



# DELTA

PROPERTY FUND

**Reviewed provisional condensed consolidated results** for the year ended 28 February 2018



# Highlights

- ▶ Full year distribution of

**97.24 cents**

per share

- ▶ Third consecutive year reduction in gearing to

**41.3%**

- ▶ Successfully refinanced

**R941 million**

in debt

- ▶ Maintained

**level 2 B-BBEE rating**

with new sector code

- ▶ Renewed and concluded

**146 918m<sup>2</sup>**

of leases

- ▶ Concluded stage 1 for

**227 550m<sup>2</sup>**

bulk lease renewal

# Commentary

## Company profile

Delta is a JSE listed Real Estate Investment Trust ("REIT") with a property portfolio of R11.5 billion and a market capitalisation of R4.3 billion as at 28 February 2018. The Fund is black managed and is one of the highest empowered funds in the sector with a level 2 contributor B-BBEE recognition level, maintaining its status as 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

Delta's Board has declared a 2.1% increase in full year distribution of R691.6 million. This represents flat growth of 97.24 cents per share.

Rental income decreased by 3.1% mainly due to disposals, with like-for-like income growth of 5.2%. The gross cost to income ratio and net cost to income ratio decreased to 26.5% and 12.1% respectively, due primarily to municipal adjustments and credits received. Net operating profit, benefiting from higher tenant reinstatement income and stricter cost management, increased by 2%.

Administrative expenses for the period decreased by 21.8%, largely affected by the reallocation of expenses to property operating expenses. On a normalised basis, administrative expenses decreased by 2.3% due to stricter cost management initiatives.

Independent valuers revalued the underlying property portfolio, resulting in a 2.3% growth in fair value to R11.5 billion. Fair value adjustments of R104.8 million represent the movement between the net fair value gain on investment property of R146.6 million and loss on disposal of the investment in joint venture Baystone Holdings of R41.6 million.

Finance costs increased by 2.5%, due to higher weighted average interest rate of 9.5% on facilities renewed together with increased debt structuring fees amortised. Interest income decreased by 27.5% due to loss of income on cash guarantee released upon disposal of the investment in Baystone Holdings.

The share of profit from associate GRIT Real Estate Income Group ("GRIT") increased to R44.0 million, resulting in a full year US dollar translated dividend of R35.7 million being received. Delta's 11.5% shareholding in GRIT was impaired by R21.9 million, as the carrying value of the investment exceeded the fair market value at 28 February 2018.

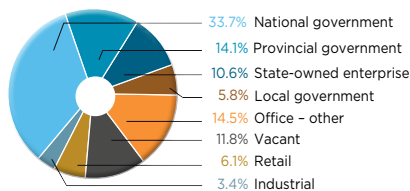
## Property portfolio

Delta's R11.5 billion portfolio comprises 105 properties (total GLA of 952 428m<sup>2</sup>), which includes assets held-for-sale of 11 properties (total GLA of 90 131m<sup>2</sup>) with a value of R972.6 million.

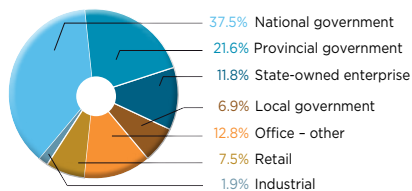
The segmental and geographic breakdown of the portfolio (per tenant) at the reporting date was as follows:

## Tenant profile

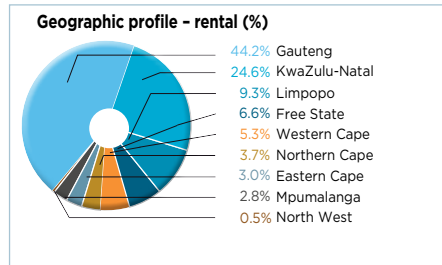
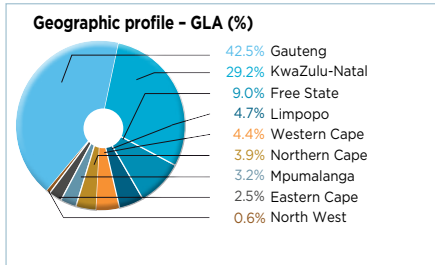
Detailed tenant breakdown - GLA (%)



Detailed tenant breakdown - revenue (%)



## Geographic profile



## Acquisitions

Delta did not embark on any acquisitions during the current year, but rather focused inwardly on reducing vacancies and renewing leases on previously acquired assets. A pipeline of assets has been identified for acquisition pending the proposed recapitalisation B-BBEE consortium transaction.

## Major capital projects

Capital investment remains a high priority to ensure the supply of quality assets that meet tenants' requirements. The following major capital projects were either recently completed, are in progress or are close to completion:

- **88 Field Street (Durban)** - completed at an estimated cost of R89 million.
- **Sleepy Hollow (PMB)** - completed at an estimated cost of R4.5 million.
- **Embassy Building (Durban)** - nearing completion October 2018 at an estimated cost of R28 million and is strategic to securing future leases.
- **Beacon Hill (King Williams Town)** - investment of R40 million due to a five-year lease.
- **Commission House (Pretoria)** - nearing completion June 2018 at an estimated cost of R12 million with negotiations for a 10-year lease extension in progress.
- **17 Harrison Street Building and Kay Street Parkade (Johannesburg)** - nearing completion May 2018 at an estimated cost of R4.5 million due to a four-year lease renewal.

## Disposals

During the 2018 financial year, Delta disposed of seven buildings for a total consideration of R316 million with a total GLA of 35 403m<sup>2</sup>. These buildings were Samora House, Damelin House, Presidia, 1 and 3 Ferreira, 14 New Street and Edcon Building. An additional four buildings, namely Block G, Broadcast House, 12 New Street and Top trailers 1 have binding sale agreements as at year-end, totalling a GLA of 31 035m<sup>2</sup> and a fair value of R328.5 million. Transfer of these four buildings is imminent.

## Letting and vacancies

The lease expiry profile of the portfolio at 28 February 2018 was as follows:

Segment	Vacant	Monthly	February	February	February	February	February	Beyond
			2019	2020	2021	2022	2023	28 February 2023
Office sovereign	7.2%	20.2%	31.4%	11.8%	19.8%	6.3%	0.7%	2.5%
Office other	23.0%	10.2%	25.1%	14.8%	17.5%	3.5%	3.9%	2.0%
Retail	3.1%	0.8%	13.4%	14.4%	3.2%	8.3%	0.0%	56.7%
Industrial	19.0%	14.2%	27.8%	0.0%	39.1%	0.0%	0.0%	0.0%

Vacancies increased to 11.8% (total GLA of 112 225m<sup>2</sup>), mainly due to challenges in the Free State Provincial portfolio and the ex-Eskom Sunninghill portfolio. The weighted average in-force escalation at year end is 6.0%, with a weighted average rental of R110.58/m<sup>2</sup>. Lease renewals of 93 144m<sup>2</sup> and new leases of 53 774m<sup>2</sup> were concluded during the year.

Delta concluded successful meetings with the National Department of Public Works ("DPW") negotiating team on proposed terms and rental, resulting in the approval of 59 leases with a total GLA of 227 550m<sup>2</sup> progressing to stage 2 and stage 3 of the finalisation process for renewal. The DPW is currently engaging user departments to confirm budgets and tenant requirements for their approval (stage 2) before the National Bid Adjudication Committee ("NBAC") finalises (stage 3) and recommends the signing of the leases, expected to be finalised by 31 December 2018.

The recent cabinet reshuffle has brought back to Public Works Minister Thulas Nxesi who was instrumental in the DPW and Property Management Trading Entity ("PMTE") formation, conceptualising the turnaround strategy and leasing policy. We firmly believe that the Minister together with DPW's current management team will be in a position to finalise the lease renewals and move PMTE forward.

### Funding

LTV improved to 41.3% (2017: 41.5%), benefiting from the upward fair value adjustment to investment property but negatively impacted by the reduction in the market value of our investment in GRIT to R381.9 million (2017: R429.6 million).

Bank facilities totalling R941 million were refinanced at a blended margin of 2.6% above the three-month Jibar reference rate, and a R125 million commercial paper was settled during the year.

The weighted average all-in cost of funding is 9.2% (2017: 9.2%), with 85.4% (2017: 84.1%) of borrowings being fixed through a combination of swap contracts and fixed rate loans for an average period of 1.5 years (2017: 2.2 years). The average debt facility expiry period is 1.5 years (2017: 1.9 years) with the interest cover ratio at 2.4 (2017: 2.5).

The debt expiry period is directly linked to the lease term; hence, the intention is to term out the debt expiry profile once the bulk lease renewals are concluded. We expect the disposal of assets held-for-sale and conclusion of the bulk lease renewal during the 2019 financial year to have a significant positive impact on the gearing of the fund.

### Provision of financial assistance

Delta shareholders are referred to special resolution number 4 relating to the provision of direct or indirect financial assistance in terms of section 45 of the Companies Act, No 71 of 2008 ("the Companies Act") to related or inter-related companies, which was approved at the Annual General Meeting of Delta on 21 September 2017.

Further to the above, Delta shareholders are notified in terms of section 45(5)(a) of the Companies Act, that the Board of directors of the Company ("the Board") passed a resolution on 29 May 2018 ("the Board resolution") granting financial assistance to the following related companies:

- Somnipooint Proprietary Limited - R32.7 million in respect of a loan to a company with common directors.
- Delta Property Asset Management Proprietary Limited - R16.7 million in respect of a loan to a company with common directors.
- GRIT Real Estate Income Group Limited - R5.6 million in respect of a guarantee fee charged.
- Hestitrix Proprietary Limited - R249.2 million in the ordinary course of business.
- K2014000273 Proprietary Limited - R153.8 million in the ordinary course of business.
- 277 Vermeulen Street Properties Proprietary Limited - R20.2 million in the ordinary course of business.
- Hendisa Investments Proprietary Limited - R33 614 in the ordinary course of business.

The financial assistance provided, as detailed above, is greater than one-tenth of 1% of Delta's net worth as at the date of the Board resolution. The Board further confirms that immediately after providing the financial assistance, the Company continues to satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act and that the terms and conditions of the financial assistance are fair and reasonable to the Company.

## Changes to directorate during the period

During the reporting period, the Board was further bolstered with the appointment of Mr JJ Njeke and Mr Caswell Rampheri as independent non-executive directors. Both gentlemen bring significant property experience to the Board.

Mr Andrew König stepped down as non-executive director following the disposal of Redefine's shareholding in Delta to a black women-led empowerment group, which included Ms Nooraya Khan. The Board thanks Andrew for his contributions during his tenure. Following the transaction, Nooraya stepped down as lead independent director but remains on the Board as non-executive director.

Mr JJ Njeke was subsequently appointed as lead independent director and Chairman of the Audit, Risk and Compliance Committee. Post the reporting date, Ms Bronwyn Corbett resigned as independent non-executive director to focus full time on her role as Chief Executive Officer of GRIT. We thank Bronwyn for her valuable contributions over the years and wish her the very best.

## Prospects

The South African Reserve Bank's recently released Financial Stability Review, concluded that South Africa's financial sector is strong and stable and continues to feed off positive business and consumer sentiment, in spite of global uncertainties, monetary policy normalisation and protectionist measures. The general euphoria that spurred consumer and business confidence has been aided by the positive confidence levels, ongoing household balance sheet recovery and the aversion of a Moody's sovereign ratings downgrade. This increased confidence has seen a warming of real estate investors' sentiment to dominant domestic focused listed REITs.

Delta continues to focus on property fundamentals by renewing leases, reducing vacancies, refinancing debt at market related rates and investing in both defensive and accretive capital in its property portfolio. This consolidated effort will translate into a healthier balance sheet with opportunities for growth. Efforts to recapitalise the business are underway and the proposed transaction with the empowerment consortium, once successfully concluded, will inject much needed capital into the business and achieve significant direct black ownership of Delta.

In the lead-up to the 2019 national elections, the Board expects that the domestic-focused listed property market will continue to face headwinds, with perceptions around sovereign underpinned funds being driven by increased political rhetoric and positioning. The Board and management remain committed to Delta's sovereign strategy despite the current challenging and tough trading climate.

The Board anticipates earnings to decrease by between 2% and 4% for the 2019 financial year primarily due to once-off lease adjustments being traded off for longer-term leases (DPW bulk lease renewal), disposal of assets held-for-sale and issue of shares for acquisition of the Free State portfolio. The Group's independent auditors have not reviewed nor reported on this forecast.

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

Shareholders are advised that dividend number 11 of 50.84210 cents per share for the year ended 28 February 2018 has been declared. The source of the cash dividend is from distributable 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 dividend reinvestment alternative"), failing which they will receive the cash dividend in respect of all or part of their shareholding. The number of Delta shares to which shareholders are entitled will be determined with reference to the ratio that 50.84210 cents per Delta share bears to the ratio price, being the five-day volume weighted average traded price (*cum* dividend) of Delta shares on the JSE prior to the finalisation date, which will be no later than Tuesday, 19 June 2018.

**The Board of directors of Delta, at its discretion, may withdraw the dividend reinvestment alternative should market conditions warrant such action and such withdrawal will be communicated to shareholders prior to the finalisation announcement to be published no later than 11:00 on Tuesday, 19 June 2018.**

Salient dates of the cash dividend and the dividend reinvestment alternative:

	<b>2018</b>
Declaration date of cash dividend and dividend reinvestment alternative	Monday, 4 June
Circular and form of election posted to Delta shareholders	Wednesday, 6 June
Announcement of dividend reinvestment alternative ratio (including ratio price) and finalisation information ("finalisation date") released on SENS by 11:00	Tuesday, 19 June
Last day to trade in order to be eligible for the cash dividend and dividend reinvestment alternative	Tuesday, 26 June
Delta Shares commence trading ex cash dividend and dividend reinvestment alternative	Wednesday, 27 June
Last day to elect to receive the dividend reinvestment alternative (no late forms of election will be accepted) by 12:00	Friday, 29 June
Listing of maximum possible number of Delta shares in respect of the dividend reinvestment alternative commences on the JSE	Friday, 29 June
Record date of cash dividend and dividend reinvestment alternative	Friday, 29 June
Announcement of results of cash dividend and dividend reinvestment alternative on SENS	Monday, 2 July
Cheques posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the cash dividend on	Monday, 2 July
Announcement of results of cash dividend and dividend reinvestment alternative in the press	Tuesday, 3 July
Share certificates posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the dividend reinvestment alternative on	Wednesday, 4 July
Adjustment to Delta shares listed on or about	Thursday, 5 July

**Notes:**

1. All dates and times indicated are South African dates and times.
2. All dates and times are subject to change. Any change will be announced on SENS.
3. Delta shares may not be dematerialised or rematerialised between commencement of trade on Wednesday, 27 June 2018 and the close of trade on Friday, 29 June 2018, both dates included.
4. Shareholders electing the dividend reinvestment alternative should note that settlement of the Delta Shares will occur three business days after the record date, which differs from the conventional one business day after the record date settlement process.

**Tax implications**

In accordance with Delta's REIT status, shareholders are advised that the cash 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.

### **Basis of preparation and accounting policies**

The condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim results are in terms of IFRS and are consistent with those applied in the previous annual financial statements.

The condensed consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Mr Shaneel Maharaj, CA(SA)/HDipTax, and have been reviewed by BDO South Africa Incorporated, who expressed an unmodified review conclusion.

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. The auditors' report does not necessarily cover all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company.

The directors take full responsibility for the preparation of the provisional report and the financial information has been correctly extracted from the underlying financial statements. Delta has complied with IFRS and JSE Listings Requirements by disclosing earnings and headline earnings per share. Distribution per share has been disclosed additionally.

By order of the Board

**JB Magwaza**  
(Chairman)

**SH Nomvete**  
(Chief Executive Officer)

31 May 2018



# Condensed consolidated statement of financial position

as at 28 February 2018

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment property	10 535 000	10 053 921	10 268 200	9 793 123
Fair value of investment property	10 342 418	9 861 449	10 076 207	9 600 791
Straight-line rental income accrual	192 582	192 472	191 993	192 332
Property, plant and equipment	2 557	3 302	2 557	3 302
Investment in subsidiaries	-	-	62 273	62 273
Investment in joint venture	-	-	-	2
Investment in associate	381 868	391 013	381 868	429 587
Loans due from subsidiaries	-	-	423 268	405 152
Derivative financial instruments	-	35	-	35
	10 919 425	10 448 271	11 138 166	10 693 474
<b>Current assets</b>				
Loans due from related parties	55 243	108 483	55 243	108 483
Loan receivable	48 465	-	48 465	-
Current tax receivable	526	1 153	-	-
Trade and other receivables	338 845	276 091	302 985	256 400
Derivative financial instruments	-	1 721	-	1 721
Cash and cash equivalents	100 177	196 115	96 864	194 372
	543 256	583 563	503 557	560 976
Non-current assets held-for-sale	972 600	1 327 500	744 600	1 101 700
<b>Total assets</b>	12 435 281	12 359 334	12 386 323	12 356 150
<b>Equity</b>				
Share capital	4 854 032	4 845 248	4 854 032	4 845 248
Reserves	144 230	139 779	139 425	139 425
Retained income	2 160 330	2 056 589	2 117 907	2 056 438
<b>Total equity</b>	7 158 592	7 041 616	7 111 364	7 041 111
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Derivative financial instruments	31 475	29 623	31 475	29 623
Interest-bearing borrowings	2 688 755	4 112 646	2 688 755	4 112 646
Loans due to subsidiaries	-	-	4 190	4 190
	2 720 230	4 142 269	2 724 420	4 146 459
<b>Current liabilities</b>				
Interest-bearing borrowings	2 263 935	986 581	2 263 935	986 581
Trade and other payables	183 983	121 823	177 453	114 954
Derivative financial instruments	11 426	23 768	11 426	23 768
Bank overdraft	97 115	43 277	97 725	43 277
	2 556 459	1 175 449	2 550 539	1 168 580
<b>Total liabilities</b>	5 276 689	5 317 718	5 274 959	5 315 039
<b>Total equity and liabilities</b>	12 435 281	12 359 334	12 386 323	12 356 150

# Statement of profit or loss and other comprehensive income

for the year ended 28 February 2018

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Revenue</b>				
Rental income	1 562 033	1 612 481	1 505 471	1 557 344
Straight-line rental income accrual	2 020	4 863	1 134	4 432
	1 564 053	1 617 344	1 506 605	1 561 776
Property operating expenses	(414 168)	(464 003)	(406 068)	(455 703)
<b>Net property rental and related income</b>	<b>1 149 885</b>	<b>1 153 341</b>	<b>1 100 537</b>	<b>1 106 073</b>
Other income	20 287	6 215	20 278	6 027
Dividend income	-	-	50 812	80 798
Gain on foreign exchange differences	16 881	20 336	16 881	20 336
Administration expenses	(53 329)	(68 169)	(52 838)	(66 649)
<b>Net operating profit</b>	<b>1 133 724</b>	<b>1 111 723</b>	<b>1 135 670</b>	<b>1 146 585</b>
Fair value adjustments	104 759	(34 887)	99 975	(49 904)
<b>Profit from operations</b>	<b>1 238 483</b>	<b>1 076 836</b>	<b>1 235 645</b>	<b>1 096 681</b>
Finance costs	(482 179)	(470 580)	(482 624)	(470 578)
Interest income	19 696	27 168	50 497	54 930
Share of profit in associate	43 970	1 526	-	-
Impairment of investment in associate	(21 900)	-	(47 719)	(80 586)
<b>Profit before taxation</b>	<b>798 070</b>	<b>634 950</b>	<b>755 799</b>	<b>600 447</b>
Taxation	-	-	-	-
<b>Profit for the year</b>	<b>798 070</b>	<b>634 950</b>	<b>755 799</b>	<b>600 447</b>
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified subsequently to profit and loss</b>				
Share of foreign currency translation reserve of associate	4 451	44 150	-	-
<b>Total comprehensive income for the year</b>	<b>802 521</b>	<b>679 100</b>	<b>755 799</b>	<b>600 447</b>
<b>Profit for the year attributable to:</b>				
Owners of the parent	798 070	634 950	755 799	600 447
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	802 521	679 100	755 799	600 447
Basic and diluted earnings per share (cents)	112.26	89.49	-	-

# Condensed consolidated statement of changes in equity

for the year ended 28 February 2018

Group	Share capital R'000	Foreign currency translation reserve R'000	Deferred con- sideration R'000	Total reserves R'000	Retained income R'000	Total equity R'000
<b>Balance at 1 March 2016</b>	3 450 593	(43 796)	259 720	215 924	1 990 112	5 656 629
<b>Total comprehensive income for the year</b>	-	44 150	-	44 150	634 950	679 100
Profit for the year	-	-	-	-	634 950	634 950
Other comprehensive income	-	44 150	-	44 150	-	44 150
Issue of shares – issued as consideration for investment property	1 255 834	-	-	-	-	1 255 834
Capital issue expenses	(604)	-	-	-	-	(604)
Deferred consideration settled – issue of shares	139 425	-	(139 425)	(139 425)	-	-
Deferred consideration raised	-	-	19 130	19 130	-	19 130
Distributions paid	-	-	-	-	(568 473)	(568 473)
<b>Balance at 1 March 2017</b>	<b>4 845 248</b>	<b>354</b>	<b>139 425</b>	<b>139 779</b>	<b>2 056 589</b>	<b>7 041 616</b>
<b>Total comprehensive income for the year</b>	-	4 451	-	4 451	798 070	802 521
Profit for the year	-	-	-	-	798 070	798 070
Other comprehensive income	-	4 451	-	4 451	-	4 451
Distribution reinvestment	8 784	-	-	-	-	8 784
Distributions paid	-	-	-	-	(694 329)	(694 329)
<b>Balance at 28 February 2018</b>	<b>4 854 032</b>	<b>4 805</b>	<b>139 425</b>	<b>144 230</b>	<b>2 160 330</b>	<b>7 158 592</b>
<b>Company</b>						
<b>Balance at 1 March 2016</b>	3 450 593	-	259 720	259 720	2 024 464	5 734 777
<b>Total comprehensive income for the year</b>	-	-	-	-	600 447	600 447
Profit for the year	-	-	-	-	600 447	600 447
Other comprehensive income	-	-	-	-	-	-
Issue of shares – issued as consideration for investment property	1 255 834	-	-	-	-	1 255 834
Capital issue expenses	(604)	-	-	-	-	(604)
Deferred consideration settled – issue of shares	139 425	-	(139 425)	(139 425)	-	-
Deferred consideration raised	-	-	19 130	19 130	-	19 130
Distributions paid	-	-	-	-	(568 473)	(568 473)
<b>Balance at 1 March 2017</b>	<b>4 845 248</b>	-	<b>139 425</b>	<b>139 425</b>	<b>2 056 438</b>	<b>7 041 111</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	755 799	755 799
Profit for the year	-	-	-	-	755 799	755 799
Other comprehensive income	-	-	-	-	-	-
Distribution reinvestment	8 784	-	-	-	-	8 784
Distributions paid	-	-	-	-	(694 329)	(694 329)
<b>Balance at 28 February 2018</b>	<b>4 854 032</b>	-	<b>139 425</b>	<b>139 425</b>	<b>2 117 907</b>	<b>7 111 364</b>

# Condensed consolidated statement of cash flows

for the year ended 28 February 2018

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Cash generated from operations</b>	<b>1 132 324</b>	1 016 482	<b>1 100 863</b>	967 411
Interest received	12 158	7 823	42 504	35 584
Dividend received	18 587	18 851	33 733	60 159
Finance costs	(475 899)	(482 090)	(475 899)	(482 090)
Taxation refund	627	-	-	-
Dividends paid	(694 329)	(568 473)	(694 329)	(568 473)
<b>Net cash from operating activities</b>	<b>(6 532)</b>	(7 407)	<b>6 872</b>	12 591
Acquisition of property, plant and equipment	(498)	(260)	(498)	(260)
Acquisition of investment property	-	(60 300)	-	(60 300)
Capital expenditure on investment property and assets held-for-sale	(185 436)	(202 965)	(182 905)	(196 217)
Proceeds on disposal of assets held-for-sale	205 200	268 500	205 200	268 500
Gross movement in loans with related parties	26 223	18 634	26 223	18 634
Increase in loan receivable	(48 465)	-	(48 465)	-
Loans advanced to subsidiaries	-	-	(18 115)	(27 543)
<b>Net cash from investing activities</b>	<b>(2 976)</b>	23 609	<b>(18 560)</b>	2 814
Distribution reinvestment	8 784	-	8 784	-
Capital issue expenses	-	(604)	-	(604)
Increase in interest-bearing borrowings	220 358	418 800	220 358	418 800
Repayment of interest-bearing borrowings	(360 385)	(387 313)	(360 385)	(387 313)
Repayment of other financial liabilities	(9 025)	-	(9 025)	-
<b>Net cash from financing activities</b>	<b>(140 268)</b>	30 883	<b>(140 268)</b>	30 883
<b>Net movement in cash and cash equivalents</b>	<b>(149 776)</b>	47 085	<b>(151 956)</b>	46 288
Cash at the beginning of the year	152 838	105 753	151 095	104 807
<b>Total cash at the end of the year</b>	<b>3 062</b>	152 838	<b>(861)</b>	151 095

# Reconciliation of earnings, headline earnings and distributable earnings

for the year ended 28 February 2018

	Group	
	2018 R'000	2017 R'000
<b>Earnings, headline earnings and distributable earnings</b>		
Profit for the year	798 070	634 950
Fair value adjustment to investment properties	(148 562)	103 922
Change in fair value of Delta's investment properties	(146 611)	43 817
Change in fair value of associate's investment properties	(1 951)	60 105
<b>Headline earnings</b>	<b>649 508</b>	<b>738 872</b>
Fair value adjustment to financial instruments (net of deferred taxation)	290	(8 930)
Change in fair value of financial instrument	290	(8 930)
Deferred taxation	-	-
Fair value adjustment to investment in joint venture (net of deferred taxation)	41 562	-
Fair value adjustment on disposal of Baystone	41 562	-
Deferred taxation	-	-
Straight-line rental income accrual (net of deferred taxation)	(2 020)	(4 863)
Straight-line rental income accrual	(2 020)	(4 863)
Deferred taxation	-	-
Antecedent distribution	257	-
Unrealised foreign exchange gain	(16 881)	(20 336)
Dividend income from associate	35 666	37 990
Share of profit in associate	(43 970)	(1 526)
Change in fair value of associate's investment properties	1 951	(60 105)
Impairment of investment in associate	21 900	-
Prior year retained earnings distributed	3 378	-
<b>Distributable earnings attributable to owners of the parent</b>	<b>691 641</b>	<b>681 102</b>
Less: distribution declared	691 641	677 724
Interim	329 724	313 119
Final (declared after 28 February 2018)	361 917	364 605
<b>Distributable earnings retained</b>	<b>-</b>	<b>3 378</b>
<b>Weighted average number of shares in issue</b>		
In issue at the beginning of the year	710 632 182	533 097 436
Shares issued	-	160 941 759
Distribution reinvestment	295 603	-
Deferred consideration shares allocated	-	15 491 667
<b>Weighted average number of shares in issue</b>	<b>710 927 785</b>	<b>709 530 862</b>
<b>Actual number of shares in issue</b>		
Number of shares in issue at interim	710 632 182	681 722 806
Number of shares in issue at year-end	711 844 486	710 632 182
<b>Basic and diluted earnings and headline earnings per share (cents)</b>		
Basic and diluted earnings per share	112.26	89.49
Basic and diluted headline earnings per share	91.36	104.14
<b>Distribution per share (cents)</b>		
Interim	46.40	45.93
Final (declared after 28 February 2018)	50.84	51.31
Distribution per share declared for the full year	97.24	97.24

The Fund has no dilutionary instruments in issue.

# Condensed consolidated segmental analysis

for the year ended 28 February 2018

	Retail R'000	Office government R'000	Office other R'000	Industrial R'000	Administration and corporate costs R'000	Total R'000
<b>Group 2018</b>						
Rental income	38 544	1 138 261	358 925	26 303	—	1 562 033
Straight-line rental income accrual	4 091	(4 463)	3 620	(1 228)	—	2 020
Property operating expenses	(13 800)	(254 560)	(139 131)	(6 677)	—	(414 168)
<b>Net property rental and related income</b>	<b>28 835</b>	<b>879 238</b>	<b>223 414</b>	<b>18 398</b>	<b>—</b>	<b>1 149 885</b>
Fair value adjustment to investment properties	35 781	346 503	(87 379)	(30 379)	(117 915)	146 611
Fair value adjustment to investment in joint venture disposed	—	—	—	—	(41 562)	(41 562)
Fair value adjustment to derivative financial instruments	—	—	—	—	(290)	(290)
<b>Assets</b>						
Fair value of investment property	318 572	7 431 687	2 592 159	—	—	10 342 418
Straight-line rental income accrual	11 428	158 613	22 541	—	—	192 582
Non-current assets held-for-sale	—	593 400	192 400	186 800	—	972 600
Other assets	30 252	174 895	119 752	3 856	598 926	927 681
	<b>360 252</b>	<b>8 358 595</b>	<b>2 926 852</b>	<b>190 656</b>	<b>598 926</b>	<b>12 435 281</b>
<b>Liabilities</b>						
Total liabilities	187 411	4 696 358	1 947 170	105 236	(1 659 486)	5 276 689
<b>Group 2017</b>						
Rental income	71 198	1 302 985	216 403	21 895	—	1 612 481
Straight-line rental income accrual	(2 001)	6 829	(278)	312	—	4 863
Property operating expenses	(27 823)	(352 429)	(76 792)	(6 959)	—	(464 003)
<b>Net property rental and related income</b>	<b>41 374</b>	<b>957 386</b>	<b>139 333</b>	<b>15 248</b>	<b>—</b>	<b>1 153 341</b>
Fair value adjustment to investment properties	40 239	33 874	(74 826)	9 548	(52 652)	(43 817)
Fair value adjustment to derivative financial instruments	—	—	—	—	8 930	8 930
<b>Assets</b>						
Fair value of investment property	439 242	8 185 019	1 237 188	—	—	9 861 449
Straight-line rental income	9 295	172 693	10 484	—	—	192 472
Non-current assets held-for-sale	—	900 400	269 100	158 000	—	1 327 500
Other assets	23 650	301 417	(64 757)	1 243	712 947	974 500
<b>Total assets</b>	<b>472 187</b>	<b>9 559 529</b>	<b>1 452 015</b>	<b>159 243</b>	<b>712 947</b>	<b>12 355 921</b>
<b>Liabilities</b>						
Total liabilities	339 641	73 382	15 244	1 632	4 887 819	5 317 718

The segmental report has been populated based on a per building classification which is in accordance with the majority tenant.

# Corporate information

## 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)

## Directors

JB Magwaza<sup>^</sup> (Chairman), SH Nomvete<sup>\*</sup> (CEO), S Maharaj<sup>\*</sup> (CFO), ON Tshabalala<sup>\*</sup> (COO), N Khan-, DN Motau<sup>^</sup>, ID Macleod<sup>^</sup>, MJN Njeke<sup>^#</sup>, NN Afolayan<sup>^</sup>, MCR Rampheri<sup>^</sup>

<sup>^</sup>Independent non-executive; <sup>\*</sup>Executive; <sup>~</sup>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 Corporate and Investment Banking



[www.deltafund.co.za](http://www.deltafund.co.za)