

Delta Property Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/005129/06)
Share code: DLT ISIN: ZAE00172052
("Delta" or "the Fund" or "the Group")
(REIT status approved)

Distribution of **72.69 cents**
per linked unit ahead of
guidance of **72.50 cents**

Property
portfolio value
of **R7.0 billion**

Market
capitalisation of
R3.4 billion

95.4%
occupancy
rate

Weighted average
base rentals
increased by **8.2%**

Leases renewed
for **156 263 m²**
(25.15% of portfolio)

Successful debt capital raise - **R552.0 million**
corporate bonds and commercial paper issued
during the year at an average rate of **6.68%**

Reviewed provisional consolidated statement of comprehensive income

	Reviewed for year ended 28 February 2014 R'000	Audited for year ended 28 February 2013 R'000
Revenue		
Contractual rental income	594 209	116 867
Straight line rental income accrual	59 814	23 082
Property operating expenses	654 023	139 949
Net property rental and related income	502 503	112 396
Other income	12 300	10
Administration expenses	(48 090)	(11 793)
Net operating profit	466 713	100 613
Fair value adjustments	261 256	34 315
Profit from operations	727 969	134 928
Finance costs	(151 149)	(55 446)
Interest received	5 954	5 836
Antecedent interest	35 270	-
Listing expenses	-	(21 659)
Restructuring expenses	-	(20 000)
Profit before debenture interest and taxation	618 044	43 659
Debenture interest	(289 316)	(39 068)
Profit before taxation	328 728	4 591
Taxation	56 007	(21 916)
Profit (loss) for the year	384 735	(17 325)
Other comprehensive income	-	-
Total comprehensive profit (loss) for the year	384 735	(17 325)
Reconciliation of earnings, headline earnings and distributable earnings		
Total comprehensive profit (loss) for the year	384 735	(17 325)
Debenture interest	289 316	39 068
Earnings	674 051	21 743
Change in fair value of investment property (net of deferred taxation)	(308 748)	(38 995)
Change in fair value of property	(264 523)	(49 122)
Deferred taxation	(44 225)	10 127
Impairment of goodwill	-	2 893
Headline earnings (loss) attributable to linked unitholders	365 303	(14 359)
Change in fair value of financial instruments (net of deferred taxation)	-	21 005
Change in fair value of financial instruments	-	14 807
Deferred taxation	-	6 198
Straight line rental income accrual (net of deferred taxation)	(73 321)	(16 619)
Straight line rental income accrual	(59 814)	(23 082)
Deferred taxation	(13 507)	6 463
Pre-acquisition income recognised against investment property	-	6 455
Restructuring expenses	-	20 000
Listing Expenses	-	21 659
Transaction costs - rights issue	1 048	-
Deferred taxation - other adjustments	(4 046)	(874)
Impairment of other financial assets	-	2 196
Fair value loss on investments	3 267	-
Retained distributable earnings	(2 935)	(395)
Distributable earnings attributable to linked unitholders	289 316	39 068
Less: Distribution declared	289 316	39 068
Interim	116 738	-
Final	172 578	39 068
Number of linked units in issue at interim	359 083 615	-
Number of linked units in issue at year end	429 510 825	164 935 365
Weighted average number of linked units in issue	344 639 642	53 773 448
Basic earnings per linked unit (cents)	195.58	40.43
Headline/diluted headline profit (loss) per linked unit (cents)	106.00	(26.70)
Distribution per linked unit (cents) - interim	32.51	-
Distribution per linked unit (cents) - year end	40.18	23.69
Distribution per linked unit (cents) - full year	72.69	23.69
The Fund has no dilutionary instruments in issue		

Commentary on results

Profile
Delta is a black managed property loan stock company that has been listed on the JSE Limited ("JSE") since 02 November 2012. Delta's primary business is long-term investment in quality, rental generating properties with a strong focus on government and other empowerment sensitive tenants. Delta has the ability to purchase C-grade and D-grade properties at favourable yields, convert them to A-grade or B-grade and thereafter secure long term leases. The portfolio currently comprises of 77 strategically located and high grade properties, valued at R7.0 billion.

Financial results
Delta has declared a distribution of 40.18 cents per linked unit for the six months ended 28 February 2014 which is a 23.6% increase on the distribution for the six months ended 31 August 2013. A comparison to the year ended 28 February 2013 is not meaningful as the prior year results included the prelisted business which was significantly restructured upon listing. The total distribution of 72.69 cents for the year is ahead of guidance provided to the market. Distributable income includes R35.3 million of antecedent interest relating to new linked units issued during the year. Certain comparative figures have been reclassified. Property management fees have been reclassified from administration expenses to property operating expenses. The effect of the reclassification is as follows:

	Audited Year ended 28 February 2013 R'000	Reclassification of property operating expenses R'000	Restated Year ended 28 February 2013 R'000
Property operating expenses	(21 947)	(5 606)	(27 553)
Administration expenses	(17 399)	5 606	(11 793)

Property operating expenses for the full year have marginally increased to 25.5% of contractual rental income as compared with 23.4% at 31 August 2013 and 29.6% (restated) at 28 February 2013. The increase in administration expenses from R15.9 million for the six months ended 31 August 2013 to R48.1 million at 28 February 2014 is in line with the increase in the portfolio, taking into consideration that the majority of new acquisitions in the interim period took place in the latter part of that period.

Property portfolio
As at 28 February 2014, the portfolio, valued at R7.0 billion, consisted of 77 properties with a total GLA of 621 442 m². The weighted average rental per m² per sector for the full portfolio at year end was as follows:

Sector	Weighted average rental per m ² *
Office government	R104.72
Office other	R64.45
Retail	R80.81
Industrial	R28.78

* Weighted average rental at 28 February 2014.

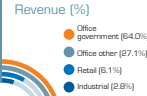
The segmental and geographic breakdown of property holdings as at 28 February 2014 was as follows:

SECTORAL GLA (%)



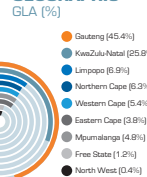
56.3%
Office government

SECTORAL Revenue (%)



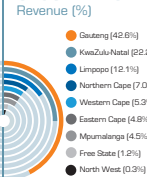
64.0%
Office government

GEOGRAPHIC GLA (%)



45.4%
Gauteng

GEOGRAPHIC Revenue (%)



42.6%
Gauteng

Reviewed provisional consolidated statement of financial position

	Reviewed for year ended 28 February 2014 R'000	Audited for year ended 28 February 2013 R'000
Assets		
Non-current assets		
Investment property	6 965 730	2 119 112
Fair value of property portfolio	6 853 449	2 070 053
Straight line rental income accrual	112 281	49 059
Property, plant and equipment	3 555	279
Investments	333 637	-
Deferred tax	4 573	-
	7 307 495	2 119 391
Current assets		
Other financial assets	26 862	25 917
Trade and other receivables	121 837	39 410
Cash and cash equivalents	82 179	56 828
	230 878	122 155
Total assets	7 538 373	2 241 546
Equity and liabilities		
Unitholders' interest		
Stated capital	2 755 936	932 232
Retained income	506 179	121 444
	3 262 115	1 053 676
Total equity	493 937	189 676
Deferred consideration	55 825	-
Total unitholders' interest	3 811 877	1 243 352
Liabilities		
Non-current liabilities		
Interest-bearing borrowings	2 981 312	832 450
Deferred tax	-	57 207
	2 981 312	889 657
Current liabilities		
Interest-bearing borrowings	216 430	33 992
Trade and other payables	83 256	35 477
Current tax payable	6 142	-
Unitholders for distribution	172 578	39 068
Amounts due to vendors	266 656	-
Bank overdraft	122	-
	745 184	108 537
Total liabilities	3 726 496	998 194
Total equity and liabilities	7 538 373	2 241 546

Acquisitions during the financial year

In line with Delta's strategy of growing the portfolio with single tenanted, quality and yield enhancing assets, R4.5 billion worth of properties were acquired during the year under review. The weighted average rental per m² per sector for the properties acquired are:

Sector	Weighted average rental per m ² *
Office government	R108.98
Office other	R85.28
Retail	R71.48
Industrial	R28.78

* Weighted average rental as at 28 February 2014.

Equity investments

During the period under review Delta acquired a 9.07% interest in Ascension Properties Limited A units and a 21.94% interest in Ascension Properties Limited B units:

	Number of units 28 February 2014	Net cost R'000	Market value 28 February 2014 R'000
Ascension Properties Limited A linked units	28 001 628	116 221	131 328
Ascension Properties Limited B linked units	82 575 341	218 527	202 309
		334 748	333 637

Commitments

	28 February 2014 R'000
Capital improvements in respect of investment property	
- Opening balance - 01 March 2013	63 151
- Refurbishments and renovations capitalised in the period	(41 790)
- New approvals	161 324
	182 685

These commitments will be financed from a combination of available cash resources and new debt financing facilities.

Lease expiry profile

Based on	GLA %	Rental %
Vacant	4.6	0.0
28-Feb-15	17.0	17.6
29-Feb-16	12.0	12.5
28-Feb-17	20.1	22.9
28-Feb-18	14.2	13.9
28-Feb-19	10.7	13.1
> 28-Feb-19	21.4	20.0
Total	100.0	100.0

During the year leases in respect of 156 263 m² (25.15% of portfolio) were renewed. The weighted average escalation rate across the portfolio was 8.0% at 28 February 2014.

Vacancies

Vacancies in the Delta portfolio at 28 February 2014 increased marginally to 4.6% of gross lettable area compared with 4.4% at 28 February 2013 due to the increased portfolio size.

Borrowings

Delta's borrowings of R3.5 billion, including amounts due to vendors, equate to a gearing ratio of 47.5% compared with 40.9% at 28 February 2013. Gearing is calculated as total interest-bearing liabilities (excluding debentures) as a percentage of total income producing assets.

	28 February 2014 R'000	28 February 2013 R'000
Investment property	6 965 730	2 119 112
Investment in listed securities	333 637	-
	7 299 367	2 119 112
Total borrowings	3 464 398	866 442
Gearing	47.5%	40.9%

The growth of the portfolio in the year, as well as the acquisition of the Ascension Properties Limited A units and Ascension Properties Limited B units, was partially funded through the increased gearing. Management has committed to a 4.5% gearing in an aggressive acquisition period and so intends to reduce the current gearing of 47.5% post year end. To mitigate the risk of higher interest rates management has, post year end, increased the level of fixed rate debt. Management will continue to pursue attractive funding rates through both the debt capital markets and vanilla debt.

Interest rates in respect of 31.7% of borrowings at 28 February 2014 had been fixed for a weighted average period of three years. Subsequent to year end Delta entered into contracts to fix a further R744.1 million of debt at between three and five years at a weighted average all in rate of 9.47%, increasing the total fixed debt portfolio to 52.2%.

The weighted average interest rate of all borrowings was 7.5% per annum at 28 February 2014, with unutilised banking facilities of R144.4 million.

During the year Delta issued R190 million in commercial paper and R362 million in secured notes under its unsecured domestic medium term note programme.

Debt facilities at 28 February 2014:

Provider and type of loan	Facility R'million	Utilised amount R'million	Expiry	Fixed rate %	Margin over JIBAR for floating facility %	Rate below Prime for floating facility %
Nedbank - Fixed	350	352	2018*	7.88		
Nedbank - Fixed	350	352	2016	7.74		
Nedbank - Floating	150	125	2016		2.05	
Nedbank - Fixed	270	272	2019	7.87		
Nedbank - Fixed	180	180	2017	7.55		
Nedbank - Floating	200	180	2017			1.88
Nedbank - Floating	80	81	2019			1.96
Nedbank - Floating	100	102	2019			1.96
Nedbank - Floating	180	182	2018			1.85
Nedbank - Floating	32	32	2018			1.75
Nedbank - Floating	190	135	2019			1.96
Standard Bank - Floating	128	130	2019			2.09
Standard Bank - Floating	86	87	2017			1.91
Standard Bank - Floating	93	76	2017			1.50
Standard Bank - Floating	43	44	2017			1.85
Standard Bank - Floating	65	66	2019			2.00
Standard Bank - Floating	46	44	2017			1.50
Standard Bank - Floating	33	34	2019			2.10
Standard Bank - Floating	33	33	2018			2.00
Standard Bank - Floating	33	33	2017			1.90
Standard Bank - Floating	55	55	2017			1.90
Standard Bank - Floating	340	8	2015			1.34
Sanlam - Floating	13	13	2018			2.00
Sanlam - Floating	13	13	2019			2.10
Sanlam - Floating	13	13	2017			1.90
Commercial Paper - Floating	190	191	2015			0.45
Secured Notes - Floating	362	365	2017			1.50
	3 628	3 198				

* Fixed rate expires 2016

At 28 February 2014, R192 million in interest had been accrued on the above facilities. Amounts due to vendors at year end represented vendor loans which were settled in March 2014 from the surplus available on facilities issued by Standard Bank.

To ensure effective cash management, surplus cash is invested against revolving debt facilities at a rate in excess of 7%.

Condensed Segmental Analysis Reviewed

For the year ended 28 February 2014 (R'000)	Retail	Office government	Office other	Industrial	Admin and corporate costs	Total
Contractual rental income	14 574	396 662	162 640	20 333	-	594 209
Straight line rental income	59 814	46 135	8 120	4 748	-	59 814
Property operating expenses	(3 157)	(90 817)	(54 384)	(3 162)	-	(151 520)
Net property rental and related income	12 228	351 980	116 376	21 919	-	502 503
Fair value adjustments	5 536	153 391	99 541			