

DELTA AFRICA PROPERTY HOLDINGS LIMITED

(Registered by continuation in the Republic of Mauritius)

(Registration number 128881 C1/GBL)

JSE share code: DLA

SEM share code: DEL.N0000

ISIN: MU0473N00010

("Delta", "Company")



UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended 30 September 2015 (the "financial statements")

DIRECTORS' COMMENTARY

NATURE OF THE BUSINESS

The Company holds primary listings on the Stock Exchange of Mauritius ("SEM") as well as the main board of the Johannesburg Stock Exchange ("JSE"). In its first year of trading, the Company and its subsidiaries ("Group") successfully acquired three properties in Mozambique and one property in Morocco.

The Group has continued its expansion strategy of acquiring a portfolio of African real estate assets (excluding assets situated in South Africa) by concluding agreements to acquire two properties in Zambia and an additional property in Mauritius. The Group's strategy remains to expand its property portfolio to assets that will provide strong sustainable US Dollar based income from high quality tenants with a strong focus on protecting shareholder value and dividend yields.

REVIEW

During the three month period from 1 July 2015, the Group issued its maiden full year results, declared and paid a dividend of 4.65 US\$ cents per share to shareholders (bringing the total dividend for the 2015 financial year to 11.28 US\$ cents per share) and completed the acquisition of Zimpeto Square, a 4,764m² mall in Maputo, Mozambique for US\$10.2 million. On 22 July 2015, the Group finalised a medium term finance agreement with Standard Bank of South Africa. The facility of US\$38.0 million was utilised to settle the Standard Bank Mozambique bridging facility of US\$24.3 million that was in place at year end for the acquisition of the Hollard Building and the Vodacom Building (with the remainder of the funds being utilised to secure the current pipeline of acquisitions in Mozambique).

Profit for the three months to 30 September amounted to US\$1.8 million. Although the profit includes the high cost of the bridging facilities, the figures are in line with growth expectations for the 2016 financial year. LTV is at 47.8%, within the Group's self-imposed limit of 50%.

The weighted average cost of debt is currently at 7.04% (versus 6.94% at 30 June 2015). The increase is attributable to the interest rate ramp up on the vendor loan on the Anfa Place shopping Centre, however this is expected to decrease significantly in November 2015 when the refinancing transaction on the vendor loan amounting to MAD479.0 million (or US\$49.5 million) is completed with Investec Bank.

Net operating expenses as a percentage of revenue has decreased significantly to 15.3% for the quarter from the 24.5% of the previous financial year, with the decline being attributed to the triple net lease buildings that were acquired at the end of the 2015 financial year.

The Anadarko Building in Mozambique is operating as expected and remains 100% occupied. The Anadarko Phase II Building's development plans have now obtained the required local authority approvals and the terms of the lease with Anadarko have been agreed. Hodari Properties are expected to commence the development in early 2016. In addition to the net rental income to be generated on Phase II, the Group will share in the development fee without taking any development risk. The development fee is based on the Group's existing interest in the land and the ability to provide backing for the required financing facilities. The Group has billed fees amounting to US\$0.6 million to the developer for services rendered to date.

The Vodacom Building and Hollard Building, which transferred in April 2015 and May 2015 respectively, have now been bedded down and are operating as expected. Both buildings remain fully occupied and arrears are insignificant.

Anfa Place Shopping Centre in Morocco is performing within expectations. The recent addition of McDonalds and the plans to provide additional recreational facilities and GLA will further bolster the centre's enviable food court. The Four Season's hotel, which has direct access to the centre, opened on 28 October 2015, this should see further uplift in the ever increasing footfall. The restaurants and vacancies within the adjacent street retail section of the centre will no longer be hindered by the close proximity to the construction site and the Group is now expecting significant interest of this area of the complex. Arrears are monitored continuously with strong efforts on collections which are yielding positive results.

The Moroccan Dirham ("MAD"), being the functional currency of the Moroccan investment, has improved slightly against the US Dollar, moving from 9.78 at year end to 9.68 at 30 September 2015, resulting in the clawback of US\$0.4 million of the previous years unrealised foreign exchange losses.

SUBSEQUENT EVENTS

In line with the strategy to expand the Group's geographical footprint on the continent, the Company has concluded agreements to purchase a 50% interest in two shopping malls in Zambia, as well as the Barclay's House Building in Mauritius.

The Zambian shopping malls consist of the Mukuba Mall in Kitwe and the Kafubu Mall in Ndola. Both assets are the dominant retail assets in their respective regions. The Group has acquired a 50% stake in both the assets from Rockcastle Global Real Estate Company Limited. A key aspect of the investment was to form close ties to the other 50% partner, Heriot Properties, who have extensive experience in Zambia. The local knowledge gained by Heriot Properties over their years of development and operations in Zambia provided the Group with a unique opportunity to enter this new jurisdiction without the need to invest valuable time and resources to gain the local knowledge required to setup an efficient operation.

The Makuba Mall provides 28,235m² of GLA and is valued at US\$63.1 million. The mall is anchored by Shoprite, Game and Pick n Pay. Other notable tenants include Mr Price, Woolworths, Spur, Barclays and FNB. The net purchase price for the acquisition of 50% of the centre amounted to US\$17.5 million (made up of the asset value of US\$31.5 less debt of US\$14 million).

The Kafubu Mall provides 11,964m² of GLA, is valued at US\$17.5 million and is anchored by Shoprite. Other notable tenants include Spur and OK Furnitures. The net purchase price for the acquisition of 50% of the centre is US\$4.1 million (made up of the asset value of US\$9.1 less debt of US\$4 million).

The acquisition of the Barclays House Building in Ebene, Mauritius provided the Group with the opportunity to capitalise on its existing administrative infrastructure in Mauritius. The building houses the corporate head office for Barclays in Mauritius and has twelve years remaining on the lease. The 7,700m² building is valued at Rs490 million (approximately US\$13.6 million) and will be acquired for Rs470 million (approximately US\$13.1 million). Although the leases are denominated in Mauritian Rupees, the Group will hedge the currency exposure to the US\$ for a period of three years.

Consolidated statement of comprehensive income	Unaudited for the quarter ended 30 September 2015 US\$	Unaudited for the quarter ended 30 September 2014 US\$
	Gross rental income	5,560,233
Straight-line rental income accrual	576,908	4,022,318
Revenue	6,137,141	7,083,297
Property operating expenses	(938,799)	(626,018)
Net property income	5,198,342	6,457,279
Other income	604,528	23,969
Administrative expenses	(562,292)	(173,615)
Profit from operations	5,240,578	6,307,633
Acquisition fees	(537,412)	(2,361,462)
Acquisition fees - Asset management fees	(102,172)	-
Acquisition fees – Other	(435,240)	(2,361,462)
Set-up costs	-	(508,593)
Fair value adjustment on investment property	1,274,205	1,740,000
Fair value adjustment on financial instruments	(479,533)	
Unrealised foreign currency loss	(922,844)	(3,836,433)
Realised foreign currency gain	434,919	-
Profit before interest and taxation	5,009,913	1,341,145
Interest income	480	87
Finance costs	(2,308,920)	(788,277)
Profit for the period before tax	2,701,473	552,955
Current tax expense	(573,852)	(272,756)
Deferred tax expense	(314,194)	(1,822,647)
Profit/(loss) for the period after tax	1,813,427	(1,542,448)
(Loss)/profit on translation of functional currency	(1,498,489)	257,354
Other comprehensive income	-	-
Total comprehensive income/(loss)	314,938	(1,285,094)
Reconciliation of basic earnings and headline earnings		
Basic earnings	1,813,427	(1,542,448)
Less: Fair value adjustments on investment property (net of deferred taxation)	(1,274,205)	(1,127,863)
Change in fair value of investment property	(1,274,205)	(1,740,000)
Deferred taxation on investment property revaluation	-	612,137
Headline earnings/(loss) attributable to shareholders	539,222	(2,670,311)
Number of shares in issue	73,656,446	43,918,556
Weighted average number of shares *	73,656,446	9,168,569
Earnings per share		
Basic and diluted profit/(loss) per share (cents)	2.46	(16.82)
Headline diluted profit/(loss) earnings per share (cents)	0.73	(29.12)

Consolidated statement of financial position	Unaudited for the quarter ended	Audited for the period ended	Unaudited for the quarter ended
	30 September 2015	30 June 2015	30 September 2014
	US\$	US\$	US\$
Assets			
Non-current assets			
Investment property	222,544,519	210,390,631	153,883,474
Fair value of property portfolio	219,347,391	207,768,336	149,861,156
Straight line rental income accrual	3,197,128	2,622,295	4,022,318
Property, plant and equipment	107,655	96,512	79,857
Intangible assets	29,828	8,774	-
Goodwill	-	-	4,904,212
Related party loans	-	11,778	-
Deferred tax	-	190,143	-
Total non-current assets	222,682,002	210,697,838	158,867,543
Current assets			
Trade and other receivables	17,374,020	18,777,373	7,263,298
Cash and cash equivalents	16,292,470	6,565,282	2,039,185
Total current assets	33,666,490	25,342,655	9,302,483
Total assets	256,348,492	236,040,493	168,170,027
Equity and liabilities			
Total equity attributable to equity holders			
Share capital	127,956,113	127,958,794	86,291,281
Foreign currency translation reserve	(2,283,878)	(785,389)	310,219
Retained loss	(4,370,390)	(2,760,583)	(1,522,976)
Total equity attributable to equity holders	121,301,845	124,412,822	85,078,524
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	48,920,933	10,490,966	68,450,312
Derivative instruments	479,533	-	-
Deferred tax	929,744	807,205	7,813,474
Total non-current liabilities	50,330,210	11,298,171	76,263,786
Current liabilities			
Interest-bearing borrowings	73,831,819	91,165,629	-
Trade and other payables	10,380,706	8,671,831	6,418,635
Withholding tax payable	-	11,893	-
Current tax payable	503,912	137,756	409,082
Cash and cash equivalents	-	342,391	-
Total current liabilities	84,716,437	100,329,500	6,827,717
Total liabilities	135,046,647	111,627,671	83,091,503
Total equity and liabilities	256,348,492	236,040,493	168,170,026
Net asset value per share (cents)	164.69	168.91	193.72
Net asset value per share (excluding deferred taxation) (cents)	165.95	169.75	211.51

Consolidated statement of cash flows	Unaudited for the quarter ended	Unaudited for the quarter ended
	30 September 2015	30 September 2014
	US\$	US\$
Net cash generated from operating activities	3,205,627	85,055
Dividends paid	(3,423,234)	-
Net cash utilised in investing activities	(10,806,291)	(94,756,207)
Net cash generated from financing activities	21,093,477	96,061,007
Net movement in cash and cash equivalents	10,069,579	1,389,856
Cash at the beginning of the year	6,222,891	649,328
Total cash at the end of the year	16,292,470	2,039,184

Condensed consolidated segmental analysis	Unaudited for the quarter ended	Unaudited for the quarter ended
	30 September 2015	30 September 2014
	US\$	US\$
Profit/(loss) before income tax expense		
Morocco	1,107,218	(2,483,058)
Mozambique	1,797,836	5,424,669
Mauritius	(203,581)	(2,388,656)
	2,701,473	552,955
Total assets		
Morocco	119,712,498	124,806,751
Mozambique	135,169,592	37,938,102
Mauritius	1,466,402	5,425,174
	256,348,492	168,170,027

Consolidated statement of changes in equity	Share capital	Foreign currency translation reserve	Retained earnings / (Accumulated losses)	Total equity holders
	US\$	US\$	US\$	US\$
Unaudited for the quarter ended				
30 September 2014				
Balance as at 30 June 2014	864,655	52,865	19,471	936,991
Loss for the period	-	-	(1,542,448)	(1,542,448)
Foreign currency translation reserve movement	-	257,354	-	257,354
Shares issued	86,508,752	-	-	86,508,752
Share issue expenses	(1,082,126)	-	-	(1,082,126)
Balance as at 30 September 2014	86,291,281	310,219	(1,522,977)	85,078,523
Audited for the nine months ended				
30 June 2015				
Profit for the period	-	-	1,725,828	1,725,828
Dividends paid	-	-	(2,963,434)	(2,963,434)
Foreign currency translation reserve movement	-	(1,095,608)	-	(1,095,608)
Shares issued	44,195,722	-	-	44,195,722
Share issue expenses	(2,528,209)	-	-	(2,528,209)
Balance as at 30 June 2015	127,958,794	(785,389)	(2,760,583)	124,412,822
Unaudited for the quarter ended				
30 September 2015				
Profit for the year	-	-	1,813,427	1,813,427
Dividends paid	-	-	(3,423,234)	(3,423,234)
Foreign currency translation reserve movement	-	(1,498,489)	-	(1,498,489)
Shares issued	-	-	-	-
Share issue expenses	(2,681)	-	-	(2,681)
Balance as at 30 September 2015	127,956,113	(2,283,878)	(4,370,390)	121,301,845

OUTLOOK

The Board remains confident on the prospects of the business growth and the future returns.

Any reference to future financial information included in the financial statements for the quarter ended 30 September 2015 are the responsibility of the Board and has not been reviewed or reported on by the Group's external auditors. The forecast growth is based on assumptions, including assumptions that a stable regional, political and economic environment as well as a stable global macro-economic environment will prevail.

By order of the Board
Apex Fund Services (Mauritius) Ltd
Company Secretary
10 November 2015

NOTES

The Group is required to publish financial results for the three months ended 30 September 2015 in accordance with the Listing Rule 12.19 of the SEM. Accordingly, this announcement presents the financial results of the Group in respect of the three month period from 1 July 2015 to 30 September 2015 and three month period from 1 July 2014 to 30 September 2014.

The accounting policies which have been applied are consistent with those used in the preparation of the audited financial statements for the period ended 30 June 2015.

The financial statements for the quarter ended 30 September 2015 have been prepared in accordance with the measurement and recognition requirements of IFRS, the requirements of IAS 34: Interim Financial Reporting, the SEM Listing Rules, the JSE Listings Requirements and the Securities Act of Mauritius 2005.

The financial statements have not been reviewed or reported on by the Group's external auditors.

These financial statements were approved by the Board on 10 November 2015.

Copies of the financial statements and the Statement of direct and indirect interests of each officer of the Group, pursuant to rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules of Mauritius 2007, are available free of charge, upon request at the Company's registered address.

This communiqué is issued pursuant to SEM Listing Rule 12.20 and section 88 of the Securities Act of Mauritius 2005. The Board accepts full responsibility for the accuracy of the information contained in these financial statements. The directors are not aware of any matters or circumstances arising subsequent to the period ended 30 September 2015 that require any additional disclosure or adjustment to the financial statements.

Directors: Sandile Nomvete (chairman), Greg Pearson*, Greg Booyens*, Bronwyn Anne Corbett*, Peter Todd (lead independent), Maheshwar Doorgakant, Chandra Kumar Gujadhur, Ian Macleod and Leon van de Moortele*
(*executive director)

Company Secretary: Apex Fund Services (Mauritius) Ltd

Registered address: 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius

Transfer secretary (South Africa): Computershare Investor Services Proprietary Limited

Registrar and Transfer Agent (Mauritius): Mauritius Computing Services Ltd

Corporate advisor and JSE Sponsor: PSG Capital (Pty) Ltd

SEM sponsor: Capital Markets Brokers Ltd (effective from 7 October 2015)