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## NPA Cape Town, Cape Town

The total refurbishment of this building was completed during the year at a cost of R24 million and included specific tenant requirements, air-conditioning and external painting. This building has now re-established itself as one of the iconic buildings on Buitengracht Street. A new 10-year lease was concluded with the tenant, the National Prosecuting Authority.

## Commission House, Pretoria

The total refurbishment and extension of Commission House is currently under way which will increase the buildings total GLA from 6 617.52m<sup>2</sup> to 10 630.20m<sup>2</sup>. The total approved cost of the project is R71.3 million with an expected yield of 10.18%. The completion date is expected to be December 2015.

## CMH House, Durban

Redevelopment of the building to accommodate a CMH show room and 450 parking bays has commenced and is expected to be completed by October 2015. The total approved cost of the project is R156.6 million. CMH has signed a new 15-year lease commencing on completion of the redevelopment.

### 6.3 Lettings and vacancies

The lease expiry profile of the portfolio at 28 February 2015 was as follows:

Details	GLA %	Revenue %
Vacant	7.1	-
28 Feb 16	17.7	19.0
28 Feb 17	21.0	24.9
28 Feb 18	22.1	21.2
28 Feb 19	8.2	11.4
28 Feb 20	7.8	7.7
> 28 Feb 20	16.1	15.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

During the year, leases in respect of 93 682m<sup>2</sup> were renewed, and brought forward or acquired vacancies of 8 148m<sup>2</sup> were filled.

The weighted average escalation rate across the portfolio was 7.97% at year-end and the weighted average rental per square metre for the full portfolio was R95.84.

Vacancies in the Delta portfolio at 28 February 2015 amounted to 7.1% of gross lettable area compared with 4.6% at 28 February 2014. The increase from 28 February 2014 is primarily due to the vacancies acquired with the Marine Building and Delta Towers which were not paid for and once tenanted will increase the forward yield of the Fund.

### 7. Investment in Delta International

On 22 May 2014 the Company acquired 89.01% of Delta International Property Holdings Limited ("Delta International") for R8.7 million. Delta International is a listed property investment company offering investors direct access to high growth opportunities in African real estate (excluding South Africa). At acquisition date the net assets of Delta International Property Holdings Limited amounted to R8.8 million. The excess of net assets over the consideration paid has been recognised as a gain on bargain purchase in profit or loss.

During the year Delta International concluded a capital raise in which the Company participated, resulting in Delta's interest being diluted. At 28 February 2015, the Company held 23 415 200 shares in Delta International for an aggregate purchase consideration of R501.3 million. Delays to Delta International's capital raising programme resulted in Delta temporarily holding 52.41% of Delta International's issued share capital. Delta's intention was to hold approximately 25% of Delta International. A capital raising exercise which commenced before 28 February 2015 culminated in Delta International raising a further \$39.0 million in April 2015, which effectively diluted Delta's shareholding to 35%. Delta expects to be diluted further in the year ahead. The level of shareholding that existed at year-end together with the post year-end dilution has resulted in Delta International being consolidated as a disposal group at 28 February 2015. Going forward Delta International will be accounted for as an associate based on the fact that the Delta board of directors ("Board") has no control over the activities of Delta International.

The following table summarises the fair value of identifiable assets acquired and liabilities assumed at the acquisition date:

Assets	
Cash balances	7 101
Loans receivable	2 874
	9 975
Liabilities	
Trade and other payables	(34)
Identifiable assets and liabilities before non-controlling interest	9 941
Non-controlling interest	(1 094)
Identifiable assets acquired and liabilities assumed	8 847
Purchase consideration	(8 720)
Gain from bargain purchase	127
Purchase consideration	(8 720)
Cash acquired	-
Cash outflow on acquisition of subsidiary	(8 720)

### 8. Borrowings and hedging

During the past 12 months Delta increased the utilisation of its debt facilities from R3.2 billion to R4.5 billion, to execute on several key acquisitions, including The Marine and Delta Towers buildings as well as Delta's investment in Delta International. The resultant increase in Loan to Value ("LTV") from 47.5% to 49.9% was deemed by management to be an interim measure until further capital was raised. From August 2014, Delta saw liquidity in the DCM market dry up mainly as a result of the collapse of African Bank, and thus maturing commercial paper was replaced with vanilla funding. Despite these challenges, Delta has managed to maintain a highly competitive weighted average cost of debt funding of 8.10% and a fixed:floating ratio of 70%. The weighted average expiry of fixed debt is 2.36 years, and the weighted average expiry of Delta's total facilities is 2.37 years. The post year end issuance of a R100 million secured bond in March 2015 and the raising of R735.1 million of equity, assisted Delta to settle bridging facilities with Standard Bank of R406 million, and thereby reduced the LTV to 46.72% (as at May 2015) with the weighted average expiry profile extending to 2.51 years. Delta will continue to utilise the DMTN programme and other sources of funding to maintain a low cost of debt going forward.

### 9. Non-current assets held for sale

During the year the Group took the decision to dispose of the The Richmond Forum building to reduce vacancies on the Group's portfolio and utilise the funds to reduce the Group's gearing levels. The property will be disposed of within 12 months of the current financial period and is disclosed as part of the "Office-other" segment in these financial statements.

### 10. Events after the reporting period

Post year-end Delta has raised R735.1 million via vendor placements (of which R503 million came from the March 2015 capital raise) through the issue of 82 376 138 new Delta shares. The proceeds have been used to pay down existing debt facilities and to fund new acquisitions.

Subsequent to 28 February 2015, Delta has concluded the transfer of four properties for a total purchase consideration of R492.3 million. These acquisitions have been funded through a combination of new debt facilities and proceeds from new shares issued post year-end.

### 11. Prospects

While South Africa has entered a period which is anticipated to deliver low economic growth, the Board and management remain positive that Delta's defensive portfolio is well positioned for any downturn. Delta will continue to pursue empowerment sensitive opportunities. Management remains committed to reducing the level of gearing in the Fund and intends to lower this to 40% by February 2016.

On the assumption that trading conditions and the macroeconomic environment remains stable with no major tenant and corporate defaults, management anticipates combined distribution growth of 8% for the year ahead. The forecast has not been reviewed or reported on by the Group's auditors.

By order of the Board

**JB Magwaza** (Chairman)

**SH Nomvete** (Chief Executive Officer)

22 May 2015

## Notes

### 1. Basis of preparation and accounting policies

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

This report has been compiled under the supervision of Bronwyn Corbett CA(SA), the Chief Financial Officer of Delta.

Delta has complied with IFRS and JSE Listings Requirements by disclosing earnings and headline earnings per share. Headline earnings includes fair value adjustments for financial instruments and the straight line rental income accrual which does not affect distributable earnings.

These provisional consolidated financial statements for the year ended 28 February 2015 have been reviewed by BDO South Africa Incorporated, who expressed an unmodified review conclusion. The auditor's report contained the following paragraph with respect to a reportable irregularity:

A director of the company did not declare his personal financial interest in a transaction as required by section 75 of the Companies Act. We have reason to believe that the director has contravened section 75 of the Companies Act and his common law duty as agent of the Company to avoid a conflict of interest. As at the date of this report we are satisfied that the matter has been adequately addressed by the Board of directors.

A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report.

### 2. Declaration of final dividend ("the cash dividend") with the election to reinvest the distribution

Shareholders are advised that dividend number 5 of 44.05542 cents per share for the six months ended 28 February 2015 has been declared. The source of the cash dividend is from rental income.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to reinvest the cash dividend in return for Delta shares ("the share re-investment alternative"), failing which they will receive the cash dividend in respect of all or part of their shareholding. The number of shares that shareholders are entitled will be determined with reference to the ratio that 44.05542 cents per share bears to the five-day volume weighted average traded price (ex dividend) of Delta shares on the JSE prior to the finalisation date, which will be no later than Friday, 29 May 2015.

#### Salient dates relating to the cash dividend and the share alternative:

Circular and form of election posted to Delta shareholders	Friday, 22 May 2015
Announcement of share re-investment alternative issue price and finalisation information	Friday, 29 May 2015
Last day to trade cum dividend	Friday, 5 June 2015
Shares trade ex dividend	Monday, 8 June 2015
Listing of maximum possible number of share re-investment alternative shares commences on the JSE	Wednesday, 10 June 2015
Last day to elect to receive the share re-investment alternative (no late forms of election will be accepted) by 12:00	Friday, 12 June 2015
Record date	Friday, 12 June 2015
Announcement of results of cash dividend and share re-investment alternative on SENS	Monday, 15 June 2015
Cheques posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the cash dividend (the cash dividend payment date) on or about	Monday, 15 June 2015
Announcement of results of cash dividend and share re-investment alternative in the press	Wednesday, 17 June 2015
Share certificates posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the share re-investment alternative on or about	Thursday, 18 June 2015
Adjustment to shares listed on or about	Friday, 19 June 2015

Shares may not be dematerialised or rematerialised between Monday, 8 June 2015 and Friday, 12 June 2015, both days included.

In accordance with Delta's status as a REIT with effect from 8 December 2014, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, no. 58 of 1962 ("Income Tax Act"). An announcement informing shareholders of the tax treatment of the distributions will be released separately on SENS.

**Directors:** JB Magwaza<sup>1</sup> (Chairman), SH Nomvete\* (CEO), BA Corbett\* (CFO), JGG Da Costa<sup>^</sup>, N Khan<sup>^</sup>, PD Simpson<sup>^</sup>, I Macleod<sup>^</sup>, D Motau<sup>^</sup>

\*Executive; <sup>1</sup>Non-Executive; <sup>^</sup>Independent Non-Executive; <sup>#</sup>Lead Independent Director

**Registered office:** Silver Stream Office Park, 10 Muswell Road South, Bryanston (Postnet Suite 210, Private Bag X21, Bryanston, 2021)

**Transfer secretaries:** Computershare Investor Services Proprietary Limited

**Sponsor:** Nedbank Capital