision of excellent tenant service;
- ▶ continuous rebalancing of our portfolio to get to the optimal portfolio;
- ▶ running efficient operations;
- ▶ attracting capital at competitive rates; and
- ▶ having the right risk management processes in place.



Harding Corner

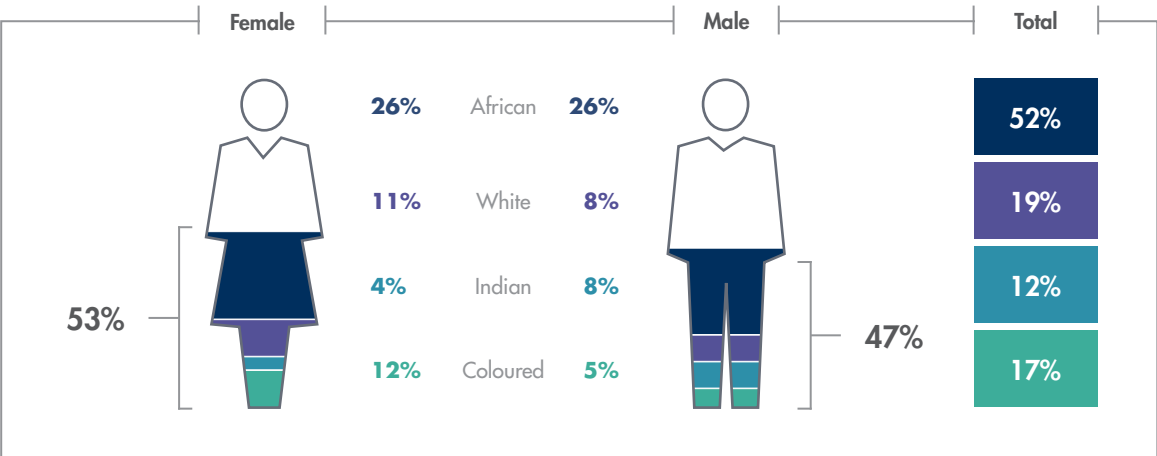
SUSTAINABILITY REPORT (CONTINUED)

PEOPLE

Employees

Dipula currently employs 90 people, and its management functions are substantially insourced. We provide our team members with ongoing training and development about our way of conducting business, their wellness and matters pertaining to sustainability.

Dipula prides itself on its diversity through the employment of all race groups, in line with employment equity requirements. Our teams are multi-skilled and appropriately qualified. We place operational competence at the core of how we conduct our business. We believe that providing superior tenant service is our differentiator and it is an ongoing ideal which we encourage our people to live by. Furthermore, we believe that teamwork reigns supreme and therefore we drive a one team culture.



Dipula has adopted policies that facilitate on the job training as well as encouraging further studies by employees. Where these studies are relevant to our business bursaries are granted to staff. Dipula is in the process of considering a bursary scheme and will avail details thereof in due course.

Dipula recognises the need to groom talent for itself and for the real estate sector at large and has for this purpose, in 2019, launched an internship programme. At the end of the financial year, we had four graduate interns on the programme who are all located in our Johannesburg office.

SOCIETY

Our CSI initiatives are primarily directed toward the communities in which we operate. They cover education and training, sports and recreation, community wellbeing and micro-business support.

To intensify our efforts in this area our chief operating officer has been tasked with formalising our community initiatives and the weighting of this critical KPI will be increased in his performance scorecard from the financial year under review. In future the impact of our initiatives will be reported on using qualitative and quantitative measures.

Education and training

Dipula contributes free space in our centres where possible, for community education and training. Unemployed youth is

often utilised for special projects which leads to much needed skills development and at times permanent employment. We regularly sponsor career guidance events and host these free of charge at several of our centres. In addition to this, we provide sponsorship to nursery schools located close to our centres on an ad hoc basis.

Sports and recreation

Sports are a crucial part of society, especially the young. Sports help in the development of mental health and physical fitness. Through participation in sports and games a person gains valuable skills, experience and confidence that are helpful for developing into a balanced individual. In the context of poor communities, this could be your ticket out of poverty. We are regular sponsors towards boxing, fun runs and soccer tournaments. We provide regular sponsorship for beauty contests and talent shows.



We will in future work with schools and local sports clubs to support community-based sports initiatives aimed at developing local talent in the communities in which we operate.

Community wellbeing

Our communities are faced with various challenges and social ills. To the extent possible Dipula provides much needed support through the sponsorship of:

- ▶ drug awareness campaigns;
- ▶ CANSA shavathon;
- ▶ blood drives and health expos; and
- ▶ sanitary towel drives.

Furthermore, our staff regularly volunteer in community upliftment activities such as the cleaning of schools and public areas.

Dipula is particularly concerned about the growing drug addiction problem that is prevalent in most townships and leading to increased social ills, such as kids dropping out of school, crime, and domestic violence. Dipula has allocated additional resources to play an active awareness role in this regard in 2022 and beyond.

Micro-business support

Small business is the largest enabler for much needed employment in SA. Our focus is to provide space to as many SMMEs as possible as evidenced in our 684 C-grade tenants. The group provides fully serviced internal hawker stalls on a rent-free basis at some of our centres. We also provide electricity and water to fully serviced taxi ranks at some of our centres.

SUSTAINABILITY REPORT (CONTINUED)



Harding Corner

We continue to give emerging professionals in the build environment opportunities to grow their start-up enterprises and support them on a continuous basis subject to performance and good commitment and reliability.

Job creation

We create numerous direct and indirect jobs annually on the various projects that we undertake as well as at a corporate level where our employee numbers have grown substantially in the past five years from 10 of employees to 90 currently.

COMPLIANCE AND LEGISLATION

Dipula employs legal professionals that ensure that it complies with the various statutes and laws of SA. We have adopted group-wide policies and practices to ensure that our activities are designed to limit non-compliance. Specialised and complex matters are referred to external legal practitioners.

B-BBEE

Dipula scores high in terms of management control and shareholding. Our executive management is 100% black while the board is 71% black with the chairperson being a black female. Dipula's black shareholding at year-end was 64% and currently has a level 8 B-BBEE rating.

We disposed of numerous assets to previously disadvantaged individuals and granted vendor loans to PDI buyers.

Measures are being put in place to improve Dipula's score for all the areas of the score-card where we scored low in 2021.

INDUSTRY BODIES

To contribute towards the sustainability of the sector, Dipula is an active participant on various industry bodies where members of the executive have previously acted in various leadership positions. Dipula and/or its employees are active members of SAPOA, SASCS, SA REITs and SAIBP. Employees participate in various industry body sub-committees on topical industry matters.

ENVIRONMENTAL

Energy efficiency

Smart meters

Dipula has installed smart meters in some of its properties. These are useful in the detection of unusual consumption patterns and for improved service to our tenants. A pilot project for a more holistic roll out was approved during the year.

Energy efficient equipment

All redundant HVAC systems and mechanical equipment are replaced with energy efficient ones, while all new developments are equipped with only low consumption energy efficient HVAC systems and mechanical equipment.

LED lights

Redundant lamps in existing properties and new developments are fitted with LED lights.

WATER CONSUMPTION

Dipula encourages its operational teams to replace old plumbing fittings to avoid water wastage. We replace



“ Dipula has committed to a solar roll-out programme. To date, three roof top plants with a capacity of 1 613 kWp have been installed. These resulted in 1 800 tons of CO₂ emission savings for the 2021 financial year. ”

redundant water meters with smart meters while only installing smart meters in new developments and redevelopments.

Where applicable, gardens are designed in a water efficient manner by installing efficient irrigation systems and by planting indigenous plants that require less water.

Gardens are only watered at optimal times of the day.

New and replacement ablution facilities are fitted with water efficient flushing systems and water pressure is controlled in some properties to limit consumption.

Dipula installs water storage tanks and rainwater harvesting systems for consumption and for use in emergency situations. The roll-out of storage facilities is done on a cost benefit basis and prioritises properties for compliance reasons as well as municipal supply constraints in the various municipalities countrywide.

ALTERNATIVE ENERGY AND BACKUP POWER

Solar

To contribute to a cleaner environment, Dipula has committed to a solar roll-out programme. To date, three roof top plants with a capacity of 1 613 kWp have been installed. These resulted in 1 800 tons of CO₂ emission savings for the 2021 financial year.

The company intends rolling out a further 7 500 kWp to 15 000 kWp at a cost of R60 to R120 million in the short to medium term. Our roll-out for 2021 was delayed due to capital constraints due to Covid-19 and capital structure related high costs of capital.

Generators

Dipula utilises backup generators to limit business disruptions to its tenants.

Waste management

To limit pollution and its negative impact on the environment, Dipula has implemented various recycling initiatives at its centres. In addition to limiting pollution, these initiatives also contribute to much needed employment and business opportunities for community-based SMMEs.



04

ACCOUNTABILITY

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PALM SPRINGS
COSMO CITY

DIRECTORATE



Zanele Matlala
Chairperson



Brian Azizollahoff
Non-executive



Izak Petersen
Chief executive



Syd Halliday
Non-executive



Ridwaan Asmal
Financial director



Elias Links
Non-executive



Younaid Waja
Non-executive



Audit and risk
committee



Remuneration and
nomination committee



Investment
committee



Social, ethics and
sustainability committee

RN

ZANELE JOYCE MATLALA (58)

Independent non-executive chairperson

Appointed: 20 May 2011*BCom, BCompt (Hons), CA(SA)*

Zanele joined the Merafe board in 2005 as an independent non-executive director. She was appointed Merafe's chief financial officer on 1 October 2010 and chief executive officer on 1 June 2012. She is a non-executive director of Stefanutti Stocks Holdings Limited, RAC Limited and Royal Bafokeng Platinum Limited.

SES

I

IZAK PETERSEN (48)

Chief executive officer

Appointed: 20 May 2011*CA(SA)*

Izak is a qualified chartered accountant. He previously worked at Deloitte and PSG Investment Bank. He serves and has served on a number of company boards and industry bodies in an executive and non-executive capacity. The most notable industry bodies he served on include SA REITs Association, SAPOA, ABASA Western Cape and ABSIP Western Cape and ABSIP National. He co-founded the Mergence Group of companies which led to the formation of the Mergence Africa Property Fund, which later merged with Dipula Property Fund and resulted in the listing of Dipula Income Fund.

AR

I

RIDWAAN ASMAL (49)

Financial director

Appointed: 1 September 2015*BCom (Accounting)*

Ridwaan has 27 years' experience in listed property with specific skills in financial reporting and management, acquisitions, disposals, treasury, and hotel property development. He started his career at Anglo American Property Services before joining Broll Property Group and thereafter CORONIB Asset Management. In 2006 Ridwaan was appointed financial director of Hospitality Property Fund Limited. He joined Dipula as financial director in September 2015.

RN

I

SYD HALLIDAY (74)

Independent non-executive

Appointed: 27 May 2014*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 and for three years to November 2019 served on RMB's real estate investment banking credit committee. Syd joined the board of Dipula in May 2014 and is a member of the investment and remuneration committees. Syd also served on the board of Hospitality Property Fund Limited as an independent non-executive director for five years until his retirement in May 2019. He also consults to Sasfin Bank in their property private equity business.

AR

SES

ELIAS ("ELTIE") LINKS (75)

Independent non-executive

Appointed: 20 May 2011*PhD (Economics)*

Professor Links is a non-executive director of a number of companies including 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. Previously he served as a member of The Presidential Advisory Council on B-BBEE as well as the South African Ambassador to the European Union, Belgium and Luxembourg and as the Permanent Representative of South Africa at the World Bank and International Monetary Fund, Washington DC.

AR

SES

RN

YOUNAID WAJA (69)

Independent non-executive

Appointed: 6 June 2011*BCom (Hons), BCompt, CA(SA), HDip Tax Law*

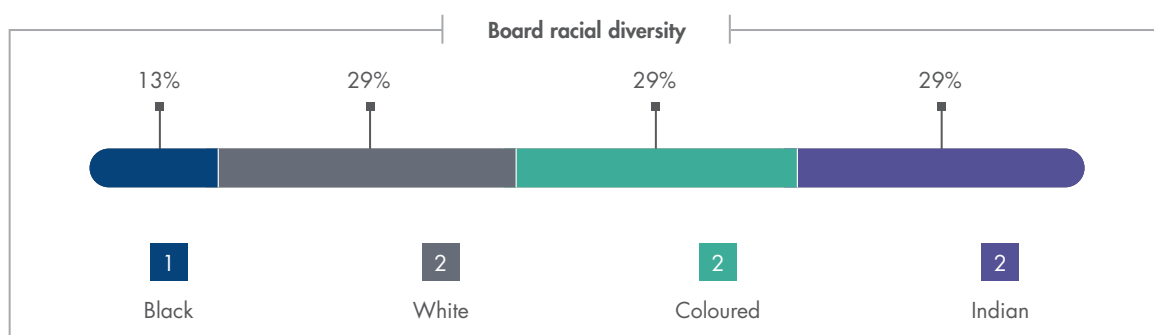
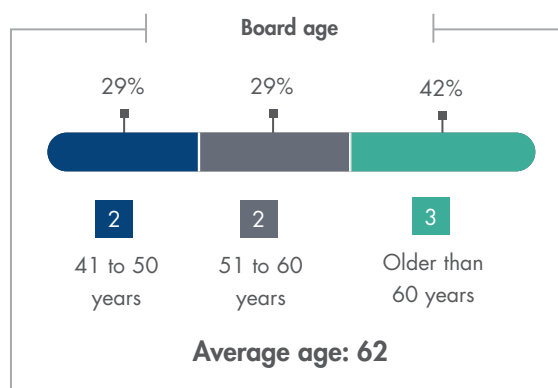
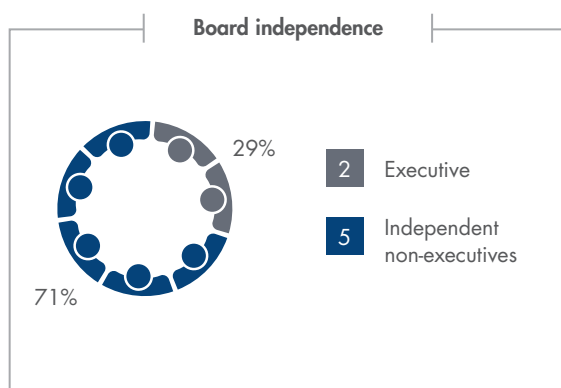
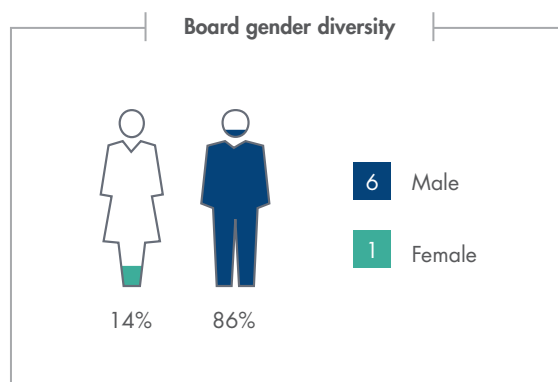
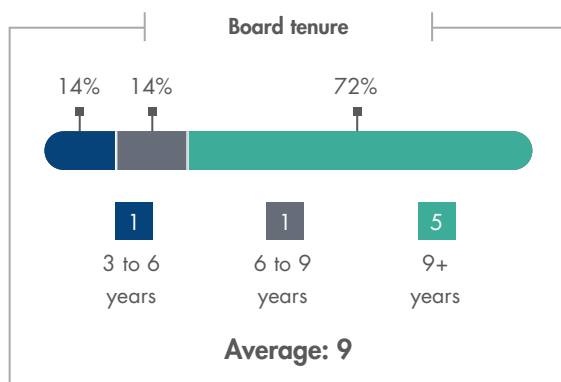
Younaid is a tax, business and governance consultant, an independent director of JSE companies and serves and has served as a member of audit, risk, social and ethics, remuneration and investment committees. He has extensive experience across a range of business sectors including telecommunications, 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.

BOARD DIVERSITY

Principle 8 of King IV™ requires a governing body to ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties. The table below contains the skills set of Dipula's board.

	Zanele Matlala	Brian Azizollahoff	Younaid Waja	Eltie Links	Syd Halliday	Izak Petersen	Ridwaan Asmal
 Financial Capital							
Financial accounting, reporting, taxation	✓	✓	✓			✓	✓
Financial markets/funding	✓	✓			✓	✓	✓
 Manufactured Capital							
Property development		✓				✓	
Property management		✓			✓	✓	✓
 Natural Capital							
Environmental sustainability				✓		✓	
 Human Capital							
Human resources						✓	✓
Remuneration and rewards	✓		✓		✓	✓	✓
 Social and Relationship Capital							
Corporate, social and responsibility transformation				✓		✓	
Health and safety							
Stakeholder relationships		✓				✓	✓
 Intellectual Capital							
Technology and cyber security							
Investment and asset management		✓				✓	
Governance							
Risk and opportunity	✓	✓	✓	✓		✓	
Corporate governance	✓	✓	✓	✓	✓	✓	✓

Valley View Office Park



31 August 2021

	Date of appointment	Years	Age
Zanele Matlala	20 May 11	10	58
Brian Azizollahoff	20 May 11	10	60
Younaid Waja	06 June 11	10	69
Eltie Links	20 May 11	10	75
Syd Halliday	27 May 14	7	74
Izak Petersen	20 May 11	10	48
Ridwaan Asmal	01 September 15	6	49
Average		9	62

STAKEHOLDER ENGAGEMENT

Engaging and forming meaningful relationships with our stakeholders is integral to our sustainability and value creation. Feedback from our various stakeholders informs our strategy, matters we consider material, the identification of risks and opportunities and capital allocation decisions. We engage in open, regular, and timeous communication with all stakeholders. Our executive management is responsible for identifying stakeholders and devising the engagement plan. Our board monitors and reviews this engagement plan.

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

Stakeholder	Method of engagement	Quality of relationship	Our reason for interacting
Shareholders Profile > 2 458	▶ Presentations ▶ Roadshows ▶ One-on-one meetings ▶ Integrated reports ▶ Dipula website ▶ SENS announcements ▶ Media ▶ Annual general meetings	★	▶ Attract new and keep existing investment into Dipula ▶ Capital raising for growth ▶ Keep shareholders informed about our business
Employees Profile: 90 employees across South Africa	▶ Scheduled and ad hoc working sessions ▶ Virtual and face-to-face interactions ▶ Staff meetings	★	▶ Attract and retain the best talent ▶ Build a motivated well incentivised team ▶ Building a multi-cultured, multi-skilled, resourceful team
Debt providers Profile: 4 South African Banks	▶ Presentations ▶ One-on-one meetings ▶ Integrated reports ▶ Dipula website ▶ SENS announcements ▶ Media ▶ Property site visits	★	▶ Access to funding on reasonable terms and affordable rates

QUALITY OF RELATIONSHIP



Developing



Good



Excellent

Their key needs and interests	Issues raised in 2021	Our response and actions	Capitals and material matters impacted
▶ Sustainable growth in NAV and distributable earnings ▶ Share price performance ▶ Risk and mitigation strategies ▶ Management stability and competence	▶ Liquidity and tradability of Dipula shares ▶ SA socio-economic environment ▶ Renewal of Government leases ▶ A & B share structure ▶ B-BBEE rating ▶ Response to Covid-19 ▶ Sustainable compensation of key management ▶ Payment of dividends ▶ Property valuations ▶ Debt covenants ▶ Strength of balance sheet ▶ Civil unrest impact on our business	▶ Regular transparent and concise feedback given on all matters raised ▶ Focused management to limit the impact of Covid-19 ▶ Matters raised integrated into executive management KPIs	
▶ Job security ▶ Fair remuneration ▶ Good working environment	▶ Covid-19 impact on job security and health and safety ▶ Personal growth opportunities	▶ No job losses during Covid-19 ▶ Ongoing training and development programmes ▶ Creation of a pleasant working environment ▶ STI and LTI schemes in place	
▶ Loan covenant compliance ▶ Solvency ▶ Quality of assets ▶ Adequate security	▶ Property devaluation risk ▶ Property fundamentals as a result of tough trading conditions ▶ Growth in net property income ▶ Impact of Covid-19 on cash flows ▶ Civil unrest impact on our business	▶ Regular transparent and concise feedback given on all matters raised ▶ Focused management to limit the impact of Covid-19 ▶ Matters raised integrated into executive management KPIs	

STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholder	Method of engagement	Quality of relationship	Our reason for interacting
Tenants Profile: ▶ Commercial: 854 ▶ Residential: 569	▶ One-on-one meetings ▶ Written communication ▶ Tenant surveys ▶ Tenant site visits ▶ Dipula website ▶ Social media ▶ Brokers ▶ Complaint line	★	▶ Attract and retain sustainable, quality tenancies
Shoppers Profile: Shoppers at 100 retail properties across South Africa	▶ Mainstream media ▶ Social media ▶ Shopping centre websites ▶ Complaint line	★	▶ Gaining an understanding of shopper needs and requirements to invest in relevant properties and provide the correct tenant mix
Industry bodies Profile: ▶ SA REIT ▶ SAPOA ▶ SAIBPP ▶ SACSC ▶ Property Charter Council	▶ Direct written and verbal communication ▶ Virtual meetings	★	▶ To remain informed about industry trends ▶ Collective bargaining
Society Profile: Communities located close to our 187 properties across South Africa	▶ Mainstream media and social media ▶ Meetings ▶ Shopping centre websites	★	▶ Safeguarding of our assets ▶ Smooth operation of building projects ▶ To ensure well directed CSI
Government, municipalities, and regulators Profile: ▶ South African National Government ▶ SARS ▶ FSCA ▶ JSE ▶ Municipalities across South Africa	▶ Electronic, telephonic, and written communication ▶ Meetings ▶ Mainstream media	★	▶ To ensure compliance with all laws and regulations ▶ For effective risk management
Suppliers and service providers	▶ Electronic, telephonic, and written communication ▶ Meetings ▶ Mainstream media	★	▶ Good relationships with our suppliers ensure that we receive good service on good terms

Their key needs and interests	Issues raised in 2021	Our response and actions	Capitals and material matters impacted
▶ Rental and occupancy costs ▶ Safety ▶ Quality property management	▶ Continued rapid increases in administered costs ▶ Economic growth ▶ Political risks ▶ Covid-19 ▶ Civil unrest	▶ Regular tenant meetings collectively and individually to address immediate concerns ▶ Portfolio improvements through capital reinvestment ▶ Ongoing engagement with municipalities about utility costs ▶ Objections to unreasonable increases in municipal rates and taxes	
▶ Safe, convenient, relevant shopping centres ▶ Good customer service	▶ Tenant sustainability in light of current economic headwinds ▶ Security ▶ Health and safety	▶ Focused property and asset management that is responsive, adaptable, and agile	
▶ Market trends ▶ B-BBEE ▶ Industry developments ▶ Retaining members and collective membership fees	▶ Endless problems with municipalities ▶ Land tenure risks ▶ Complexity of the B-BBEE charter ▶ Slow pace of empowerment in the sector ▶ Response to Covid-19 ▶ Crime on construction sites ▶ Sponsorships	▶ Participation in SAPOA and SA REIT structures and committees ▶ Sponsorship to SAPOA and SAIBPP ▶ Membership of SA REIT, SAPOA and SACSC	
▶ The payment of taxes ▶ Compliance with statutes and regulations	▶ Safe shopping environment ▶ Community involvement in building projects ▶ Employment of locals	▶ Insisting on minimum percentage of locals employed on projects ▶ Various CSI initiatives ▶ Reinforcement of security at properties	
▶ The payment of taxes ▶ Compliance with statutes and regulations	▶ Compliance with REIT legislation given Covid-19 cash flow impact and the payment of dividends ▶ Compliance with Covid-19 health and safety guidelines ▶ Sustainable payment of rates and taxes	▶ Open, transparent, and regular communication directly and via our advisor	
▶ Repeat business with Dipula ▶ Understanding Dipula's needs and requirements	▶ Timeous payments for services ▶ Concern about Covid-19 related project delays	▶ Dipula has a well-defined and transparent procurement policy and framework	

GOVERNANCE

Dipula's board recognises that King IV™ 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 controls 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 that this report contains most of the disclosure requirements of King IV™. A register of the group's application of King IV™ can be viewed on www.dipula.co.za. The company's reporting philosophy and scope of the report can be found on page 1.

The board continues to align the company's remuneration policy with best practice and enhance remuneration reporting disclosure.

The process of further implementing and enhancing certain practices to strengthen King IV™ compliance is an ongoing process.

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" 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, ethics and sustainability committee. Dipula does not tolerate any form of bribery or corruption. The social, ethics and sustainability 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, ethics and sustainability committee can be found on page 85. Creating an ethical culture and driving compliance

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.

The code of conduct deals with the company's ethical values, its business conduct and the fair treatment of all stakeholders. It commits to a workplace free from any type of discrimination, harassment or intimidation of employees. It defines conflicts of interest and requires any real or perceived conflict of interest to be disclosed as soon as possible. General declarations of interests are made by board members and staff 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, prescribed officers 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 Mazars 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. During the year no incidents were reported through this channel.

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 11 occasions during the year under review. Details of meeting attendance can be found on page 73.

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 79.

COMPOSITION

The board comprises seven members, two of whom are executive directors and five who are independent non-executive directors.

The chairperson is an independent non-executive director who 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 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 62 and 63 of the report and include their qualifications and experience, period of service, age and positions held on other governing or professional bodies.

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 MOI, one-third of the company's directors are required to retire at each AGM and, if eligible, may offer themselves for re-election. In addition, any non-executive director who has held office for an aggregate period of nine years since his or her first election or appointment, must retire at each annual general meeting and may be nominated for re-election.

BOARD EVALUATION AND EFFECTIVENESS

During the year under review Acorim conducted a formal evaluation of the board, which monitored the board's effectiveness and performance; how well the committees function and discharge their duties as stated in the respective terms of reference; and the commitment and performance of individual directors. The results indicated that the board is considered to be high performing with a confident and strong team of members. Focus areas identified which require further attention are being addressed by the board.

Succession planning of the executive and the independent directors is currently a focus area of the board and will be addressed in 2022 together with the proposed capital restructure.

BOARD DIVERSITY

The board has adopted a formal policy on the promotion of broader diversity on the board, focusing not only on gender and race but also on the promotion of other diversity attributes such as culture, age, field of knowledge, skills and experience. 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 current board consists of 71% black directors which exceeds the target set in our diversity policy and has committed to ensure female representation on the board of at least 25% by 2022.

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 overall accountability for the execution of their responsibilities.

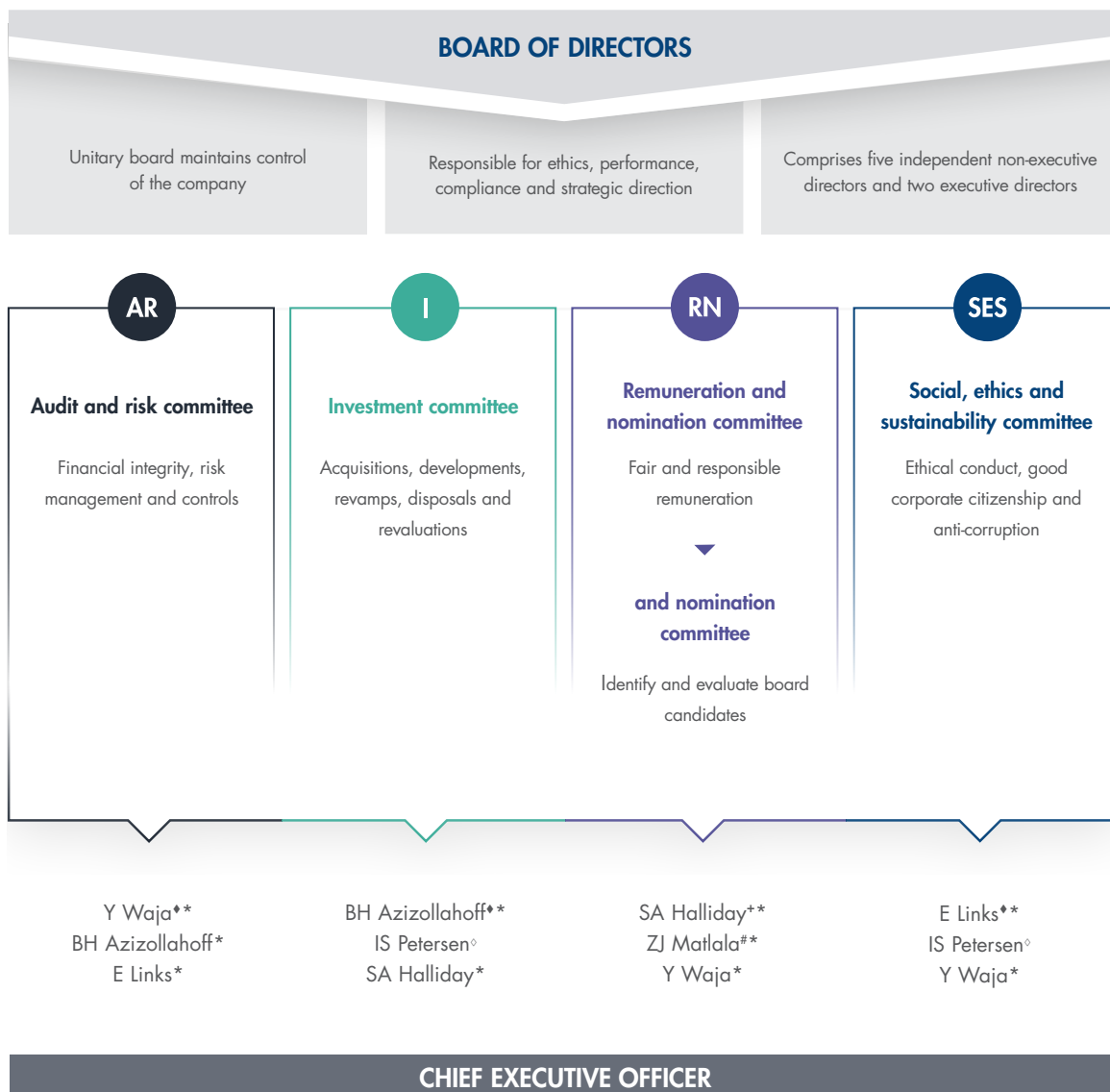


Renaissance Park

GOVERNANCE (CONTINUED)

GROUP GOVERNANCE FRAMEWORK

at 31 August 2021



Implements board strategy and policy, management of the business

EXECUTIVE COMMITTEE

Day-to-day management of the group

* Independent non-executive director.

◊ Executive director

♦ Chairperson

+ Chairperson in respect of remuneration matters

Chairperson in respect of nomination matters

BOARD AND COMMITTEE MEETING ATTENDANCE

	Board	Audit and risk committee	Social, ethics and sustainability committee	Remuneration and nomination committee	Investment committee
Number of meetings held	11	5	2	3	2
Executive directors					
IS Petersen	11(11)	–	2(2)	–	2(2)
R Asmal	11(11)	–	–	–	–
Independent non-executive directors					
ZJ Matlala	11(11)	–	–	3(3)	–
BH Azizollahoff	11(11)	5(5)	–	–	2(2)
SA Halliday	11(11)	–	–	3(3)	2(2)
E Links	11(11)	5(5)	2(2)	–	–
Y Waja	11(11)	5(5)	2(2)	3(3)	–

AUDIT AND RISK COMMITTEE

The audit and risk committee report can be found on page 91 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;
- ▶ Ensuring that the company complies with legislation and regulations applicable, including the JSE listings requirements;
- ▶ Assessing the expertise and experience of the FD as well as the appropriateness and effectiveness of the group's finance function;
- ▶ Making recommendations to shareholders regarding the appointment or reappointment 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 listings requirements;

- ▶ The approval of non-audit services; and
- ▶ Reviewing 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 examines, 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 Mazars, as Dipula's external auditor, having considered the requirements of section 90 of the Companies Act and is satisfied that the external auditor is independent of the group. The committee accordingly nominates Mazars as independent external auditor for reappointment at the AGM, with Mrs Susan Truter as the designated audit partner.

GOVERNANCE (CONTINUED)

Non-audit services approved throughout the year included mainly certificates of turnover rental and training of directors on IFRS.

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 2021 financial year

- ▶ Implementation of new IFRS standards.
- ▶ Expansion of the internal audit function.

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. It ensures that the remuneration policy and the remuneration implementation report are 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 three times 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 report can be found on page 76.

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

Key focus areas addressed during the 2021 financial year

- ▶ Amendment to the LTI scheme.
- ▶ Aligning executive directors' remuneration to benchmarked outcomes on incentive packages.

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 on 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 2021 financial year

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

SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

The social, ethics and sustainability 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 and 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; and
- ▶ Employment relationships.

The social, ethics and sustainability 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, ethics and sustainability committee meets a minimum of twice a year. Ad hoc meetings are held to consider special business, as required. The report of the social, ethics and sustainability committee can be found on page 85.

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

Key focus areas addressed during the 2021 financial year

- ▶ Monitoring the implementation of the B-BBEE strategy with the aim of improving the group's B-BBEE rating.
- ▶ Assisting 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 making recommendations to the board with regard thereto. The committee is chaired by an independent non-executive director.

The committee meets 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 board as a whole and the individual directors have unrestricted access to the advice and services of the company secretary, Acorim, represented by Natasha Davies, who

provides independent guidance to the board and to the directors with regard to how their responsibilities are to be discharged.

The company secretary works closely with the chairperson of the board, the chairpersons of the respective board committees and the executive directors to ensure the proper and effective functioning of the board and the integrity of governance processes.

The board has considered and is satisfied with the competence, experience, qualifications and independence of Acorim. The board considers its access to professional and independent governance services to be sufficient.

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 action for anti-competitive behaviour or anti-trust conduct.



Palm Court

REMUNERATION REPORT

BACKGROUND STATEMENT

Dipula has a combined remuneration and nomination committee, which operates under separate terms of reference as detailed on page 74 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").

LETTER FROM THE CHAIRMAN

Dear Shareholder,

I am pleased to present Dipula's remuneration report for the 2021 financial year.

The committee has continued its focus 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.

The group's remuneration principles and philosophy remain the same as the previous year and will continue to be monitored and implemented by the committee.

Establishing an appropriate remuneration framework has resulted in a number of improvements to the remuneration mix over the last few years. A key component being the change to the Dipula Income Fund Limited Conditional Share Plan to include the allocation of Dipula A shares in the scheme, as management were previously awarded only Dipula B shares.

Shareholders' endorsement of the remuneration policy and remuneration implementation report 2022 AGM

If 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 21 February 2022, the company will engage with dissenting shareholders within 30 days of the AGM, to address all legitimate and reasonable objections and concerns.

2021 AGM feedback

At the AGM on 15 February 2021, 88.76% voted for the group's remuneration policy and 72.88% for the remuneration implementation report.

As a result of 27.12% of shareholders voting against the remuneration implementation report, Dipula extended an invitation to dissenting shareholders, as well as shareholders who had not yet engaged with the company, in order to address their concerns on the report. The concern raised by the shareholders that responded to the request to provide feedback centred around the special bonuses paid to executives for the period when a dividend had not been

declared to shareholders, and a request for additional disclosures on the calculation of short-term incentives and the relevant key performance indicators applied in determining the amounts. Dipula has considered the concerns and, where appropriate, has taken steps to improve disclosure in the current year implementation report. With regards to the payment of this special bonus, the committee actively monitors the performance of the company relative to its REIT peers and also considers the impact of the trading environment on the company performance. The committee strongly believes that the payment of the special bonuses for the financial year 2020 was justified, given the challenging times under which the executive team led the Dipula teams at the height of the pandemic in 2020. This was evidenced by growth in operational cash flows, stability in property valuations, consistent NAV and relatively high debtors' collections relative to REIT peers. The decision to withhold the dividend for 2020 was based mainly on liquidity concerns resulting from the impact of Covid-19 related lockdowns. This was outside of management's control and considered the responsible decision by the board under the circumstances at the time.

Focus and reporting

The remuneration report has been drafted in line with King IV and the JSE listings requirements.

The committee's responsibilities, its composition and meeting attendance can be found on pages 72 to 74 of this report.

Overall, the committee is satisfied that the remuneration policy achieved its stated objectives for FY21 and that there have been no deviations from the remuneration policy.

Dipula looks forward to receiving the support of shareholders on 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 2021

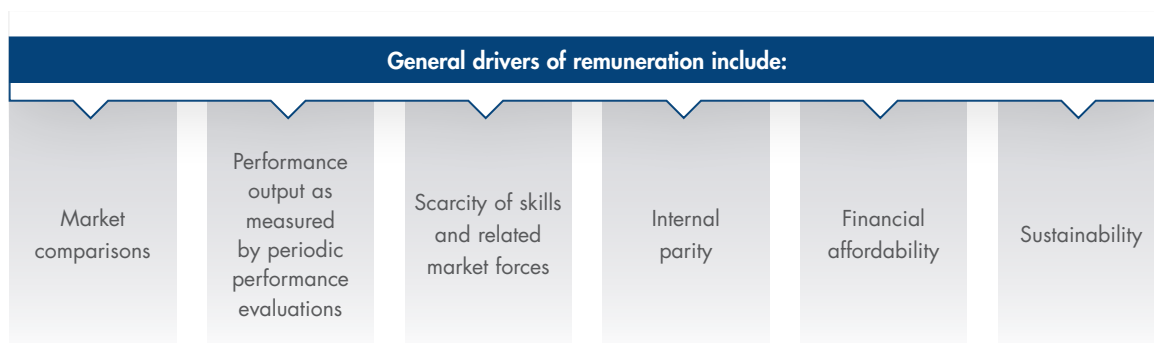
OVERVIEW OF THE REMUNERATION POLICY

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 key 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 considers individual performance, company performance, market trends, 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.



The table below summarises the composition of total remuneration for executive directors:

TGP	STI	LTI
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 KPIs. KPIs for executive directors are pre-approved by the committee.	Based on the three-year average dividend growth between 0% and 4% (40% weighting) and shareholder return performance relative to peers between 95% and 120% of index (40% weighting) and achieving individual KPIs# (20% weighting).
Reviewed annually by the committee. Increases are effective from 1 September annually.	The performance period is in line with the financial year-end, i.e. 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 February 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.

KPIs applied for the STI and CSP are the same.

REMUNERATION REPORT (CONTINUED)

SUMMARY OF TOTAL REMUNERATION FOR KEY STAFF

Key staff receive a TGP. 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 executive directors identify key staff and recommend them to the committee for participation in the CSP.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The CEO is seconded to Dipula through a service level agreement with QVEST Consulting Proprietary Limited. The FD is a full-time employee of Dipula.

TOTAL GUARANTEED PACKAGE

The committee approved average annual increases of 3.5% for executive management and 4.0% for all other staff for the period under review.

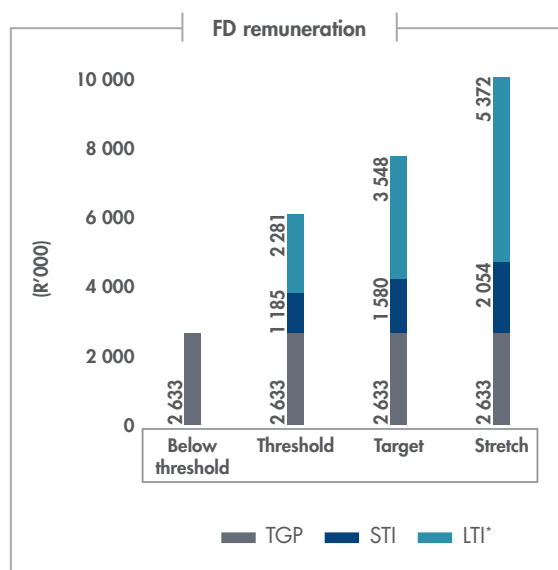
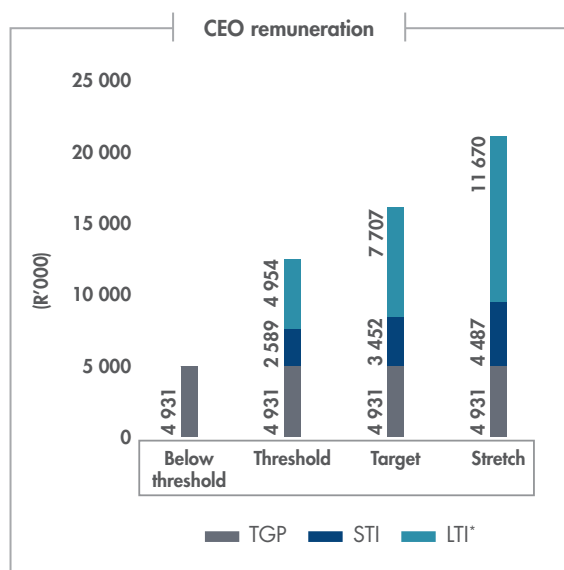
Executive directors' remuneration was independently benchmarked by PwC in 2018 against a comparator group of JSE listed REITs. Subsequent to this date inflationary increases were approved by the board to the TGP.

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:



* Assumed market prices at 31 August 2021 of DIA R8.70 and DIB R4.10 on vesting of shares in February 2024.

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 IMPLEMENTATION REPORT EXECUTIVE DIRECTORS' REMUNERATION IN FY2021

The table below provides an analysis of total remuneration received by the executive directors in FY2021.

	TGP R'000	STI per criteria** R'000	LTI# R'000	Total remuneration R'000
Executive				
IS Petersen	4 930 806	3 444 661	–	8 375 467
R Asmal	2 633 040	1 513 471	–	4 146 511
	7 563 846	4 958 133	–	12 521 979

** Paid in December 2021 relating to the 31 August 2021 financial year.

Conditional share plan – tranche 3 allocation made in February 2021 and vests in February 2024 subject to performance measurements achieved.

STI PERFORMANCE MEASURES

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



Tsakane Corner

REMUNERATION REPORT (CONTINUED)

CEO

Key performance indicator	Weighting %	Threshold performance	Target performance
Financial			
Gearing	10.0	43%	42%
Interest cover ratio	5.0	2.1 times	2.3 times
Property valuations	20.0	(15.0%)	(10.0%)
Combined distribution per share growth	10.0	(15.0%)	(10.0%)
Vacancies	5.0	13%	11%
Disposals	15.0	R150m	R200m
Total Financial	65.0		
Individual			
Leadership and ethics/governance	10.0		Staff retention and creating innovative culture
Risk management	5.0		Risk management process implemented and no major losses
Stakeholder management	5.0		Active engagement with stakeholders
Managing impact of Covid-19	6.0		Maintain profitability and sustainable business model
Integrated report	4.0		Timeous, accurate and relevant content
B-BBEE strategy	5.0	Level 7	Level 6
Total individual	35.0		
Grand Total	100.0		

FD

Key performance indicator	Weighting %	Threshold performance	Target performance
Financial			
Gearing	10.0	43%	42%
Interest cover ratio	5.0	2.1 times	2.3 times
Property valuations	20.0	(15.0%)	(10.0%)
Combined distribution per share growth	10.0	(15.0%)	(10.0%)
Vacancies	5.0	13%	11%
Disposals	15.0	R150m	R200m
Total Financial	65.0		
Individual			
Financial reporting and audit	6.0		Timeous and accurate delivery of internal and external financial reports
Systems and internal controls	10.0		Implementation of new systems
Risk management	5.0		Risk management process implemented and no major losses
Managing impact of Covid-19	6.0		Maintain profitability and sustainable business model
Relationships with funders	3.0		Relationships with funders
B-BBEE strategy	5.0	Level 7	Level 6
Total individual	35.0		
Grand Total	100.0		

Threshold

75%

Target

100%

Stretch

130%

Stretch performance	Actual performance	Total out of 100%	Weighted score %	Target STI
37%	36.5%	130.0	13.0	R448 703
2.6 times	3.15	130.0	6.5	R224 352
(5.00%)	0.2%	130.0	26.0	R897 407
(5.00%)	23.5%	130.0	13.0	R448 703
8%	8%	130.0	6.5	R224 352
R500m	R70m	–	–	–
			65.0	R2 243 517
	No staff turnover at asset management level	100	10.0	R345 156
	Continuous drive to innovate			
	No major losses and risks adequately mitigated	130	6.5	R224 352
	Continuous and positive engagement with stakeholders	130	6.5	R224 352
	Growth in interim profits to pre-Covid levels	130	7.8	R269 222
	Completed to required standard	100	4.0	R138 063
Level 5	Level 8	–	–	–
			34.8	R1 201 144
			99.8	R3 444 661

Stretch performance	Actual performance	Total out of 100%	Weighted score %	Target STI
37%	36.5%	130.0	13.0	R205 377
2.6 times	3.15	130.0	6.5	R102 689
(5.00%)	0.2%	130.0	26.0	R410 754
(5.00%)	23.5%	130.0	13.0	R205 377
8%	8%	130.0	6.5	R102 689
R500m	R70m	–	–	–
			65.0	R1 026 886
	Completed to required standard	100	6.0	R94 789
	New workflow systems proof of concept completed	75	7.5	R118 487
	No major losses and risks adequately mitigated	130	6.5	R102 689
	Growth in interim profits to pre-Covid levels	130	7.8	R123 226
	Good relationship with funders. Debt renewed within allocated period	100	3.0	R47 395
Level 5	Level 8	–	–	–
			30.8	R486 586
			95.8	R1 513 471

REMUNERATION REPORT (CONTINUED)

STI OUTCOMES FOR FY2021

Executive	Allocation %	TGP	Financial performance %	Non-financial performance %	Target STI	Total score %	Actual STI
CEO	70	R4 930 806	65.0	34.8	R3 451 564	99.8	R3 444 661
CFO	60	R2 633 040	65.0	30.8	R1 579 824	95.8	R1 513 471
		R7 563 846			R5 031 388		R4 958 133

LTI OUTCOMES FOR FY2021

A resolution to amend the CSP was approved at the AGM in February 2021 to allow for both A-shares and B-shares to be awarded to executives and key staff compared to previous tranches which included only B-shares.

The CSP provides 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 is achieved through the awarding of conditional Dipula 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. Vesting of the Dipula shares take place on conclusion of the three-year measurement period.

The CSP usage limit of 5% of the issued share capital of the company was approved. Termination of employment (fault and no-fault terminations) provisions, which are aligned to global good practice applies. Malus (pre-vesting forfeiture) and clawback (post-vesting forfeiture) provisions applies to the award of Dipula shares, upon the occurrence of certain "trigger events".

The nature and extent of performance conditions applicable to the award of Dipula shares will be approved by the committee annually and will be specifically included in the award letter to participants. The performance conditions applicable to the third award of Dipula shares are detailed on page 83.



The CEO and FD can earn up to 116% and 110% of their TGP, respectively, in CSP awards. The following CSP awards were made during the year subject to the respective performance conditions. The maximum allocated number of shares to the executive directors (assuming stretch performance conditions are met) will be 640 550 DIA shares and 2 562 201 DIB shares valued at R8.35 million per below. The allocation is based on an equal allocation of DIA and DIB shares based on monetary value.

Executive	Allocation %	TGP	Face value of the allocation	Number of DIA shares allocated	Number of DIB shares allocated***
CEO	116	R4 930 806	R5 719 735	438 630	1 754 520
CFO	100	R2 633 040	R2 633 040	201 920	807 681
		R7 563 846	R8 352 775	640 550	2 562 201

*** Allocated based on 30-day VWAP DIA R6.52 and DIB R1.63 on 4 February 2021.

The following performance conditions are applicable to the issue in 2021:

Performance conditions	Weighting	Threshold (37.5%)	Target (62.5%)	Stretch (100.0%)
Average combined distributable earnings per share growth relative to base (measured over the three-year period)	40%	0%	2%	4%
Average combined distributable earnings per share and share price 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 calculated for STI)	20%			
	100%			

Peer group consistent with prior year and comprises Accelerate, Arrowhead, Delta, Emira, Fairvest, Induplace, Octodec, Rebosis, SA Corporate, Liberty2Degrees, Exemplar REITs.



REMUNERATION REPORT (CONTINUED)

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	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 FY2021

	Chairman (per annum) Rand	Increase %	Member (per annum) Rand	Increase %
Board	374 197	3.5	266 739	3.5
Audit and risk committee	124 200	3.5	72 450	3.5
Investment committee	94 904	3.5	69 597	3.5
Social and ethics committee	91 454	3.5	67 066	3.5
Remuneration and nomination committee	91 454	3.5	67 066	3.5



Kopanong Hammanskraal

SOCIAL, ETHICS AND SUSTAINABILITY 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 relevant legislation, codes of best practice, and matters relating to social and economic development, including the company's standing in terms of the goals and purposes of:

- ▶ The 10 principles set out in the United Nations Global Compact Principles; and
- ▶ The Organisation of Economic Co-operation and Development recommendations regarding corruption.

The committee further needs to ensure that Dipula continues to comply 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 B-BBEE 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 committee. The board remains ultimately responsible for the objectives which it has delegated.

The committee comprises 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 73.

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 page 75 for reporting on the committee's areas of focus during the year.



E Links

Chairman

Social, ethics and sustainability committee



Renaissance Park



05

ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS

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PREPARER OF FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Dipula Income Fund Limited as approved by the board of directors on 14 December 2021 were prepared by Mrs N Kotze CA(SA) (group financial manager) and Mr R Asmal BCom (Accounting) (financial director). These financial statements were audited by Mazars in compliance with section 30 of the Companies Act 2008, No 71 of 2008.

DIRECTORS' RESPONSIBILITY AND APPROVAL

for the year ended 31 August 2021

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the year ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, in conformity with the JSE listings requirements and the Companies Act. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied except for application of new accounting standards and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management and internal audit, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group and the company's cash flow forecast for the year to 31 December 2022 and, in light of this review and the current financial position, they are satisfied that the group and the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements.

The financial statements have been examined by the company's external auditors and their report is presented on pages 95 to 98.

The financial statements set out on pages 87 to 186, which have been prepared on the going concern basis, were approved by the board of directors on 14 December 2021 and were signed on their behalf by:



Izak Petersen
Chief executive officer



Ridwaan Asmal
Financial director

14 December 2021

CEO AND FD RESPONSIBILITY STATEMENT

The directors, whose names are stated below, hereby confirm that:

- ▶ The consolidated annual financial statements set out on pages 87 to 186 fairly present in all material respects the financial position, financial performance and cash flows of Dipula Income Fund Limited and its subsidiaries in terms of IFRS:
 - no facts have been omitted or untrue statements made that would make the consolidated annual financial statements false or misleading;
 - internal financial controls have been put in place to ensure that material information relating to Dipula Income Fund Limited and its consolidated subsidiaries have been provided to effectively prepare the consolidated financial statements of Dipula Income Fund Limited; and
 - the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.



Izak Petersen
Chief executive officer



Ridwaan Asmal
Financial director

14 December 2021

CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act 2008 we declare that to the best of our knowledge, for the year ended 31 August 2021, Dipula Income Fund Limited has lodged with the Companies and Intellectual Property Commission ("CIPC") all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.



N Petrides

Acorim Proprietary Limited

Company Secretary

Johannesburg

14 December 2021

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 August 2021

The audit and risk committee has pleasure in submitting this report, as required by section 94(7) of the Companies Act and incorporating the recommendations of 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 regular 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 chief executive officer, 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 any 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 73.

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 under functions required for subsidiary companies. The committee performed the following activities, amongst others, during the year under review:

Integrated reporting and assurance in respect of financial expertise of the financial director and finance function

- ▶ Reviewed and recommended the group's interim results, the group's integrated report and annual financial statements for approval by the board; and
- ▶ In compliance with paragraph 3.84(g)(i) of the JSE listings requirements, confirmed the expertise and experience of the financial director, R Asmal; in addition the committee confirmed its satisfaction with the composition, experience and skills of the group's finance function.

Engagement with the group's external auditors

- ▶ Nominated and recommended to the directors the appointment of Mazars as external auditor of Dipula as well as the appointment of the designated partner, Susan Truter, for the 2021 financial year;
- ▶ Reviewed the following requested information from the auditor: latest inspection reports addressing IRBA findings, a summary as approved by the internal head of risk internal monitoring, review procedures performed, conclusions, outcomes and summary of any legal disciplinary actions as prescribed by the Companies Act;
- ▶ Ensured that the appointment of the auditor complies with the Companies Act, the applicable JSE listings requirements and any other legislation relating to the appointment of the auditor;
- ▶ Considered the independence and objectivity of the external auditor and ensured that the scope of additional services provided did not impair their independence;
- ▶ Obtained an annual confirmation from the external auditor that their independence was not impaired;
- ▶ Reviewed the external audit plan and approved the external auditor's fee proposal for the 2021 financial year. Audit fees are described in note 29 to the financial statements;
- ▶ Pre-approved any proposed agreement with the auditor for the provision of non-audit services to the group which is of a material nature. The non-audit service rendered during the year was the issuance of turnover certificates for land rentals, training directors on IFRS and reviewing the JSE proactive monitoring of financial statements; and
- ▶ Prepared this report in compliance with section 94(7)(f) of the Companies Act.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

for the year ended 31 August 2021

Internal financial controls, internal audit and combined assurance

- ▶ Considered and confirmed its satisfaction with the effectiveness of the outsourced internal audit function;
- ▶ Assessed internal financial controls and concluded that no material breakdowns in the functioning of the internal financial controls were noted during year under review. The results of the audit tests conducted indicated that the internal financial controls provided a sound basis for the preparation of 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(g)(ii) of the JSE listings requirements, the companies have established appropriate financial reporting procedures and that these procedures are operating.

OVERSIGHT OF RISK MANAGEMENT

- ▶ Reviewed and considered the activities and reports presented to the committee;
- ▶ Provided oversight of the regulatory compliance process and is assisted by the social and ethics committee;
- ▶ Considered and monitored the key financial, information technology, operational and strategic risks facing the group and the various mitigating controls thereof;
- ▶ Ensured that risk management requirements in accordance with the JSE listings requirements in respect of REITs were complied with;
- ▶ Reviewed and approved the specific risk management practices related to the use of various derivative instruments with the business;
- ▶ Reviewed compliance with the financial conditions of loan covenants and determined the capital of the group was adequate; and
- ▶ Considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements.

Compliance with Companies Act requirements and JSE listings requirements

- ▶ 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 the representation letter relating to the annual financial statements that was signed by management;
- ▶ Reviewed the external auditor's report including the key audit matters included in the report;
- ▶ Confirmed that the REIT risk management policy has been complied with in all material respects, as further disclosed in the governance review included in the integrated annual report; and
- ▶ Considered the JSE Proactive Monitoring Report and its impact on the annual financial statements.

EXTERNAL AUDITORS

In accordance with paragraphs 3.84(g)(iii) and 22.15(h) of the JSE listings requirements, the committee has satisfied itself that the external auditor, Mazars, is independent of the group, as required by the Companies Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the IRBA. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee has also satisfied itself with the quality of the external audit work being performed by Mazars in respect of the financial year-end under review.

There is a formal procedure that governs the process whereby the external auditor is considered for non-audit services. The committee approved the terms of the service agreement for the provision of non-audit services by the external auditor and approved the nature and extent of non-audit services that the external auditor provided in terms of the agreed pre-approval policy. For the year under review, non-audit service fees paid to Mazars were immaterial relative to the audit fees.

The committee recommended the reappointment of Mazars as the external auditors with Susan Truter as the signing partner. The 31 August 2022 financial year will be the third year of Mazars' appointment as the company's external auditor and Susan Truter as lead partner.

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 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.

TAX AND TREASURY OVERSIGHT

The committee receives regular feedback on both tax compliance and tax risk matters of the group from management and is satisfied that the group faces no material tax risks or that a material non-compliance event has occurred.

In respect of the treasury function, the committee receives regular feedback on the group debt, debt covenants and interest rate hedge position and is satisfied that treasury risks are adequately managed.

IT GOVERNANCE

The committee periodically reviews the group's management and operation of IT and considers it appropriate to enable the group to function optimally and securely.

GOING CONCERN

The committee, through its review of the 2022 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

The committee assists the board with all financial reporting and reviews the annual financial statements, as well as results announcements and interim financial information.

The committee has reviewed the annual financial statements, results announcements and interim financial information of the group and is satisfied they comply with IFRS.

The property valuations was considered to be a significant matter by the committee in relation to the annual financial statements for the year ended 31 August 2021.

The committee was satisfied with adequate accounting treatment of this matter.

Following a review by the committee and based on processes and assurances obtained, the committee recommended the annual financial statements of Dipula Income Fund Limited for the year ended 31 August 2021 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 34 to 41 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 group's risk management policy and confirms that the group has complied with the policy in all material respects.

During July 2021 the group was also affected by the civil unrest which took place in KwaZulu-Natal and Gauteng. Twelve of the group's properties were affected, ten of which were retail centres and two offices. Damages amounted to approximately R100 million. The committee is satisfied that the group's risk management procedures enabled the group to speedily deal with the matter and that the group is sufficiently insured (including SASRIA cover).

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

for the year ended 31 August 2021

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 MATTER

At the start of the audit cycle, Mazars 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, discount rates and future cash flows from leases which are determined by management and independent professional valuers 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, Mazars have identified the valuation of investment property as a key audit matter. The committee has assessed that the group's policy and procedures in valuing investment property is adequate and considers the carrying value of investment property to be fairly stated.

The committee is satisfied that it has complied with its statutory responsibilities and the responsibilities assigned to it by the board.



Y Waja
Chairman

14 December 2021

INDEPENDENT AUDITORS' REPORT

for the year ended 31 August 2021

Dipula Income Fund Limited

16 Baker Street

Rosebank

Johannesburg

2132

Company registration number: 2005/013963/06

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 (the group and company) set out on pages 104 to 186, which comprise the consolidated and separate statements of financial position as at 31 August 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate 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 Dipula Income Fund Limited as at 31 August 2021, 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 and company 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 consolidated and separate 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

for the year ended 31 August 2021

Matter

Investment property valuation (note 3)

The group's accounting policy in note 2.9 states that investment property is measured at fair value. The carrying value of investment properties amounted to R9.1 billion (2020: R9 billion) for the group and R264.7 million (2020: R262.7 million) for the company at year-end.

The property valuations take into account property-specific information such as the current tenancy agreements and rental income. Assumptions are made for capitalisation and discount rates, vacancy rates, property-specific expense ratios and estimated market rent, which are influenced by prevailing market capitalisation rates and comparable market transactions, to arrive at final valuations.

The valuations of the group's investment properties, as detailed in note 3 of the consolidated financial statements, involves significant judgements made by the external valuation experts and management, particularly those around:

- ▶ the selection of valuation models;
- ▶ the inputs to the range of models; and
- ▶ current market conditions and its rental levels and the impact of Covid-19 during the year.

The significance of the valuations at year-end, estimates and judgements involved, as well as the fact that only a small difference in an individual property valuation, when aggregated, could result in a material misstatement, as well as the possible impact of Covid-19, warrants specific audit focus.

Audit response

We performed substantive tests of details and substantive analytical review procedures on investment properties (internal and external valuations) to assess whether the fair value of income generating investment property is reasonable. These include, but are not limited to the following:

- ▶ We evaluated the effectiveness of the controls introduced by management over the bi-annual valuation of investment properties;
- ▶ Agreed the valuation of all investment properties per the general ledger, to the valuation reports prepared by management appointed external valuation experts, as well as valuation reports prepared by directors;
- ▶ Recalculated the specified valuation workings;
- ▶ Tested key assumptions including the following:
 - Vacancy rates;
 - Capitalisation rates;
 - Discount rates;
 - Market-related rental income used in determination of the fair value in the valuation reports (management appointed external valuation experts' and directors' valuation reports);
- ▶ We considered the requirements of ISA 500 using the work of a management expert including but not limited to the assessment of competence, capabilities and objectivity of the independent valuation specialists and their verified qualifications;
- ▶ Assessed the impact of Covid-19 on the valuation of the group's property portfolio during the current financial year, and whether disclosures have been appropriately made in terms of IFRS 13: *Fair Value Measurement*.
- ▶ Assessed the impact of recent civil unrest in KwaZulu-Natal and parts of Gauteng in July 2021 on the valuation of the group's property portfolio, and whether disclosures have been appropriately made in terms of IFRS 13: *Fair Value Measurement*; and
- ▶ Reviewed the adequacy of the presentation and disclosure in the financial statements in terms of IAS 40: *Investment Property* and IFRS 13: *Fair Value Measurement*.

Having performed our audit procedures and evaluated the outcomes, we concluded that our audit procedures appropriately addressed the key audit matter.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Dipula Income Fund Limited Integrated Report", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual 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 and will 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/or 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)

for the year ended 31 August 2021

- ▶ 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/or 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, actions taken to eliminate threats or safeguards applied.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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



Mazars

Registered Auditors

Partner: Susan Truter

Registered Auditor

14 December 2021

Johannesburg

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the year ended 31 August 2021.

NATURE OF BUSINESS

Dipula is a REIT and is listed on the JSE 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 the long-term investment in rental income generating properties.

The information presented for the year ended 31 August 2021 has been prepared in accordance with IFRS. The presentation of the results also complies with the relevant section of the Companies Act, the JSE listings requirements and the Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council. Dipula is operating within its MOI. The annual financial statements have been audited by Mazars for the second consecutive year.

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

The group owns a diversified property portfolio of retail, residential, offices, industrial properties and land.

GROUP ENTITIES

The group includes the following 100% held subsidiaries:

- ▶ Asakhe Realty Investment Fund Proprietary Limited
- ▶ Dipula Asset Management Trust
- ▶ 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
- ▶ Phepha Prop 006 Proprietary Limited
- ▶ The Dipula Property Investment Trust

And the following subsidiaries with less than 100% interest:

- ▶ 50.01% in Bajascap Proprietary Limited
- ▶ 80.10% in Unlocked Properties 18 Proprietary Limited (on 31 August 2021, the group acquired an additional 30% in Unlocked bringing the total shareholding on 31 August 2021 to 80.10%)

And the following undivided interest in joint operations:

- ▶ Harding Shopping Centre – 50%
- ▶ Fairways on Main – 50%
- ▶ Detnet – 66.67%
- ▶ Seshego Circle – 50%

Information relating to the company's interest in its subsidiaries is detailed in note 11 of the annual financial statements.

CAPITAL STRUCTURE

Dipula's share capital structure comprises listed DIA shares and DIB shares. DIA shares have preferential entitlements to dividends (if declared), which are not cumulative, and DIA shareholders do not participate in any residual dividends in excess of their preferential entitlement. The DIA share's preferential entitlement to dividends (if any) is on a per share basis (and does not dilute if Dipula issues further DIA shares) and the preferential entitlement to dividends grows annually by the lower of CPI and 5%. DIB shares are the "ordinary" equity of Dipula, receiving any residual dividend after settlement of the DIA shares' preferential dividend entitlement.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS

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

ACQUISITIONS

Hynorex Proprietary Limited – non-controlling interest acquired

Effective 1 September 2020, the group acquired the non-controlling interest of 49.9% in Hynorex for R62.8 million. Hynorex is now a wholly owned subsidiary. The additional acquisition did not have any cash flow effect as the purchase price was settled, in terms of the agreement, by reducing the loan owing by Vandanex Proprietary Limited to the group from R92.5 million to R29.7 million. Vandanex Proprietary Limited then settled the outstanding amount owing of R29.7 million.

Phepha Prop 006 Proprietary Limited – Residential buildings acquired

Effective 28 February 2021, the company acquired 100% of the share capital and sellers claims against Phepha 006 for R19.9 million.

Phepha 006 owns two residential buildings which are situated in Bruma and Midrand.

These two properties were acquired at a fair value of R153 million. This acquisition strengthens the existing residential portfolio. (Refer to note 37 – Business combinations.)

Unlocked Properties 18 Proprietary Limited – additional 30% acquired in residential owning property

On 31 August 2021, Yieldex exercised the put option 1 which resulted in Dipula purchasing 30% additional shares in Unlocked for an amount of R48.9 million. The amount owing was settled in September 2021 and consisted of R34.8 million for the equity and R14.1 million for the non-controlling interest loan.

DISPOSALS

In line with the strategy to dispose of non-core assets to improve the quality of its portfolio, Dipula disposed of five properties for R71 million during the year.

A further eight properties were transferred to held-for-sale at the end of August 2021. The sale agreements have been signed and the properties are in various stages of being transferred. The proceeds on these properties will amount to a gross inflow to the company of R101 million.

DIVIDEND

For the 31 August 2020 year-end, Dipula announced that the board of directors had deferred its decision regarding the declaration of a dividend in respect of FY2020 due to liquidity concerns and that the financial statements were prepared on the assumption that 75% of distributable income will be declared as a dividend in line with the minimum dividend required in terms of the JSE listings requirements. On 27 August 2021, the board of directors announced that no dividend would be declared in respect of FY2020. This announcement resulted in a normal tax liability for the company of R85.9 million for FY2020 due to the resultant revised taxable income of R308 million following the non-deductibility of any dividend deduction. Once the final decision by the board was made not to distribute any dividend for FY2020, the normal tax liability of R85.9 million was paid to the South African Revenue Service. A request to waive the underestimation penalty of R13.7 million has been submitted to SARS. Refer to note 40.

The dividend declared for the 31 August 2021 year amounted to 118.95304 cents per A share and 89.69993 cents per B share.

DIRECTORS' REMUNERATION

Please refer to note 43.2 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 and 264 665 819 B ordinary shares in issue at 31 August 2021.

The company did not issue any shares during the year under review.

Further details on stated capital are set out in note 16.

PROPERTY VALUATIONS

The portfolio was valued at 31 August 2021 as per the investment property accounting policy (note 2.9) at R9.1 billion (2020: R9.1 billion) and the net asset value per share was R10.30 (2020: R10.00) at year-end.

BORROWINGS

As at 31 August 2021, the all-in blended interest rate of the group's debt was 8.18% (2020: 8.96%). The group has total debt facilities of R3.7 billion with R3.4 billion utilised to date (2020: R3.7 billion, with R3.5 billion utilised).

67.4% of the facilities (2020: 68%) has been fixed through interest rate swaps and interest caps.

IMPACT OF COVID-19 AND CIVIL UNREST

The effects of Covid-19 which greatly impacted the global economy and the group in the 2020 financial year, has to a far lesser degree continued to impact the 2021 financial year. In order to support tenants during the pandemic, the group provided further rental discounts amounting to R13.9 million during the 2021 financial year (2020: rental relief amounted to R48.6 million, consisting of rental discounts of R43.6 million and rental deferrals of R5 million).

During July 2021 the group was also affected by the civil unrest which took place in KwaZulu-Natal and Gauteng. Twelve of the group's properties were affected, ten of which were retail centres and two offices. Damages amounted to approximately R100 million. Two of the properties, Dobsonpoint shopping centre and Ivory Park shopping centre, were severely affected and will take up to 10 months to resume full operations. The group is sufficiently insured (including SASRIA cover) and expects to recover its losses from its insurers.

Post year-end, the group received a partial settlement of R42.5 million (including VAT) from SASRIA.

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

All of the above directors will retire at the 2022 annual general meeting and all being eligible for re-election, will so offer themselves.

R Asmal has the same terms of employment as normal employees.

IS Petersen has a service agreement with Dipula.

Refer to note 43.2 for remuneration.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

The interest of the directors in the shares of Dipula Income Fund at 31 August 2021 were as follows:

A-shares (number of shares)

	Direct beneficial 2021	Indirect beneficial 2021	Total 2021	Direct beneficial 2020	Indirect beneficial 2020	Total 2020
IS Petersen	1 007	1 066 677	1 067 684	1 007	1 066 677	1 067 684
SA Halliday	10 000	10 000	20 000	15 000	10 000	25 000
Y Waja	20 000	–	20 000	20 000	–	20 000
	31 007	1 076 677	1 107 684	36 007	1 076 677	1 112 684

B-shares (number of shares)

	Direct beneficial 2021	Indirect beneficial 2021	Total 2021	Direct beneficial 2020	Indirect beneficial 2020	Total 2020
IS Petersen	792 783	29 140 686	29 933 469	792 783	29 140 686	29 933 469
R Asmal	353 696	–	353 696	353 696	–	353 696
SA Halliday	65 000	35 000	100 000	40 000	20 000	60 000
Y Waja	42 500	–	42 500	42 500	–	42 500
ZJ Matlala (chairperson)	95 090	–	95 090	95 090	–	95 090
BH Azizollahoff	28 116	–	28 116	–	–	–
	1 377 185	29 175 686	30 552 871	1 324 069	29 160 686	30 484 755

All shares acquired by the directors were at open market value. None of the shares awarded in terms of the conditional share plan have vested as yet. There were no shares traded by the directors from 31 August 2021 to the date of finalisation of this report. Refer to note 18 for further details.

During the year under review, the directors had no interest in material contracts or transactions, other than those directors involved in the operation of the company as set out in this report. There have been no bankruptcies or voluntary arrangements of the above mentioned persons. The directors have not been the subject of public criticism by statutory or regulatory authorities (including professional bodies) and have not been disqualified by a court from acting as directors of a company or from acting in the management or conduct of the affairs of any company. There have been no offences involving dishonesty by the directors.

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 70 to 75.)

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 73 of this integrated annual report.

GOING CONCERN

Although the group is in a net current liability position of R1 063 million (2020: R918 million) and the company is in a net current liability position of R940 million (2020: R641 million) as at 31 August 2021, 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 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 R1 097 million (2020: R932 million) in the group and R900 million (2020: R650 million) in the company.

The group had subsequent to year-end concluded the renewal of facilities amounting to R1.2 billion at a weighted average cost of 5.99% for a weighted average period of 2.98 years.

As part of the group's capital recycling strategy, the disposal of non-core properties will be a focus over the next 12 months. Management is closely monitoring the trade receivable collections and the group's liquidity position.

Based on the above, it would appear that the group and the company would be able to service their liabilities in the next 12 months.

SUBSEQUENT EVENTS

Refer to note 45 of the financial statements.

AUDITORS

Mazars, together with Susan Truter as the designated partner, were the appointed auditors during the year under review.

This was the second year that Mazars, together with Susan Truter as the designated partner, performed the group audit.

COMPANY SECRETARY

Acorim Proprietary Limited acted as the company secretary during the year under review.

In terms of section 3.84(h) of the JSE listings requirements, the board of directors have executed their duty in ensuring that the company secretary is competent, is suitably qualified and experienced. The company secretary also has unfettered access to the board, is not a member of the board and maintains an arm's length relationship with the board.

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 2021

	Note	Consolidated		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
ASSETS					
Non-current assets		9 127 262	9 357 414	7 535 326	7 502 153
Investment property		9 108 970	9 094 502	264 750	262 650
Fair value of property portfolio	3	8 778 044	8 727 246	262 864	253 621
Right-of-use assets	3	84 606	82 244	–	–
Straight-line rental income accrual	4	246 320	285 012	1 886	9 029
Intangible assets	5	–	37 500	–	–
Property, plant and equipment	6	2 709	3 353	2 426	2 032
Deferred taxation	7	6 281	–	–	–
Derivative financial assets – options	8	–	15 447	–	15 447
Derivative financial instruments – swaps	9	2 328	–	2 328	–
Loans receivable	10	6 974	206 612	–	103 267
Loans subsidiaries	11	–	–	6 414 695	6 164 333
Interest in subsidiaries	11	–	–	851 127	954 424
Current assets		298 287	213 560	48 620	43 360
Trade and other receivables	13	233 183	164 203	13 860	16 450
Loans receivable	10	2 528	–	–	–
Cash and cash equivalents	14	62 576	49 357	34 760	26 910
Non-current assets held-for-sale					
Investment property held-for-sale	15	101 242	13 488	–	–
Total assets		9 526 791	9 584 462	7 583 946	7 545 513
EQUITY AND LIABILITIES					
Shareholders' interest		5 450 805	5 295 022	4 550 667	4 463 026
Stated capital	16	4 243 513	4 243 513	4 318 956	4 318 956
Fair value reserve	17	1 016 796	978 359	(82 416)	(156 779)
Share-based payment reserve	18	5 952	2 155	5 952	2 155
Retained income		184 544	70 995	308 175	298 694
Non-controlling interests	19	210 224	250 499	–	–
Non-current liabilities		2 503 933	2 907 517	2 044 899	2 397 434
Non-interest-bearing liabilities	20	–	51 462	–	–
Interest-bearing liabilities	21	2 329 353	2 607 349	1 975 511	2 251 783
Option premium	22	3 568	11 500	3 568	11 500
Lease liabilities	23	105 192	103 055	–	–
Derivative financial instruments – swaps	9	65 820	134 151	65 820	134 151
Current liabilities		1 361 829	1 131 424	988 380	685 053
Interest-bearing liabilities	21	1 097 516	931 875	900 038	649 533
Lease liabilities	23	8 087	7 467	–	–
Derivative financial instruments – swaps	9	18 239	21 030	18 239	21 030
Trade and other payables	24	237 987	171 052	70 103	14 490
Total equity and liabilities		9 526 791	9 584 462	7 583 946	7 545 513

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 August 2021

	Note	Consolidated		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue		1 313 956	1 291 472	829 077	698 368
Contractual rental income	25	1 089 104	1 004 418	23 439	25 963
Municipal and property recoveries		263 544	243 781	16 551	9 007
Management fees	26	–	–	41 776	29 244
Dividends received from group companies	43	–	–	754 454	630 670
Straight-line rental income accrual	4	(38 692)	43 273	(7 143)	3 484
Property-related expenses	27	(443 929)	(422 649)	(40 522)	(36 626)
Impairment of trade receivables	28	(4 089)	(11 049)	(326)	–
Net property income		865 938	857 774	788 229	661 742
Administration and corporate costs	29	(42 325)	(40 893)	(21 202)	(13 000)
Net operating profit		823 613	816 881	767 027	648 742
Net finance cost		(282 812)	(302 629)	(239 924)	(266 120)
Finance income	30	14 449	31 308	9 393	13 733
Finance cost	31	(297 261)	(333 937)	(249 317)	(279 853)
Net profit after finance cost		540 801	514 252	527 103	382 622
Amortisation of intangible assets	5	(37 500)	(37 500)	–	–
Write-off of investment	11	–	–	(150 000)	–
Loan waived	11	–	–	(1 744)	–
Fair value adjustments		65 614	(333 590)	69 991	(182 649)
Investment properties and properties held-for-sale	17	(35 013)	(111 743)	913	(591)
Straight-line rental income accrual	4	38 692	(43 273)	7 143	(3 484)
Interest rate swaps	17	73 450	(117 984)	73 450	(117 984)
Options	8	(11 515)	(60 590)	(11 515)	(60 590)
Profit before taxation		568 915	143 162	445 350	199 973
Taxation	32	(85 718)	–	(85 936)	–
Profit for the year after taxation		483 197	143 162	359 414	199 973
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		483 197	143 162	359 414	199 973
Total profit and comprehensive income for the year attributable to:					
Shareholders of the company		429 454	119 071	359 414	199 973
Non-controlling interests		53 743	24 091	–	–
		483 197	143 162	359 414	199 973
Basic earnings per A share (cents)	33	81.14	22.50	–	–
Basic diluted earnings per A share (cents)	33	80.09	22.36	–	–
Basic earnings per B share (cents)	33	81.14	22.50	–	–
Basic diluted earnings per B share (cents)	33	80.09	22.36	–	–

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 August 2021

Consolidated						
Note	Stated capital R'000	Fair value reserve R'000	Share-based payment reserve R'000	Retained income/(loss) R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 September 2019	4 243 513	1 208 086	50	(24 732)	182 184	5 609 101
Total profit and comprehensive income for the year	–	–	–	119 071	24 091	143 162
Equity contributed by non-controlling interests	37	–	–	–	70 887	70 887
Dividends declared	35	–	–	(253 071)	(26 663)	(279 734)
Recognition of share-based payments	18	–	2 105	–	–	2 105
Transfer from fair value reserve – investment properties	17	(111 743)	–	111 743	–	–
Transfer from fair value reserve – interest rate swaps	17	(117 984)	–	117 984	–	–
Balance at 31 August 2020	4 243 513	978 359	2 155	70 995	250 499	5 545 521
Total profit and comprehensive income for the year	35	–	–	429 454	53 743	483 197
Dividends declared	35	–	–	(275 570)	(35 638)	(311 208)
Additional acquisition of non-controlling interest	19	–	–	(1 898)	(58 380)	(60 278)
Recognition of share-based payments	18	–	3 797	–	–	3 797
Transfer from fair value reserve – investment properties	17	(35 013)	–	35 013	–	–
Transfer to fair value reserve – interest rate swaps	17	73 450	–	(73 450)	–	–
Balance at 31 August 2021	4 243 513	1 016 796	5 952	184 544	210 224	5 661 029

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 August 2021

Company						
Note	Stated capital R'000	Fair value reserve R'000	Share-based payment reserve R'000	Retained income/(loss) R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 September 2019	4 318 956	(38 204)	50	233 217	–	4 514 019
Total profit and comprehensive income for the year	–	–	–	199 973	–	199 973
Dividends declared	35	–	–	(253 071)	–	(253 071)
Recognition of share-based payments	18	–	2 105	–	–	2 105
Transfer from fair value reserve – investment properties	17	(591)	–	591	–	–
Transfer from fair value reserve – interest rate swaps	17	(117 984)	–	117 984	–	–
Balance at 31 August 2020	4 318 956	(156 779)	2 155	298 694	–	4 463 026
Total profit and comprehensive income for the year	35	–	–	359 414	–	359 414
Dividends declared	35	–	–	(275 570)	–	(275 570)
Recognition of share-based payments	18	–	3 797	–	–	3 797
Transfer to fair value reserve – investment properties	17	913	–	(913)	–	–
Transfer to fair value reserve – interest rate swaps	17	73 450	–	(73 450)	–	–
Balance at 31 August 2021	4 318 956	(82 416)	5 952	308 175	–	4 550 667

STATEMENTS OF CASH FLOWS

for the year ended 31 August 2021

		Consolidated		Company	
	Note	2021 R'000	2020 R'000	2021 R'000	2020 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	34	850 360	798 590	24 872	20 117
Finance income	30	14 449	31 308	9 393	13 733
Finance cost	31	(272 174)	(312 916)	(235 836)	(279 853)
Dividends received from group companies		–	–	745 332	630 670
Dividends paid	35	(302 122)	(279 734)	(275 570)	(253 071)
Taxation paid	36	(85 996)	–	(85 993)	–
Net cash generated from operating activities		204 517	237 248	182 198	131 596
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditure on investment property		(68 852)	(56 147)	(1 635)	(3 884)
Acquisition of property, plant and equipment	6	(366)	(323)	(1 131)	(281)
Acquisition of business combination	37	(19 989)	(71 832)	(19 989)	(71 832)
Net movement in loans receivable	10	31 697	(5 441)	699	(6 733)
Repayment		32 125	15 083	699	1 184
Advance		(428)	(20 524)	–	(7 917)
Loans advanced to subsidiaries		–	–	1 609	116 238
Proceeds on disposal of investment properties		28 350	61 950	–	–
Net cash (utilised in)/generated from investing activities		(29 160)	(71 793)	(20 447)	33 508
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-interest-bearing liabilities repaid		–	(227)	–	–
Repayment of lease liabilities	23	(7 642)	(7 224)	–	–
Capital portion		2 757	2 916	–	–
Interest payment		(10 399)	(10 140)	–	–
Net movement in interest-bearing liabilities	21	(154 496)	(227 735)	(153 901)	(215 732)
Interest-bearing liabilities movement in access facility		(76 645)	(184 666)	(76 050)	(172 663)
Interest-bearing liabilities raised		19 149	–	19 149	–
Permanent repayment of borrowings		(97 000)	(43 069)	(97 000)	(43 069)
Net cash utilised in financing activities		(162 138)	(235 186)	(153 901)	(215 732)
Net increase/(decrease) in cash and cash equivalents		13 219	(69 731)	7 850	(50 628)
Cash and cash equivalents at the beginning of the year		49 357	119 088	26 910	77 538
Cash and cash equivalents at the end of the year	14	62 576	49 357	34 760	26 910

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2021

1. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

All of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group financial statements is provided on the following pages. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group financial statements.

Accounting standard or interpretation	Amendment	Impact on financial statement
IAS 1: <i>Presentation of Financial Statements</i> : Amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.	The amendment: Classification of liabilities as current or non-current; classification to be based on whether the right to defer settlement by at least 12 months exists at the end of the reporting period; classification is unaffected by expectation of settlement.	The group is currently assessing the impact and does not expect it to be material.
IAS 1: <i>Presentation of Financial Statements amendment</i> : "Disclosure of Accounting policies" effective 1 January 2023.	Amendment: Accounting policies to be disclosed where the information is material, by nature or amount. Explains when accounting policy information is considered material. Clarifies that when an entity chooses to disclose an immaterial accounting policy, it must not obscure or affect other material or required disclosures.	Not expected to have a significant impact on the financial statements as the concepts included in this amendment have already been applied by the entity.
IAS 8: <i>Accounting Policies, Changes in Accounting Estimates and Errors amendment</i> : "Definition of Accounting Estimates" effective 1 January 2023.	Amendment: The amendment distinguishes clearly between a change in accounting policy and a change in accounting estimate. It also revised the definition of an accounting estimate and provides specific examples of accounting estimates. It also clarifies that the measurement techniques and inputs used in developing accounting estimates are not accounting policies.	Not expected to have a significant impact on the financial statements as the concepts included in this amendment have already been applied by the entity.
IAS 37: <i>Provisions, Contingent Liabilities and Contingent Assets</i> : Amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.	The amendment: Onerous contracts – cost of fulfilling a contract. The amendment specifies that the cost of fulfilling a contract comprises the costs that relate directly to a contract which can either be incremental costs or an allocation of other costs that relate directly to fulfilling contracts.	The group has no onerous contracts in place, accordingly this amendment will not impact the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

1. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE (continued)

Accounting standard or interpretation	Amendment	Impact on financial statement
IFRS 9: <i>Amendment to effective date of interest rate benchmark reform</i> . The amendments for phase II are effective for annual periods beginning on or after 1 January 2021.	This amendment provides temporary relief to address financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate (RFR) ("IBOR reform") including: ▶ Contractual and cash flow changes – to be treated as changes due to a floating rate of interest. ▶ Changes to hedge designations and documentation – do not result in the discontinuation of the hedge relationship. ▶ The "separately identifiable" requirement – not required when a RFR instrument is designated as a hedge of a risk component. The IBOR reform phase II amendment indicates that changes in JIBAR will be treated the same as changes in a floating interest rate instrument, i.e. no profit or loss impact. ▶ Additional disclosures required.	Although this amendment becomes effective for the next financial year, the actual replacement of JIBAR hasn't taken place yet and is expected to change by the end of 2024, and as such no impact is expected upon adoption. Additional disclosures will, however, be required when this amendment becomes effective next year.
IFRS 9: <i>Financial Instruments amendment: "Fees in the 10% test for derecognition of financial liabilities"</i> effective 1 January 2022.	The amendment clarifies which fees must be applied in the application of the 10% test when assessing whether to derecognise a financial liability. Only includes fees paid or received between the borrower and the lender, including those paid or received on the other's behalf.	Not expected to have a significant impact on the financial statements of the entity.
IAS 16: <i>Property, Plant and Equipment amendment: "Proceeds before Intended use"</i> effective 1 January 2022.	Amendment: Prohibits the deduction of proceeds from selling items produced while bringing an asset into use from the cost of that asset. The entity must recognise the proceeds from sale, and the cost of producing those items, in profit or loss.	Not expected to have a significant impact on the financial statements as the entity does not construct its own property, plant and equipment.

1. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE (continued)

Accounting standard or interpretation	Amendment	Impact on financial statement
IFRS 16: <i>Leases</i> – amendment (lessee only) IFRS 16 and Covid-19 effective for annual periods beginning on or after 1 January 2021.	Amendments (lessee only) IFRS 16 and Covid-19 to make it easier to account for Covid-19-related rent concessions, e.g. rent holidays and temporary rent reductions.	As the group has a few land rentals which had no related rent concessions this will have no impact on the group.
IFRS 16: <i>Leases</i> – amendments (lessee only) IFRS 16 and Covid-19 – extension of practical expedient effective from 1 April 2021.	Amendments (lessee only) IFRS 16 and Covid-19 – extension of practical expedient; relief will now extend to 30 June 2022.	Extension of rental concession relief. As the group has a few land rentals which had no related rent concessions this will have no impact on the group.
IAS 12: <i>Income Taxes</i> – amendment: Deferred tax related to assets and liabilities arising from a single transaction is effective for annual periods beginning on or after 1 January 2023.	The amendment narrows the scope of exemption for recognition of taxable/deductible temporary differences that arise on certain transactions. The transaction should not give rise to equal taxable and deductible temporary differences: clarifies that deferred tax must be recognised on initial recognition of IFRS 16 leases and similar types of transactions that give rise to the recognition of an asset and a liability, such as decommissioning, restoration and similar liabilities with corresponding amounts recognised as part of the related assets.	The principles were considered in the past but we do not expect it to be material to the group.

2. SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements have been prepared on a going concern basis, in accordance with International Financial Reporting Standards, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE listings requirements and the Companies Act of South Africa, 2008, as amended.

2.1 Reporting entity

Dipula Income Fund Limited is a company domiciled in South Africa.

The consolidated and separate financial statements for the year ended 31 August 2021 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 2021.

2.2 Basis of preparation

The consolidated and separate financial statements are prepared on the historical cost basis, except for the measurement of investment property and certain financial instruments which are measured at fair value and incorporate the principal accounting policies set out below and in the individual notes to the financial statements. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of preparation (continued)

Except for the amendments adopted as set out below in point 2.5, all accounting policies applied by the group and the company in the preparation of these consolidated financial statements are consistent with those applied by the group and the company in its consolidated financial statements as at and for the year ended 31 August 2020.

The financial statements are prepared on the going concern basis. The group and company's financial statements are presented in South African rand, which is the functional and presentation currency.

2.3 Statement of compliance

The accounting policies of the group comply with IFRS as issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee interpretations effective for the group's financial year as well as Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, applicable to companies reporting under IFRS and the JSE listings requirements.

2.4 Use of significant 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.

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.

Actual results may differ from these estimates.

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 2.25.

2.5 New and amended standards

The group has adopted the following new standards or amendments to standards that were effective for the first time for the financial period commencing 1 September 2020:

The standards, amendments and interpretations that became effective during the year are as follows:

- ▶ Amendment to IFRS 3: *Definition of a business*.

The impact of the adoption of these standards and amendments has been considered and has been applied during the year for the business combination in note 37.

2.6 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the subsidiaries.

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 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. Non-controlling interest is recognised for interests in the net assets of consolidated subsidiaries exceeding 50%.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Basis of consolidation (continued)

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.

Control is achieved when the group:

- ▶ Has power over the investee;
- ▶ Is exposed, or has rights, to variable returns from its involvement with the investee; and
- ▶ Has the ability to use its power to affect its returns.

The group reassesses whether or not it controls an investee if facts or circumstances indicate that one or more of the elements listed above have changed during the year.

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.

Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition and adjusted in the same proportion for the profit or loss at each reporting date.

The group considers the non-controlling interests to be material if they are greater than 10% of group net assets.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interest options

The group elected to recognise the non-controlling interest on options fully until the option is exercised. Furthermore the NCI option is recognised as a financial liability at fair value through profit or loss.

2.7 Joint operations

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement and have joint rights to the assets and obligations relating to the arrangement.

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

When a group entity transacts with its joint operation, profits or losses resulting from the transactions with the joint operation are recognised in the group's consolidated annual financial statements only to the extent of interests in the joint operation that are not related to the group.

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.

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), or the group is considered to be conducting the transaction with the other parties to the joint operation, and gains or 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Joint operations (continued)

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 or losses until it resells those assets to a third party.

2.8 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 acquirer'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 payments 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.

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.

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.

2.9 Investment property

Investment properties are initially measured at cost with inclusion of transaction costs. Investment properties are properties held to earn rental income 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.

Major improvements and renovations to properties subsequent to the purchase of properties are capitalised.

Investment property is maintained, upgraded and refurbished, where necessary, in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investment property (continued)

Tenant installation and letting commission costs are capitalised to the cost of a building and amortised over the period of the tenant's lease. All these items are included in the fair value of investment property.

If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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 or the market 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 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 while the remaining two-thirds are valued internally by directors. Independent valuations for those 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. Such gains or losses are transferred to a non-distributable fair value reserve in the statement of changes in equity and excluded from the calculation of distributable earnings.

The straight-lining of lease income is deducted from investment property as the discounted value of future rental cash flows forms part of the valuation methodology of investment property.

Gains or losses on the disposal of investment property are recognised as a fair value adjustment in profit or loss, and are calculated as the difference between the net selling price and the fair value of the property as valued in the most recent annual financial statements. Such gains or losses are excluded from the calculation of distributable earnings.

Land leases are initially recognised as a right-of-use asset in the statement of financial position, at the same measurement as the corresponding lease liability. The right-of-use asset is subsequently measured at fair value. Changes in fair value are transferred to a non-distributable reserve in the statement of changes in equity and excluded from the calculation of distributable earnings.

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.

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 12 months. 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 12 months.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.9 Investment property (continued)***Measurement*

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

2.10 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 is depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is subsequently 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:

Item	Average useful life
Motor vehicles	5 years
Computer equipment	3 years
Furniture and fittings	6 years
Office equipment	5 years
IT software	3 years
Signage boards	10 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.

2.11 Leases*Group as lessee*

The group is a party to leasehold land in respect of properties located in Gauteng, KwaZulu-Natal and Eastern Cape.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments and subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Lease liabilities are presented as a separate line item on the statement of financial position.

The liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 September 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 9.12%.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- ▶ fixed lease payment; and
- ▶ lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option.

Leases with variable lease payments that are linked to the performance are excluded from the definition of lease payments and consequently no lease liability is recognised for those variable lease payments. These variable lease payments are expensed through profit or loss.

The group remeasures the lease liability when there has been a change to the lease term or a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payment using a revised discount rate. Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the underlying right-of-use asset.

Short-term leases (less than a year) or a lease of a low-value asset (less than R200 000) are expensed to profit or loss in terms of the recognition exemption, i.e. the simplified approach.

Right-of-use asset

The group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is measured at the initial amount of the lease liability adjusted for any lease payments made in advance, plus any initial direct costs incurred less any lease incentives received.

A right-of-use asset in relation to leased land is recognised as investment property.

2.12 Financial instruments

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

Financial assets and financial liabilities are recognised when the group and company become a party to the contractual provision of the instrument.

Financial assets and liabilities are measured at fair value at the time of initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and issuance of financial liabilities other than financial assets and liabilities measured at fair value through profit or loss are added to the fair value of the financial assets or deducted from the fair value of financial liabilities. Transaction costs that are directly attributable to the acquisition or issuance of the financial assets at FVTPL or financial liabilities at FVTPL are recognised in profit or loss.

Non-derivative financial assets are classified as “financial assets at amortised cost”.

Financial assets are classified as “financial assets at amortised cost” if both of the following conditions are met:

- ▶ the financial assets are held within a business model for which the objective is to hold financial assets to collect contractual cash flows; and
- ▶ the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method, less any impairments. Interest income based on the effective interest rate is recognised in profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.12 Financial instruments (continued)**

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

Trade receivables and other receivables

Trade receivable and other receivables are classified as financial instruments held at amortised cost.

Revenue transactions, recognised in terms of IFRS 15: *Revenue from contracts with customers*, are on initial recognition done at the transaction price in terms of that statement.

The group is following the simplified approach for impairment in terms of the practical expedient in IFRS 9 where impairment losses are measured at lifetime expected credit loss for trade receivables using a provision matrix as there is no significant financing component to trade receivables.

The expected credit loss is calculated using each bucket's exposure over the remaining debtors for which no specific provisions were raised.

In considering any impairments, the group assesses each tenant individually and takes into account any deposits held, bank guarantees issued by the debtor, additional sureties provided by the principals of the debtors and running credit checks on debtors and their principals. The group has the right to call on any surety should it be needed. The group considers a debtor to be in default once all legal routes to recover the outstanding amounts have been exhausted and the amount is then written off to profit or loss.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss on the face of the statement of comprehensive income. When a trade receivable is uncollectible it is written off to profit or loss.

A reversal of an impairment loss is recognised in the profit or loss and is shown on the face of the statement of comprehensive income.

No adjustment is made for the effect of time value of money as receivables have a short-term profile.

Cash and cash equivalents

Cash and cash equivalents are carried subsequently at amortised cost. ECL was considered and due to the amounts held at reputable banking institutions with high credit risk quality, the expected credit loss will be minimal.

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.

Loans receivable

Loans receivable are carried at amortised cost using the effective interest rate method net of expected credit losses.

The group considers any expected credit losses on all loans receivable at the end of each reporting period.

The loss allowance is measured using, what is referred to as the general approach, at an amount equal to lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

If the credit risk has not increased significantly since initial recognition, then the loss allowance is measured at 12-month expected credit losses. The group considers a significant increase in credit risk when a debt is 30 days past due.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of an instrument, while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Expected credit losses are measured individually for each loan to subsidiaries or loans to group companies and the loss allowance is measured using the general approach.

Loans to/from subsidiaries

Loans to/from subsidiaries are carried at amortised cost using the effective interest rate method.

The expected credit losses for loans from subsidiaries are calculated on a subsidiary level at the end of each reporting period. The ECL is determined using the general approach similarly what is done for loans receivable.

Trade and other payables – carried at amortised cost using the effective interest rate method.

Interest-bearing borrowings – carried at amortised cost using the effective interest rate method.

Non-bank loans – carried at amortised cost using the effective interest rate method.

Derivative financial instruments comprise interest rate swaps – classified as at fair value through profit or loss (refer to policy 2.15).

Options – classified as at fair value through profit or loss (refer to policy 2.15).

2.13 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 initially measured at cost and subsequently 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. The amortisation method and useful life is reviewed at each reporting period and adjusted if necessary.

The residual value of the intangible asset is assessed as Rnil and the estimated total useful life is as follows:

- ▶ Asset management services agreement: Four years (refer to note 5).

2.14 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.

An impairment loss is recognised whenever the carrying amount of an asset 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 and then to reduce the carrying amounts of the other assets on a pro rata basis.

The recoverable amount of an asset is the greater of their fair value less cost of disposal 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.

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 or has decreased.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.14 Impairment** (continued)

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.

In the current financial year there were no impairments.

2.15 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. Derivative financial instruments are initially recognised at fair value.

Subsequent to initial recognition-derivative financial instruments are measured at fair value through profit or loss. 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 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.

The group has entered into put and call options which are measured at fair value through profit or loss.

2.16 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.

Treasury shares

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.

All costs relating to the acquisition of treasury shares as well as gains or losses on disposal or cancellation of treasury shares are recognised directly in equity.

Dipula shares held by its subsidiary, The Dipula Investment Trust, are treated as treasury shares on consolidation. These shares are deducted from the weighted average shares in issue. Dividends received on treasury shares are eliminated on consolidation.

2.17 Revenue

Revenue comprises gross rental revenue and recoveries of rates, operating costs and municipal recoveries, excluding VAT. Rental income excludes tenant deposits which represent financial advances made by tenants as guarantees during the lease and are repayable by the group upon termination of the lease contracts.

Rental revenue from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Where a Covid-19 rent concession was granted, the tenant's rental for that month/those months was amended for straight-lining of revenue purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Revenue (continued)

Types of revenue	Recognition	Period
Operating lease income	Recognised as income on a straight-line basis over the lease term.	Over time
Revenue from contracts with customers: Management fees, municipal recoveries, property recoveries	Recognised over the period for which the services are rendered. The group acts as a principal on its own account when recovering operating costs, from tenants.	At a point in time
Contingent rents (turnover rental)	Included in revenue when the amounts can be reliably measured.	At a point in time
Dividends	Recognised when the group's right to receive payment is established usually upon declaring a dividend.	At a point in time

2.18 Expenses

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

2.19 Finance costs and finance income

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, as well as interest on the lease liabilities.

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.

2.20 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.

Current tax is the expected tax payable on taxable income, after deducting the qualifying distribution for the year of assessment, using tax rates that have been enacted or substantively enacted by the reporting dates and includes adjustments for tax payable in respect of the previous years. In accordance with the REIT status, dividends declared are treated as a qualifying distribution in terms of section 25BB of the Income Tax Act.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Income tax (continued)

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

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 27% (effective for years beginning on or after 1 April 2022). 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.

2.21 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.

For each strategic business segment, the entity's chief executive officer, who is the chief operating decision maker, reviews the internal management reports on a monthly basis.

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

- ▶ **Retail** – properties comprising shopping centres;
- ▶ **Offices** – properties which include high rise and low rise offices, office parks, as well as mixed-use properties comprising both office and retail;
- ▶ **Industrial** – properties which include warehousing, industrial parks, low and high grade industrial, land zoned for developments as well as mini, midi and maxi units;
- ▶ **Land** – undeveloped land;
- ▶ **Residential** – property used for tenants to live in; and
- ▶ **Corporate** – management of the group.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Segmental reporting (continued)

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.

2.22 Employee benefits

The cost of all short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave), is recognised during the period in which the employee renders the related service. Short-term employee benefits are measured on an undiscounted basis.

The employees belong to a defined contribution plan.

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

2.23 Share-based payments

Services received or acquired in a share-based payment transaction are recognised as the services are received.

A corresponding increase in equity is recognised if the services were received in an equity-settled share-based payment transaction. For equity-settled share-based payment transactions, the goods or services received, and the corresponding increase in equity, are measured directly at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity are measured indirectly by reference to the fair value, at grant date, of the equity instruments granted. When the services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

As the share-based payments granted do not vest until the counterparty completes a specified period of service and also meets various performance hurdles, the group accounts for those services on a straight-line basis over the vesting period. If the share-based payments vest immediately, the services received are recognised immediately in full.

As reported previously, shareholders have approved a long-term retention and incentive scheme which is based on individual performance relative to personal critical performance area targets, the group's performance relative to industry benchmarks and relative to an inflation-linked target. As the above are equity-settled share-based payments, the accounting treatment is to recognise the share-based payments on a straight-line basis over the vesting periods.

The approved share-based payment scheme is settled by providing Dipula A and B shares to the recipients.

Under the scheme senior management and executives of Dipula are provided with performance shares. These shares have no dividends or voting rights until the shares vest and become unrestricted.

The vesting of the share options are based on a three-year vesting period with the performance conditions attached to the vesting of the shares. The performance conditions are reviewed with each tranche that is issued.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.23 Share-based payments (continued)**

The following conditions are taken into account:

- ▶ Average combined distributable income or dividend growth relative to CPI;
- ▶ Average combined distributable income or growth relative to peers over the three-year period (weighted by market value); and
- ▶ KPI achievement.

2.24 Related parties

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

2.25 Accounting estimates and judgements

Estimates and judgements are an integral part of financial reporting and, as such, have an impact on the amounts reported in the group's income, expenses, assets and liabilities.

Estimates

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. Actual results may differ from these estimates.

Information on the key estimations and uncertainties that have had the most significant effect on the amounts recognised in the financial statements are set out in the following notes in the financial statements:

Application of the following accounting policies, namely:

- ▶ Investment property;
- ▶ Deferred taxation and taxation;
- ▶ Impairment of non-financial assets;
- ▶ Trade and other receivables;
- ▶ Leases (as lessees); and
- ▶ NCI options.

Given the uncertainties created by the Covid-19 pandemic, estimates and judgements were made by management in determining the fair values of investment property, expected credit losses relating to trade receivables and loans to vendors.

Investment property

The revaluation of investment property requires judgement in the determination of an appropriate discount rate and reversionary capitalisation rate. Management estimated future cash flows by taking into account the impact of rent concessions resulting from the Covid-19 pandemic. The discount rate and reversionary capitalisation rate was also adjusted to that effect. Note 41.4 sets out further details of the fair measurement of investment property.

The recent looting which took place in KwaZulu-Natal and parts of Gauteng in July 2021, did not affect the fair value of the investment properties as the group is sufficiently insured and expects to recover its damages from its insurers.

Deferred tax and taxation

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date in the form of future cash flows using a suitable growth rate. As the company has obtained REIT status effective 1 September 2013, the company and its controlled property company subsidiaries are not liable for capital gains tax on the disposal of directly held properties and local REIT securities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Accounting estimates and judgements (continued)

In terms of the JSE listings requirements, a company with REIT status must declare in the financial year a minimum dividend of 75% of distributable income. A dividend declaration of less than 100% of distributable income will impact the taxation payable of the company. On 12 August 2021, at the board meeting, the directors took a decision not to pay out a dividend for the 31 August 2020 year. This resulted in a normal tax payment of R85.9 million. Refer to note 32.

Deferred tax is not recognised on the fair value of investment property as capital gains tax on investment property is not applicable to REITs in terms of section 25BB of the Income Tax Act nor is deferred taxation calculated on the straight-line rental income accrual as it affects neither the group's distributable income nor taxable profit.

Impairment of non-financial assets

The group tests whether non-financial assets have suffered any impairment in accordance with the accounting policy stated in note 2.14.

The recoverable amounts 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.

Trade and other receivables

Management identifies impairment of trade and other receivables on an ongoing basis, taking into account the financial position of the tenant, past experience and other factors. Impairment adjustments are raised against trade receivables when the collectability is considered to be doubtful. Management believes the impairment allowance is adequate 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;
- ▶ The industry the tenant operates in;
- ▶ Security held; and
- ▶ Forward looking estimates of the economy.

The group wrote off debtors amounting to R13 million during the year.

Incremental borrowing rate for land leases

The liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 September 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 9.12%.

NCI options

The NCI option is recognised at fair value through profit or loss. Refer to note 41.4.

Judgements

Judgement is applied in certain areas based on historical experience and reasonable expectations relating to future events. Uncertainty around the future economic impact as a result of the Covid-19 pandemic has been considered.

Key areas of judgement are noted below:

Business combination

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.25 Accounting estimates and judgements (continued)**

In considering the above, the group considered the acquisition of the shares and claims in Phepha 006 to constitute a business as this was an acquisition of an established residential portfolio which included processes currently in place to generate economic returns.

Determining the lease term

In determining the lease term as per IFRS 16, management applies its judgement in considering all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options and periods after termination options are only included in the lease term if it is reasonably certain to be extended or not terminated.

Preparation of cash flow forecasts

The application of judgement is inherent in the preparation of cash flow forecasts which are used by the group and the company in support of the going concern assumption, the recoverability of rental income from tenants, the anticipated operational costs, capital expenditure relating to properties, the servicing of interest on interest-bearing borrowings and interest rate swaps. The forecast assumes no property acquisitions but includes disposal of certain non-core properties.

The forecasts are based on the expected cash generated by the group and reviewed by the board of directors on a quarterly basis.

Additional complexities associated with the preparation of cash flow forecasting have arisen from the Covid-19 pandemic. These include estimations with respect to tenant collections, rental discounts and capital expenditure.

Covid-19 related rental concessions

Judgement has been applied in the determination of the appropriate accounting treatment of rent concessions granted in the context of the pandemic. Covid-19-related rent concessions will fall within the IFRS 16 definition of a lease modification if they result from changes to the terms of the original lease agreement. In assessing whether there has been a change in the consideration agreed upon in the original lease agreement, the group has considered the overall impact of the change in the rent payments. Both the terms and conditions of the original lease agreement and all relevant facts and circumstances were considered in the assessment of whether a lease modification exists. The group adjusted for material rental discounts in the straight-lining exercise.

To support the tenants during the pandemic, Dipula provided rental relief of R49 million in the previous financial year ended 31 August 2020 and a further R13.9 million in rental relief extended to tenants during the current financial year.

Detnet co-ownership

The group has assessed the 66.67% Detnet investment as a joint operation rather than a subsidiary due to the co-ownership agreement in place.

Insurance claims recognition

During the civil unrest experienced across KwaZulu-Natal and Gauteng in July 2021, 12 of the properties within the group portfolio were affected.

This included 10 retail centres in Gauteng and 2 in KwaZulu-Natal. The total damages are estimated at approximately R100 million.

The group is sufficiently insured (including riot insurance) against losses. For the year ended 31 August 2021 a SASRIA riot claim debtor has been raised for the expenses incurred to date on the riot-related expenses incurred.

Subsequent to year-end the group received as partial settlement of the riot claim, an amount of R42.50 million (including VAT) from SASRIA.

3. INVESTMENT PROPERTY

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Net fair value				
Property acquisitions and capital expenditure	7 879 026	7 829 652	265 435	262 872
Right-of-use assets	84 606	82 244	–	–
Fair value reserve	1 145 338	1 182 606	(685)	(222)
	9 108 970	9 094 502	264 750	262 650
Movement for the year				
Investment properties at the beginning of the year	9 012 258	8 837 313	262 650	259 600
Additions	204 934	288 560	610	3 261
– arising from business combination (note 37)	153 101	242 626	–	–
– arising from subsequent expenditure at cost	51 833	45 934	610	3 261
Transferred to non-current assets held-for-sale (note 15)	(158 586)	(12 000)	–	–
Investment properties sold	–	(14 190)	–	–
Change in fair value	(37 268)	(84 574)	913	(591)
Loss on sale included in fair value	770	–	–	–
Tenant installations cost	4 549	3 415	757	322
Tenant installations amortisation	(4 706)	(4 450)	(208)	(85)
Lease commissions cost	12 333	6 682	268	299
Lease commissions amortisation	(9 920)	(8 498)	(240)	(156)
Investment properties at the end of the year	9 024 364	9 012 258	264 750	262 650
Less: Straight-line rental income accrual – per the statement of financial position (note 4)	(246 320)	(285 012)	(1 886)	(9 029)
Net investment properties at year-end	8 778 044	8 727 246	262 864	253 621
Right-of use assets	84 606	82 244		
Right-of-use assets at the beginning of the year	82 244	–	–	–
Right-of-use assets at take on	–	107 604	–	–
Right-of-use assets fair value adjustment	2 362	(25 360)	–	–
Total investment properties at year-end	8 862 650	8 809 490	262 864	253 621
Reconciliation to independent and directors' valuations				
Investment properties at valuation at the end of the year	8 862 650	8 809 490	262 864	253 621
Straight-line rental income accrual – per the statement of financial position	246 320	285 012	1 886	9 029
Independent and directors' valuations	9 108 970	9 094 502	264 750	262 650
Total valuations	9 108 970	9 094 502	264 750	262 650
Per independent valuations	8 629 596	8 375 172	264 750	262 650
Acquired in last six months at fair value	153 101	242 626	–	–
Per directors' valuations	241 667	394 460	–	–
Right-of-use assets	84 606	82 244	–	–

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 192 of the integrated annual report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

3. INVESTMENT PROPERTY (continued)

The properties valued by independent registered valuers on 31 August 2021 were performed by:

- ▶ Asset Valuation Services CC;
- ▶ Jones Lang LaSalle South Africa Proprietary Limited;
- ▶ Real Insight Proprietary Limited; 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 8% and 15% (2020: between 8% and 15%). Investment properties held-for-sale were valued at the net sale price, which is considered to be the fair value. Refer to note 41.4 for more details on fair value measurement.

Investment properties are encumbered as set out in note 21. The group has no restrictions on the realisability of its investment properties, or the remittance of income and proceeds of disposal.

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 44.

4. STRAIGHT-LINE RENTAL INCOME ACCRUAL

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance at the beginning of the year	285 012	241 739	9 029	5 545
Current year movement	(38 692)	43 273	(7 143)	3 484
Balance at the end of the year	246 320	285 012	1 886	9 029

5. INTANGIBLE ASSETS

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Intangible assets				
Cost	150 000	150 000	–	–
Accumulated amortisation	(150 000)	(112 500)	–	–
Closing balance	–	37 500	–	–
Movement for the year				
Balance at the beginning of the year	37 500	75 000	–	–
Amortised during the year	(37 500)	(37 500)	–	–
Balance at the end of the year	–	37 500	–	–

5. INTANGIBLE ASSETS (continued)

Intangible assets

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 and DAMT. In terms of the asset management agreement, DAMT is to render asset management services to the Dipula subsidiaries. The contract was for a period of four years. Based on these terms, the intangible asset has been amortised over four years.

The asset management agreement was terminated at the end of the agreed period. As a result of the termination of the agreement, the cost of the investment of R150 million in DAMT was written off in the company.

6. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Motor vehicles	6	36	6	36
Cost	396	396	396	396
Accumulated depreciation	(390)	(360)	(390)	(360)
Computer equipment	282	456	282	384
Cost	1 111	1 166	1 071	823
Accumulated depreciation	(829)	(710)	(789)	(439)
Furniture and fittings	1 429	1 960	1 146	748
Cost	3 377	3 423	2 651	1 400
Accumulated depreciation	(1 948)	(1 463)	(1 505)	(652)
IT software	95	85	95	86
Cost	352	289	352	202
Accumulated depreciation	(257)	(204)	(257)	(116)
Signage boards	837	732	837	730
Cost	1 127	921	1 127	920
Accumulated depreciation	(290)	(189)	(290)	(190)
Office equipment	60	84	60	48
Cost	210	224	210	149
Accumulated depreciation	(150)	(140)	(150)	(101)
Property, plant and equipment	2 709	3 353	2 426	2 032
Movement for the year				
Balance at the beginning of the year	3 353	3 723	2 032	2 361
Additions – cost	366	323	360	281
Assets acquired in business combination	–	340	–	–
Assets acquired from group company	–	–	771	–
Cost accrual reversed/write-off net book value	(23)	(72)	–	–
Depreciation	(987)	(961)	(737)	(610)
Balance at the end of the year	2 709	3 353	2 426	2 032

Encumbrances

There are no encumbrances over property, plant and equipment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

7. DEFERRED TAXATION

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Deferred taxation				
Balance at the beginning of the year	–	–	–	–
Arising on acquisition of business combination	6 034	–	–	–
Current year movement	247	–	–	–
Balance at the end of the year	6 281	–	–	–
Balance is made up of:				
Assessed loss balance	8 157	–	–	–
Section 13S	(2 195)	–	–	–
Deferred income	106	–	–	–
Bad debt provision adjustment	213	–	–	–
Balance at the end of the year	6 281	–	–	–

As the impact of the change in the company tax rate from 28% to 27% with effect for tax years commencing on or after 1 April 2022 is not material to the group, no adjustment has been made in profit or loss.

8. DERIVATIVE FINANCIAL ASSETS – OPTIONS

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Derivative financial assets – options				
Balance at the beginning of the year	15 447	76 037	15 447	76 037
Change in fair value	(11 515)	(60 590)	(11 515)	(60 590)
Transferred to option premium liability (note 22)	(3 932)	–	(3 932)	–
Balance at the end of the year	–	15 447	–	15 447

The three option agreements that the group had entered into were as follows:

Cosmo residential development

Options concluded between Yieldex and Dipula for the sale of equity in Unlocked.

Put option 1 agreement allowed Yieldex to put 30% of the shares in Unlocked to Dipula for a period of 24 months from the effective date.

On 31 August 2021, Yieldex gave written notice to Dipula of its decision to exercise put option 1.

The put option exercise price of R48.9 million for the additional 30% in Unlocked was paid in September 2021.

The purchase price was made up of R34.8 million for the equity and R14.1 million for the non-controlling interest loan.

Put option 2 agreement allows Yieldex to put 20% of the shares in Unlocked to Dipula for a period from the 25th month to the 60th month from the effective date.

8. DERIVATIVE FINANCIAL ASSETS – OPTIONS *(continued)*

A premium of R7.5 million was charged to Yieldex for the right to the put option 2 (note 22).

The current fair value for put option 2 amounted to R3.9 million and has been offset against the option premium (note 22).

The derivative financial assets are fair valued at the end of each reporting year and accounted for through profit or loss. The fair value is determined utilising open market sales of similar properties. Refer to note 41.4 for the fair value hierarchy.

Midrand and Bruma residential development

Option concluded between Phepha Prop 003 Proprietary Limited ("Phepha") and Dipula for the sale of equity in Phepha 006.

The put option agreement allowed Phepha to put 100% of the shares in Phepha 006 to Dipula for a period of 48 months from the effective date. As per note 37, business combination, the put option was exercised on 28 February 2021.

A premium of R4 million was charged to Phepha for the right to the option. On the put option exercise date, the premium of R4 million was recognised.

9. DERIVATIVE FINANCIAL INSTRUMENTS – SWAPS

All interest rate swaps and cap transactions are accounted for in Dipula. The below reflects the group and company interest rate swap agreements at the reporting date:

Swap maturity profile

					Consolidated and Company	
	Trade date	Maturity date	Amount R'000	Nominal %	Mark-to-market 2021 R'000	Mark-to-market 2020 R'000
STANDARD BANK						
Interest rate swaps						
	07 Feb 19	08 Feb 21	150 000	7.48	–	(2 985)
	24 Jul 17	26 Jul 21	150 000	7.19	–	(5 292)
	24 Jul 17	25 Jul 22	100 000	7.34	(3 348)	(6 779)
	19 Apr 18	01 Jul 22	300 000	7.08	(9 468)	(18 927)
	03 Jun 19	30 Nov 23	325 000	7.24	(18 059)	(28 679)
	01 Oct 19	03 Oct 22	400 000*	6.62	(12 883)	(23 682)
	26 Jul 21	28 Jul 25	150 000	5.44	(704)	–
Standard bank interest rate swaps					(44 462)	(86 344)
Swaptions	01 Oct 19	03 Oct 24	400 000*	7.20%	(12 710)	(13 224)
CAP transactions						
Cap bought	29 Mar 21	31 Mar 25	200 000	6.50	2 328	–
Cap sold	29 Mar 21	31 Mar 25	200 000	9.0	(990)	–
Current cap transactions					1 338	–

* This swaption is linked to the R400 million swap that matures on 3 October 2022.

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for the year ended 31 August 2021

9. DERIVATIVE FINANCIAL INSTRUMENTS – SWAPS (continued)

					Consolidated and Company	
	Trade date	Maturity date	Amount R'000	Nominal %	Mark-to-market 2021 R'000	Mark-to-market 2020 R'000
NEDBANK						
Interest rate swaps						
	21 Jul 17	21 Jul 21	200 000	7.12	–	(6 883)
	19 Feb 18	19 Feb 21	100 000	7.00	–	(1 749)
	07 Feb 19	08 Feb 21	200 000	7.64	–	(4 121)
	07 Feb 19	07 Feb 22	300 000	7.40	(5 423)	(16 338)
	02 Jul 18	02 Jul 23	300 000	7.20	(16 377)	(26 522)
	29 Mar 21	27 Mar 24	200 000	5.04	(1 687)	–
	27 May 21	27 May 26	200 000	5.95	(2 410)	–
Nedbank interest rate swaps					(25 897)	(55 613)
Mark-market value					(81 731)	(155 181)

			Consolidated and Company	
			2021 R'000	2020 R'000
Disclosed as follows in the annual financial statements:				
Non-current assets			2 328	–
Non-current liabilities			(65 820)	(134 151)
Current liabilities			(18 239)	(21 030)
			(81 731)	(155 181)

There has been a substantial decrease in the liability in 2021. During the current financial year the fair value adjustment on the interest rate swaps was a surplus of R73 million compared to a deficit in the previous year of R118 million as a result of expected future increases in interest rates.

Refer to note 41 for financial risk disclosure.

10. LOANS RECEIVABLE

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Vandanex Proprietary Limited	–	92 469	–	–
Phepha Prop 006 Proprietary Limited	–	103 267	–	103 267
Sakhumzi Restaurant CC	9 502	10 876	–	–
Total loans receivable	9 502	206 612	–	103 267
Disclosed as follows:				
Loans receivable – non-current	6 974	206 612	–	103 267
Loans receivable – current	2 528	–	–	–
	9 502	206 612	–	103 267
Reconciliation of loans receivable				
Balance at 1 September 2020	206 612	201 171	103 267	96 534
Interest earned	7 565	20 638	4 120	7 917
Repayment of interest	(7 565)	(20 638)	(4 120)	–
Repayment of loans receivable	(32 125)	(15 083)	(699)	(1 184)
Advance	428	20 524	–	–
Non-cash flow – non-controlling acquisition (note 19)	(62 845)	–	–	–
Non-cash flow – business combination (note 37)	(102 568)	–	(102 568)	–
Balance at 31 August 2021	9 502	206 612	–	103 267

Refer to note 41 for financial risk disclosure.

Vandanex Proprietary Limited

In terms of the loan agreement entered into between Jarrabilla Investments Proprietary Limited and Vandanex Proprietary Limited, the loan was payable by 28 February 2022 and incurred interest at a 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 each subsequent year.

The agreement entitled Vandanex Proprietary Limited to, at any time prior to the expiry of the loan, to repay all or part of the loan.

Effective 1 September 2020, the group acquired the non-controlling interest of 49.9% of Hynorex Proprietary Limited for R62.8 million. In terms of the share transfer agreement entered into between Mobe Investments Proprietary Limited and Mergence Africa Property Fund Proprietary Limited the purchase price was settled by utilising R62.8 million of the Vandanex Proprietary Limited loan.

The remaining balance on the loan was settled during the year.

The purchase price of R62.8 million was allocated as follows:

- ▶ R11.3 million was allocated to the sale shares purchased and increased the cost of the investment which Mergence Africa Property Fund Limited holds in Hynorex Proprietary Limited.
- ▶ R51.5 million was allocated to the Mobe Investments Proprietary Limited loan (refer to note 20).

Phepha Prop 006 Proprietary Limited

The loan was advanced to Phepha 006 on 1 July 2018 by Dipula to fund the acquisition by Phepha 006 of the properties being Portion 1 of Erf 204, Bruma Township and Erf 47, Grand Central Extension 5 Township, both properties being in Gauteng.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

10. LOANS RECEIVABLE (continued)

In terms of the loan agreement the loan is repayable in one single bullet payment on the repayment date 31 January 2022 and bears interest at an average rate of 8.9% over the term of the loan.

On 28 February 2021, in terms of the sale agreement entered into between Dipula and Phepha Prop 003 Proprietary Limited, Dipula acquired 100% of the shares in Phepha 006. The above mentioned loan became a 100% related party loan, interest free with no terms of repayment as at acquisition date (refer to note 11).

No ECL has been provided on the related party loan as the company has investment property with a fair value exceeding the value of the loan.

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 known as Bruma 146 South.

The loan bears interest at a fixed rate of 11.25%, charged monthly in arrears. The monthly repayment on the loan is R210 666 per month with the last instalment on 31 August 2026.

A mortgage bond has been issued in favour of the Trustees of Mergence Africa Property Investment Trust by Sakhumzi Restaurant CC over Portion 7 of Erf 146 Bruma Township.

The company has assessed the expected credit loss in terms of IFRS 9 to be nil on the loan receivable due to the mortgage bond in place on the property.

11. INTEREST IN SUBSIDIARIES

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Shares at cost	–	–	851 127	954 424
Loans to subsidiaries	–	–	6 414 695	6 164 333
	–	–	7 265 822	7 118 757

11. INTEREST IN SUBSIDIARIES (continued)

11.1 Shares at cost

	Effective interest		Investment	
	2021 %	2020 %	2021 R'000	2020 R'000
The company has interests in the following subsidiaries: (All incorporated in South Africa)				
Asakhe Realty Investment Fund Proprietary Limited	100.00	100.00	162 895	162 895
Bajascap Proprietary Limited	50.01	50.01	151 610	151 610
Dipula Asset Management Trust***	100.00	100.00	—	150 000
Dipula Property Management Proprietary Limited	100.00	100.00	#	#
Emerald Fire Investments Proprietary Limited	100.00	100.00	*	*
Gillwell Taxi Retail Park Proprietary Limited	100.00	100.00	#	#
Hynorex Proprietary Limited	100.00	50.10	**	**
Jarrabilla Investments Proprietary Limited	100.00	100.00	**	**
Lizinex Proprietary Limited	100.00	100.00	**	**
Luxanio Trading 181 Proprietary Limited	100.00	100.00	399 308	399 308
Mergence Africa Property Fund Proprietary Limited	100.00	100.00	41 856	41 856
Mergence Africa Property Investment Trust	100.00	100.00	#	#
Phepha Prop 006 Proprietary Limited (refer to note 37)###	100.00	—	11 881	—
The Dipula Property Investment Trust	100.00	100.00	#	#
Unlocked Properties 18 Proprietary Limited##	80.10	50.10	83 577	48 755
			851 127	954 424

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

** Held through Mergence Africa Property Fund Proprietary Limited.

*** Dipula Asset Management Trust has a February year-end.

Less than R1 000.

On 31 August 2021, the group acquired an additional 30% share in the company (refer to note 19).

Phepha Prop 006 has a June year-end which has subsequently been changed to an August year-end.

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.

11.2 Write-off of investment

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Write-off of investment in Dipula Asset Management Trust	—	—	150 000	—

During the year, the asset management agreement between DAMT and Dipula expired. It was mutually agreed between the parties that no further agreement would be entered into and accordingly the asset management agreement was terminated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

11. INTEREST IN SUBSIDIARIES (continued)**11.3 Loans subsidiaries**

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Loans to subsidiaries				
Asakhe Realty Investment Fund Proprietary Limited	–	–	190 430	197 649
Bajascap Proprietary Limited	–	–	303	130
Dipula Asset Management Trust	–	–	5 721	4 236
Dipula Property Management Proprietary Limited	–	–	57	1 751
Emerald Fire Investments Proprietary Limited	–	–	–	(19 097)
Gillwell Taxi Retail Park Proprietary Limited	–	–	135 409	136 262
Luxanio Trading 181 Proprietary Limited	–	–	671 553	672 212
Mergence Africa Property Fund Proprietary Limited	–	–	694 833	643 524
Mergence Africa Property Investment Trust	–	–	3 765 238	3 739 616
Phepha Prop 006 Proprietary Limited (refer to note 10)	–	–	144 201	–
The Dipula Property Investment Trust	–	–	761 364	765 241
Unlocked Properties 18 Proprietary Limited	–	–	45 586	22 809
Disclosed in non-current assets	–	–	6 414 695	6 164 333

The loans are advanced to subsidiaries to purchase properties. The loans will only be repayable when the properties are sold.

The above loans are all unsecured and there has been no impairment on the loans.

No fixed terms of repayment have been determined and no interest is incurred on these loans.

For the loan received from the subsidiary, the loan has no fixed terms of repayment and no interest is charged on the loan.

The fair value of the subsidiary loans based on a market interest rate of 7% (being prime overdraft rate) and assuming below repayment dates amounts to:

The below fair value hierarchy is a level 2.

	R'000
31 August 2025	4 570 316
31 August 2030	3 257 968
31 August 2035	2 322 456

During the year the Dipula Property Management Proprietary Limited loan amounting to R1 744 000 was waived and is reported on the face of the statement of comprehensive income.

The net asset value of each of the entities were assessed and there is no impairment loss in the current financial year other than the loan to Dipula Property Management Proprietary Limited loan which was waived.

For ECL consideration refer to note 41.

12. JOINT OPERATIONS

The company has the following interests in joint operations:

(All incorporated in South Africa)

	Consolidated		Company	
	2021 %	2020 %	2021 %	2020 %
Harding Corner Shopping Centre*	50.00	50.00	50.00	50.00
Fairways on Main**	50.00	50.00	–	–
Seshego Circle Consortium***	50.00	50.00	–	–
Detnet Co-ownership#	66.67	66.67	–	–

All the joint ventures are unincorporated entities which operate in the retail segment except for Detnet which operates in the office segment.

* Held through Dipula Income Fund Limited.

** Held through Mergence Africa Property Investment Trust.

*** Held through Jarrabilla Investments Proprietary Limited.

Held through Luxanio Trading 181 Properties Proprietary Limited. Although percentage held is greater than 50%, the investment is still considered to be a joint operation due to the co-ownership agreement entered into between the parties.

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
The group's share of:				
Extracts from statement of comprehensive income				
Revenue	38 661	37 299	9 519	8 908
Property expenses	(14 550)	(12 605)	(3 346)	(3 248)
Net property income	24 111	24 694	6 173	5 660
Net finance income	91	213	15	35
Fair value adjustments	19 890	(3 774)	2 850	909
Profit before taxation	44 092	21 133	9 038	6 604
Extracts from statement of financial position				
Non-current assets	289 946	269 743	65 750	62 550
Current assets	13 723	7 592	11 163	5 121
Non-current liabilities	(192 549)	(205 108)	(49 576)	(50 345)
Current liabilities	(4 058)	(13 414)	(1 306)	(908)
Net assets	107 062	58 813	26 031	16 418

The above operations are classified as joint operations, whereby the group recognises its share of the assets, liabilities, income and expenses of the joint operation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

13. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Financial instruments	231 536	159 494	13 829	16 139
Trade receivables	118 470	128 224	1 305	7 030
Less: Rental discounts accrued	(15 112)	(18 792)	(34)	–
Less: Impairments (ECL)	(32 566)	(40 754)	(326)	–
Net trade receivables	70 792	68 678	945	7 030
Intercompany receivables	–	–	5 013	–
Other receivables	51 125	35 398	7 544	8 774
SASRIA riot claim**	8 347	–	9	–
Receivable on properties sold	41 742	–	–	–
Municipal recoveries	37 398	34 541	318	335
Deposits	22 132	20 877	–	–
Non-financial instruments	1 647	4 709	31	311
Prepayments	1 647	4 709	31	311
	233 183	164 203	13 860	16 450

** Subsequent to year-end an amount of R42.5 million (including VAT) was received from SASRIA as a partial settlement for damages suffered during the July 2021 riots.

Above amounts are all short term and discounting is omitted when the effect of discounting is immaterial.

The net carrying value of trade and other receivables is considered a reasonable approximation of fair value due to its short-term nature.

Further information on the credit risk of trade receivables are set out in note 41.1.

14. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise:

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Standard Bank	40 432	46 067	20 701	25 474
First National	4 440	705	–	–
Nedbank	3 514	1 434	3 473	1 434
Investec	14 172	1 140	10 585	–
Petty cash	18	11	1	2
Bank balances	62 576	49 357	34 760	26 910

Cash and cash equivalents comprise amounts which are immediately available and the carrying amounts are equivalent to fair values.

The credit risk on cash and cash equivalents is considered low or immaterial due to all cash and cash equivalents being held with reputable financial institutions.

15. INVESTMENT PROPERTY HELD-FOR-SALE

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
At the beginning of the year	13 488	50 938	–	–
Transferred from investment property (refer to note 3)	158 586	12 000	–	–
Additional costs incurred	137	–	–	–
Fair value adjustment	(107)	–	–	–
Disposals	(70 862)	(49 450)	–	–
At the end of the year	101 242	13 488	–	–

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 directors are committed to sell the properties within the next 12 months.

The following properties are included in disposals:

	2021 R'000	2020 R'000
Retail segment	(17 120)	(49 450)
Sales House	(17 120)	–
Pep Nigel	–	(9 450)
54 Scott Newcastle	–	(19 000)
40 Scott Newcastle	–	(17 250)
Standard Bank Boksburg	–	(3 750)
Industrial segment	(53 742)	–
Bartel Industrial Bloemfontein	(12 000)	–
Fifth and Sixth Street	(17 154)	–
Wynberg Corner	(7 882)	–
Wynberg 506	(16 706)	–
Total disposals	(70 862)	(49 450)

The following properties are included in held-for-sale:

	2021 R'000	2020 R'000
Retail segment	88 263	–
41&43 Pretoria Road	12 800	–
De Villiers Street Barberton	9 263	–
Standard Bank Meyerton	6 500	–
Standard Bank Sasolburg	2 000	–
51 Govan Mbeki	45 000	–
Portion of Giyani Shopping Centre – Retail	12 700	–
Industrial segment	11 491	12 000
Reclam Alrode Erf 659	6 100	–
Leeuwenhoek Industrial	5 391	–
Bartel Industrial Bloemfontein	–	12 000
Land segment	1 488	1 488
Virgin Active land**	1 488	1 488
	101 242	13 488

** Rates clearance issues have severely affected the transfer of the property but the issues have finally been resolved and transfer occurred on 30 September 2021.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

16. 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	B ordinary share	A ordinary share	B ordinary share
2021				
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	
2020				
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	

Dipula's share capital structure comprises listed DIA shares and DIB shares. DIA shares have preferential entitlements to dividends (if declared), which are not cumulative, and DIA shareholders do not participate in any residual dividends in excess of their preferential entitlement. The DIA share's preferential entitlement to dividends (if any) is on a per share basis (and does not dilute if Dipula issues further DIA shares) and the preferential entitlement to dividends grows annually by the lower of CPI and 5%. DIB shares are the "ordinary" equity of Dipula, receiving any residual dividend after settlement of the DIA shares' preferential dividend entitlement.

Treasury shares

The treasury shares were acquired by The Dipula Property Investment Trust during the 31 August 2011 financial year.

	Consolidated	
	A ordinary share R'000	B ordinary share R'000
24 500 – A shares (originally A-linked units) – cost	14 113	–
24 500 – A shares (originally A-linked units) – fair value adjustment	(13 835)	–
24 500 – B shares (originally B-linked units) – cost	–	9 096
24 500 – B shares (originally B-linked units) – fair value adjustment	–	(8 929)
	278	167

17. FAIR VALUE RESERVE

Fair value reserves comprise fair value adjustments relating to:

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	978 359	1 208 086	(156 779)	(38 204)
Fair value on investment properties	(35 013)	(111 743)	913	(591)
Fair value on investment properties	(37 268)	(84 574)	913	(591)
Fair value on right-of-use assets	2 362	(25 360)	–	–
Fair value on investment properties – held-for-sale	(107)	(1 809)	–	–
Fair value on – interest rate swaps	73 450	(117 984)	73 450	(117 984)
Closing balance	1 016 796	978 359	(82 416)	(156 779)

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

18. SHARE-BASED PAYMENT RESERVE

Dipula implemented a share plan, namely a CSP in August 2019. The CSP provides for participants to be awarded rights to a specified number of Dipula A-shares and B-shares, the vesting of which is conditional upon the extent to which performance conditions have been satisfied and the employment conditions have been fulfilled. Following the vesting of awards, participants will receive that number of Dipula A-shares and B-shares free from any further restrictions or conditions.

Reconciliation of the share-based payment reserve is provided below:

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	2 155	50	2 155	50
Expense charge arising from equity-settled share-based payment	3 797	2 105	2 105	–
Amount recorded via loan account of subsidiary company	–	–	1 692	2 105
Closing balance	5 952	2 155	5 952	2 155

Key estimates and judgements

The assessed fair value at grant date of options granted on 23 August 2019, 20 February 2020 and 15 February 2021 is disclosed below.

The fair value at grant date is independently determined using the Monte-Carlo simulation valuation methodology.

The valuation model takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

18. SHARE-BASED PAYMENT RESERVE (continued)

	Number of share options 2021	Weighted average price 2021 (Rand)	Number of share options 2020	Weighted average price 2020 (Rand)
Dipula B-shares				
Reconciliation of share options granted at the end of the financial year				
Outstanding balance at the beginning of the year	4 844 257	3.53	1 218 161	6.25
Granted during the year	3 106 032	1.63	3 626 096	2.62
Outstanding balance at the end of the year	7 950 289	2.79	4 844 257	3.53
Exercisable at the end of the year	–	–	–	–

The following options were issued in the current and prior financial year:

	Number of options	Grant date	Vesting date	Fair value at grant date
Issued in 2021 (Tranche 3)	3 106 032	15 Feb 2021	15 Feb 2024	0.90
Issued in 2020 (Tranche 2)	3 626 096	20 Feb 2020	19 Feb 2023	2.20
Issued in 2019 (Tranche 1)	1 218 161	23 Aug 2019	23 Aug 2022	1.83

The inputs to the model determining the fair value of the options at grant date are set out below:

	Tranche 1	Tranche 2	Tranche 3
CPI	4.3%	n/a	n/a
Discount rate	8.3%	8.0%	8.55%
Dividend growth target	2.0%	2.0%	3.00%
Drift	0.5%	0.5%	0.75%
Number of shares awarded	1 218 161	3 626 096	3 106 032
Option value (Rand)	1.83	2.2	0.9
Total options value (Rand)	2 226 090	7 975 885	2 808 178
Peer dividend per share CAGR	4.1%	3.8%	6.27%
Share price (Rand)	6.26	3.30	1.61
Volatility	14.5%	36.5%	48.4%

	Number of share options 2021	Weighted average price 2021 (Rand)	Number of share options 2020	Weighted average price 2020 (Rand)
Dipula A-shares				
Reconciliation of share options granted at the end of the financial year				
Outstanding balance at the beginning of the year	–	–	–	–
Granted during the year	776 508	6.52	–	–
Outstanding balance at the end of the year	776 508	6.52	–	–
Exercisable at the end of the year	–	–	–	–

18. SHARE-BASED PAYMENT RESERVE (continued)

The following options were issued in the current and prior financial year:

	Number	Grant date	Vesting date	Fair value at grant date
Issued in 2021 (Tranche 3)	776 508	15 Feb 2021	15 Feb 2024	2.94

The inputs to the model determining the fair value of the options at grant date are set out below:

	Tranche 3
CPI	n/a
Discount rate	8.55%
Dividend growth target	3.00%
Drift	0.75%
Number of shares awarded	776 508
Option value (Rand)	2.94
Total options value (Rand)	2 285 747
Peer dividend per share CAGR	6.27%
Share price (Rand)	6.23
Volatility	30.14%

19. NON-CONTROLLING INTERESTS

Current year

The non-controlling interest of R210 million (2020: R250 million) represents 49.99% of the net asset value of Bajascap Proprietary Limited and 19.9% of the net asset value of Unlocked Properties 18 Proprietary Limited. The non-controlling interest of the 49.9% share of the net asset value of Hynorex Proprietary Limited was acquired by the group in September 2020 (refer to note 10).

Acquisition of additional interest in Hynorex Proprietary Limited

On 1 September 2020, the group acquired the non-controlling interest of 49.9% in Hynorex for R62.8 million.

The purchase price of R62.8 million was allocated as follows:

- ▶ R11.3 million was allocated to the sale shares purchased and increased the cost of the investment which Mergence Africa Property Fund Limited holds in Hynorex Proprietary Limited.
- ▶ R51.5 million was allocated to the Mobe Investments Proprietary Limited loan (refer to note 20).

The carrying value of the net assets of Hynorex was R19.9 million as at 1 September 2020. Following is a schedule of the additional interest acquired in Hynorex:

	2021 R'000
Consideration settled by utilisation of Vandanex Proprietary Limited loan (note 10)	11 382
Carrying value of the additional 49.9% acquired in Hynorex	(9 925)
Difference recognised in retained earnings	1 457

Acquisition of additional interest in Unlocked Properties 18 Proprietary Limited

On 31 August 2021, Yieldex exercised the put option 1 which resulted in Dipula purchasing 30% additional shares in Unlocked Properties 18 for an amount of R48.9 million. The amount owing was settled in September 2021 and consisted of R34.8 million for the equity and R14.1 million for the non-controlling interest loan.

Following is a schedule of the additional interest acquired in Unlocked Properties 18.

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for the year ended 31 August 2021

19. NON-CONTROLLING INTERESTS (continued)

	2021 R'000
Consideration settled in cash in September 2021	34 822
Carrying value of the additional 30% acquired in Unlocked Properties 18	(34 381)
Difference recognised in retained earnings	441
Loan to Yieldex included in NCI prior to additional acquisition	23 410
Consideration settled in September 2021 for sales claim	(14 074)
Loan to Yieldex included in NCI at year-end	9 336

The following reflects the summarised financial information for Hynorex, Bajascap and Unlocked Properties 18, prepared in accordance with IFRS, adjusted for fair value adjustments on acquisition and differences in group accounting policies. The information is before intercompany eliminations with other companies in the group.

The below entities are all incorporated in South Africa and the nature of their activities are all property owning.

31 August 2021	Hynorex	Bajascap	Unlocked
% shareholding of non-controlling interest	–	49.99%	19.90%**

** 49.9% was the percentage held up until 31 August 2021. Percentage shareholding for the 2022 financial year will amount to 19.9%.

	Hynorex R'000	Bajascap R'000	Unlocked R'000	Total R'000
2021				
Extracts from statement of profit or loss and other comprehensive income				
Revenue excluding straight-line lease income accrual	–	61 065	37 086	98 151
Profit after taxation	–	76 456	31 108	107 564
Attributable to owners of the parent	–	38 236	15 585	53 821
Attributable to non-controlling interests	–	38 220	15 523	53 743
Dividends declared to non-controlling interests	–	26 590	9 047	35 637
Extracts from statement of financial position	–			
Non-current assets – investment property	–	488 784	259 272	748 056
Non-current assets – deferred taxation	–	–	3 474	3 474
Current assets	–	1 523	11 662	13 185
Non-current liabilities	–	(126 480)	(123 037)	(249 517)
Current liabilities	–	(1 445)	(5 294)	(6 739)
Net assets	–	362 382	146 077	508 459
Net assets attributable to non-controlling interests	–	181 155	29 069	210 224

19. NON-CONTROLLING INTERESTS (continued)

31 August 2020	Hynorex	Bajascap	Unlocked
% shareholding of non-controlling interest	49.90%	49.99%	49.90%

	Hynorex R'000	Bajascap R'000	Unlocked R'000	Total R'000
2020				
Extracts from statement of profit or loss and other comprehensive income				
Revenue excluding straight-line lease income accrual	18 470	53 178	3 187	74 835
Profit after taxation	8 583	39 546	78	48 207
Attributable to owners of the parent	4 300	19 777	39	24 116
Attributable to non-controlling interests	4 283	19 769	39	24 091
Dividends paid to non-controlling interests	5 755	20 869	39	26 663
Extracts from statement of financial position				
Non-current assets	120 450	465 520	242 966	828 936
Current assets	3 785	1 080	338	5 203
Non-current liabilities	(103 119)	(125 896)	(99 616)	(328 631)
Current liabilities	(1 226)	(1 263)	(1 629)	(4 118)
Net assets	19 890	339 441	142 059	501 390
Net assets attributable to non-controlling interests	9 925	169 687	70 887	250 499

20. NON-INTEREST-BEARING LIABILITIES

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Mobe Investments Proprietary Limited	–	51 462	–	–

As recorded in note 10, the group acquired the non-controlling interest of 49.9% of Hynorex Proprietary Limited for R62.8 million.

In terms of the share transfer agreement entered into between Mobe Investments Proprietary Limited and Mergence Africa Property Fund Proprietary Limited the purchase price was settled by utilising R62.8 million of the Vandanex Proprietary Limited loan and was allocated as follows:

- ▶ R11.3 million in respect of the shares purchased; and
- ▶ R51.5 million to the Mobe Investments Proprietary Limited loan.

There was accordingly no cash flow on the transaction.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

21. 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 41.3 and note 41.2.

21.1 Bank loans

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

The group has secured a facility totalling R2.3 billion from Standard Bank (2020: R2.5 billion) and the company a facility of R2.2 billion (2020: R2.1 billion) The group and the company has R1 million unutilised facilities at year-end.

The facility is secured by mortgage bonds over investment property with a carrying value of R5.86 billion (2020: R5.96 billion) for the group and R5.0 billion (2020: R5.4 billion) for the company.

Type	Nominal interest rate	Maturity	Consolidated		Company	
			2021 R'000	2020 R'000	2021 R'000	2020 R'000
Floating	3-month JIBAR plus 1.75%	30 Sep 20	–	58 200	–	58 200
Floating	Prime less 1.35%	30 Sep 20	–	50 000	–	50 000
Floating	3-month JIBAR plus 1.95%	11 Oct 20	–	42 240	–	42 240
Floating	3-month JIBAR plus 1.95%	31 Oct 20	–	6 800	–	6 800
Floating	3-month JIBAR plus 2.0%	24 Nov 20	–	62 000	–	–
Floating	3-month JIBAR plus 2.1%	30 Nov 20	–	200 000	–	200 000
Floating	3-month JIBAR plus 2.0%	30 Nov 20	–	25 200	–	–
Floating	3-month JIBAR plus 1.35%	31 Dec 20	–	89 046	–	89 046
Floating	3-month JIBAR plus 1.89%	20 April 21	–	50 000	–	50 000
Floating	3-month JIBAR plus 2.23%	30 Oct 24	200 000	200 000	200 000	200 000
Floating	3-month JIBAR plus 1.98%	31 Jul 22	52 000	42 000	52 000	42 000
Floating	3-month JIBAR plus 1.98%	31 Jul 22	111 806	89 445	111 806	89 445
Floating	3-month JIBAR plus 1.98%	31 Jul 22	22 243	19 846	22 243	19 846
Floating	3-month JIBAR plus 1.90%	30 Nov 22	293 000	293 000	293 000	293 000
Floating	3-month JIBAR plus 2.09%	31 Jul 23	420 000	420 000	420 000	420 000
Floating	3-month JIBAR plus 1.99%	30 Nov 23	28 200	28 200	–	–
Floating	3-month JIBAR plus 1.99%	30 Nov 23	79 200	48 520	79 200	48 520
Floating	3-month JIBAR plus 2.05%	30 Nov 23	380 865	380 865	380 865	380 865
Floating	Prime less 1.0%	30 Nov 23	66 679	1 438	66 679	1 438
Floating	Prime less 0.75%	31 Dec 21	50 000	–	50 000	–
Floating	Prime plus 0.75%	31 March 22	48 000	–	48 000	–
Floating	Prime plus 0.75%	30 June 22	44 000	–	44 000	–
Floating	Prime less 0.75%	30 June 22	61 500	–	61 500	–
Floating	1-month JIBAR plus 2.55%	28 Feb 25	290 545	–	290 545	–
Floating	3-month JIBAR plus 1.99%	30 Nov 23	93 000	93 000	–	–
Floating	Prime less 0.75%	15 May 25	99 617	99 600	–	–
Total floating			2 340 655	2 299 400	2 119 838	1 991 400
Debt raising fees			(8 577)	(5 254)	(8 577)	(5 254)
Interest payable			3 512	3 868	3 390	3 868
Total Standard Bank			2 335 590	2 298 014	2 114 651	1 990 014

21. INTEREST-BEARING LIABILITIES (continued)

21.1 Bank loans (continued)

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Reconciliation of Standard Bank interest-bearing liabilities				
Balance at 1 September 2020	2 298 014	2 339 949	1 990 014	2 131 549
Borrowings taken over from subsidiaries	–	–	87 200	–
Movement in access facility account	138 255	(97 011)	138 238	(97 011)
Business combination acquired	–	99 600	–	–
Permanent repayment of debt due to property sold	(16 000)	(43 069)	(16 000)	(43 069)
Debt raising fees paid	(5 252)	–	(5 251)	–
Debt raising fees amortised	1 929	1 329	1 928	1 329
Permanent repayment of debt	(81 000)	–	(81 000)	–
Reduction in interest payable	(356)	(2 784)	(478)	(2 784)
Balance at 31 August 2021	2 335 590	2 298 014	2 114 651	1 990 014

Nedbank Limited (“Nedbank”)

The group has a facility totalling R1.2 billion (2020: R1.2 billion) and the company has a facility of R888 million (2020: R888 million). The group and the company has R271 million unutilised facilities at year-end.

The utilised facility is secured by mortgage bonds over investment property with a carrying value of R3.0 billion (2020: R3.0 billion) for the group and R2.1 billion (2020: R2.1 billion).

				Consolidated		Company	
Type	Nominal interest rate	Maturity		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Floating	3-month JIBAR	2.35%	3 Jan 22	91 886	91 886	91 886	91 886
Floating	3-month JIBAR	2.40%	1 Dec 22	31 710	31 710	31 710	31 710
Floating	3-month JIBAR	2.40%	3 Jul 22	132 576	132 576	132 576	132 576
Floating	3-month JIBAR	2.40%	1 Nov 22	22 889	22 889	22 889	22 889
Floating	3-month JIBAR	2.40%	24 Oct 22	149 986	149 986	149 986	149 986
Floating	3-month JIBAR	2.35%	2 Nov 21	124 999	124 999	124 999	124 999
Floating	3-month JIBAR	2.40%	4 Jul 22	108 549	108 549	108 549	108 549
Floating	Prime less	0.50%	31 Jan 28	126 410	126 410	–	–
Floating	3-month JIBAR	2.50%	2 Nov 21	195 142	195 142	–	–
Floating	3-month JIBAR	2.35%	2 Nov 21	25 000	25 000	25 000	25 000
Floating	3-month JIBAR	2.02%	3 June 24	–	200 647	–	200 647
Total Nedbank				1 009 147	1 209 794	687 595	888 242
Debt raising fees				(1 307)	(1 947)	(750)	(1 319)
Interest payable				4 404	4 379	3 406	4 379
Total Nedbank				1 012 244	1 212 226	690 251	891 302

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for the year ended 31 August 2021

21. INTEREST-BEARING LIABILITIES (continued)**21.1 Bank loans** (continued)

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Reconciliation of Nedbank interest-bearing liabilities				
Balance at 1 September 2020	1 212 226	1 287 022	891 302	965 500
Debt raising fees amortised	655	381	569	247
Debt raising fees written off	150	–	–	–
Debt raising fees paid	(165)	(732)	–	–
Movement in revolving credit facility	(200 647)	(70 000)	(200 647)	(70 000)
Increase/(decrease) in interest payable	25	(4 445)	(973)	(4 445)
Balance at 31 August 2021	1 012 244	1 212 226	690 251	891 302

Investec Bank Limited ("Investec")

			Consolidated		Company	
Type	Nominal interest rate	Maturity	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Floating	3-month JIBAR	24 June 2024	50 100	–	50 100	–
Interest payable			585	–	585	–
Debt raising fee			(136)	–	(136)	–
Total Investec			50 549	–	50 549	–

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Reconciliation of Investec interest-bearing liabilities				
Debt raised – cash received	19 149	–	19 149	–
Debt taken over from Phepha Prop 006	30 951	–	30 951	–
Interest accrued	585	–	585	–
Debt raising fee paid	(144)	–	(144)	–
Debt raising fee amortised	8	–	8	–
Balance as at 31 August 2021	50 549	–	50 549	–

This facility is secured by properties valued at R153 million (2020: R million nil) for the group and the company.

21. INTEREST-BEARING LIABILITIES (continued)

21.1 Bank loans (continued)

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Absa Capital, a division of Absa Bank Limited ("ABSA")				
Overdraft facility	20 000	20 000	20 000	20 000
Interest payable	98	–	98	–
Total ABSA	20 098	20 000	20 098	20 000
The overdraft facility bears interest at prime less 1.25% and is cancellable at any time with prior notice from both parties. In such event the loan will be repayable on demand.				
This facility is secured by a property with a carrying value of R53 million (2020: R55 million) for the group and the company.				
Total bank loans	3 418 481	3 530 240	2 875 549	2 901 316

21.2 Non-bank loans

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. The loan is secured by a mortgage bond over erf 15672 Orange Farm.

The remaining balance on the loan as at the end of May 2027, will be settled in a lump sum payment.

			Consolidated		Company	
Type	Nominal interest rate	Maturity	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Fixed	Fixed – 6.50%	30 June 27	8 388	8 984	–	–
Disclosed as follows:						
Current portion			1 216	–	–	–
Non-current portion			7 172	8 984	–	–
Total non-bank loans			8 388	8 984	–	–
Total interest-bearing loans			3 426 869	3 539 224	2 875 549	2 901 316
Disclosed as follows:						
Current portion			1 097 516	931 875	900 038	649 533
Non-current portion			2 329 353	2 607 349	1 975 511	2 251 783
Total interest-bearing loans			3 426 869	3 539 224	2 875 549	2 901 316

The group has, subsequent to year-end, concluded the renewal of facilities amounting to R1.2 billion at a weighted average cost of 5.99% for a weighted average period of 3.0 years.

Capital repayments and interest charges will be serviced from normal trading activities.

The fair values of interest-bearing liabilities and non-bank loans are not materially different from their carrying values, since the interest payable on these borrowings is either close to current market rates or the liabilities are of short-term nature.

Information about the group's exposure to interest rate and liquidity risks is included in note 41 – Financial risk management.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

22. OPTION PREMIUM

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Option premium				
Balance at the beginning of the year	(11 500)	(11 500)	(11 500)	(11 500)
Released to profit or loss	4 000	–	4 000	–
Fair value of Cosmo residential development – put option 2	3 932	–	3 932	–
Balance at the end of the year	(3 568)	(11 500)	(3 568)	(11 500)
Consists of:				
Cosmo residential development – put option 2 – premium	(7 500)	(7 500)	(7 500)	(7 500)
Midrand and Bruma residential development – option premium	–	(4 000)	–	(4 000)
Fair value of Cosmo residential development – put option 2	3 932	–	3 932	–
	(3 568)	(11 500)	(3 568)	(11 500)

The group has entered into three option agreements:

Cosmo residential development

Options concluded between Yieldex and Dipula for the sale of equity in Unlocked.

Put option 1 agreement allowed Yieldex to put 30% of the shares in Unlocked to Dipula for a period of 24 months from the effective date. Yieldex exercised its put option on 31 August 2021 which resulted in the group acquiring an additional 30% in Unlocked.

Put option 2 agreement allows Yieldex to put 20% of the shares in Unlocked to Dipula for a period from the 25th month to the 60th month from the effective date.

Call option 1 agreement allowed Dipula to call 30% of the shares in Unlocked from Yieldex within a period of 12 months after the put option 1 has expired. Call option has no value as put option 1 was exercised on 31 August 2021.

A premium of R7.5 million was charged to Yieldex for the right to the option (refer to note 8).

Midrand and Bruma residential development

Option concluded between Phepha Prop 003 Proprietary Limited ("Phepha") and Dipula for the sale of equity in Phepha 006.

The put option agreement allowed Phepha to put 100% of the shares in Phepha 006 to Dipula for a period of 48 months from the effective date. This put option was exercised on 28 February 2021 resulting in the group acquiring 100% shares in Phepha 006. Refer to note 37 for details.

A premium of R4 million was charged to Phepha for the right to the option. This amount was recognised in profit or loss in the year.

The financial assets are fair valued at the end of each reporting year and accounted for through profit or loss. The fair value is determined utilising open market sales of similar properties. Refer to note 41 for the fair value hierarchy.

23. LEASE LIABILITIES

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
At the beginning of the year	110 522	107 606	–	–
Finance costs	10 399	10 140	–	–
Lease payments	(7 642)	(7 224)	–	–
At the end of the year	113 279	110 522	–	–
Current portion	8 087	7 467	–	–
Non-current portion	105 192	103 055	–	–
Lease liabilities at 31 August	113 279	110 522	–	–
Summary of lease liabilities by period of redemption:				
Within one year	8 087	7 467	–	–
Within two to five years	35 710	34 528	–	–
Within six years and thereafter	469 504	478 948	–	–
Lease commitment at 31 August	513 301	520 943	–	–
Lease effect of discounting	(400 022)	(410 421)	–	–
Total lease liabilities	113 279	110 522	–	–

The lease liabilities relate to land rentals entered into by Mergence Africa Property Investment Trust and Gillwell Taxi Retail Park Proprietary Limited.

The right-of-use assets related to the lease liabilities are disclosed in note 3. Interest is based on the weighted average borrowing rate of the group and was adjusted for asset specific risk. The group does not face a significant liquidity risk with regards to its lease liabilities.

Lease liabilities are monitored as part of the group's operations. There are no right-of-use assets or lease liabilities in the company.

24. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Financial instruments	189 097	121 681	62 616	12 426
Trade payables	1 876	1 192	478	89
Accrued expenses	53 169	45 575	744	1 304
Interest rate swaps	7 385	8 744	7 385	8 774
Municipal accruals	15 172	12 462	–	194
Tenant deposits	55 686	50 623	268	268
Payable Yieldex 16 Proprietary Limited**	48 896	–	48 896	–
Other payables	6 913	3 085	4 845	1 797
Non-financial instruments	48 890	49 371	7 487	2 064
Payroll payables	2 915	3 156	2 915	997
Tenant receipts paid in advance	36 820	38 181	688	500
SARS payable	3 469	–	3 440	–
VAT payable	5 686	8 034	444	567
	237 987	171 052	70 103	14 490

** Amount payable for the additional 30% share in Unlocked Properties 18 in terms of put option 1 exercised (Refer note 19).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

24. TRADE AND OTHER PAYABLES (continued)

The carrying value of trade and other payables is considered to be a reasonable approximation of fair value due to the short-term maturities of these instruments.

25. CONTRACTUAL RENTAL INCOME

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Property revenue	1 079 663	1 045 358	23 514	27 070
Covid-19 rental discounts	(13 862)	(43 546)	(75)	(1 107)
Surrender value	3 034	–	–	–
Turnover rental	2 033	2 606	–	–
Rental guarantee	18 236	–	–	–
	1 089 104	1 004 418	23 439	25 963

26. MANAGEMENT FEES

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Asset management fees**	–	–	9 274	–
Building management recoveries**	–	–	3 124	–
Property management fees**	–	–	29 378	29 244
	–	–	41 776	29 244

** Income earned from group companies.

Refer to related party note 43 for more details.

27. PROPERTY-RELATED EXPENSES

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Property-related expenses include:				
Assessment rates	83 493	80 982	2 892	3 104
Depreciation	610	610	610	610
Defined contribution plan	1 151	1 044	1 151	1 044
Municipal costs	230 161	217 530	4 001	4 417
Property management fees – external	3 646	3 043	–	203
Professional fees	3 088	948	2 241	111
Salaries	23 076	20 408	23 076	20 408
Security	34 297	32 933	492	481
Repairs and maintenance	12 148	9 704	352	350

28. IMPAIRMENT OF TRADE RECEIVABLES

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
ECL (reversed)/provided	(9 619)	6 917	326	–
Bad debts written off through ECL	13 537	4 132	–	–
Bad debts written off directly to profit or loss	171	–	–	–
	4 089	11 049	326	–

29. ADMINISTRATION AND CORPORATE COSTS

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Administration and corporate expenses include:				
Auditor's remuneration	1 866	1 992	873	867
Asset management fees	–	–	435	687
Defined contribution plan	565	507	282	–
Depreciation	377	93	127	–
Directors' remuneration	2 492	2 182	2 492	2 454
Professional fees	8 880	6 755	3 272	1 805
Rental of low-value equipment	107	115	55	–
Salaries	16 880	14 536	7 055	–
Share-based payments	3 797	2 105	2 105	–
Trustees' remuneration	118	100	118	100

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30. FINANCE INCOME

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Interest received from financial institutions	4 336	6 764	3 646	5 525
Interest received from Sakhumzi Restaurant CC	1 154	1 236	–	–
Interest received on municipal deposits	310	466	–	–
Interest received from Vandanex Proprietary Limited	2 291	11 389	–	–
Interest received from Phepha 006	4 120	7 916	4 120	7 916
Interest received from Unlocked	–	–	1 568	279
Interest on overdue accounts	2 215	3 537	59	13
Interest from SARS	23	–	–	–
	14 449	31 308	9 393	13 733
Amount reconciled to cash flow note				
Finance income as per above	14 449	31 308	9 393	13 733

31. FINANCE COST

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Interest – interest-bearing liabilities	196 665	284 808	161 065	243 030
Interest – interest rate swaps	82 249	34 186	82 249	34 186
Interest – overdue accounts	77	705	1	4
Amortisation of debt raising fees (note 21)	2 592	2 633	2 505	2 633
Debt raising fees incurred (note 21)	150	–	–	–
Interest – on lease liabilities (note 23)	10 399	10 140	–	–
Interest – NCI Shareholder loan	1 629	1 465	–	–
Interest – SARS	3 500	–	3 497	–
	297 261	333 937	249 317	279 853
Refer to note 41 for derivative hedging details.				
Amount reconciled to cash flow note				
Finance cost as per above	297 261	333 937	249 317	279 853
Exclude the following non-cash flow items:				
Amortisation of debt raising fees (note 21)	(2 592)	(2 633)	(2 505)	–
Interest – lease liabilities (note 23)	(10 399)	(10 140)	–	–
Interest accrued SARS	(3 497)	–	(3 497)	–
Interest – overdue accounts	–	(1)	–	–
Interest payable Investec and ABSA Bank (note 21)	(683)	–	(683)	–
Interest payable Standard Bank (note 21)	(3 512)	(3 868)	(3 390)	–
Interest payable Nedbank (note 21)	(4 404)	(4 379)	(3 406)	–
	272 174	312 916	235 836	279 853

32. TAXATION

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Normal taxation				
Current	85 965	–	85 936	–
– Current year	29	–	–	–
– Relating to prior year	85 936	–	85 936	–
Deferred	(247)	–	–	–
– Current year	(247)	–	–	–
	85 718	–	85 936	–
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	(1.3%)	56.8%	(4.0%)	25.1%
– Permanent difference	0.02%	–	0.10%	–
– REIT distribution deduction	(26.7%)	(65.6%)	(34.1%)	(50.1%)
– Normal tax relating to prior year	17.5%	–	29.3%	–
– Deferred tax not raised	(2.4%)	(19.2%)	–	(3.0%)
Effective taxation	15.1%	–	19.3%	–
Reconciliation between applicable taxation and effective taxation				
South African normal taxation rate applied to income before taxation	159 296	40 085	124 698	55 992
Taxation effect of:				
– Fair value adjustments and straight-lining of leases	(7 230)	81 289	(17 597)	50 166
– Permanent differences**	13 384	–	44 884	–
– Prior year taxation	85 936	–	85 936	–
– REIT distribution deduction*	(151 872)	(93 893)	(151 872)	(100 193)
– Deferred tax not raised	(13 796)	(27 481)	(113)	(5 965)
Effective taxation	85 718	–	85 936	–

** Permanent differences consist of intangible asset amortisation, debt raising fees, non-deductible expenses and share-based payments.

* At the time of the publication of the 2020 Integrated report, no decision with regard to the declaration of the dividend for the 31 August 2020 year had been made. The assumption was made that 75% of distributable income will be declared as a dividend in line with the minimum dividend required in terms of the JSE listings requirements. However, on 12 August 2021, at its board meeting, the board made a decision that no dividend would be declared with respect to the August 2020 financial year. This resulted in a normal taxation liability for the August 2020 financial year of R85.9 million. This amount is shown as a normal tax – prior charge. This amount will be excluded from the distributable earnings on 31 August 2021.

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 to registered REITs. 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 2021

33. EARNINGS AND HEADLINE EARNINGS

Earnings per share for the group is calculated on the weighted average number of 264 641 319 A-shares (2020: 264 641 319 A-shares) and 264 641 319 B-shares (2020: 264 641 319 B-shares) and net earnings after taxation of R429.4 million (2020: R119.1 million).

	Consolidated	
	2021	2020
	R'000	R'000
Reconciliation between profit, earnings and headline earnings		
Profit attributable to shareholders of the company	429 454	119 071
Adjustments:		
Fair value	15 979	152 322
Fair value – investment properties revaluation	35 013	111 743
NCI – fair value of investment properties revaluation	19 658	(2 694)
Fair value – straight-line rental income	(38 692)	43 273
Headline earnings	445 433	271 393
Total number of shares in issue*	529 282 638	529 282 638
Number of A shares in issue	264 641 319	264 641 319
Number of B shares in issue	264 641 319	264 641 319
Total weighted average number of shares in issue*	529 282 638	529 282 638
Weighted average number of A shares in issue*	264 641 319	264 641 319
Weighted average number of B shares in issue*	264 641 319	264 641 319
Diluted weighted average number of shares in issue*	536 201 129	532 422 828
Diluted weighted average number of A shares in issue*	265 056 166	264 641 319
Diluted weighted average number of B shares in issue*	271 144 963	267 781 509
Earnings per A share (cents)	81.14	22.50
Diluted earnings per A share (cents)	80.09	22.36
Earnings per B share (cents)	81.14	22.50
Diluted earnings per B share (cents)	80.09	22.36
Headline earnings per A share (cents)	84.16	51.28
Diluted headline earnings per A share (cents)	83.07	50.97
Headline earnings per B share (cents)	84.16	51.28
Diluted headline earnings per B share (cents)	83.07	50.97

* Net of treasury shares.

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

33. EARNINGS AND HEADLINE EARNINGS (continued)

	Consolidated	
	2021 R'000	2020 R'000
Reconciliation of weighted average number of shares in issue		
Number of A shares in issue at the beginning of the period*	264 641 319	264 641 319
Shares issued during the year	–	–
Number of A shares in issue at period end*	264 641 319	264 641 319
Number of B shares in issue at the beginning of the period*	264 641 319	264 641 319
Shares issued during the year	–	–
Number of B shares in issue at period end*	264 641 319	264 641 319
Weighted average number of A shares for basic EPS	264 641 319	264 641 319
Effects of dilutions from Share options	414 847	–
Weighted average number of A shares adjusted for the effect of dilution	265 056 166	264 641 319
Weighted average number of B shares for basic EPS	264 641 319	264 641 319
Effects of dilutions from Share options	6 503 644	3 140 190
Weighted average number of B shares adjusted for the effect of dilution	271 144 963	267 781 509

* The above are net of treasury shares.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

34. CASH GENERATED FROM OPERATIONS

	Notes	Consolidated		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Profit before taxation		568 915	143 162	445 350	199 973
Adjusted for:					
Dividends received from group companies		–	–	(754 454)	(630 670)
Option premium		(4 000)	–	(4 000)	–
Rental guarantee		(18 209)	–	–	–
Finance costs	31	297 261	333 937	249 317	279 853
Investment in subsidiary write-off	11	–	–	150 000	–
Subsidiary loan waived	11	–	–	1 744	–
Finance income	30	(14 449)	(31 308)	(9 393)	(13 733)
Fair value adjustment		(65 614)	333 590	(69 991)	182 649
Straight-lining income accrual	4	38 692	(43 273)	7 143	(3 484)
Amortisation of intangible assets		37 500	37 500	–	–
Depreciation – property, plant and equipment	6	987	961	737	610
Property, plant and equipment written off		–	72	–	–
Share-based payment expense	29	3 797	2 105	2 105	2 105
(Decrease)/increase in expected credit loss	28	(9 619)	6 917	326	–
Amortisation of tenant installations	3	4 706	4 450	208	85
Amortisation of leasing commissions	3	9 920	8 498	240	156
Operating income before working capital changes		849 887	796 611	19 332	17 544
Working capital changes		473	1 979	5 540	2 573
(Increase)/decrease in trade and other receivables		(9 502)	(10 797)	2 263	(1 779)
Increase in trade and other payables		9 975	12 776	3 277	4 352
Net cash generated from operations		850 360	798 590	24 872	20 117

35. DIVIDENDS PAID

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Dividends paid to ordinary shareholders	(275 570)	(253 071)	(275 570)	(253 071)
Dividends declared to non-controlling interest	(35 638)	(26 663)	–	–
Dividends declared to non-controlling interest – non-cash flow	9 086	–		
	(302 122)	(279 734)	(275 570)	(253 071)
Dividends paid to ordinary shareholders reconciliation	(275 570)	(253 071)	(275 570)	(253 071)
A shareholders 59.020290 cents per share (2019 final dividend: 55.415340 cents per share)	(156 207)	(146 665)	(156 207)	(146 665)
B shareholders 45.099650 cents per share (2019 final dividend: 40.203770 cents per share)	(119 363)	(106 406)	(119 363)	(106 406)

36. TAXATION PAID

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	–	–	–	–
Normal tax	(85 965)	–	(85 936)	–
SARS interest – current year	(3 500)	–	(3 497)	–
SARS – owing	3 469	–	3 440	–
	(85 996)	–	(85 993)	–

37. BUSINESS COMBINATION

Current year acquisition

Effective 28 February 2021 Dipula acquired 100% of the shares in Phepha 006, for a total cash consideration of R19.9 million.

The principal activity of Phepha 006 is property investment in the residential sector.

No transactions cost were incurred on the acquisition and there is no restriction on the use of the assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

37. BUSINESS COMBINATION (continued)

The fair value of the assets and liabilities acquired is as follows:

	Consolidated
	2021 R'000
Investment property	153 101
Interest-bearing liabilities – financial institution	(30 951)
Interest-bearing liabilities – Dipula	(102 568)
Interest-bearing liabilities – Phepha Prop 003 Proprietary Limited	(8 108)
Trade and other receivables	435
Deferred taxation	2 807
Trade and other payables	(2 835)
Total net assets	11 881
Total consideration paid in cash	19 989
Split as follows:	
Interest-bearing liabilities – Phepha Prop 003 Proprietary Limited	8 108
Equity acquired	11 881
	19 989

The acquisition of the shares in Phepha 006 allows the company to expand its investment into the residential property sector. Phepha 006 owns 272 residential units in Midrand and Bruma.

The business combination would have resulted in revenue for the group of R1.331 billion and net profit before tax would have been R575 million had the business combination taken place at the beginning of the year. The directors of the group consider these numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide reference point for comparison in future periods.

For the period 1 March 2021 to 31 August 2021 the business acquired made revenue of R9 million and profit of R3 million.

Prior year acquisition

Effective 1 July 2020 Dipula acquired 50.10% of the shares in Unlocked for a total cash consideration of R71.8 million.

The principal activity of Unlocked is property owning in the residential sector.

The non-controlling interest, at date of acquisition, was measured at proportionate value.

37. BUSINESS COMBINATION (continued)

The fair value of the assets and liabilities acquired is as follows:

	Consolidated
	2020 R'000
Investment property	242 626
Property, plant and equipment	352
Interest-bearing liabilities	(99 600)
Non-controlling interest	(70 887)
Trade and other payables	(659)
Total cash consideration	71 832

The acquisition of the shares in Unlocked provides the company with expansion into the residential property sector. Unlocked owns 428 residential units in Palm Springs Cosmo City.

Had the business combination been effected on 1 September 2019, the revenue of the group would have been R1.33 billion and net profit before tax would have been R161 million. The directors of the group consider these numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide reference point for comparison in future periods.

For the period 1 July 2020 to 31 August 2020 the business acquired made revenue of R3 million and profit of R78K.

38. COMMITMENTS

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Capital commitments				
Property acquisitions	67 715	90 605	1 650	–
– approved	67 715	90 605	1 650	–

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

39. 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	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Receivable within one year	954 834	872 647	23 142	21 965
Receivable within two to five years	1 780 623	1 994 262	76 173	75 770
Receivable more than five years	253 862	134 585	23 515	11 220
	2 989 319	3 001 494	122 830	108 955

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

39. MINIMUM LEASE PAYMENTS RECEIVABLE (continued)

The group has entered into operating leases on its investment property portfolio consisting of certain office, retail, industrial and residential properties. These leases have on average terms of between 12 months and 5 years.

Future minimum lease payments have only been disclosed up to a six-year period in previous years.

40. CONTINGENT LIABILITIES AND GUARANTEES**Guarantees****Municipal guarantees**

Guarantees totalling R5.5 million (2020: R3.9 million) have been issued on the group's behalf by the Standard Bank of South Africa Limited to various municipal councils in lieu of deposits for services. In the event of default, the municipalities will be paid by the bank.

Subsidiary bank loan guarantees

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

	Interest-bearing liability as at 31 August 2021 R'000	Interest-bearing liability as at 31 August 2020 R'000
Jarrabilla Investments Proprietary Limited	93 000	155 038
Lizinex Proprietary Limited	28 200	53 400
Gillwell Taxi Retail Park Proprietary Limited	195 141	195 141
Bajascap Proprietary Limited	63 205	63 190
	379 546	466 769

An expected credit loss assessment was performed on the financial guarantees and it was determined that no liability is required at this time in accordance with the requirements of IFRS 9 as the disposal of the subsidiaries investment properties will be sufficient to cover the interest-bearing liabilities.

Contingent liabilities**SARS – penalty on late payment of August 2020 income tax payment**

For the 31 August 2020 year-end, Dipula announced that the board of directors had deferred its decision regarding the declaration of a dividend in respect of FY2020 and that the financial statements were prepared on the assumption that 75% of distributable income will be declared as a dividend in line with the minimum dividend required in terms of the JSE listings requirements.

On 27 August 2021, the board of directors announced that no dividend would be declared in respect of FY2020. This announcement resulted in a normal tax liability for the company of R85.9 million for the FY2020 due to the resultant revised taxable income of R308 million following the non-deductibility of any dividend deduction. Once of the final decision by the board was made not to distribute any dividend for FY2020, the normal tax liability R85.9 million was paid to SARS. As a result of the non-payment of the first and second provisional tax payments, SARS levied an underestimation penalty of R13.7 million on the company. A request to remit the underestimation provisional tax penalty and section 89bis interest for the 2020 year of assessment has been submitted to SARS.

The company has not provided for the R13.7 million underestimation penalty in the current financial year.

Litigations in process

The Dipula Property Investment Trust is currently in an arbitration dispute with one of its suppliers. The Dipula Property Investment Trust is claiming R1.9 million from the supplier. The supplier in turn has lodged a counterclaim against The Dipula Property Investment Trust. An arbitrator has been appointed and claims and counterclaims have been submitted.

No provision has been made in these annual financial statements for any potential loss to the group.

41. FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of loans receivable (note 10), cash and cash equivalents (note 14), interest-bearing liabilities (note 21), loans to subsidiaries (note 11), trade and other receivables (note 13), trade and other payables (note 24) and shares (note 16). In respect of the aforementioned financial instruments, carrying value approximates fair value, except as where otherwise stated (note 11).

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

- ▶ Credit risk.
- ▶ Liquidity risk.
- ▶ Market risk.

The company's 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 group audit and risk committee.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the group's activities.

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.

The group audit and risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reports to the board of directors on a regular basis on its activities.

41.1 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 balances, loans receivable and derivative financial instruments (where these are in an asset position) held with financial institutions.

The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognised in profit or loss relate to trade and other receivables.

Civil unrest

During July 2021 violent protest action broke out throughout KwaZulu-Natal and Gauteng. This resulted in substantial looting, asset destruction and economic disruptions which will filter through to GDP growth for 2021. Dipula suffered losses of varying degrees at 12 of its properties during these events.

Dipula management and its professional teams have assessed the affected properties and estimate total damages at approximately R100 million. Of the 12 impacted properties, 10 are now partially or fully operational, including: Proteapoint Shopping Centre, Soweto Asambhe, Harding Corner, Fairways on Main, Absa Krugersdorp, Sam Sekoti Vosloorus, Orange Farm Town Square, Tsakane Corner, Meadowpoint and 1 President Street in Germiston.

Management anticipates that the 2 remaining retail centres, being Dobsonpoint Shopping Centre and October Avenue Ivory Park, will reopen in the next 6 to 12 months.

Credit risk of trade receivables due to the civil unrest has not impacted the group as the company is sufficiently insured and expects to recover its losses from its insurers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 Credit risk management (continued)

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The characteristics is determined by the size and financial position of each tenant.

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 creditworthiness 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. The ECL on deposits is considered immaterial since most deposits are with reputable institutions.

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.

An individual account-by-account assessment was done in the current financial year on debtors to determine the ECL. The total impairment loss that was raised amounted to R4 million (2020: R11 million). In the company an ECL amount of R326K was raised during the year (2020: nil).

In considering the expected credit loss the following forward looking factors were taken into account:

- ▶ financial state of the tenant and any indication of financial distress based on most recent information available and management discussions
- ▶ commitments made for payment and whether they are realistic based on history and tenant relationship
- ▶ current economic climate

The group divided its debtors into low, medium to high risk debtors based on the industry it operates in:

Low risk tenants

- ▶ Financial Institutions.
- ▶ Government.
- ▶ National.

Medium to high risk tenants

- ▶ Residential.
- ▶ Restaurants.
- ▶ SME.
- ▶ Medical.

Exposures within each group were segmented based on common conditions during the period over which the historical data was collected, current conditions and the group's view of the economic conditions over the expected lives of the receivables.

The economic and financial uncertainty of Covid-19 has been incorporated in the expected credit loss of tenant receivables. Industry-wide rent concessions have also been taken into account.

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 Credit risk management (continued)

	Consolidated				
	Current R'000	30 days R'000	60-90 days R'000	120 + days R'000	Total R'000
2021					
Low risk tenants					
Trade receivables – gross carrying amount					
Financial institutions	342	148	102	1 152	1 744
Government	4 078	2 153	3 933	2 025	12 189
National	4 601	2 423	2 760	1 949	11 733
% impairment (ECL)					
Financial institutions	–	–	–	–	–
Government	–	–	–	3%	–
National	–	–	6%	81%	15%
Impairment (ECL)					–
Financial institutions	–	–	–	(2)	(2)
Government	–	–	–	(53)	(53)
National	–	–	(162)	(1 585)	(1 747)
Net low risk trade receivables	9 021	4 724	6 633	3 486	23 864
Medium to high risk tenants					
Trade receivables – gross carrying amount					
Residential	287	53	93	1 087	1 520
Restaurants	1 077	814	780	10 515	13 186
SME	7 556	5 598	7 384	40 737	61 275
Medical	322	164	123	1 102	1 711
% impairment (ECL)					
Residential	–	28%	100%	100%	79%
Restaurants	–	–	–	62%	49%
SME	–	2%	1%	54%	36%
Medical	–	–	–	80%	52%
Impairment (ECL)					–
Residential	–	(15)	(93)	(1 087)	(1 195)
Restaurants	–	–	–	(6 469)	(6 469)
SME	–	(120)	(100)	(21 997)	(22 217)
Medical	–	–	–	(883)	(883)
Net medium to high risk trade receivables	9 242	6 494	8 187	23 005	46 928
Total net trade receivables	18 263	11 218	14 820	26 491	70 792

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

41. FINANCIAL RISK MANAGEMENT (continued)**41.1 Credit risk management** (continued)

	Consolidated				
	Current R'000	30 days R'000	60-90 days R'000	120 + days R'000	Total R'000
2020					
Low risk tenants					
Trade receivables – gross carrying amount					
Financial institutions	491	472	155	48	1 166
Government	2 228	400	240	96	2 964
National	8 911	3 387	2 648	215	15 161
% impairment (ECL)					
Financial institutions	–	–	–	–	–
Government	–	–	–	55%	2%
National	–	–	10%	93%	3%
Impairment (ECL)					
Financial Institutions	–	–	–	–	–
Government	–	–	–	(53)	(53)
National	–	–	(271)	(201)	(472)
Net low risk trade receivables	11 630	4 259	2 772	105	18 766
Medium to high risk tenants					
Trade receivables – gross carrying amount					
Restaurants	1 121	879	1 167	13 422	16 589
SME	11 112	8 759	9 567	40 732	70 170
Medical	248	144	66	2 924	3 382
% impairment (ECL)					
Restaurants	–	–	–	78%	63%
SME	4%	4%	8%	63%	39%
Medical	–	–	–	90%	78%
Impairment (ECL)					
Restaurants	(1)	–	(3)	(10 529)	(10 533)
SME	(437)	(343)	(809)	(25 462)	(27 051)
Medical	–	–	–	(2 645)	(2 645)
Net medium to high risk trade receivables	12 043	9 439	9 988	18 442	49 912
Total net trade receivables	23 673	13 698	12 760	18 547	68 678

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 Credit risk management (continued)

	Company				
	Current R'000	30 days R'000	60-90 days R'000	120 + days R'000	Total R'000
2021					
Low risk tenants					
Trade receivables – gross carrying amount					
Financial institutions	3	–	–	–	3
National	176	152	273	132	733
% impairment (ECL)					
Financial institutions	–	–	–	–	–
National	–	–	60%	100%	40%
Impairment (ECL)					
Financial Institutions	–	–	–	–	–
National	–	–	(163)	(132)	(295)
Total low risk impairment	–	–	(163)	(132)	(295)
Net low risk trade receivables	179	152	110	–	441
Medium to high risk tenants					
Trade receivables – gross carrying amount					
Restaurants	45	18	–	3	66
SME	160	122	55	126	463
Medical	6	–	–	–	6
% impairment (ECL)					
Restaurants	–	–	–	100%	5%
SME	–	–	–	23%	6%
Medical					
Impairment (ECL)					
Restaurants				(3)	(3)
SME	–	–	–	(28)	(28)
Medical	–	–	–	–	–
Total medium to high risk impairment	–	–	–	(31)	(31)
Net medium to high risk trade receivables	211	140	55	98	504
Total net trade receivables	390	292	165	98	945

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

41. FINANCIAL RISK MANAGEMENT (continued)**41.1 Credit risk management** (continued)

	Company				
	Current R'000	30 days R'000	60-90 days R'000	120 + days R'000	Total R'000
2020					
Low risk tenants					
Trade receivables – gross carrying amount					
National	4 727	808	1 414	81	7 030
% impairment (ECL)					
National	–	–	–	–	–
Impairment (ECL)					
National	–	–	–	–	–
Net trade receivables	4 727	808	1 414	81	7 030

	Consolidated	
	2021 R'000	2020 R'000
Movements on the impairment of trade receivables are as follows:		
Balance at the beginning of the year	40 754	33 837
Amounts taken on with business acquired	1 163	–
Amounts written off	(13 537)	(4 132)
Additional impairment recognised – through profit or loss	3 918	11 049
Joint arrangement impairment reclassified	268	–
Closing balance at year-end	32 566	40 754

	Company	
	2021 R'000	2020 R'000
Movements on the impairment of trade receivables are as follows:		
Balance at the beginning of the year	–	–
Additional impairment recognised – through profit or loss	326	–
Closing balance at year-end	326	–

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

Management and the board consider the ECL to be adequate for any material credit risk exposure.

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 Credit risk management (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Maximum exposure to credit losses from receivables, after impairment	85 904	73 517	979	7 030
Less: VAT	(15 453)	(9 589)	(170)	(1 055)
Less: Rental discounts accrued	(15 112)	(18 792)	(34)	–
Credit risk exposure	55 339	45 136	775	5 975
Credit risk exposure mitigated through: Deposits and guarantees held	(12 488)	(18 838)	(546)	(130)
Residual exposure	42 851	26 298	229	5 845

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.

Covid-19

Covid-19 still continues to affect the group but to a lesser extent than in the previous financial year.

In 2020 the group provided rental relief amounting to R48.6 million (consisting of rental discounts of R43.6 million and rental deferrals of R5 million). During the current financial year the group provided rental relief amounting to R13.9 million consisting of rental discounts.

During the 2021 financial year the group wrote off debtors to the amount of R13.5 million (2020: R4 million). With the resultant bad debt write off the ECL only increased by R4 million compared to 2020 increase of R11 million.

Cash and cash equivalents

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

Sureties

The group's policy is to provide sureties with regards to subsidiaries to the extent required in the normal course of business. Refer to note 40.

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

The sureties are backed by second bonds on the property.

Loans to subsidiaries

Loans to related parties are low risk due to the fact that loans are only made to entities known to the directors where their recoverability is assured beyond any reasonable doubt.

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41. FINANCIAL RISK MANAGEMENT (continued)**41.2 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 income on a monthly basis and deposits this into its call 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.

Maturities of financial liabilities

The tables below analyse the group and company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative and derivative financial liabilities. The amounts disclosed in the tables for non-derivative financial liabilities are the contractual undiscounted cash flows, and the amounts for derivatives are the current mark-to-market valuations. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

	Consolidated			
	Less than one year R'000	Two to five years R'000	More than five years R'000	Total R'000
Year ended 31 August 2021				
Financial liabilities				
Interest-bearing liabilities	1 097 516	2 329 353	–	3 426 869
Interest-bearing liabilities – finance costs	254 588	322 476	18 527	595 591
Option premium	–	3 568	–	3 568
Lease liabilities	8 087	35 710	469 504	513 301
Derivative financial instruments	18 239	65 820	–	84 059
Trade and other payables	189 097	–	–	189 097
Total financial liabilities	1 567 527	2 756 927	488 031	4 812 485
Year ended 31 August 2020				
Financial liabilities				
Non-interest-bearing liabilities	–	–	51 462	51 462
Interest-bearing liabilities	931 875	2 607 349	–	3 539 224
Option premium	–	11 500	–	11 500
Lease liabilities	7 467	34 528	478 948	520 943
Derivative financial instruments	21 030	134 151	–	155 181
Trade and other payables	121 681	–	–	121 681
Total financial liabilities	1 082 053	2 787 528	530 410	4 399 991

41. FINANCIAL RISK MANAGEMENT (continued)

41.2 Liquidity risk (continued)

	Company			
	Less than one year R'000	Two to five years R'000	More than five years R'000	Total R'000
Year ended 31 August 2021				
Financial liabilities				
Interest-bearing liabilities	900 038	1 975 511	–	2 875 549
Interest-bearing liabilities – finance costs	230 151	243 078	–	473 229
Option premium	–	3 568	–	3 568
Financial guarantees issued to banks for subsidiary loans	195 141	121 200	63 190	379 531
Derivative financial instruments	18 239	65 820	–	84 059
Trade and other payables	62 616	–	–	62 616
Total financial liabilities	1 406 185	2 409 177	63 190	3 878 552
Year ended 31 August 2020				
Financial liabilities				
Interest-bearing liabilities	649 533	2 251 783	–	2 901 316
Option premium	–	11 500	–	11 500
Financial guarantees issued to banks for subsidiary loans	282 341	121 238	63 190	466 769
Derivative financial instruments	21 030	134 151	–	155 181
Trade and other payables	12 426	–	–	12 426
Total financial liabilities	965 330	2 518 672	63 190	3 547 192

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates change. Except for financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

41.3 Market risk

Interest rate risk

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

The group's debt carries floating interest rates, with corresponding swaps to hedge the risk, except for the Cashbuild loan which carries a fixed interest rate.

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, long-term balances as well as its hedges.

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for the year ended 31 August 2021

41. FINANCIAL RISK MANAGEMENT (continued)**41.3 Market 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		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Sensitivity analysis				
Fair value sensitivity (mark to market on interest rate swaps)				
– 0.50% increase in interest rate	18 081	23 982	18 081	23 982
– 1.00% increase in interest rate	36 130	47 964	36 130	47 964
– 1.50% increase in interest rate	54 149	71 946	54 149	71 946
Cash flow sensitivity (interest-bearing borrowings)				
– 0.50% increase in interest rate	(16 970)	(18 211)	(14 005)	(14 507)
– 1.00% increase in interest rate	(33 940)	(36 422)	(28 009)	(29 013)
– 1.50% increase in interest rate	(50 910)	(54 633)	(42 013)	(43 520)

The sensitivity analysis of the interest rate swaps is based on the contractual terms of the derivatives and the estimated movement in JIBAR rates. The values are obtained from external providers. The cash flow sensitivity on interest-bearing borrowings is based on estimated movement in JIBAR and the prime overdraft rate and are internally calculated.

Currency risk

The group has no exposure to currency risk.

Equity price risk

The group is not exposed to equity price risk.

41.4 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; and
- ▶ **Level 3:** Inputs for assets or liabilities that are not based on observable market data.

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.

41. FINANCIAL RISK MANAGEMENT (continued)

41.4 Fair values (continued)

The group's audit and risk 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.

At 31 August 2021, the directors valued the property portfolio at R9.1 billion (2020: R9.1 billion). Refer to note 3 for further details.

The fair values of the properties are estimated using a discounted cash flow method, which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. The estimated rental stream takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the properties.

The estimated fair value would increase/(decrease) if the expected gross rent was higher/(lower), the discount rate was lower/(higher), the vacancy rate was lower/(higher) and/or the capitalisation rate was lower/(higher).

The most significant inputs are the discount rate, gross rent, vacancy rate and the capitalisation rate.

In 2020, Covid-19 had created uncertainty in the market resulting in slower letting and lower rentals which resulted in an R84 million decrease in the valuation of investment properties. During the current financial year the property portfolio was able to maintain its value at R9.1 billion despite the fair value adjustment decreasing by R35 million.

Civil unrest

During July 2021 violent protest action broke out throughout KwaZulu-Natal and Gauteng. This resulted in substantial looting, asset destruction and economic disruptions which will filter through to GDP growth for 2021. Dipula suffered losses of varying degrees at 12 of its properties during these events.

The company is sufficiently insured and expects to recover its damages fully from its insurers. As a result the looting did not have an impact on the fair value of the investment properties. Subsequent to year-end a partial settlement of R42.5 million (including VAT) was received from SASRIA.

In an endeavour to provide more detail regarding the significant unobservable input for Investment Property – Level 3, the below tables have been prepared.

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for the year ended 31 August 2021

41. FINANCIAL RISK MANAGEMENT (continued)

41.4 Fair values (continued)

Valuation technique and significant unobservable inputs – Investment Property – Level 3

	Discount rate %	Capitalisation rate %	Vacancy	Rent	Discount rate %	Capitalisation rate %
	Range	Weighted average	Range	Weighted average	Range	Weighted average
	2021	2021	2021	2021	2020	2020
	%	%	%	%	%	%
Total portfolio	10 – 17	12.6	8 – 15	9.7	0 – 8	94 – 117
Retail	10 – 17	13.4	8 – 12	9.5	0 – 9	111 – 134
Office	11 – 16	13.3	9 – 11	9.9	0 – 16	124 – 165
Industrial	12 – 17	11.8	9 – 15	10.2	0 – 4	35 – 44
Residential	15 – 15	14.8	9 – 10	9.4	0 – 23	95 – 154

	Valuation impact if discount rate 2021 (0.5%) %	Valuation impact if discount rate 2021 +0.5% %	Valuation impact if capitalisation rate 2021 (0.5%) %	Valuation impact if capitalisation rate 2021 +0.5% %	Valuation impact if market rentals 2021 +5% %	Valuation impact if market rentals 2021 (5.0%) %	Valuation impact if vacancy rate 2021 (1%) %	Valuation impact if vacancy rate 2021 +1% %
Total portfolio	2.4	(2.2)	4.7	(4.0)	6.1	(6.1)	0.9	(0.9)
Retail	2.4	(2.2)	4.8	(4.1)	6.4	(6.1)	0.9	(0.9)
Office	2.5	(2.4)	4.8	(4.0)	5.5	(7.0)	0.9	(0.9)
Industrial	2.0	(2.0)	4.0	(3.4)	5.6	(5.2)	0.9	(0.9)
Residential	1.9	(1.9)	3.3	(3.3)	5.1	(5.1)	1.3	(1.3)

	Valuation impact if discount rate 2020 (0.5%) %	Valuation impact if discount rate 2020 +0.5% %	Valuation impact if capitalisation rate 2020 (0.5%) %	Valuation impact if capitalisation rate 2020 +0.5% %	Valuation impact if market rentals 2020 +5% %	Valuation impact if market rentals 2020 (5.0%) %
Total portfolio	1.8	(1.7)	3.4	(3.0)	5.3	(5.5)
Retail	1.8	(1.7)	3.4	(3.1)	5.2	(5.5)
Office	1.8	(1.6)	3.3	(3.0)	6.4	(6.7)
Industrial	1.8	(1.7)	3.1	(2.8)	4.2	(3.4)
Residential	na	na	na	na	na	na

Vacancy sensitivity analysis information not available for FY2020.

41. FINANCIAL RISK MANAGEMENT (continued)

41.4 Fair values (continued)

Valuation technique and significant unobservable inputs – Options – Level 3

Description	Valuation technique	Significant inputs
Valued by utilising comparative sales of similar properties in the respective nodes	Comparative sales of similar properties.	Property sale prices

Valuation technique and significant inputs – Derivative Financial Instruments – Level 2

Interest rate swaps

Description	Valuation technique	Significant inputs
Interest rate swaps/cap transactions	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

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value:

	Consolidated		Company	
	Recurring fair value measurements Level 3 2021 R'000	Recurring fair value measurements Level 3 2020 R'000	Recurring fair value measurements Level 3 2021 R'000	Recurring fair value measurements Level 3 2020 R'000
Investment property (note 3)	9 024 364	9 012 258	264 750	262 650
Right-of-use assets (note 3)	84 606	82 244	–	–
Derivative financial assets – options (note 8)	–	15 447	–	15 447

	Consolidated		Company	
	Recurring fair value measurements Level 2 2021 R'000	Recurring fair value measurements Level 2 2020 R'000	Recurring fair value measurements Level 2 2021 R'000	Recurring fair value measurements Level 2 2020 R'000
Derivative financial instruments (note 9)	2 328	–	2 328	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

41. FINANCIAL RISK MANAGEMENT (continued)**41.5 Categories of financial assets and financial liabilities**

	Consolidated			
	Financial assets/ liabilities at amortised cost R'000	Financial assets/ liabilities at FVTPL R'000	Non-financial assets/ liabilities R'000	Total R'000
Year ended 31 August 2021				
Financial assets				
Trade and other receivables	231 536	–	1 647	233 183
Derivative financial instruments	–	2 328	–	2 328
Loans receivable	9 502	–	–	9 502
Cash and cash equivalents	62 576	–	–	62 576
Total financial assets	303 614	2 328	1 647	307 589
Financial liabilities				
Interest-bearing liabilities	3 426 869	–	–	3 426 869
Option premium	–	3 568	–	3 568
Lease liabilities	113 279	–	–	113 279
Derivative financial instruments	–	84 059	–	84 059
Trade and other payables	232 301	–	5 686	237 987
Total financial liabilities	3 772 449	87 627	5 686	3 865 762

	Consolidated			
	Financial assets/ liabilities at amortised cost R'000	Financial assets/ liabilities at FVTPL R'000	Non-financial assets/ liabilities R'000	Total R'000
Year ended 31 August 2020				
Financial assets				
Trade and other receivables	159 494	–	4 709	164 203
Derivative financial assets – options	–	15 447	–	15 447
Loans receivable – non-current	206 612	–	–	206 612
Cash and cash equivalents	49 357	–	–	49 357
Total financial assets	415 463	15 447	4 709	435 619
Financial liabilities				
Non-interest-bearing liabilities	51 462	–	–	51 462
Interest-bearing liabilities	3 539 224	–	–	3 539 224
Option premium	–	11 500	–	11 500
Lease liabilities	110 522	–	–	110 522
Derivative financial instruments	–	155 181	–	155 181
Trade and other payables	163 018	–	8 034	171 052
Total financial liabilities	3 864 226	166 681	8 034	4 038 941

41. FINANCIAL RISK MANAGEMENT (continued)

41.5 Categories of financial assets and financial liabilities (continued)

	Company			
	Financial assets/ liabilities at amortised cost R'000	Financial assets/ liabilities at FVTPL R'000	Non-financial assets/ liabilities R'000	Total R'000
Year ended 31 August 2021				
Financial assets				
Trade and other receivables	13 829	–	31	13 860
Derivative financial instruments	–	2 328	–	2 328
Loans to subsidiaries	6 414 695	–	–	6 414 695
Interest in subsidiaries	–	–	851 127	851 127
Cash and cash equivalents	34 760	–	–	34 760
Total financial assets	6 463 284	2 328	851 158	7 316 770
Financial liabilities				
Interest-bearing liabilities	2 875 549	–	–	2 875 549
Option premium	–	3 568	–	3 568
Derivative financial instruments	–	84 059	–	84 059
Trade and other payables	69 659	–	444	70 103
Total financial liabilities	2 945 208	87 627	444	3 033 279

	Company			
	Financial assets/ liabilities at amortised cost R'000	Financial assets/ liabilities at FVTPL R'000	Non-financial assets/ liabilities R'000	Total R'000
Year ended 31 August 2020				
Financial assets				
Trade and other receivables	16 139	–	311	16 450
Derivative financial assets – options	–	15 447	–	15 447
Loans receivable	103 267	–	–	103 267
Interest in subsidiaries	6 164 333	–	954 424	7 118 757
Cash and cash equivalents	26 910	–	–	26 910
Total financial assets	6 310 649	15 447	954 735	7 280 831
Financial liabilities				
Interest-bearing liabilities	2 901 316	–	–	2 901 316
Option premium	–	11 500	–	11 500
Derivative financial instruments	–	155 181	–	155 181
Trade and other payables	13 923	–	567	14 490
Total financial liabilities	2 915 239	166 681	567	3 082 487

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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42. CAPITAL MANAGEMENT

The capital structure of the group consists of net debt and equity of the group.

The net debt consists of interest-bearing liabilities disclosed in note 21 less cash and cash equivalents disclosed in note 14.

The equity comprises stated capital, reserves, and retained earnings.

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. The group may maintain or adjust the capital structure through various mechanisms, including issuing new shares or selling assets to reduce debt.

There were no changes in the group's approach to capital management during the year.

One of the measures that the group employs to monitor capital is the calculation of a LTV ratio, as determined by the ratio of net debt to the fair value of property assets, consistent with others in the industry.

Covenants

At a group level, Dipula's strictest covenant requirements with its various debt providers is a LTV ratio of 50% and an ICR of 2 times.

Dipula's covenant levels were substantially within the approved limits at the reporting date, as follows:

	Consolidated	
	31 August 2021 R'000	31 August 2020 R'000
LTV	36.4%	38.9%
ICR	3.15 times	2.62 times

Unutilised borrowings

The unutilised borrowings of the group are reflected below:

	Consolidated	
	2021 R'000	2020 R'000
Value of the property portfolio	9 210 212	9 107 990
50% thereof (2020: 45% thereof)	4 605 106	4 098 596
Borrowings utilised	(3 426 869)	(3 539 224)
Unutilised borrowings capacity	1 178 237	559 372

43. RELATED PARTY TRANSACTIONS

43.1 Related parties

Related 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.

The group comprises the following legal entities and unincorporated joint operations.

All transactions with related parties are at arm's length.

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Related parties with whom Dipula transacted during the year were:				
Property management fees (note 26)			29 378	29 244
Dipula Property Management			–	473
Gillwell Taxi Retail Park Proprietary Limited			818	1 257
Emerald Fire Investments Proprietary Limited			2 104	1 878
Jarrabilla Investments Proprietary Limited			809	798
Lizinex Proprietary Limited			1 766	1 582
Luxanio Trading 181 Proprietary Limited			2 390	2 249
Mergence Africa Property Investment Trust			17 151	16 953
Seshego Circle Consortium			1 081	952
The Dipula Property Investment Trust			3 259	3 102
Building management recoveries (note 26)			3 124	–
Emerald Fire Investments Proprietary Limited			67	–
Gillwell Taxi Retail Park Proprietary Limited			83	–
Jarrabilla Investments Proprietary Limited			55	–
Lizinex Proprietary Limited			55	–
Luxanio Trading 181 Proprietary Limited			140	–
Mergence Africa Property Investment Trust			2 542	–
Seshego Circle Consortium			182	–
Asset management fees (note 26)			9 274	–
Emerald Fire Investments Proprietary Limited			614	–
Gillwell Taxi Retail Park Proprietary Limited			411	–
Hynorex Proprietary Limited			137	–
Jarrabilla Investments Proprietary Limited			381	–
Lizinex Proprietary Limited			448	–
Luxanio Trading 181 Proprietary Limited			1 184	–
Mergence Africa Property Investment Trust			5 221	–
The Dipula Property Investment Trust			878	–
Rental income			1 016	3 326
Dipula Asset Management Trust			1 016	1 096
Dipula Property Management			–	2 230
Total			42 792	32 570

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

43. RELATED PARTY TRANSACTIONS (continued)**43.1 Related parties** (continued)

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Distribution/dividends from group companies (note 11)			754 454	630 670
Asakhe Realty Investment Fund Proprietary Limited			45 656	32 831
Bajascap Proprietary Limited			26 601	21 000
Gillwell Taxi Retail Park Proprietary Limited			19 047	15 290
Luxanio Trading 181 Proprietary Limited			104 802	109 917
Mergence Africa Property Fund Proprietary Limited			71 398	67 008
Mergence Africa Property Investment Trust			410 073	357 035
Phepha Prop 006 Proprietary Limited			3 177	–
The Dipula Property Investment Trust			64 616	27 551
Unlocked Properties 18 Proprietary Limited			9 084	38
Loans receivable from/(payable to) group companies (note 11)			6 414 695	6 164 333
Asakhe Realty Investment Fund Proprietary Limited			190 430	197 649
Bajascap Proprietary Limited			303	130
Dipula Asset Management Trust			5 721	4 236
Dipula Property Management Proprietary Limited			57	1 751
Emerald Fire Investments Proprietary Limited			–	(19 097)
Gillwell Taxi Retail Park Proprietary Limited			135 409	136 262
Luxanio Trading 181 Proprietary Limited			671 553	672 212
Mergence Africa Property Fund Proprietary Limited			694 833	643 524
Mergence Africa Property Investment Trust			3 765 238	3 739 616
Phepha Prop 006 Proprietary Limited			144 201	–
The Dipula Property Investment Trust			761 364	765 241
Unlocked Properties 18 Proprietary Limited			45 586	22 809

Refer to note 41 for ECL consideration.

Related parties outside the group

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
The following amounts were (paid to) received from companies which IS Petersen (executive director) is associated with:	(8 117)	(6 663)	(2 289)	417
Qvest Consulting Proprietary Limited – professional fees	(8 051)	(6 738)	(2 465)	–
MAC Capital Solutions Proprietary Limited – administration costs	(512)	(342)	(270)	–
MAC Capital Solutions Proprietary Limited – rent received	446	417	446	417

43. RELATED PARTY TRANSACTIONS (continued)

43.2 Directors' remuneration

Non-executive directors

Short-term benefits

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

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
BH Azizollahoff*	488	419	488	419
SA Halliday#	412	402	412	402
E Links*	484	416	484	416
ZJ Matlala (chairperson)*	510	438	510	438
Y Waja*	598	507	598	507
	2 492	2 182	2 492	2 182

* Directors' fees include VAT charged less a total of R35K contributed by the directors towards Corporate Social Investment project.

Directors' fees do not include VAT less a total R4K contributed by the director towards Corporate Social Investment project.

	Salary	Bonus	Performance shares vested	Total
EXECUTIVE DIRECTORS				
2021				
IS Petersen**	4 889	3 164	–	8 053
R Asmal#	2 611	1 454	–	4 065
Total	7 500	4 618	–	12 118
2020				
IS Petersen*	4 764	1 974	–	6 738
R Asmal	2 544	952	–	3 496
Total	7 308	2 926	–	10 234

* Amount paid by the group to QVEST Consulting Proprietary Limited for services rendered by IS Petersen. IS Petersen is the sole shareholder of the company.

R Asmal contributed R23K of his remuneration for the year towards Corporate Social Investment projects.

♦ IS Petersen contributed R42K of his remuneration for the year towards Corporate Social Investment projects.

The directors are the prescribed officers of the group as well.

Non-executive director – trustees fees

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

	Consolidated		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
BH Azizollahoff	118	100	118	100

Share-based payments

The conditional share plan provided for participants to be awarded rights to a specified number of Dipula shares, the vesting of which is conditional upon the extent the performance conditions have been satisfied.

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43. RELATED PARTY TRANSACTIONS (continued)**43.2 Directors' remuneration** (continued)

		Number of unexercised options as at 31 August 2021	Number of options granted	Number of unexercised options as at 31 August 2020	Vesting date
IS Petersen	Tranche 1 – Dipula B shares	834 161	834 161	834 161	22 Aug 22
	Tranche 2 – Dipula B shares	2 109 280	2 109 280	2 109 280	19 Feb 23
	Tranche 3 – Dipula B shares	1 754 520	1 754 520	–	15 Feb 24
	Tranche 3 – Dipula A shares	438 630	438 630	–	15 Feb 24
		5 136 591	5 136 591	2 943 441	
R Asmal	Tranche 1 – Dipula B shares	384 000	384 000	384 000	22 Aug 22
	Tranche 2 – Dipula B shares	970 992	970 992	970 992	19 Feb 23
	Tranche 3 – Dipula B shares	807 681	807 681	–	15 Feb 24
	Tranche 3 – Dipula A shares	201 920	201 920	–	15 Feb 24
		2 364 593	2 364 593	1 354 992	

Refer to note 18 for share-based payment reserve.

44. SEGMENTAL INFORMATION

The group identifies and presents operating segments based on the information that is provided internally to the chief executive officer, the group's chief operating decision maker.

The segments are based on the sectoral nature including the property management segment. All operating segments are all located in South Africa. There are no single major customers.

The results of the operating segments are reviewed monthly by the chief executive officer, to assess performance and make decisions regarding the allocation of capital to each of the operating segments.

The measurement policies the group uses for segmental reporting under IFRS 8 are the same as those used in its financial statements, to arrive at distributable earnings.

Reportable segments for the year ended 31 August 2021 are consistent with those reported as at 31 August 2020.

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

The segmental information is limited:

- ▶ on the statement of comprehensive income to:
 - contractual rental income
 - property expenses
- ▶ on the statement of financial position to:
 - investment properties
 - 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 subsectors above for management purposes.

44. SEGMENTAL INFORMATION (continued)

	Retail R'000	Offices R'000	Industrial R'000	Residential R'000	Land R'000	Corporate R'000	Total R'000
2021							
Extracts from the statement of comprehensive income							
Contractual rental income and recoveries (excluding straight-line)	854 543	249 881	195 186	53 038	–	–	1 352 648
Property-related expenses	(305 982)	(76 013)	(36 719)	(18 766)	(21)	(10 517)	(448 018)
Net property income	548 561	173 868	158 467	34 272	(21)	(10 517)	904 630
Extracts from the statement of financial position							
Investment property at fair value	5 517 754	1 760 730	1 376 800	433 836	19 850	–	9 108 970
Investment property held-for-sale	88 263	–	11 491	–	1 488	–	101 242
	5 606 017	1 760 730	1 388 291	433 836	21 338	–	9 210 212
	Retail R'000	Offices R'000	Industrial R'000	Residential R'000	Land R'000	Corporate R'000	Total R'000
2020							
Extracts from the statement of comprehensive income							
Contractual rental income and recoveries (excluding straight-line)	812 335	251 469	181 208	3 187	–	–	1 248 199
Property-related expenses	(296 404)	(83 292)	(33 905)	(1 345)	(20)	(18 732)	(433 698)
Net property income	515 931	168 177	147 303	1 842	(20)	(18 732)	814 501
Extracts from the statement of financial position							
Investment property at fair value	5 558 562	1 830 529	1 442 825	242 626	19 960	–	9 094 502
Investment property held-for-sale	–	–	12 000	–	1 488	–	13 488
	5 558 562	1 830 529	1 454 825	242 626	21 448	–	9 107 990

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

44. SEGMENTAL INFORMATION (continued)

	2021 R'000
Reconciliations of reportable segment revenue and profit	
Revenue	
Total revenue for reportable segments	1 352 648
Straight-line rental income accrual	(38 692)
Consolidated revenue	1 313 956
Profit	
Total profit for reportable segments	904 630
Straight-line rental income accrual	(38 692)
Administration and corporate costs	(42 325)
Net finance cost	(282 812)
Fair value adjustments	65 614
Amortisation of intangible assets	(37 500)
Profit before taxation	568 915
	2020 R'000
Reconciliations of reportable segment revenue and profit	
Revenue	
Total revenue for reportable segments	1 248 199
Straight-line rental income accrual	43 273
Consolidated revenue	1 291 472
Profit	
Total profit for reportable segments	814 501
Straight-line rental income accrual	43 273
Administration and corporate costs	(40 893)
Net finance cost	(302 629)
Fair value adjustments	(333 590)
Amortisation of intangible assets	(37 500)
Profit before taxation	143 162

44. SEGMENTAL INFORMATION (continued)

	2021 R'000
Reconciliations of reportable segment assets	
Assets	
Total assets for reportable segments	9 210 212
Property, plant and equipment	2 709
Deferred taxation	6 281
Loan receivable - non-current	6 974
Derivative financial instruments – non-current	2 328
Trade and other receivables	233 183
Loan receivable – current	2 528
Cash and cash equivalents	62 576
Total assets	9 526 791

	2020 R'000
Reconciliations of reportable segment assets	
Assets	
Total assets for reportable segments	9 107 990
Intangible assets	37 500
Property, plant and equipment	3 353
Loan receivable – non-current	206 612
Derivative financial assets – put options	15 447
Trade and other receivables	164 203
Cash and cash equivalents	49 357
Total assets	9 584 462

45. SUBSEQUENT EVENTS

Dividend declaration

In line with IAS 10: *Events after the Reporting Period*, the declaration of the dividend occurred after the end of the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements. The board approved a final dividend on 17 November 2021 of 59.93275 cents per A share amounting to R158.6 million and 44.60028 cents per B share amounting to R118 million for the six months ended 31 August 2021. The dividend represents a pay-out ratio of 100% of total group FFO and 100% of the minimum JSE required SA REIT distribution.

Dipula capital restructure

On 27 August 2021 and 22 September 2021, shareholders were advised that Resilient REIT Limited ("Resilient") proposed making an investment in Dipula subject to conditions including the conclusion of formal agreements and provided Dipula simplifies its dual share capital structure into a single class of ordinary shares.

On 15 October 2021, Dipula published a firm intention announcement to shareholders advising that Dipula and Resilient concluded formal agreements pursuant to which Dipula intends to propose to its shareholders:

- ▶ an equity capital raise by Dipula of R1 billion ("Equity Raise") comprising –
 - an amount of R404.5 million to be invested by Resilient through the disposal of investment property of equal value, in exchange for an issue of new Dipula B shares ("DIB shares"); and
 - the balance of the Equity Raise to be undertaken by issuing new DIB shares for cash, with Resilient underwriting this balance; and

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August 2021

45. SUBSEQUENT EVENTS (continued)

- ▶ a scheme of arrangement between Dipula and the holders of Dipula A-shares ("DIA shares") in terms of section 114(1) read with section 115 of the Companies Act, 71 of 2008 ("Companies Act"), whereby Dipula will offer to repurchase all issued DIA shares in exchange for a combination of DIB shares and cash ("Scheme"), (the Equity Raise and the Scheme collectively being referred to as the "Transaction").

The Transaction is an opportunity to improve the outlook for and positioning of Dipula and its shareholders, the objectives being that Dipula achieves a simplified share capital structure (consisting of a single class of ordinary shares) and obtains the benefit of a strategic relationship with Resilient whereby Resilient and Dipula will be co-owners of a retail centre. Resilient will hold a meaningful shareholding in Dipula and will have the right to nominate an appointment to the board of directors of Dipula ("board").

The board is of the view that, if the Transaction is approved and implemented, Dipula will be positioned to unlock value for shareholders with greater investor demand for its shares and, with a better rated and more liquid share, Dipula would have attractive consolidation and strategic opportunities within the property sector.

Civil Unrest

During July 2021 violent protest action broke out throughout KwaZulu-Natal and Gauteng. This resulted in substantial looting, asset destruction and economic disruptions which will filter through to GDP growth for 2021. Dipula suffered losses of varying degrees at 12 of its properties during these events.

Dipula management and its professional teams have assessed the affected properties and estimate total damages at approximately R100 million. Of the 12 impacted properties, ten are now partially or fully operational, including: Proteapoint Shopping Centre, Soweto Asambhe, Harding Corner, Fairways on Main, Absa Krugersdorp, Sam Sekoti Vosloorus, Orange Farm Town Square, Tsakane Corner, Meadowpoint and 1 President Street in Germiston.

Management anticipates that the two remaining retail centres, being Dobsonpoint Shopping Centre and October Avenue Ivory Park, will re-open in 6 to 12 months.

The group is sufficiently insured and expects to recover its damages fully from its insurers. Subsequent to year-end a partial settlement of R42.5 million (including VAT) was received from SASRIA.

46. GOING CONCERN

Although the group is in a net current liability position of R1 063 million (2020: R918 million) and the company is in a net current liability position of R940 million (2020: R641 million) as at 31 August 2021, 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 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 R1 097 million (2020: R932 million) in the group and R900 million (2020: R650 million) in the company.

The group had subsequent to year-end concluded the renewal of facilities amounting to R1.2 billion at a weighted average cost of 5.99% for a weighted average period of 2.98 years.

As part of the group's capital recycling strategy, the disposal of non-core properties will be a focus over the next 12 months. Management is closely monitoring the trade receivable collections and the group's liquidity position.

Based on the above, it would appear that the group and the company would be able to service their liabilities in the next 12 months.

SUPPLEMENTAL INFORMATION

APPENDIX 1 SA REIT BEST PRACTICE RECOMMENDATION RATIOS

The BPR is effective for the reporting periods commencing on or after 1 January 2020. The comparative figures have been disclosed on the same basis. Mazars have issued a factual findings report on the SA REIT BPR.

	Unaudited year ended 31 August 2021 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT Funds from Operations (SA REIT FFO) per share		
Profit for the period attributable to the parent	429 454	119 071
Adjusted for:		
Accounting/specific adjustments:	84 768	210 794
Fair value adjustments to:		
– Investment property	(3 679)	155 016
– Options	11 515	60 590
Depreciation and amortisation of intangible assets	38 487	38 461
Deferred tax movement recognised in profit or loss	(247)	–
Straight-lining operating lease adjustment	38 692	(43 273)
Foreign exchange and hedging items:	(73 450)	117 984
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	(73 450)	117 984
Other adjustments:	19 658	(2 694)
Non-controlling interests in respect of the above adjustments	19 658	(2 694)
SA REIT FFO	460 430	445 155
Number of shares outstanding at the end of the period (net of treasury shares)	529 282 638	529 282 638
SA REIT FFO average cents per share	86.99	84.11
Company-specific adjustments	91 750	1 955
IFRS 16 – Rental paid	(7 642)	(7 224)
IFRS 16 – Finance cost adjustment	10 399	10 140
Taxation prior year	85 936	–
Deferred tax movement recognised in profit or loss	247	–
Share-based payments	3 797	–
Depreciation of property, plant and equipment	(987)	(961)
Distributable earnings per share (Rand value):	552 180	447 110
Distributable earnings per A share (cents)	118.95304	114.49016
Interim	59.02029	57.35694
Final	59.93275	57.13322
Distributable earnings per B share (cents)	89.69993	54.45985
Interim	45.09965	38.61409
Final	44.60028	15.84576
Combined earnings per share (cents)	208.65297	168.95001
Interim	104.11994	95.97103
Final	104.53303	72.97898

SUPPLEMENTAL INFORMATION (CONTINUED)**APPENDIX 1** (continued)**SA REIT BEST PRACTICE RECOMMENDATION RATIOS** (continued)

	Unaudited year ended 31 August 2021 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT Net Asset Value (SA REIT NAV)		
Reported NAV attributable to the parent	5 450 805	5 295 022
Adjustments:		
Dividend to be declared	(276 638)	–
Fair value of certain derivative financial instruments	81 731	155 181
Goodwill and intangible assets	–	(37 500)
SA REIT NAV	5 255 898	5 412 703
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	529 282 638	529 282 638
Effect of dilutive instruments (options, convertibles and equity interests)	8 726 797	4 844 257
Dilutive number of shares in issue	538 009 435	534 126 895
SA REIT NAV per share	9.77	10.13
SA REIT cost-to-income ratio		
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	443 929	422 649
Administrative expenses per IFRS income statement	42 325	40 893
Other expenses – impairment loss and write off of receivables	4 089	11 049
Exclude:		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(987)	(961)
Company-specific adjustments	987	961
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	987	961
Operating costs	490 343	474 591
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	1 089 104	1 004 418
Utility and operating recoveries per IFRS income statement	263 544	243 781
Gross rental income	1 352 648	1 248 199
SA REIT cost-to-income ratio	36.3%	38.0%

APPENDIX 1 (continued)

SA REIT BEST PRACTICE RECOMMENDATION RATIOS (continued)

	Unaudited year ended 31 August 2021 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT administrative cost-to-income ratio		
Expenses		
Administrative expenses as per IFRS income statement	42 325	40 893
Administrative costs	42 325	40 893
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	1 089 104	1 004 418
Utility and operating recoveries per IFRS income statement	263 544	243 781
Gross rental income	1 352 648	1 248 199
SA REIT administrative cost-to-income ratio	3.1%	3.3%
	Unaudited year ended 31 August 2021 m ²	Unaudited year ended 31 August 2020 m ²
SA REIT VACANCY		
Gross lettable area of vacant space	76 783	63 473
Gross lettable area of total property portfolio	926 765	923 964
SA REIT GLA vacancy rate	8.3%	6.9%

SUPPLEMENTAL INFORMATION (CONTINUED)**APPENDIX 1** (continued)**SA REIT BEST PRACTICE RECOMMENDATION RATIOS** (continued)

	Unaudited year ended 31 August 2021 %	Unaudited year ended 31 August 2020 %
SA REIT COST OF DEBT		
Cost of debt		
<i>Variable interest-rate borrowings</i>		
Floating reference rate plus weighted average margin	5.76	8.00
Fixed interest-rate borrowings	–	–
Weighted average fixed rate	–	–
Pre-adjusted weighted average cost of debt	5.76	8.00
Adjustments:		
Impact of interest rate derivatives	2.42	0.96
Amortised transaction costs imputed into the effective interest rate	0.08	0.07
All-in weighted average cost of debt	8.26	9.03
	Unaudited year ended 31 August 2021 R'000	Unaudited year ended 31 August 2020 R'000
SA REIT loan-to-value		
Gross debt	3 426 869	3 539 224
Less:		
Cash and cash equivalents	(62 576)	(49 357)
Add:		
Derivative financial instruments	81 731	155 181
Net debt	3 446 024	3 645 048
Total assets – per statement of financial position	9 526 791	9 584 462
Less:		
Cash and cash equivalents	(62 576)	(49 357)
Derivative financial instruments	(2 328)	–
Goodwill and intangible assets	–	(37 500)
Trade and other receivables	(233 183)	(164 203)
Carrying amount of property-related assets	9 228 704	9 333 402
SA REIT loan-to-value (SA REIT LTV)	37.34%	39.05%

APPENDIX 2

DISTRIBUTION STATEMENT*

	Unaudited year ended 31 August 2021 R'000	Unaudited year ended 31 August 2020 R'000
Reconciliation of profit for the year to distributable earnings		
Profit attributable to shareholders of the company	429 454	119 071
Fair value – investment properties revaluation	35 013	111 743
Fair value – straight-line rental income	(38 692)	43 273
Fair value – interest rate swaps	(73 450)	117 984
Fair value – put options	11 515	60 590
NCI portion of fair value adjustment	19 658	(2 694)
IFRS 16: <i>Rental paid adjustment</i>	(7 642)	(7 224)
IFRS 16: <i>Finance cost adjustment</i>	10 399	10 140
Amortisation of intangible assets	37 500	37 500
Share-based payments	3 797	–
Taxation	85 936	–
Straight-line rental income accrual	38 692	(43 273)
Distributable earnings	552 180	447 110
Distribution statement		
Revenue	1 352 648	1 248 199
Contractual rental income	1 089 104	1 004 418
Recoveries and other income	263 544	243 781
Property-related expenses	(455 660)	(440 922)
Net property income	896 988	807 277
Administration and corporate costs	(38 528)	(40 893)
Net operating profit	858 460	766 384
Net finance cost	(272 413)	(292 489)
Taxation	218	–
Non-controlling interests	(34 085)	(26 785)
Distributable earnings	552 180	447 110
	31 August 2021 cents	31 August 2020 cents
Distributable earnings per A share (cents)	118.95304	114.49016
Interim	59.02029	57.35694
Final	59.93275	57.13322
Distributable earnings per B share (cents)	89.69993	54.45985
Interim	45.09965	38.61409
Final	44.60028	15.84576
Combined distributable earnings per share (cents)	208.65297	168.95001
Interim	104.11994	95.97103
Final	104.53303	72.97898

* The distribution statement has not been audited by Mazars.

SUPPLEMENTAL INFORMATION (CONTINUED)**APPENDIX 3
INVESTMENT PROPERTY SUMMARY**

Property	Address	Region	Multi/ Single	Acquisition date	GLA (m ²)	Average gross rent m ²
RETAIL						
Gillwell Taxi Retail Park	Cnr Gillwell and Fleet Streets, East London	◆	Multi	Nov 15	22 090	143.93
Gezina Galleries	Cnr Michael Brink & Frederika, Gezina, Pretoria	◇	Multi	Jul 13	16 707	144.64
Umzimkhulu Mall	Bird and Main Street, Umzimkhulu	+	Multi	Jun 15	15 866	149.96
Seshego (50%)	Confluence Nelson Mandela and Polokwane Drive, Seshego, Polokwane	■	Multi	Aug 15	15 579	147.99
Tower Mall	Cnr N12 and Jabulani Street, Jouberton, Klerksdorp	◆	Multi	Dec 13	15 449	102.22
Nquthu Plaza	Erf 4008 Nquthu, Manzolwande Drive, Nquthu	+	Multi	May 12	14 912	143.64
Ziyabuya Shopping Centre	Cnr Uitenhage Road and Makhwenkwe, Kwadesi	◆	Multi	Jul 13	14 578	97.10
Chilli Lane	Cnr Rivonia and Leeuwkop Road, Sunninghill	◇	Multi	Jun 18	13 607	194.69
Bochum Plaza	Cnr Dendron and Blouberg Road, Bochum	■	Multi	May 12	12 073	134.13
Hammanskraal Shopping Centre	Douglas Rens Road, Hammanskraal	◇	Multi	Dec 14	10 765	117.78
Kopanong Kudube Shopping Centre	Douglas Rens Road, Kudube Ext 4, Hammanskraal	◇	Multi	Dec 14	10 737	165.93
Soweto Asambhe	Cnr Chris Hani and Dynamo Streets, Soweto	◇	Multi	Aug 15	9 987	81.08
Kerk Street Johannesburg	Kerk Street, Johannesburg	◇	Single	Jun 18	9 147	*
Harding Corner (50%)	Cnr Hawkins and Livingstone Streets, Harding	+	Multi	Mar 18	8 699	127.71
Game Groblersdal	Cnr Barlow Street and Grobler Avenue, Groblersdal	■	Multi	Aug 15	7 856	137.54
Belle Ombre Shopping Centre	Cnr Boom and Potgieter Street, Marabastad, Pretoria	◇	Multi	Jul 11	7 829	133.96
Welkom High Park Building	Stateway and Bok Street, Sanlam Business Centre, Welkom	◆	Multi	Apr 08	7 796	117.94
Phangami	Cnr R524 (Punda Maria Road) and R523 (Sibasa Road)	■	Multi	Aug 15	7 290	131.04
Woodmead Super Value Mall	Waterfall Crescent South, Woodmead	◇	Multi	Jul 13	7 200	260.30
Meadowpoint Shopping Centre	Zone 2, Meadowlands	◇	Multi	Dec 14	7 125	135.68
Giyani Shopping Centre	Magistrate Street, Giyani	■	Multi	Jul 11	6 934	60.95
Casseys Auto Springs	140 – 2nd Street, Springs	◇	Single	Apr 08	6 884	*
51 Govan Mbeki	51 Govan Mbeki Avenue, Port Elizabeth	■	Multi	Oct 14	6 854	97.33
Fairways on Main (50%)	45 Main Road, Howick	+	Multi	Oct 13	6 778	77.26

APPENDIX 3 (continued)

INVESTMENT PROPERTY SUMMARY (continued)

Property	Address	Region	Multi/ Single	Acquisition date	GLA (m ²)	Average gross rent m ²
Palm Court	Cnr J G Strydom and Fern Road, Weltevreden Park	◇	Multi	Jul 11	6 579	169.14
Blackheath Pavillion	309 Pendoring Road, Blackheath	◇	Multi	Jul 13	6 346	129.98
Marikana Shoprite	Farm Rooikoppies 29, Marikana		Multi	Dec 17	6 139	135.60
Randfontein Station Shopping Centre	Cnr Station and Sutherland Roads, Randfontein	◇	Multi	Jul 14	5 962	136.42
Shoprite Sibasa	57 Miluwani Street, Sibasa, Thohoyandou	■	Multi	Aug 15	5 915	106.22
Fin Forum	Cnr Dr Van der Merwe Road and Sefako Makgatho Drive, Montana, Pretoria	◇	Multi	Aug 15	5 850	199.23
Shoprite Centre Pretoria North	259 Ben Viljoen Street, Pretoria North	◇	Multi	Jul 13	5 782	190.76
Orange Farm/ Town Square	Link Road, Orange Farm CBD	◇	Multi	Dec 12	5 591	94.92
Tsakane Corner	Sibongiseni Street, Tsakane	◇	Multi	Nov 14	5 407	147.21
Boxer Tzaneen	9 Station Road, Extention 4, Tzaneen	■	Multi	Aug 15	5 094	102.79
Chilli on Top	721 Leeuwkop Road, Sunninghill	◇	Multi	Jun 18	5 042	147.20
Midway Centre	6 Old Pretoria Road, Richards Drive Halfway House	◇	Multi	Nov 08	4 993	61.06
14 Kramer Street	14 Kramer, Kramerville	◇	Multi	Aug 18	4 692	113.72
Pick n Pay Kroonstad	Cnr President and Truter Streets, Kroonstad	◇	Multi	Jun 07	4 476	73.97
Pimville Square	Modjadji Street, Pimville Zone 7	◇	Multi	Dec 14	4 291	144.80
Alvaro Centre	82 President Kruger Street, Vanderbijlpark, Gauteng	◇	Multi	Apr 08	3 997	119.24
Sam Sekoti Vosloorus	Sam Sekoti Avenue, Vosloorus	◇	Multi	May 07	3 971	112.33
Kopanong Thembisa	Malatsi Street, Ivory Park, Thembisa	◇	Multi	Jul 11	3 953	202.96
Proteapoint Shopping Centre	Protea North, Soweto	◇	Multi	Dec 14	3 870	187.70
Dobsonpoint Shopping Centre	Mohajane Drive, Dobsonville	◇	Multi	Dec 14	3 798	160.95
Umgeni Business Park	1 Kosi Place, Springfield Park, Durban	●	Multi	Nov 13	3 688	124.78
Main Street Corner Nigel	Cnr Main and Hendrik Verwoerd Streets	◇	Multi	Apr 08	3 443	101.35
Perm East London	42 – 46 Oxford Street, East London	◆	Multi	Apr 08	3 410	167.70
Atlas Rd Banking Centre Boksburg	Atlas/Dunswart Road, Anderbolt, Boksburg	◇	Multi	Jul 11	3 300	145.12
Blackheath Galleries	Cnr Beyers Naude Drive and Mountain View, Blackheath	◇	Multi	Jul 11	3 161	226.31
Woodmead Square	Waterfall Crescent South, Woodmead	◇	Multi	Jul 13	2 945	180.50
Marikana Old Church	Farm Rooikoppies 297, Marikana	⊙	Multi	Dec 17	2 784	133.45
31 & 33 Third Street Springs	31 and 33 Third Street	◇	Multi	Apr 08	2 748	30.87
October Avenue Ivory Park	2nd October Avenue Ivory Park Ext 8	◇	Single	May 07	2 715	*

SUPPLEMENTAL INFORMATION (CONTINUED)**APPENDIX 3** (continued)**INVESTMENT PROPERTY SUMMARY** (continued)

Property	Address	Region	Multi/ Single	Acquisition date	GLA (m ²)	Average gross rent m ²
30 Voortrekker Road	30 Voortrekker Road, Bellville	●	Single	Jun 07	2 685	*
29 Main Street Mafikeng	29 Main Street, Mafikeng	◆	Multi	Apr 08	2 601	109.33
Standard Bank Krugersdorp	39 Human Street, Krugersdorp	◇	Multi	Apr 08	2 600	84.80
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	79.29
Virgin Active Horizon View	38 Van Santen Drive, Horizon View, Roodepoort	◇	Single	Jul 11	2 500	*
Planet Fitness Montana	33 Tibouchina Street, Zambesi Drive, Montana Park, Pretoria	◇	Single	Jul 11	2 472	*
Standard Bank Vanderbijlpark	10 Van Rign Street, Vanderbijlpark	◇	Single	Apr 08	2 461	*
1 President Street Germiston	1 President Street, Germiston	◇	Single	Apr 08	2 445	*
Eeufees Corner Bethal	Cnr Eeufees and Mark Street, Bethal	■	Multi	Apr 08	2 424	102.38
Alberton Crossing	Cnr Voortrekker and Ring Road, Alberton	◇	Multi	Jun 07	2 194	146.99
Standard Bank Doornfontein	49 Beit Street and Siemert, Doornfontein	◇	Single	Jul 11	2 111	*
Dulux Polokwane	53 General Joubert Street, CBD, Polokwane	■	Multi	Aug 15	2 103	67.32
Bears Centre	9 Bears Street, Kuruman	◆	Multi	Apr 08	2 097	59.07
ABSA Silverton	177 De Boulevard Street, Silverton, Pretoria	◇	Multi	Apr 08	2 024	93.93
Boxer Giyani	Stand BA 43, 44 and 46 Giyani, Giyani Business Districts	■	Single	Mar 08	1 982	*
Kruger Corner Vanderbijlpark	13 President Kruger Street, Vanderbijlpark	◇	Multi	Apr 08	1 773	28.98
Mafikeng Centre	20 Shippard street, Mafikeng	⊙	Multi	Apr 08	1 764	116.93
Duiwelskloof	Cnr Charles Maberley Street and Gordon Street, Duiwelskloof	■	Multi	Aug 15	1 757	60.70
Excelsior 13	13 Excelsior Street, CBD, Polokwane	■	Multi	Aug 15	1 661	91.58
Beacon Centre Vereeniging	14 Beaconsfield Avenue, Vereeniging	◇	Multi	Apr 08	1 550	–
41 & 43 Pretoria Road	41 / 43 Pretoria Road, Gauteng	◇	Multi	Apr 08	1 532	77.96
Amandla BLVD	Cnr Freedom Drive and Amandla Boulevard	◇	Multi	May 07	1 500	47.72
Bramfischerville						
ABSA Centre Krugersdorp	Cnr Burger and Monument Streets Krugersdorp	◇	Multi	Apr 08	1 450	86.99
Absa Hercules	569 Van Der Hoff Street, Hercules, Pretoria	◇	Multi	Apr 08	1 375	100.24
Standard Bank Brakpan	622 Voortrekker Road, Brakpan	◇	Single	Apr 08	1 355	*
Citizen Springs	4th Avenue, Springs	◇	Multi	Apr 08	1 283	91.41
Heritage House Mafikeng	Cnr Main and Robinson Street, Mafikeng	⊙	Multi	Apr 08	1 071	48.46

APPENDIX 3 (continued)
INVESTMENT PROPERTY SUMMARY (continued)

Property	Address	Region	Multi/ Single	Acquisition date	GLA (m ²)	Average gross rent m ²
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	99.84
Blouberg Plaza	Cnr Dendron and Blouberg Road, Blouberg	■	Multi	May 12	971	197.43
Beaconsfield Vereeniging	15 Beaconsfield Avenue, Vereeniging	◇	Single	Apr 08	964	*
Agatha Street Tzaneen	Joubert and Agatha Street, Tzaneen	■	Multi	Apr 08	913	85.01
De Villiers Street Barberton	100 De Villiers Street, Barberton	▣	Single	Apr 08	895	*
Standard Bank Sasolburg	Kirchoffer Boulevard, Sasolburg	◇	Single	Apr 08	892	*
Church Street West Pretoria	472 WF Nokomo Street, Pretoria	◇	Single	Apr 08	866	*
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	78.90
Hobhouse Centre – Klerksdorp	19 Emily Hobhouse, Kerkdorp	⊙	Single	Apr 08	832	*
Amethyst	4 Amethyst Street, Carletonville	◇	Multi	May 08	800	104.65
Seventh Avenue Alberton	56 – 7th Avenue, Alberton	◇	Single	Apr 08	787	*
22 Palm Street Phalaborwa	22 Palm Street, Phalaborwa	■	Multi	Apr 08	753	–
Kotze Place Hillbrow	62 Kotze Street, Hillbrow	◇	Single	Apr 08	740	*
Standard Bank Meyerton	4A Loch Street, Meyerton	◇	Single	Apr 08	690	*
Fastfood Corner Springs	Cnr 9th Ave and 2nd Street, Springs	◇	Multi	Apr 08	452	193.57
Voortrekker Brakpan	62 Voortrekker Street, Brakpan	◇	Single	Apr 08	450	*
Total Retail					464 262	131.03
* Average retail gross rental (single tenants)						68.68

SUPPLEMENTAL INFORMATION (CONTINUED)

APPENDIX 3 (continued)

INVESTMENT PROPERTY SUMMARY (continued)

Property	Address	Region	Multi/ Single	Acquisition date	GLA (m ²)	Average gross rent m ²
RESIDENTIAL						
Palm Springs Cosmo City	35 Georgia Crescent, Cosmo City	◇	Multi	Jul 20	18 796	131.15
Urban Village Bruma	25 Ernest Oppenheimer Drive, Bruma	◇	Multi	Mar 21	5 819	145.24
Urban Village Midrand	16 Broadwalk Street, Midrand	◇	Multi	Mar 21	4 136	151.46
Norwood Centre	74 Grant Avenue, Norwood	◇	Multi	Jul 11	1 304	143.90
Total Residential					30 055	137.23
Property	Address	Region	Multi/ Single	Acquisition date	GLA (m ²)	Average gross rent m ²
OFFICE						
SAPS VIP	Corner Park and Troye Streets, Sunnyside, Pretoria	◇	Single	Dec 12	21 478	*
Avanti Office Park	Cnr Carl Cronje and Bill Bezuidenhout Roads, Tygervalley	●	Multi	Jun 18	8 361	157.36
SAPS US	463 Prieska Street, Erausmuskloof, Pretoria	◇	Single	Dec 12	7 874	*
Valley View Office Park	680 Joseph Lister Street, Constantia Kloof	◇	Multi	Jun 18	6 793	113.95
Sanburn Building Benoni	68 Woburn Avenue, Benoni	◇	Single	Jul 11	6 757	*
Nemisa Office Building	21 Girtton Road, Parktown	◇	Single	Dec 06	5 085	*
Steve Biko Corner	27 Beatrix Street, Arcadia, Pretoria	◇	Single	Dec 12	5 048	*
Bruma Boulevard	20 Zulberg Close, Bruma, Johannesburg	◇	Multi	Jul 11	4 623	95.44
Markem Office Building	21 Margaret Avenue, Kempton Park	◇	Multi	Dec 06	4 572	117.08
Carnation Place	Constantia Boulevard and Albert Schweitzer Streets, 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	218.15
Montrose Place	Waterfall Park, Bekker Road, Vorna Valley Ext 21, Midrand	◇	Multi	Jun 07	3 923	110.28
Howick Mews	1342 Howick Close, Waterfall Park, Midrand	◇	Multi	Apr 07	3 669	104.31
Horwood Centre Secunda	Horwood Street, Secunda	▣	Multi	Feb 08	3 630	104.46
Byron Place	320 Sophie De Bruyn, Pretoria	◇	Multi	Apr 13	3 272	179.30
Horizon Office Park	No. 4/ 6 Kingfisher Street, Horizon Park, Roodepoort	◇	Multi	Jul 11	3 008	77.92
295 Kent Avenue	295 Kent Avenue, Randburg	◇	Multi	May 07	2 993	42.13
SARS Welkom	Graaf Street, Welkom	◆	Single	Apr 08	2 687	*
Waterview Corner	2 Ernst Oppenheimer Drive, Bruma Johannesburg	◇	Multi	Jul 11	2 460	101.70
ABSA Horizon Park	161 Ontdekkers Road, Horizon Park, Roodepoort	◇	Multi	Jul 11	2 427	134.68

APPENDIX 3 (continued)
INVESTMENT PROPERTY SUMMARY (continued)

Property	Address	Region	Multi/ Single	Acquisition date	GLA (m ²)	Average gross rent m ²
55 Hyde Park	55 Hyde Park	◇	Single	Jun 18	2 191	*
Detnet (66.67%)	Centenary Street, Moderfontein	◇	Single	Jun 18	2 165	*
Sandhaven Office Park	Cnr Pongola and Katherine Streets Eastgate, Sandton	◇	Multi	Jan 07	1 876	107.42
College House	26 Peter Place, Lyme Park, Bryanston	◇	Multi	Jul 11	1 850	124.00
Fairland Office Park	200 Smit Street, Fairlands	◇	Multi	Oct 13	1 774	83.95
Reclam – Illovo Head Office	Oxford Street, Illovo	◇	Single	Jul 18	1 755	*
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	136.45
Selbourne House	Cnr First and Selbourne Streets, Bloemfontein	◆	Single	Apr 08	1 188	*
Hyde West	Buidling 7, Albury Park, Dunkled West	◇	Single	Aug 15	1 132	*
Mellis Park	334 Rivonia Road, Rivonia	◇	Single	Nov 13	634	*
Mellis Park 2	334 Rivonia Road, Rivonia	◇	Single	Jan 07	634	*
Witbank Hoskins House	6 Neven Street X60, Witbank	▣	Single	Apr 08	614	*
Total Office					130 809	135.95
* Average office gross rental (single tenants)						147.28

Property	Address	Region	Multi/Single	Acquisition date
LAND				
Stellendale Village	Belhar Road, Kuils Rivier	●	Land	Dec 16
Lephalale Conference Centre	Ptn 9 of erf 2631, Ellisras	■	Land	May 14
Virgin Active Horizon View (land)	38 Van Santen Drive, Horizon View, Roodepoort	◇	Held-for-sale	Jul 11

SUPPLEMENTAL INFORMATION (CONTINUED)**APPENDIX 3** (continued)**INVESTMENT PROPERTY SUMMARY** (continued)

Property	Address	Region	Multi/ Single	Acquisition date	GLA (m ²)	Average gross rent m ²
INDUSTRIAL						
Corporate Park II Polokwane	Ext 12, Pietersburg	■	Multi	Jun 15	28 058	58.74
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	24 515	*
Reclam – Vanderbijlpark	Delfos Boulevard, Vanderbijlpark	◇	Single	Jul 18	23 612	*
Reclam – PE	Grahams Road, Port Elizabeth	◆	Single	Jul 18	22 179	*
Grahamstown Road						
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	*
Range Road Blackheath	5 Range Way, Blackheath, Kuils River	●	Multi	Jun 07	12 905	62.53
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	*
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	47.37
Vana Road Germiston	Cnr Vana Drive and Pero, Jupiter Ext 3, Germiston	◇	Multi	Jun 07	8 195	62.02
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	72.48
Bernie Street Seatings	c/o Bernie Street and Hilston Road 14 Bunsen Street, Industria, Johannesburg	◇	Multi	Feb 07	6 342	39.80
Reclam – Congella	Sydney Road, Congella, Durban	+	Single	Jul 18	5 332	*
Jasco Eastgate Ext	12 Delphi Street, Eastgate Ext 18, Sandton	◇	Single	Jul 11	5 084	*
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	36.72
Reclam – Wadeville 1	Kreupelhout Street, Wadeville	◇	Single	Jul 18	4 587	*

APPENDIX 3 (continued)
INVESTMENT PROPERTY SUMMARY (continued)

Property	Address	Region	Multi/ Single	Acquisition date	GLA (m ²)	Average gross rent m ²
Document Warehouse	17 – 21 20th Street, PB003, Polokwane	■	Single	Aug 15	4 500	*
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	21.55
Reclam – Phoenix	Aberdare drive, Phoenix	+	Single	Jul 18	3 566	*
Wynpol 679	Cnr Thora Crescent and 4th Street, Wynberg	◇	Multi	Apr 08	3 532	16.11
Dauphin Seatings	12 Bunsen Street, Industria, Johannesburg	◇	Single	Jul 11	3 476	*
Anderbolt McCarthy	246 Francis Road, Dormehl, Anderbolt, Boksburg	◇	Single	Jul 11	3 335	*
1 Killarney Avenue	No 1 Killarney Avenue, Milnerton	●	Single	Apr 08	3 073	*
Humcor	9 Borax Street, Alrode Ext 7, Alberton	◇	Multi	Apr 08	2 658	45.04
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	*
Saint Gobain	49 Silicon Street, PB017, Polokwane	■	Single	Aug 15	1 810	*
Jubilee Street Kempton Park	6 – 8 Jubilee Street, Kempton Park	◇	Single	Apr 08	1 493	*
289 Granville Road	289 Granville Avenue, Robertville, Roodepoort	◇	Single	Jul 11	1 070	*
Total Industrial					464 946	
* Average industrial gross rental (single tenants)						26.76
TOTAL PROPERTY PORTFOLIO					1 090 071	89.41

◆ Eastern Cape
◇ Gauteng
+ KwaZulu-Natal

⊙ North West
■ Limpopo
▣ Mpumalanga

◇ Free State
● Western Cape
◆ Northern Cape



14 KRAMER

CORICRAFT GROUP
ENTRAWOOD
HEAVENLY FEATHER
BEAD

DESIGN PARTNERSHIP
DIX INTERIORS

The Kramers

06

SHAREHOLDER INFORMATION

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KRAMERVILLE

SHAREHOLDER ANALYSIS

for the year ended 31 August 2021

DIPULA INCOME FUND A SHARE

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	697	53.25	35 131	0.01
1 001 – 10 000	137	10.47	736 519	0.28
10 001 – 100 000	265	20.24	11 063 201	4.18
100 001 – 1 000 000	162	12.38	52 584 380	19.87
Over 1 000 000	48	3.67	200 246 588	75.66
Total	1 309	100.00	264 665 819	100.00
Distribution of shareholders				
Assurance companies	17	1.30	10 382 262	3.92
BEE entities	2	0.15	14 013	0.01
Close corporations	4	0.31	564 962	0.21
Collective investment schemes	139	10.62	150 085 319	56.71
Custodians	1	0.08	2	0.00
Foundations and charitable funds	20	1.53	872 030	0.33
Hedge funds	1	0.08	1 190 000	0.45
Insurance companies	6	0.46	3 631 630	1.37
Investment partnerships	2	0.15	61 248	0.02
Managed funds	16	1.22	3 077 526	1.16
Medical aid funds	16	1.22	2 880 178	1.09
Organs of state	1	0.08	36 777 995	13.90
Private companies	18	1.38	2 362 623	0.89
Public companies	1	0.08	298 733	0.11
Public entities	1	0.08	138 556	0.05
Retail shareholders	851	65.01	2 394 897	0.90
Retirement benefit funds	183	13.98	40 586 668	15.34
Scrip lending	4	0.31	4 088 193	1.54
Stockbrokers and nominees	6	0.46	3 777 671	1.43
Trusts	20	1.53	1 481 313	0.56
Total	1 309	100.00	264 665 819	100.00
Shareholder type				
Non-public shareholders	7	0.53	64 351 189	24.31
Directors and associates	5	0.38	1 107 684	0.41
Strategic holders (beneficial holders > 10%)	2	0.15	63 243 505	23.90
Public shareholders	1 302	99.47	200 314 630	75.69
Total	1 309	100.00	264 665 819	100.00

* Pursuant to the provisions of section 56 of the Companies Act, 2008, disclosures from foreign nominee companies have been included in this analysis.

	Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares		
Coronation Fund Managers	91 520 721	34.58
Public Investment Corporation	36 777 995	13.90
Old Mutual Investment Group	26 355 944	9.96
Abax Investments	24 642 145	9.31
Sesfikile Capital	12 656 619	4.78
Kagiso Asset Management	12 138 923	4.59
Prudential Investment Managers	11 092 484	4.19
Catalyst Fund Managers	9 166 292	3.46
Total	224 351 123	84.77
Beneficial shareholders with a holding greater than 3% of the issued shares		
Coronation Fund Managers	62 679 513	23.68
Government Employees Pension Fund	36 777 995	13.90
Old Mutual Group	26 413 853	9.98
Sanlam Group	13 552 725	5.12
Nedbank Group	11 041 554	4.17
Total	150 465 640	56.85

SHAREHOLDER ANALYSIS (CONTINUED)

for the year ended 31 August 2021

DIPULA INCOME FUND B SHARE

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	861	74.93	76 458	0.03
1 001 – 10 000	112	9.75	491 516	0.19
10 001 – 100 000	102	8.88	4 244 899	1.60
100 001 – 1 000 000	52	4.53	14 719 698	5.56
Over 1 000 000	22	1.91	245 133 248	92.62
Total	1 149	100.00	264 665 819	100.00
Distribution of shareholders				
Assurance companies	1	0.09	7 905	0.00
BEE entities	2	0.17	58 028 999	21.93
Close corporations	4	0.35	572 917	0.22
Collective investment schemes	27	2.35	74 236 552	28.05
Custodians	4	0.35	4 680 393	1.77
Foundations and charitable funds	2	0.17	90 358	0.03
Insurance companies	1	0.09	126 329	0.05
Investment partnerships	2	0.17	28 050	0.01
Managed funds	2	0.17	199 493	0.08
Organs of state	1	0.09	51 761 561	19.56
Private companies	26	2.26	10 414 586	3.93
Public companies	1	0.09	45 581 241	17.22
Retail shareholders	1 033	89.90	8 786 904	3.32
Retirement benefit funds	25	2.18	7 497 255	2.83
Stockbrokers and nominees	4	0.35	167 416	0.06
Trusts	14	1.22	2 485 860	0.94
Total	1 149	100.00	264 665 819	100.00
Shareholder type				
Non-public shareholders	11	0.96	185 913 193	70.24
Directors and associates	8	0.70	30 552 871	11.54
Strategic holders (beneficial holders > 10%)	3	0.26	155 360 322	58.70
Public shareholders	1 138	99.04	78 752 626	29.76
Total	1 149	100.00	264 665 819	100.00

* Pursuant to the provisions of section 56 of the Companies Act, 2008, disclosures from foreign nominee companies have been included in this analysis.

	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
CounterPoint Asset Management	44 747 029	16.91
Abax Investments	22 774 910	8.61
Total	119 283 500	45.08
Beneficial shareholders with a holding greater than 3% of the issued shares		
Dipula BEE Trust	58 017 520	21.92
Government Employees Pension Fund	51 761 561	19.56
Arrowhead Properties Ltd	45 581 241	17.22
Nedbank Group	38 493 460	14.54
CounterPoint Asset Management	17 672 029	6.68
Sanlam Group	8 014 045	3.03
Total	219 539 856	82.95

JSE STATISTICS

for the year ended 31 August 2021

	DIA	DIB
Share price performance		
Opening price 1 September 2020	R5.90	R1.21
Closing price 31 August 2021	R8.70	R4.10
Closing high for period	R9.01	R4.25
Closing low for period	R4.01	R0.90
Number of shares in issue	264 665 819	264 665 819
Volume traded during period	55 142 395	44 005 704
Ratio of volume traded to shares issued (%)	20.83%	16.63%
Rand value traded during the period	R382 790 714	R89 308 278
Market capitalisation at 31 August 2021	R2 302 592 625	R1 085 129 858

SHAREHOLDERS' DIARY

Financial year-end	31 August 2021
Provisional annual results announcement	17 November 2021
Annual report posted	December 2021
Annual general meeting	21 February 2022
Interim results announcement	May 2022

DEFINITIONS

"ABASA"	Association for the Advancement of Black Accountants
"ABSIP"	Association of Black Securities and Investment Professionals
"Acorim"	Acorim Proprietary Limited
"AFS"	Annual financial statements
"AGM"	Annual general meeting
"B-BBEE"	Broad-based black economic empowerment
"the board"	The board of directors of Dipula Income Fund Limited
"BPR"	SAREIT Association best practice recommendations
"CEO"	Chief Executive Officer
"CIPC"	The Companies and Intellectual Property Commission
"the Companies Act"	South African Companies Act, No 71 of 2008, as amended
"CPI"	Consumer price index
"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"	Dipula Asset Management Trust, the asset manager of Dipula Income Fund Limited
"DMTNP"	Domestic Medium-Term Note Programme
"DPW"	Department of Public Works
"DTI"	Department of Trade and Industry
"EBITDA"	Earnings before interest, taxation, depreciation and amortisation
"ECL"	Expected credit loss
"ESG"	Economic, social and governance
"Exco"	Executive committee of Dipula Income Fund Limited
"FD"	Financial Director
"Financial statements"	The consolidated and separate financial statements
"FSCA"	The Financial Services Conduct Authority
"FY"	Financial year
"GCR"	Global credit rating
"GDP"	Gross domestic product
"GFC"	Global financial crisis
"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
"Hynorex"	Hynorex Proprietary Limited
"IASB"	International Accounting Standards Board
"IBC"	Inside back cover
"ICR"	Interest cover ratio
"IFC"	Inside front cover

DEFINITIONS (CONTINUED)

"IFRIC"	International Financial Reporting Interpretations Committee
"IFRS"	International Financial Reporting Standards
"JSE"	JSE Limited incorporating the JSE Securities Exchange, the main board in South Africa
"King IV™"	King IV™ Report on Corporate Governance™ for South Africa, 2016 (copyright trademarks are owned by the Institute of Directors in South Africa NPC, and all its rights are reserved)
"KPI"	Key performance indicator
"LTI"	Long-term incentive
"LTV"	Loan-to-value
"MOI"	Memorandum of incorporation
"MPC"	Monetary Policy Committee
"MTBPS"	Medium-term budget policy statement
"NAV"	Net asset value
"NCI"	Non-controlling interests
"NTAV"	Net tangible asset value
"PDI"	Previously disadvantaged individual
"Phepha 006"	Phepha Prop 006 Proprietary Limited
"the previous year"	The year ended 31 August 2020
"PS"	Performance shares
"QPM"	Quartely Projection Model
"REIT"	Real Estate Investment Trust, a JSE property investment vehicle which owns and operates income-producing property
"Resilient"	Resilient REIT Limited
"Revenue"	Includes gross rental plus all utility recoveries and other income
"S&P"	Standard & Poor's Global Ratings
"SA"	South Africa
"SACSC"	South African Council of Shopping Centres
"SAIBPP"	South African Institute of Black Property Professionals
"SAICA"	South African Institute of Chartered Accountants
"SAPOA"	South African Property Owners Association
"SARB"	South African Reserve Bank
"SARS"	South African Revenue Service
"STI"	Short-term incentive
"TGP"	Total guaranteed package
"the year" or "the year under review"	The year ended 31 August 2021
"Unlocked"	Unlocked Properties 18 Proprietary Limited
"US"	United States of America
"WALE"	Weighted average lease expiry

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

12th Floor Firestation Rosebank
16 Baker Street
Rosebank
Johannesburg
2196

(Private Bag X3, Rosebank, 2132)

Independent auditors

Mazars Gauteng
Practice number 900222
Registered auditors
Mazars House
54 Glenhove Road
Melrose Estate
Johannesburg

Transfer secretaries

JSE Investor Services Proprietary Limited
(Registration number 2000/007239/07)
13th Floor
19 Ameshoff Street
Braamfontein
2001

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
6th Floor 1 Park Lane
Wierda Valley
Sandton
2196

(PO Box 2087, Parklands, 2121)

Company secretary

Acorim Proprietary Limited
(Registration number 2013/087325/07)
13th Floor Illovo Point
68 Melville Road
Illovo
Sandton

