

Delta Property Fund  
(Incorporated in the Republic of South Africa)  
(Registration number 2002/005129/06)  
JSE Share code: DLT  
ISIN: ZAE000194049  
(Approved as a REIT by the JSE)  
("Delta" or "the Company" or "the Group")

SHORT-FORM ANNOUNCEMENT  
AUDITED CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2022

#### HIGHLIGHTS

- SA REIT FFO (previously distributable earnings) per share 36.91cps (2021: 31.33cps)
- Headline earnings per share 39.74cps (2021: 8.78cps)
- CAPEX spent R112.8m (2021: R37.6m)
- Rental collections 112.7% (2021: 87.03%)
- B-BBEE Level 1 (2021: Level 2)

#### COMMENTARY

##### INTRODUCTION

Delta is emerging as a turnaround story, despite an external environment that continued to be unforgiving. While the economy remained under pressure resulting in record high vacancies, Delta's sovereign underpinned portfolio showed resilience.

Part of our focus has been to reintroduce disciplines in the business. We have enhanced internal controls, made changes to the reporting lines, and bolstered our staff complement and competencies, predominantly through the hiring of new and senior talent. Our employee engagement survey showed applaudable outcomes.

The resilience of a sovereign focused portfolio, was evident as we improved our collection rate from 87.03% in 2021 to 112.7% over the period plus successfully reducing net arrears by 17.3% (including write-offs).

A significant win in the past year has been the renewal of 70 548m<sup>2</sup> gross lettable area (GLA) and the conclusion of new leases with a combined GLA of 17 586m<sup>2</sup>. Further, expired month-to-month leases dating as far back as 2017, with a GLA of 126 233m<sup>2</sup> were negotiated in the period and concluded post year-end. Our efforts on legacy tenant installation and capex continued in the second half of the financial year, playing a key role in ensuring the renewal of leases. We are pleased that our focus and effort in rebuilding trust with our tenants and our capex programme yielded positive results. These efforts will be underpinned by the ongoing delivery against capital expenditure commitments, which has resulted in several key tenants reviewing their decisions to vacate and who are currently engaging on varied lease tenures with Delta.

The Board has approved a refined strategy, focused on portfolio optimisation, which continues to be centred around disposals in the short- to medium-term and portfolio refinement in the medium- to long-term. In keeping with this strategy, the Domus building measuring 5 454m<sup>2</sup> was disposed of for R25 million, in the year under review, with the conclusion (awaiting transfer) of the sale of Delta House measuring 11 439m<sup>2</sup> for an agreed purchase price of R74 million boosting the tally to close to R100 million. Additional disposals are being negotiated for seven buildings measuring 64 501m<sup>2</sup> post the reporting period.

While we are pleased with our progress and strategy execution in the reporting period, vacancies, which have increased, are a focal point. In response to this, more resources (human capital and financial) are being mobilised to complement the new leasing strategies supported by a more robust broker strategy and enhanced incentives.

#### FINANCIAL REPORTING

##### Financial results

	Audited year ended 28 February 2022	Audited year ended 28 February 2021	% change
SA REIT Funds from operations ("FFO per share")	36.91	31.33	17.8
Rental income (including recoveries)	1 388 704	1 445 893	(4.0)
Net property income (excluding straight-line rental adjustment)	817 359	889 237	(8.1)
Net finance costs	388 395	413 612	(6.1)
Fair value adjustments	(412 624)	(636 895)	35.2
Investment property (including non-current assets held for sale)	7 888 200	8 227 800	(4.1)
Basic and diluted loss per share	(20.30)	(63.63)	68.1
Headline earnings per share	39.74	8.78	352.6
Loan-to-value	57.0%	56.5%	0.5bps

SA REIT FFO per share increased by 17.8% from 31.33 cents per share to 36.91 cents per share and further supported by cash flow from operations of R254.7 million compared to R235.7 million in the prior year.

Rental income (including recoveries) as well as net property income decreased by 4.0% and 8.1% respectively mainly as a result of negative rental reversions on the lease renewal of the Polokwane portfolio.

Investment property (including non-current assets held for sale) reduced by 4.1% from R8.2 billion to R7.9 billion. This is due to the slow recovery of the economy, which is evident in the increased vacancy factors used in valuing the portfolio. The investment in Grit, which continues to be non-core, decreased substantially as a result of their share price reducing by 31.4% from USD 70 cents per share at 28 February 2021 to USD48 cents per share at year-end. This was clawed back with an increased exchange rate of R15.55/USD1 at year-end from R14.54/USD1 in the prior year.

Interest-bearing borrowings decreased by R210.5 million attributable to amortisations and the disposal of Domus in May 2021. The loan-to-value increased from 56.5% to 57.0% following the downward valuation being offset by the amortisations.

#### DIVIDEND

The SA REIT FFO (previously distributable earnings) per share amounts to 36.91 cents per share (2021: 31.33 cents). With the decision to continue to allocate cash resources to fund capex and tenant installation obligations, the Board resolved not to declare a dividend at this stage (2021: Nil). This decision will continue to be reviewed at each reporting period.

#### PROSPECTS

Notwithstanding macro-economic headwinds and legacy challenges within the portfolio, the Group expects some of its initiatives to provide some green shoots in the short to medium term. Focus will remain on significantly reducing vacancies in the portfolio, continuing to pursue retention of tenants and delivering on debt reduction and portfolio optimisation.

The auditors have issued an unqualified audit opinion on the audited financial results, an emphasis of matter in respect of a material uncertainty related to going concern was raised. The auditors' opinion has not been modified in respect of this matter. The auditors' audit opinion, containing key audit matters, together with the annual financial statements is available for inspection at Delta's registered office and on the following weblink <https://www.deltafund.co.za/financials/>.

Any investment decisions made by investors and/or shareholders should be based on consideration of the full announcement as a whole and shareholders are encouraged to review the full announcement, which is available on the JSE website at <https://senspdf.jse.co.za/documents/2022/jse/isse/HLT/fy2022.pdf> and can be found on the Group's website <https://www.deltafund.co.za/financials/>.

The contents of this short-form announcement are the responsibility of the Board of directors of Delta. This short-form announcement is a condensed version of the full announcement in respect of the audited annual Group results for the year ended 28 February 2022 and does not contain full or complete details of the financial results.

The full announcement is available for inspection at the registered office, during business hours, at no charge and any requests to the Company Secretary for copies will be dealt with by referring the requester to the appropriate link on the Company's public website under the Investor Relations tab. The information contained in this short-form announcement has been extracted from the audited annual Group results and has not been reviewed or reported on by Delta's auditor.

By order of the Board

P Langeni (Chairman)	S Mbanjwa (CEO)
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24 May 2022

Directors: P Langeni~ (Chairman), S Mbanjwa (CEO), B Masinga\* (Executive), M de Lange\* (CFO), N Khan~, DN Motau^, MJN Njeke#, P Stock^, MCR Rampheri^ \*Executive, ^Independent non-executive, ~Non-executive, #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, a division of Nedbank Limited

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