



# REVIEWED

## provisional condensed consolidated results

### for the year ended 29 February 2016

# HIGHLIGHTS

- Achieved forecast 8% increase in full year distribution to 90.79 cents per share
- Successfully concluded the R1.26 billion Redefine portfolio acquisition
- Improvement of loan to value to ca.42% from 47.2% at year end
- 83% of debt hedged
- Industry leading Level 2 B-BBEE rated listed property company
- Successful renewal of 80% of 2015 expiring leases

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

	Group	
	2016 R'000	2015 R'000
<b>Revenue</b>		
Contractual rental income	1 220 632	940 623
Straight-line rental income accrual	26 950	68 584
<b>Net property rental and related income</b>	<b>1 247 582</b>	<b>1 009 207</b>
Other income	(57 834)	(12 366)
Profit on disposal of listed investments	7 266	13 590
Loss on foreign exchange differences	(12 366)	(12 366)
Gain from bargain purchase	-	127
Administration expenses	(82 744)	(51 008)
<b>Net operating profit</b>	<b>792 219</b>	<b>735 652</b>
Fair value adjustments	259 124	458 985
<b>Profit from operations</b>	<b>1 051 343</b>	<b>1 194 637</b>
Finance costs	(412 713)	(316 380)
Interest income	26 593	3 965
Amortisation of debenture premium	33 537	264 893
Share of profit in associate	(11 542)	(41 200)
Cancellation fee	(2)	(15 582)
Impairment of development right	(2)	(2)
Share of loss in joint venture	(2)	(2)
<b>Profit before debenture interest and taxation</b>	<b>687 216</b>	<b>1 090 323</b>
Debt interest	(177 044)	(177 044)
<b>Profit before taxation</b>	<b>687 216</b>	<b>913 279</b>
Taxation	(2 211)	(2 211)
<b>Profit for the year from continuing operations</b>	<b>687 216</b>	<b>911 068</b>
Loss from discontinued operations	(38 089)	(45 070)
<b>Profit for the year</b>	<b>649 127</b>	<b>865 998</b>
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to profit and loss		
Exchange gain on translation of foreign subsidiary	83 649	63 813
Reclassification of foreign currency translation reserve on loss of control of subsidiary	(43 843)	-
Share of foreign currency translation reserve of associate	(43 796)	-
Taxation related to components of other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>645 137</b>	<b>929 811</b>
<b>Profit for the year attributable to:</b>		
<b>Owners of the parent:</b>		
Profit for the year from continuing operations	687 216	911 068
Loss for the year from discontinued operations	(38 089)	(45 070)
<b>Non-controlling interest:</b>		
Loss for the year from discontinued operations	(2 078)	(19 422)
<b>Total comprehensive income</b>	<b>649 127</b>	<b>865 998</b>
Owners of the parent	607 409	912 605
Non-controlling interest	37 728	17 206
<b>Total comprehensive income</b>	<b>645 137</b>	<b>929 811</b>
<b>Reconciliation of earnings from continuing operations:</b>		
Profit for the year from continuing operations	687 216	911 068
Debt interest	(177 044)	(177 044)
<b>Earnings from continuing operations</b>	<b>687 216</b>	<b>1 088 112</b>
Loss for the year from discontinued operations	(38 089)	(45 070)
<b>Profit for the year attributable to owners of the parent</b>	<b>651 205</b>	<b>1 062 464</b>
<b>Reconciliation of headline earnings from continuing operations:</b>		
Profit for the year from continuing operations	687 216	1 088 112
Change in fair value of investment property	(373 286)	(485 224)
Change in fair value of investment property of associate	(304 200)	(485 224)
Gain from bargain purchase	(69 086)	-
Impairment of development right net of tax	-	(127)
Impairment of development right	-	15 582
Tax effect	-	-
<b>Headline earnings from continuing operations</b>	<b>313 930</b>	<b>618 343</b>
<b>Reconciliation of headline earnings from continuing and discontinued operations:</b>		
Profit for the year from continuing and discontinued operations	651 205	1 062 464
Change in fair value of investment property	(373 286)	(485 224)
Change in fair value of investment property of associate	(304 200)	(485 224)
Gain from bargain purchase	(69 086)	-
Deferred taxation	-	27 370
Impairment of development right net of tax	-	(127)
Impairment of development right	-	15 582
Tax effect	-	-
<b>Headline earnings from continuing and discontinued operations</b>	<b>277 919</b>	<b>562 500</b>
<b>Reconciliation of distributable earnings attributable to owners of the parent:</b>		
Headline earnings from continuing operations	313 930	613 980
Fair value loss on derivative financial instruments	45 077	20 990
Straight-line rental income accrual	(26 950)	(68 584)
Antecedent interest	9 010	3 425
Cancellation fee	11 542	41 200
Deferred taxation - other adjustments	-	8 955
Fair value loss on investments	-	5 249
Dividend income	36 779	18 247
Share of profit in associate	(33 537)	-
Share of loss in joint venture	2	-
Unrealised loss on foreign exchange difference	57 794	12 366
Amortisation of debenture premium	-	(264 893)
Profit on disposal of listed investments	-	(20 425)
Accrued distribution from listed investments	-	11 905
Amortisation of debt structuring fee	6 141	-
Change in fair value of investment property of associate	69 086	-
<b>Distributable earnings attributable to owners of the parent</b>	<b>488 874</b>	<b>382 425</b>
Less: distribution declared	(487 862)	(382 425)
- Interim	232 608	180 469
- Year-end (declared after 29 February 2016)	255 354	201 956
<b>Retained distribution</b>	<b>912</b>	<b>-</b>
<b>Weighted average number of shares in issue</b>		
- Year-end	535 182 853	458 409 836
<b>Actual number of shares in issue</b>		
- Interim	542 316 733	451 042 442
- Year-end	533 097 436	458 409 836
<b>Basic and diluted earnings per share (cents)</b>		
Basic and diluted earnings per share from continuing operations	128.41	242.74
Basic and diluted earnings per share from discontinued operations	(6.73)	(5.72)
<b>Basic and diluted headline earnings per share (cents)</b>	<b>121.68</b>	<b>237.02</b>
Basic and diluted headline earnings per share from continuing operations	58.66	137.94
Basic and diluted headline earnings per share from discontinued operations	(6.73)	(12.46)
<b>Distribution per share (cents)</b>	<b>51.93</b>	<b>125.48</b>
- Interim	42.89	40.01
- Year-end (declared after 29 February 2016)	47.90	44.06
<b>90.79</b>	<b>84.07</b>	

### Consolidated statement of changes in equity

	Share capital	Foreign currency translation reserve	Deferred consideration	Total reserves	Retained income	Total shareholders' interest	Non-controlling interest	Total equity
<b>R'000</b>								
<b>Balance at 1 March 2014</b>	<b>317 544</b>	-	-	-	<b>924 311</b>	<b>1 241 855</b>	-	<b>1 241 855</b>
<b>Total comprehensive income for the year</b>	-	<b>27 185</b>	-	<b>27 185</b>	<b>885 420</b>	<b>912 605</b>	<b>17 206</b>	<b>929 811</b>
Profit for the year	-	-	-	-	885 420	885 420	(19 422)	865 998
Other comprehensive income	-	27 185	-	27 185	-	27 185	36 628	63 813
Issue of linked units as consideration for investment property	161 965	-	-	-	-	161 965	-	161 965
Capital issue expenses	(14 139)	-	-	-	-	(14 139)	-	(14 139)
Cum distribution number 03*	(5 836)	-	-	-	-	(5 836)	-	(5 836)
Cum distribution number 04 and 05*	(3 425)	-	-	-	-	(3 425)	-	(3 425)
REIT conversion	2 321 954	-	-	-	-	2 321 954	-	2 321 954
Non-controlling interest on acquisition of disposal group	-	-	-	-	-	-	457 747	457 747
Transfer between equity holders	-	-	-	-	6 001	6 001	(6 001)	-
Dividends paid	-	-	-	-	-	-	(15 762)	(15 762)
<b>Balance at 1 March 2015</b>	<b>2 778 064</b>	<b>27 185</b>	-	<b>27 185</b>	<b>1 815 732</b>	<b>4 620 981</b>	<b>453 190</b>	<b>5 074 171</b>
<b>Total comprehensive income for the year</b>	-	<b>(43 796)</b>	-	<b>(43 796)</b>	<b>607 409</b>	<b>607 409</b>	<b>37 728</b>	<b>645 137</b>
Profit for the year	-	-	-	-	651 205	651 205	(2 078)	649 127
Other comprehensive income	-	(43 796)	-	(43 796)	-	(43 796)	39 806	(3 990)
Loss of control of subsidiary	-	(27 185)	-	(27 185)	-	(27 185)	(490 918)	(518 103)
Issue of shares issued as consideration for investment property	76 950	-	-	-	-	76 950	-	76 950
Issue of shares issued as consideration for cash	658 169	-	-	-	-	658 169	-	658 169
Issue of shares dividend reinvestment programme	45 207	-	-	-	-	45 207	-	45 207
Capital issue expenses	(15 514)	-	-	-	-	(15 514)	-	(15 514)
Share capital not eliminated in prior period	5 971	-	-	-	(5 971)	-	-	(5 971)
Share buy-back	(98 254)	-	-	-	-	(98 254)	-	(98 254)
Deferred consideration*	-	-	259 720	259 720	-	259 720	-	259 720
Dividends paid*	-	-	-	-	(470 854)	(470 854)	-	(470 854)
<b>Balance at 29 February 2016</b>	<b>3 450 593</b>	<b>(43 796)</b>	<b>259 720</b>	<b>215 924</b>	<b>1 990 112</b>	<b>5 656 629</b>	-	<b>5 656 629</b>

\* Details of distributions 01 - 07 as announced on SENS  
\* Acquisition of properties to be settled by the issue of 28 857 764 shares at a fixed price of R9 per share

### Consolidated statement of cash flows

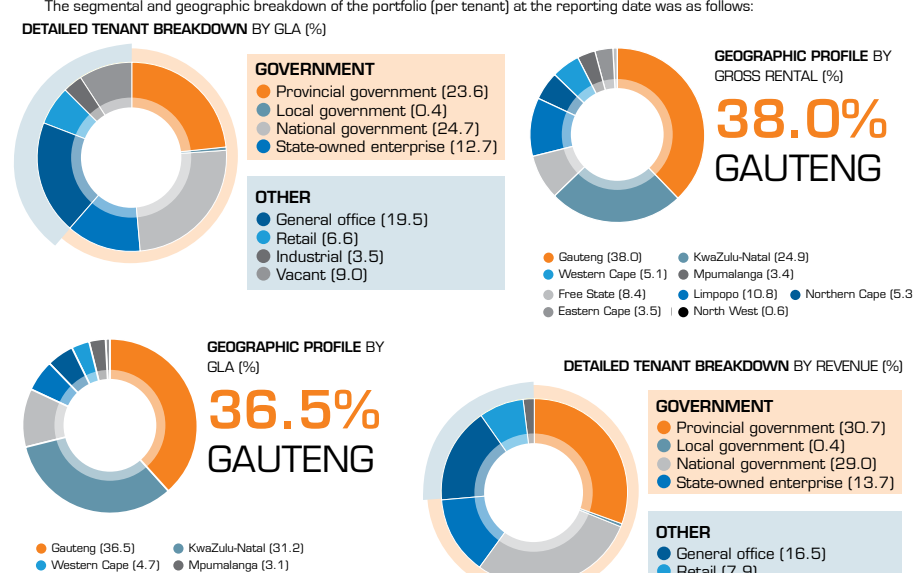
	Group	
	2016 R'000	2015 R'000
<b>Cash generated from operations</b>	<b>827 846</b>	<b>483 116</b>
Interest received	10 227	3 965
Dividends received	36 837	-
Finance costs	(374 448)	(315 593)
Taxation paid	(470 854)	(4 914)
Dividends paid	(4 449)	(1 027)
<b>Net cash from operating activities</b>	<b>29 607</b>	<b>166 574</b>
Purchase of property, plant and equipment	(4 449)	(1 027)
Acquisition of investment properties	(801,448)	(572 108)
Capital expenditure on investment properties	(304 073)	(148 134)
Proceeds from disposal of investment properties	104 859	-
Loans advanced to related parties	(77 115)	-
Proceeds from disposal of listed securities	-	348 809
Acquisition of shares in associate	(9 123)	-
Acquisition of shares in joint venture	(2)	-
Net cash outflow on acquisition of subsidiary	-	(8 720)
<b>Net cash from investing activities</b>	<b>(1 091 352)</b>	<b>(381 180)</b>
Proceeds from issue of shares	703 376	-
Share buy-back	(98 254)	-
Capital issue expenses	(15 514)	(8 168)
Proceeds from interest-bearing borrowings	1,376,946	1,310,036
Repayment of interest-bearing borrowings	(859 765)	-
Repayment of other financial liabilities	-	(266 656)
Changes in shareholding of subsidiary	-	(492 335)
Debt interest paid	-	(349 622)
<b>Net cash from financing activities</b>	<b>1 106 789</b>	<b>193,255</b>
<b>Net movement in cash and cash equivalents</b>	<b>45 044</b>	<b>(21 351)</b>
Cash at the beginning of the year	60 709	82 060
<b>Total cash at the end of the year</b>	<b>105 753</b>	<b>60 709</b>

### COMMENTARY:

**1. Introduction**  
Delta is a black managed JSE listed Real Estate Investment Trust ("REIT") focused on long-term sovereign underpinned properties. The Fund is a Level 2 B-BBEE contributor and will continue to be the dominant sovereign listed property fund in South Africa. Delta has the management knowledge and experience to manage the sovereign underpin and has become the leading management team in relation to government-tenanted assets.

**2. Financial performance**  
Global economies have experienced a steady deterioration in trading conditions during the period, with the local economy being significantly impacted by rising inflation, political uncertainty and rising interest rates coupled with the strengthening of the US dollar against the Rand. Delta, however, managed to remain resilient and steadfast among the economic challenges encountered due to its sovereign underpin and has delivered an excellent set of results.  
Delta has declared a full year distribution of 90.79 cents per share for the financial period ending 29 February 2016, representing an increase of 8% over the prior year.  
Contractual rental income increased 29.8%, benefiting 7.8% from weighted average rate escalations and 13.5% from new acquisitions. Net cost-to-income ratio was impacted by new acquisitions, increasing from 10.2% to 12.2%, and is expected to normalise during the new financial year once Delta takes over the management of these assets and undertakes the redevelopment work on the Free State portfolio.  
Fair value adjustments to investment properties decreased during the current year, reflecting the change in market conditions together with the increased vacancy of the portfolio. The depreciation of the Rand against the US dollar negatively impacted the fair value of cross-currency swaps and Dollar-denominated loan resulting in an unrealised foreign exchange loss of R57.8 million. Administration expenses increased primarily due to a R10.1 million reversal of a prior year accrual and increase in asset management fees due to acquisitions.  
Finance costs increased 30.5% during the period, driven by a combination of acquisitions and increased cost of borrowings. The interest cover ratio, excluding occupational interest on the Free State portfolio, improved to 2.38 from 2.17 in the prior year.

**3. Property portfolio**  
Delta's property portfolio of R10.1 billion, consists of 100 properties with a total GLA of 813 505m<sup>2</sup>. Assets held-for-sale comprise 17 properties with a total GLA of 134 754m<sup>2</sup> and a combined value of R1.4 billion.  
The segmental and geographic breakdown of the portfolio (per tenant) at the reporting date was as follows:



### Condensed consolidated segmental analysis

For the year ended 29 February 2016 R'000	Retail	Office government	Office other	Industrial	Admin and corporate costs	Total
Contractual rental income	87 875	912 667	201 134	18 956	-	1 220 632
Straight-line rental income accrual	10 051	22 363	671	(6 135)	-	26 950
Property operating expenses	(13 060)	(213 658)	(71 451)	(5 880)	-	(244 323)
<b>Net property rental and related income</b>	<b>66 865</b>	<b>721 373</b>	<b>130 351</b>	<b>6 942</b>	<b>-</b>	<b>925 531</b>
Fair value adjustments	(85 269)	329 648	22 095	37 726	(45 076)	259 124
Investment property	(85 269)	329 648	22 095	37 726	-	304 200
Derivative instruments	-	-	-	-	(45 076)	(45 076)
<b>Assets</b>						
Investment property	632 590	7 733 442	1 551 849	177 300	-	10 095 181
Fair value of property portfolio	422 241	6 795 035	1 282 907	-	-	8 500 183
Straight-line rental income accrual	4 349	168 726	11 442	-	-	184 517
Investment property held-for-sale	206 000	769 681	257 500	177 300	-	1 410 481
<b>For the year ended 28 February 2015 R'000</b>						
Contractual rental income	25 102	588 251	296 169	31 101	-	940 623
Straight-line rental income accrual	260	48 914	13 830	5 580	-	68 584
Property operating expenses	(7 021)	(136 188)	(95 383)	(5 731)	-	(244 323)
<b>Net property rental and related income</b>	<b>18 341</b>	<b>500 977</b>	<b>214 616</b>	<b>30 950</b>	<b>-</b>	<b>764 884</b>
Fair value adjustments	(8 296)	317 817	190 365	(14 672)	(52 478)	432 746
Investment property	(8 296)	317 817	190 365	(14 672)	(26 239)	458 985
Investments	-	-	-	-	(5 249)	(5 249)
Derivative instruments	-	-	-	-	(20 990)	(20 990)
<b>Assets</b>						
Investment property	207 800	5 206 800	2 751 400	227 900	-	8 393 900
Fair value of property portfolio	206 622	5 061 7				