



# 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
<b>Revenue</b>	<b>578 502</b>	<b>442 291</b>	<b>940 623</b>
Contractual rental income	8 658	37 902	68 584
Straight-line rental income accrual	578 160	480 193	1 009 207
<b>Property operating expenses</b>	<b>(158 018)</b>	<b>(116 701)</b>	<b>(244 323)</b>
<b>Net property rental and related income</b>	<b>429 142</b>	<b>363 492</b>	<b>764 884</b>
Profit on disposal of investment	-	-	20 425
Gain from bargain purchase	-	-	127
Other income	6 080	464	13 590
Administrative expenses	(36 366)	(25 213)	(51 008)
Foreign exchange profit/(loss)	51 475	(1 450)	(12 366)
<b>Net operating profit</b>	<b>450 031</b>	<b>337 293</b>	<b>735 652</b>
Fair value adjustments	(16 513)	(12 802)	458 985
<b>Profit from operations</b>	<b>433 518</b>	<b>324 491</b>	<b>1 194 637</b>
Finance costs	(194 701)	(141 329)	(316 380)
Interest received	10 654	1 441	3 965
Amortisation of debenture premium	-	158 930	264 883
Cancellation fee	(11 542)	(41 200)	(41 200)
Impairment of development right	-	-	(15 582)
Share of profit in associate	118	4 180	-
Loss on disposal of subsidiary	(104 749)	-	-
<b>Profit before debenture interest and taxation</b>	<b>133 298</b>	<b>306 513</b>	<b>1 090 323</b>
Debenture interest	-	(166 767)	(177 044)
<b>Profit for the period before tax</b>	<b>133 298</b>	<b>139 746</b>	<b>913 279</b>
Taxation	-	9 517	(2 211)
<b>Profit from continuing operations</b>	<b>133 298</b>	<b>149 263</b>	<b>911 068</b>
Loss from discontinued operations	(4 368)	-	(45 070)
<b>Profit for the period</b>	<b>128 930</b>	<b>149 263</b>	<b>865 998</b>
<b>Other comprehensive income</b>			
Items that may subsequently be classified to profit or loss			
Translation of foreign entities	83 111	-	63 813
<b>Total comprehensive profit for the period</b>	<b>212 041</b>	<b>149 263</b>	<b>929 811</b>
<b>Profit for the period attributable to:</b>			
Equity shareholders of Delta Property Fund Limited	131 008	149 263	885 420
Non-controlling interests	(2 078)	-	(19 422)
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of Delta Property Fund Limited	174 313	149 263	912 605
Non-controlling interests	37 728	-	17 206
<b>Total comprehensive income attributable to equity shareholders</b>	<b>212 041</b>	<b>149 263</b>	<b>929 811</b>
<b>Reconciliation of earnings, headline earnings and distributable earnings</b>			
Profit for the period from continuing operations attributable to equity shareholders	133 298	149 263	911 068
Debenture interest	-	166 767	177 044
<b>Earnings</b>	<b>133 298</b>	<b>316 030</b>	<b>1 088 112</b>
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
<b>Headline earnings – continuing operations</b>	<b>133 298</b>	<b>316 030</b>	<b>1 088 112</b>
Attributable earnings from continuing operations	4 858	-	(485 224)
Change in fair value of investment property	4 858	-	(485 224)
Deferred taxation	-	-	-
Gain from bargain purchase	-	-	(127)
Impairment of development right	-	-	15 582
Loss on change in control of subsidiary	104 749	-	-
Realisation of foreign currency translation reserve on disposal of subsidiary	(71 029)	316 030	618 343
<b>Headline earnings – continuing and discontinued operations</b>	<b>171 877</b>	<b>316 030</b>	<b>618 343</b>
Attributable earnings from continuing and discontinued operations	131 008	316 030	1 062 464
Change in fair value of investment property	4 858	-	(542 838)
Change in fair value of investment property	4 858	-	(570 208)
Deferred taxation	-	-	27 370
Gain from bargain purchase	-	-	(127)
Impairment of development right	-	-	15 582
Loss on change in control of subsidiary	104 749	-	-
Realisation of foreign currency translation reserve on disposal of subsidiary	(71 029)	316 030	618 343
Non-controlling interest	2 078	-	27 419
<b>Headline earnings from continuing and discontinued operations</b>	<b>171 665</b>	<b>316 030</b>	<b>562 500</b>
<b>Headline earnings – continuing operations</b>	<b>171 877</b>	<b>316 030</b>	<b>618 343</b>
Change in fair value of financial instrument	11 655	11 570	20 990
Deferred taxation	11 655	16 069	20 990
Deferred taxation	-	(4 499)	-
<b>Straight line rental income accrual (net of deferred taxation)</b>	<b>(8 658)</b>	<b>(37 902)</b>	<b>(68 584)</b>
Straight line rental income accrual	(8 658)	(37 902)	(68 584)
Deferred taxation	9 010	13 702	3 425
Antecedent interest	11 542	41 200	41 200
Cancellation fee	-	(3 384)	4 592
Deferred taxation – other adjustments	-	(3 267)	5 249
Fair value (gain)/loss on investments	14 057	-	18 247
Dividend received	(118)	-	-
Share of profit in associate	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	3 321	-	11 905
Amortisation of debt structuring fee	232 608	180 469	392 425
<b>Distributable earnings attributable to equity shareholders</b>	<b>232 608</b>	<b>180 469</b>	<b>392 425</b>
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
<b>Basic and diluted earnings per share*</b>			
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)
<b>Basic and diluted headline earnings per share*</b>	<b>24.95</b>	<b>71.47</b>	<b>237.02</b>
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)
<b>Distribution per share – interim</b>	<b>42.89</b>	<b>40.01</b>	<b>40.01</b>
<b>Distribution per share – year-end</b>	<b>N/A</b>	<b>N/A</b>	<b>44.06</b>
<b>Distribution per share – full year</b>	<b>42.89</b>	<b>40.01</b>	<b>84.07</b>

\* The Fund has no dilutory 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
<b>Balance at 1 March 2014</b>	<b>924 311</b>	<b>317 544</b>	-	-	<b>1 241 855</b>
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
Other comprehensive income for the year	-	-	27 185	36 528	63 813
Transfer between equity holders	6 001	-	-	(6 001)	-
Dividends paid	-	-	-	(15 762)	(15 762)
<b>Balance at 28 February 2015</b>	<b>1 815 732</b>	<b>2 778 064</b>	<b>27 185</b>	<b>453 190</b>	<b>5 074 171</b>
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)
<b>Balance at 31 August 2015</b>	<b>1 708 476</b>	<b>3 523 065</b>	<b>(538)</b>	<b>-</b>	<b>5 231 003</b>

## 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 on 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
<b>Assets</b>			
<b>Non-current assets</b>	<b>8 816 434</b>	<b>7 180 373</b>	<b>8 393 900</b>
Investment property	8 633 026	7 030 190	8 213 035
Fair value of property portfolio	183 408	150 183	180 865
Straight-line rental income accrual	4 523	3 437	2 923
Property, plant and equipment	406 825	505 442	-
Investment in associate	-	12 455	-
Deferred tax	-	-	-
<b>Total non-current assets</b>	<b>9 227 782</b>	<b>7 701 707</b>	<b>8 396 823</b>
<b>Current assets</b>			
Other financial assets	1 153	41 036	-
Current tax receivable	241 535	-	1 153
Trade and other receivables	213 951	96 864	284 036
Cash and cash equivalents	456 639	59 297	60 730
<b>Total current assets</b>	<b>9 950 051</b>	<b>7 898 904</b>	<b>10 879 272</b>
Non-current assets held for sale	265 630	-	26 500
Assets associated with disposal group held for sale	-	-	2 110 030
<b>Total assets</b>	<b>9 950 051</b>	<b>7 898 904</b>	<b>10 879 272</b>
<b>Equity and liabilities</b>			
<b>Total equity attributable to equity holders</b>	<b>3 523 065</b>	<b>449 379</b>	<b>2 778 064</b>
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	-	-	453 190
<b>Total equity</b>	<b>5 231 003</b>	<b>1 522 954</b>	<b>5 074 171</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>	<b>3 750 469</b>	<b>3 060 121</b>	<b>3 652 300</b>
Interest-bearing borrowings	-	2 386 938	-
Debentures and debenture premium	-	-	19
Deferred tax	-	-	20 990
Derivative financial instruments	32 646	16 070	3 673 309
<b>Total non-current liabilities</b>	<b>3 750 469</b>	<b>3 060 121</b>	<b>3 652 300</b>
<b>Current liabilities</b>			
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 overdrafts	-	-	21
<b>Total current liabilities</b>	<b>935 933</b>	<b>912 821</b>	<b>959 449</b>
Liabilities associated with disposal groups held for sale	-	-	1 172 343
<b>Total liabilities</b>	<b>4 719 048</b>	<b>6 375 950</b>	<b>5 805 101</b>
<b>Total equity and liabilities</b>	<b>9 950 051</b>	<b>7 898 904</b>	<b>10 879 272</b>

## 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	415 803	301 858	483 116
Interest received	10 654	1 441	3 965
Finance costs	(194 701)	(141 329)	(315 593)
Taxation paid	(238 264)	(3 500)	(4 914)
Distribution paid	14 057	-	-
Dividends received	7 349	-	166 574
<b>Net cash from operating activities</b>	<b>(531 931)</b>	<b>(126 825)</b>	<b>(572 108)</b>
Acquisition of investment property	21 843	-	-
Proceeds on disposal of investment property	(147 573)	(49 916)	(148 134)
Refurbishment and renovations capitalised	(2 945)	(641)	(1 027)
Purchase of property, plant and equipment	-	(25 454)	-
Payments of other financial assets	-	348 809	348 809
Proceeds from disposal of listed securities	-	(501 262)	-
Acquisition of listed securities	-	-	(8 720)
Net cash outflow on acquisition of subsidiary	(660 806)	(355 289)	(381 180)
<b>Net cash from investing activities</b>	<b>780 326</b>	<b>118 000</b>	<b>1 310 036</b>
Proceeds from issue of shares	(12 392)	(2 687)	(8 168)
Capital issue expenses	(22 933)	-	(266 656)
Cash outflow on repurchase of shares	-	(178 453)	(349 622)
Debt interest paid	61 698	503 855	1 310 036
Proceeds from interest-bearing borrowings	-	-	(266 656)
Repayment of other financial liabilities	-	-	(492 335)
Changes in shareholding of subsidiary	806 699	174 059	193 295
<b>Net movement in cash and cash equivalents</b>	<b>153 242</b>	<b>(22 760)</b>	<b>(21 551)</b>
Cash at the beginning of the period	60 709	82 057	82 050
<b>Total cash at the end of the period</b>	<b>213 951</b>	<b>59 297</b>	<b>60 709</b>

Distributable earnings include a dividend received from Delta Africa of R14.1 million for the period ended 30 June 2015.

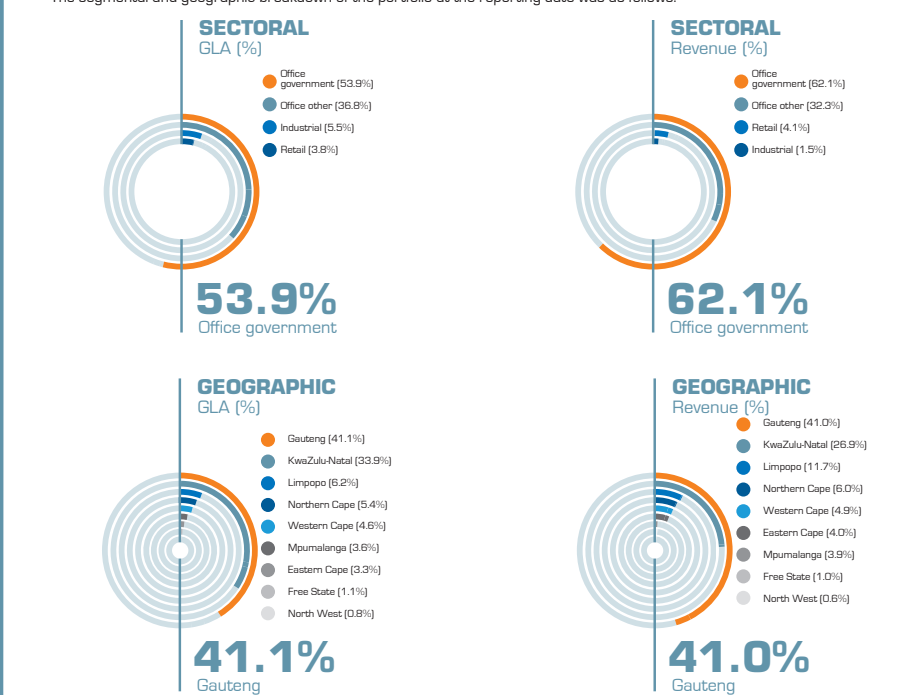
Other income of R6.1 million primarily comprises of a fee charged to recoup the associated net interest expense on a cash deposit provided on behalf of Delta Africa.

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 revalued 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 m<sup>2</sup>.  
The segmental and geographic breakdown of the portfolio at the reporting date was as follows:



- Acquisitions**  
R492.3 million worth of direct property acquisitions transferred during the reporting period. These were acquired at an aggregate yield of 9.99%, adding a