

UNAUDITED condensed consolidated interim results for the six months ended 31 August 2015

- 42.89 cents per share interim distribution representing an increase of 7.2% from the comparable period in 2014
- On track to achieve 8% growth in distribution for full year
- Capital raise of R 780.3 million during the period
- Gearing ratio reduced from 49.9% to 46.0%
- Level 2 B-BBEE rating achieved – best rated listed property fund
- Achieved A2 (ZA) short-term GCR credit rating



Delta Property Fund Limited (Incorporated in the Republic of South Africa) (Registration number 2002/005129/06) Share code: DLT ISIN: ZAE000172052 ("Delta" or "the Fund" or "the Group") (REIT status approved)

Consolidated Statement of Comprehensive Income

	Unaudited For the half year ended 31-Aug-15 R'000	Unaudited For the half year ended 31-Aug-14 R'000	Audited For the year ended 28-Feb-15 R'000
Revenue			
Contractual rental income	578 502	442 291	940 623
Straight-line rental income accrual	8 658	37 902	68 584
Net property rental and related income	587 160	480 193	1 009 207
Profit on disposal of investment	(158 019)	(116 701)	(244 323)
Gain from bargain purchase	429 142	363 492	764 894
Other income	-	-	20 425
Administrative expenses	6 080	464	127
Foreign exchange profit/(loss)	(36 366)	(25 213)	(51 008)
Net operating profit	51 175	(1 450)	(12 366)
Fair value adjustments	450 031	337 293	735 652
Profit from operations	(16 513)	(12 802)	459 995
Finance costs	433 518	324 491	1 194 637
Interest received	(194 701)	(141 329)	(316 380)
Amortisation of debenture premium	10 654	1 441	3 965
Cancellation fee	-	158 930	264 883
Impairment of development right	(11 542)	(41 200)	(41 200)
Share of profit in associate	118	4 180	-
Loss on disposal of subsidiary	(104 749)	-	-
Profit before debenture interest and taxation	133 298	306 513	1 090 323
Debt interest	-	(166 767)	(177 044)
Profit for the period before tax	133 298	139 746	913 279
Taxation	-	9 517	(2 211)
Profit from continuing operations	133 298	149 263	911 068
Loss from discontinued operations	(4 368)	-	(45 070)
Profit for the period	128 930	149 263	865 998
Other comprehensive income			
Items that may subsequently be classified to profit or loss	83 111	-	63 813
Translation of foreign entities	-	-	929 811
Total comprehensive profit for the period	212 041	149 263	929 811
Profit for the period attributable to:			
Equity shareholders of Delta Property Fund Limited	131 008	149 263	885 420
Non-controlling interests	(2 078)	-	(19 422)
Total comprehensive income attributable to:	128 930	149 263	865 998
Equity shareholders of Delta Property Fund Limited	174 313	149 263	912 605
Non-controlling interests	37 728	-	17 206
Total comprehensive income	212 041	149 263	929 811
Reconciliation of earnings, headline earnings and distributable earnings			
Profit for the period from continuing operations attributable to equity shareholders	133 298	149 263	911 068
Debt interest	-	(166 767)	(177 044)
Earnings	133 298	316 030	1 088 112
Loss for the period from discontinued operations attributable to equity shareholders	(2 290)	-	(25 648)
Profit for the period attributable to equity shareholders	131 008	316 030	1 062 464
Headline earnings – continuing operations			
Attributable earnings from continuing operations	133 298	316 030	1 088 112
Change in fair value of investment property	4 858	-	(485 224)
Deferred taxation	-	-	(127)
Gain from bargain purchase	-	-	15 582
Impairment of development right	104 749	-	-
Loss on change in control of subsidiary	(71 028)	-	-
Realisation of foreign currency translation reserve on disposal of subsidiary	171 877	316 030	618 343
Headline earnings – continuing and discontinued operations	131 008	316 030	1 062 464
Change in fair value of investment property	4 858	-	(542 838)
Deferred taxation	-	-	(570 208)
Gain from bargain purchase	-	-	27 370
Impairment of development right	104 749	-	15 582
Loss on change in control of subsidiary	(71 028)	-	-
Realisation of foreign currency translation reserve on disposal of subsidiary	2 078	-	27 419
Headline earnings from continuing and discontinued operations	171 665	316 030	562 500
Headline earnings – continuing operations	171 877	316 030	618 343
Change in fair value of financial instruments (net of deferred taxation)	11 655	11 570	20 990
Change in fair value of investment property	11 655	16 059	20 990
Deferred taxation	-	(4 499)	-
Straight line rental income accrual (net of deferred taxation)	(8 658)	(37 902)	(68 584)
Straight line rental income accrual	(8 658)	(37 902)	(68 584)
Deferred taxation	-	-	-
Antecedent interest	9 010	13 702	3 425
Cancellation fee	11 542	41 200	41 200
Deferred taxation – other adjustments	-	(3 384)	4 592
Fair value (gain)/loss on investments	-	(3 267)	5 249
Dividend received	14 057	-	18 247
Share of profit in associate	(118)	-	-
Foreign exchange loss	19 922	1 450	12 366
Amortisation of debenture premium	-	(158 930)	(264 883)
Profit on disposal of listed investments	-	-	(20 425)
Accrued distribution from listed investments	-	-	11 905
Amortisation of debt structuring fee	3 321	-	-
Distributable earnings attributable to equity shareholders	232 608	180 469	382 425
Less: distribution declared	232 608	180 469	382 425
Interim	232 608	180 469	180 469
Final	-	-	201 956
Number of shares in issue at interim	542 316 733	451 042 442	451 042 442
Number of shares in issue at year-end	N/A	N/A	458 409 836
Weighted average number of shares in issue	525 007 164	442 207 400	448 263 938
Basic and diluted earnings per share*			
Basic and diluted earnings per share from continuing operations	25.39	71.47	242.74
Basic and diluted earnings per share from discontinued operations	(0.44)	-	(5.72)
Basic and diluted headline earnings per share*	24.95	71.47	237.02
Basic and diluted headline earnings per share from continuing operations	32.74	71.47	137.94
Basic and diluted headline earnings per share from discontinued operations	(0.04)	-	(12.46)
Distribution per share – interim	42.89	40.01	40.01
Distribution per share – year-end	N/A	N/A	44.06
Distribution per share – full year	42.89	40.01	84.07

* The Fund has no dilution instruments in issue

Consolidated statement of changes in equity

	Retained income R'000	Share capital R'000	Foreign currency translation reserve (FCTR) R'000	Non-controlling interest R'000	Total R'000
Balance at 1 March 2014	924 311	317 544	-	-	1 241 855
Issue of linked units as consideration for investment property	-	161 966	-	-	161 966
Non-controlling interest on acquisition of disposal group	-	-	-	457 747	457 747
Capital issue expenses	-	(14 139)	-	-	(14 139)
Antecedent interest – number 03	-	(5 836)	-	-	(5 836)
Antecedent interest – number 04 and 05	-	(3 425)	-	-	(3 425)
Profit for the year	885 420	-	-	(19 422)	865 998
REIT conversion	-	2 321 954	-	2 321 954	2 321 954
Other comprehensive income for the year	-	-	27 185	36 628	63 813
Transfer between equity holders	6 001	-	(6 001)	-	-
Dividends paid	-	-	-	(15 782)	(15 782)
Balance at 28 February 2015	1 815 732	2 778 064	27 185	453 180	5 074 171
Issue of shares during the period	-	780 326	-	-	780 326
Capital issue expenses	-	(12 392)	-	-	(12 392)
Repurchase of shares	-	(22 933)	-	-	(22 933)
Distribution paid	(238 264)	-	-	-	(238 264)
Other comprehensive income for the period	-	-	43 305	39 806	83 111
Profit for the period	131 008	-	-	(2 078)	128 930
Disposal of subsidiary	-	-	(71 028)	(490 918)	(561 946)
Balance at 31 August 2015	1 708 476	3 523 065	(538)	-	5 231 003

DIRECTORS' COMMENTARY

- Nature of business**
Delta is a JSE main board listed Real Estate Investment Trust ("REIT"). Its primary focus is on long-term investment in quality, rental generating properties situated in strategic nodes attractive to national government and tenants requiring empowered landlords. The Fund is black managed and a level 2 B-BBEE contributor, qualifying for long-term government leases in terms of the Department of Public Works' B-BBEE policy.
- Strategy**
Delta will continue to be the dominant sovereign listed property fund in South Africa. This will be achieved by delivering above industry average distributions and capital growth through a portfolio comprising predominantly sovereign underpinned properties. A significant interest will be maintained in Delta Africa (formerly known as Delta International) to benefit from exposure to the high growth opportunities in the African continent.
- Distributable earnings and commentary on results**
Delta has declared a distribution of 42.89154 cents per share for the six months ended 28 February 2015. This is a 7.2% increase on the distribution for the comparable period in 2014. Despite the difficult economic environment, property operating expenses were contained with the net cost-to-income ratio marginally higher at 11.63% (August 2014: 10.16%). The increase is as a result of new properties that have been acquired that are yet to stabilise in terms of their operational activities and costs.

Consolidated statement of financial position

	Unaudited for the half year ended 31 August 2015 R'000	Unaudited for the half year ended 31 August 2014 R'000	Audited for the year ended 28 February 2015 R'000
Assets			
Non-current assets			
Investment property	8 816 434	7 180 373	8 393 900
Fair value of property portfolio	8 633 026	7 030 190	8 213 035
Straight-line rental income accrual	183 408	150 183	180 865
Property, plant and equipment	4 523	3 437	2 923
Investment in associate	406 825	505 442	-
Deferred tax	-	12 455	-
Total non-current assets	9 227 762	7 701 707	8 396 623
Current assets			
Other financial assets	-	41 036	-
Current tax receivable	1 153	-	1 153
Trade and other receivables	241 535	96 864	284 036
Cash and cash equivalents	213 951	59 297	60 730
Total current assets	456 639	197 127	345 919
Non-current assets held for sale	265 630	-	26 500
Assets associated with disposal group held for sale	-	-	2 110 030
Total assets	9 950 051	7 898 904	10 879 272
Equity and liabilities			
Total equity attributable to equity holders	3 523 065	449 379	2 778 064
Share capital	(538)	-	27 185
Foreign currency translation reserve	1 708 476	1 073 574	1 815 732
Retained income	5 231 003	1 522 954	4 620 981
Non-controlling interest	-	-	453 180
Total equity	5 231 003	1 522 954	5 074 171
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	3 750 469	3 060 121	3 652 300
Debentures and debenture premium	-	2 386 938	-
Deferred tax	-	-	19
Derivative financial instruments	32 646	16 070	20 990
Total non-current liabilities	3 783 115	5 463 129	3 673 309
Current liabilities			
Interest-bearing borrowings	819 794	641 476	856 265
Trade and other payables	116 139	89 868	103 163
Current tax payable	-	1 008	-
Shareholders for distribution	-	180 469	-
Bank overdraft	-	-	21
Total current liabilities	935 933	912 821	959 449
Liabilities associated with disposal groups held for sale	-	-	1 172 343
Total liabilities	4 719 048	6 375 950	5 805 101
Total equity and liabilities	9 950 051	7 898 904	10 879 272

Consolidated statement of cash flows

	Unaudited For the half year ended 31 August 2015 R'000	Unaudited For the half year ended 31 August 2014 R'000	Audited For the year ended 28 February 2015 R'000
Cash generated from operations	415 603	301 858	483 116
Interest received	10 654	1 441	3 965
Finance costs	(194 701)	(141 329)	(315 593)
Taxation paid	-	(3 500)	(4 914)
Distribution paid	(238 264)	-	-
Dividends received	14 057	-	-
Net cash from operating activities	7 349	158 470	166 574
Acquisition of investment property	(531 931)	(126 825)	(572 108)
Proceeds on disposal of investment property	21 643	-	-
Refurbishment and renovations capitalised	(147 573)	(49 916)	(148 134)
Purchase of property, plant and equipment	(2 945)	(641)	(1 027)
Payments of other financial assets	-	(25 454)	-
Proceeds from disposal of listed securities	-	348 809	348 809
Acquisition of listed securities	-	(501 262)	-
Net cash outflow on acquisition of subsidiary	-	-	(9 720)
Net cash from investing activities	(660 806)	(355 289)	(381 180)
Proceeds from issue of shares	780 326	118 000	-
Capital issue expenses	(12 392)	(2 687)	(8 168)
Cash outflow on repurchase of shares	(22 933)	-	-
Debt interest paid	-	(178 453)	(349 622)
Proceeds from interest-bearing borrowings	61 688	503 855	1 310 036
Repayment of other financial liabilities	-	(266 656)	(266 656)
Changes in shareholding of subsidiary	-	-	(492 335)
Net cash from financing activities	806 689	174 059	193 255
Net movement in cash and cash equivalents	153 242	(22 760)	(21 351)
Cash at the beginning of the period	60 709	82 057	82 060
Total cash at the end of the period	213 951	59 297	60 709

Distributable earnings include a dividend received from Delta Africa of R14.1 million for the period ended 30 June 2015. Other income of R6.1 million primarily comprises of a fee charged to recoup the associated net interest expense on a cash deposit provided on behalf of Delta Africa. The net foreign exchange gain of R51.2 million relates to accumulated foreign exchange gains of R71.1 million on the Delta Africa investment which were reclassified from other comprehensive income to profit and loss upon the change in control of the subsidiary. These were offset by a R19.9 million foreign exchange loss on US Dollar denominated debt. In line with Group policy, the property portfolio is valued at financial year-end and has therefore not been reviewed for interim reporting purposes. The fair value loss of R16.5 million relates primarily to fair value fluctuations on interest rate hedges and cross currency swaps. Trade and other receivables includes deposits paid of R100 million on acquisitions yet to transfer.

4. Property portfolio
As at 31 August 2015 Delta's portfolio (inclusive of assets held for sale), valued at R9.1 billion, consisted of 85 properties with a total GLA of 723,929 m². The segmental and geographic breakdown of the portfolio at the reporting date was as follows:

