

Delta Property Fund Limited
(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” or “the Fund”)

SHORT-FORM ANNOUNCEMENT

AUDITED CONDENSED ANNUAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2024

SALIENT FEATURES

- * Weighted average lease expiry 15.3 months (February 2023: 13.2 months)
- * Profit from operations R399.2m (February 2023: R226.1m loss from operations)
- * Covenant loan to value 59.4% (February 2023:59.9%)
- * SA REIT NAV per share R3.5 (February 2023: R3.6)
- * SA REIT Cost-to-income 49.6% (February 2023: 54.3%)
- * Interest cover ratio 1.3 times (February 2023: 1.4 times)
- * Vacancy Rate at 33.4% (February 2023: 32.9%) and at 24.2% when excluding non-current assets held for sale

INTRODUCTION

The business has produced a promising set of financial results relative to past performance. The improvement in the Group’s performance is attributable to the implementation of a strategy, which incorporates portfolio optimisation through the disposal of selected properties, reduction of debt, cost optimisation, renewing of leases and reducing vacancies with the aim of improving profitability. We have made progress in managing operating and administrative costs, reducing debt, and renewing leases. We are particularly pleased with the advancements in concluding new leases and renewing existing ones.

FINANCIAL RESULTS

| | Audited Year ended 29 February 2024 | Audited Year ended 28 February 2023 | % change |
|---|---|---|----------|
| Rental income (R’million) | 1 162.6 | 1 229.1 | (5.4) |
| Profit/ (loss) from operations (R’million) | 399.2 | (226.1) | 276.5 |
| Loss for the period (R’million) | (77.6) | (749.7) | 89.6 |
| Basic and diluted loss per share (cents) | (9.3) | (102.0) | 90.9 |
| Basic and diluted headline earnings per share (cents) | 15.9 | 14.8 | 7.4 |

| | | | |
|--|-------------------------|-------------------------|------|
| SA REIT funds from operations per share (cents) | 18.7 | 11.1 | 68.5 |
| Average value per property (including assets held for sale) | R8 099.4/m ² | R8 060.6/m ² | 0.5 |

The Group reported a profit from operations of R399.2m, compared to a loss from operations of R226.1m reported in FY23. This improved financial performance is attributable to reduced administrative expenses, better recoveries, and a lower fair value adjustment loss on the property portfolio. Considering the improvement, the Group has reported a loss of R77.6m compared to a loss of R749.7m in FY23. Finance costs remain the highest line item at R484.2m (FY23: R457.9m) in the statement of profit and loss and other comprehensive income.

Administrative expenses decreased by 11.5%, while property operating expenses increased by 0.2%, which is well below inflation. The containment of costs is due to the Group's cost optimisation efforts. The reported results take into account a fair value loss of R217.2m, which includes a fair value adjustment loss on the property portfolio of R180.1m, compared to fair value adjustment loss of R833.6m in FY23.

The reported results also include dividend income received from the Group's investment in Grit and other income from tenant reinstatements. The Group's improved financial performance has been offset by a decrease in rental income of 5.4%, largely due to rental reversions.

The Group generated strong cash inflows from rental income and the successful collection of outstanding arrears. The cash generated for the year consists of income from operations of R658.9m, interest income of R10.5m, and proceeds from the disposal of properties of R13.5m. The cash was utilised to pay finance costs of R474.8m, taxation of R84.8m, net capex of R36.7m, and net debt repayment of R103.2m.

DEBT REFINANCING

Delta is pleased to have successfully renewed debt facilities with Nedbank to 7 April 2025, these facilities were previously on a month on month and initially extended to 7 April 2024. Additionally, Investec facilities were renewed for 24 months until 30 June 2025. Delta also concluded a revolving credit facility of R37.5 million with Nedbank.

Delta reduced its overall debt by approximately R183.2m (FY23: R352.9m). The disposal of Standard Bank Greyville, Nedbank Building, and Enterprise Park contributed R74.1m to debt reduction, with the remaining R109.7m being funded from cash flow and dividend income.

GOING CONCERN

The Board has carried out a review of the going concern assessment of the Group, as disclosed in the going concern note to the financial statements. Having considered the solvency and liquidity and the cash flow

projections, the Board concluded that the Group is in a financial position to meet its cash requirements for the foreseeable future and accordingly is able to continue trading as a going concern.

PORTFOLIO OPTIMISATION

The market is challenging for the disposal of non-core properties due to the current economic climate. The Group, however, remains engaged with credible property buyers and is optimistic about the success of its non-core property disposal program. Delta successfully transferred three properties for R88.4 million during the year. Post year-end, an additional six properties were sold for a gross consideration of R144.9 million. The proceeds from these disposals will be utilised to reduce the Group's debt facilities.

LETTING AND VACANCIES

During the financial year, Delta renewed 55 leases totalling 154,888m², with an average lease term of 3 years. In addition, Delta concluded new leases totalling 11,542m², with an average lease term of 3.4 years. Portfolio vacancies have marginally increased from 32.9% in FY23 to 33.4% in FY24, primarily due to tenants that vacated buildings. The weighted average lease expiry is moving in the right direction from 12.1 months in FY23 to 15.3 months, reflecting the positive impact of both new and renewed leases.

DIVIDEND

The Board, having performed a solvency and liquidity assessment as required by the Companies Act, resolved not to declare a dividend for FY24 (FY23: Nil).

AUDIT REPORT

The Company's auditors, KMPG Incorporated, have issued an unqualified audit opinion on the annual financial statements for the year ended 29 February 2024 ("AFS 2024"), which includes an emphasis of matter in respect of a material uncertainty related to going concern, as set out below.

"We draw attention to Note 37 to the consolidated and separate financial statements, which indicates that the Group and Company incurred a net loss of R77.6m and R262.1 respectively during the year ended 29 February 2024 and, as of that date, the Group and Company's current liabilities exceeded its current assets by R2.4bn and R2.4bn respectively. As stated in Note 37, these events or conditions, along with other matters as set forth in note 37, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

The full audit opinion, including the key audit matters, forms part of the AFS 2024 and is available for inspection at the following weblink: <https://www.deltafund.co.za/financial-results/>

PROSPECTS

The Group is actively implementing its strategy and believes it is on the right trajectory to achieve positive

outcomes, as demonstrated by these results. The Group has successfully revived its stakeholder engagements nationwide and maintains productive interactions. These efforts have led to negotiations for both lease renewals and new leases. The Group anticipates securing new leases for currently vacant properties and continuing lease renewals, which will enhance the weighted average lease expiry and ensure sustained positive cash generation. In addition, there is measured progress in disposing of non-core properties, and the Group expects an improvement in this area in the short to medium-term.

SHORT FORM ANNOUNCEMENT

Any investment decisions made by investors and/or shareholders should be based in consideration of the full announcement and supplementary information. Shareholders are encouraged to review the full announcement, which is available on the JSE cloudlink at <https://senspdf.jse.co.za/documents/2024/jse/isse/DLT/ie2024.pdf> and on the Group's website <https://www.deltafund.co.za/financial-results/>. Copies of the full announcement can be requested by contacting the Company Secretary at vasta.mhlongo@deltafund.co.za.

The prospects paragraph has not been reviewed or reported on by the Group's independent external auditors. The content of this short-form announcement is 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 consolidated annual financial statements for the year ended 29 February 2024 ("Annual Results") and does not contain full or complete details of the annual results.

WEBCAST DETAILS

Delta Management will host a presentation on the Annual Results via webcast on Monday, 3 June 2024 starting at 12:00 (South African time). A virtual question and answer session will follow the presentation. The webcast can be accessed via the following link: <https://www.corpcam.com/DPF28052024>. The Annual Results presentation will be made available for download from the Company's website at: <https://www.deltafund.co.za/financials/>

A recording of the webcast and Q&A session will be available for download within 24 hours after the presentation from the Company's website at: <https://www.deltafund.co.za/financials>.

By order of the Board

P Langeni
(Chairman)

S Masinga
(CEO)

28 May 2024

Date of release: 30 May 2024

Chairman: **Phumzile Langeni; Directors: *Dumo Motau, *JJ Njeke, *Sindi Zilwa
CEO: Sibongile Masinga; CFO: Zwelifikile Mhlontlo; Company Secretary: Vasta Mhlongo
*Independent non-executive director, *Lead independent non-executive director, **Non-executive director

Registered office: Silver Stream Office Park, 10 Muswell Road South, Bryanston,
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Transfer secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited

<http://www.deltafund.co.za>