



UNAUDITED

condensed consolidated interim results for the six months ended 31 August 2016

HIGHLIGHTS

- Increased half-year distribution by 7.1% to 45.93 cents per share
- Reduced gearing to 41.0% from 47.2% at year-end
- Property operating margin maintained at 72.7%
- Successfully refinanced and settled R832 m in debt
- Vacancy of 9.2% below the SAPOA national average of 10.5%

Delta Property Fund Limited (Incorporated in the Republic of South Africa) (Registration number 2002/005129/06) Share code: DLT ISIN: ZAE000194049 ("Delta" or "the Fund" or "the Group") (REIT status approved)

Consolidated Statement of Comprehensive Income

	Unaudited for the half year ended 31 Aug 16 R'000	Unaudited for the half year ended 31 Aug 15 R'000	Audited for the year ended 29 Feb 16 R'000
Revenue			
Contractual rental income	757 233	578 502	1 220 632
Straight-line rental income accrual	59	8 658	26 950
Net property rental and related income	757 292	587 160	1 247 582
Other income	(206 707)	(158 018)	(322 051)
Administrative expenses	550 585	429 142	925 531
Profit/(loss) on foreign exchange differences	15	6 080	7 266
Net operating profit	18 423	(36 366)	(82 744)
(Loss)/gain from fair value adjustments	527 693	450 031	792 219
Profit from operations	(1 054)	(16 513)	259 124
Net finance costs	526 639	433 518	1 051 343
Finance costs	(215 055)	(194 047)	(388 120)
Interest income	(228 638)	(194 701)	(412 713)
Cancellation fee	13 583	10 654	26 593
Share of (loss)/profit in associate	-	(11 542)	(11 542)
Share of loss in joint venture	(23 690)	118	33 537
Loss on disposal of subsidiary	-	(104 749)	-
Profit before taxation	287 894	133 298	687 216
Taxation	-	-	-
Profit from continuing operations	287 894	133 298	687 216
Loss from discontinued operations	-	-	(38 089)
Profit for the period	287 894	128 930	649 127
Other comprehensive income			
Earnings that may subsequently be classified to profit or loss	-	-	-
Exchange gain on translation of foreign entities	-	83 111	83 649
Reclassification of foreign currency translation reserve	-	-	(43 843)
Share of foreign currency translation gain/(loss) of associate	44 326	-	(43 796)
Total comprehensive profit for the period	332 220	212 041	645 137
Profit for the period attributable to:			
Owners of the parent:			
Profit for the period from continuing operations	287 894	133 298	687 216
Loss for the period from discontinued operations	-	(2 290)	(36 011)
Non-controlling interests:			
Loss for the year from discontinued operations	-	(2 078)	(2 078)
Total comprehensive income attributable to:			
Equity shareholders of Delta Property Fund Limited	332 220	174 313	607 409
Non-controlling interests	-	37 728	37 728
Total comprehensive income	332 220	212 041	645 137

Reconciliation of earnings, headline earnings and distributable earnings

	Unaudited for the half year ended 31 Aug 16 R'000	Unaudited for the half year ended 31 Aug 15 R'000	Audited for the year ended 29 Feb 16 R'000
Profit for the period from continuing operations attributable to equity shareholders	287 894	133 298	687 216
Earnings	287 894	133 298	687 216
Loss for the period from discontinued operations attributable to equity shareholders	-	(2 290)	(36 011)
Profit for the period attributable to equity shareholders	287 894	131 008	651 205
Headline earnings - continuing operations			
Attributable earnings from continuing operations	287 894	133 298	687 216
Change in fair value of investment property	78 793	4 858	(373 286)
Fair value loss/(gain) of investment property	8 250	4 858	(304 200)
Fair value loss/(gain) of investment property of associate	70 543	-	(69 086)
Loss on change in control of subsidiary	-	104 749	-
Realisation of foreign currency translation reserve on loss of control of subsidiary	-	(71 028)	-
Headline earnings - continuing operations	366 687	171 877	313 930
Headline earnings - continuing and discontinued operations			
Attributable earnings from continuing and discontinued operations	287 894	131 008	651 205
Change in fair value of investment property	78 793	4 858	(373 286)
Fair value loss/(gain) of investment property	8 250	4 858	(304 200)
Fair value loss/(gain) of investment property of associate	70 543	-	(69 086)
Loss on change in control of subsidiary	-	104 749	-
Realisation of foreign currency translation reserve on loss of control of subsidiary	-	(71 028)	-
Non-controlling interest	-	2 078	-
Headline earnings from continuing and discontinued operations	366 687	171 665	277 919
Headline earnings - continuing operations	366 687	171 877	313 930
Fair value (gain)/loss of financial instruments	(7 196)	11 655	45 076
Straight line rental income accrual	(59)	(8 658)	(26 950)
Antecedent dividend	-	9 010	9 010
Cancellation fee	-	11 542	11 542
Dividend income	18 851	14 057	36 779
Share of loss/(profit) in associate	23 690	(118)	(33 537)
Share of loss in joint venture	-	-	2
Unrealised foreign exchange (gain)/loss	(18 311)	19 922	57 795
Amortisation of debt structuring fee	-	3 321	6 141
Fair value (loss)/gain of investment property of associate	(70 543)	-	69 086
Retained prior distributable income distributed	-	-	-
Distributable earnings attributable to equity shareholders	313 119	232 608	488 874
Less: distribution declared	313 119	232 608	487 962
Interim	313 119	232 608	232 608
Final	-	-	255 354
Retained distribution	-	-	912
Actual number of shares in issue (R'000)	710 632	542 317	533 097
Weighted average number of shares in issue (R'000)	663 042	525 007	535 183
Shares in issue entitled to distribution (R'000)	681 723	542 317	533 097
Basic and diluted earnings per share (cents)			
Basic and diluted earnings per share from continuing operations	43.42	25.39	128.41
Basic and diluted earnings per share from discontinued operations	-	(0.44)	(6.73)
Basic and diluted headline earnings per share (cents)	43.42	24.95	121.68
Basic and diluted headline earnings per share from continuing operations	55.30	32.74	58.66
Basic and diluted headline earnings per share from discontinued operations	-	(0.04)	(6.73)
Distribution per share (cents)	55.30	32.70	51.93
Distribution per share - interim	45.93	42.89	42.89
Distribution per share - year end	-	-	47.90
Distribution per share - full year	45.93	42.89	90.79

Consolidated Statement of Financial Position

	Unaudited for the half year ended 31 Aug 16 R'000	Unaudited for the half year ended 31 Aug 15 R'000	Audited for the year ended 29 Feb 16 R'000
Assets			
Non-current assets			
Investment property	10 155 844	8 816 434	8 684 700
Fair value of property portfolio	9 969 666	8 633 026	8 500 183
Straight-line rental income accrual	186 178	183 408	184 517
Property, plant and equipment	3 790	4 523	4 331
Investment in associate	403 954	406 825	383 327
Derivative financial instruments	4 213	-	13 401
Total non-current assets	10 567 801	9 227 782	9 085 759
Current assets			
Loans receivable	131 432	-	77 115
Current tax receivable	1 153	1 153	1 153
Trade and other receivables	238 502	241 535	252 938
Derivative financial instruments	732	-	545
Cash and cash equivalents	134 461	213 951	187 362
Total current assets	506 280	456 639	519 113
Non-current assets held for sale	1 201 946	265 630	1 410 481
Total assets	12 276 027	9 950 051	11 015 353
Equity and liabilities			
Total equity attributable to equity holders			
Share capital	4 845 248	3 523 065	3 450 593
Reserves	139 955	(538)	215 924
Retained income	2 022 607	1 708 476	1 990 112
Total equity	7 007 810	5 231 003	5 656 629
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	3 994 346	3 750 469	3 560 275
Share-based payment liability	559	-	559
Derivative financial instruments	44 463	32 646	49 981
Total non-current liabilities	4 039 368	3 783 115	3 610 815
Current liabilities			
Interest-bearing borrowings	1 009 772	819 794	1 534 035
Trade and other payables	167 617	116 139	102 233
Derivative financial instruments	19 353	-	30 032
Bank overdraft	32 107	-	81 609
Total current liabilities	1 228 849	935 933	1 747 909
Total liabilities	5 268 217	4 719 048	5 358 724
Total equity and liabilities	12 276 027	9 950 051	11 015 353

Consolidated statement of Changes in Equity

	Share capital R'000	Foreign currency translation reserve R'000	Deferred consideration reserve R'000	Retained income R'000	Total equity R'000
Balance at 31 August 2015	3 523 065	(538)	-	1 708 476	5 231 003
Profit for the year	-	-	-	520 197	(3 122)
Other comprehensive income	-	(43 258)	-	-	(43 258)
Total comprehensive income for the year	-	(43 258)	-	520 197	476 939
Issue of shares	2 849	-	-	(5 971)	(3 122)
Share buy-back	(75 321)	-	-	-	(75 321)
Deferred consideration	-	-	259 720	-	259 720
Dividends paid	-	-	-	(232 590)	(232 590)
Balance at 29 February 2016	3 450 593	(43 796)	259 720	1 990 112	5 656 629
Profit for the period	-	-	-	287 894	287 894
Other comprehensive income	-	44 326	-	-	44 326
Total comprehensive income for the year	-	44 326	-	287 894	332 220
Issue of shares	1 394 655	-	-	-	1 394 655
Deferred consideration	-	-	(120 295)	-	(120 295)
Dividends paid	-	-	-	(255 399)	(255 399)
Balance at 31 August 2016	4 845 248	530	139 425	2 022 607	7 007 810

Consolidated Statement of Cash flows

	Unaudited for the half year ended 31 Aug 16 R'000	Unaudited for the half year ended 31 Aug 15 R'000	Audited for the year ended 29 Feb 16 R'000
Cash generated in operations	505 336	415 603	827 846
Finance costs	(224 524)	(194 701)	(374 449)
Interest received	5 144	10 654	10 227
Dividends received	-	14 057	36 837
Dividends paid	(255 399)	(238 264)	(470 854)
Net cash from operating activities	30 557	7 349	29 607
Acquisition of investment property	(4 126)	(531 931)	(801 449)
Capital expenditure on investment property	(111 221)	(147 573)	(304 073)
Proceeds on disposal of investment property	206 000	21 643	104 859
Loans received/(advanced)	7 573	-	(77 115)
Acquisition of property, plant and equipment	(96)	(2 945)	(4 449)
Acquisition of shares in associate	-	-	(9 123)
Acquisition of shares in joint venture	-	-	(2)
Net cash from investing activities	98 130	(680 806)	(1 091 352)
Proceeds from issue of shares	-	780 326	703 376
Share buy back	-	(22 933)	(98 254)
Capital issue expenses	(604)	(12 392)	(15 514)
Proceeds from interest-bearing borrowings	200 000	61 698	1 376 946
Repayment of interest-bearing borrowings	(331 482)	-	(859 765)
Net cash from financing activities	(132 086)	806 699	1 106 789
Net movement in cash and cash equivalents	(3 399)	153 242	45 044
Cash at the beginning of the period	105 753	60 709	60 709
Total cash at the end of the period	102 354	213 951	105 753

Condensed consolidated segmental analysis

	Unaudited for the half year ended 31 Aug 16 R'000	Unaudited for the half year ended 31 Aug 15 R'000	Audited for the year ended 29 Feb 16 R'000
Net property rental and related income			
Office - Sovereign	440 273	262 159	721 372
Office - Non-sovereign	75 398	155 371	130 352
Retail	27 616	8 788	66 866
Industrial	7 298	2 824	6 941
Total	550 585	429 142	925 531
Investment property (including non-current assets held for sale)			
Office - Sovereign	9 141 335	5 411 265	7 733 442
Office - Non-sovereign	1 603 125	3 002 075	1 551 849
Retail	435 383	529 551	632 590
Industrial	177 947	139 173	177 300
Total	11 357 790	9 082 064	10 095 181

Commentary

Company profile

Delta is a JSE listed Real Estate Investment Trust ("REIT") with a property portfolio of R11.4 billion and a market capitalisation of R4.6 billion as at 31 August 2016. The Fund is black managed with a Level 2 B-BBEE contributor status which is the highest in the sector. Delta continues to be the dominant sovereign listed property fund in South Africa. The primary focus of the Fund is long-term investment in quality, rental income generating properties situated in strategic nodes attractive to sovereign entities and other tenants requiring empowered landlords.

Financial results

The Board has declared an interim distribution of 45.93 cents per share which represents a 7.1% increase to the comparable period in the prior year.

Contractual rental income increased 30.9% from the prior period, benefiting substantially from acquisitions concluded during the period. Property operating expenses increased 30.8% in line with the growth in the portfolio, with net cost to income ratio reducing from 11.4% to 10.2% due to higher cost recoveries on recent acquisitions. Like-for-like net property income increased by 5.2%.

Administrative expenses for the period increased 13.7%, primarily due to the larger portfolio which resulted in increased asset management fees and related costs. The foreign exchange gain of R18.4 million is attributable to the Bank of China loan which provides Delta with significantly lower interest rates than is accessible in local debt markets. Fair value adjustment of R1.1 million represents the net movement of swap contracts and assets disposed. Delta's property portfolio will be revalued at financial year end.

Net finance costs increased 16.9% and was largely driven by acquisitions during the period combined with total interest rate hikes of 100 basis points.

The share of loss in associate is attributable to fair value adjustments by Mara Delta on its property portfolio. Delta continues to benefit from its 23.9% shareholding in Mara Delta, having received a US dollar denominated distribution which translated into R18.8 million.

Property portfolio