

Integrated annual report ►

for the year ended 29 February 2020



WHO WE ARE

Delta is a JSE listed Real Estate Investment Trust (“REIT”) with a property portfolio of R10.6 billion. 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.



Full-year distributable earnings of
45.69 cents per share



Cash generated from operations of
R452.7 million



Extended
R3.8 billion
in expiring debt facilities

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Delta at a glance

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VISION AND MISSION STATEMENT

Our vision

Delta's vision is to be a specialist sovereign-underpinned property fund offering sustainable returns to investors while being the landlord of choice to sovereign tenants.

Our mission

Achieve our vision by:

- having dominant exposure in nodes attractive to sovereign tenants;
- leveraging Delta's excellent empowerment credentials;
- application of a sovereign specialist management process; and
- efficient capital management and value-enhancing asset management.

Our performance



Disposal of
non-core assets
totalling

**R153.5
million**



Renewed

211 764m²
expiring leases



Concluded

17 344m²
new leases

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ABOUT THIS REPORT

This integrated annual report presents the performance and activities of Delta Property Fund for the financial year ended 29 February 2020. It includes information on our performance, sustainable value creation, ethical leadership, corporate citizenship, legitimate stakeholder interactions and integrated thinking.

This fully integrated annual report illustrates Delta's commitment to corporate governance and King IV compliance. Where possible, areas of integrated reporting have been covered, explained and linked in this integrated report, including issues of sustainability, strategy, performance, risk and risk mitigation.

Approval of report

The Board of Delta acknowledges its responsibility to ensure the integrity of this integrated report and has collectively assessed its content. The Board believes it addresses the material issues and is a fair representation of the integrated performance of Delta Property Fund and has approved the report for presentation to stakeholders.

Scope, reporting frameworks and regulations

We have applied the guiding principles and content elements of the International Integrated Reporting Council <IR> Framework as well as the following reporting frameworks and regulations in preparing this report:

- ▶ Companies Act, No 71 of 2008 ("Companies Act").
- ▶ International Financial Reporting Standards ("IFRS").
- ▶ SA REIT Association best practice recommendations.
- ▶ King Code on Corporate Governance 2016^{TM*}.
- ▶ JSE Listings Requirements.

The scope and content of this report represents an alignment of identified stakeholder priorities, and social and environmental needs with the core objectives of Delta's strategy. There has been no change in the scope and boundary of this report relative to the 2019 report, other than through changes in our property portfolio. There have been no restatements of historical financial information in the 2020 financial year.

Approach to materiality

This integrated annual report has been prepared to assist the Group's stakeholders to make an informed assessment of the Group and its ability to create and sustain value over the short, medium and long term.

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Forward looking statements

This integrated annual report contains certain forward looking statements relating to the financial performance and position of the Group. All forward looking statements are solely based on the views and considerations of the directors.

While these forward looking statements represent the directors’ judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from their expectations.

These factors include, but are not limited to, global and local market and economic conditions, industry factors as well as

regulatory factors, all of which are not necessarily within the Group’s control.

Delta is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward looking statements, whether as a result of new information, future events or otherwise.

This forward looking information has not been reviewed or reported on by the external auditors.

Assurance

A combined assurance model has been applied and assurance has been sought as follows:

Activity	Company
External auditor for the consolidated financial statements	BDO South Africa Inc.
Assurance on internal controls	Mazars Advisory Proprietary Limited
Broad-based black economic empowerment (“B-BBEE”) rating	Premier Verification
Property portfolio valuation	Various independent accredited valuers (see note 3 of the annual financial statements)
Remuneration review	Khokhela Consulting Proprietary Limited

2020 SNAPSHOT



Shares in issue
714 229 718

Market capitalisation
R300 million

NAV per share
R8.28

Sector profile by GLA

Office – sovereign
77.4%

Office – other
13.9%

Retail
8.1%

Industrial
0.6%



Loan to
value
46.3%

Weighted
average cost
of debt
10.3%



OUR BUSINESS STRUCTURE



Delta's trading subsidiaries

► **Hestitrix Proprietary Limited**

► **K2014000273 Proprietary Limited**

► **277 Vermeulen Street Properties Proprietary Limited**



Number of
properties

102

Valuation of
property portfolio
R10.6 billion



Average value
per property
R103.4 million

Gross lettable area
928 531m²

Weighted average
lease expiry (years)
1.6

Vacancy rate
post-year-end
19.8%

Weighted average
rent (per m²)
R125.2

Weighted average
in-force escalation
7.7%



Delta and its subsidiaries
are supported by
various service
providers in respect
of asset management
services and
property management
services

▶ **Asset management service provider**

- ▶ Delta Property Asset Management Proprietary Limited ("DPAM")

▶ **Property management service providers**

- ▶ Delta Property Services (division of DPAM)
- ▶ Excellerate Real Estate Services*
- ▶ Broll Management Services Proprietary Limited

** Portfolio allocated to DPAM from April 2020.*

SIGNIFICANT ACHIEVEMENTS OVER THE FINANCIAL YEARS

2010 ◀

March

The Company was initially founded as Tuffsan 89 Investment Holdings Proprietary Limited.

The first direct property investment was the acquisition of the Forum Building in Pretoria.

With the management, expertise and deal-making capabilities of the founding shareholders, further building acquisitions followed.



▶ 2014

Launched and listed Delta International (rebranded to Grit), first specialist pan-African (excluding South Africa) property fund to be listed on the JSE.

2012 ◀

November

Delta successfully listed on the JSE Limited.

The portfolio at the time comprised 20 properties valued at R2.1 billion and with a market capitalisation of

R1.35 billion.

August

Delta's portfolio comprised 78 strategically located and high-grade properties, valued at over R7.2 billion and with a market capitalisation of around

R3 billion.

2013 ◀

Successfully raised R1 billion in rights issue for acquisitions.

July

Launched R2 billion Domestic Medium-Term Note programme ("DMTN programme").

▶ 2015

March

Successfully raised capital of R680 million, allowing Delta to pay down bridging facilities and to conclude acquisitions.

September

First in the industry to establish a trust for the benefit of black employees as owner of the asset management company on commercial terms.

2016 ◀

February

Achieved third consecutive year of inflation-beating growth in distributions. Investment portfolio exceeds R10 billion.

October

Delta acquired a portfolio of 15 government-tenant properties for a purchase consideration of

R1.25 billion.

▶ 2017

Property portfolio just under 1 million m² in gross lettable area.

November

Refinanced R462 million DMTN with bank facilities.



2018 ◀

October

Settled R125 million unsecured note in DMTN.

February

Finalised DPW approval (stage 1) for 59 leases totalling

227 550m².



▶ 2019

February

Significant progress with the Department of Public Works ("DPW") bulk lease renewals.

Finalised DPW approval (stage 2) for 59 leases totalling 227 550m².

March to November

Extended R2.1 billion in expiring debt facilities.

▶ 2020

March to February

Extended R3.8 billion of expiring debt facilities

December

Disposed 2.1% of Grit shares for R104.4 million

OUR BUSINESS MODEL

TRADE-OFFS

Managing how we allocate our financial capital

Understanding the balance:

Our strategy pivots on adequately addressing short-term stakeholder performance expectations with the long-term value returns inherent to the asset class.

Current income-depleting decisions may only unlock value in the medium or longer term.

We therefore actively manage an optimal equilibrium between managing short-term stakeholder expectations and long-term sustainability and growth.

Key outcomes

R22.9 million invested in defensive and development capital expenditure.

TRADE-OFFS

Balancing stakeholder expectations

Finding the middle ground:

In our current macro-economic context, access to capital is increasingly constrained and costly. Considering that access to capital remains a critical underpin to our business, capital allocation remains a primary focus area. We continually consider capital deployment opportunities and the trade-offs between raising, recycling or retaining capital to maximise value. Capital deployment decisions are largely informed by our mission of creating sustained value.

Key outcomes

R153.5 million of disposed assets no longer meeting investment criteria.



Financial capital

Income growth and capital appreciation



Manufactured capital

To ensure manufactured capital generates capital appreciation and income growth



Intellectual capital

Intellectual property and corporate culture are critical to preserve, grow and retain skills



Natural capital

To ensure that operations limit their impact on the environment



Human capital

To grow and nurture the talent, knowledge, and skills of our people



Social and relationship capital

To ensure interactions with local stakeholders are meaningful and constructive

Inputs

- ▶ Obtain capital from investors
- ▶ Invest capital from equity investors
- ▶ Effective capital management
- ▶ Reinvest capital received from disposals

- ▶ Own high-quality assets in strategic nodes
- ▶ Invest capital to attract and retain tenants
- ▶ Acquire yield enhancing assets

- ▶ Active asset and property management
- ▶ Effective leasing fundamentals to generate and collect rentals and manage vacancies
- ▶ Secure and safe operating systems
- ▶ Dedicated investor relations function

- ▶ Energy, carbon emission, water, and waste reduction initiatives in place
- ▶ Use of renewable energy
- ▶ Energy-efficient practices implemented

- ▶ Regulatory compliance and corporate governance
- ▶ Experienced and skilled Board
- ▶ Competent executive management
- ▶ Black economic empowerment
- ▶ Education and training for staff

- ▶ Entrepreneurial and supplier development
- ▶ Developing communities
- ▶ Actively participating in CSI initiatives
- ▶ Participating in inner city rejuvenation

Outputs

Performance

- ▶ Sustainable growth in income
- ▶ Managed loan to value ("LTV") ratio
- ▶ Disposal of non-core assets
- ▶ Maintain appropriate gearing ratio

- ▶ Distributable earnings declined 38.1%, impacted by rental reversions and increased vacancies
- ▶ LTV increased to 46.3% due to negative fair value adjustment to properties
- ▶ 45% of floating debt fixed
- ▶ Disposal proceeds totalling R153.5 million utilised to settle debt

- ▶ Ownership of assets which provide long-term investment returns
- ▶ Create quality assets which will attract and retain committed long-term tenants
- ▶ Create superior returns for investors

- ▶ Significant portfolio of assets strategically located within the governmental node in KwaZulu-Natal and Tshwane
- ▶ Capital spend of R22.9 million, with R201 million forecasted for 2021

- ▶ Effectively managed portfolio generating positive returns
- ▶ Effective cash flow management
- ▶ Integrated systems and IT infrastructure
- ▶ Effective controls and processes supporting transparent disclosure

- ▶ Generated R452.7 million cash from operations
- ▶ Debtors managed at 33.0 days
- ▶ Effective systems performance and continuity in operations
- ▶ Transparent and reliable communication with stakeholders

- ▶ Reduced environmental footprint
- ▶ Reduced energy consumption
- ▶ Create a sustainable environment

- ▶ Installation of energy-efficient lighting
- ▶ Upgrades to lifts comprise renewable energy functionality
- ▶ Investigating leasing of rooftops for solar initiatives that reduce reliance on the power grid
- ▶ Responsible waste removal and recycling practices championed and implemented in our buildings

- ▶ Compliance with JSE regulations, Companies Act and King IV
- ▶ Strategic risk management and investment strategy to protect and grow the business
- ▶ Implement transformation initiatives which are aligned with DPW and their requirements
- ▶ Develop staff productivity and address skills shortage

- ▶ Board composition supports transformation, diversity of skills and property experience
- ▶ Level 2 B-BBEE rating with a 100% black external Manco
- ▶ Provided training and bursaries to staff, and women in property network

- ▶ Assisting in creating sustainable small businesses that contribute to the economy
- ▶ Sustainable social responsibility through supporting and developing communities
- ▶ Supporting CSI initiatives
- ▶ Contribute towards B-BBEE scorecard
- ▶ Uplifting inner cities

- ▶ Active management of procurement spend on empowering suppliers
- ▶ Staff actively participated in various CSI projects

FIVE-YEAR REVIEW

	2020	2019	2018	2017	2016
Revenue (R'000)	1 457 818	1 547 365	1 564 053	1 617 344	1 247 582
Net property income (R'000)	939 227	1 037 786	1 149 885	1 153 341	925 531
Finance costs (R'000)	558 085	537 281	482 179	470 580	412 713
Property cost to income ratio - gross method (%)	34.8	32.2	26.5	28.8	26.4
Property cost to income ratio - net method (%)	20.7	18.3	12.1	12.4	12.2
Administration cost to income ratio (%)	5.0	5.1	3.4	4.2	6.8
Total cost to income ratio (%)	39.8	37.3	29.9	33.0	33.2
Number of properties	102	104	105	112	100
Investment property (R'000)	10 579 021	11 350 331	11 507 600	11 381 421	10 095 181
Average value per property (R'000)	103.4	109.1	109.6	101.6	101.3
Gross lettable area (m ²)	928 531	950 442	952 428	981 777	813 505
Investment in listed securities (R'000)	277 734	461 822	381 868	429 588	472 546
Interest-bearing borrowings (R'000)	5 022 117	5 258 471	4 952 690	5 099 227	5 094 310
Loan to value (%)	46.3	45.1	41.3	41.5	47.2
Weighted average interest rate (%)	10.3	10.2	9.2	9.2	8.8
Average debt expiry period (years)	0.5	0.8	1.5	1.9	2.3
Average debt fix expiry period (years)	2.7	2.1	1.5	2.2	2.1
Fixed : floating debt (excluding revolvers)	45.0%	59.8%	85.4%	85.1%	83.5%
Shares in issue ('000)	714 230	714 230	711 845	710 632	533 097
Closing share price (Rand)	0.42	2.51	6.00	8.30	6.50
Market capitalisation (R'billion)	0.30	1.79	4.27	5.90	3.47
Net asset value per share (Rand)	8.28	9.30	10.06	9.91	10.61
Tenant sectoral profile by GLA (%)					
Office - sovereign	77.4	73.6	72.8	69.6	67.5
Office - other	13.9	16.2	16.4	23.9	21.4
Industrial	0.6	3.3	3.9	4.1	3.9
Retail	8.1	6.9	6.9	2.4	7.2
Occupancy rate	79.0*	85.6	88.2	89.3	91.0
Weighted average rental (Rand per m ²)	125.2	119.5	110.6	105.2	102.9
Weighted average escalation (%)	7.7	6.6	6.0	6.9	7.8

* Post-year-end occupancy rate of 80.2%.

PROPERTY SEGMENT STATISTICS

Portfolio breakdown

	Office – sovereign	Office – other	Industrial	Retail	Total
Number of properties	80	16	3	3	102
Gross lettable area (m ²) ¹	567 545 ²	101 697	4 265	59 787	733 294
Vacancies including assets held-for-sale (%) ⁴	15.6	34.1	82.6	6.2	21.0³
Value (R billion)	7.6	2.6	0.1	0.3	10.6
Average rental (R/m ²)	131.0	93.5	101.0	126.0	125.2
Weighted average escalation (%)	7.7	7.2	8.0	7.6	7.7
Weighted average lease expiry (by GLA) (years)	1.3	1.6	0.3	3.6	1.6
Cost to income ratio (net) (%)	15.7	30.8	10.2	32.3	20.7
Cost to income ratio (gross) (%)	27.5	47.6	22.1	43.2	34.8

¹ The GLA was previously reported by building classification which included vacancies and the different minority tenant types occupying the building. It is now represented purely by tenant type. Total GLA, including vacancies of 195 237m², is 928 531m².

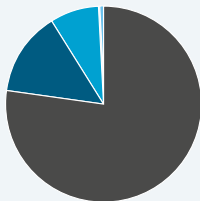
² National government (312 244m²), provincial government (95 168m²), state-owned enterprise (104 852m²), local government (55 281m²).

³ Post-year-end vacancies decreased to 19.8%.

⁴ Vacancies are classified by building type which is based on the majority tenant type within each building.

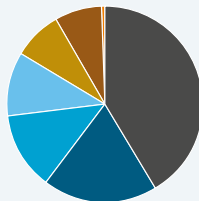
PROPERTY SEGMENT STATISTICS (continued)

Sectoral split - GLA (%)



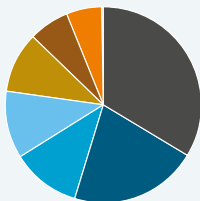
- ▶ Office - sovereign (77.4)
- ▶ Office - other (13.9)
- ▶ Retail (8.1)
- ▶ Industrial (0.6)

Detailed tenant breakdown - revenue (%)



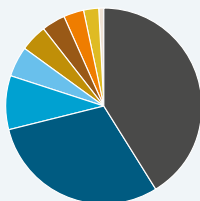
- ▶ National government (41.4)
- ▶ Provincial government (19.1)
- ▶ State-owned enterprise (12.8)
- ▶ Office - other (10.4)
- ▶ Retail (8.2)
- ▶ Local government (7.6)
- ▶ Industrial (0.5)

Detailed tenant breakdown - GLA (%)



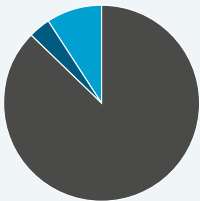
- ▶ National government (33.6)
- ▶ Vacant (21.0)
- ▶ State-owned enterprise (11.3)
- ▶ Office - other (11.0)
- ▶ Provincial government (10.2)
- ▶ Retail (6.4)
- ▶ Local government (6.0)
- ▶ Industrial (0.5)

Geographic profile - GLA (%)



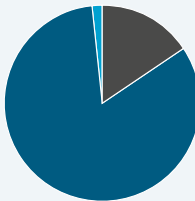
- ▶ Gauteng (41.3)
- ▶ KwaZulu-Natal (30.0)
- ▶ Free State (8.9)
- ▶ Limpopo (4.8)
- ▶ Western Cape (4.5)
- ▶ Northern Cape (4.0)
- ▶ Mpumalanga (3.3)
- ▶ Eastern Cape (2.6)
- ▶ North West (0.6)

Tenant grade - GLA (%)



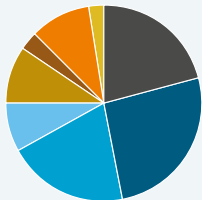
- ▶ A (87.5)
- ▶ B (3.6)
- ▶ C (8.9)

Office building grade - GLA (%)



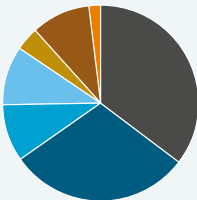
- ▶ A (15.6)
- ▶ B (82.9)
- ▶ C (1.5)

Lease expiry - GLA (%)



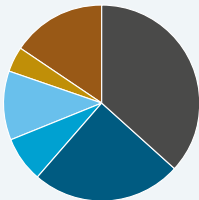
- ▶ Vacant (21.0)
- ▶ Month to month/expired (26.0)
- ▶ 28 Feb 2021 (20.1)
- ▶ 28 Feb 2022 (8.0)
- ▶ 28 Feb 2023 (9.5)
- ▶ 29 Feb 2024 (2.9)
- ▶ 28 Feb 2025 (10.1)
- ▶ Beyond 28 Feb 2025 (2.4)

Lease expiry - revenue by rental (%)



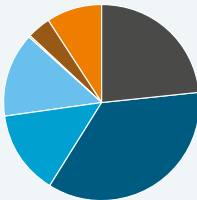
- ▶ Month to month/expired (35.4)
- ▶ 28 Feb 2021 (29.9)
- ▶ 28 Feb 2022 (9.5)
- ▶ 28 Feb 2023 (9.9)
- ▶ 29 Feb 2024 (3.7)
- ▶ 28 Feb 2025 (9.9)
- ▶ Beyond 28 Feb 2025 (1.7)

Lease expiry - office sovereign GLA (%)



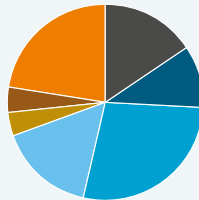
- ▶ Month to month/expired (36.7)
- ▶ 28 Feb 2021 (24.7)
- ▶ 28 Feb 2022 (7.6)
- ▶ 28 Feb 2023 (11.3)
- ▶ 29 Feb 2024 (4.3)
- ▶ 28 Feb 2025 (15.4)
- ▶ Beyond 28 Feb 2025 (0.0)

Lease expiry - office other GLA (%)



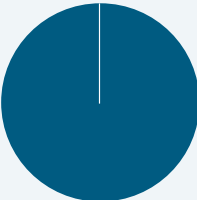
- ▶ Month to month/expired (23.6)
- ▶ 28 Feb 2021 (35.4)
- ▶ 28 Feb 2022 (13.9)
- ▶ 28 Feb 2023 (13.8)
- ▶ 29 Feb 2024 (0.4)
- ▶ 28 Feb 2025 (3.9)
- ▶ Beyond 28 Feb 2025 (9.0)

Lease expiry - retail GLA (%)



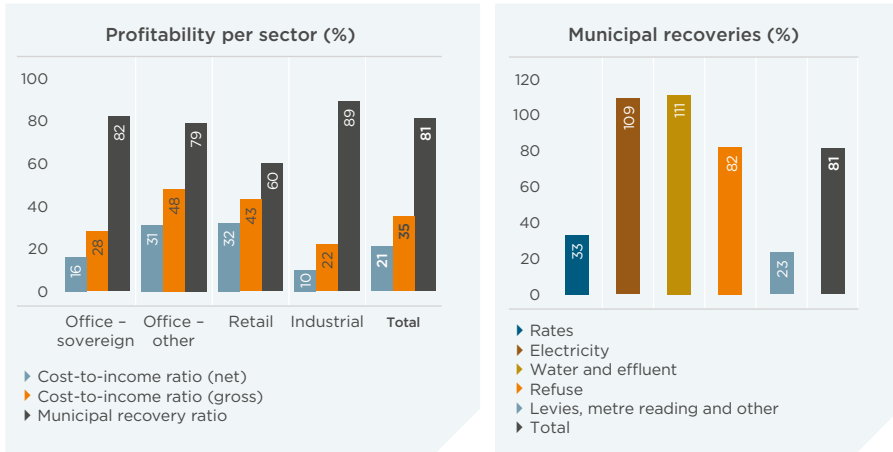
- ▶ Month to month/expired (15.6)
- ▶ 28 Feb 2021 (10.5)
- ▶ 28 Feb 2022 (27.6)
- ▶ 28 Feb 2023 (16.0)
- ▶ 29 Feb 2024 (3.8)
- ▶ 28 Feb 2025 (4.1)
- ▶ Beyond 28 Feb 2025 (22.4)

Lease expiry - industrial GLA (%)



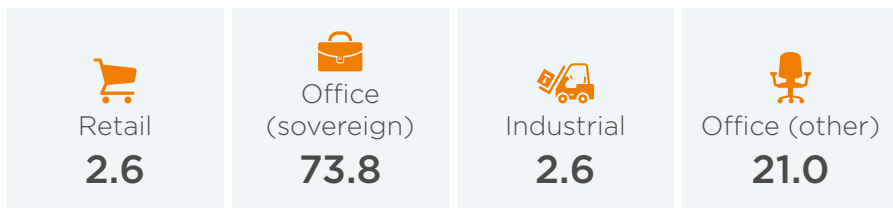
- ▶ Month to month/expired (0.0)
- ▶ 28 Feb 2021 (100.0)
- ▶ 28 Feb 2022 (0.0)
- ▶ 28 Feb 2023 (0.0)
- ▶ 29 Feb 2024 (0.0)
- ▶ 28 Feb 2025 (0.0)
- ▶ Beyond 28 Feb 2025 (0.0)

PROPERTY SEGMENT STATISTICS (continued)



Delta is represented in all nine provinces of South Africa

Building type sectoral profile by GLA %



South African properties

North West



2

GLA (m²) 5 780

Free State



15



1

GLA (m²) 83 025

Northern Cape



6



1

GLA (m²) 37 275

Western Cape



4



1

GLA (m²) 41 889

Eastern Cape



3

GLA (m²) 23 717

Limpopo



6



1

GLA (m²) 44 885

Mpumalanga



9



2

GLA (m²) 30 250

Gauteng



26



6



2

GLA (m²) 383 486

KwaZulu-Natal



9



2



6

GLA (m²) 278 224

Total GLA (m²) - 928 531



80

Office (sovereign)



16

Office (other)



3

Retail



3

Industrial

Total properties - 102

OUR TOP 10 PROPERTIES

/ 1 //

Forum Building

Pretoria



/ 2 //

Poyntons

Pretoria



/ 3 //

Liberty Towers

Durban



/ 4 //

Delta Towers

Durban



/ 5 //

Isivuno

Pretoria



GLA				
35 905m ²	73 369m ²	40 093m ²	41 707m ²	23 694m ²
Tenant type				
Single	Multi	Multi	Multi	Single
Date of acquisition				
4/2/2010	31/5/2016	31/10/2012	26/9/2014	1/4/2016
Property value (R'000)				
R625 000	R574 000	R423 000	R376 600	R368 400
Building sector				
Office – sovereign	Office – sovereign	Office – other	Office – other	Office – sovereign
Property description				
Six-storey single-tenant office	Office, parking and ancillary structures of between two and 33 storeys with ground floor retail	14-storey multi-tenant office complex	33-storey multi-tenant office tower with ground floor/ high street retail	22-storey single-tenant office building with ground floor retail
Physical address				
Bosman Street, Pretoria	Church Street, Pretoria	214 Dr Pixley Kaseme Street, Durban	City block bounded by Dr Pixley Kaseme Street, Dorothy Nyembe Street, Anton Lembede Street and Mercury Lane, Durban	135 Van der Walt Street, Pretoria

// 6 //

Hallmark Building

Pretoria



// 7 //

Embassy Building

Durban



// 8 //

Hensa Towers

Polokwane



// 9 //

Delta Heights

Pretoria



// 10 //

NPA Building

Cape Town



GLA

26 255m²32 788m²13 675m²19 122m²10 552m²

Tenant type

Single

Multi

Single

Single

Single

Date of acquisition

2/5/2013

23/5/2013

15/3/2013

2/05/2013

1/8/2012

Property value (R'000)

R356 000

R334 000

R281 000

R242 000

R239 300

Building sector

Office –
sovereignOffice –
sovereignOffice –
sovereignOffice –
sovereignOffice –
sovereign

Property description

25-storey single-tenant office tower with high street retail

29-storey multi-tenant office tower with high street retail

Eight-storey single-tenant office

21-storey multi-tenant office tower with ground floor retail

Four-storey single-tenant office

Physical address

233 Proes Street, Pretoria

Corner Anton Lembede and Samora Machel Streets, Durban

Corner Landdros Mare and Rabie Streets, Polokwane

167 Andries Street, Pretoria

115 Buitengracht Street, Cape Town

OUR STRATEGIC OBJECTIVES

Medium-term objectives

Growth in distributable earnings

Gearing at 40% of income generating assets

Capital investment in property portfolio

Disposal of non-core assets

	2020 PERFORMANCE	2021 TARGETS
GROWTH IN DISTRIBUTABLE EARNINGS	 Distributable earnings of R326.3 million generated, which declined 38.1% and was impacted by rental reversions and higher vacancies' provisions	 Due to the uncertainty around the full impact of COVID-19 on the business, no guidance is provided at this time
GEARING AT 40% OF INCOME GENERATING ASSETS	 LTV increased to 46.3% primarily due to negative fair value adjustment of R744.1 million to properties	 Reduction in LTV to between 42% and 43%
CAPITAL INVESTMENT IN PROPERTY PORTFOLIO	 Capital spend of R22.9 million incurred with R44.3 million committed at year-end	 Capital expenditure of R201 million aligned to lease renewals
DISPOSAL OF NON-CORE ASSETS	 Proceeds totalling R153.5 million, realised on disposal of two properties and 2.1% investment in Grit, utilised to settle debt	 Expect 2021 to be a challenging year for disposals but will continue to actively market R1.3 billion in assets held-for-sale and R277.7 million of remaining Grit shares

DELTA AT A GLANCE ◀

Performance
needs improvementSatisfactory
performanceGood
performanceConcluding
long-term lease
renewalsManage
vacancies
within the
portfolioAchieve DPW
required B-BBEE
rating levelsRefinance
expiring debt
facilities**CONCLUDING
LONG-TERM LEASE
RENEWALS**

2020 PERFORMANCE

Renewed 211 764m²
in expiring leases

2021 TARGETS

Conclude outstanding
bulk lease renewals and
extending the WALE
above two years**MANAGE
VACANCIES
WITHIN THE
PORTFOLIO**Vacancies increased to
19.8% post-year-endReduce vacancies to
between 12% and 15%**ACHIEVE DPW
REQUIRED B-BBEE
RATING LEVELS**Achieved level 2
B-BBEE ratingMaintain level 2
B-BBEE rating**REFINANCE
EXPIRING DEBT
FACILITIES**Extended R3.8 billion in
expiring bank facilitiesRefinance R4.0 billion of
expiring bank facilities

OUR BOARD OF DIRECTORS

1. JB Magwaza (JB) (78)



Independent non-executive Chairman

BA MA (UK)

JB has many years' experience as a board representative for various JSE listed and non-listed entities, including chairmanships at Tongaat Hullet, Pamodzi Investments, Motseng, Mutual & Federal, Nkunzi Investments and SAA. He brings a wealth of fiduciary experience to the Board of Delta. **Appointed: 1 October 2012**

2. SH Nomvete (Sandile) (47)

Chief Executive Officer Property Development Programme and Executive Diploma

A co-founder of Delta Property Fund and has nearly a decade and a half of experience in executive and non-executive positions. His entrepreneurial and forward-thinking persona has propelled him into becoming one of South Africa's leading business executives. **Appointed: 30 April 2009**

3. S Maharaj (Shaneel) (45)

Chief Financial Officer

CA(SA), HDip Tax

Shaneel is a seasoned CFO with over 16 years' financial experience. He joined Delta in December 2015 assuming a strategic role in its overall financial, procurement and IT management, including its subsidiary companies.

Appointed: 29 February 2016



4. ON Tshabalala (Otis) (48)



Chief Operating and Chief Investment Officer Property Development Programme and CCPP

Otis has over 27 years' experience in the commercial property sector. He oversees the asset management, property management and DPW task team that deals with government. He is a key member of the team that grew Delta from 20 properties at listing to its current 102 properties.

Appointed: 20 June 2016

5. N Khan (Nooraya) (51)



Non-executive director Chartered Accountant, IDP-C (Insead)

Nooraya has extensive experience as a non-executive director during her time at RMB, a division of FirstRand Bank Limited when she represented the bank on investee companies. When she left RMB in 2008, she commenced her career as an independent NED and currently serves as an independent non-executive director on a number of listed and unlisted entities, including Liberty Holdings Limited. She also serves on various sub-committees on these boards, predominantly the Audit Committee. **Appointed: 1 October 2012**

6. DN Motau (Dumo) (57)



Independent non-executive director BCom, Diploma Advanced Banking, Certificate Business Project Management

Dumo has wide experience gained from different business environments and institutions, spanning banking regulatory and supervisory environment, credit risk rating, risk management within the banking industry and policy formulation at government level. Her focus is on development and financial inclusion.

Appointed: 5 November 2014

LEADERSHIP AND PERFORMANCE ◀

7. ID Macleod (Ian) (67)



Independent non-executive director
BCom (Honours): Real Estate Investment, Valuation and Development

Ian has 45 years of experience with financial institutions focusing on real estate credit risk. His experience includes the managing of portfolios during changing economic cycles and particularly managing problematic properties in economic downturns.

Appointed: 5 November 2014

8. NN Afolayan (Nombuso) (42)



Independent non-executive director
MBA in Finance

Nombuso has completed several executive leadership and advanced business programmes and has extensive experience in the management of projects, supply chains and stakeholder relations.

Appointed: 29 February 2016

9. MJN Njeke (JJ) (61)



Independent non-executive director
CA(SA)

JJ's vast experience comprises member of the Katz Commission of Inquiry into Taxation in South Africa, the General Committee of the JSE Limited, the Audit Commission – supervisory body of the Office of the Auditor General. He serves on the boards of Datatec, Momentum Metropolitan Holdings, Motus and Clicks.

Appointed: 1 April 2017



10. MCR Rampheri (Caswell) (49)



Independent non-executive director
BA (Law), LLB, HDip Tax

Caswell's experience in commercial properties stretches 24 years and covers leadership and strategy as well as a wealth of experience in property development, property asset management, property management and property investments.

Appointed: 1 June 2017

11. M de Lange (Marelise) (47)



Independent non-executive director
BCom (Law), BCom (Hons)(Acc), CA(SA)

Marelise has more than 26 years' operational and financial experience in the financial and listed property sectors. She started her career at Absa Bank in the Structured Finance division. Marelise was the SA Finance Director for International Housing Solutions as well as CFO of Texton Property Fund Limited and Rebosis Property Fund Limited.

Appointed: 9 April 2019

- ▶ Audit, Risk and Compliance Committee
- ▶ Remuneration and Nomination Committee
- ▶ Investment Committee
- ▶ Transformation, Social, Ethics and Sustainability Committee
- ◆ Chairman of particular committee
- Nomination Chairman
- Remuneration Chairman

See full CVs on Company website.

CHANGES TO THE BOARD SUBSEQUENT TO THE REPORTING DATE

Subsequent to the approval of the Integrated Report, a number of changes have been made to the Board of Directors.

As reported by the Chairman JB Magwaza, the Board were very saddened with Ian Macleod's passing on 14 June 2020. Ian brought a great depth and property experience to the board and will be greatly missed.

Otis Tshabalala advised the Board of his resignation on 1 July 2020 both as director from the Board and as Chief Operating and Chief Investment Officer, he will however complete his three months' notice period up to 30 September 2020. The Board will update shareholders on the appointment of a suitable replacement in due course. Otis has been with Delta since 2012 and was appointed as COO/CIO in June 2016. He was a highly respected member of the Board and his significant contribution to Delta will be sorely missed. Otis brought with him a wealth of property knowledge and experience as well as strong principles and values. The Board extends their best wishes to Otis as he pursues other opportunities within the sector.

The Chairman, advised the Board that he will not be standing for re-election at the Annual General Meeting and will retire as an independent non-executive director of Delta and as the Chairman with effect from the date of the AGM being 31 August 2020. JB was one of the founding shareholders of Delta and has been the Chairman of the Board as well as the Chairman of the Nomination Committee since inception. The Board wishes to thank him for his wisdom, sound counsel and strong leadership over the years and wishes him well as he enters his retirement.

Phumzile Langeni, who holds a number of directorships in listed and unlisted companies coupled with advisory positions and has a wealth of experience across various industries, was appointed both to the Board and as the non-executive deputy chairman with effect from 6 July 2020. She will assume the role of chairman on JB's retirement. Phumzile's brief CV is set out on this page with her detailed CV being available on the Delta website.

Bongi Masinga, an experienced non-executive director and who holds a number of directorships in listed and unlisted companies, was appointed to the Board as a non-executive director with effect from 6 July 2020. Bongi's brief CV is set out on this page with her detailed CV being available on the Delta website.

Phumzile Langeni (46)

BCom (Acc), BCom (Hons), MCom

A stockbroker by training, Phumzile is the executive chairman and co-founder of Afropulse Group Proprietary Limited, an investment and corporate advisory group. She is the non-executive chairman of the unlisted Mineworkers Investment Company Proprietary Limited, and Primedia Holdings. Phumzile also serves as an independent non-executive director on some companies listed on the JSE, including Massmart Holdings Limited (Deputy chairman and Lead Independent), Metrofile Limited (Lead Independent) amongst others. Phumzile was appointed on 16 April 2018 by His Excellency Cyril Ramaphosa, the President of the Republic of South Africa as one of four Special Investment Envoys tasked with raising USD100 billion over a five-year period.



Sibongile Masinga (Bongi) (53)

BCom, USA-SA

Leadership and Entrepreneurship Programme (Wharton School of Business)

Bongi is one of the founding members of Afropulse Group. Prior to this she was Chief Operating Officer and Head of Corporate Advisory at Quartile Capital. She has held various positions in financial services including at DBSA, Gensec and Real Africa Durolink. She also gained Merchant banking experience with Hill Samuel in London.



She currently serves on the following Boards, Bidvest; Libstar; PetroSA and Bostsilu Private Hospital.

As a result of the changes to the Board, the Nomination Committee and the Board will give consideration to the current composition of the various committees and will make changes where necessary.

CHAIRMAN'S STATEMENT

// Considering the quality of our tenants, the Fund remains fundamentally in a good position to trade through this uncertain period, although it remains unclear at this stage what the short and longer-term impact of COVID-19 will be on Delta as each tenant is impaired in varying degrees. //



The results for the year ending 29 February 2020 are presented against a backdrop of unprecedented market turmoil and uncertainty as governments, corporates and citizens across the world adjust to the aftermath of COVID-19.

In response to curbing the spread of the COVID-19 pandemic, government announced a state of disaster on 15 March 2020. In a subsequent announcement, on 23 March 2020, the president issued a national lockdown, which was extended to 30 April 2020. At the time of writing, the economy is gradually being reopened on a phased basis, based on the infection rate.

We support and commend government's efforts in curbing the spread of the virus and elaborate in the Chief Executive's review, as well as in our report on sustainability, transformation and corporate citizenship, on the impact of the pandemic on our business, as well as measures implemented by Delta to protect and safeguard stakeholders.

Delta's exposure to retail tenants is relatively small at approximately 8% of revenue, with the portfolio's 81% sovereign underpin by revenue providing a defensive element to revenue.

Considering the quality of our tenants, the Fund remains fundamentally in a good position to

trade through this uncertain period, although it remains unclear at this stage what the short and longer-term impact of COVID-19 will be on Delta as each tenant is impaired in varying degrees.

It gives me great pleasure to report that the hard work and negotiations by the management team over the past three years culminated in the successful negotiation of the majority of bulk leases, with renewal terms ranging from two to five years. A smaller portion of renewals, with a three-month exit clause, were proposed by government on the default three-year term. Considering the impact on quality of income, Delta has not accepted these terms and continues to negotiate with the Department of Public Works ("DPW").

A large component of the successful negotiation of our leases is black ownership, with Delta's level two B-BBEE rating – one of the highest in the sector – providing us with a competitive edge. The positive momentum in concluding these leases and the gradual lowering of the prime interest rate post year-end is expected to reduce Delta's cost of funding. Our funders have been walking this road with us since 2016 and have been extremely supportive of our position.

CHAIRMAN'S STATEMENT (continued)

During the year under review, we continued to manage for sustainability, placing great emphasis on cash management and balance sheet health. As alluded to previously, Delta's 7.8% stake in Grit Real Estate Income Group is regarded as non-strategic and management successfully disposed of 2.1% of its holding for R104.4 million, which was used to settle debt with Investec. The Board's intention is to continue with this disposal in a responsible way, although the global impact of the COVID-19 pandemic may result in a longer timeframe.

The second leg of our balance sheet optimisation strategy revolves around capital recycling. Given the current and expected deterioration of the economic environment, sales momentum has decreased considerably. Notwithstanding these headwinds, the Fund settled a further R178.9 million of debt through amortisation of bank facilities and proceeds of disposed properties.

Management achieved a very commendable 90% tenant retention rate across the portfolio, indicative of the relentless focus on lease renewals and attracting new tenants to the portfolio.

The bulk lease renewal programme was concluded mainly on the contingency of contractual capital expenditure to upgrade and maintain these assets. Most of this expenditure will be implemented at approximately R200 million per annum over three years. The Chief Executive elaborates more on this in his review.

Post the discontinuation of potential merger discussions with Reboasis Property Fund, the Board is deliberating several options to fund its capex requirements and reposition the Company for growth.

The Board remains committed to its sovereign strategy, which in volatile times such as these is proving to be defensive.

In the prior financial year, the Board retained 25% of distributable income in order to replenish working capital and fund the most immediate deliverables on the capital expenditure plan. Considering current market conditions, the fluid nature of the impact of COVID-19 and the long-term impact of the capex programme on

successful lease renegotiations, the Board has elected to take a prudent approach by not declaring a final dividend for the six months ended 29 February 2020. This is expected to deliver approximately R86.5 million capital after tax and amortisation of facilities, which will be deployed towards working capital replenishment and capital expenditure.

The conclusion of the bulk lease renewal programme is expected to provide some certainty of earnings, notwithstanding the potential impact of COVID-19.

In light of the uncertainty around the duration and severity of the pandemic, earnings are expected to remain under pressure for the 2021 financial year. The board will provide guidance in this regard once a level of stability has been reached.

The Board continues to monitor developments around the impact of the pandemic closely and will update shareholders appropriately.

I wish to thank my fellow Board members for their commitment to serving in the best interests of Delta, especially during the past number of months. A further word of thanks goes to our stakeholders, especially our providers of capital and our tenants, for their pragmatic approach to ensuring sustainability, not only for Delta, but especially for our smaller retail tenants.

Post us approving the Integrated Report, we are very saddened to advise that Ian Macleod passed away on 14 June 2020. Ian was a very well liked and highly respected member of the Delta Board and his significant contribution to Delta will be sorely missed. The Board extends their condolences to Ian's wife and family at this very sad time.

In addition, I have decided not to stand for re-election and will be retiring after the AGM on 31 August 2020. I wish Delta all the best for the future.



JB Magwaza
Independent non-executive Chairman

11 June 2020

CEO'S REVIEW

// The Group's strategy of being a sovereign focused office fund has to date limited the negative economic impact of COVID-19 on the business. While rental collection for the period post-financial year-end has remained robust, it is still too early to quantify the full impact of COVID-19, if any, on the portfolio. //



INTRODUCTION

As a Board and management, we have been guiding on increasingly challenging business conditions since 2016, mainly in light of the protracted bulk lease renewal process with DPW that significantly impacted the cost and terms of our funding.

CONCLUSION OF BULK LEASE RENEWAL PROCESS

Notwithstanding current market turmoil in the wake of COVID-19, we are pleased

to report that during the year under review, significant traction has been made with the majority of bulk lease renewals. As at the financial year-end, 114 497m² was outstanding, of which 83 134m² comprises three leases.

More granularity on the portfolio metrics following the bulk lease renewals is available in the Chief Operating Officer's report.

CEO'S REVIEW (continued)

NEW LEASES AND RENEGOTIATION OF EXISTING LEASE RENEWALS

In addition to negotiating the renewal of the outstanding bulk leases, our asset management team has made significant inroads into signing new leases or renewing existing leases at a national and provincial government level.

New leases were concluded and tenants introduced to the portfolio in Pretoria and at Capital Towers in Pietermaritzburg (effective 2021 financial year), underscoring Delta's strength and offering in the nodes where it has a dominant presence.

The conclusion of the bulk lease renewal process and significant advances in signing new leases or renegotiating existing rental contracts speak well to the next two to three years as we bed these opportunities down.

TENANT RETENTION

Despite a tough operating environment and significant competition, Delta has managed to retain 90% of its tenant base.

Domestic real estate fundamentals remain weak and are set to weaken in the aftermath of COVID-19, impacting rent-free periods and other tenant incentives. In some of the non-core nodes such as Sunninghill, we have, however, noticed encouraging demand for B-grade space from some smaller tenants as rentals in the surrounding Sandton/Bryanston/Woodmead and Waterfall nodes are at the top end of the affordability bracket for these tenants.

In order to address its vacancies in the Sunninghill node, Delta is exploring the option of relocating its head office to Sunninghill, disposing or tenanting its share in the Bryanston property where tenant demand is greater.

CAPITAL EXPENDITURE

Capital expenditure, along with balance sheet optimisation, will be a key focus area for the current financial year. The capital expenditure programme is contractual and predominantly defensive in nature and will be rolled out at a cost of approximately R200 million per annum over the next three years.

The Board has considered the contractual nature of the refurbishments, the responsibility to comply with health and safety regulations, as well as the importance of maintaining a reputation as a landlord that maintains its assets. It should be noted that some of these assets were acquired as C and D grade assets in a bulk transaction with Redefine pre-2016 and would have been upgraded to B grade assets and tenanted, was it not for the delay in lease renewals.

The Board is therefore of the view that any delay in implementing the intended capex programme could have a materially detrimental impact on the renegotiation of leases and tenant retention in the medium term. The capex programme will form part of our discussion with shareholders on the recapitalisation and sustainability of Delta.

The positive impact of the refurbishment programmes nearing completion on lease renewals is encouraging.

During the year under review, the eThekweni municipality renewed its lease at Shell House (an acquisition from Redefine pre-2016) following the appointment of a contractor to refurbish lifts and ablution facilities.

BALANCE SHEET MANAGEMENT

From a funding perspective, Delta is in a much better position to renegotiate its funding facilities on the back of a longer weighted average lease expiry ("WALE") once the remaining bulk leases are concluded. This, and the systematic lowering of the prime lending rate post the reporting date is expected to improve the Fund's loan to value ("LTV") from its current 46.3% (FY2019: 45.1%) and increase its interest cover ratio ("ICR") to levels above 2 from the current 1.9. We have remained in constant communication with our major funding partners who have been very supportive during this protracted period of lease negotiations. More detail on the cost of funding is available in the Chief Financial Officer's report.

In line with our strategy to recycle capital and reduce debt, Delta successfully disposed of 6 497 566 shares in Grit Real Estate Income Group Limited ("Grit") through an off-market transaction at USD1.09 (R16.06) per share, for a total consideration of R104.4 million. The disposal has reduced Delta's shareholding in Grit from 7.8% to 5.7% and the proceeds of the sale were used to settle debt with Investec.

It remains the Board's intention to dispose of the balance of its holding in Grit. However, considering the current share price, any further disposals will result in a Category 1 transaction in terms of the JSE's Listings Requirements, requiring shareholder approval. The timelines associated with obtaining such approvals place the Company at a disadvantage when negotiating on potential disposals and management has engaged the JSE on ways to resolve this. Shareholders will be updated appropriately on the outcome and possible way forward once conclusions have been reached.

Despite a constrained economic environment, Delta's arrears profile has remained constant from a tenant point of view. The Chief Operating Officer elaborates more on the progress made

insofar as rental arrears from National Government are concerned.

EMPOWERMENT

Government's new leasing policy places a strong emphasis on black ownership, which has a direct bearing on sovereign landlords' ability to negotiate long-term leases.

The Fund has successfully managed to retain its level 2 BEE rating which is one of the highest in the sector.

COVID-19

The Group's strategy of being a sovereign focused office fund has to date limited the negative economic impact of COVID-19 on the business. While rental collection for the period post-financial year-end has remained robust, it is still too early to quantify the full impact of COVID-19, if any, on the portfolio.

Most user departments in our portfolio are classified as essential services and have remained operational during the lockdown, albeit on a limited basis in some instances. Delta, in collaboration with its cleaning and security providers, has implemented additional safety measures at multi-tenanted assets and is working closely with the user departments at single-tenanted assets to prevent the spread of COVID-19.

Approximately 8% of Delta's portfolio by revenue is exposed to retail leases, the sector most impacted by lockdown restrictions. Office tenants with a largely retail focus are included in this classification, such as Mr Price, Massmart, the Foschini Group, Pepkor, as well as the Edcon Group and Combined Motor Holdings. Exposure to the Edcon Group is minimal at 1 828m² against the Group's portfolio.

Notwithstanding legal opinion obtained by Delta confirming the enforceability of lease terms, the property management team is working on pragmatic, flexible solutions

CEO'S REVIEW (continued)

aimed at tenant retention in instances where notification of non-payment or requests for rental relief have been received. The main concern from tenants is on rates and taxes.

Since the onset of the lockdown, we have collected in excess of 80% of our April and May billings, with 10% expected to be collected when sovereign tenants return to work. The arrears associated with retail and non-government tenants impacted by the lockdown are being managed on a case-by-case basis, with their long-term sustainability being a key focus in negotiations.

Considering that most of Delta's retail tenants consist of small, medium and micro enterprises, prolonged lockdown restrictions will have a detrimental impact on these businesses' sustainability, with a knock-on effect on the Fund's rental income.

Delta has adopted the guidelines and recommendations of the Property Industry Group to assist, especially SMME retail clients. These retail tenant assistance guidelines exclude office, logistics, warehousing, industrial, healthcare, hospitality and other tenants.

The portfolio remains defensive and resilient during these turbulent market conditions and attests to the merits of the Group's sovereign strategy.

CONCLUSION

At the time of writing, the world economy is in the precarious position of trying to find a "new normal" in the aftermath of COVID-19 with volatility wreaking havoc on stock markets globally.

The efforts by South Africa's government to curb the spread of the virus and the quantum of the stimulus package announced to support economic recovery is highly commendable, although the fluid nature of the pandemic may yet continue to lead to uncertainty and further

lockdowns as the infection rate from the virus is currently expected to peak only in September 2020.

Our successful renegotiation of leases during exceptionally challenging times has secured longer lease terms and higher quality of earnings. The Board believes that it is during volatile times such as these where the resilience of Delta's portfolio is highlighted, since the Fund is positioned as defensive with minimal impact expected from the national credit ratings downgrade.

Post-year-end, Delta and Rebosis Property Fund jointly announced the discontinuation of merger discussions. In the current financial year, our engagement with shareholders will be on the options available to recapitalise and reposition the Company for growth, considering that several key metrics are trending in the right way, especially an improvement in WALE and lease renewals.

From a portfolio perspective, our focus remains on managing for sustainability through balance sheet optimisation, tenant retention and the execution of contractual capex commitments within the context of a severely constrained economy and the fluid nature potential impacts as a result of COVID-19.

I wish to thank the Board for its guidance during these extraordinary times. I further commend my executive team and each staff member for the commitment and initiative showed during lockdown in ensuring our service to tenants remains uninterrupted.



Sandile Nomvete
Chief Executive Officer

11 June 2020

COO AND CIO'S REPORT

// The year under review will be remembered as one of the best years from a leasing perspective in Delta's history. We achieved a record total lease renewals of 211 764m² in a challenging environment. Bulk renewals made up 112 112m² of these total leases and we are well advanced to finalise the balance of the bulk renewals before interim. //



Portfolio performance

We report on two divergent halves for the year under review as vacancies spiked in the first six months primarily due to the loss of tenants at UNISA House, Capital Towers (subsequently re-tenanted effective post-balance sheet date) and within the provincial Bloemfontein node. Low lease renewals and a trickling in take-up of new space by prospective tenants frustrated efforts to offset the impact of these events.

Vacancies

Portfolio vacancies increased to 19.8% (182 855m²) post-financial year-end 2020 from 14.4% (136 986m²) in the prior reporting year and against a SAPOA average of 11% for Q4 2019, with the letting of Capital Towers reducing the overall vacancy.

The Bloemfontein node continues to be a challenge and we have engaged local brokers to assist us to fill up or dispose of the assets. The gradual filling of

COO AND CIO'S REPORT (continued)

oversupply in Sunninghill has steadied demand in the node. Since rentals are coming off a low base, the node is competitively positioned against more expensive office nodes such as Woodmead, Waterfall and Bryanston.

Vacancies in the Group's dominant nodes in the Pretoria and eThekwin CBDs are 10.4% (2019: 8.5%) and 17.6% (2019: 16.9%) respectively, compared to

SAPOA Q4 2019 of 3.0% and 19.2% respectively.

The filling of vacancies remains a key focus area for the management team and incentives for the top active brokers in challenging nodes have been increased. Additional measures include the establishment of showrooms to advertise Delta's offering and flexible negotiations on tenant installations, tenant relocation costs and beneficial occupation.

Major vacancy contributor 2020	City	Vacated tenant	Vacancy (m ²)
Capital Towers*	Pietermaritzburg	Department of Health	13 485
UNISA House	Johannesburg	UNISA	9 069
Liberty Towers	Durban	Massmart	7 025
In 2 Fruit Building	Johannesburg	In 2 Food	6 912
Katleho Building	Bloemfontein	Department of Education	5 910
Total			42 401

* Tenanted post-financial year-end.

Bulk lease renewals

The past reporting year saw Delta's relentless engagement with the DPW bear fruit, resulting in most of Delta's bulk lease renewals being finalised.

A total of 42 bulk leases were concluded, representing 112 112m² of GLA (2019: 88 185m² bulk lease GLA renewed). 57% of the renewed leases were concluded over a five-year term, 37.2% of leases were renewed for three years, 2.8% were renewed for two years and 2.4% were renewed for one year at an average rental of R96 per m² and an average contractual escalation rate of 6.0% per annum.

Of the original 227 550m² bulk lease renewals submitted, we have 16 leases remaining, totalling 114 497m². Three of these leases are in two buildings, with an aggregate GLA of 83 134m², and are at

advanced stages of negotiation. We remain bullish that these will be renewed shortly, for periods ranging between three and five years.

The remaining 13 leases total 31 412m² and are mostly default leases, where the DPW wants to enter into three-year leases at prevailing market rates. We are, however, standing firm on not accepting the stipulations in these leases that provide the tenant with a three-month notice period at any time to terminate the lease. We have advised the DPW that these terms are not acceptable to us and our funders, as they effectively render the leases three-month leases. In addition, it has been communicated to the DPW that on these lease terms, no requests for tenant installations will be considered, which will be detrimental and disadvantageous to the user departments.

Lease renewals (excluding bulk leases)

During the year under review, 211 764m² of leases were renewed to the value of R818 million.

The most notable lease renewals are:

Building	City	Tenant	GLA (m ²)
SARS Bellville	Cape Town	SARS	16 006
Shell House	Durban	eThekweni Municipality	13 828
Servamus	Durban	SAPS	13 368
Hollard House	Johannesburg	Department of Justice	6 954
22 & 24 George Lubbe Street	Kimberley	SAPS	6 200
88 Field Street	Durban	Department of Justice	6 157
AZMO Place	Polokwane	Department of Water Affairs	5 224
2 Devonshire Place	Durban	Department of Justice	5 117
Mayors Walk	Pietermaritzburg	Department of Social Development	4 975
Total			77 829

New leases concluded

Delta successfully concluded new leases totalling 17 344m² of GLA to the value of R61.6 million over the lease term.

The most notable new leases are:

Property	City	Tenant	GLA (m ²)
SARS Randburg	Johannesburg	SARS	2 757
Liberty Towers	Durban	Special Investigating Unit	2 189
Embassy	Durban	Co-Active	1 466
Edgars Kroonstad	Bloemfontein	Best Fashion & Home Warehouse	1 085
Total			7 497

New leases post the financial year-end

The vacancy at Capital Towers that arose in the first half of the reporting year has successfully been let with effect from 1 May 2020. Three provincial tenants have been secured for a total GLA of 10 496m² for an initial lease term of 18 months with the intention of negotiating a longer-term lease.

Weighted average lease term

Delta's WALE at the end of the reporting year improved to 1.6 years (2019: 1.2 years), supported mainly by the bulk lease renewals and new leases concluded during the second half of the year. We anticipate the WALE to increase over two years with the conclusion of further lease renewals.

COO AND CIO'S REPORT (continued)

Rental reversions

The portfolio's weighted average rent per square metre increased to R125.2/m² (2019: R119.50/m²) despite rental reversions on some of the leases renewed. This was due primarily to the portfolio benefiting from higher contractual escalation rates on some of the existing leases and the annual escalation rates that we apply on the anniversaries of the expired month-to-month leases. We expect this weighted average rent per square metre to decrease on conclusion of further lease renewals.

Disposals

The disposal of Top Trailers site 1 and Classic Building were concluded and transferred during the year under review and Broadcast House transferred post-year-end. 6 497 566 shares of the Grit Investment were disposed of. All disposal proceeds were used to settle debt.

Considering the current and future uncertain economic environment, and the number of distressed assets that are expected to come to market following the impact of COVID-19, we anticipate gradual sales momentum from the R1.3 billion assets held-for-sale.

Notwithstanding the current environment, negotiations on the disposal of Chambers of Change in Johannesburg Central, as well as on the industrial Protea Coin asset in Cape Town, are at an advanced stage.

Rentals receivable

Delta continues to engage with the DPW on outstanding rental receivable, and most of these arrears have been provided for. Further engagement continues in finding an amicable solution with regard to these arrears. We expect to come to a resolution during the 2021 financial year, contingent on the impact

of the coronavirus on the resolution process.

Acquisitions

No acquisitions were made during the year under review.

Major capital projects

Tenants are increasingly consolidating their real estate needs in response to low economic growth forecasts. Industry trends show large corporates, banks and state-owned enterprises are giving back space or opting to negotiate for rental reductions and space consolidation on reduced escalations and no onward charges of rates and taxes, with landlords obligated to fully service the leased premises.

Key to Delta's Bulk Lease Renewal programme was the contractual commitment to tenant installations and capital expenditure on outstanding compliance matters in the portfolio.

The Group has committed to investing approximately R200 million per annum in defensive capex and regulatory health and safety upgrades over the next three financial years to fulfil its contractual obligations.

The successful completion of this capex programme will coincide with the commencement of lease renewals on almost 40% of the bulk lease portfolio and is expected to support negotiations.

The positive impact of refurbishment programmes nearing completion on lease renewals is encouraging. At Delta's 73 369m² Poynton's building in Tshwane, capital commitments of R32.5 million on health and safety upgrades, as well as a further R18.3 million committed to general capital upgrades, have resulted in the tenants indicating their willingness to renew the leases for periods of three to five years.

Valuations

Number of properties	Fair value February 2019 R'000	Fair value February 2020 R'000	Fair value loss R'000	%
102 properties	R11 299 130	R10 549 620¹	(R749 510)	(6.63)
85 properties*	R9 949 310	R9 328 280	(R620 490)	(6.23)

* Post-disposal of non-current assets held-for-sale.

¹ Marginal decrease in value, in the context of an incredibly difficult trading year not only for Delta but for most listed REITs in general, is testament to management's ability in identifying and managing non-performing assets within the portfolio.

Post-reporting date events

The national lockdown measures implemented as part of government's response to the COVID-19 pandemic has created significant uncertainty both from a macro-economic and tenant sustainability point of view. Although the portfolio is largely defensive considering its sovereign underpin, approximately 8% of revenue is exposed to the retail sector.

Delta has adopted the guidelines recommended by the Property Industry Group, representing the interests of listed Real Estate Investment Trusts, among others, to assist especially SMME retail tenants. These retail tenant relief guidelines exclude office, logistics, warehousing, healthcare, hospitality and other tenants.

Requests for rental assistance and notifications of non-payment are being dealt with on a case-by-case basis.

Post the reporting period, Edcon Group Limited applied for business rescue. Delta's exposure to Edcon is minimal at 1 828m² against a portfolio gross lettable area of 928 531m².

Conclusion

Despite a rapidly changing operating environment, our focus remains on tenant retention. The defensive nature of our sovereign underpinned portfolio provides us with a foothold to execute on capex commitments despite a constrained funding market.

We believe that the successful delivery on these initiatives will position Delta sustainably in future.



Otis Tshabalala
Chief Operating and
Chief Investment Officer

11 June 2020

CFO'S REPORT

// Since the year-end, a significant majority of the Group's contractual rental income covering the period from March to June 2020 was collected. This was a very positive outcome for the Group in the current environment and demonstrates the strength and resilience of our portfolio. //



COVID-19 has placed significant strain on the business operations of many companies within the global and local economy, with further negative impact envisaged for the 2021 financial year.

The Group remains well positioned at this point to meet its contractual cash flow

obligations over the next 12 months, barring any unforeseen circumstances. The restoration of working capital and liquidity requirements associated with capital expenditure requires significant focus and will be strategically managed.

FINANCIAL OVERVIEW

Dividends paid	2020	2019	%
Dividend per share (cents)	12.19	55.39	(78.0)
• Interim – August	12.19	39.40	(69.1)
• Final – February	-	15.99	(100)

Due to the forecast liquidity requirements of the Group, Delta's Board has elected not to declare a final dividend for the six months ended 29 February 2020. Surplus cash retained, post-tax and capital repayments on facilities, will be utilised to manage working capital and capital expenditure in the business.

Simplified distributable earnings reconciliation (R'000)	2020	2019	%
Net property income (pre-straight-lining)	969 610	1 072 090	(9.6)
Administration expenses	(74 321)	(79 727)	(6.8)
Finance costs	(558 085)	(537 281)	3.9
Interest income	23 020	26 032	(11.6)
Dividend income	39 065	39 187	(0.3)
Other income	2 499	6 356	(60.7)
Antecedent distribution	-	569	(100.0)
Taxation	(75 472)	(27 692)	172.5
Distributable earnings attributable to owners of the parent	326 316	499 534	(34.7)
Company specific adjustments:			
Taxation	-	27 692	(100.0)
Capital expenditure from working capital	(22 938)	-	-
Capital repayment on interest-bearing borrowings	(129 762)	-	-
Distributable earnings available for distribution	173 616	527 226	(67.1)
Less: dividend declared	87 089	395 419	(78.0)
Interim	87 089	281 222	(69.0)
Final (declared after 29 February 2020)	-	114 197	(100.0)
Distributable earnings retained	86 527	131 807	(34.4)
Number of shares in issue at year-end ('000)	714 230	714 230	-
Cost to income ratio (net)	20.7%	18.3%	13.4
Cost to income ratio (gross)	34.8%	32.2%	8.2
Interest cover ratio	1.9	2.1	(11.1)

Net property income decreased by 9.6%, largely affected by rental reversion on leases renewed and increased vacancies. This translated into net property income on a like-for-like basis, declining 8.5% compared to prior year. The increased vacancies contributed to certain fixed costs not being recoverable, thereby increasing the gross cost to income and net cost to income ratio.

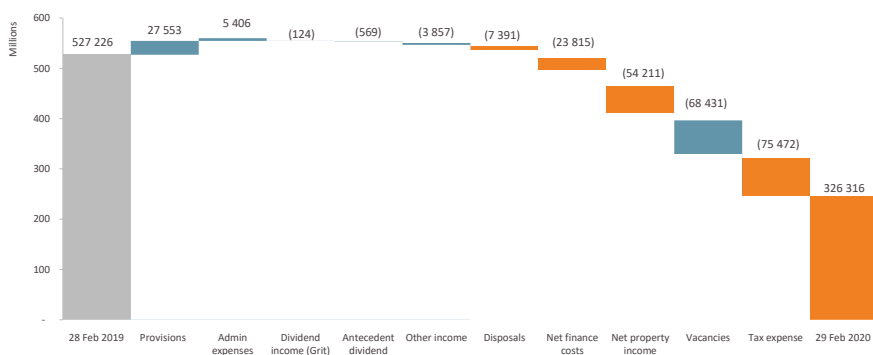
CFO'S REPORT (continued)

Administrative expenses decreased by 6.8%, primarily due to lower asset management fees based on Delta's volatile share price. On a normalised basis, administrative expenses decreased 9.9%, which excludes the expected credit loss allowance raised on loans receivable by the Group.

Finance costs increased by 3.9% and was affected by higher interest rates and debt structuring fees on facilities extended.

Interest income decreased by 11.6% due to the settlement of interest-bearing loans owing to the Group. Dividend income from Grit remained flat primarily due to the weakening of the rand during the year. Other income was impacted by lower recoveries from Delta's asset manager.

Distributable earnings bridge (R'000)



Simplified statement of financial position (R'000)

	2020	2019
Investment property	10 579 021	11 350 331
Investment in listed securities	277 734	461 822
Other assets	404 129	449 443
Total assets	11 260 884	12 261 596
Total equity	5 851 862	6 641 445
Interest-bearing borrowings	5 022 117	5 258 471
Lease liabilities	28 431	
Other liabilities	358 474	361 680
Total liabilities	5 409 022	5 620 151
Total equity and liabilities	11 260 884	12 261 596

LEADERSHIP AND PERFORMANCE ◀

Investment property decreased by 6.8% and was primarily affected by negative fair value adjustments of R744.1 million on the portfolio. The reversions on leases renewed, increased vacancies and a depressed property market during the period impacted the fair value adjustment of investment property. The Group's leasehold land obligations in respect of Capital Towers, Block G, Treasury House and Pine Parkade meet the definition of investment property per IAS 40, and lease liability obligation of R28.4 million has been disclosed separately.

The disposal of Top Trailers and Classic Corner were concluded during the year, with total proceeds of R49.1 million utilised to settle debt. We will continue with the disposal of the remaining R1.3 billion of assets held-for-sale despite future market uncertainty and a challenging economic environment.

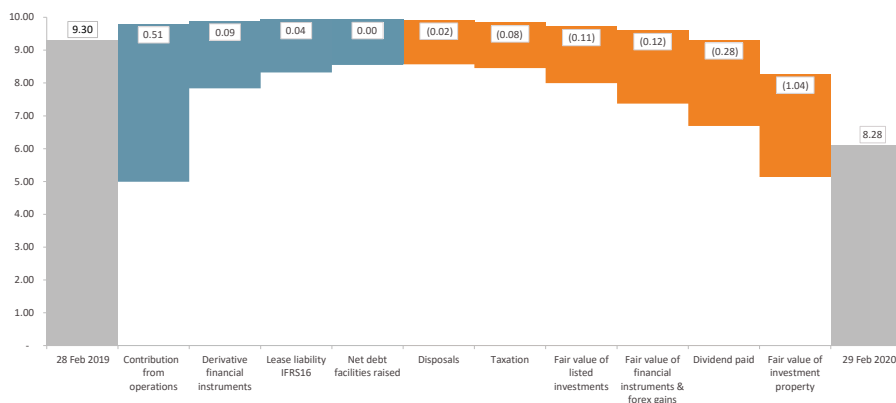
The investment in listed securities represents our shareholding in Grit which is non-core to the Fund. We successfully concluded the sale of 6.5 million shares for R104.4 million, with our shareholding in Grit decreasing to 5.7%. The proceeds from this

disposal were utilised to settle debt and de-gear the balance sheet. The impact of COVID-19 on the global equities market is expected to slow down the disposal of our remaining shareholding in Grit. However, we continue to engage with prospective buyers.

Other assets decreased due to the settlement of adjustment accounts owing to the Group of R7.9 million, reduction of municipal cause accruals by R8.6 million and increase expected credit loss ("ECL") allowances of R20.6 million raised in terms of IFRS 9. The major increase in the ECL allowance was due to the increased credit and default risk of Orthotouch Proprietary Limited being placed under business rescue, and its adjustment account of R12.9 million being provided for. Debtor days increased marginally to 33 days and are being managed by the respective property managers.

Net asset value ("NAV") decreased 11.0% to R8.28 per share and was primarily affected by negative fair value adjustments totalling R867.2 million pertaining to investment property and investment in Grit.

NAV bridge (Rand)



CFO'S REPORT (continued)

Interest-bearing borrowings decreased by 4.5% due to settlement of debt from disposal of non-core assets amounting to R153.3 million and amortisation of bank facilities of R129.8 million. We have no current exposure to the debt capital markets.

The Group has made significant progress in extending and refinancing its expiring debt facilities as follows:

- ▶ Restructuring Investec Bank's property facilities into a portfolio A and B facility of R380.8 million and R352.9 million respectively, effective from June 2020. Portfolio A comprises assets with shorter-term leases and higher vacancies for a 12-month period and amortised to a residual of R333 million. Portfolio B has a longer weighted average lease profile with a maturity term of 36 months and no amortisation.
- ▶ Extending R2.3 billion in expiring facilities with Nedbank for a period of three months to 31 August 2020 on the existing terms and conditions. This allows the Group the opportunity to conclude the remaining bulk lease renewals, thereby placing the Fund in a stronger position for longer-term debt and more competitive pricing.
- ▶ Refinancing of R464 million in expiring facilities with Standard Bank for a 12-month period from June 2020 and extending a R300 million facility to October 2020.

Loan to value and borrowings	2020	2019
LTV	46.3%	45.1%
Weighted average cost of debt	10.3%	10.2%
Fixed versus floating debt	45.0%	59.8%
Average debt fix expiry period (years)	2.7	2.1
Average debt expiry period (years)	0.5	0.8

The increased LTV was primarily due to the negative fair value adjustment of investment properties. We steadfastly aim to reduce LTV to around 43% in the short term and 40% in the medium to long term. We forecast to achieve these reductions through reducing vacancies and improving fair value adjustments on investment properties, combined with disposal of non-core assets in the medium term.

The weighted average cost of debt increased marginally from 10.2% to 10.3%, with an interest cover ratio ("ICR") of 1.9. Our lenders have condoned our ICR breach of below 2, as we expect the position to normalise in the 2021 financial year. We continue to negotiate on longer-term debt facilities which should favourably impact and lower the weighted average cost of debt.

Fixed debt was affected by facility extensions which resulted in certain revolvers and fixed facilities being converted into floating. The challenge with concluding further interest rate swaps is due to facility extensions being priced at prime linked rates in the interim. We expect the majority of our facilities to be permanently refinanced at rates linked to three-month JIBAR, hence the conclusion thereof will provide us greater certainty in terms of using the appropriate interest rate swap. Our target is to maintain at least an 80% fixed profile once facilities are permanently refinanced.

The conclusion of longer-dated facilities will term out the current average debt expiry period of 0.5 years which has declined from the prior year due to the passage of time and short-term extensions. Our forward looking strategy is to refinance extended facilities for periods ranging between three and five years, ensuring that we maintain at least a 30% expiry profile annually.

PROSPECTS AND APPRECIATION

Since the outbreak of COVID-19, the economic environment that we have been operating within has changed significantly. Most economic forecasts have been either revoked or revised negatively, with uncertainty still surrounding the future prognosis.

We have managed to collect more than 80% of our monthly billings for April and May this year. We expect to collect a further 10% once our sovereign tenants return to work after the lockdown. There is an element of risk associated to our retail and non-government tenants amounting to ca.10%, and we continue to engage on an individual basis with such tenants to assist where possible to ensure their sustainability.

The Group has performed additional stress testing on its going concern assumptions and cash flows over the next 12 months based on the impact of COVID-19 and the potential for additional stresses on rent collection. We remain confident in the going concern ability of the business.

The major focus of the Fund for the 2021 financial year will revolve around renewing leases, reducing vacancies, permanently refinancing extended facilities and managing capital expenditure.

The combined 250 basis points reduction in interest rates between March and May this year will translate into a significant reduction in finance costs on the unhedged portion of our interest-bearing borrowings. However, the reversions on rentals to secure long-term leases and the impact of COVID-19 on our retail portfolio will negate the positive impact of lower interest rates. The long-term leases are expected to improve our credit profile, enable

permanent refinance of extended facilities and remove existing capital repayments on debt facilities. This will improve the cash flows of the business and health of the balance sheet.

I wish to thank the finance and operations teams for their commitment, dedication and hard work during the year and especially during the remote working conditions since the onset of COVID-19.

I also extend my appreciation to the Board for its support and valued guidance throughout the year.



S Maharaj
Chief Financial Officer

11 June 2020

CORPORATE GOVERNANCE

Our custodians of governance

The Board members accept responsibility as the custodians of corporate governance within the Group and are therefore accountable to stakeholders for the provision of value-enabling governance. The Board is constituted in terms of the Company's Memorandum of Incorporation ("MOI") of majority independent non-executive directors who bring diversity to Board deliberations and create sustained value by constructively challenging management.

		Meeting attendance				
Name	Designation	Board#	AR+CC	RNC	IC	SETCOM
Executive			▼	▼	▼	▼
SH Nomvete	Chief Executive Officer 	7/7	3/3	5/5	1/1	3/3
ON Tshabalala	Chief Operating Officer 	7/7	3/3	5/5	1/1	3/3
S Maharaj	Chief Financial Officer 	7/7	3/3	5/5	1/1	3/3
Non-executive						
N Khan	Chairman Remuneration Committee 	6/7		C 5/5		C 2/3
Independent non-executive						
JB Magwaza	Independent non-executive Chairman and Chairman Nomination Committee 	7/7		C 5/5		
DN Motau	Chairman Setcom 	7/7		5/5		C 3/3
ID Macleod		7/7	3/3		1/1	
NN Afolayan		7/7	3/3		1/1	
MJN Njeke	Lead independent director and Chairman AR+CC 	7/7	C 3/3			
MCR Rampheri	Chairman Investment Committee 	7/7			C 1/1	
M de Lange*		7/7	3/3		1/1	

* Includes two strategy meetings and one special board meeting.

Committees

Audit, Risk and Compliance Committee	Remuneration and Nomination Committee	Investment Committee	Transformation, Social, Ethics and Sustainability Committee	Chairman of particular committee
AR+CC	RNC	IC	SETCOM	C

GOVERNANCE AND SUSTAINABILITY ◀

Delta continues to adopt the principles of the Code of Corporate Practices and Conduct set out in King IV, as well as complied with relevant laws, regulations and best practice connected with corporate governance and responsible corporate citizenship

Attendance

Board and committee meetings were held quarterly in line with the Group's finance reporting cycle and two-day risk and strategy workshops were held in February 2020. All directors attended the majority of the meetings of the Board and the committees on which they served during the 2020 financial year. Additional meetings were held to address the proposed Rebosis transaction. The details are reflected in the schedule on page 40.

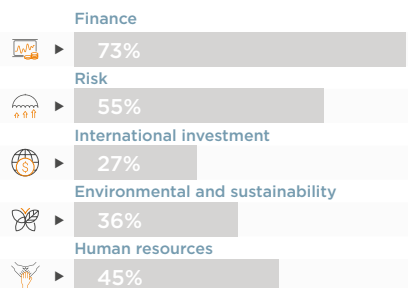
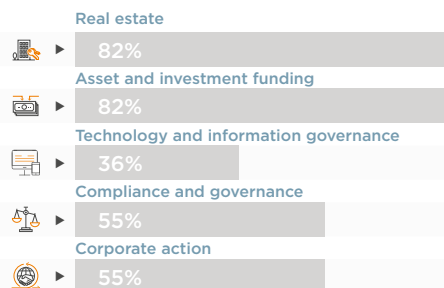
Board composition

As reviewed and confirmed by the Nomination Committee and as evidenced below, our Board has the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities. The diversity in its membership creates value by promoting better decision-making and effective governance. The diversity statistics set out hereunder reflect the composition of the Board as at the date of this report.

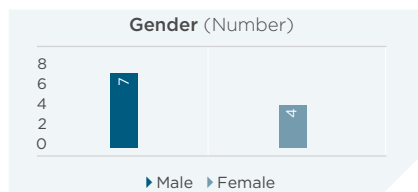
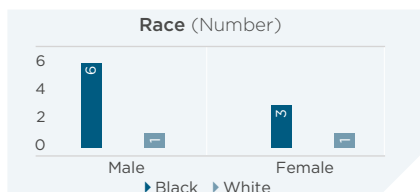
Diversity of expertise

Policy: To create an experienced Board with the balance of knowledge and skills in areas relevant to the Group.

The following areas of expertise are relevant to Delta:



Board diversity



CORPORATE GOVERNANCE (continued)

Ethics and business Code of Ethics

The Board has an approved Code of Ethics. The core values set out in this code provide the foundation on which Delta's culture is built and sets the tone and behaviour for its dealings and relationships with its service providers and other stakeholders.

Delta remains committed to upholding and enforcing the standards set out in this code and we will reconsider its dealings with individuals or entities not demonstrating the same level of commitment to organisational integrity.

Delta's employees and directors accept that any breach of the code of ethics exposes them to the possibility of disciplinary action, which could result in the termination of employment or office.

The directors continue to conduct the enterprise with integrity and competence and in accordance with generally acceptable corporate governance practices. This process encompasses a stakeholder inclusive approach which includes timely, relevant and meaningful reporting to shareholders and other stakeholders providing a proper and objective perspective of the Company and its activities. The members of the Board act with independence of mind and in a manner that they believe is reasonable, accountable, fair and transparent.

As part of the Board's commitment to best practices in corporate governance and in order to ensure compliance with King IV and relevant laws, regulations and responsible corporate citizenship, the Board ensured that mechanisms and policies, which are appropriate to the Company's business, are in place. The Board reviews these from time to time.

By upholding the highest possible corporate governance standards, Delta provides its stakeholders with confidence that it is a well-governed and well-conducted business.

The formal steps taken by the directors are summarised on the following pages.

Board of directors

Ultimate responsibility for the day-to-day management of the Company's business, the Company's strategy and key policies lies with the Board. It is also responsible for approving financial objectives and targets. The Board, as a whole, continues to act as the focal point for, and custodian of the Company's corporate governance, ensuring that Delta is a responsible corporate citizen in light of the impact its operations might have on the environment and the society in which it operates.

Good governance is entrenched in Delta's day-to-day activities. With King IV structured governance frameworks firmly in place, and the practical details of the different governance processes incorporated, the Board is able to focus on the business and make well-informed decisions that are in the Company's best interests.

The importance of identifying and managing the Company's risks is acknowledged by the Board. The Company's risks have been determined and the Board's levels of tolerance associated with these risks have been ascertained. The Audit, Risk and Compliance Committee together with the executive directors ensure these risks are managed on an ongoing basis.

The Board is of the view that the risk management processes that are in place effectively assist in managing the Company's risks. A risk assessment

GOVERNANCE AND SUSTAINABILITY ◀

identifying the various risks together with the associated mitigating measures appear on pages 70 to 71 of this integrated annual report.

In addition to having assessed the Company's risks, management has also completed an analysis of the associated opportunities. The details are disclosed together with associated risks on pages 70 to 71 of this report.

The Board's charter ensures compliance with the principles of the King IV Report and legislation, as well as South African accepted standards of best practice.

This charter sets out the Board's responsibilities for the adoption of strategic plans, monitoring operational performance and management, determining policy and processes which ensure the integrity of the Company's risk management and internal controls, communication policy and director selection, orientation and evaluation. The charter specifically outlines the Board's primary function as determining the Company's strategy, purpose, values and stakeholders relevant to the Company's activities. It also requires the Board to represent and promote the legitimate interests of the Company and its stakeholders in a manner that is both ethical and sustainable.

The information needs of the Board are reviewed annually and the directors and the Board committees have unrestricted access to all Company information, records, documents and property, including professional advice which is paid for by the Company, to enable them to discharge their responsibilities sufficiently.

Efficient and timely methods of informing and briefing Board members prior to Board meetings are in place and

in this regard key risk areas, key performance areas and non-financial aspects relevant to the Company have been identified and continue to be monitored. Directors are provided with information in respect of key performance indicators, variance reports and industry trends.

Board meetings are held at least quarterly, with additional meetings convened when circumstances necessitate. In addition a strategy session is held once a year.

Board appointments are conducted in line with the Board appointment and diversity policies and in a formal and transparent manner by the Board as a whole. The appointments are subject to confirmation by the shareholders at the Annual General Meeting ("AGM"). They are free from any dominance of any one particular shareholder. The Board has adopted a diversity policy which reflects the Board's view of promoting and maintaining diversity at Board level. In considering Board composition, the Nomination Committee considers all aspects of diversity in order to discharge its duties and responsibilities effectively.

In terms of the diversity policy, the Nomination Committee will annually review the voluntary targets set for achieving both race and gender diversity on the Board and shall recommend any changes to the Board. The current target is that at least 30% of the Board should comprise women and at least 51% of the Board should comprise black people. These targets continue to be comfortably exceeded.

Meetings of the Board are formally minuted; these include any meetings at which the appointment of directors is discussed and/or confirmed.

CORPORATE GOVERNANCE (continued)

The Board at the time of issuing this report consisted of three executive directors and eight non-executive directors, seven of whom are independent. The Board has ensured that there is an appropriate balance of power and authority on the Board, such that no one individual or block of individuals can dominate the Board's decision-making. In support of this balance, the responsibilities of the Chairman, CEO, and those of other executive and non-executive directors, remain clearly separated.

The non-executive directors are individuals of calibre and credibility and have the necessary skills and experience to bring judgement to bear, independent of management, on issues of strategy, performance, resources, transformation, diversity, employment equity, standards of conduct and evaluation of performance.

The Chairman, JB Magwaza, is an independent non-executive director whose role continues to be separate from that of the CEO, Sandile Nomvete. The Chairman is considered to be independent in terms of King IV. Although not required but in the interest of enhanced governance, JJ Njeke continues as the lead independent non-executive director.

The Board, in conjunction with the Company Secretary and the Company's sponsors, has established a formal orientation programme which enables any new incoming directors to familiarise themselves with the Company's operations and its business environment, and to induct them in their fiduciary duties and responsibilities. New directors with no or limited Board experience receive development and education to inform them of their duties, responsibilities, powers and potential liabilities.

All directors will be subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with the Memorandum of Incorporation ("MOI").

The Board has agreed that every two years it will review its overall performance (including that of the Chairman) and will identify areas for improvement in the discharge of its functions. Following completion of their view for the 2020 financial year, the Board confirms that it is comfortable with both the performance and composition of the Board of Directors and of the individual Board sub-committees.

The current size and composition of the Board and its various committees are considered appropriate for the size of the Company. A brief curriculum vitae of each director is set out on pages 20 and 21 of this integrated annual report, with more detailed CVs on the website.

The Board's policy for dealing with the manner in which a director's interest in transactions is determined and the interested director's involvement in the decision-making process is followed by all directors.

The Chairman continues to provide leadership to the Board in all deliberations ensuring independent input, and oversees its efficient operation. While the CEO reports directly to the Board, the CEO, COO and CFO continue to be responsible for proposing, updating, implementing and maintaining the strategic direction of Delta as well as ensuring controlled operations. In this regard, they are assisted by the senior management of the asset manager.

The Board sets the strategic objectives of the Company and determines the investment and performance criteria. It also assumes responsibility for the proper management, control, compliance and ethical behaviour of the businesses under its direction.

The Board has approved a delegation of authority framework, which delegates certain responsibilities or decisions to the Executive and the Board committees while retaining authority, where appropriate, at Board level. The framework in addition to delegating authority, also defines authority limits.

The Board committees assist the Board by giving detailed attention to certain of the Board's responsibilities and they operate within defined written Board approved charters, as well as within the delegation of authority framework.

The delegated responsibilities in terms of certain functions to the Audit, Risk and Compliance Committee, the Remuneration and Nomination Committee, the Transformation, Social, Ethics and Sustainability Committee and the Investment Committee, remain unchanged. The Board is conscious of the fact that such delegation of duties is not an abdication of the Board members' responsibilities. The Board continues to maintain effective control. The various committees' charters and the authority framework are reviewed at least annually by both the individual committees and the Board.

The Board determines and amends, as necessary, the scope and responsibilities of the committees, as well as the appointment of new committee members.

External advisers and executive directors who are not members of specific committees are invited to attend committee meetings, by invitation, if deemed appropriate by the relevant committee. The Company Secretary is an invitee to all committee and Board meetings. The executive directors and invitees to meetings are not paid any attendance fees for meetings they participate in.

The Board has considered the independence of the non-executive directors and believe they remain independent.

Directors' and officers' liability insurance is provided by the Company. This cover is reviewed annually.

Audit, Risk and Compliance Committee

At year-end, the Board's Audit, Risk and Compliance Committee comprised JJ Njeke (Chairman), Ian Macleod, Nombuso Afolayan and Marelise de Lange. All of the committee members are classified as independent non-executive directors.

The committee's primary objective is the provision to the Board of additional assurance regarding the efficacy and reliability of the financial information used by the directors in the discharge of their duties. The committee has and will continue to assist the Board to ensure that adequate and appropriate financial and operating controls are in place, that significant business, financial and other risks have been identified and are being suitably managed, and that satisfactory standards of governance, reporting and compliance are in operation.

The committee met three times prior to the end of the financial year.

CORPORATE GOVERNANCE (continued)

Refer to the detailed Audit, Risk and Compliance Committee report on pages 84 to 86.

Remuneration and Nomination Committee

At year-end, the Board's Remuneration and Nomination Committee comprised JB Magwaza, Dumo Motau and Nooraya Khan. The nomination aspect of the committee meetings are chaired by JB Magwaza and the remuneration aspects of the committee are chaired by Nooraya Khan. All of the committee members are non-executive directors. The Board has considered the fact that Nooraya is not deemed independent, but believes she is well placed and provides valuable insight and skill and acts with independence of mind and in the best interest of the Company in her role as a director and as the Remuneration Committee Chair.

The committee:

- ▶ is responsible for reviewing the Board composition and structures, including the diversity, size and composition of the Board and the various Board committees and considering whether there is an appropriate split between executive, non-executive and independent directors;
- ▶ assists in the identification and nomination of new directors and is responsible for the appropriate induction and training of directors and conducting annual performance reviews of the Board and various Board committees;
- ▶ is also responsible for ensuring the proper and effective functioning of the Board and assists the Chairman in this regard; and
- ▶ appraises the performance of the CEO, COO and CFO at least annually.

The committee further has the responsibility and authority to consider and make recommendations to the Board on, *inter alia*, the remuneration policy of the Company, the payment

of performance bonuses, executive remuneration, short, medium and long-term incentive schemes and employee retention schemes.

The committee uses external market surveys and benchmarks to determine executive directors' remuneration and benefits as well as non-executive directors' fees. Delta's remuneration philosophy is to structure remuneration packages in such a way that long-term and short-term incentives are aimed at achieving business objectives and the delivery of shareholder value. The committee took cognisance of the shareholder vote on the non-binding resolution at the last AGM and has accordingly reviewed certain of the remuneration matters, the details of which are included in the remuneration report and in the resolutions proposed in the notice of the AGM.

The Remuneration and Nomination Committee met five times prior to the end of the financial year.

Refer to the detailed Remuneration and Nomination Committee report on pages 51 to 67.

Investment Committee

At year-end, the Board's Investment Committee comprised Caswell Rampheri (Chairman), Nombuso Afolayan, Ian Macleod and Marelise de Lange. All of the committee members are classified as independent non-executive directors. The committee is constituted so as to ensure independence, objectivity and industry expertise.

The Investment Committee's role is to recommend appropriate investment strategies and guidelines to the Board to ensure that Delta's investments are in line with the Group's investment policy, overall strategy and vision as approved by the Board.

The committee also recommends and effects acquisitions and disposals within the approved investment policy and authority framework, and ensures that appropriate due diligence procedures are followed when acquiring and disposing of assets.

The committee meets to consider acquisitions and disposal of assets in line with the Group's overall strategy and recommends investment strategies and guidelines to the Board to ensure appropriate investment of shareholder funds. The committee met once prior to the end of the financial year.

Transformation, Social, Ethics and Sustainability Committee ("Setcom")

At year-end, the Board's Transformation, Social, Ethics and Sustainability Committee comprised Dumo Motau (Chairman), Nooraya Khan, Sandra Mqina, Nhlanhla Nyathikazi and Otis Tshabalala.

The Board is comfortable that, given Delta's structure, Sandra and Nhlanhla, two senior management representatives of the asset manager, sit on this committee.

The committee monitors the Company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, in respect of social and economic development, good corporate citizenship (including the promotion of equality, prevention of unfair discrimination, the environment, health and public safety, and the impact of the Company's activities and of its products or services), consumer relationships and labour and employment issues.

Ethical standards, in dealings with all stakeholder groups, including suppliers, customers, business partners, government, communities and society at

large, are in place and their ongoing implementation is monitored by the committee.

Delta promotes the highest standards of ethical behaviour among all persons involved in the Group's operations in line with its adopted Code of Conduct (Ethics) for the Company. The Company has a zero tolerance policy in respect of committing or concealment of fraudulent acts by employees, contractors, suppliers or service providers.

The asset manager has also confirmed that all its employees are inducted into an aligned code and they are required to subscribe to and comply with it fully. Any contravention is dealt with through formal disciplinary procedures.

The committee has further responsibility in terms of advising the Board on all relevant aspects that may have a significant impact on the long-term sustainability of the Company and which influence the Company's triple bottom line reporting.

The committee also draws to the Board's attention any other matters within its mandate and reports to the shareholders at the Company's AGM on such matters.

In order to carry out its functions, the committee is entitled to request information from any directors or employees of the Company, attend and be heard at shareholders' meetings, and receives notices in respect of such meetings.

Delta outsourced its asset management and property management services. The Board ensured that the asset manager and the property managers have adopted appropriately aligned corporate citizenship policies.

CORPORATE GOVERNANCE (continued)

The Board considers and monitors the impact of its property holding business on the environment, society and the economy.

The Transformation, Social, Ethics and Sustainability Committee met three times prior to the end of the financial year.

Refer to the detailed sustainability, transformation and corporate citizenship report on pages 72 to 79.

Directors' dealings in securities, professional advice and conflicts of interest

The Company's policy prohibits dealings in securities by directors, their associates and all employees of the asset manager in periods immediately preceding the announcement of its interim and year-end financial results, any period while the Company is trading under cautionary announcement and at any other time deemed necessary by the Board. The policy is managed by the Company Secretary with the persons authorised to clear directors for trading in open periods being the Chairman and in his absence (or in the case of any potential conflict) the lead independent director.

As per the Code of Conduct, directors must declare to the Chairman and Company Secretary their shareholdings, additional directorships and any potential conflicts of interest. This is done on an annual basis and retained in the Company's records and reconfirmed at each Board and committee meeting.

The Company Secretary

Paula Nel, a suitably qualified, competent and experienced Company Secretary, has been appointed and appropriately empowered to fulfil duties and provide assistance to the Board. The Company

Secretary is an independent contractor and not a director or employee of the Company. She has an arm's length relationship with the Board, who can also remove her from office.

The Company Secretary continues to provide the Board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the Company. She also provides a central source of guidance and advice to the Board, and within the Company, on matters of ethics and good corporate governance. The Company Secretary is subject to an annual evaluation by the Board.

Having completed the evaluation process, the Board is satisfied with the expertise, experience, competence and qualifications of the Company Secretary and confirms that the relationship between the Board and the Company Secretary remains at arm's length.

Legal and compliance

Legal and legislation-related matters are addressed at each Board and Audit, Risk and Compliance Committee meeting and, specifically, new legislation which affects the Company is discussed in detail.

Statutory and regulatory compliance is a standing item on every agenda for the Audit, Risk and Compliance Committee. Compliance with accounting standards and financial reporting requirements is overseen by this committee.

Delta's checklist of compliance requirements incorporates the requirements of the King IV Report and Companies Act, among others.

Technology and information governance

The Board, through the Audit, Risk and Compliance Committee, is responsible for governing the following relevant information and technology risks:

- ▶ Information and technology governance is an integral part of the Company's approach to governance. Executive management is tasked with managing IT risks, with oversight from the committee.
- ▶ The Board is mindful of the importance of safeguarding Company information and intellectual capital, and ensures that appropriate technology architecture is maintained to protect information.
- ▶ Executive management with the committee's oversight ensures effective management of IT resources and facilitates achieving the Company's strategic objectives.
- ▶ The committee, together with the Board, reviews opportunities for improved efficiencies and value that technology can add to the business. Equally, they are conscious of risks that may affect the security of classified information and intellectual capital.
- ▶ The CFO is responsible for IT and has the appropriate levels of knowledge and experience and interacts regularly with the committee on IT governance matters.

Broad-based black economic empowerment annual compliance report

The JSE requires a listed company to publish its report on its compliance with section 13(G)(2) of the South African Broad-Based Black Economic Empowerment Act, No 53 of 2003, as amended (the "B-BBEE Act"). Delta has complied with both the JSE requirements and section 13(G)(2) of the B-BBEE Act. A copy of the relevant documents are available on the Company's website, www.deltafund.co.za.

King IV compliance review, assessment and application register

The Board endorses the Code of Corporate Practices and Conduct as contained and recommended in King IV and the JSE Listings Requirements. As reported previously, a King III/IV gap analysis was completed. The details of the initial gap analysis, together with the progress that has been made, are recorded in the application register, which is included on the Delta website, www.deltafund.co.za.

The Board remains comfortable that all the gaps have either been addressed or are well progressed in terms of being addressed.

The Board continues to strive to ensure that the interests of all the Company's stakeholders are protected and that adherence to the principles of good corporate governance espoused by King IV remains a commitment of the Group. It is the intention of all directors that the principles of integrity and the highest ethical standards are upheld by all who serve the Company and its stakeholders.

The Board is satisfied that appropriate governance structures, policies and procedures exist and are operational within the Company, and it has implemented the procedural recommendations that have emanated from the King IV Report as well as appropriate legislation. For the 2020 financial year, the Board hereby confirms that the Company has complied with King IV.

The following governance documents are available on the Company's website:

- ▶ Board and committee charters.
- ▶ Chairman's charter.
- ▶ Lead independent director charter.
- ▶ Director trading, external communication and confidentiality policy.

CORPORATE GOVERNANCE (continued)

- ▶ Declaration of interest policy.
- ▶ King IV application register.
- ▶ Ethics and code of conduct policy.
- ▶ Board appointment policy.
- ▶ Diversity policy.
- ▶ Form B-BBEE 1 lodged with B-BBEE Commission.
- ▶ SENS announcements.

Whistleblowing policy

Delta has a whistleblowing policy that allows one to raise concerns about malpractice without fear of victimisation or reprisal.

If you suspect anything untoward, underhanded deals, theft, sexism, racism or ageism, please report it to the whistleblower service.

The whistleblower service is provided by an independent accredited service provider.

Any whistleblower will remain anonymous. You can report by contacting email: report@honestyline.co.za or call on 0861 87 87 98.

DPAM

Delta has contracted its asset management services to Delta Property Asset Management ("DPAM"). In terms of the asset management agreement between Delta and DPAM, Delta is comfortable that the governance and accounting areas are appropriately addressed in the agreement and that Delta is not exposed in any way.

COVID-19

In terms of the Companies Act 71 of 2008, the Board of directors is ultimately responsible for guiding and managing the Company, and as such would be the body vested with the responsibility of ensuring that the Company emerges from a crisis of the nature currently facing South Africa.

In formulating their response to the COVID-19 crisis, the Delta directors are comfortable that they have adhered to their common law and codified duties, set out in the Companies Act.

They confirm that they have acted in good faith; for proper purpose; and in the best interests of the company; and with the degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions in relation to the company as carried out by that director, and having the general knowledge, skill and experience of that director.

The Board has met on a number of occasions outside of the scheduled quarterly meetings in order to address the impact of the crisis on the Company, its tenants, its asset manager and the employees of the asset manager and other stakeholders. The Board is comfortable that appropriate action has and is being taken by the Company in order to manage the financial implications of the crisis, its ongoing financial obligations and also to ensure that its operations, and those of its asset manager, including its buildings, are being operated in terms of the lockdown regulations issued in terms of the Disaster Management Act, 2002 and all other applicable areas of law such as employment, health and safety and data protection. Both Delta and its asset manager have continued to operate efficiently and effectively, albeit it remotely, during the government lockdown period.

The CEO, CFO and COO reports will include more specific detail around how COVID-19 has been practically managed and its implications addressed.

REMUNERATION AND NOMINATION COMMITTEE REPORT

The members of the Board's Remuneration and Nomination Committee ("RNC") remained the same as last year and comprised JB Magwaza, Dumo Motau and Nooraya Khan. The nomination aspects of the committee meetings are chaired by JB Magwaza and the remuneration aspects of the committee are chaired by Nooraya Khan. All the committee members are non-executive directors. The Board has considered the fact that Nooraya Khan is not deemed independent, but believes she is well placed and provides valuable insight and skill and acts with independence of mind and in the best interest of the Company and shareholders in her role as a director and as the Remuneration Committee Chair.

The committee:

- ▶ is responsible for reviewing the Board composition and structures, including the size and composition of the various Board committees and considering whether there is an appropriate split between executive, non-executive and independent directors;
- ▶ assists in the identification and nomination of new directors and is responsible for the appropriate induction and training of directors and conducting bi-annual performance reviews of the Board and various Board committees;
- ▶ is responsible for ensuring the proper and effective functioning of the Board and assists the Chairman in this regard; and
- ▶ appraises the performance of the CEO, COO and CFO at least annually.

The committee further has the responsibility and authority to consider and make recommendations to the Board on, *inter alia*, the remuneration policy of the Company, the payment of performance bonuses, executive remuneration, short, medium and long-term incentive schemes and employee retention schemes.

The committee develops and approves a work plan for each year, and this ensures

that all the required aspects are considered at the correct time during the financial year.

The committee uses external market surveys and benchmarks to determine executive directors' remuneration and benefits as well as non-executive directors' fees. The committee retains the services of an independent adviser to advise the RNC on best practice and processes and provide independent impartial advice aligned to the Company's strategy and interests of all stakeholders.

Delta's remuneration philosophy is to structure remuneration packages in such a way that long-term and short-term incentives are aimed at achieving business objectives, delivery of shareholder value and alignment to stakeholders' interests.

Part 1: Background statement

The Board of Delta and the RNC have pleasure in submitting the RNC report for the year ended 29 February 2020.

In last year's report, the efforts of management to secure new long-term leases with the DPW was discussed and the hope expressed that these efforts would be successful. This has now indeed been achieved. The hard work by the management team over the past three years culminated in Delta successfully concluding renewals for 86% of the 226 609m² bulk leases with terms ranging between two to five years. The balance is still being negotiated. Despite the tough operating environment and significant competition, Delta has managed to retain 90% of its tenant base.

During the year under review, emphasis was placed by management on cash flow and balance sheet health. The improved quality of future earnings and the weighted average lease expiry ("WALE") allow management the opportunity to negotiate both the cost and the term of its debt funding, it also

REMUNERATION AND NOMINATION COMMITTEE REPORT (continued)

opens the door to diversification of funding sources.

The bulk lease renewal programme was concluded largely on the contingency of contractual capital expenditure to upgrade and maintain these assets. Management will need to ensure that these projects are carefully prioritised and managed within the constraints of the cash available.

Management has performed well and achieved significant objectives despite difficult circumstances. The detailed assessment of its performance objectives appears later in the report.

The focus of RNC has been on continuing to improve the link between performance and remuneration especially at executive level and implementing King IV guidelines. This focus will continue for the next few years until we believe we have achieved the desired status. The decisions made during the year related to guaranteed pay increases, short-term incentive performance conditions for 2021 and approving the outcomes for the 2020 incentives.

The development of new scorecards for the executives was a key focus area for the RNC. Over the past year an independent adviser facilitated this process and the scorecards and KPAs are now properly aligned to the Company's strategy, goals and the individual executive's role in the organisation. These scorecards are an important step in improving the link between remuneration and performance. These scorecards have been implemented for FY2021. The performance assessment from these scorecards will be used to influence future increases and STI payments.

A malus and clawback policy was introduced for the short-term incentive plan ("STIP") and long-term incentive plan ("LTIP"). The new policy is expanded on later in this report.

The committee's overall view of management's performance over the past year was positive, largely due to the quotas of leases signed and debt facilities extended. Despite the threshold for the Company gatekeeper (distributable earnings per share) not being achieved, the RNC decided to award a discretionary 13th and 14th cheque to the executives. No incentives were awarded in the previous financial year. The second award for the LTIP was made for the year as per the rules of the approved scheme.

The non-binding advisory votes on the remuneration policy and the implementation of the policy for FY2020 were 76.53% in favour and 23.47% against and 84.87% for and 15.13% against respectively. These are an improvement on the prior year which reassured the RNC that progress is being made in the right direction. In addition, work completed during 2019 on the executive scorecards provides evidence of the commitment to continual improvement in the policy and implementation thereof in line with shareholder feedback.

The results of the vote to approve the non-executive directors' remuneration for their services was 93.97% in favour and 6.03% against, which was an improvement on the previous year. We believe that the remuneration outcomes, as presented in the implementation report, appropriately reflect the Company's performance over the past year. The executive directors' salary increases range between 5.1% and 5.4% in line with inflation and are below benchmarked market increases.

The proposed increase for non-executive directors' annual retainer and other committee fees is 6.2%. Based on benchmarking, and to improve alignment with the market, a 10.4% increase for the Chairman's annual retainer fee is proposed. These proposed increases will be presented for a binding vote at the AGM.

As per the feedback from the shareholders in the previous year:

- ▶ The new executive scorecards were implemented for FY2021.
- ▶ The STIP is being reviewed and changes are being made in line with the company strategy and best practice.
- ▶ The 2020 LTIP award includes a sustainability measure with a 20% weighting.

All asset management staff are employed by DPAM, Delta Property Asset Management Proprietary Limited ("DPAM"). The King IV guidelines have been followed in the preparation of this report which includes:

- ▶ Part 1: The background statement.
- ▶ Part 2: The remuneration policy and strategy.
- ▶ Part 3: The implementation report, which provides detailed disclosure of the remuneration for executive and non-executive directors.

Parts 2 and 3 of this report will be put to a non-binding advisory vote at the 2020 AGM. The non-executive directors' ("NED") fees will be put to a binding vote.



Nooraya Khan
Remuneration Committee Chairman

11 June 2020

Part 2: The remuneration policy

As per its terms of reference approved by the Board, the Remuneration and Nomination Committee's ("the committee") objectives are to ensure that:

- ▶ the remuneration of the executives is competitive and stimulates sustainable performance and behaviours that create shared value over the long term; and
- ▶ the Board composition and structures are appropriate, including the size and composition of the various Board committees, and considering whether there is an appropriate split between executive, non-executive and independent directors.

The committee has the responsibility and authority to consider and make recommendations to the Board on, *inter alia*, the remuneration policy of the Company, executive remuneration, short, medium and long-term incentive schemes and employee retention schemes, if any.

The terms of reference of the committee are reviewed annually by the Board.

Concerning remuneration matters specifically, the committee endeavours to ensure that:

- ▶ through its oversight role, the remuneration practices of staff of the Fund are applied consistently and in accordance with the remuneration policy and they are compliant with the laws, governance principles and regulations of South Africa;
- ▶ quality staff are attracted, retained and rewarded within the Fund;
- ▶ remuneration is regularly benchmarked against other property funds listed on the JSE;

REMUNERATION AND NOMINATION COMMITTEE REPORT (continued)

- ▶ variable remuneration is linked to performance and the remuneration policy is structured in such a way as to ensure this link is ongoing. This link will be continuously reviewed, necessitating transparent and continuous improvements to the design of the variable remuneration plans; and
- ▶ employees are responsibly and fairly remunerated across the Fund and equal opportunity is afforded to all employees.

The members of the RNC for the year under review were:

- ▶ JB Magwaza (independent; Chairman of Nomination Committee);
- ▶ Nooraya Khan (Chairman of Remuneration Committee); and
- ▶ Dumo Motau (independent member).

The committees continue to hold joint meetings, with the agendas appropriately structured to separate out nomination and remuneration matters.

By invitation:

- ▶ Sandile Nomvete ("CEO");
- ▶ Shaneel Maharaj ("CFO");
- ▶ Otis Tshabalala ("COO");
- ▶ Nhlanhla Nyathikazi (HR representative);
- ▶ Paula Nel (Company Secretary); and
- ▶ Laurence Grubb (Khokhela Remuneration Advisors, independent adviser).

The committee met three times during the financial year, namely on 24 May 2019, 16 October 2019 and 27 February 2020.

Invitees to RNC meetings have no vote and are not present when their own remuneration is discussed. All members of the RNC are independent non-executive directors apart from Nooraya Khan. The Board considered the fact that Nooraya is not deemed independent, but believes she is well placed and provides valuable insight and skill and acts with independence of mind and in the best interest of the Company and shareholders in her role as a

director and as the Remuneration Committee Chair. Accordingly, she remains a member of the committee. The RNC members do not decide on their own remuneration; instead they request that executive management proposes their fees, and fee structure (through independent advice and benchmarking, if required). Subsequently, this is tabled before the Board and then to shareholders for approval by special resolution.

The policy and implementation report are submitted for non-binding votes. Should both or either section receive 25% or more votes against the resolution, then the committee undertakes to engage with the shareholders to determine the reasons for the dissenting vote. The committee will review the reasons and determine how to address any legitimate and reasonable objections and concerns raised. The committee will agree on the changes required and will implement or request the executives to implement the changes. The committee undertakes to provide feedback in the following: integrated annual report, in the background statement, in the remuneration report and in the concerns raised, how they were addressed and the outcome of the changes. If the committee decides that some concerns are not legitimate or reasonable or do not align with the Company strategy or philosophy, then this will be communicated to the applicable shareholders and reported in the integrated annual report.

The objective of the remuneration policy

The purpose of the remuneration policy is to create a framework for managing and controlling remuneration, ensuring that Delta is able to effectively attract and retain the talent required to achieve desired business results. The detailed policy sets out Delta's approach to remunerating all employees across all elements of remuneration, including guaranteed and

variable pay. The desired outcomes from Delta's remuneration policy include:

- ▶ enhanced internal fairness through consistent remuneration decision-making;
- ▶ appropriate and responsible remuneration;
- ▶ enhanced employer of choice profile; and
- ▶ the desired corporate culture.

The remuneration policy, and its application, is reviewed on an ongoing basis to ensure that the pay outcomes are competitive and in accordance with regulatory requirements.

Remuneration philosophy

Delta's remuneration philosophy is to structure remuneration packages in such a way that long and short-term incentives are aimed at achieving the business objectives and delivering shareholder value. We believe that remuneration plays a key role in:

- ▶ facilitating the attraction and retention of all staff; and
- ▶ reinforcing the alignment of individual staff goals with Delta's strategic business objectives.

The following guiding principles underpin the performance-based remuneration philosophy which applies to all staff:

- ▶ **Total remuneration:** Delta adopts guaranteed and variable pay to reward its staff. The variable pay currently comprises an STIP and an LTIP. The total remuneration comprises an appropriate balance of these reward elements.
- ▶ **Market competitiveness:** Guaranteed remuneration is targeted at the market median and total remuneration is targeted between the industry-specific market median and the 75th percentile for outperformance. The opportunity to earn remuneration at an outperformance level supports delivering higher reward to individuals only when the Company achieves higher than target (expected) returns. The primary peer group for purposes of benchmarking pay and benefits comprises other similar-sized

property funds listed on the JSE.

Benchmarking is used only as a guide to determine market competitiveness of remuneration levels. Individual and Company performance are considered when awarding guaranteed pay increases to executives.

- ▶ **Performance linked pay:** Delta's performance-based pay philosophy is designed to ensure that the executives' total remuneration is tied to Delta's performance through variable pay. Variable remuneration is therefore linked to predefined performance measures. Each year RNC considers the performance measures to ensure that they are appropriate and challenging in the context of the prevailing business environment and that they reinforce the business strategy. The performance measures in the incentive plans are limited in number and individual measures are tailored to maximise accountability and include non-financial measures. Delta embraces defensible differentiation in pay whereby a greater proportion of reward is distributed to the highest performers.
- ▶ **Flexibility:** The adopted remuneration structures are adaptable and evolve with changing business and human resource needs.
- ▶ **Affordability:** Total remuneration costs need to be affordable and justifiable to employees and stakeholders.
- ▶ **Simplicity and transparency:** The reward philosophy, principles and structures are openly communicated, to internal and external stakeholders, with the annual reward opportunity and alignment to individual performance being communicated to the individual. Remuneration structures are not overly complex to communicate, administer and understand. Open communication assists in the engagement of employees by supporting an environment of trust and stakeholder confidence regarding remuneration issues.

REMUNERATION AND NOMINATION COMMITTEE REPORT (continued)

- ▶ Sustainability: The remuneration policy and practices are designed to support long-term value creation for all stakeholders.
- ▶ Governance: RNC and the Board require full disclosure of all remuneration policies and practices and all payments are audited and reported to the RNC.
- ▶ Responsible, fair and equitable: Delta's remuneration policy and practices address these key principles and all decisions made by the RNC consider these principles. We believe that Delta's remuneration aligns with these principles.

Remuneration elements

The following table sets out the key elements of Delta's remuneration structure:

Remuneration elements	Definition	Policy	Strategic intent	Performance linkage
Guaranteed package	Delta applies the cost-to-company remuneration approach, also referred to as "guaranteed package". This is the non-variable element of total remuneration and consists of the base salary and contributions to compulsory employer benefits (medical scheme, Group risk cover (death and disability) and retirement funding). The value of guaranteed package reflects the individual's competencies, skills and performance and is reviewed annually in January effective from March each year.	Increases are determined with reference to projected consumer price inflation, affordability, skills scarcity, internal value (position in the job hierarchy), individual and Company performance and external value (relative positioning to the market). External benchmarking is conducted every two or three years and Delta endeavours to pay at/or around the industry-specific median for on-target performance. Benchmarking is conducted using national executive remuneration surveys and the remuneration reported in peer group company annual reports.	To reward employees for completion of their role requirements and competencies and Company and individual performance. To attract and retain key employees.	Individual performance and competence aligned to Company goals and strategy.

GOVERNANCE AND SUSTAINABILITY ◀

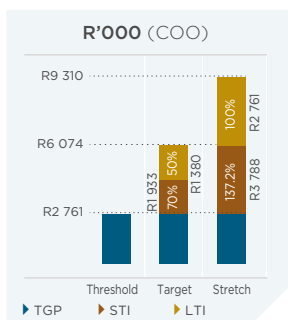
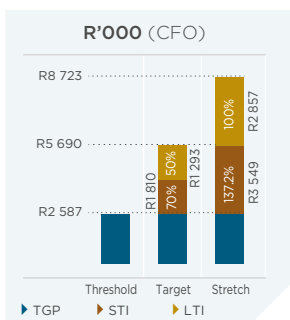
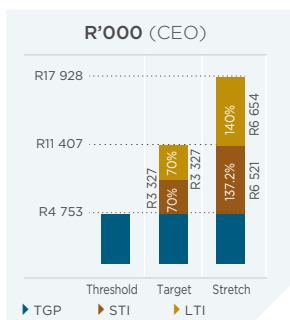
Remuneration elements	Definition	Policy	Strategic intent	Performance linkage
Benefits	Benefits include participation in the Company's retirement benefits (pension and medical aid scheme) and other benefits (car related insurance, UIF/SDL and cellphone).	Participation in the medical scheme is compulsory unless the employee provides proof that he/she is a dependant of an alternative registered scheme. Participation in the Company's pension plan, a defined contribution plan, is compulsory. Monthly contributions equate to 12% of guaranteed package. Normal retirement age for executives is 65 years.	To enhance the employee value proposition. To retain key employees.	None.
STIP	An STI to reward executives on achieving and exceeding their personal and Company annual performance targets.	Performance is assessed considering specific annual performance criteria ("KPAs"), both at a corporate level and an individual level. To receive the payment, the executive must be in the employ of the Company at the time of payment and must not be under notice of termination. New employees need to be employed for at least six months to qualify to participate on a <i>pro rata</i> basis. STI awards will be paid annually between June and September following the end of the performance year. Awards are at the sole discretion of the RNC.	To encourage superior performance by rewarding executives against the achievement of the Company and their individual KPAs. To attract, motivate and retain strategic employees who are accountable for, and contribute to, the achievement of key short-term business performance measures.	The STIP is a key driver of the Company's strategy. This is demonstrated through the careful selection of performance criteria KPAs that are aligned to the Company's strategy. The performance metrics are consistent with long-term value creation.

REMUNERATION AND NOMINATION COMMITTEE REPORT (continued)

Remuneration elements	Definition	Policy	Strategic intent	Performance linkage
LTIP	The LTIP is designed in line with shareholder requests to attract, motivate and retain executives and key talent. The LTIP is based on current best practice, King IV guidelines and JSE Listings Requirements.	The LTIP is a full value performance conditional unit plan. Rights are granted annually to qualifying participants to acquire shares or to be paid the equivalent in cash. The value of the rights is the same value of Delta shares listed on the JSE (30-day VWAP). Vesting of each annual grant occurs at the end of the third anniversary. On vesting, at the end of year three, performance measures are applied to determine if any rights vest and how many. The performance measures are compound annual growth rate in distributions per share and net asset value per share. Sustainability objectives will be considered for the 2021 award. A strategic project may be included if relevant and appropriate.	The objective of the LTIP is to align the interests of the executives with those of the shareholders by motivating them, through participation, to increase the long-term growth in shareholder returns.	The LTIP is a key driver of the Company's long-term strategy. This is demonstrated through the careful selection of KPAs that are aligned to the Company's strategy and long-term sustainability. The performance metrics are consistent with long-term value creation.

Executive pay mix

The following are the possible reward mix outcomes for the CEO, CFO and COO for FY2020:



GOVERNANCE AND SUSTAINABILITY ◀

Guaranteed package increases

Executive increases granted are determined by individual performance, Company performance, affordability and remuneration relative to the appropriate target market benchmarks. Benchmarks are only undertaken every second or third year as the primary focus is on linking increases to performance while ensuring a competitive remuneration package to retain the desired personnel. Increases are determined using a scale linked to the individual's final performance assessment rating. The increase scale is determined using the overall payroll increase approved by the Board as the increase granted for achieving the desired level of performance, i.e. on

target performance which equates to a rating of 3 on a 5-point scale. Below 2.8 (which is deemed to be performance not worthy of an increase) there is zero increase and the scale increases from 100% of the approved overall increase at a 3 rating to 150% of the approved overall increase for a 5 rating which is outstanding performance. Straight-line interpolation applies between the points.

Executive performance scorecards

The performance of the executives is evaluated using individual scorecards with KPAs linked to the Company's strategy. Levels of performance are set for each KPA at the start of the financial year.

The table below reflects the individual scorecards for FY2021:

Executive scorecards – 28 February 2021		CEO Weighting %	CFO Weighting %	COO Weighting %
1	Manage growth and income diversification of the fund	30	n/a	n/a
2	Manage the recapitalisation of the business	30	n/a	n/a
3	Retain or improve the B-BBEE rating level	5	10	5
4	Manage capital expenditure to enhance portfolio value, retain clients and ensure compliance to health and safety regulations	10	n/a	20
5	Cash flow and budget management	10	15	n/a
6	Improve and enhance stakeholder relationships	15	10	10
7	Publication of interim and final financial results within set time period/timeous delivery of interim and final financial results	n/a	30	n/a
8	Refinance expiring facilities, lowering the weighted average cost of debt and terming out expiry profile	n/a	25	n/a
9	Strengthen the financial control environment	n/a	10	n/a
10	Manage disposals to create liquidity in the fund	n/a	n/a	10
11	Renew expiring leases	n/a	n/a	10
12	Improve the weighted average lease expiry on renewals	n/a	n/a	15
13	Reduce vacancies as a % of GLA	n/a	n/a	15
14	Reduce the gross and net cost to income ratio	n/a	n/a	15

REMUNERATION AND NOMINATION COMMITTEE REPORT (continued)

STIP

Annual incentives are dependent on the achievement of corporate and individual objectives. The achievement against these objectives is expressed in a corporate performance factor ("CPF") and an individual performance factor ("IPF").

The annual incentive is determined using the following formula:

$$\text{Individual incentive} = [\text{guaranteed package}] \times [\text{STI target \%}] \times [\text{CPF}] \times [\text{IPF}]$$

A gatekeeper is set for distribution per share ("DPS") below which no incentives are paid.

The target STI award for the executives is 70.0% of guaranteed package. Both the CPF and the IPF can vary between 0% and 140.0% depending on the performance achieved. The bonus is capped and performance at both corporate and individual level must exceed a minimum threshold before any STI award can be made. The IPF and the CPF have a maximum possible percentage of 140.0%, hence the maximum STI is capped at 137.2% of guaranteed package (maximum incentive = 70% of guaranteed package x 140% x 140% = 137.2% of guaranteed package).

IPF

The IPF will be determined using the executive scorecards with the table below providing the ratings for the STI:

Performance appraisal rating	Description	Individual performance factor (%)
1	Poor performance	0
2	Below average performance	0
3	Satisfactory performance	0
Above 3 up to 4	Excellent performance	Up to 100
Above 4 up to 5	Outstanding performance	Between 100 and 140

Individual performance must therefore exceed a minimum standard, which is a performance rating above three (3) to be eligible for an STI award.

CPF

The CPF is determined through the careful selection of corporate performance indicators that are aligned to the Company's strategy. These corporate key performance indicators ("KPIs") are regularly reviewed and approved each year by the committee for ratification by the Board. Achievement against these KPIs will determine the CPF.

For FY2020, CPF measures were as follows:

► **Forecast distribution.** The budgeted DPS approved by the Board is the primary indicator of corporate performance for the STIP. This target must be met before any STI awards can be made and acts as a "gatekeeper". Where performance meets

this forecast (minimum level of performance), the CPF equates to 100%. A performance below the threshold does not deliver an STI award (CPF = 0%). A stretch target for forecast distribution was also set by the Board. Where performance is at the stretch target, the CPF equates to a maximum of 140%. Where the forecast distribution is between the forecast and stretch target, a *pro rata* award is made available on a straight-line basis.

► **Loan to value ("LTV") and debtors.** The secondary indicators of corporate performance are budgeted LTVs. Performance below the budgeted values of these measures serves to reduce the CPF by up to 30%.

GOVERNANCE AND SUSTAINABILITY ◀

The committee has agreed to the following for FY2021 performance levels for the CPF. The target is the same as the budget.

Corporate KPI	Target	Stretch
DPS (cents)*	53.71	56.39
LTV (%)**	41.9	-
Debtors outstanding (%)**	5	-

* Achievement below target for DPS means there is no incentive payable.

** Non-achievement of these measures reduces the incentive due (if any) on a sliding scale by up to 30% each.

The committee retains the discretion to review and moderate any STI awards to avoid unexpected outcomes. The Board approves the STI awards, considering the recommendations made by the committee. Awards under the STI are not guaranteed and the Board reserves the right to amend the design of the plan from time to time.

LTIP

The LTIP is designed to attract, motivate and retain executives and key talent. The LTIP is based on best practice, King IV guidelines and JSE Listings Requirements.

The objective of the LTIP is to align the interests of the executives with those of the shareholders by motivating them, through participation, to increase the long-term growth in shareholder returns.

The LTIP is a full value performance unit plan. The performance units constitute a right to the value of a share on vesting. Rights are granted annually to qualifying participants to acquire shares or to be paid the equivalent in cash (which option will be determined by the Board on vesting) on a specific vesting date conditional on tenure and performance conditions. The value of the rights is the same value of Delta shares listed on the JSE (30-day VWAP.) Vesting of each annual grant occurs at the end of the third anniversary. On vesting, at the end of year three, performance measures are applied to determine if any rights vest and how many. The performance measures are compound annual growth rate in DPS and net asset value ("NAV"). A strategic project may be included if relevant and appropriate.

On granting the rights, the targets for DPS and NAV are determined for when the rights

vest in three years' time. If strategic objectives are included, then the performance levels for these must also be agreed at grant.

The two (or three) performance measures used to modify the quantity of rights vesting have the following weighting:

- ▶ 60% weighting: Compounded annual growth in DPS over the three years relative to the sector average less a specified percentage.
- ▶ 40% weighting: NAV at the end of year three compared to the targeted NAV.
- ▶ Should the Board decide, at the time of granting the rights, it may at its own discretion include strategic objective(s) for the three-year period. Should the Board decide to do so, then the weighting given to the strategic objectives may not be more than 20%, which will reduce equally the weighting for the first two performance measures unless decided otherwise by the Board.

On vesting, the Board will decide whether to settle in cash or equity. The value realised on vesting by the participant, who will be paid out in cash or settled in equity, is the value of the rights at vesting multiplied by the total number of rights vesting after applying the performance criteria. Tax is payable on the value once the restrictions are lifted.

REMUNERATION AND NOMINATION COMMITTEE REPORT (continued)

The following awards were made for 1 March 2018 and 1 March 2019.

LTIP awards

Performance level	Vesting %	% of guaranteed package	
		CEO	CFO and COO
Threshold	25	17.5%	12.5%
Target	100	70.0%	50.0%
Stretch	200	140.0%	100.0%

LTIP targets

Weighted average growth in distribution

Performance level	1 March 2018	1 March 2019
Threshold	2.9%	(10.7%)
Target	3.2%	(10.7%)
Stretch	3.5%	(9.2%)

Weighted average growth in net asset value (NAV)

Performance level	1 March 2018	1 March 2019
Threshold	4.0%	2.3%
Target	4.2%	2.6%
Stretch	6.0%	2.8%

LTIP units awarded

Date of award	Vesting date	Number of units awarded	Price per unit at grant date	Total value at grant	Units lapsed	Closing number of unvested units	Fair value expected to vest [#]
Sandile Nomvete							
2018-03-01	2021-02-28	554 982	6.19	3 435 337	-	554 982	-
2019-03-01	2022-02-28	1 036 444	3.47	3 596 461	-	1 036 444	-
		1 591 426		7 031 798	-	1 591 426	-
Shaneel Maharaj							
2018-03-01	2021-02-28	216 534	6.19	1 340 347	-	216 534	-
2019-03-01	2022-02-28	407 734	3.47	1 414 837	-	407 734	-
		624 268		2 755 184	-	624 268	-
Otis Tshabalala							
2018-03-01	2021-02-28	226 878	6.19	1 404 375	-	226 878	-
2019-03-01	2022-02-28	425 187	3.47	1 475 399	-	425 187	-
		652 065		2 879 774	-	652 065	-

[#] The threshold for the performance conditions are not expected to be achieved.

Vesting percentage will start at 25% and will be capped at the maximum of 200% of the award. Straight-line interpolation applies for performance between these points. If performance is below threshold, there will be zero vesting.

Executive director contracts

The executive directors do not have fixed-term contracts with the Company. A three-month notice period is required for the executive directors for the termination of services. The employment contracts of the executive directors contain a restraint of trade clause with a period of one year. There is no provision in the contracts for loss of office payments, other than those required by employment law.

Non-executive directors' appointment letters

Appointment letters have been issued to all the non-executive directors.

Changes to remuneration

The following table summarises the key initiatives and changes made to the remuneration elements in the financial year:

Remuneration elements	Actual FY2020	Forecast FY2021
Guaranteed package ("GP")	Reviewed the GP (and total package) for the executives against market benchmarks. After considering affordability, performance and other key factors, decided on below market increases.	Continued reviews in line with market, Company and individual performance.
Benefits	Ongoing review with no major changes.	Ongoing review.
Performance evaluation for GP increases and STI	Completed development of new scorecards for executives which ensure alignment with strategy, Company goals and provide clarity on each executive's specific KPAs. Used the current scorecards to assess executive performance for FY2020.	Use new approved scorecards and objectives to assess executive performance for FY2021. Continue improving the executive scorecards for FY2022 based on shareholder feedback.
STIP	Improved disclosure of performance criteria and actual performance relative to the criteria and the reward for the level of performance. STI not achieved because the threshold for the gatekeeper of DPS was not achieved. A discretionary 13th and 14th cheque was awarded by the RNC.	Ongoing review and disclosure of performance criteria and levels of performance and a more stakeholder-inclusive model. Redesign of the STI in line with new best practice schemes for the REIT industry.
LTIP	The second award was made in FY2020 in line with the LTIP policy.	An award will be made in FY2021 which will include a strategic sustainability objective.
Malus and clawback	Developed and approved.	Summary of the policy is included below.
Non-executive directors' fees	Reviewed and submitted to AGM for approval annually.	Proposed increases submitted to AGM for approval.

REMUNERATION AND NOMINATION COMMITTEE REPORT (continued)

Malus and clawback policy summary

The malus and clawback policy was approved and implemented. The policy includes the definition of trigger events as well as the sanctions and procedures to be followed. The policy provides for the right to reduce and/or cancel and/or recover performance-based remuneration due to or paid to executives who participate in the STIP and/or LTIP, in the case of a trigger event occurring whether this arises from an intentional action or an unintentional error. A trigger event includes but is not limited to any of the following: deliberately misleading the Company, the market and/or shareholders in relation to the financial or operational performance of the Company, causing harm to the Company's reputation, or where their actions amount to misconduct, incompetence, poor performance or negligence, a material error in the Company's financial or operational statements which results in restatement and/or there is, in the reasonable opinion of the Board, a serious breach of the Company's employment conditions. The committee will on being made aware of a potential trigger event, notify the Company to stop all incentive payments to the appropriate executives. The committee will at its sole discretion determine the reduced incentive amount and/or the amount to be recovered from the executives. Should any executive wish to appeal, then the Chairperson of the Board will be the final arbitrator.

Part 3: Implementation report on the remuneration for executive and non-executive directors

Executive directors' remuneration

Performance scorecards

The following are the scorecards set for FY2020 and used to assess the performance of the executives at the end of the year.

CEO		
Objective	Weighting	Result
1 Manage the bulk lease renewal process	20%	14%
2 Managing the performance of the fund in line with budget	20%	12%
3 Strengthen the balance sheet and reduce LTV	10%	6%
4 Delta buildings are habitable with adequate capex and maintenance spend	10%	5%
5 Execution of Board approved strategy	20%	12%
6 Develop and maintain strong stakeholder relationships	20%	14%
	100%	63%

GOVERNANCE AND SUSTAINABILITY ◀

CFO		
Objective	Weighting	Result
1 Refinance expiring debt facilities	20%	12%
2 Reduce the weighted average cost of debt on refinancing facilities	10%	8%
3 Retain or improve the B-BBEE rating level	20%	12%
4 Publication of interim and final financial results within set time period/timeous delivery of interim and final financial results	25%	20%
5 Budget management: control of the corporate and administrative expenses	10%	8%
6 Efficient audit with no material findings	10%	6%
7 Succession planning and staff management	5%	2%
	100%	68%

COO		
Objective	Weighting	Result
1 Property Portfolio Management	25%	18%
2 Renewal of expiring leases and concluding new leases	30%	21%
3 Managing debtors at 30 days	10%	6%
4 Managing vacancies in line with SAPOA averages	10%	5%
5 Ensure occupational, health and safety compliance in the portfolio	10%	4%
6 Managing disposals in line with fair value of assets	15%	9%
	100%	63%

REMUNERATION AND NOMINATION COMMITTEE REPORT (continued)

Guaranteed pay increases

The executives' performance was assessed using the above scorecards. The assessments were used to inform increases. In line with inflation, the CEO, CFO and COO were awarded an increase in their guaranteed package of 5.2% (2019: 5.0%), 5.4% (2019: 5.5%) and 5.1% (2019: 5.0%) respectively effective 1 March 2020.

The remuneration and benefits were approved for the executive directors for FY2020 as follows:

2020 (R'000)	Salary	Other benefits*	Retirement benefits	Short-term incentives [#]	Long-term incentives [^]	Total
SH Nomvete	4 753	213	308	859	-	6 133
S Maharaj	2 587	158	169	471	-	3 385
ON Tshabalala	2 761	114	176	492	-	3 543
Total	10 101	485	653	1 822	-	13 061

* Other benefits comprise car-related allowances, UIF/SDL and cellphone.

[#] A discretionary bonus was approved by the committee for FY2020 - see explanation in the background statement.

[^] Details of the LTIs are included in the financial statements page 138.

2019 (R'000)	Salary	Other benefits*	Retirement benefits	Short-term incentives	Long-term incentives	Total
SH Nomvete	4 541	148	294	-	-	4 983
S Maharaj	2 460	174	161	-	-	2 795
ON Tshabalala	2 640	117	169	-	-	2 926
Total	9 641	439	624	-	-	10 704

* Other benefits comprise car-related allowances, UIF/SDL and cellphone.

The executive directors are the only employees of Delta Property Fund Limited.

GOVERNANCE AND SUSTAINABILITY ◀

Non-executive directors' fees

The table below sets out the actual fees paid based on the current shareholder approved fees for the non-executive directors.

Fees paid to non-executive directors	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
JB Magwaza	670	637	670	637
N Khan	416	403	416	403
DN Motau	416	404	416	404
ID Macleod	462	449	462	449
N Afolayan	462	449	462	449
JJ Njeke	412	400	412	400
C Rampheri	412	400	412	400
M de Lange (appointed 9 April 2019)	424	-	424	-
	3 674	3 142	3 674	3 142

Board and committee fees

The table below sets out the non-executive directors' fees per the Board and committees.

	Proposed 2021			2020		
	Chair	Member	Increase %#	Chair	Member	Increase %
Board	650 000	292 031	10.4/6.2	588 920	274 982	5.5
Audit, Risk and Compliance Committee	146 016	99 556	6.2	137 492	93 744	3
Remuneration and Nomination Committee	86 282	63 185	6.2	81 244	59 496	3
Investment Committee	146 016	99 556	6.2	137 492	93 744	3
Transformation, Social, Ethics and Sustainability Committee	86 282	63 052	6.2	81 244	59 371	3

A 6.2% inflationary linked increase for the NED fees and a 10.4% increase for the Chairman will be proposed to the shareholders at the Annual General Meeting on 31 August 2020 for the 2021 fees. The 10.4% proposed increase for the Chairman is to improve alignment with market benchmarks.

- ▶ No fees are paid to any invitees to the Board or committee meetings.
- ▶ The executive directors are not paid any fees for their membership or attendance at the Board or committee meetings.

RISK MANAGEMENT

Value creation through effective risk management practices is the ethos behind our Enterprise Risk Management (“ERM”) approach. Risk management is not intended to impede business, but to assist management in the pursuit of its achievement of strategic goals. Therefore, we strive to embed enabling and sustainable solutions into our culture in order to remain effective at risk management.

Risk management involves achieving an appropriate balance between identifying opportunities while minimising the adverse impacts of risks and in turn realising value. Our ERM process is inextricably linked to strategy formulation and execution with the aim of optimising the risk and return profile of the Company, reducing earnings volatility, strengthening management's confidence in business operations and risk monitoring, creating conducive governance procedures, improving

transparency of decision-making, and maximising profitability. Achievement of the above will lead to an enrichment of market and brand reputation, favourable credit risk rating, reduced risk premium and lowered cost of capital when approaching debt and capital markets.

For our shareholders, a lowered risk premium translates into higher distributable earnings, thus enhancing shareholders' value.

Integrated risk management and combined assurance

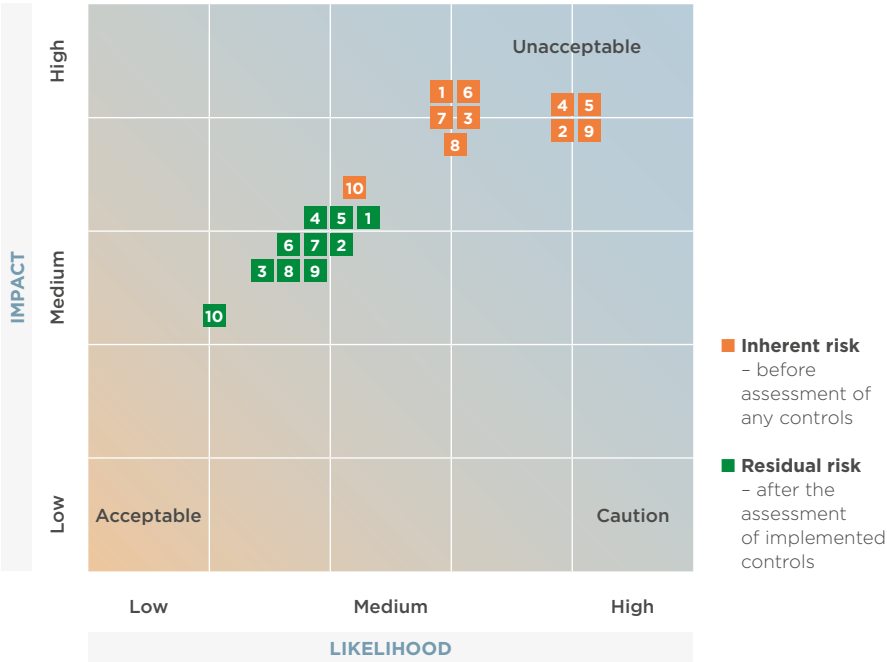
Delta has a structured and disciplined approach to group-wide risk management while maintaining a balance between risks and realising the opportunities associated with these risks. Our combined assurance approach aims to govern activities in a manner commensurate with good corporate governance principles of fairness, accountability, responsibility and transparency.

Our integrated approach ensures effective deployment of skill and resources to manage significant risks and mitigate control weaknesses. Effective risk governance enables us to leverage opportunities that support our strategic objectives while making risk-based decisions in choosing to pursue an opportunity.

What does risk and opportunity mean to Delta?

A risk is expected to negatively impact and an opportunity is expected to positively impact our ability to deliver sustained value to our stakeholders. Our risks are carefully managed to effectively and proactively identify, assess, quantify and mitigate risk events with the added objective and benefit of driving stakeholder value. This enables us to create an appropriate balance between realising opportunities for gain while minimising the adverse impacts of these risks.

Risk exposure rating diagram and table



STRATEGIC RISKS

Risk description	Business impact	Mitigating controls
1// Concentration risk and significant dependability on a major tenant	▶ Impaired independence resulting in the business conceding to decisions that are detrimental in the long term ▶ Change in strategic relationships could favour competing suppliers, thereby increasing vacancies ▶ Policy and cost-saving initiatives could reduce property values, increase LTV and create risk to debt refinace	▶ Strategy to diversify concentration risk to DPW with focus on sovereign i.e. student accommodation ▶ Relationships are forged at different levels in the business without dependency at executive level or single person ▶ Engagements, negotiations and interactions are managed by different spheres of the business with the tenants' task team, thereby ensuring competitive and market-related solutions
/ 2// Changes to the DPW leasing policy and framework	▶ Lease renewals at risk resulting in higher month-to-month continuation and potentially increased vacancies ▶ WALE of the portfolio reduces creating further risk to debt refinace and increasing cost of debt, thereby reducing distributions ▶ Property valuations decrease negatively impacting net asset value and LTV respectively ▶ Loss of investor confidence in the business impacting share price	▶ Regular meetings are held with DPW to ensure that we keep close to our major tenant ▶ Asset management team reports monthly on the status of leases including WALE of the portfolio ▶ Continuous active engagement with shareholders take place to ensure their investment decisions are aligned with the long-term objectives of the business
/ 3// Lack of available capital from debt providers	▶ Refinancing expiring debt is jeopardised ▶ Inability to raise capital for investment in property assets and tenant installation on lease renewals ▶ Increased vacancies from loss of tenants resulting in reduced distribution ▶ Growth of the business is stunted with the inability to raise new funding for investment opportunities	▶ Weekly cash flow planning is done in conjunction with property managers to ensure adequate liquidity ▶ Covenants are monitored and reported on a monthly basis to ensure compliance and non-breach of facilities ▶ Key relationships are maintained with funders to foster transparency and knowledge of the business
/ 4// Inability to maintain tenant required B-BBEE ratings in terms of the property sector scorecard	▶ Loss of existing tenants due to non-compliance with minimum B-BBEE ratings required per signed lease agreements ▶ Inability to attract and retain sovereign tenants ▶ Loss of investor confidence in our sovereign strategy	▶ Constant engagement on proposed B-BBEE amendments with the DTI via the Property Sector Charter ▶ Implementation of procurement system (Triamax) to monitor and report on B-BBEE progress ▶ Procurement department actively ensures suppliers are screened, vetted and compliant ▶ Monthly reporting by HR in respect of transformation progress of our externalised asset management
/ 5// Downgrading of South Africa's sovereign rating	▶ Potential downgrading of Delta's credit rating increasing its risk status with funders and limiting participation in the debt capital markets ("DCM") ▶ Increased interest rates negatively affecting distributions ▶ Constraint on liquidity in the market limiting capex and growth	▶ Hedging interest rate exposure using interest rate swap contracts ▶ Maintaining a ratio of at least 70% fixed debt at competitive pricing ▶ Diversifying funding mix between banks and DCM

GOVERNANCE AND SUSTAINABILITY ◀

Risk description	Business impact	Mitigating controls
/ 6 // Security-related threats and damage to property	▶ Increased operational costs to strengthen security ▶ Damage to assets and business interruption to tenants ▶ Increased cost of insurance and limited insurer participation	▶ Outsourced security providers are utilised and buildings are equipped with added security features ▶ Fully comprehensive insurance assessment performed annually to ensure adequate cover of the portfolio ▶ Effective business continuity management programmes
/ 7 // Information security and cyber crime	▶ Loss of data results in business disruption could expose Company to lawsuits, i.e. POPI Act ▶ Risk of cybercrime such as hacking, phishing, waling and ransomware heightened	▶ Enhanced data governance and security practices ▶ Proactive management and monitoring of system breaches ▶ Cloud computing ensures high level of data security which is constantly evolving ▶ Comprehensive business continuity and disaster recovery plan ▶ Outsourced IT function ensures implementation of latest practices and solutions
/ 8 // Reputational risk relating to lack of governance and ethics	▶ Reputational damage and loss of trust by all stakeholders ▶ Disinvestment by shareholders ▶ Breach of compliance with legislation resulting in the imposition of penalties and fines	▶ Company subscribes to code of good governance and keeps abreast of updates in conjunction with the company secretary and JSE sponsors ▶ Regular interaction with staff encouraging ethical behaviour and practices, and providing a whistleblowers hotline to communicate risks ▶ Majority independent Board with oversight
/ 9 // Consolidation of government departments and increased competition for tenants	▶ Increased vacancies which will reduce distribution ▶ Disposal of assets at large discount to book values which reduces NAV ▶ Competition for tenants could create a price war which will result in lower income and distribution	▶ Majority of our buildings are occupied by user departments, which historically have not downscaled in numbers due to consolidation ▶ Our buildings are located in strategic CBD nodes, were available land and buildings of similar scale are scarce ▶ Our strategy is to maintain minimum building value of R100 million which is very sizeable, hence competition from smaller and upcoming entrepreneurs should not have a significant impact
/ 10 // Non-compliance with the various statutory and regulatory requirements, i.e. JSE Listings/ Companies Act/King/ REITs/IFRS	▶ Fines and public censures for non-compliance to JSE rules and regulations ▶ Reputational risk negatively impacted resulting in loss of shareholder confidence and support ▶ Loss of REIT status results in Company having a tax obligation which will correspondingly reduce distribution	▶ Nedbank corporate provides sponsor services and ensures updates/compliance to JSE rules ▶ Independent Company Secretary advises management and Board on King-related updates ▶ Affiliation to the REIT organisation and appointment of executives on committees ensures Company is up to date on legislation ▶ Financial staff encouraged to maintain proficiency in IFRS by subscribing to memberships of professional bodies, i.e. SAICA/IOD ▶ External audit provides further assurance to stakeholders on governance, controls and IFRS compliance

REPORT ON SUSTAINABILITY, TRANSFORMATION AND CORPORATE CITIZENSHIP

Introduction

Delta is committed to making a meaningful and measurable difference in the broader South African community. This objective underpins the values and business activities of Delta. As a responsible corporate citizen, Delta aims to improve the livelihood of all individuals it engages with through initiatives such as:

- ▶ Enterprise and supplier development and skills transfer
- ▶ Preferential procurement
- ▶ Improving access to education
- ▶ Employment equity
- ▶ Socio-economic development
- ▶ Economic development

In accordance with the requirements of section 72(4) of the Companies Act of 2008 ("the Act"), the Delta Board resolved to establish a statutory committee of the Board to be known as the Transformation, Social, Ethics and Sustainability Committee ("Setcom" or "the committee"). The Committee has adopted a charter which aligns to the requirements of the Companies Act, the JSE Listings Requirements, King IV and the Property Sector BEE Code ("the Code").

The committee is required to assist the Board in overseeing and monitoring, on an ongoing basis, how the consequences of the organisation's activities and outputs impact its status as a responsible corporate citizen. This oversight and monitoring are performed in line with the committee charter and against measures and targets agreed with management and its appointed asset manager in order to:

- ▶ Enhance and contribute to the Group's brand and reputation as a socially conscious business to all stakeholders.

- ▶ Align CSI objectives to the core functions of the business and ensure that they are mutually beneficial to Delta and the recipients.
- ▶ Promote equal opportunity and fairness for all citizens, in its areas of impact, in the broader South African community.

Strategic focus areas

The strategic focus areas are aligned to the objectives of the Code and they are divided broadly into three elements, namely environmental, social and governance.

Governance

How Delta addresses governance is addressed in detail in the governance report which forms part of this integrated annual report. This committee, together with the Audit, Risk and Compliance Committee ("AR+CC") continue to maintain oversight on governance matters.

Social

Broad-based black economic empowerment ("B-BBEE")

The focus is to align the Fund's B-BBEE rating to the requirements of the DPW, the property charter, property sector scorecards and the BEE Code of Good Practice.

To this end, Delta has implemented policies, procedures and processes in order for it to achieve the rating of a level 2 B-BBEE contributor.

GOVERNANCE AND SUSTAINABILITY ◀

DPAM, the Company's contracted asset manager, is 100% black-owned via a trust set up for the benefit of its qualifying staff and has a level 1 B-BBEE contributor rating. At an appropriate time, consideration may be given to internalising the asset management function and implementing a structure that supports an equitably viable BEE initiative.

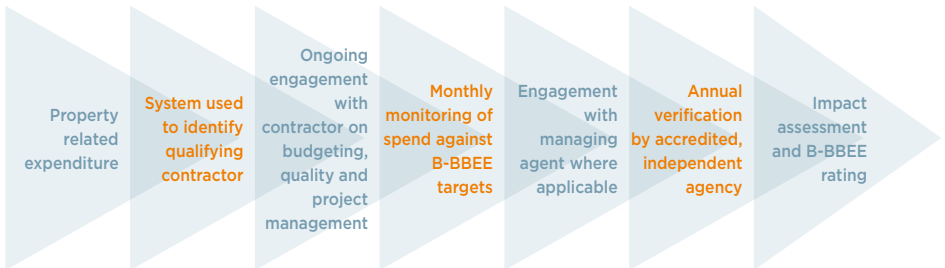
Enterprise & Supplier Development ("ESD")

Delta's ESD initiatives focus on enterprise, supplier and skills development through preferential procurement and the

implementation of formalised skills transfer programmes with time records of engagements as agreed with the project manager/asset manager and the SMME contractor. The intention is to assist and accelerate the growth, development and sustainability of local small black enterprises in Delta's key operational nodes.

Delta, via its asset manager DPAM, makes use of an integrated maintenance management system to monitor and verify that property-related expenditure is outsourced and managed by qualifying, significantly black-owned enterprises.

ESD roll-out and verification



Monthly analysis per property manager and contractor is submitted and an analysed report is distributed as part of the Company's procurement report.

Contractors are segmented as follows:

- ▶ Exempt micro-enterprises ("EME")
- ▶ Qualifying small enterprises ("QSE")
- ▶ The construction sector code ("GNC")
- ▶ Those with no empowerment (none)
- ▶ Further differentiation is made between contractors that are 51% black-owned and/or 30% black women-owned

Records are independently analysed and verified by an accredited, independent B-BBEE verification agency on an annual basis to assess and rate Delta.

Spend against Delta's procurement objectives is measured monthly against predetermined targets with regular engagement by DPAM with the appointed property managers to ensure consistent achievements of objectives.

REPORT ON SUSTAINABILITY, TRANSFORMATION AND CORPORATE CITIZENSHIP (continued)

Longer-term ESD objectives are contingent on the successful lease renewal process and include:

- ▶ amplification of procurement spend, subject to the recapitalisation of the Company;
- ▶ increasing the number of dedicated SMME contractors with specific skills (electrical, plumbing, etc.) working on regional/localised assets to ensure sustainability, service levels and skills transfer;
- ▶ formalising a mentorship programme with various project managers and DPAM;
- ▶ implementing a specific skills transfer programme with time records of engagements; and
- ▶ implementing a centralised procurement system.

CSI in relation to corporate social responsibility

Delta's corporate social investment ("CSI") strategy consists of both economic development ("ED") and socio-economic development ("SED") elements and supports the Company's overall social responsibility strategy.

The Group's ED and SED initiatives have consistently been focused within the wider ambit of:

- ▶ early childhood education;
- ▶ tertiary education with a focus on women empowerment in the property sector;
- ▶ SMME, supplier and enterprise development and empowerment (level 1 to 4 contributors); and
- ▶ environmental footprint reduction.

Delta applies a triple-bottom line approach to its business with key investment decisions based on financial return to providers of capital, environmental footprint reduction, social impact as well as alignment with the Company's policy on being a responsible corporate citizen.

Key focal areas of this strategy include:

- ▶ economic development, especially in under-resourced areas;
- ▶ enterprise and supplier development, including skills development in collaboration with key stakeholders;
- ▶ formalising and enhancing Delta's current SED framework through closer collaboration with key stakeholders, placing specific emphasis on:
 - community development through early childhood education and safe-care facilities; and
 - the advancement of black and black female professionals in the sector through property-related studies;
- ▶ collaboration with key stakeholders including tenants and asset managers on initiatives to reduce the Company's environmental footprint, especially with regards to waste, water and carbon emissions.

Economic development

Delta seeks wherever possible to invest in under-resourced areas.

Socio-economic development

Delta's SED programme aims to focus on making a sustainable and tangible difference in the lives of the communities where Delta has a dominant nodal footprint, aligned to the objectives of the Code and government's national development plan 2030. The skills set within the property sector will be enhanced by:

- ▶ promoting sector-specific learnerships and bursaries;
- ▶ tertiary education development; and
- ▶ early childhood education.

Preference is given to projects where the following groups are major beneficiaries (>50%):

- ▶ Previously disadvantaged individuals ("PDI")
- ▶ PDI youth (10 to 25 years)
- ▶ Black women
- ▶ PDI communities

Delta's SED programme also looks to include:

- ▶ donations and sponsorships in line with the preference criteria above;
- ▶ an ethics framework and the reduction of corruption including detection and response to fraud and corruption;
- ▶ consumer protection;
- ▶ environment and the rejuvenation of city centres where Delta has a footprint; and
- ▶ encouragement of DPAM to get its employees to volunteer on various projects that Delta supports.

Delta's SED objectives

- ▶ To make a sustainable and tangible difference in the lives of the communities where Delta has a dominant nodal

footprint; aligned to the objectives of the code and government's national development plan 2030;

- ▶ Enhance the skill set within the property sector by:
 - promoting property-specific learnerships and bursaries;
 - tertiary educational development; and
 - early childhood education.

In terms of this strategy, and to contribute to transformation and depth in the sector, Delta will continue to identify qualifying high-performing individuals who will benefit from bursary and practical experience as part of a mentorship programme. Students who do not qualify for government funding or have additional needs will be considered.

Delta regards early childhood education as the foundation for future learning and development and it is an important step forward in breaking the cycle of poverty and confronting youth unemployment. The Group's objectives have been to contribute to early childhood education facilities in order to assist in the alleviation of the large number of children who do not have access to early education facilities.

Delta education trust

The establishment of a standalone education trust for qualifying individuals, who do not qualify for government free education, with aptitude for property-related studies, remains a future initiative.

REPORT ON SUSTAINABILITY, TRANSFORMATION AND CORPORATE CITIZENSHIP (continued)

The intention remains that the support of the trust will not be limited to bursaries, but can include mentoring, collaboration on accommodation, including offering free accommodation for ECD and bursary/education fund NPOs, internships and other support such as transport, etc.

Legacy projects

Due to prioritising of cash flows, a total of R27 150 was invested into legacy projects during the reporting period. Delta further encourages staff to regularly volunteer in community upliftment activities such as the building project in collaboration with Habitat for Humanity.

In light of COVID-19, Setcom is reviewing all legacy projects with a view of closer aligning these with the Company's overall CSI strategy.

The implementation of this strategy continues, and updates will be communicated to stakeholders via the Company's website, the integrated annual report and social media.

Environment

Health and safety regulations

Compliance requirements to ensure that public health and safety in Delta's buildings are in line with the Occupational Health and Safety Act ("OHSA") requirements, have been identified and a compliance programme rollout is under way. Priority has been given to buildings where the

leases have been renewed or have been contractually agreed to.

In addition, the Group has a health and safety policy in place and ensures compliance with all relevant local health and safety laws and consistently monitors compliance. Capex improvements and budgets directly relating to health and safety are available in the Chief Operating Officer's report.

No accidents or fatalities were reported during the year under review.

Health and safety – COVID-19

On 15 March 2020, President Cyril Ramaphosa announced a national state of disaster in a bid to stem the growing number of positive COVID-19 cases in South Africa.

This paved the way for a national lockdown announced on 23 March 2020 to enforce isolation and limit the spread of the pandemic.

At the time of writing, the South African economy was being reopened in four phases (phase five being complete lockdown), based on the infection rate in each province.

Delta is fully supportive of the measures implemented by government and commends the swift action with which this was done.

Prior to the lockdown, Delta together with DPAM, formed a COVID-19 Steering Committee (“Steercom”) whose terms of reference were to (a) address the safety, health and wellbeing of Delta and DPAM’s staff, and (b) the safe operation of Delta’s buildings. The Steercom developed a COVID-19 policy which addressed operational and staff requirements, both during the lockdown and for events post-lockdown. The Steercom has worked closely with cleaning staff and security to increase the number of cleaning hours and implement the use of hospital grade disinfectant at all Delta’s assets, as well as additional training of frontline staff on health and safety measures, including the use of personal protection equipment.

Where assets are multi-tenanted, Delta took additional precautions, cleaning high-touch areas at regular intervals. At single-tenanted assets, the Group collaborated with the tenant to ensure appropriate preventative measures are put in place and adhered to.

Depending on the particulars relating to each phase of the lockdown, Delta will continue to work closely with tenants to ensure compliance with social distancing and other measures, in addition to its elevated cleaning protocols implemented previously.

Delta staff and the DPAM head office staff were encouraged and equipped to work from home during the lockdown period. This process, as well as the back to work

stage, is being and will be carefully managed by the Steercom in terms of the COVID-19 policy.

Sustainability

Carbon emissions

Delta continues to dedicate resources to the long-term reduction of its carbon footprint with specific focus on lighting, air-conditioning, lifts and escalators. The Company does not currently measure its carbon emissions but will consider applicable benchmarking in the longer term. Delta does, however, have various interventions in place to support the reduction of its carbon footprint. These include ensuring cleaning companies use environmentally friendly cleaning agents and that the paint used in refurbishments is eco-friendly.

Lighting

Delta uses LED lighting in all new tenant fit-outs and continues with its programme of replacing existing fluorescent lighting. LED lights are up to 80% more efficient than traditional lights, resulting in reduced energy costs and improved light quality for tenants. Approximately R2 million was spent in the reporting period.

Solar

We are in ongoing discussions with various key players in the industry and we are in the process of finalising the appointment of selected service providers to roll out various solar initiatives which will be implemented within the portfolio during FY2021.

REPORT ON SUSTAINABILITY, TRANSFORMATION AND CORPORATE CITIZENSHIP (continued)

HVAC, lifts and escalators

Delta is on a drive to replace old equipment with new energy-efficient equipment. The new DPW lease agreements have added these as conditions for lease renewals. Priority is given to the equipment that is failing and has reached the end of its life cycle. The roll-out of this programme is conducted on the basis of cash flow permitting. A programme is being rolled out in compliance with the 2016 Kigali Agreement, when the HVAC gas is being changed to the more environmentally friendly R22 refrigerant.

Water usage

As part of its water-efficiency strategy, Delta is developing a programme to replace its water-cooled air-conditioning systems with more water-efficient models. Other interventions include the installation of water storage tanks for consumption/use in emergency situations. Grey water utilisation projects, where appropriate, are being investigated. Although the water usage/cost is a recovery pass-through cost to the tenants, Delta continues to provide guidance to tenants on reducing water consumption and makes suggestions with regards to water-saving initiatives. Delta has also embarked on a project to install smart meters, which assist in the early detection of water leaks and wastage.

Waste management

In terms of Delta's waste management policy, the Group ensures that all service providers comply with current best practice and has engaged with tenants to encourage them to support recycling and environmentally friendly ways of disposing of paper and other materials.

Social conduct

No social controversies relating to the Group, its directors or management were reported during the year under review.

Labour

The Delta staff complement comprises the three executive directors and has had zero turnover in the last five years. To management's knowledge there are no significant labour concerns at any of its major service providers, including that of its asset manager. In order to manage resource risk, Delta does receive monthly reports from DPAM on labour-related matters including turnover, which is industry benchmarked as well as any labour disputes/unrest. Delta is comfortable with the DPAM labour status as well as the level of remuneration of the staff including their employee benefits.

Whistleblowing service

A whistleblowing service is in place to enable any stakeholder to anonymously report matters of concern or fraud. Reports from this service are reported on to the committee from an ethics and governance perspective and to the AR+CC from a risk perspective.

Data protection

Delta's customer privacy policy and procedures are aimed at protecting the privacy and the data of its customers. A gap analysis is currently being undertaken to ensure that Delta's management, storage and use/protection of its information/data is aligned with the requirements of the pending POPI Act. Delta continues to utilise cloud-based data storage (Microsoft One Drive) and implements best practice

protocols as recommended by Microsoft. Delta and DPAM have both implemented multi-function authentication.

Its security is monitored consistently with various service level agreements in place with Delta's outsourced IT service providers to secure client and staff information with strict access control. The appropriateness and effectiveness of Delta's information protection protocols continue to be assessed regularly. In terms of managing IT risks, Delta receives monthly reports from DPAM and is comfortable with the controls, processes, policies and procedures that DPAM has put in place around its IT systems (including data protection, storage, backup, etc.).

Conclusion

The successful implementation of Delta's corporate social responsibility programmes, especially its ED, SED and sustainability initiatives are contingent on the Group's financial performance.

Delta is currently engaging with stakeholders to establish if there are any additional ESG areas that they would like to see Delta focus on and/or report on.

STAKEHOLDER ENGAGEMENT

The directors recognise the need to conduct the enterprise with integrity and in accordance with generally acceptable corporate practices. This includes timely, relevant and meaningful reporting to shareholders and other stakeholders providing an objective perspective of Delta and its activities.

Delta is fully committed to the principles of the Code of Corporate Practices and Conduct set out in King IV. Delta has adopted a stakeholder-inclusive approach to corporate governance. Stakeholders are engaged via various channels to determine their needs and respond appropriately. Stakeholders who could materially affect Delta's operations are identified, assessed and engaged with as part of the risk management process.

The directors have established mechanisms and policies appropriate to the Group's business in keeping with its commitment to best practices in corporate governance.

The directors recognise that creating wealth and delivering value to all stakeholders are prerequisites for sustainability of the business as a going concern.

Delta is committed to reporting openly on the key issues affecting the Group's operations, its corporate governance practices and any other information

which may have a material effect on the decisions of stakeholders. The directors are cognisant that stakeholder perception may have an impact on the reputation of the Group and, as such, the Board, as the ultimate custodian of corporate reputation and stakeholder relationships, considers a blend of shareholder and stakeholder interests in the context of its overarching duty to act in the best interests of the Group.

Management engages with analysts and shareholders on a regular basis to ascertain expectations and perceptions of the Group. They also take particular responsibility for managing the relationship with the DPW, as government is a major tenant in Delta's commercial property portfolio.

Delta is a member of SAPOA, IPD, SACSC and South African REITs. The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the stakeholders through the optimisation of the debt equity balance. The capital structure of the Group consists of equity attributable to equity holders, comprising issued capital and retained earnings.

Delta has commenced documenting a formal stakeholder policy. Once finalised, the policy will be uploaded on the Group's website.

Stakeholder group	Engagement
Shareholders and investors	Annual General Meetings
	✓ Annual and interim reports
	✓ Results presentations (bi-annual)
	✓ Ongoing one-on-one meetings with investors and analysts
	✓ Roadshows
	✓ Media announcements
	✓ SENS announcements
	✓ Website updates
	✓ Compliant and transparent reporting
	✓ Pre-close calls (interim and financial year-end pre-close financial information)

GOVERNANCE AND SUSTAINABILITY ◀

Stakeholder group	Engagement
Banks and financiers	Regular one-on-one meetings between management and funders ✓ Cash flow and solvency forecasts ✓ Report to financial stakeholders ✓ Monitoring of key financial ratios ✓ Fixing of interest rates ✓ Property visits ✓ Ongoing negotiations with bankers and financiers to obtain competitive terms and pricing ✓ Consideration of alternative sources of capital by the Board and corporate advisers ✓ Integrated annual report
Tenants	Government – management liaises regularly with the DPW ✓ Regular site visits ✓ Formal communication via email and letters ✓ Management meetings with senior staff of major tenants
Suppliers/service providers	Supplier performance is monitored regularly ✓ Tenders are awarded based on B-BBEE credentials, price and quality
Media	Press releases ✓ Television interviews ✓ One-on-one meetings ✓ Invitation to presentations
Regulatory bodies	Regular contact with JSE and SARS
Government	Engaging with government at national, provincial, council and local levels ✓ Regulatory submissions
Communities	Corporate social investment ✓ Constructive and transparent engagement ✓ Bursaries ✓ Investment in inner-city enhancement projects
Industry bodies	Memberships of SAPOA, IPD, SACSC and South African REITs Association ✓ Relationships ✓ Events
Asset manager	Formal monthly reporting meetings ✓ Informal daily interaction ✓ Management of agreed KPIs

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the Group annual financial statements and related financial information included in this report. It is their responsibility to ensure that the Group annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and Companies Act of South Africa. The external auditors are engaged to express an independent opinion on the Group financial statements.

The Group annual financial statements are prepared in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and Companies Act of South Africa and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of directors sets standards for internal control

aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Group annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year from the date of approval of this report and, in light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.



SH Nomvete
Chief Executive Officer



S Maharaj
Chief Financial Officer

DECLARATION BY GROUP COMPANY SECRETARY

Declaration by the Group Company Secretary in respect of section 88(2)(e) of the Companies Act.

In terms of section 88(2)(e) of the Companies Act of South Africa, as amended, I certify that the Group has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

These annual financial statements have been audited in compliance with section

30(ii)(a) of the Companies Act of South Africa and were prepared under the supervision of the CFO, Mr Shaneel Maharaj CA(SA), HDip Tax.



P Nel
Company Secretary

11 June 2020

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The Audit, Risk and Compliance Committee is an independent statutory committee and, in addition to having specific statutory responsibilities to the shareholders in terms of the Companies Act of South Africa, also assists the Board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, the external and internal audit functions, information and technology governance, as well as the statutory and regulatory compliance of the Company.

Terms of reference

The committee has adopted a formal charter which has been approved by the Board and has been incorporated in the Board charter.

Composition and meetings

The committee consists of four independent non-executive directors. Members are appointed by the shareholders of the Company at each AGM, on the recommendation of the Nomination Committee and the Board. There has been no change to the committee's composition during the year.

At the date of this report, the Audit, Risk and Compliance Committee comprised the following directors:

Director	Period served
Ian Macleod	5 November 2014 - current
Nombuso Afolayan	13 May 2016 - current
JJ Njeke (Chairman)	25 May 2017 - current
Marelise de Lange	9 April 2019 - current

The CEO, CFO, COO, senior financial management of the asset manager and representatives from the external and internal auditors attend the committee meetings by invitation only. The external auditor has unrestricted access to the committee.

The committee met three times prior to the end of the financial year. This being in accordance with its charter, King IV and the Companies Act, which requires that the committee meets a minimum of three times prior to the end of the financial year.

Statutory duties

In the execution of its statutory duties relating to the financial year under review, the Audit, Risk and Compliance Committee:

- ▶ nominated and recommended BDO for reappointment as external auditor of the Company and Group under section 90 of the Companies Act; a registered auditor who, in the opinion of the committee, is independent;
- ▶ determined the fees to be paid to the auditor and the auditor's terms of engagement;
- ▶ ensured that the appointment of the auditor complied with the provision of the Companies Act, and any other legislation relating to the appointment of auditors;
- ▶ determined the nature and extent of any non-audit services that the auditor may provide to the Company or Group;
- ▶ pre-approved any proposed engagement of the auditor for the provision of non-audit services to the Company or Group;
- ▶ prepared a report, which has been included in the annual financial statements of the Company for the financial year under review;
- ▶ received and dealt appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, in relation to the matters as set out in the Companies Act; and
- ▶ made submissions to the Board on any matter concerning the Company's accounting policies, financial controls, records and reporting.

Delegated duties

In addition to its statutory duties, the Audit, Risk and Compliance Committee also performed the following duties:

- ▶ Oversight of risk management by reviewing and approving the key risks facing the Group.
- ▶ Reviewed the scope and report provided by the internal auditor.
- ▶ Reviewed the effectiveness of the internal financial controls.
- ▶ Assisted the Board in its review of the Group's risk management and compliance policies.
- ▶ Reviewed the expertise and experience of the CFO, and the finance function.

Monitored compliance with REIT requirements, in accordance with the JSE Listings Requirements and confirmed that the risk management policy has been complied with in all material respects.

Regulatory compliance

The committee has complied with all the applicable regulatory and legal responsibilities.

External audit

Based on processes followed by the committee and assurances received from the external auditor, nothing has come to our attention regarding the independence of the external auditor.

The committee has requested that the auditor provide it with any decision letters and explanations issued by IRBA or any other regulator and any summaries relating to monitoring procedures and deficiencies issued by the audit firm. There were no matters pertaining to Delta that were raised by IRBA or any other regulator.

The external auditor presented the committee with its audit findings, with no significant matters having been identified. The committee follows a comprehensive process to discuss and assess all audit findings.

BDO South Africa Incorporated has been the Group's external auditor for the past 10 years. The engagement partner, Vincent Ngobese, was replaced by Bradley Jackson during the year.

Internal audit

The committee oversees the internal audit function. During the year Mazars was appointed as the Group's internal auditor replacing Grant Thornton as it had merged with BDO, our external auditor.

Mazars continued with the approved rolling internal audit plan as previously prepared by Grant Thornton.

Ghitesh Deva, Director: Internal Audit and Risk Advisory at Mazars, has fulfilled the role of Chief Audit Executive ("CAE"). The CAE is invited to participate in all the Audit, Risk and Compliance Committee meetings as well as participate in the annual detailed risk workshop that the committee holds.

Terms of engagement and fees paid to external auditor

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 29 February 2020. The committee considered the fee to be fair and appropriate.

Information relating to non-audit services provided by the appointed external auditor of the Company has been disclosed in the notes to the annual financial statements. Separate disclosures have been made of the amounts paid to the appointed external auditor for non-audit services as opposed to audit services.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT (continued)

Finance function

The committee has reviewed the consolidated and separate financial statements of the Group and is satisfied that they comply with IFRS. The external auditor has expressed an unqualified opinion on the financial statements for the year ended 29 February 2020.

The committee is satisfied that Shaneel Maharaj, the CFO, has the appropriate expertise and experience to meet his responsibilities in that position as required by the JSE. The committee is further satisfied with the expertise and adequacy of resources within the finance function; and the experience of the senior financial management staff. In making these assessments the committee has obtained feedback from the external auditor.

Based on the processes and assurances obtained the committee is of the view that the accounting practices are effective and that appropriate financial reporting procedures exist and are working.

Going concern

The committee, through its review of the 2021 budget, cash flows, successful conclusion of the DPW lease renewals and discussions with executive management, reported to the Board that it supports management's view that the Company will continue to operate as a going concern for the foreseeable future.

Consideration has also been given to the impact of COVID-19 and the impact on the going concern status of the business, and the committee is comfortable that although there has been a negative impact it has not impacted the going concern status of the business.

Integrated annual report

The committee has reviewed and commented on the financial statements and the disclosure of sustainability issues included in this integrated annual report to ensure that they are reliable and do not conflict with the financial information disclosed in this integrated annual report. This integrated annual report was recommended by the committee to the Board for approval.

DIRECTORS' REPORT

The Board has the pleasure in submitting the directors' report for the year ended 29 February 2020.

Corporate overview

Delta is a listed REIT. It derives rental income from investments in office, retail and specialised properties, and distributions from other property-related investments.

Nature of business

Delta is the dominant sovereign listed property fund in South Africa, is black managed and with its level 2 B-BBEE contributor status is one of the highest empowered funds in the sector. 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.

Governance

The Board remains aligned with the King IV recommendations and as previously reported continues its ongoing exploration of the six capitals (financial, manufactured, human, intellectual, natural, and social and relationship) and how to link them appropriately into the strategy.

Review of activities and financial results

The results of the Group and the Company are commented on in the Chairman's, CEO's, COO's and CFO's reports on pages 23 to 39 and are set out in the financial statements on pages 94 to 167.

IFRS

The financial statements are prepared in terms of IFRS and the requirements of the Companies Act of South Africa.

Dividend

The following dividends were declared during the 2020 financial year:

- ▶ Dividend number 14 of 12.19 cents per share for the six months ended 31 August 2019
- ▶ No dividend was declared for the six months ended 29 February 2020

Share capital

Delta's share capital is outlined in note 15 to the annual financial statements.

Shareholder analysis

Refer to pages 180 to 181 of this report for the shareholder analysis.

Directorate

Executive directors

- ▶ SH Nomvete – CEO
- ▶ S Maharaj – CFO
- ▶ ON Tshabalala – COO

Non-executive directors

- ▶ JB Magwaza – Chairman*
- ▶ N Khan
- ▶ DN Motau*
- ▶ ID Macleod*
- ▶ NN Afolayan*
- ▶ MJN Njeke*
- ▶ MCR Rampheri*
- ▶ M de Lange*

* Independent.

DIRECTORS' REPORT (continued)

Directors' interests

The interest of the directors in the shares of the Company at the date of this report was as follows:

	Direct beneficial holding	Indirect beneficial holding	Total 2019	Direct beneficial holding	Indirect beneficial holding	Total 2020
Executive directors						
SH Nomvete ¹	-	18 882 039	18 882 039	-	18 882 039	18 882 039
S Maharaj ²	-	21 875 816	21 875 816	-	21 875 816	21 875 816
ON Tshabalala ²	-	21 875 816	21 875 816	-	21 875 816	21 875 816
Non-executive directors						
JB Magwaza ³	2 035 201	-	2 035 201	2 035 201	-	2 035 201
N Khan ²	50 000	32 484 616	32 534 616	50 000	32 484 616	32 534 616
	2 085 201	95 118 287	97 203 488	2 085 201	95 118 287	97 203 488

¹ **Nature and term of obligation:** loan facility renewed annually.

Amount of financial obligation: R71 706 968.

Number of securities offered as security/guarantee: 18 882 039.

² As part of a B-BBEE transaction Cornwall Crescent Proprietary Limited ("Cornwall") Cornwall purchased Delta shares from Redefine Properties Limited (off market) on a vendor loan.

Nature and term of obligation: loan debt finance over a five-year term. Transaction date 29 June 2017 for N Khan and 31 August 2018 for ON Tshabalala and S Maharaj.

Amount of financial obligation: the total amount owing by Cornwall as at 29 February 2020 is R1 691 659 189.

S Maharaj holds 13.5% (21 875 816 shares) of Cornwall = R228 373 991 of the total owed.

ON Tshabalala holds 13.5% (21 875 816 shares) of Cornwall = R228 373 991 of the total owed.

N Khan holds 20% (32 408 616 shares) of Cornwall = R338 331 838 of the total owed.

Number of securities offered as security/guarantee: 100 percent of the Delta shares owned by Cornwall are held under guarantee for the facility. The number of shares are per the share register being 162 043 079.

³ **Nature and term of obligation:** loan facility renewed annually.

Amount of financial obligation: R5 512 687.

Number of securities offered as security/guarantee: 2 035 201.

All changes in the directors' interests between financial year-end and the date of approval of the annual financial statements have been recorded above.

Directors' emoluments and service contracts

The executive directors have service contracts with the Company which include a three-month notice period. The non-executive directors enter a formal letter of appointment on acceptance of their Board position. All the directors' emoluments are disclosed on pages 66 and 67 of this report.

Directors' interests in contracts Asset management

DPAM, a company in which Sandile Nomvete serves as an executive director, is the appointed asset manager of Delta.

The fee payable by Delta to DPAM for all asset management and operational management services is a monthly fee equal to half of 0.35% of the aggregate of the market capitalisation and the borrowings of Delta ("enterprise value").

Property management

From 1 September 2016, property management services have been provided by DPAM. A management fee is payable to DPAM by Delta equal to 1.85% of monthly collections from tenants.

Insurance

Delta has appropriate insurance cover against crime risks as well as professional indemnity.

Promotion of Access to Information Act

There were no requests for information lodged with the Company in terms of the Promotion of Access to Information Act, No 2 of 2000.

The Group and Company have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the Group's financial statements.

The directors have satisfied themselves that the Group and Company are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements.

Events after the reporting period

Refer to note 39 of the annual financial statements for a list of material events which have occurred between the end of the reporting date and the date of this report.

Going concern

The directors are of the opinion that the Group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the Group's financial statements. Due to the impact of COVID-19 the Group has performed additional stress testing on its going concern assumptions and cash flows over the next 12 months and the directors have satisfied themselves that the Group is in a sound financial position to meet its foreseeable cash requirements.

Company Secretary and registered office

Paula Nel is the Company Secretary of the Group. The address of the Company Secretary is that of the Company's registered office, which is Silver Stream Office Park, 10 Muswell Road South, Bryanston, Johannesburg, 2021.

Special resolutions passed

No additional special resolutions were passed during the FY2020 other than those passed at Delta's AGM.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Delta Property Fund Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Delta Property Fund Limited (the "Group" and "Company") set out on pages 94 to 167, which comprise the consolidated and separate statements of financial position as at 29 February 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Delta Property Fund Limited as at 29 February 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial*

statements section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together with the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter**Valuation of investment property
(Group and Company – refer notes 1.4 and 3)**

The Group and Company's investment properties represent the majority of its assets and are accounted for using the fair value model.

Management obtains external independent valuations for all properties in a three-year cycle. In the current financial period, all properties were externally valued.

The valuation of these properties has been determined either on a discounted cash flow method, or an income capitalisation method, or a combination of both, and not on quoted prices in active markets. The valuations require significant estimates to be made by valuers and management and this is therefore considered a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included, among others, the following:

- ▶ We considered management's assessment of COVID-19 being a non-adjusting event after the reporting period, by considering the timing of the announcement of COVID-19 as a global pandemic by the World Health Organization, as well as the timing of the first reported case in South Africa.
- ▶ We confirmed the independence of management's experts ("the valuers") including assessing their experience with similar properties, qualification and competence to perform the valuations.
- ▶ We read the valuation reports for the properties valued by the independent valuation experts in the current year and confirmed the valuation approach was in accordance with International Financial Reporting Standards and suitable for use in determining the fair value of the investment properties for the purpose of the consolidated and separate financial statements. In addition, we have satisfied ourselves that the techniques used by the valuers have been applied consistently.
- ▶ The forecast revenue applied in the first year of both the discounted cash flow ("DCF") models and income capitalisation models was assessed for reasonability. This was performed by agreeing the inputs, used to generate the revenue forecast, to underlying lease information or other available industry data for similar properties. The forecast revenue was also compared to the current year revenue for reasonability.
- ▶ The projected property expenses applied in the first year of both the DCF models and income capitalisation models was assessed for reasonability. This was performed by comparison to actual expenses in the current financial period.
- ▶ We assessed the reasonability of revenue and expense growth rates in the DCF models subsequent to the initial forecast year to underlying lease information, on a sample basis and available industry data for similar investment properties.
- ▶ We assessed the reasonability of the discount, exit and capitalisation rates applied by comparing to available industry data in the Rode and SAPOA reports for similar investment properties.
- ▶ We recomputed the mathematical accuracy of the DCF models and income capitalisation models
- ▶ We evaluated whether disclosures in the financial statements related to the valuation of properties is in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Delta Property Fund Limited Annual Integrated Report for the year ended 29 February 2020", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ANNUAL FINANCIAL STATEMENTS ◀

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and

significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Delta Property Fund Limited for 10 years.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

Bradley Jackson
Director
Registered Auditor

8 July 2020

6th Floor
119-123 Hertzog Boulevard
Foreshore
Cape Town, 8001

STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Assets					
Non-current assets					
Investment property		9 300 966	9 913 811	9 055 582	9 664 809
Fair value of investment property	3	9 165 800	9 755 209	8 920 637	9 506 715
Straight-line rental income accrual	4	135 166	158 602	134 945	158 094
Property, plant and equipment	5	1 118	1 714	1 118	1 714
Investment in subsidiaries	6	-	-	62 273	62 273
Investment in listed security	8	277 734	461 822	277 734	461 822
Loans due from subsidiaries	9	-	-	455 233	439 038
		9 579 818	10 377 347	9 851 940	10 629 656
Current assets					
Loans due from related parties	10	30 635	43 511	30 635	43 511
Loan receivable	11	12 562	20 906	12 562	20 906
Current tax receivable	29	-	-	-	-
Trade and other receivables	12	317 963	357 973	315 443	334 393
Cash and cash equivalents	13	41 851	25 339	45 219	26 870
		403 011	447 729	403 859	425 680
Non-current assets held-for-sale	14	1 278 055	1 436 520	1 084 300	1 206 520
Total assets		11 260 884	12 261 596	11 340 099	12 261 856
Equity					
Share capital	15	4 868 461	4 868 461	4 868 461	4 868 461
Retained income		983 401	1 772 984	1 045 488	1 746 477
Total equity		5 851 862	6 641 445	5 913 949	6 614 938
Liabilities					
Non-current liabilities					
Derivative financial instruments	16	58 427	22 478	58 427	22 478
Interest-bearing borrowings	17	1 019 509	1 448 218	1 019 509	1 448 218
Lease liabilities	18	24 352	-	2 626	-
Loans due to subsidiaries	9	-	-	4 190	4 190
		1 102 288	1 470 696	1 084 752	1 474 886
Current liabilities					
Interest-bearing borrowings	17	4 002 608	3 810 253	4 002 608	3 810 253
Lease liabilities	18	4 079	-	1 209	-
Trade and other payables	19	227 111	172 003	215 267	161 391
Derivative financial instruments	16	3 805	28 625	3 805	28 623
Current tax payable	29	30 935	12 821	31 461	13 347
Bank overdraft	13	38 196	125 753	87 048	158 418
		4 306 734	4 149 455	4 341 398	4 172 032
Total liabilities		5 409 022	5 620 151	5 426 150	5 646 918
Total equity and liabilities		11 260 884	12 261 596	11 340 099	12 261 856

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2020

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Revenue					
Rental income	20	1 488 201	1 581 669	1 458 582	1 522 713
Straight-line rental income accrual	4	(30 383)	(34 304)	(27 987)	(32 970)
		1 457 818	1 547 365	1 430 595	1 489 743
Property operating expenses		(518 591)	(509 579)	(508 072)	(496 835)
Net property rental and related income		939 227	1 037 786	922 523	992 908
Other income		2 499	6 356	2 499	6 356
Foreign currency translation reserve recognised on derecognition of associate		-	4 805	-	-
Dividend income	25	42 878	21 769	49 251	36 660
Loss on foreign exchange movements		(20 826)	(28 103)	(20 826)	(28 103)
Administration expenses		(74 321)	(79 727)	(73 959)	(76 361)
Net operating profit	21	889 457	962 886	879 488	931 460
Fair value adjustments	23	(867 217)	(168 152)	(804 544)	(151 437)
Profit from operations		22 240	794 734	74 944	780 023
Finance costs	24	(558 085)	(537 281)	(555 491)	(537 354)
Interest income	25	23 020	26 032	56 316	56 732
(Loss)/profit before taxation		(512 825)	283 485	(424 231)	299 401
Taxation	26	(75 472)	(27 692)	(75 472)	(27 692)
(Loss)/profit for the year		(588 297)	255 793	(499 703)	271 709
Other comprehensive income:					
Items that may be reclassified subsequently to profit and loss		-	-	-	-
Total comprehensive (loss)/income for the year		(588 297)	255 793	(499 703)	271 709
(Loss)/profit for the year attributable to:					
Owners of the parent		(588 297)	255 793	(499 703)	271 709
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(588 297)	255 793	(499 703)	271 709
Basic and diluted earnings and headline per share:					
Basic and diluted (loss)/earnings per share (cents)	28	(82.37)	39.80	-	-
Basic and diluted headline earnings per share (cents)	28	22.30	73.16	-	-

STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

Group (R'000)	Share capital	Foreign currency translation reserve	Deferred consideration	Total reserves	Retained income	Total equity
Balance at 1 March 2018	4 854 032	4 805	139 425	144 230	2 160 330	7 158 592
Total comprehensive income for the year	-	-	-	-	255 793	255 793
Profit for the year	-	-	-	-	255 793	255 793
Deferred consideration settled	-	-	(139 425)	(139 425)	-	(139 425)
FCTR recognised in profit and loss	-	(4 805)	-	(4 805)	-	(4 805)
Dividend reinvestment	14 590	-	-	-	-	14 590
Share issue expenses	(161)	-	-	-	-	(161)
Dividends paid	-	-	-	-	(643 139)	(643 139)
Balance at 1 March 2019	4 868 461	-	-	-	1 772 984	6 641 445
Total comprehensive income for the year	-	-	-	-	(588 297)	(588 297)
Loss for the year	-	-	-	-	(588 297)	(588 297)
Dividends paid	-	-	-	-	(201 286)	(201 286)
Balance at 29 February 2020	4 868 461	-	-	-	983 401	5 851 862
Notes	15	16				
Company (R'000)						
Balance at 1 March 2018	4 854 032	-	139 425	139 425	2 117 907	7 111 364
Total comprehensive income for the year	-	-	-	-	271 709	271 709
Profit for the year	-	-	-	-	271 709	271 709
Deferred consideration settled	-	-	(139 425)	(139 425)	-	(139 425)
Dividend reinvestment	14 590	-	-	-	-	14 590
Share issue expenses	(161)	-	-	-	-	(161)
Dividends paid	-	-	-	-	(643 139)	(643 139)
Balance at 1 March 2019	4 868 461	-	-	-	1 746 477	6 614 938
Total comprehensive income for the year	-	-	-	-	(499 703)	(499 703)
Loss for the year	-	-	-	-	(499 703)	(499 703)
Dividends paid	-	-	-	-	(201 286)	(201 286)
Balance at 29 February 2020	4 868 461	-	-	-	1 045 488	5 913 949
Notes	15	16				

STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cash flows from operating activities					
Cash generated from operations	27	926 641	905 500	885 613	846 033
Interest received		16 985	24 544	50 281	55 244
Dividend received		42 878	38 849	49 251	53 741
Finance costs		(476 423)	(486 027)	(473 829)	(486 027)
Taxation paid	29	(57 358)	(14 345)	(57 358)	(14 345)
Net cash inflow from operating activities		452 723	468 521	453 958	454 646
Cash flows from investing activities					
Acquisition of property, plant and equipment	5	(102)	(164)	(102)	(164)
Capital expenditure on investment property and assets held-for-sale	3, 14	(22 938)	(114 975)	(22 570)	(112 540)
Proceeds on disposal of assets held-for-sale		49 106	15 750	49 106	15 750
Proceeds on disposal of investment in Grit		104 351	-	104 351	-
Gross movement in loans with related parties		10 297	17 216	10 297	17 216
Decrease in loan receivable		5 000	33 034	5 000	33 034
Loans advanced to subsidiaries		-	-	(16 194)	(15 771)
Net cash inflow/(outflow) from investing activities		145 714	(49 139)	129 888	(62 745)
Cash flows from financing activities					
Dividend reinvestment	15	-	14 429	-	14 429
Dividends paid	30	(201 286)	(643 139)	(201 286)	(643 139)
Deferred consideration settled in cash		-	(140 000)	-	(140 000)
Increase in interest-bearing borrowings	31	105 587	424 967	105 587	424 967
Repayment of lease liabilities	31	(969)	-	(728)	-
Repayment of interest-bearing borrowings	31	(368 908)	(179 115)	(368 908)	(179 115)
Repayment of other financial liabilities	31	(28 792)	-	(28 792)	-
Net cash outflow from financing activities		(494 368)	(522 858)	(494 127)	(522 858)
Net movement in cash and cash equivalents		104 069	(103 476)	89 719	(130 687)
Cash and cash equivalents at beginning of year		(100 414)	3 062	(131 548)	(861)
Cash and cash equivalents at end of year	13	3 655	(100 414)	(41 829)	(131 548)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS

The Group annual financial statements are prepared in accordance with International Financial Reporting Standards and the interpretations adopted by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee of the IASB. The consolidated and separate financial statements comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

The financial statements are prepared on the historic cost basis, except for investment property, investment property held-for-sale and certain financial instruments which are carried at fair value, and incorporate the principal accounting policies set out below.

The financial statements are prepared on a going concern basis. They are presented in rand and all values are rounded to the nearest thousand (R'000) except where otherwise indicated.

The accounting policies are consistent with those applied in the prior year, except for the adoption in the current year of IFRS 16 *Leases*, which had no significant impact on the Group as lessor but had an impact on the Group as lessee (see note 1.19).

1.1 Basis of consolidation

The Group annual financial statements incorporate the annual financial statements of the Company and all entities which are controlled by the Company.

The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of the subsidiaries are included in the Group annual financial statements from the effective date of acquisition to the effective date of disposal. On acquisition, the Group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary, both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

ACCOUNTING POLICIES (continued)**1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS** (continued)**1.2 Investment in subsidiaries**

Subsidiaries are entities over which the Company has the ability to control the financial and operating activities so as to obtain benefit from the activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In the separate financial statements of the Company, investments in subsidiaries are carried at cost less any accumulated impairment.

1.3 Interest in joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- ▶ Its assets, including its share of any assets held jointly
- ▶ Its liabilities, including its share of any liabilities incurred jointly
- ▶ Its revenue from the sale of its share of the output arising from the joint operation
- ▶ Its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

1.4 Investment property

Investment property consists of land and buildings and installed equipment held to earn rental income for the long term and subsequent capital appreciation. Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost including transaction costs. Cost includes initial costs, costs incurred subsequently to extend or refurbish investment property as well as the cost of any development rights.

Investment properties are valued annually and adjusted to fair value as at statement of financial position date. Valuations are done on the open market value basis and the valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of the methods.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES (continued)

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS (continued)

1.4 Investment property (continued)

The discounted cash flow model generates a net present value for each property by discounting forecast future cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The residual value is calculated by capitalising the net income forecast for the 12-month period immediately following the final year of the cash flow at the exit capitalisation rate. The discount rate applied by each valuator is determined by adding a growth rate per property, based on forecast market-related rental increases, to the determined capitalisation rate per property. The discount rate is then tested for reasonableness by benchmarking the rate against recent comparable sales and surveys prepared by the Morgan Stanley Capital International Index ("MSCI") and South African Property Owners Association ("SAPOA"). The capitalisation rate is dependent on a number of factors such as location, the condition of the property, current market conditions, the lease covenants and the risk inherent in the property, and is also tested for reasonableness by benchmarking against comparable recent sales and surveys prepared by MSCI/SAPOA.

The capitalisation approach determines the net normalised annual income of the property, assuming the property is fully let at market-related rentals, and market escalations, with an allowance made for vacancies (where applicable). Market-related operating expenses are subtracted resulting in a net annual income, which is then capitalised into perpetuity at a market-related rate. The capitalisation rate is best determined, where possible, by referring to market transactions of comparable properties as it is based on information derived from market analysis. The capitalisation rate must consider the prevailing interest rate. The higher the interest rate, the better return an investor will require. Similarly, risk is another factor that will influence the capitalisation rate. The higher the risk factor, the better the return an investor will require. The risk inherent to income producing properties is the degree of certainty that the income stream will be realised despite the uncertainty of the future.

Any gain or loss arising from a change in fair value is included in profit or loss for the period in which the fair value adjustments arises.

Gains and losses on the disposal of investment properties are recognised in profit or loss as fair value adjustments and are calculated as the difference between the proceeds received and the carrying value of the property.

1.5 Non-current assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held-for-sale. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for sale in its present condition subject only to terms that are usual and customary for sales of such assets. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset or disposal group.

ACCOUNTING POLICIES (continued)**1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS** (continued)**1.5 Non-current assets held-for-sale** (continued)

Investment properties classified as held-for-sale are measured in accordance with IAS 40: Investment Property at fair value, with gains and losses on subsequent measurement being recognised in profit or loss.

1.6 Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period during which these costs are incurred.

A qualifying asset is an asset that takes a substantial period of time to prepare for its intended use.

Any costs that are incurred on raising interest-bearing borrowings are offset against the debt balance and recognised as additional interest using the effective interest rate method over the term of the loan.

1.7 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- ▶ it is probable that future economic benefits associated with the item will flow to the Company; and
- ▶ the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Leasehold improvements are depreciated over the shorter of the useful life of the asset or the lease term.

Item	Average useful life
Furniture and fittings	6 – 25
Motor vehicles	5
Computer equipment	3

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES (continued)

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS (continued)

1.7 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in profit or loss.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.8 Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items.

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- ▶ Those to be measured at amortised cost; or
- ▶ Those to be measured subsequently at fair value through profit or loss.

The classification is based on the business model for managing the asset and the asset's contractual cash flow characteristics as follows:

- ▶ Amortised cost – a financial asset is measured at amortised cost if both of the following conditions are met:
 - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- ▶ Fair value through profit or loss ("FVTPL") – any financial assets that are not held at amortised cost are measured at fair value through profit or loss.

All affected financial assets are only reclassified when the business model for managing financial assets changes.

(ii) Recognition and derecognition

Financial assets are recognised when the Group becomes a party to the contractual provisions of the arrangement. Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

ACCOUNTING POLICIES (continued)**1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS** (continued)**1.8 Financial instruments** (continued)**Financial assets** (continued)**(iii) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The following accounting policies apply to the subsequent measurement of financial assets:

- ▶ Financial assets at amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest is measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- ▶ Financial assets at FVTPL: Assets that do not meet the criteria for amortised cost are measured at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss in the period in which it arises.

(iv) Impairment

At each reporting date the Group reviews the carrying values of financial assets carried at amortised cost for an indication of impairment, based on either the 12-month expected credit losses or lifetime expected credit losses. For trade and other receivables, the Group applies the simplified impairment approach, and therefore assesses impairment using a lifetime approach for these assets.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Changes in the expected credit loss ("ECL") allowance are recognised in profit or loss as an impairment gain or loss.

The ECL for trade receivables is calculated on a portfolio basis, based on historical loss ratios over a period of 36 months, adjusted for forward looking national and industry specific economic conditions, which include credit rating, public debt, economic growth, political risk and sector outlook at the reporting date that correlate with defaults on the portfolio.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES (continued)

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS (continued)

1.8 Financial instruments (continued)

The ECL associated with loans and other receivables carried at amortised cost are assessed on a forward looking basis using the general model per IFRS 9. This entails the assessment of credit risk since initial recognition, probability of default (PD), loss given default (LGD) and exposure at default (EG) [i.e. $PD \times LGD \times EG = ECL$]. The Group uses three categories (performing, underperforming and non-performing), which reflect the credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Definition of category	Recognition of ECL provision
Performing	Loans whose credit risk is in line with original expectations	12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1)
Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal payments are 90 days past due	Lifetime expected losses (stage 2)
Non-performing	Interest and/or principal repayments are 120 days past due or it becomes probable a customer will enter business rescue or bankruptcy	Lifetime expected losses (stage 3)

Investments in equity instruments

Investments in equity is recognised initially at fair value. Transaction costs are capitalised to fair value for investments designated as fair value through other comprehensive income. All other transaction costs are recognised in profit or loss. Dividends received from such investments are recognised in profit or loss as investment income when the Group's right to receive payments is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

ACCOUNTING POLICIES (continued)**1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS (continued)****1.8 Financial instruments (continued)****Loan receivables and trade and other receivables**

Loan and trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses. The Group holds the loan and trade and other receivables with the objective to collect the contractual cash flows.

Trade receivables are generally collected within 30 days of invoice, which represents normal credit terms. A provision is made for all customers where legal action has been taken and the assessment of recovering the debt is doubtful. All other debtors older than 30 days, which are past due but not impaired, are considered collectible based on historic payment behaviour and extensive analysis of the individual circumstances in respect of each tenant. Trade receivables are written off when there is no reasonable expectation of further recovery per engagement with legal advisors and tenants.

Cash and cash equivalents

Cash and cash equivalents are recognised initially at fair value and include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown in current liabilities in the consolidated statement of financial position.

Financial liabilities

The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are subsequently measured at amortised cost, unless the Group opted to measure a liability at FVTPL.

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings denominated in a foreign currency are recognised on the transaction date at the ruling rand equivalent spot rate. The carrying amount is then translated to the rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES (continued)

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS (continued)

1.8 Financial instruments (continued)

Financial liabilities included in trade and other payables are recognised initially at fair value plus transaction costs, if any, and subsequently measured at amortised cost using the effective interest method. If the due date of the liability is less than one year, discounting is omitted.

Derivatives

Derivative financial assets and liabilities are classified as financial assets or liabilities at FVTPL. Derivative financial assets and liabilities comprise mainly interest rate swaps for hedging purposes (economic hedge). Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in profit or loss in changes in fair values of financial instruments. The Group does not apply hedge accounting in accordance with IFRS 9.

1.9 Taxation

1.9.1 Current taxation

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the year.

The charge for current taxation includes expected tax payable or receivable on the taxable income or loss for the year and any adjustment for taxation payable or receivable for previous years.

Current taxation liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the taxation authorities, using the taxation rates and taxation laws that have been enacted or substantively enacted by the reporting date.

1.9.2 Deferred taxation

Deferred taxation is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is not recognised for the following temporary differences:

- ▶ The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.
- ▶ Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred tax asset on tax losses has not been recognised due to the fact that the Group distributes a qualifying distribution, which is estimated to offset any future taxable income.

ACCOUNTING POLICIES (continued)**1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS** (continued)**1.9 Taxation** (continued)**1.9.2 Deferred taxation** (continued)

No deferred tax was recognised on the fair value of investment property as capital gains tax is no longer applicable in terms of section 25BB of the Income Tax Act.

No deferred tax is provided on any other timing differences as the Group does not expect to have taxable income in the foreseeable future.

1.10 Leases**1.10.1 Leased assets (IFRS 16)**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- ▶ Leases of low value assets; and
- ▶ Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 March 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 March 2019, see note 2. The following policies apply subsequent to the date of initial application, 1 March 2019.

The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Properties leased to third parties under operating leases are included in investment properties in the statement of financial position.

The Group provides certain incentives for the lessee to enter into lease agreements. Initial periods of the lease term may be agreed to be rent-free or at a reduced rent. All incentives are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of the payments.

Initial direct costs incurred in negotiating and arranging operating leases are capitalised to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Straight-lining adjustments do not affect distributable earnings.

The Group as a lessee

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate on commencement of the lease.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES (continued)

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS (continued)

1.10 Leases (continued)

1.10.1 Leased assets (IFRS 16) (continued)

On initial recognition, the carrying value of the lease liability also includes amounts incidental to procuring the lease and expected to be payable under any residual guarantee.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. The Group recognises an interest expense in the statement of profit or loss and repayment of capital in the statement of cash flows.

Right-of-use assets (leasehold land) are initially measured at the amount of the lease liability. The Group's leasehold land meets the definition of investment property per IAS 40, and is subsequently measured to fair value.

1.10.2 Leased assets (IAS 17 comparatives)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Properties leased to third parties under operating leases are included in investment properties in the statement of financial position.

The Group provides certain incentives for the lessee to enter into lease agreements. Initial periods of the lease term may be agreed to be rent-free or at a reduced rent. All incentives are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of the payments.

Initial direct costs incurred in negotiating and arranging operating leases are capitalised to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Straight-lining adjustments do not affect distributable earnings.

The Group as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

ACCOUNTING POLICIES (continued)**1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS** (continued)**1.11 Share capital**

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds.

1.12 Dividends paid

Dividends and other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity on the date of declaration.

1.13 Income**1.13.1 Revenue recognition**

IFRS 15 sets out the requirements for recognising revenue that applies to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments. Therefore, IFRS 15 is not applicable to revenue from contract with customers and only applicable to municipal recoveries.

Revenue comprises gross rental income and recoveries from the letting of investment property as lessor, net of value added tax.

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. When the Group provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Recoveries are recognised over the period for which the services are rendered. The Group acts as a principal on its own account when recovering operating costs, such as utilities, from tenants.

The Group pays lease commissions in order to secure certain contracts; these lease commissions are assessed to be an incremental cost of obtaining a contract. For lease commissions paid in relation to revenue contracts which are for a period greater than one year, the lease commissions are capitalised as deferred expenditure and amortised over the period of the revenue contract to which it relates.

1.13.2 Finance income

Interest earned on cash invested with financial institutions is recognised as it accrues using the effective interest method.

1.13.3 Dividend income

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES (continued)

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS (continued)

1.14 Employee benefits

1.14.1 Short-term benefits

The cost of short-term employee benefits is recognised as an expense during the period in which the employees render the related service.

Short-term employee benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries, incentives and annual leave represents the amount which the Group has a present legal or constructive obligation to pay as a result of the employees' services provided up to the reporting date.

1.14.2 Long-term benefits

Share-based payments

The Group implemented a long-term incentive plan effective March 2018 with the primary intention to attract, retain, motivate and reward employees on a basis which aligns their interests with those of its shareholders.

Participants will be allocated units that will be eligible to vest on the third anniversary of the date on which such units were allocated ("vesting date"). The number of units that vest is subject to performance conditions. The performance conditions are set by the Board on allocation and are aligned to the strategy of the Group. At below threshold performance zero units vest. At target performance the target units vest. There is a cap on the number of units that can vest. All units determined to be eligible to vest by the Board shall be referred to as "eligible units" and will be deemed to have vested on the vesting date.

On the date on which a unit is deemed to vest, a participant shall be entitled to be settled with shares based on the 30-day volume weighted average price on the Johannesburg Stock Exchange ("JSE") immediately prior to the date of vesting using a cash amount ("due amount"). The Board may, instead of settling a participant as aforesaid, determine that he shall be paid a cash amount equal to the due amount. In any event, the employer company shall be obliged (or, where appropriate, shall be obliged to procure) the settlement of a participant.

Where the total number of shares to be settled is not a whole number, the number of shares shall be rounded downwards to the nearest whole number. A unit/eligible unit which has not vested shall be deemed to have been cancelled, and accordingly not entitle a participant to settlement of any shares or cash.

All share-based remuneration is ultimately recognised as an expense over the vesting period in profit or loss, with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares expected to vest.

ACCOUNTING POLICIES (continued)**1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS** (continued)**1.15 Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on information that is provided internally to the Executive Management Committee ("Exco") and to the Board of directors. The Exco reviews internal management reports of each segment monthly, while the Board reviews internal management reports in respect of each segment at least quarterly.

The operations are arranged into five business segments: Retail, Office Government, Office Other, Industrial and Administration and Corporate Costs.

1.16 Foreign currency

Foreign currency transactions are translated to the respective presentation currency of the Group which are presented in rand, at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to rand at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the presentation currency at the exchange rates at the dates that the fair values were determined.

Foreign currency differences arising on translation are recognised in profit or loss.

Gains and losses on translation of foreign operations are recognised in other comprehensive income and presented within equity in the FCTR.

When a foreign operation is disposed of, in part or in full, the related amount in the FCTR is transferred to profit or loss.

1.17 Earnings, headline earnings and distributable earnings per share

Earnings per share are calculated based on the weighted average number of shares in issue for the year and profit attributable to shareholders. Headline earnings per share are calculated in terms of the requirements set out in Circular 1/2019 issued by SAICA. Distributable earnings per share are calculated based on the recommendation provided by the REIT's best practice guideline.

1.18 Key estimations and uncertainties

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's income, expenses, assets and liabilities. Judgement in these areas is based on historical experience and reasonable expectations relating to future events. Information on the key estimations and uncertainties that have the most significant effect on amounts recognised are set out on the next page:

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES (continued)

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS (continued)

1.18 Key estimations and uncertainties (continued)

1.18.1 Investment property valuations

The valuation of investment properties requires judgement in determination of the future cash flows and appropriate discount rates. See note 3.

1.18.2 Impairment of trade and other receivables and loans due from related parties

Management assesses impairments of trade and other receivables and loans due from related parties on an ongoing basis. Impairment adjustments are raised when collectability is considered doubtful. Management believes that all trade receivables that are doubtful have been adequately provided for. See notes 9, 10 and 11.

1.18.3 Fair value of derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities. The Group held interest rate swap and cross-currency swap instruments. The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the reporting date, taking into account current interest rate yield curve and the current creditworthiness of the swap counterparties. The fair value of cross-currency swaps are based on the projected present value of net future cash payments and receipts, which fluctuate based on changes in market interest rates and the dollar/rand exchange rate.

1.18.4 Operating segments

Judgement is applied in aggregating the operating segments within the Group.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group identifies and presents operating segments based on the information that is provided internally to the Exco. An operating segment's operating results are reviewed regularly by the Exco to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group comprises five segments, namely Head Office, Industrial, Office Government, Office Other and Retail.

ACCOUNTING POLICIES (continued)**1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS** (continued)**1.19 Effect of changes in accounting policy**

Effective 1 January 2019, IFRS 16 has replaced IAS 17: Leases and IFRIC 4: Determining whether an Arrangement Contains a Lease.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on 1 March 2019, without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The adjustments did not have any impact on opening retained earnings.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does have significant leasing activities acting as a lessor.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases separately. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

The Group's leasehold land obligations as lessee meets the definition of investment property per IAS 40. The Group measures its investment property held as right-of-use asset to fair value (see note 1.4).

The fair value of investment property held by the Group as a right-of-use asset reflects expected cash flows including variable lease payments that are expected to become payable. Accordingly, the Group adds back the recognised lease liabilities to arrive at the carrying amount of the investment property using the fair value model. Lease liabilities have been disclosed separately.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES (continued)

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS (continued)

1.19 Effect of changes in accounting policy (continued)

The Group previously classified its property interests in land held under an operating lease as investment property and used the fair value model for measuring those property interests. The Group has applied par C9(b) and is not required to make any adjustments on transition for leases previously accounted for as investment property using the fair value model in IAS 40: Investment Property. The valuations performed in prior years for these investment properties were net of the operating lease payments expected to be made, accordingly the Group determined that it had omitted to recognise the lease liability separately as required by IAS 40:25 and the investment property was understated by the same amount. This immaterial error has been corrected in the current period by recognising the lease liability separately as follows in the statement of financial position as at 1 March 2019.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities as follows:

Classification	Right-of-use assets	Liabilities
Operating leases that meet the definition of investment property in IAS 40 (see note 3)	Fair value as at 1 March 2019	Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 March 2019 of 10.2%

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 March 2019:

	Notes	Balance at 28 February 2019 R'000	IFRS 16 adjustments R'000	Fair value at 1 March 2019 R'000
Assets				
Investment property	3	9 755 209	6 145	9 761 354
Non-current assets held for sale	14	1 421 710	23 255	1 444 965
Liabilities				
Lease liabilities	18	-	29 400	29 400

2. NEW STANDARDS AND INTERPRETATIONS

At the date of approval of these consolidated and separate financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity.

Management anticipates that all of the pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the entity's consolidated and separate financial statements.

2.1 Standards and interpretations effective and adopted in the current period

In the current period, the Group has adopted standards and interpretations that are effective for the current financial period and that are relevant to its operations. Except for IFRS 16 which has been detailed in note 1.19, the remaining standards did not have a material effect on the Group's consolidated and separate financial statements and therefore have not been detailed further.

	Date effective
IFRS 3 – Business Combinations: Annual Improvements 2015 – 2017 Cycle	1 January 2019
IFRS 9 – Financial Instruments: Prepayment Features with Negative Compensation	1 January 2019
IFRS 16 – Leases	1 January 2019
IFRS 1 – Joint Arrangements: Annual Improvements 2015 – 2017 Cycle	1 January 2019
IAS 12 – Income Taxes: Annual Improvements 2015 – 2017 Cycle	1 January 2019
IAS 19 – Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 23 – Borrowing Costs: Annual Improvements 2015 – 2017 Cycle	1 January 2019
IAS 28 – Investments in Associates and Joint Ventures: Long-term Interest in Associate and Joint Ventures	1 January 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	1 January 2019

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 Standards and interpretations issued but not yet effective at 29 February 2020

The Company has chosen not to early adopt standards and interpretations which have been published, but that are not yet effective in the current financial year. The new standards, which are effective for annual periods beginning on or after 1 January 2020, are not expected to have a material impact:

New and amended IFRS standards	Summary of the new amended standard	Impact on the Group
IFRS 3: Business Combinations	Definition of Business: The amendments: - confirmed that a business must include inputs and a process, and clarified that: - the process must be substantive; and - the inputs and process must together significantly contribute to creating outputs. - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs. - added a test that makes it easier to conclude that a company has acquired a group of assets; and - rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.	Assessed to have little impact/change to the current treatment
IFRS 7 and 9: Financial Instruments Disclosures and IAS 39: Financial Instruments: Recognition and Measurement	Interest Rate Benchmark Reform: The amendments to IFRS 7, IFRS 9 and IAS 39 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs") on hedge accounting.	Assessed to have little impact/change to the current treatment
IAS 1: Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Material: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS standards	Assessed to have little impact/change to the current treatment

ANNUAL FINANCIAL STATEMENTS ◀

3. INVESTMENT PROPERTY

Notes	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Carrying amount				
Cost	8 501 868	8 369 795	8 307 955	8 202 647
Fair value adjustments	663 932	1 385 414	612 682	1 304 068
Balance at end of year	9 165 800	9 755 209	8 920 637	9 506 715
Movement for the year:				
Balance at beginning of year	9 755 209	10 342 418	9 506 715	10 076 207
Leasehold land	18 6 145	-	4 563	-
Fair value adjustments	23 (616 875)	(211 117)	(611 593)	(193 223)
Transfer to non-current assets held-for-sale	14 -	(481 930)	-	(481 930)
Adjustment to opening balance	-	35	-	353
Disposals	-	-	-	-
Capital expenditure	21 321	99 875	20 952	99 513
Borrowing cost capitalised	24 -	5 928	-	5 795
Balance at end of year	9 165 800	9 755 209	8 920 637	9 506 715
Reconciliation to valuations:				
Fair value of investment property	9 165 800	9 755 209	8 920 637	9 506 715
Straight-line rental income accrual	4 135 166	158 602	134 945	158 094
Valuations at end of year	9 300 966	9 913 811	9 055 582	9 664 809

Investment properties have been encumbered as security for interest-bearing borrowings (refer to note 17) as follows:

- ▶ Investment properties with a market value of R2.1 billion (2019: R2.2 billion) are mortgaged to the Standard Bank of South Africa Limited to secure borrowing facilities amounting to R0.9 billion (2019: R0.9 billion).
- ▶ Investment properties with a market value of R6.4 billion (2019: R7.0 billion) are mortgaged to Nedbank Limited to secure borrowing facilities amounting to R3.3 billion (2019: R3.3 billion).
- ▶ Investment properties and shares in Grit with a market value of R2.0 billion (2019: R1.9 billion) and R0.5 billion (2019: R0.5 billion) respectively are mortgaged and ceded to Investec Limited to secure borrowing facilities amounting to R0.9 billion (2019: R0.9 billion).
- ▶ Investment property with a market value of R0.6 billion (2019: R0.7 billion) is ceded to the Bank of China for borrowing facilities in respect of a second and third continuous mortgage bond amounting to R0.2 billion (2019: R0.2 billion).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

3. INVESTMENT PROPERTY (continued)

Investment property valuation

A detailed register of investment property owned by the Group is available for inspection by shareholders at the registered office of the Company. Investment property is leased to tenants (mainly sovereign) on an operating lease basis for a fixed term period with fixed annual escalations and subject to fair value assessment on an annual basis.

Investment property valuations for the Group's full portfolio of properties (100%) was obtained from independent valuers who are all registered valuers in terms of section 19 of the Property Valuers Professional Act (Act No 47 of 2000).

Company name	Lead valuer	Qualification of valuer
HDV Valuations	Heather Fouché	N.Dip Real Estate - Professional Valuer (MRICS)
Valuation DNA	Hendrik JP Fouché	Professional Valuer reg. number 5052/9 (without restrictions), ND Real Estate (Property Valuation), NHD Construction (Quantity Surveying), Member of the South African Council for the Property Valuers Profession, Member of the South African Institute of Valuers
Realworx Property Valuations	Stanton Alberts	Professional Associate Valuer
CBRE Excellerate	Siddeeq Omar (Senior Valuer)	MSc Real Estate, Professional Associated Valuer (Reg no. 7627/0), RICS Registered Valuer

The independent valuations were performed using the discounted cash flow and income capitalisation methodology. These methods are based on open market values with consideration given to the future earnings potential and applying an appropriate discount rate to the property (refer to note 1.4). There have been no material changes to the information used and assumptions applied by the registered valuers.

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3. INVESTMENT PROPERTY (continued)

At the reporting date, the key assumptions and unobservable inputs used in determining fair value were in the following ranges for the Group's portfolio of properties:

Unobservable inputs	Group		Company	
	2020	2019	2020	2019
Expected market rental growth	5% - 6.25%	5% - 6.5%	5% - 6.25%	5% - 6.5%
Expected expense growth	6% - 8%	6% - 7%	6% - 8%	6% - 7%
Vacancy rate	0 - 12 months	0 - 12 months	0 - 12 months	0 - 12 months
Rent-free periods	0 - 6 months	0 - 6 months	0 - 6 months	0 - 6 months
Office - sovereign				
Number of buildings	81	82	81	82
Discount rate	13.75% - 18.25%	13.5% - 18.25%	13.75% - 18.25%	13.5% - 18.25%
Market capitalisation rate	9% - 14%	9% - 13%	9% - 14%	9% - 13%
Office - other				
Number of buildings	15	15	15	15
Discount rate	14% - 16.5%	14% - 16.25%	14% - 16.5%	14% - 16.25%
Market capitalisation rate	9.75% - 11.75%	9.75% - 11.75%	9.75% - 11.75%	9.75% - 11.75%
Retail				
Number of buildings	3	3	3	3
Discount rate	12.75% - 14.5%	12.75% - 14%	12.75% - 14.5%	12.75% - 14%
Market capitalisation rate	8.25% - 11%	8.25% - 11%	8.25% - 11%	8.25% - 11%
Industrial				
Number of buildings	3	4	3	4
Discount rate	14.75% - 15.25%	14.75% - 15.25%	14.75% - 15.25%	14.75% - 15.25%
Market capitalisation rate	10.25% - 10.75%	10.25% - 10.75%	10.25% - 10.75%	10.25% - 10.75%

The fair value adjustments on investment property (refer to note 23), which are excluded from the calculation of distributable earnings, are included in profit and loss and categorised as level 3 under the fair value hierarchy (refer to note 37) based on the inputs to the valuation technique used. Capital commitments are set out in note 32.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

3. INVESTMENT PROPERTY (continued)

The valuations of the investment properties are sensitive to changes in the unobservable inputs used in such valuations. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of investment property and fair value adjustment in profit or loss:

Input	Change %	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Increase in discount rate	0.25	(251.9)	(287.7)	(251.9)	(287.7)
Decrease in discount rate	0.25	264.6	303.1	264.6	303.1
Increase in capitalisation rate	0.25	(252.9)	(656.4)	(252.9)	(656.4)
Decrease in capitalisation rate	0.25	265.7	528.2	265.7	528.2

The Group's leasehold land obligations as lessee meets the definition of investment property per IAS 40, and is subsequently measured to fair value.

The fair value of investment property held by the Group as leasehold land reflects expected cash flows including variable lease payments that are expected to become payable. Accordingly, the Group has added back the recognised lease liabilities, measured at the present value of the remaining lease payments discounted using the Group's weighted average cost of debt at 1 March 2019, to arrive at the carrying amount of the investment property using the fair value model.

IFRS 16 requires a lessor to disclose information about how it manages its risk associated with any rights that it retains in leased assets. Residual value risk is the possibility that investment property can only be resold or re-leased at a price below its residual value. The Group manages such risk by performing independent valuations annually, as disclosed above, which takes into account risks associated in the assessment of fair market value. Accordingly, the independent valuation exercise performed mitigates the residual risk associated with investment property.

4. STRAIGHT-LINE RENTAL INCOME ACCRUAL

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Balance at beginning of year	158 602	192 582	158 094	191 993
Straight-line lease adjustment for the year	(31 974)	(34 304)	(29 579)	(32 970)
Disposal of investment property	1 579	597	1 579	597
Transfer to non-current assets held-for-sale	-	(1 025)	-	(1 025)
Non-current assets held-for-sale	6 959	752	4 851	(501)
Balance at end of year	135 166	158 602	134 945	158 094

5. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Furniture and fittings	Motor vehicles	Total
Group - 2020				
Carrying amount				
Cost	2 340	3 900	280	6 520
Accumulated depreciation	(2 182)	(3 021)	(199)	(5 402)
Balance at end of year	158	879	81	1 118
Movement for the year:				
Balance at beginning of year	263	1 314	137	1 714
Additions	87	15	-	102
Depreciation	(192)	(450)	(56)	(698)
Balance at end of year	158	879	81	1 118
Group - 2019				
Carrying amount				
Cost	2 253	3 885	280	6 418
Accumulated depreciation	(1 990)	(2 571)	(143)	(4 704)
Balance at end of year	263	1 314	137	1 714
Movement for the year:				
Balance at beginning of year	470	1 894	193	2 557
Additions	155	9	-	164
Disposals	(34)	(5)	-	(39)
Depreciation	(328)	(584)	(56)	(968)
Balance at end of year	263	1 314	137	1 714

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Computer equipment	Furniture and fittings	Motor vehicles	Total
Company - 2020				
Carrying amount				
Cost	2 340	3 900	280	6 520
Accumulated depreciation	(2 182)	(3 021)	(199)	(5 402)
Balance at end of year	158	879	81	1 118
Movement for the year:				
Balance at beginning of year	263	1 314	137	1 714
Additions	87	15	-	102
Depreciation	(192)	(450)	(56)	(698)
Balance at end of year	158	879	81	1 118
Company - 2019				
Carrying amount				
Cost	2 253	3 885	280	6 418
Accumulated depreciation	(1 990)	(2 571)	(143)	(4 704)
Balance at end of year	263	1 314	137	1 714
Movement for the year:				
Balance at beginning of year	470	1 894	193	2 557
Additions	155	9	-	164
Disposals	(34)	(5)	-	(39)
Depreciation	(328)	(584)	(56)	(968)
Balance at end of year	263	1 314	137	1 714

6. INVESTMENT IN SUBSIDIARIES

Name of company	Place of incorporation	Shareholding		Company	
		2020 %	2019 %	2020 R'000	2019 R'000
Choice Decisions 300 Proprietary Limited [#]	South Africa	100	100	-	-
Hendisa Investments Proprietary Limited [#]	South Africa	100	100	-	-
Atterbury Parkdev Consortium Proprietary Limited [#]	South Africa	100	100	-	-
Phamog Properties Proprietary Limited [#]	South Africa	100	100	-	-
Hestitrix Proprietary Limited	South Africa	100	100	-	-
K2014000273 Proprietary Limited	South Africa	100	100	-	-
277 Vermeulen Street Properties Proprietary Limited	South Africa	100	100	62 273	62 273
				62 273	62 273

[#] These subsidiaries distributed their respective investment properties to Delta as in specie distributions in terms of section 23K of the Income Tax Act prior to their anticipated liquidation. Delta is in the process of deregistering these subsidiaries in terms of section 47 of the Income Tax Act and all four entities have been placed in voluntary liquidation. We await conclusion on the matter from the liquidators and the regulators.

Hestitrix is the owner of Block G, K2014000273 is the owner of Capital Towers and 277 Vermeulen Street is the owner of Regents Place, all being government tenanted office buildings.

7. INTEREST IN JOINT OPERATION

The Company and Redefine Properties Limited entered into a co-ownership agreement (50:50) with joint control in respect of Building 3 located in Silver Stream Business Park in Bryanston. This co-ownership is classified as a joint operation in terms of IFRS 11 and the Group recognises its 50% proportionate share of the assets, liabilities, income and expenses of the entity.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

8. INVESTMENT IN LISTED SECURITY

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Grit Real Estate Income Group Limited	277 734	461 822	277 734	461 822
Reconciliation of investment in Grit				
Balance at beginning of year	461 822	381 868	461 822	381 868
Fair value adjustment upon derecognition as an associate	-	(11 933)	-	-
Disposal of shares	(104 351)	-	(104 351)	-
Current year fair value adjustment of investment	(79 737)	91 887	(79 737)	79 954
Balance at end of year	277 734	461 822	277 734	461 822

Grit is an African focused property income fund listed on the Johannesburg Stock Exchange Limited ("JSE"), Stock Exchange of Mauritius ("SEM") and London Stock Exchange ("LSE"). Delta holds 5.7% (2019: 7.8%) of Grit shares on the JSE, with 2.1% being disposed of during the year to an international consortium for R104.4 million. The proceeds were utilised to settle debt facilities geared against these shares. This investment was fair valued at year-end to R15.99 per share (2019: R19.35 per share), which resulted in a negative fair value adjustment at Group and Company of (R79.8 million) (2019: R79.9 million) and (R79.8 million) (2019: R79.9 million) respectively. The changes in fair value to the carrying value of this investment is recognised in profit and loss according to the requirements of IFRS 9.

This investment is categorised as level 1 under the fair value hierarchy in note 37.

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9. LOANS DUE FROM/(TO) SUBSIDIARIES

	Note	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Choice Decisions 300 Proprietary Limited		-	-	(2 177)	(2 177)
Hestitrix Proprietary Limited*		-	-	240 864	248 502
Hendisa Investments Proprietary Limited		-	-	34	34
Atterbury Parkdev Consortium Proprietary Limited		-	-	(1 917)	(1 917)
Phamog Properties Proprietary Limited		-	-	(96)	(96)
K2014000273 Proprietary Limited*		-	-	169 671	157 627
277 Vermeulen Street Properties Proprietary Limited*		-	-	44 664	32 874
		-	-	451 043	434 848
Expected credit loss allowance	34.3.1	-	-	-	-
		-	-	451 043	434 848
Non-current assets		-	-	455 233	439 038
Non-current liabilities		-	-	(4 190)	(4 190)
		-	-	451 043	434 848

* Loans are secured by investment property.

Loans to wholly owned subsidiaries bear interest at a fixed rate of 7.5% (2019: 7.5%) and are repayable within 30 years from November 2012.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

10. LOANS DUE FROM RELATED PARTIES

Note	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Delta Property Asset Management Proprietary Limited ("DPAM")	11 121	18 633	11 121	18 633
The loan is unsecured and bears interest at the weighted average cost of debt of Delta (refer to note 17). The loan is repayable on demand.				
Somnipoint Proprietary Limited	26 018	23 733	26 018	23 733
The loan is unsecured and bears interest at the ruling prime overdraft interest rate. The loan is repayable on demand.				
Grit Property Holdings Limited	-	1 145	-	1 145
The loan is unsecured and bears interest at the ruling prime overdraft interest rate. The loan is repayable on demand and was impaired during the year.				
	37 139	43 511	37 139	43 511
Expected credit loss allowance 34.3.2	(6 504)	-	(6 504)	-
	30 635	43 511	30 635	43 511

11. LOAN RECEIVABLE

Note	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Educor Property Holdings Proprietary Limited ("Educor")	16 750	20 906	16 750	20 906
Expected credit loss allowance 34.3.2	(4 188)	-	(4 188)	-
	12 562	20 906	12 562	20 906

This vendor loan arose on the sale of a portfolio of assets comprising 1 and 3 Ferreira Street, Damelin House and Presidia to the Educor Holdings Group. The total transaction value was for a consideration of R208 million with a vendor loan of R46 million. This vendor loan includes interest accrued at the ruling prime overdraft rate plus 2% and was repayable by the end of May 2019. The Group has commenced legal litigation for the recovery of the amount outstanding.

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12. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Trade receivables at amortised cost		154 323	154 522	152 685	152 361
Trade receivables		239 804	229 274	237 490	226 645
Expected credit loss allowance		(85 481)	(74 752)	(84 805)	(74 284)
		40 241	86 999	40 243	85 563
Amounts due from vendors		23 058	30 865	23 058	30 865
Other receivables		37 783	56 134	37 785	54 697
Expected credit loss allowance	34.3.3	(20 600)	-	(20 600)	-
Accrued income		54 653	67 634	53 975	48 801
Deposits paid		25 938	25 072	25 749	24 900
Deferred expenditure		42 808	23 746	42 791	22 769
		317 963	357 973	315 443	334 393

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9:

	Note	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
At amortised cost		248 252	252 782	245 423	249 117
Non-financial instruments		69 711	105 191	70 020	85 276
		317 963	357 973	315 443	334 393

As at 29 February 2020, trade receivables of R85.5 million (2019: R74.8 million) for the Group and R84.8 million (2019: R74.3 million) for the Company were impaired and provided for.

Movement in expected credit loss allowance – trade receivables

Balance at beginning of year		(74 752)	(11 994)	(74 284)	(11 994)
Bad debts written off/ (recovered)		3 868	(9)	3 868	(9)
Increase in allowance		(14 597)	(62 749)	(14 389)	(62 281)
Balance at end of year	34.3.3	(85 481)	(74 752)	(84 805)	(74 284)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cash at bank	41 851	25 339	45 219	26 870
Bank overdraft	(38 196)	(125 753)	(87 048)	(158 418)
	3 655	(100 414)	(41 829)	(131 548)
Current assets	41 851	25 339	45 219	26 870
Current liabilities	(38 196)	(125 753)	(87 048)	(158 418)
	3 655	(100 414)	(41 829)	(131 548)

The Group has working capital facilities with The Standard Bank of South Africa Limited and Nedbank Limited totalling R105 million (2019: R115 million), bearing interest at prime less 1% and prime respectively.

14. NON-CURRENT ASSETS HELD-FOR-SALE

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Investment property	1 278 055	1 436 520	1 084 300	1 206 520
	1 278 055	1 436 520	1 084 300	1 206 520

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14. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

Schedule of non-current assets held-for-sale including straight-line rental income accrual:

Building name	Location	Segment	GLA (m²)	Group		Company	
				2020 R'000	2019 R'000	2020 R'000	2019 R'000
African Life Building	Bloemfontein	Office	8 567	49 200	48 100	49 200	48 100
Classic Building	Bloemfontein	Office	3 000	-	6 200	-	6 200
CNA Building	Bloemfontein	Office	2 489	20 100	22 320	20 100	22 320
Edgars Kroonstad	Bloemfontein	Office	5 968	34 000	35 500	34 000	35 500
Fort Drury	Bloemfontein	Office	10 476	161 000	161 000	161 000	161 000
Katleho Building	Bloemfontein	Office	5 910	36 100	51 800	36 100	51 800
Trustfontein/Transtel	Bloemfontein	Office	6 369	59 100	59 200	59 100	59 200
Anchor House	Bloemfontein	Office	2 645	24 300	21 000	24 300	21 000
Old Mutual Building	Bloemfontein	Office	3 055	18 400	20 000	18 400	20 000
Sediba, Fountain and VLU Building	Bloemfontein	Office	10 947	62 400	58 300	62 400	58 300
Protea Coin Cape Town	Cape Town	Industrial	5 700	10 000	10 000	10 000	10 000
3 Simba Road	Johannesburg	Office	3 696	36 700	36 700	36 700	36 700
Top Trailers site 1	Johannesburg	Industrial	15 741	-	45 000	-	45 000
5 Simba Road	Johannesburg	Office	5 375	77 000	74 000	77 000	74 000
In 2 Fruit Building	Johannesburg	Industrial	11 177	113 400	125 000	113 400	125 000
Enterprise Park	Johannesburg	Office other	11 860	120 000	160 000	120 000	160 000
Beacon Hill	King William's Town	Office	13 648	199 000	221 000	199 000	221 000
Broadcast House	Mthatha	Office	4 934	45 100	33 000	45 100	33 000
Protea Coin Pretoria	Pretoria	Industrial	7 640	18 500	18 400	18 500	18 400
Block G	Pretoria	Office	7 991	193 755	230 000	-	-
				1 278 055	1 436 520	1 084 300	1 206 520

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

14. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Reconciliation of non-current assets held-for-sale:					
Balance at beginning of year		1 421 710	957 466	1 198 441	737 449
Transfer from investment property	3	-	481 930	-	481 930
Disposals		(47 532)	(16 903)	(47 532)	(16 903)
Leasehold land	18	23 255	-	-	-
Capital expenditure		1 617	15 100	1 617	13 027
Fair value adjustments		(127 267)	(15 883)	(69 875)	(17 062)
Valuations at end of year		1 271 783	1 421 710	1 082 651	1 198 441
Straight-line rental income accrual		6 272	14 810	1 649	8 079
Balance at end of year		1 278 055	1 436 520	1 084 300	1 206 520

The investment properties classified as held-for-sale are properties that the directors have decided will be recovered through sale rather than through continuing use. Disposal proceeds will be applied against debt settlement and capital investment into the core portfolio.

Non-current assets held-for-sale have been pledged as security for interest-bearing borrowings per note 17 and were fair valued at financial year-end in terms of IAS 40. The fair value adjustments on investment property, which are excluded from the calculation of distributable earnings, are included in profit and loss and categorised as level 3 under the fair value hierarchy in note 37 based on the inputs to the valuation technique used.

The tough trading and economic environment experienced during the past financial year, especially within the property environment, impacted the Group's ability in concluding disposals of all properties classified as held-for-sale. We were successful in concluding the disposal of Classic Building and Top Trailers site 1 during the year, with proceeds utilised to settle debt.

The directors remain committed to the disposal of non-current assets held-for-sale and envisage conclusion of sale agreements, barring any unforeseen circumstances, within 12 months following financial year-end.

The Group has added back the recognised lease liabilities on leasehold land pertaining to Block G, measured at the present value of the remaining lease payments discounted using the Group's weighted average cost of debt at 1 March 2019, to arrive at the carrying amount of the investment property held-for-sale using the fair value model.

The requirements of IFRS 5 have been met in appropriately classifying these assets as held-for-sale.

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15. SHARE CAPITAL

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Authorised				
3 000 000 000 ordinary shares of no par value				
Issued				
714 229 718 ordinary shares of no par value (2019: 714 229 718 ordinary shares of no par value)	4 868 461	4 868 461	4 868 461	4 868 461
Movement for the year:				
Balance at beginning of year	4 868 461	4 854 032	4 868 461	4 854 032
Distribution reinvestment	-	14 590	-	14 590
Capital issue expenses	-	(161)	-	(161)
Balance at end of year	4 868 461	4 868 461	4 868 461	4 868 461

The unissued shares are under the control of the directors. This authority remains in force until the next AGM of the Company.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Standard Bank of South Africa Limited				
Non-current liabilities				
Interest rate swap	(38 823)	(5 437)	(38 823)	(5 437)
Current liabilities				
Interest rate swap	-	(557)	-	(557)
Cross-currency swap	-	(28 068)	-	(28 066)
Nedbank Limited				
Non-current liabilities				
Interest rate swap	(19 604)	(17 041)	(19 604)	(17 041)
Current liabilities				
Interest rate swap	(3 805)	-	(3 805)	-
	(62 232)	(51 103)	(62 232)	(51 101)
Non-current liabilities	(58 427)	(22 478)	(58 427)	(22 478)
Current liabilities	(3 805)	(28 625)	(3 805)	(28 623)
	(62 232)	(51 103)	(62 232)	(51 101)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swap – future cash flows are discounted using the JIBAR swap curve.

Cross-currency swap – represents the present value of net future cash payments and receipts, which fluctuate based on changes in market interest rates and the dollar/rand exchange rate.

The Group uses a combination of interest rate swaps, cross-currency swaps (settled during the year) and fixed bank facilities to hedge its exposure to interest rate risk. The Group pays the nominal interest rate and receives three-month JIBAR as the floating rate. The table below reflects the Group's cross-currency and interest rate swaps at financial year-end:

Bank	Facility R'000	Nominal interest rate		Maturity	Group		Company	
		%			2020 R'000	2019 R'000	2020 R'000	2019 R'000
Standard Bank cross-currency swap	138 720	3.3	Mar 19		-	138 720	-	138 720
Standard Bank interest rate swap	350 000	7.8	Jan 24		350 000	350 000	350 000	350 000
Standard Bank interest rate swap	650 000	7.7	Mar 24		650 000	650 000	650 000	650 000
Nedbank interest rate swap	160 000	8.0	Aug 20		160 000	160 000	160 000	160 000
Nedbank interest rate swap	200 000	7.7	Dec 20		200 000	200 000	200 000	200 000
Nedbank interest rate swap	200 000	8.1	Jun 21		200 000	200 000	200 000	200 000
Nedbank interest rate swap	300 000	7.9	Feb 22		300 000	300 000	300 000	300 000
Nedbank interest rate swap	160 000	7.9	Apr 22		160 000	160 000	160 000	160 000
					2 020 000	2 158 720	2 020 000	2 158 720

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17. INTEREST-BEARING BORROWINGS

Bank	Facility R'000	Nominal interest rate	Maturity	Group		Company	
				2020 R'000	2019 R'000	2020 R'000	2019 R'000
Nedbank	-	3-month JIBAR +1.85%	May 19	-	184 113	-	184 113
Nedbank	-	3-month JIBAR +1.75%	May 19	-	32 118	-	32 118
Nedbank	-	Prime +4%	May 19	-	127 652	-	127 652
Nedbank	-	Prime +4%	May 19	-	275 446	-	275 446
Nedbank	-	Prime +4%	May 19	-	381 744	-	381 744
Nedbank	-	Prime +4%	May 19	-	82 206	-	82 206
Nedbank	-	Prime +4%	May 19	-	103 075	-	103 075
Nedbank	-	Prime +4%	May 19	-	102 003	-	102 003
Nedbank	-	Prime +4%	May 19	-	249 655	-	249 655
Nedbank	-	Prime +4%	May 19	-	52 446	-	52 446
Nedbank	-	Prime +4%	May 19	-	136 727	-	136 727
Nedbank	-	Prime +4%	May 19	-	56 404	-	56 404
Nedbank	-	3-month JIBAR +1.79%	May 19	-	162 219	-	162 219
Nedbank	-	Prime + 5%	May 19	-	1 085	-	1 085
Standard Bank	-	3-month JIBAR +1.75%	Jun 19	-	40 280	-	40 280
Standard Bank	-	3-month JIBAR +2.00%	Jun 19	-	65 900	-	65 900
Standard Bank	-	3-month JIBAR +2.09%	Jun 19	-	120 802	-	120 802
Standard Bank	-	3-month JIBAR +1.65%	Jun 19	-	86 803	-	86 803
Standard Bank	-	3-month JIBAR +1.65%	Jun 19	-	11 633	-	11 633
Standard Bank	-	3-month JIBAR +1.90%	Jun 19	-	24 747	-	24 747
Standard Bank	-	3-month JIBAR +1.75%	Jun 19	-	41 422	-	41 422
Standard Bank*	-	Prime	Jun 19	-	119 837	-	119 837
Standard Bank	-	3-month JIBAR +2.10%	Oct 19	-	52 385	-	52 385
Standard Bank	-	3-month JIBAR +2.00%	Oct 19	-	52 486	-	52 486
Standard Bank	128 675	Prime	May 20	131 542	131 555	131 542	131 555
Standard Bank	610 155	Prime -1.25%	May 20	614 418	-	614 418	-
Nedbank	123 598	Prime +0.89%	May 20	126 376	126 421	126 376	126 421
Nedbank	150 000	Prime +0.89%	May 20	150 675	150 810	150 675	150 810
Nedbank	742 940	Prime +1.0%	May 20	734 544	-	734 544	-
Nedbank	1 113 919	Prime +0.89%	May 20	1 129 388	-	1 129 388	-
Nedbank*	31 993	Prime +0.89%	May 20	31 993	23 019	31 993	23 019
Nedbank*	150 000	Prime +0.89%	May 20	150 925	150 814	150 925	150 814
Investec	102 220	Prime -0.25%	Jun 20	102 220	-	102 220	-
Investec	306 222	Prime -0.25%	Jun 20	306 222	367 150	306 222	367 150
Bank of China	187 974	LIBOR +3.50%	Oct 20	189 292	169 847	189 292	169 847
Standard Bank	28 100	3-month JIBAR +1.90%	Nov 20	28 301	28 302	28 301	28 302
Nedbank	124 292	Prime +0.89%	Dec 20	127 037	126 012	127 037	126 012
Investec	144 906	Prime -0.25%	Dec 20	144 281	206 254	144 281	206 254
Investec	35 753	Prime -0.5%	Jan 21	35 393	36 162	35 393	36 162
Standard Bank	45 900	3-month JIBAR +2.00%	Apr 21	46 575	46 234	46 575	46 234
Nedbank	190 000	3-month JIBAR +2.50%	Jun 21	194 163	201 085	194 163	201 085
Nedbank*	350 000	3-month JIBAR +2.30%	Aug 21	351 416	351 375	351 416	351 375
Investec	286 643	Prime -0.25%	Nov 21	282 221	332 330	282 221	332 330
Standard Bank	46 130	3-month JIBAR +2.10%	Apr 22	46 816	46 831	46 816	46 831
Nedbank	100 000	3-month JIBAR +1.97%	Jul 22	98 319	201 085	98 319	201 085
				5 022 117	5 258 471	5 022 117	5 258 471

* Revolving credit facility.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

17. INTEREST-BEARING BORROWINGS (continued)

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Non-current liabilities				
At amortised cost	1 019 509	1 448 218	1 019 509	1 448 218
Current liabilities				
At amortised cost	4 002 608	3 810 253	4 002 608	3 810 253
	5 022 117	5 258 471	5 022 117	5 258 471

Interest-bearing borrowings are secured over investment properties (refer to note 3) and non-current assets held-for-sale (refer to note 14) with a carrying value of R10.6 billion (2019: R11.4 billion).

The Group has made significant progress in respect of extending and refinancing its expiring debt facilities, with negotiations as follows:

- ▶ Restructuring Investec Bank's property facilities into a portfolio A and B facility of R380.8 million and R352.9 million respectively, effective from June 2020. Portfolio A comprises assets with shorter-term leases and higher vacancies for a 12-month period and amortised to a residual of R333 million. Portfolio B has a longer weighted average lease profile with a maturity term of 36 months and no amortisation.
- ▶ Extending R2.3 billion in expiring facilities with Nedbank for a period of three months to 31 August 2020 on the existing terms and conditions. This allows the Group the opportunity to conclude the remaining bulk lease renewals, thereby placing the Fund in a stronger position for longer-term debt and more competitive pricing.
- ▶ Refinancing of R464 million in expiring facilities with Standard Bank for a 12-month period from June 2020 and extending a R300 million facility to October 2020.

The Group's unutilised loan facilities at year-end amounted to R45.4 million (2019: R89 million), the loan to value ratio was 46.3% (2019: 45.1%) and the weighted average cost of debt is 10.3% (2019: 10.2%). This excludes capacity within the overdraft facilities amounting to R66.8 million (2019: R20.1 million).

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18. LEASE LIABILITIES

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Investment property	3	6 145	-	4 563	-
Non-current assets held for sale	14	23 255	-	-	-
Repayment of lease liabilities		(969)	-	(728)	-
Balance at end of year		28 431	-	3 835	-
Non-current liabilities					
Lease liabilities		24 352	-	2 626	-
Current liabilities					
Lease liabilities		4 079	-	1 209	-
		28 431	-	3 835	-

The Group has leasehold land as investment property at Capital Towers, Block G, Treasury House and Pine Parkade. The lease liabilities on leasehold land have been disclosed separately from investment properties and non-current assets held-for-sale during the current year.

Lease liabilities have been measured at the present value of the remaining lease payments discounted using the Group's weighted average cost of debt as at 1 March 2019. The Group amortises lease liabilities over the remaining lease term by recognising an interest expense in the statement of profit or loss and repayment of capital in the statement of cash flows.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Trade payables	50 445	37 395	49 360	36 223
Income received in advance	52 197	36 964	51 249	35 458
Accrued expenses	90 543	60 871	81 561	54 045
Accrual for audit fees	1 349	1 263	1 127	1 069
Tenant deposits	22 439	21 409	22 205	21 175
Value added taxation	10 138	14 101	9 765	13 421
	227 111	172 003	215 267	161 391

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

20. RENTAL INCOME

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Contractual	1 117 182	1 190 002	1 086 448	1 147 974
Parking	101 272	100 783	99 096	97 686
Antennae	5 138	4 892	5 001	4 805
Storage	10 579	10 226	10 185	9 861
Signage	453	738	453	738
Turnover-based	(161)	450	(161)	450
Recoveries	253 738	274 578	257 560	261 199
	1 488 201	1 581 669	1 458 582	1 522 713

Rental income comprises gross rental income and recoveries from tenants.

The adoption of IFRS 16 does not substantially change how the Group accounts for leases as compared to IAS 17. Nonetheless, IFRS 16 requires additional disclosures to enable users of financial statements to better evaluate the uncertainty of cash flows associated with the Group's leasing activities as lessor. Accordingly, the Group has disclosed the components of rental income recognised during the year. Contractual rental income reflects lease income from income producing assets without any recovery of other related costs.

21. NET OPERATING PROFIT

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Net operating profit is stated after recognising:				
Dividend income from subsidiaries and listed investment	-	-	49 251	36 660
Net operating profit is stated after charging:				
Municipal expenses	301 110	300 284	295 399	295 074
Service contracts	72 853	69 591	71 106	67 869
Asset management fees	21 556	31 594	21 556	31 594
Property management fees	27 863	27 198	26 978	26 017
Depreciation of property, plant and equipment	698	968	698	968
Directors' emoluments	14 913	20 438	14 913	20 438
Increase in expected credit loss allowances	45 888	62 749	45 888	62 281
Auditors remuneration	1 509	1 493	1 306	1 277
External auditor - audit fees	1 378	1 335	1 175	1 119
External auditor - non-audit fees	131	158	131	158
Tax and secretarial services	71	69	71	69
Internal audit fees	486	64	486	64

22. DIRECTORS' EMOLUMENTS AND SHARE-BASED PAYMENT

Executive directors

2020 (R'000)	Salary	Other benefits*	Retirement benefits	Short-term incentives [#]	Long-term incentives	Total
SH Nomvete	4 753	213	308	-	-	5 274
S Maharaj	2 587	158	169	-	-	2 914
ON Tshabalala	2 761	114	176	-	-	3 051
	10 101	485	653	-	-	11 239

* Other benefits comprise car-related allowances, UIF/SDL and cellphone.

[#] No short-term incentive ("STI") payments were awarded for year ended 2019.

2019 (R'000)	Salary	Other benefits*	Retirement benefits	Short-term incentives [#]	Long-term incentives	Total
SH Nomvete	4 541	148	294	3 141	-	8 124
S Maharaj	2 460	174	161	1 691	-	4 486
ON Tshabalala	2 640	117	169	1 760	-	4 686
	9 641	439	624	6 592	-	17 296

* Other benefits comprise car-related allowances, UIF/SDL and cellphone.

[#] STI payments awarded for year ended 2018 and paid in FY2019.

The executive directors are the only employees of Delta Property Fund Limited.

Non-executive directors

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
JB Magwaza	670	637	670	637
N Khan	416	403	416	403
DN Motau	416	404	416	404
ID Macleod	462	449	462	449
N Afolayan	462	449	462	449
JJ Njeke	412	400	412	400
C Rampheri	412	400	412	400
M de Lange (appointed 9 April 2019)	424	-	424	-
	3 674	3 142	3 674	3 142

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

22. DIRECTORS' EMOLUMENTS AND SHARE-BASED PAYMENT (continued)

Share-based payment

The Group operates a full value performance unit plan, with rights being granted annually to the executives and vesting on the third anniversary of grant date. The award is settled in either shares or cash at the discretion of the Board. Accordingly, the plan is accounted for as equity-settled. The grant date fair value of awards made and expected to vest are amortised over the period to vesting date. Vesting is subject to the achievement of performance measures being compound annual growth rate in distributions per share and net asset value. A strategic project may be included if relevant and appropriate.

An estimate is required at each reporting date of the number of units that are expected to vest on vesting date. Based on the current year's performance in distribution and net asset value per share, and taking into account forecasts to the end of the vesting period, it has been estimated that the compound growth target will not be achieved by the vesting date in three years' time. Therefore, no expense in respect of IFRS 2 has been recognised to profit and loss.

VWAP Rand	Group		Company	
	2020	2019	2020	2019
Shares expected to vest	-	-	-	-
Vesting period	3 years	3 years	3 years	3 years
Weighted average share price at grant date (Rand)	3.47	6.19	3.47	6.19

The number of units allotted in terms of the full value performance unit plan are:

2020	Opening balance	Granted	Forfeited	Vested	Closing balance	IFRS 2 charge R'000
SH Nomvete	554 982	1 036 444	-	-	1 591 425	-
S Maharaj	216 534	407 734	-	-	624 269	-
ON Tshabalala	226 878	425 187	-	-	652 065	-
	998 394	1 869 365	-	-	2 867 759	-

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22. DIRECTORS' EMOLUMENTS AND SHARE-BASED PAYMENT (continued)

	Opening balance	Granted	Forfeited	Vested	Closing balance	IFRS 2 charge R'000
2019						
SH Nomvete	-	554 982	-	-	554 982	-
S Maharaj	-	216 534	-	-	216 534	-
ON Tshabalala	-	226 878	-	-	226 878	-
	-	998 394	-	-	998 394	-

23. FAIR VALUE ADJUSTMENTS

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Investment property	3	(616 875)	(211 117)	(611 593)	(193 223)
Non-current assets held-for-sale	14	(127 267)	(15 883)	(69 875)	(17 062)
Investment property disposed		(3 414)	(10 599)	(3 415)	(10 599)
Fair value adjustment to investment property		(747 556)	(237 599)	(684 883)	(220 884)
Investment in listed security	8	(79 738)	79 954	(79 738)	79 954
Derivative financial instruments		(39 923)	(10 507)	(39 923)	(10 507)
		(867 217)	(168 152)	(804 544)	(151 437)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

24. FINANCE COSTS

	Note	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Interest-bearing borrowings		513 512	496 693	513 512	496 693
Debt structuring fees amortised		33 789	25 232	33 789	25 232
Interest on lease liabilities		2 956	-	432	-
Deferred consideration		-	14 341	-	14 341
Bank overdraft		6 272	5 654	6 272	5 654
South African Revenue Service		-	112	-	112
Other		1 556	1 177	1 486	1 177
Borrowing cost capitalised	3	-	(5 928)	-	(5 855)
		558 085	537 281	555 491	537 354

25. INVESTMENT INCOME

Dividend income

Dividend income from subsidiaries and listed investment

42 878	21 769	49 251	36 660
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Interest income

Bank and cash guarantee

2 879	1 659	2 879	1 658
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Loans to subsidiaries

-	-	33 442	31 205
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Loans receivable

845	5 475	845	5 475
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Trade receivable

13 992	13 345	13 846	12 841
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Bank and cash deposits

5 304	5 553	5 304	5 553
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23 020	26 032	56 316	56 732
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26. TAXATION

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Major components of the tax expense				
Current				
Current year tax recognised in profit and loss	75 472	27 692	75 472	27 692
	75 472	27 692	75 472	27 692
Deferred				
Originating and reversing temporary differences	-	-	-	-
Reconciliation of the tax expense				
Reconciliation between accounting (loss)/profit and tax expense:				
Accounting (loss)/profit before tax	(512 825)	283 485	(424 231)	299 401
Tax at the applicable tax rate of 28% (2019: 28%)	(143 591)	79 376	(118 785)	83 832
Tax effect of adjustments on taxable income:				
Fair value adjustment to investment property	209 316	66 528	191 767	61 847
Fair value adjustment to investment in Grit	22 327	(19 562)	22 327	(22 387)
Non-taxable income	(1 666)	(3 612)	(3 430)	(7 735)
Non-deductible expenditure	3 502	902	3 502	902
Deferred tax asset not recognised (S25BB)	11 752	23 064	4 475	21 949
REIT qualifying distribution	(26 168)	(119 004)	(24 384)	(110 717)
Tax expense	75 472	27 692	75 472	27 692

The estimated tax loss available for set off against future taxable income is R16.2 million (2019: R16.2 million) (Company: Rnil; 2019: Rnil). There is no regulatory expiry date for unused tax losses.

The deferred tax asset on tax losses has not been recognised due to the fact that the Company distributes a qualifying distribution, which is estimated to offset any future taxable income.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

27. CASH GENERATED FROM OPERATIONS

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
(Loss)/profit before taxation		(512 825)	283 485	(424 231)	299 401
Adjustments:					
Depreciation of property, plant and equipment	21	698	968	698	968
Loss on disposal of property, plant and equipment	5	-	39	-	39
Unrealised loss on foreign exchange movements		23 569	26 953	23 569	26 953
Dividend income from subsidiaries and listed investment	25	(42 878)	(21 769)	(49 251)	(36 660)
Interest income	25	(23 020)	(26 032)	(56 316)	(56 732)
Foreign currency translation reserve recognised on derecognition of associate		-	(4 805)	-	-
Finance costs	24	558 085	537 281	555 491	537 354
Fair value adjustments	23	867 217	168 152	804 544	151 437
Expected credit loss allowance	10, 11	10 692	-	10 692	-
Impairment of loan receivable from Grit	10	1 266	-	1 266	-
Straight-line rental income accrual	4	30 383	34 304	27 987	32 970
Operating profit before working capital changes		913 187	998 576	894 449	955 730
Changes in working capital:		13 454	(93 076)	(8 836)	(109 697)
Decrease/(increase) in trade and other receivables		40 008	(18 634)	18 948	(31 172)
Decrease in trade and other payables		(26 554)	(74 442)	(27 786)	(78 525)
Cash generated from operations		926 641	905 500	885 613	846 033

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28. EARNINGS AND HEADLINE EARNINGS

	Group	
	2020 R'000	2019 R'000
(Loss)/profit attributable to owners of the parent	(588 297)	255 793
Change in fair values of investment properties	747 556	
Headline earnings attributable to owners of the parent	159 259	255 793
Shares in issue at beginning of the year	714 229 718	711 844 486
Dividend reinvestment	-	2 385 232
Number of shares in issue	714 229 718	714 229 718
Weighted average number of shares in issue	714 229 718	710 927 785
Dividend reinvestment weighted	-	1 366 459
Weighted average number of shares in issue	714 229 719	712 294 244
Actual number of shares in issue		
Number of shares in issue at interim	714 229 718	713 793 466
Number of shares in issue at year-end	714 229 718	714 229 718
Basic and diluted earnings and headline earnings per share (cents)		
Basic and diluted earnings per share	(82.37)	39.80
Basic and diluted headline earnings per share	22.30	73.16

The Group has no dilutionary instruments in issue.

29. TAXATION PAID

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Taxation (payable)/receivable at beginning of year	(12 821)	526	(13 347)	-
Current tax for the year recognised in profit or loss	(75 472)	(27 692)	(75 472)	(27 692)
Taxation payable at end of year	30 935	12 821	31 461	13 347
	(57 358)	(14 345)	(57 358)	(14 345)

Section 25BB of the Income Tax Act provides for the flow-through principle whereby investors are subject to tax on income received from the REIT and the REIT is taxed on the taxable income retained at the standard corporate rate. Due to the retention of distributable earnings, the Group has paid provisional tax and provided for the necessary tax obligation at the standard corporate tax rate of 28%. Refer to note 26.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

30. DIVIDENDS PAID

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Final dividend – prior year	(114 197)	(361 917)	(114 197)	(361 917)
Interim dividend – current year	(87 089)	(281 222)	(87 089)	(281 222)
	(201 286)	(643 139)	(201 286)	(643 139)

Dividends are paid from revenue profits.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group (R'000)	Interest-bearing borrowings	Bank overdraft	Lease liabilities	Other financial liabilities	Total
Balance at beginning of year	5 258 471	115 000	-	51 102	5 424 573
Cash flows:					
- Repayment	(358 908)	(10 000)	(969)	(28 792)	(398 669)
- Proceeds	105 587	-	-	-	105 587
Non-cash:					
- Leasehold land	-	-	6 145	-	6 145
- Foreign exchange movement	19 327	-	-	-	19 327
- Fair value	-	-	-	39 922	39 922
- Fees capitalised	33 052	-	-	-	33 052
- Interest accrued	(35 412)	-	-	-	(35 412)
Balance at end of year	5 022 117	105 000	5 176	62 232	5 194 525

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31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

Company (R'000)	Interest-bearing borrowings	Bank overdraft	Lease liabilities	Other financial liabilities	Total
Balance at beginning of year	5 258 471	115 000	-	51 102	5 424 573
Cash flows:					
- Repayment	(358 908)	(10 000)	(728)	(28 792)	(398 428)
- Proceeds	105 587	-	-	-	105 587
Non-cash:					
- Leasehold land	-	-	4 563	-	4 563
- Foreign exchange movement	19 327	-	-	-	19 327
- Fair value	-	-	-	39 922	39 922
- Fees capitalised	33 052	-	-	-	33 052
- Interest accrued	(35 412)	-	-	-	(35 412)
Balance at end of year	5 022 117	105 000	3 835	62 232	5 193 184

32. COMMITMENTS

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
32.1 Capital commitments				
- Approved and committed	44 261	34 891	44 261	9 136
- Approved but not yet committed	-	8 453	-	8 453
	44 261	43 344	44 261	17 589

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

32. COMMITMENTS (continued)

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
32.2 Lease commitments				
Operating lease payments receivable as lessor				
- Year one	452 474	695 902	430 255	664 002
- Year two	268 710	488 250	266 260	466 110
- Year three	175 445	258 758	174 668	256 320
- Year four	121 987	183 371	121 740	182 594
- Year five	50 160	115 269	50 102	115 022
- Later than five years	124 111	164 810	123 876	164 518
	1 192 887	1 906 360	1 166 901	1 848 566
Operating lease payments payable as lessee				
- Year one	4 309	3 925	1 276	1 160
- Year two	4 657	4 309	1 330	1 276
- Year three	4 215	4 657	565	1 330
- Year four	4 096	4 215	622	565
- Year five	4 453	4 096	684	622
- Later than five years	24 532	28 985	313	997
	46 262	50 187	4 790	5 950

Minimum lease payments receivable comprise contractual rental income due in terms of signed lease agreements on investment property. This excludes the straight-line rental income accrual adjustments.

The Group's investment property is held to generate rental income. Rental of investment property is expected to generate forward rental yields of 8.7% (2019: 8.6%) on an ongoing basis. Forward yield was calculated on the basis of the fair value of the building and the first year's forward net income. Lease agreements are non-cancellable and range between two and 10 years. There are no contingent rentals.

32.3 Guarantee

A guarantee has been provided to Investec Bank Limited ("Investec") in respect of the debt obligations of Freedom Property Fund SARL and Grit Property Holdings Limited (as "Borrower") for the lower of EUR30 million or 58% of the outstanding debt of Grit. Negotiations are currently in progress between Grit and Investec to release Delta from this guarantee.

33. RELATED PARTIES

Parties are considered related if one party has the ability to exercise control or significant influence over the other party in making financial or operational decisions. All transactions with related parties are at arm's length.

Relationships

Subsidiaries	Atterbury Parkdev Consortium Proprietary Limited
	Choice Decisions 300 Proprietary Limited
	Hendisa Investments Proprietary Limited
	Hestitrix Proprietary Limited
	K2014000273 Proprietary Limited
	Phamog Properties Proprietary Limited
	277 Vermeulen Street Properties Proprietary Limited
Members of key management	SH Nomvete – Chief Executive Officer
	S Maharaj – Chief Financial Officer
	ON Tshabalala – Chief Operating Officer
Common directors	Delta Property Asset Management Proprietary Limited
	Shameless Way Trading Proprietary Limited
	Somnipoint Proprietary Limited

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

33. RELATED PARTIES (continued)

Related party	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Atterbury Parkdev Consortium				
Loan payable	-	-	(1 917)	(1 917)
Choice Decisions 300				
Loan payable	-	-	(2 177)	(2 177)
Hendisa Investments				
Loan receivable	-	-	34	34
Hestitrix				
Loan receivable	-	-	240 864	248 502
Interest income	-	-	(18 504)	(18 504)
Dividend income	-	-	-	(2 839)
K2014000273				
Loan receivable	-	-	169 671	157 627
Interest income	-	-	(11 068)	(11 068)
Dividend income	-	-	-	(4 028)
Phamog Properties				
Loan payable	-	-	(96)	(96)
277 Vermeulen Street Properties				
Loan receivable	-	-	44 664	32 874
Interest income	-	-	(1 633)	(1 633)
Dividend income	-	-	(6 372)	(8 024)
Delta Property Asset Management				
Loan receivable	11 121	18 633	11 121	18 633
Trade and other receivables	4 836	5 102	4 836	5 102
Trade and other payables	(62)	(3 856)	(62)	(3 856)
Interest income	(2 557)	(2 486)	(2 557)	(2 486)
Asset management fees paid	21 947	31 594	21 947	31 594
Property management fees paid	19 475	18 778	19 475	18 778
Recoveries and reimbursement income	(9 953)	(10 029)	(9 953)	(10 029)
Shameless Way Trading				
Travel expenses	219	532	219	532
Somnipoint				
Loan receivable	26 018	23 733	26 018	23 733
Interest income	(2 512)	(2 693)	(2 512)	(2 693)

34. FINANCIAL RISK MANAGEMENT

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Committee reviews management's compliance with the Group's risk policies and procedures and assesses the adequacy of the risk management framework. The committee reports regularly to the Board of directors.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Risk Management Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to both the Audit Committee and the Risk Management Committee.

The Group has exposure to liquidity, market and credit risk from its use of financial instruments, which consist primarily of deposits with banks, interest-bearing liabilities, trade and other receivables and trade and other payables.

34.1 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Liquidity risk (continued)

The tables below set out the maturity analysis of the Group and Company's financial assets and liabilities based on the undiscounted contractual cash flows.

Group

2020 (R'000)	Interest rate % [^]	Less than one year	One to five years	More than five years	Total
Financial assets					
Trade and other receivables (excluding VAT)	-	248 252	-	-	248 252
Cash and cash equivalents	0 - 6.0	41 851	-	-	41 851
Loans due from related parties	9.2 - prime	37 139	-	-	37 139
Loan receivable	prime +2	12 562	-	-	12 562
		339 804	-	-	339 804
Financial liabilities					
Interest-bearing borrowings*	10.3	4 008 521	1 315 383	-	5 323 904
Trade and other payables [#]	-	164 776	-	-	164 776
Bank overdraft	-	38 196	-	-	38 196
Derivative financial instruments	-	-	58 427	-	58 427
		4 211 493	1 373 810	-	5 585 303
2019 (R'000)	Interest rate % [^]	Less than one year	One to five years	More than five years	Total
Financial assets					
Trade and other receivables (excluding VAT)	-	252 782	-	-	252 782
Cash and cash equivalents	0 - 6.0	25 339	-	-	25 339
Loans due from related parties	9.2 - prime	43 511	-	-	43 511
Loan receivable	prime +2	20 906	-	-	20 906
		342 538	-	-	342 538
Financial liabilities					
Interest-bearing borrowings*	10.2	4 220 134	1 408 068	-	5 628 202
Trade and other payables [#]	-	120 938	-	-	120 938
Bank overdraft	-	125 753	-	-	125 753
Derivative financial instruments	-	28 625	22 478	-	51 103
		4 495 450	1 430 546	-	5 925 996

* Represents undiscounted future settlement of capital and interest.

[#] Excludes income received in advance and VAT.

[^] Weighted average effective interest rate.

34. FINANCIAL RISK MANAGEMENT (continued)**34.1 Liquidity risk** (continued)**Company**

2020 (R'000)	Interest rate % [^]	Less than one year	One to five years	More than five years	Total
Financial assets					
Trade and other receivables (excluding VAT)	-	245 423	-	-	245 423
Cash and cash equivalents	0 - 6.0	45 219	-	-	45 219
Loans due from related parties	9.2 - prime	37 139	-	-	37 139
Loan receivable	prime +2	12 562	-	-	12 562
Loans to subsidiaries	7.5	-	455 233	-	455 233
		340 343	455 233	-	795 576
Financial liabilities					
Loans from subsidiaries	7.5	-	4 190	-	4 190
Interest-bearing borrowings*	10.3	4 008 521	1 315 383	-	5 323 904
Trade and other payables [#]	-	154 253	-	-	154 253
Derivative financial instruments	-	3 805	58 427	-	62 232
Bank overdraft		87 048	-	-	87 048
		4 253 627	1 378 000	-	5 631 627
2019 (R'000)	Interest rate % [^]	Less than one year	One to five years	More than five years	Total
Financial assets					
Trade and other receivables (excluding VAT)	-	249 117	-	-	249 117
Cash and cash equivalents	0 - 6.0	26 870	-	-	26 870
Loans due from related parties	9.2 - prime	43 511	-	-	43 511
Loan receivable	prime +2	20 906	-	-	20 906
Loans to subsidiaries	7.5	-	439 038	-	439 038
Derivative financial instruments	-	-	-	-	-
		340 404	439 038	-	779 442
Financial liabilities					
Loans from subsidiaries	7.5	-	4 190	-	4 190
Interest-bearing borrowings*	10.2	4 220 134	1 408 068	-	5 628 202
Trade and other payables [#]	-	112 512	-	-	112 512
Derivative financial instruments	-	28 623	22 478	-	51 101
Bank overdraft		158 418	-	-	158 418
		4 519 687	1 434 736	-	5 954 423

* Represents undiscounted future settlement of capital and interest.

[#] Excludes income received in advance and VAT.[^] Weighted average effective interest rate.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Liquidity risk (continued)

Interest rate risk

The Group is exposed to interest rate risk through its variable rate cash balances, receivables and interest-bearing borrowings. The Group reduces its exposure to changes in interest rates by fixing interest rates in respect of its local borrowings. This is achieved by entering into swap agreements to receive variable and pay fixed interest rates. At year-end, interest rates in respect of 45% (2019: 59.8%) of total borrowings, excluding revolving facilities, were hedged. See note 16 for disclosure regarding the interest rate swaps.

An increase of 1% in the interest rate for the year would have increased the interest expense by R28.5 million (2019: R21.1 million), and therefore the profit pre-tax and equity would decrease. These amounts are determined by calculating 1% on the amount of the effective floating interest rate liabilities (i.e. total nominal liabilities and fixed interest rate loans).

The all-in weighted average cost of interest-bearing borrowings is 10.3% (2019: 10.2%).

34.2 Market risk

Equity price risk

The Group is exposed to equity securities price risk because of an investment in a listed property security held by the Group and classified on the Group statement of financial position as an investment in Grit. Equity investments are held for strategic purposes and the Group does not actively trade these instruments.

Currency risk

The Group is exposed to currency risk through its foreign interest-bearing borrowings with the Bank of China. The Group manages its currency risk by entering into cross-currency interest rate swaps.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Non-current liabilities				
Interest-bearing borrowings	187 974	168 720	187 974	168 720
Cross-currency swap	-	138 720	-	138 720

The Bank of China loan amounting to USD12.0 million (2019: USD12.0 million) was translated at year-end at a spot rate of R15.66: USD1 (2019: R14.06: USD1).

The Group has no future commitments in respect of cross-currency swaps at 29 February 2020, with the last remaining contract maturing in April 2019. The Group will reassess the need for such an instrument in the future if dollar denominated exposure continues within the business.

At 29 February 2020, if the rand had weakened or strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been R1.9 million (2019: R0.3 million) higher/lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated borrowings.

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans to related parties, loan receivable, trade receivables, cash and cash equivalents and other financial assets. There is no significant concentration of credit risk as exposure is spread over a large number of counterparties.

The Group's maximum exposure to credit risk by class of financial asset other than derivatives is as follows:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Financial instruments				
Loans due from subsidiaries	-	-	455 233	439 038
Loans due from related parties	37 139	43 511	37 139	43 511
Loan receivable	12 562	20 906	12 562	20 906
Trade and other receivables	248 252	252 782	245 423	249 117
Cash and cash equivalents/(bank overdraft)	3 655	(100 414)	(41 829)	(131 548)

34.3 Credit risk management

The credit risk attached to loans due from subsidiaries, loans due from related parties, loan receivable and other receivables were assessed in terms of the general approach per IFRS 9.

The Group assesses on a forward looking basis the expected credit losses associated with loans and other receivable carried at amortised cost. This entails the assessment of credit risk since initial recognition, probability of default (PD), loss given default (LGD) and exposure at default (EG) [i.e. $PD \times LGD \times EG = ECL$].

The credit risk is measured by assessing the status of performance during the financial year i.e. performing (stage 1) – loans whose credit risk is in line with original expectations; underperforming (stage 2) – loans for which a significant increase in credit risk has occurred compared to original expectations i.e. a significant increase in credit risk is presumed if interest and/or principal payments are 90 days past due; and non-performing (stage 3) – interest and/or principal repayments are 120 days past due or it becomes probable a customer will enter business rescue or bankruptcy. This assessment summarises the credit risk and how the expected credit loss (ECL) provision is determined for each of those categories.

Loans and other receivables are segmented into counterparty type (i.e. income generating property entity, property management, corporate, contractual property income) which assists with risk assessment. The probability of a loan defaulting has been determined using historical data up to 36 months from inception together with other pertinent information that is available.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Credit risk management (continued)

34.3.1 Loans due from subsidiaries

The credit risk on loans to subsidiaries is negligible due to the fact that the three operational subsidiaries being Hestitrix Proprietary Limited, K2014000273 Proprietary Limited and 277 Vermeulen Street Properties Proprietary Limited have properties which are currently generating rental income. Loan balances between Delta and its dormant subsidiaries, being Choice Decisions 300 Proprietary Limited, Hendisa Investments Proprietary Limited, APC Parkdev Consortium Proprietary Limited and Phamog Properties Proprietary Limited are insignificant.

The credit risk and PD on loans due from subsidiaries did not increase. These loans are all secured by properties within the respective subsidiaries which significantly reduces the LDG. The fair value of these properties provides sufficient equity in respect of the loans due to the Group.

The Company did not raise an ECL provision based on the assessment below:

Counterparty	Location	Performance category	Gross carrying amount	Probability of default (PD)	Loss given default (LGD)	Expected credit loss (ECL)
Income generating property entity	South Africa	Performing	455 233	1%	0%	-
Total ECL						-

Expected credit loss allowance (R'000)	Performing	Under-performing	Non-performing	Total
Balance at beginning of year	-	-	-	-
Current year ECL provision	-	-	-	-
Balance at end of year	-	-	-	-

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Credit risk management (continued)

34.3.2 Loans due from related parties and loans receivable

The credit risk attached to the loan due from DPAM remained unchanged and accordingly no ECL provision was raised as the amount was immaterial. However, the credit risk on loans due from Somnipoint Proprietary Limited and Educor Property Holdings Group increased to stage 3 based on the performance assessment. Based on the movement in credit risk the PD and LGD also increased resulting in the recognition of the following ECL provision:

Counterparty	Location	Performance category	Gross carrying amount	Probability of default (PD)	Loss given default (LGD)	Expected credit loss (ECL)
Property management	South Africa	Performing	11 121	1%	1%	-
Income generating property entity	South Africa	Non-performing	26 018	50%	50%	6 504
Income generating property entity	South Africa	Non-performing	16 750	50%	50%	4 188
Total ECL						10 692

Expected credit loss allowance (R'000)	Performing	Under-performing	Non-performing	Total
Balance at beginning of year	-	-	-	-
Loans transferred to non-performing*	-	-	10 692	10 692
Balance at end of year	-	-	10 692	10 692

* Based on management's assessment, the probability of default (PD) increased due to the borrowers' credit risk increasing.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Credit risk management (continued)

34.3.3 Trade receivables

Credit risk arises from the risk that a tenant may default or not meet its obligations timeously. Management has established a credit policy under which each new tenant is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered, which include in certain cases the provision of a deposit. The financial position of the tenants is monitored on an ongoing basis. Allowance is made for specific doubtful debts and credit risk is therefore limited to the carrying amount of the financial assets at financial year-end. There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Trade receivables was assessed in terms of IFRS 9 simplified approach, which entailed formulating a matrix that applied historical performance (bad debt write offs applied to appropriate groupings of receivables based on shared credit risk characteristics) over a three-year period to forward looking economic and company-specific risk assessments (credit rating, public debt % of GDP, economic growth, political risk, property sector outlook). Risks were weighted against low/medium/high assessment, resulting in a cumulative ECL risk percentage which was applied to trade receivables net of specific doubtful debt allowances. An expected credit loss allowance of R3.9 million was raised in terms of IFRS 9.

34. FINANCIAL RISK MANAGEMENT (continued)**34.3 Credit risk management** (continued)**34.3.3 Trade receivables** (continued)**Group**

2020	Current	30 days	60 days	Over 90 days	Total
Gross trade receivables (R'000)	47 388	32 792	25 988	133 636	239 804
Expected credit loss allowance	-	-	-	(81 592)	(81 592)
Net trade receivables (R'000)	47 388	32 792	25 988	52 043	158 211
Expected loss %	2.1%	2.2%	2.5%	3.0%	-
Expected credit loss IFRS 9 (R'000)	(995)	(721)	(637)	(1 535)	(3 889)
Expected credit loss allowance (R'000)	(995)	(721)	(637)	(83 128)	(85 481)
2019					
Gross trade receivables (R'000)	66 467	37 313	21 691	103 803	229 274
Expected credit loss allowance	-	-	-	(71 356)	(71 356)
Net trade receivables (R'000)	66 467	37 313	21 691	32 447	157 918
Expected loss %	1.9%	2.0%	2.3%	2.8%	-
Expected credit loss IFRS 9 (R'000)	(1 291)	(762)	(497)	(846)	(3 396)
Expected credit loss allowance (R'000)	(1 291)	(762)	(497)	(72 202)	(74 752)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Credit risk management (continued)

34.3.3 Trade receivables (continued)

Company

2020	Current	30 days	60 days	Over 90 days	Total
Gross trade receivables (R'000)	46 741	32 682	25 944	132 123	237 490
Expected credit loss allowance	-	-	-	(80 960)	(80 960)
Net trade receivables (R'000)	46 741	32 682	25 944	51 163	156 530
Expected loss %	2.1%	2.2%	2.5%	3.0%	-
Expected credit loss IFRS 9 (R'000)	(982)	(719)	(635)	(1 509)	(3 845)
Expected credit loss allowance (R'000)	(982)	(719)	(635)	(82 469)	(84 805)
2019					
Gross trade receivables (R'000)	66 467	37 313	21 691	101 174	226 645
Expected credit loss allowance	-	-	-	(70 888)	(70 888)
Net trade receivables (R'000)	66 467	37 313	21 691	30 286	155 757
Expected loss %	1.9%	2.0%	2.3%	2.8%	-
Expected credit loss IFRS 9 (R'000)	(1 291)	(762)	(497)	(846)	(3 396)
Expected credit loss allowance (R'000)	(1 291)	(762)	(497)	(71 734)	(74 284)

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Credit risk management (continued)

34.3.3 Trade receivables (continued)

Other receivables and amounts due from vendors

Other receivables and amounts due from vendors were analysed in terms of the forward looking general approach per IFRS 9 as disclosed under credit risk management. The credit risk attached to adjustment accounts due from vendors (Educor and Orthotouch) and reinstatement costs due from customers increased to stage 3 based on the performance assessment. While we remain confident in recovering amounts due from customers contractually, the Board has taken a prudent approach to create a provision based on the timeframe elapsed thus far. Orthotouch was placed into business rescue in November 2019 resulting in the PD and LGD increasing to 100%.

The following ECL provision was raised based on the assessment performed:

Counterparty	Location	Performance category	Gross carrying amount	Probability of default %	Loss given default %	Expected credit loss
Income generating property entity	South Africa	Non-performing	5 683	50	50	1 421
Income generating property entity	South Africa	Non-performing	12 868	100	100	12 868
Contractual property income	South Africa	Non-performing	16 974	25	100	4 243
Income generating property entity	South Africa	Non-performing	8 268	25	100	2 068
Total ECL						20 600

Expected credit loss allowance (R'000)	Performing	Under-performing	Non-performing	Total
Balance at beginning of year	-	-	-	-
Transferred to non-performing*	-	-	20 600	20 600
Balance at end of year	-	-	20 600	20 600

* Based on management's assessment the probability of default (PD) increased due to the borrowers' credit risk increasing.

34.3.4 Cash and cash equivalents

There is no significant concentration of credit risk with respect to cash and cash equivalents as the Group holds cash accounts with various financial institutions locally. Exposure to credit risk is managed by the Group's policy to deposit short-term cash investments with reputable financial institutions that have strong credit ratings assigned by rating agencies.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

35. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Financial assets

Group

2020 (R'000)	At amortised cost	At fair value through profit or loss	Total
Listed security	-	277 734	277 734
Loans due from related parties	30 635	-	30 635
Loan receivable	12 562	-	12 562
Trade and other receivables (excluding VAT)	248 252	-	248 252
Cash and cash equivalents	41 851	-	41 851
	333 300	277 734	611 034
2019 (R'000)			
Listed security	-	461 822	461 822
Loans due from related parties	43 511	-	43 511
Loan receivable	20 906	-	20 906
Trade and other receivables (excluding VAT)	252 782	-	252 782
Cash and cash equivalents	25 339	-	25 339
	342 538	461 822	804 360
Company			
2020 (R'000)			
Listed security	-	277 734	277 734
Loans due from subsidiaries	455 233	-	455 233
Loans due from related parties	30 635	-	30 635
Loan receivable	12 562	-	12 562
Trade and other receivables (excluding VAT)	245 423	-	245 423
Cash and cash equivalents	45 219	-	45 219
	789 072	277 734	1 066 806
2019 (R'000)			
Listed security		461 822	461 822
Loans due from subsidiaries	439 038	-	439 038
Loans due from related parties	43 511	-	43 511
Loan receivable	20 906	-	20 906
Trade and other receivables (excluding VAT)	249 117	-	249 117
Cash and cash equivalents	26 870	-	26 870
	779 442	461 822	1 241 264

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35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**Financial liabilities****Group**

2020 (R'000)	At amortised cost	At fair value through profit or loss	Total
Interest-bearing borrowings	5 022 117	-	5 022 117
Trade and other payables [#]	164 776	-	164 776
Bank overdraft	38 196	-	38 196
Derivative financial instruments	-	62 233	62 233
	5 225 089	62 233	5 287 322
2019 (R'000)			
Interest-bearing borrowings	5 258 471	-	5 258 471
Trade and other payables [#]	120 938	-	120 938
Bank overdraft	125 753	-	125 753
Derivative financial instruments	-	51 102	51 102
	5 505 162	51 102	5 556 264
Company			
2020 (R'000)			
Interest-bearing borrowings	5 022 117	-	5 022 117
Trade and other payables [#]	154 253	-	154 253
Loans due to subsidiaries	4 190	-	4 190
Bank overdraft	87 048	-	87 048
Derivative financial instruments	-	62 233	62 233
	5 267 608	62 233	5 329 841
2019 (R'000)			
Interest-bearing borrowings	5 258 471	-	5 258 471
Trade and other payables [#]	112 512	-	112 512
Loans due to subsidiaries	4 190	-	4 190
Bank overdraft	158 418	-	158 418
Derivative financial instruments	-	51 100	51 100
	5 533 591	51 100	5 584 691

[#] Excludes income received in advance and VAT.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

36. CAPITAL MANAGEMENT

The Group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably. In order to effectively manage the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
Loan-to-value					
Gross debt	17, 18	5 050 547	5 258 471	5 025 951	5 258 471
Less cash and cash equivalents	13	(3 655)	100 414	41 829	131 548
Net debt	A	5 046 892	5 358 885	5 067 780	5 390 019
Total assets		11 260 884	12 261 596	11 340 099	12 261 856
Less cash and cash equivalents	13	(41 851)	(25 339)	(45 219)	(26 870)
Less trade and other receivables	12	(317 963)	(357 973)	(315 443)	(334 393)
Carrying amount of property-related assets	B	10 901 070	11 878 284	10 979 437	11 900 593
Loan-to-value ("LTV") (%)	A/B	46.3	45.1	46.2	45.3

Gross debt is the sum of all interest-bearing financial liabilities, whether through bank loans or any other means, and lease liabilities as reflected in the statement of financial position.

The Board is committed to maintaining a maximum LTV ratio for the Group of 50% (2019: 50%) of Delta's property portfolio including listed property securities and loans receivable. The Group's LTV ratio is below bank covenants of 50% and the JSE Listings Requirements of a REIT being a maximum of 60%.

37. FAIR VALUE HIERARCHY

IFRS 13 requires that an entity disclose, for each class of financial instrument and investment property measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

37. FAIR VALUE HIERARCHY (continued)

The fair value hierarchy has the following levels:

- ▶ Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ▶ Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ▶ Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2020 (R'000)	Notes	Level 1	Level 2	Level 3	Fair value
Assets					
Investment property*	3	-	-	10 579 021	10 579 021
Listed security	8	277 734	-	-	277 734
		277 734	-	10 579 021	10 856 755
Level 3 reconciliation		Balance at beginning of year	Additions/ (disposals)	Loss in profit or loss for the year	Balance at end of year
Investment property	3	9 913 811	27 466	(640 311)	9 300 966
Non-current assets held-for-sale	14	1 436 520	(22 660)	(135 805)	1 278 055
		11 350 331	4 806	(776 116)	10 579 021
2019 (R'000)		Level 1	Level 2	Level 3	Fair value
Assets					
Investment property*	3	-	-	11 350 331	11 350 331
Listed security	8	461 822	-	-	461 822
		461 822	-	11 350 331	11 812 153
Level 3 reconciliation		Balance at beginning of year	Additions/ (disposals)	Loss in profit or loss for the year	Balance at end of year
Investment property	3	10 501 020	(376 092)	(211 117)	9 913 811
Non-current assets held-for-sale	14	972 276	480 127	(15 883)	1 436 520
		11 473 296	104 035	(227 000)	11 350 331

* Includes non-current assets held-for-sale.

There have been no transfers between level 1, level 2 and level 3 during the year.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

38. CONTINGENT LIABILITY

Orthotouch (Pty) Limited has instituted legal proceedings against the Fund by way of summons, issued out of the High Court of South Africa in which it seeks payment from Delta of an amount of R210.3 million arising from alleged penalties calculated in relation to the purchase of the Bloemfontein property portfolio.

The Group strongly denies the alleged claim as formulated on various grounds and has defended the action. We have been advised by our attorneys ("Bowmans") that the Group has very good prospects of success having regard to the claim as formulated, together with the transaction and performance by the Group. It is difficult to estimate the legal costs which are calculated on time spent. However, current estimates range between R800 000 and upwards of R1.5 million depending on the time taken to conclude. The Group will seek to recover the legal costs from Orthotouch when we succeed in defending the claim.

39. EVENTS AFTER THE REPORTING PERIOD

Except for the changes to the Board noted on page 22 of the integrated report, there were no further significant events after the reporting period.

Impact of COVID-19

The World Health Organization ("WHO") declared in March 2020 that the coronavirus ("COVID-19") is a global pandemic. On 15 March 2020, the President of the Republic of South Africa declared COVID-19 to be a national disaster in terms of the Disaster Management Act, with stage 5 lockdown implemented from 25 March 2020. Since then, many markets have declined and credit spreads have widened.

As the effects of COVID-19 are felt around the world, local property companies are being impacted in different ways, largely dependent on region and asset class. Most economic and company-specific forecasts made for 2020 before the onset of COVID-19 are being retracted as it remains challenging to accurately estimate the forward looking impact of the pandemic.

The Group recognises that the most valuable resource remains our people and accordingly implemented measures to limit the potential spread of the virus among our employees, tenants, service providers and all personnel linked to the business. We formed a COVID-19 task team to assess and monitor the implemented measures and provided our staff with the relevant tools and capabilities to work-from-home.

The Group's strategy of being a sovereign focused office fund has limited the negative economic impact of COVID-19 on the business. While rental collection for the period post financial year-end has remained robust, it is still too early to quantify the full impact of COVID-19, if any, on the portfolio. The Group continues to generate positive cash flows and accordingly make payments towards all its operating and administration expenses, including interest and capital repayments on its interest-bearing borrowings to the banks.

The portfolio remains defensive and resilient during these turbulent times.

40. GOING CONCERN

The directors are of the opinion that the Group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the Group's financial statements. Due to the impact of COVID-19 the Group has performed additional stress testing on its going concern assumptions and cash flows over the next 12 months and the directors have satisfied themselves that the Group is in a sound financial position to meet its foreseeable cash requirements.

41. SEGMENTAL INFORMATION

The Group has five reportable segments based on the type of property, i.e. retail, office government, office other, industrial and administration and corporate costs. Where a property has more than one tenant the segment is classified based on the majority tenant type. For each strategic business segment, the entity's executive directors review internal management reports on a monthly basis. All operating segments are located in South Africa with a foreign investment in associate. There are no single major customers.

The accounting policies of the segments are the same as those applied in the Group. There were no inter-segment sales during the period.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

41. SEGMENTAL INFORMATION (continued)

The following summary describes the operations in each of the entity's reportable segments:

2020 (R'000)	Head Office	Industrial	Office government	Office other	Retail	Total
Rental income	-	14 774	1 099 567	334 535	39 325	1 488 201
Straight-line rental income accrual	-	103	(32 429)	(632)	2 575	(30 383)
Property operating expenses	-	(3 345)	(335 096)	(163 211)	(16 939)	(518 591)
Net property rental and related income	-	11 532	732 042	170 692	24 961	939 227
Other income	701	-	1 107	423	268	2 499
Dividend income	42 878	-	-	-	-	42 878
Loss on foreign exchange movements	(20 826)	-	-	-	-	(20 826)
Administration expenses (excluding depreciation)	(67 264)	(22)	(4 439)	(1 768)	(130)	(73 623)
Depreciation	(698)	-	-	-	-	(698)
Net operating profit/(loss)	(45 209)	11 510	728 710	169 347	25 099	889 457
Fair value adjustment to investment properties	(3 415)	(11 603)	(545 023)	(180 349)	(7 166)	(747 556)
Fair value adjustment to investment in Grit	(79 738)	-	-	-	-	(79 738)
Fair value adjustment to derivative financial instruments	(39 923)	-	-	-	-	(39 923)
Profit/(loss) from operations	(168 285)	(93)	183 687	(11 002)	17 933	22 240
Finance costs	(556 786)	-	(404)	(819)	(76)	(558 085)
Interest income	8 795	-	11 058	3 062	105	23 020
(Loss)/profit before taxation	(716 276)	(93)	194 341	(8 759)	17 962	(512 825)
Taxation	(75 472)	-	-	-	-	(75 472)
(Loss)/profit for the year	(791 748)	(93)	194 341	(8 759)	17 962	(588 297)
Reportable segment assets and liabilities						
Assets						
Fair value of investment property	-	-	6 411 330	2 455 748	298 722	9 165 800
Straight-line rental income accrual	-	-	96 236	22 352	16 578	135 166
Non-current assets held-for-sale	-	141 900	1 016 155	120 000	-	1 278 055
Other assets	372 093	(97)	500 252	(234 504)	44 119	681 863
	372 093	141 803	8 023 973	2 363 596	359 419	11 260 884
Liabilities						-
Total liabilities	445 699	32 387	3 482 747	1 291 288	156 901	5 409 022

ANNUAL FINANCIAL STATEMENTS ◀

41. SEGMENTAL INFORMATION (continued)

2019 (R'000)	Head Office	Industrial	Office government	Office other	Retail	Total
Rental income	-	27 968	1 161 461	354 027	38 213	1 581 669
Straight-line rental income accrual	-	(211)	(36 635)	(33)	2 575	(34 304)
Property operating expenses	-	(8 434)	(310 288)	(175 287)	(15 570)	(509 579)
Net property rental and related income	-	19 323	814 538	178 707	25 218	1 037 786
Other income	5 053	28	847	253	175	6 356
FCTR recognised in profit and loss	4 805	-	-	-	-	4 805
Dividend income	21 769	-	-	-	-	21 769
(Loss)/gain on foreign exchange movements	(28 103)	-	-	-	-	(28 103)
Administration expenses (excluding depreciation)	(67 576)	(63)	(8 614)	(1 591)	(915)	(78 759)
Depreciation	(968)	-	-	-	-	(968)
Net operating profit/(loss)	(65 020)	19 288	806 771	177 369	24 478	962 886
Fair value adjustment to investment properties	(10 599)	11 665	(167 745)	(57 762)	(13 158)	(237 599)
Fair value adjustment to investment in Grit	79 954	-	-	-	-	79 954
Fair value adjustment to derivative financial instruments	(10 507)	-	-	-	-	(10 507)
Profit/(loss) from operations	(6 171)	30 953	639 026	119 607	11 320	794 735
Finance costs	(542 356)	(1)	3 782	1 328	(34)	(537 281)
Interest income	12 510	2	10 950	2 490	80	26 032
Share of profit in associate	-	-	-	-	-	-
Impairment of investment in associate	-	-	-	-	-	-
Profit/(loss) before taxation	(536 017)	30 954	653 758	123 425	11 366	283 486
Taxation	(27 692)	-	-	-	-	(27 692)
Profit/(loss) for the year	(563 709)	30 954	653 758	123 425	11 366	255 794
Reportable segment assets and liabilities						
Assets						
Fair value of investment property	-	-	6 863 695	2 586 017	305 497	9 755 209
Straight-line rental income accrual	-	-	121 616	22 983	14 003	158 602
Non-current assets held-for-sale	-	198 400	1 078 120	160 000	-	1 436 520
Straight-line rental income accrual - NCAHS	-	1 568	13 119	123	-	14 810
Other assets	596 827	3 335	235 372	46 109	29 621	911 264
	596 827	201 735	8 298 803	2 815 109	349 121	12 261 595
Liabilities						
Total liabilities	(320 268)	85 247	3 985 492	1 705 114	164 566	5 620 151

PROPERTY PORTFOLIO

No	Property name	Physical address	Province
1	Forum Building	Bosman Street, Pretoria	Gauteng
2	NPA Cape Town	115 Buitengracht Street, Cape Town	Western Cape
3	110 Hamilton	110 Hamilton Street, Pretoria	Gauteng
4	Thuto House	155 St Andrews Street, Bloemfontein	Free State
5	Tivoli	58 OR Tambo Street, Klerksdorp	North West
6	Block G	Corner Schoeman Street, Nelson Mandela Drive and Meintjies Street, Pretoria	Gauteng
7	5 Walnut Road	5 Walnut Road, Durban	KwaZulu-Natal
8	Old Mutual Building	27 - 29 Maitland Street, Bloemfontein	Free State
9	Beacon Hill	Corner Hargreaves and Hockley Close, Buffalo Industrial Area, King William's Town	Eastern Cape
10	SARS Springs	20 8th Street, Springs	Gauteng
11	SARS Kimberley	14 - 16 Bean Street and 6 to 10 Crossman Road, Kimberley	Northern Cape
12	PWC Polokwane	73 Biccard Street, Polokwane	Limpopo
13	88 Field Street	88 Field Street, Durban	KwaZulu-Natal
14	Cape Road	Corner CJ Langenhoven Drive and Cape Road, Port Elizabeth	Eastern Cape
15	Broadcast House	Corner Sisson Street and Queenstown Road, Mthatha	Eastern Cape
16	Liberty Towers	214 Dr Pixley Kaseme Street, Durban	KwaZulu-Natal
17	North Ridge Road	215 Peter Mokaba Road, Morningside, Durban	KwaZulu-Natal
18	WB Centre	48 - 54 Chapel Street, Kimberley	Northern Cape
19	Hallmark Building	233 Proes Street, Pretoria	Gauteng
20	Delta Heights	167 Andries Street, Pretoria	Gauteng
21	Delta House	Corner Pretorius and Thabo Sehume (Andries) Streets, Pretoria	Gauteng

The average annualised property yield is 8.69%

[#] A single-tenanted property is defined as a building where 90% or more of the GLA is occupied by one tenant.

^{*} Single-tenanted property - the average gross rental for a single-tenanted office - Sovereign property is R147.53.

^{*} Single-tenanted property - the average gross rental for a single-tenanted office - Other property is R123.57.

[†] Excludes parking and storage.

SUPPLEMENTARY INFORMATION

Property description	Building sector	Tenancy (multi/ single)	Total GLA (m ²)	Effective date of acquisition	Weighted [†] average rental/m ²	Vacancy (%)
6-storey single-tenant office	Office - Sovereign	S	35 905	04/02/2010	\$	-
4-storey single-tenant office	Office - Sovereign	S	10 552	01/08/2012	\$	-
6-storey single-tenant office	Office - Sovereign	S	4 511	01/08/2012	\$	-
6-storey single-tenant office	Office - Sovereign	S	2 111	01/08/2012	\$	0.44
5-storey single-tenant office	Office - Sovereign	S	2 075	01/08/2012	\$	-
4-storey multi-tenant office	Office - Sovereign	M	7 992	02/11/2012	188.06	-
6-storey multi-tenant office	Office - Other	M	13 637	02/11/2012	81.96	15.20
5-storey single-tenant office	Office - Other	M	3 055	05/11/2012	85.8	85.09
3-storey single-tenant office	Office - Sovereign	V	13 648	06/11/2012	\$	100.00
2-storey single-tenant office	Office - Sovereign	S	1 922	01/08/2012	\$	-
2-storey single-tenant office	Office - Sovereign	S	2 950	01/08/2012	\$	-
3-storey multi-tenant office	Office - Other	M	1 951	02/10/2012	139.57	43.06
27-storey multi-tenant office tower with arcade and high street retail	Office - Sovereign	M	21 813	06/11/2012	126.06	32.16
5-storey multi-tenant office	Office - Sovereign	M	5 135	05/11/2012	105.73	15.07
2-storey multi-tenant office	Office - Sovereign	M	4 934	05/11/2012	111.17	38.22
14-storey multi-tenant office complex	Office - Other	M	40 078	31/10/2012	99.35	14.92
3-storey single-tenant office	Office - Other	S	3 354	06/11/2012	*	-
High street retail with second floor offices	Retail	M	7 639	05/11/2012	116.69	1.68
25-storey single-tenant office tower with high street retail	Office - Sovereign	S	26 255	02/05/2013	\$	1.02
21-storey multi-tenant office tower with high street retail	Office - Sovereign	S	19 122	02/05/2013	\$	7.27
11-storey multi-tenant office with high street retail	Office - Sovereign	S	11 439	02/05/2013	\$	73.07

PROPERTY PORTFOLIO (continued)

No	Property name	Physical address	Province
22	Continental Building	Corner Bosman and Visagie Streets, Pretoria	Gauteng
23	Hensa Towers	Corner Landdros Mare and Rabie Streets, Polokwane	Limpopo
24	Embassy Building	Corner Anton Lembede and Samora Machel Streets, Durban	KwaZulu-Natal
25	Unisa House	29 Rissik Street, Johannesburg	Gauteng
26	Du Toitspan	95 Du Toitspan Street, Kimberley	Northern Cape
27	13 Elliot Street	13 Elliot Street, Kimberley	Northern Cape
28	5/7 Elliot Street	7 Elliot Street, Kimberley	Northern Cape
29	Bestmed Building	36 Hamilton Street, Arcadia	Gauteng
30	In 2 Fruit Building	67 Middle Road, Bartlett, Boksburg	Gauteng
31	CMH Building	196 - 206 West Street/119 - 123 Proes Street, Durban	KwaZulu-Natal
32	539 Church Street	539 Church Street, Arcadia, Pretoria	Gauteng
33	Protea Coin Pretoria	20 Vonkprop Street, Samcore Park, Silverton, Pretoria East	Gauteng
34	Protea Coin Cape Town	Corner Jerepiko Street and van Riebeeck Street, Saxenburg Park 2, Cape Town	Western Cape
35	Anchor House	63 Maitland Street, Bloemfontein	Free State
36	SARS Randburg	Corner Hill and Kent Streets, Randburg	Gauteng
37	SARS Bellville	Corner Voortrekker Road and Durban Road, Bellville, Cape Town	Western Cape
38	3 Simba Road	3 Simba Road, Sunninghill, Johannesburg	Gauteng
39	Harlequins Office Park	164 Totius Street, Groenkloof, Pretoria	Gauteng
40	Azmo Place	49 Joubert Street, Polokwane	Limpopo
41	CCMA House	192 Hans van Rensburg, Polokwane	Limpopo
42	Phomoko Towers	37 Kerk Street, Polokwane	Limpopo
43	Temo Towers	67 Biccard Street, Polokwane	Limpopo
44	Commission House	566 Ziervogel Street, Pretoria	Gauteng
45	5 Simba Road	5 Simba Road, Sunninghill, Johannesburg	Gauteng
46	Enterprise Park	15 Simba Road, Sunninghill, Johannesburg	Gauteng
47	101 De Korte	101 De Korte Street, Braamfontein	Gauteng

[†] Excludes parking and storage.

SUPPLEMENTARY INFORMATION

Property description	Building sector	Tenancy (multi/ single)	Total GLA (m ²)	Effective date of acquisition	Weighted [†] average rental/m ²	Vacancy (%)
10-storey single-tenant office	Office – Sovereign	S	4 133	02/05/2013	\$	–
8-storey single-tenant office	Office – Sovereign	S	13 675	15/03/2013	\$	–
29-storey multi-tenant office tower with high street retail	Office – Sovereign	M	32 720	23/05/2013	99.25	5.90
10-storey single-tenant office with high street retail	Office – Other	S	10 055	17/05/2013	*	90.19
13-storey multi-tenant office	Office – Sovereign	M	9 485	01/05/2013	107.3	20.93
Single-tenant office	Office – Sovereign	V	4 400	01/05/2013	\$	100.00
Single-tenant office	Office – Sovereign	S	2 300	01/05/2013	\$	–
5-storey single-tenant office	Office – Sovereign	S	3 684	25/03/2013	\$	–
Single-tenant food processing complex	Industrial	S	11 177	10/05/2013	100.97	61.84
Motor showroom and parkade	Retail	S	13 091	17/05/2013	60.44	–
7-storey single-tenant office	Office – Sovereign	S	4 488	01/03/2013	\$	–
2-storey high security office and warehouse	Industrial	V	7 640	07/05/2013	*	100.00
2-storey high security office and warehouse	Industrial	V	5 700	30/04/2013	*	100.00
6-storey single-tenant office	Office – Sovereign	S	2 645	01/03/2013	\$	–
4-storey single-tenant office	Office – Sovereign	S	8 496	30/08/2013	\$	31.73
3-storey single-tenant office with high street retail	Office – Sovereign	S	17 309	01/07/2013	\$	–
4-storey office	Office – Sovereign	V	3 696	18/07/2013	\$	100.00
3-storey multi-tenant office	Office – Sovereign	M	5 450	01/07/2013	173.91	–
6-storey single-tenant office	Office – Sovereign	S	5 339	16/09/2013	\$	2.15
Single-storey single-tenant office	Office – Sovereign	S	1 063	16/09/2013	\$	–
10-storey single-tenant office	Office – Sovereign	S	13 058	18/09/2013	\$	–
9-storey single-tenant office	Office – Sovereign	S	7 668	18/09/2013	\$	–
5-storey office	Office – Sovereign	S	6 011	13/09/2013	\$	–
3-storey single-tenant office	Office – Sovereign	S	5 375	12/12/2013	\$	–
Single-tenant office park of 4 buildings	Office – Other	S	11 860	13/12/2013	*	83.73
8-storey single-tenant office	Office – Other	S	6 610	19/12/2013	*	–

PROPERTY PORTFOLIO (continued)

No	Property name	Physical address	Province
48	Standard Bank Greyville	96 First Avenue, Greyville, Durban	KwaZulu-Natal
49	Capital Towers	121 Chief Albert Luthuli Road, Pietermaritzburg	KwaZulu-Natal
50	Sleepy Hollow	9 Armitage Road, Pietermaritzburg	KwaZulu-Natal
51	Mayors Walk	174 Mayors Walk, Pietermaritzburg	KwaZulu-Natal
52	Land Claims Court Nelspruit	30 Samora Machel (ex Louis Trichardt) Street, Nelspruit	Mpumalanga
53	Military Hospital	21 Bell Street, Nelspruit	Mpumalanga
54	Defence Force Headquarters	8 Spruit Street, Nelspruit	Mpumalanga
55	Defence Force Logistics	15 - 17 Cruse Circle, Nelspruit	Mpumalanga
56	Defence Force Transport	2 - 4 Davie Street, Nelspruit	Mpumalanga
57	Department of Statistics	11 Samora Machel (ex-Louis Trichardt Street), Nelspruit	Mpumalanga
58	SAPS - Ferreira Street	4 Ehmke Street and 9 Ferreira Street, Nelspruit	Mpumalanga
59	Defence Force - Old Pretoria Road	16 Old Pretoria Road, Nelspruit	Mpumalanga
60	SAPS Flying Squad	19 Danie Joubert Street, White River	Mpumalanga
61	Beaconsfield	28 Central Road, Kimberley	Northern Cape
62	Campus Building	14 Abattoir Road, Kimberley	Northern Cape
63	Servamus Building	15 - 19 Bram Fischer Road, Durban	KwaZulu-Natal
64	The Marine Building	22 Dorothy Nyembe (ex Gardiner Street), Durban	KwaZulu-Natal
65	Delta Towers	City block bounded by Doctor Pixley Kaseme Street, Dorothy Nyembe Street, Anton Lembede Street and Mercury Lane, Durban	KwaZulu-Natal
66	Auditor General Polokwane	32 Dimitri Crescent, Platinum Park, Polokwane	Limpopo
67	Die Meent	123 Peter Mokaba Street, Potchefstroom	North West

[†] Excludes parking and storage.

SUPPLEMENTARY INFORMATION

Property description	Building sector	Tenancy (multi/ single)	Total GLA (m ²)	Effective date of acquisition	Weighted [†] average rental/m ²	Vacancy (%)
8-storey multi-tenant office	Office - Other	M	14 188	13/12/2013	72.82	28.78
14-storey single-tenant office	Office - Sovereign	V	13 485	01/12/2013	\$	100.00
3-storey multi-tenant linked office buildings	Office - Sovereign	M	6 360	01/12/2013	116.31	8.40
Single-tenant low rise office park	Office - Sovereign	S	5 507	01/12/2013	\$	-
5-storey single-tenant office	Office - Sovereign	S	2 910	11/02/2014	\$	-
5-storey single-tenant office	Office - Sovereign	S	3 000	11/02/2014	\$	-
4-storey single-tenant office	Office - Sovereign	S	2 174	11/02/2014	\$	-
1-storey single-tenant office and industrial structure	Office - Sovereign	S	2 430	11/02/2014	\$	-
1-storey single-tenant office and parking structures	Office - Sovereign	S	841	11/02/2014	\$	-
4-storey multi-tenant office with high street retail	Office - Sovereign	M	2 827	11/02/2014	144.63	57.76
7-storey single-tenant linked offices	Office - Sovereign	S	4 637	11/02/2014	\$	-
1-storey single-tenant office and industrial structure	Office - Sovereign	S	2 504	11/02/2014	\$	-
Single-storey single-tenant office	Office - Sovereign	S	1 125	11/02/2014	\$	-
Single-tenant complex of 5 office buildings	Office - Sovereign	S	5 801	01/12/2013	\$	39.88
Single-tenant complex of 9 office buildings	Office - Sovereign	S	4 700	01/12/2013	\$	-
22-storey single-tenant office tower	Office - Sovereign	S	13 788	24/04/2014	\$	0.73
21-storey multi-tenant office tower with ground floor retail	Office - Other	M	24 676	26/09/2014	88.42	23.30
33-storey multi-tenant office tower with ground floor/high street retail	Office - Other	M	41 715	26/09/2014	120.41	39.59
2-storey single-tenant office	Office - Sovereign	S	2 130	13/10/2014	\$	-
4-storey single-tenant office	Office - Sovereign	S	3 705	25/11/2014	\$	14.41

PROPERTY PORTFOLIO (continued)

No	Property name	Physical address	Province
68	Regents Place	277 Madiba Street (formerly Vermeulen Street), Pretoria	Gauteng
69	ABSA Florida	18E and 20 Goldman Street, Florida	Gauteng
70	142 - 144 4th Street	142 - 144 4th Street, Parkmore	Gauteng
71	Veritas Building	275 Volkstem Road, Pretoria	Gauteng
72	Chambers of Change	62 - 72 Pritchard Street, Johannesburg CBD	Gauteng
73	54 and 56 Barrack Street	56 Barrack Street, Cape Town	Western Cape
74	22 and 24 George Lubbe Street	22 and 24 George Lubbe Street, Hamilton, Bloemfontein	Free State
75	Absa United	64 Maitland Street, Bloemfontein	Free State
76	African Life Building	Cnr St Andrew and Church Street, Bloemfontein	Free State
77	CNA Building	Maitland Street, Bloemfontein	Free State
78	Domitek Building	Cnr of De Kaap and Ryk Street, Welkom, CBD, Welkom	Free State
79	Edgars Kroonstad	Cnr Brand and Murray Street, CBD, Kroonstad	Free State
80	Fort Drury	Cnr Markgraaff and St Andrews, Bloemfontein	Free State
81	Katleho Building	Corner of Selborne and Markgraaff Street, Bloemfontein	Free State
82	Laboria House	43 Maitland Street, Bloemfontein	Free State
83	Nedbank Building	36 Maitland Street, CBD, Bloemfontein	Free State
84	SA Eagle	136 Maitland Street, Bloemfontein	Free State
85	Sediba, Fountain and VLU Building	Cnr Markgraaff and Zastron, Bloemfontein	Free State
86	Trustfontein/Transtel	149 - 151 St Andrews Street, Bloemfontein	Free State
87	Standard Bank Nelspruit	29 Brown Street, Nelspruit	Mpumalanga
88	Nosa	508 Proes Street, Arcadia, Pretoria	Gauteng

* Excludes parking and storage.

SUPPLEMENTARY INFORMATION

Property description	Building sector	Tenancy (multi/ single)	Total GLA (m ²)	Effective date of acquisition	Weighted [†] average rental/m ²	Vacancy (%)
12-storey multi-tenant office with high street retail	Office - Sovereign	S	10 289	09/12/2014	\$	-
4-storey multi-tenant office	Office - Sovereign	M	6 531	10/03/2015	179.8	7.66
22-storey single-tenant office buildings	Office - Sovereign	S	2 812	29/04/2015	\$	-
8-storey single-tenant office building	Office - Sovereign	S	8 272	29/04/2015	\$	-
4 adjacent multi-storey buildings	Office - Other	M	7 915	18/12/2015	138.01	55.78
1-storey single-tenant office and multi-storey office, parking and retail	Office - Sovereign	S	4 309	01/08/2015	\$	-
1-storey single-tenant office	Office - Sovereign	S	6 200	01/06/2015	\$	-
6-storey multi-tenant office	Office - Sovereign	M	6 129	01/06/2015	74.16	6.30
5-storey multi-tenanted, office building	Office - Sovereign	M	8 567	01/06/2015	73.93	73.92
4-storey multi-tenant office	Office - Sovereign	M	2 489	01/06/2015	174.21	-
4-storey multi-tenant office	Office - Sovereign	M	1 729	01/06/2015	66.95	36.65
4-storey multi-tenant office	Office - Sovereign	M	5 968	01/06/2015	50.28	18.90
4-storey multi-tenant office	Office - Sovereign	M	10 476	01/06/2015	175.63	4.01
6-storey single-tenant office	Office - Sovereign	V	5 910	01/06/2015	-	100.00
7-storey single-tenant office	Office - Sovereign	S	3 995	01/06/2015	\$	-
6-storey multi-tenanted, office building	Office - Sovereign	M	2 746	01/06/2015	67.62	1.50
7-storey single-tenant office	Office - Sovereign	S	3 689	01/06/2015	\$	-
5-storey, 3-storey and 7-storey single-tenant office	Office - Sovereign	M	10 947	01/06/2015	125.98	85.29
7-storey single-tenant office	Office - Sovereign	S	6 369	01/06/2015	\$	20.54
4-storey multi-tenanted office building, with ground floor retail	Office - Other	M	2 213	01/04/2016	113.15	63.56
6-storey single-tenant office building	Office - Sovereign	S	3 770	01/04/2016	\$	-

PROPERTY PORTFOLIO (continued)

No	Property name	Physical address	Province
89	Poyntons	Church Street, Pretoria	Gauteng
90	Shorburg	429 Church Street, Arcadia, Pretoria	Gauteng
91	Domus	Cnr Glenwood and Kasteel Roads, Lynnwood Glen	Gauteng
92	Hatfield Forum East	1077 Arcadia Street, Hatfield, Pretoria	Gauteng
93	Isivuno House	135 Van Der Walt Street, Pretoria	Gauteng
94	Hollard House and Parkade	Cnr Sauer and Marshall Streets, Marshalltown	Gauteng
95	17 Harrison Street Building and Kay Street Parkade	17 Harrison Street and Kay Street, Johannesburg	Gauteng
96	2 Devonshire Place	2 Devonshire Place, Durban	KwaZulu-Natal
97	Shell House	221 Smith Street, Durban	KwaZulu-Natal
98	Pine Parkade	260 Monty Naicker Road, Durban	KwaZulu-Natal
99	Standard Bank Unisa	31 Brown Street, Nelspruit	Mpumalanga
100	Treasury House	145 Commercial Road, Pietermaritzburg	KwaZulu-Natal
101	Commissioner House, Bellville	Rem Ext of Erf 10877, Bellville	Western Cape
102	Silver Stream Office Park	10 Muswell Road South, Bryanston	Gauteng

[†] Excludes parking and storage.

SUPPLEMENTARY INFORMATION

Property description	Building sector	Tenancy (multi/ single)	Total GLA (m ²)	Effective date of acquisition	Weighted [†] average rental/m ²	Vacancy (%)
Office, parking and ancillary structures of between 2 and 33 storeys with ground floor retail	Office – Sovereign	M	73 396	01/04/2016	106.09	12.93
9-storey multi-tenant office building with ground floor retail	Office – Sovereign	M	14 015	01/04/2016	109.95	20.43
3-storey multi-tenant office building	Office – Other	M	5 454	01/04/2016	124.47	66.34
6-storey multi-tenant office building with ground floor retail	Office – Sovereign	M	6 390	01/04/2016	93.54	21.55
22-storey single-tenant office building with ground floor retail	Office – Sovereign	S	23 694	01/04/2016	\$	–
9-storey single-tenant office building with ground floor retail and connected 8-storey parking structure	Office – Sovereign	S	10 415	01/04/2016	\$	–
12-storey single-tenant office building with ground floor retail	Office – Sovereign	S	12 379	01/04/2016	\$	3.42
5-storey multi-tenant office building	Office – Sovereign	M	8 122	01/04/2016	92.63	3.51
16-storey single-tenant office building	Office – Sovereign	S	13 828	01/04/2016	\$	–
7-storey parking structure with retail	Retail	M	2 986	11/04/2016	204.13	44.80
3-storey multi-tenant office building with ground floor retail	Office – Other	M	5 589	01/06/2015	102.12	–
10-storey single-tenant office building with ground floor retail	Office – Sovereign	S	8 874	01/05/2016	\$	–
4 and 5-storey single-tenanted office building with ground floor retail	Office – Sovereign	S	4 019	01/04/2016	\$	–
2-storey office building with basement parking and outdoor parking	Office – Other	M	2 333	03/05/2016	159.73	1.36

PROPERTY PORTFOLIO STATISTICS

Geographic profile

Province	Geographic profile (GLA %)	Geographic profile (rental %)
Gauteng	41.3	46.9
KwaZulu-Natal	30.0	23.5
Free State	8.9	6.1
Limpopo	4.8	10.3
Western Cape	4.5	5.2
Northern Cape	4.0	3.9
Mpumalanga	3.3	2.7
Eastern Cape	2.6	0.9
North West	0.6	0.5

Tenant grading profile

Tenant grade	Tenant grade (GLA %)	Vacancy profile	Vacancy by sector (GLA %)
		Sector	
		Office - sovereign	15.6
A	87.5	Office - other	34.1
B	3.6	Retail	6.2
C	8.9	Industrial	82.6
	100.0		21.0

Weighted average rental and escalations per sector

Sector	Weighted average (rental per R/m ²)	Weighted average (escalation %)
Office - sovereign	130.98	7.7
Office - other	93.52	7.2
Retail	126.03	7.6
Industrial	100.97	8.0

Sectoral profile

Sector	Sectoral profile (GLA %)	Sectoral profile (rental %)
Office - sovereign	77.4	81.0
Office - other	13.9	10.3
Retail	8.1	8.2
Industrial	0.6	0.5
	100.0	100.0

Building sectoral split by GLA (%)

Segment	Vacant	Month to month	28 Feb 21	28 Feb 22	28 Feb 23	29 Feb 24	28 Feb 25	Beyond 28 Feb 2025
Office - sovereign	15.6	30.6	20.7	7.4	9.6	3.5	12.2	0.4
Office - other	34.1	14.6	20.5	10.7	10.6	1.2	4.9	3.4
Retail	6.2	14.8	3.3	8.5	6.9	1.5	3.6	55.2
Industrial	82.6	-	17.4	-	-	-	-	-

Tenant sectoral split by rental (%)

Segment	Vacant	Month to month	28 Feb 21	28 Feb 22	28 Feb 23	29 Feb 24	28 Feb 25	Beyond 28 Feb 2025
Office - sovereign	-	36.7	24.7	7.6	11.3	4.2	15.4	-
Office - other	-	23.6	35.4	13.9	13.8	0.4	3.9	9.0
Retail	-	15.6	10.5	27.6	16.0	3.8	4.1	22.4
Industrial	-	-	100.0	-	-	-	-	-

SUPPLEMENTARY INFORMATION

DISTRIBUTABLE EARNINGS RECONCILIATION

	Group	
	2020 R'000	2019 R'000
Non-IFRS financial information		
Reconciliation of (loss)/profit to distributable earnings available for distribution		
(Loss)/profit attributable to owners of the parent	(588 297)	255 793
Adjusted for:		
Accounting and specific adjustments:		
Fair value adjustment loss/(gain) to:		
– Investment property	747 556	237 599
– Investment in listed security	79 738	(79 954)
Straight-line lease adjustment	30 383	34 304
Foreign currency translation reserve recognised	-	(4 805)
Foreign exchange and hedging items:		
Fair value adjustment to derivative financial instrument	39 923	10 507
Foreign exchange losses to capital items	20 826	28 103
Other adjustments:		
Adjustment to dividends from listed security	(3 813)	17 418
Antecedent distribution	-	569
Distributable earnings attributable to owners of the parent	326 316	499 534
Company specific adjustments:		
Taxation	-	27 692
Capital expenditure from working capital	(22 938)	-
Capital repayment on interest-bearing borrowings	(129 762)	-
Distributable earnings available for distribution	173 616	527 226
Less: Dividend declared	(87 089)	(395 419)
Interim	(87 089)	(281 222)
Final (declared after 29 February 2020)	-	(114 197)
Distributable earnings retained	86 527	131 807
Number of shares outstanding at interim	714 230	713 793
Number of shares outstanding at end of period	714 230	714 230
Distributable earnings per share (cents)	45.69	73.84
Dividend per share (cents)	12.19	55.39
Interim	12.19	39.40
Final (declared after 29 February 2020)	-	15.99

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 29 February 2020

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	552	25.27	155 956	0.02
1 001 – 10 000	665	30.45	3 134 476	0.44
10 001 – 100 000	626	28.66	24 148 097	3.38
100 001 – 1 000 000	248	11.36	74 789 435	10.47
Over 1 000 000	93	4.26	612 001 754	85.69
Total	2 184	100.00	714 229 718	100.00

Distribution of shareholders

Assurance companies	19	0.87	9 510 851	1.33
Close corporations	32	1.47	14 117 946	1.98
Collective investment schemes	90	4.12	215 170 380	30.13
Control accounts	1	0.05	1	-
Custodians	33	1.51	29 052 069	4.07
Foundations and charitable funds	17	0.78	2 033 966	0.28
Hedge funds	1	0.05	1 278 917	0.18
Insurance companies	2	0.09	1 158 989	0.16
Investment partnerships	5	0.23	1 535 875	0.22
Managed funds	11	0.50	5 194 479	0.73
Medical aid funds	10	0.46	3 266 460	0.46
Organs of state	4	0.18	67 962 956	9.52
Private companies	75	3.43	204 386 846	28.62
Public companies	4	0.18	271 015	0.04
Public entities	1	0.05	88 128	0.01
Retail shareholders	1 653	75.69	50 135 828	7.02
Retirement benefit funds	87	3.98	68 899 831	9.65
Scrip lending	2	0.09	1 236 430	0.17
Stockbrokers and nominees	10	0.46	21 814 160	3.05
Trusts	127	5.82	17 114 591	2.40
Total	2 184	100.00	714 229 718	100.00

Shareholder type

Non-public shareholders	8	0.37	259 246 566	36.30
Directors and associates of the Company (direct holdings)	2	0.09	2 085 201	0.29
Directors and associates of the Company (indirect holdings)	5	0.23	95 118 286	13.32
Holders holding more than 10%				
Cornwall Crescent Proprietary Limited	1	0.05	162 043 079	22.69
Public shareholders	2 176	99.63	454 983 152	63.70
Total	2 184	100.00	714 229 718	100.00

SHAREHOLDERS' INFORMATION ◀

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Bridge Fund Managers	98 531 462	13.80
Public Investment Corporation	67 962 956	9.52
Investec Asset Management	43 563 005	6.10
Coronation Fund Managers	34 242 603	4.79
Kagiso Asset Management	32 398 078	4.54
Prudential Investment Managers	27 829 813	3.90
Total	304 527 917	42.64

Beneficial shareholders with a holding greater than 3% of the issued shares

Cornwall Crescent Proprietary Limited	162 043 079	22.69
Nedbank Group	72 057 523	10.09
Government Employees Pension Fund	61 736 120	8.64
Investec	40 390 932	5.66
Bridge Fund Managers	32 239 462	4.51
Coronation Fund Managers	24 762 432	3.47
Total	393 229 548	55.06

Total number of shareholdings	2 184
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Total number of shares in issue	714 229 718
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Share price performance as at 29 February 2020

Opening price 1 March 2019	R2.59
Closing price	R0.42
Closing high for period	R2.75
Closing low for period	R0.40
Number of shares in issue	714 229 718
Volume traded during period	232 070 418
Ratio of volume traded to shares issued (%)	32.49
Rand value traded during the period	R300 928 026
Price/earnings ratio	0.86
Earnings yield	116.60
Dividend yield	0.00
Market capitalisation	R299 976 482

SHAREHOLDERS' DIARY

	Date
Financial year-end	29 February 2020
Announcement of annual results	15 June 2020
Integrated annual report posted	22 July 2020
Annual General Meeting	31 August 2020
Announcement of interim results	November 2020

DIVIDEND DETAILS

Payment date	Distribution period	Distribution number	Cents
For the period 2 November 2012*			
to 28 February 2013	1	23.69	27 May 2013
For the period 1 March 2013			
to 31 August 2013	2	32.51	25 November 2013
For the period 1 September 2013			
to 28 February 2014	3	40.18	26 May 2014
For the period 1 March 2014			
to 31 August 2014	4	40.01	10 November 2014
For the period 1 September 2014			
to 28 February 2015	5	44.06	15 June 2015
For the period 1 March 2015			
to 31 August 2015	6	42.89	23 November 2015
For the period 1 September 2015			
to 29 February 2016	7	47.90	13 June 2016
For the period 1 March 2016			
to 31 August 2016	8	45.93	21 November 2016
For the period 1 September 2016			
to 28 February 2017	9	51.31	26 June 2017
For the period 1 March 2017			
to 31 August 2017	10	46.40	27 November 2017
For the period 1 September 2017			
to 28 February 2018	11	50.84	2 July 2018
For the period 1 March 2018			
to 31 August 2018	12	39.40	10 December 2018
For the period 1 September 2018			
to 28 February 2019	13	15.99	24 June 2019
For the period 1 March 2019			
to 31 August 2019	14	12.19	23 December 2019

* Date of listing.

In line with prior years, and subject to Board approval, we expect to make the dividend payment for the period 1 March 2020 to 31 August 2020 during December 2020.

Delta has adopted distribution per share for trading statement purposes.

NOTICE OF ANNUAL GENERAL MEETING

Delta Property Fund Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2002/005129/06)

Share code: DLT ISIN: ZAE000194049

("Delta" or "the Company")

REIT status approved

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

If you have sold or otherwise transferred all your shares in Delta, please send this document together with the accompanying form of proxy at once to the relevant transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected, for transmission to the relevant transferee.

Notice is hereby given to the shareholders of Delta as at Friday, 17 July 2020, being the record date to receive the notice of the Annual General Meeting ("AGM") in terms of section 59(1)(a) of the Companies Act, No 71 of 2008 ("the Companies Act") that the AGM of shareholders of the Company will be held in the boardroom at the Company's registered office, Silver Stream Office Park, 10 Muswell Road South, Bryanston, on Monday, 31 August 2020, at 10:00 (Central African time) for the purposes of the matters set out below, which meeting is to be participated in and voted at by shareholders registered as such on Friday, 21 August 2020, being the record date to participate in and vote at the AGM in terms of section 62(3)(a), read with section 59(1)(b) of the Companies Act, and to consider and, if deemed fit, to pass the following ordinary and special resolutions, with or without amendment:

Section 63(1) of the Companies Act – Identification of meeting participants

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

Impact of COVID-19 outbreak on the Annual General Meeting

As a result of the COVID-19 outbreak, it may be required to participate in the AGM via electronic means, rather than physically. Shareholders' attention is also drawn to the guidance from authorities regarding the need for social distancing, and therefore we urge shareholders to submit their votes via proxy.

Shareholders or their duly appointed proxy(ies) that wish to participate in the AGM via electronic communication ("Participant(s)") must notify the Company by emailing the Company Secretary at paulanel@pncc.co.za by no later than Wednesday, 26 August 2020. The Company Secretary will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and thereafter, if validated, provide further details on using the electronic communication facility.

The Company shall, by no later than 10:00 on Friday, 28 August 2020, notify Participants who had notified the Company Secretary in accordance with paragraph 1 under Electronic Participation, by email of the relevant details through which Participants can participate electronically.

Delta will not be responsible for any costs incurred by shareholders who participate electronically.

To the extent that the meeting will need to be held entirely through electronic means, shareholders will be advised of this by announcement on the Stock Exchange News Service of the JSE Limited ("the JSE") ("SENS") in the week prior to the date of the AGM.

Ordinary business

Presentation of the annual financial statements and Transformation, Social, Ethics and Sustainability Committee ("SETCOM") report.

To (a) present the annual financial statements for the year ended 29 February 2020 of the Company and the Delta Group of companies ("the Group"), together with the Board of directors' ("Board" or "directors") and the independent auditor's reports contained therein as required in terms of section 30(3)(d) of the Companies Act and (b) present the report of the Setcom in terms of regulation 43 of the Companies Act.

Both are included in the integrated annual report of which this notice forms part.

Ordinary resolutions

In accordance with the Company's Memorandum of Incorporation ("MOI"), one-third of the Company's directors are required to retire by rotation and, if eligible, are able to offer themselves for re-election.

1. Directors' re-election and ratification of appointment

- a. To ratify the appointment of Phumzile Langeni# (non-executive director)
- b. To ratify the appointment of Bongi Masinga# (non-executive director)
- c. To re-elect Nooraya Khan# (non-executive director)
- d. To re-elect Caswell Rampheri# (independent non-executive director)

A brief curriculum vitae of each of these directors appears on pages 20 to 22 of the integrated annual report of which this notice forms part.

The Company accordingly wishes to propose the ordinary resolutions 1, 2, 3 and 4 set out below:

Ordinary resolution 1

"Resolved that the appointment of Phumzile Langeni as a non-executive director, with effect from 6 July 2020, be hereby ratified."

Ordinary resolution 2

"Resolved that the appointment of Bongi Masinga as a non-executive director, with effect from 6 July 2020, be hereby ratified."

Ordinary resolution 3

"Resolved that Nooraya Khan, who retires in terms of the Company's MOI and who, being eligible offers herself for re-election, be re-elected as a non-executive director of the Company."

Ordinary resolution 4

"Resolved that Caswell Rampheri, who retires in terms of the Company's MOI and who, being eligible offers himself for re-election, be re-elected as an independent non-executive director of the Company."

A 50% (fifty percent) majority of votes cast by those shareholders present or represented and voting at the AGM is required for resolutions 1 to 4 to be adopted.

2. Reappointment of auditor

In terms of section 90 of the Companies Act, the auditor of a public company is required to be appointed at the Company's AGM. The purpose of ordinary resolution 5 is to confirm the reappointment of BDO South Africa Inc. as independent auditor of the Company, as nominated by the Audit, Risk and Compliance Committee as required under section 90 of the Companies Act, for the ensuing financial year, and to confirm that the directors shall be

NOTICE OF ANNUAL GENERAL MEETING (continued)

empowered to ratify the auditor's remuneration, as determined by the committee in terms of the committee charter, which amount shall be approved and endorsed by the directors.

Ordinary resolution 5

"Resolved that the appointment of BDO South Africa Inc. as independent auditor of the Company, and Mr Bradley Jackson as the designated audit partner, until the conclusion of the next AGM be confirmed, and that their remuneration be determined by the Audit, Risk and Compliance Committee in terms of the committee charter, which amount the directors shall be empowered to ratify."

A 50% (fifty percent) majority of votes cast by those shareholders present or represented and voting at the AGM is required for this resolution to be adopted.

3. Reappointment of Audit, Risk and Compliance Committee members for the year ended 28 February 2021

In terms of section 94 of the Companies Act, the Audit Committee must constitute at least three members who must be appointed by shareholders at the Company's AGM, all of whom must, in terms of King IV, be independent non-executive directors. It is accordingly proposed to reappoint the members of the Audit, Risk and Compliance Committee, proposed by the Nomination and Remuneration Committee as set out below, for the year ended 28 February 2021. The current members are JJ Njeke, who is the Chairman of the committee, Nombuso Afolayan and Marelise de Lange.

A brief curriculum vitae of each of the Audit, Risk and Compliance Committee members appears on pages 20 and 21 of the integrated annual report of which this notice forms part.

Ordinary resolution 6

"Resolved that JJ Njeke, who is an independent non-executive director, be reappointed as a member and Chairman of the Company's Audit, Risk and Compliance Committee for the year ended 28 February 2021."

Ordinary resolution 7

"Resolved that Nombuso Afolayan, who is an independent non-executive director, be reappointed as a member of the Company's Audit, Risk and Compliance Committee for the year ended 28 February 2021."

Ordinary resolution 8

"Resolved that Marelise de Lange, who is an independent non-executive director, be reappointed as a member of the Company's Audit, Risk and Compliance Committee for the year ended 28 February 2021."

A 50% (fifty percent) majority of votes cast by those shareholders present or represented and voting at the AGM is required for these resolutions 6 to 8 to be adopted.

4. Approval of remuneration policy

In terms of King IV, shareholders should (a) approve the Company's remuneration policy, and (b) approve the implementation of this policy, through separate non-binding advisory votes. The purpose of ordinary resolutions 9 and 10 is therefore to indicate to the Board, the shareholders' approval of the Company's remuneration policy and its implementation.

Non-binding advisory ordinary resolution 9 – vote on remuneration policy

"Resolved that, through a non-binding advisory vote, the Company's remuneration policy, as set out in the integrated annual report of which this notice forms part, be and is hereby approved."

Non-binding advisory ordinary resolution 10 – vote on implementation of remuneration policy

“Resolved that, through a non-binding advisory vote, the implementation of remuneration in accordance with the Company’s remuneration policy, as set out in the implementation section of the integrated annual report, of which this notice forms part, be and is hereby approved.”

These resolutions have been separated in line with the King IV requirements. Should more than 25% of shareholders vote against these resolutions, the Company will extend an invitation to such dissenting shareholders to engage with the Company to discuss their reasons. The manner and time of such engagement will be specified in the voting results announcement of the AGM. The overall objective of the remuneration policy is to guide the Board in its decision-making process, in particular in the determination of the executive and non-executive remuneration.

5. Issue of shares for cash

In terms of the Company’s MOI, the Company may only issue unissued shares for cash if such shares have first been offered to existing shareholders in proportion to their shareholding, unless otherwise authorised by shareholders. The purpose of ordinary resolution 11 is therefore to authorise the directors of the Company to issue shares for cash on a *non-pro rata* basis, as and when they in their discretion deem fit when appropriate opportunities arise. The Board has no current plans to exercise this authority but wishes to ensure that by having it in place, the Company will have the flexibility to take advantage of any business opportunity that may arise in future. The authority will be subject to the Companies Act and the JSE Listings Requirements.

Ordinary resolution 11

“Resolved that, subject to the Company’s MOI, the directors of the Company be and are hereby authorised until this authority lapses at the next AGM of the Company (provided that this general authority shall not extend beyond 15 months), to allot and issue shares for cash subject to the JSE Listings Requirements and the Companies Act, on the following basis:

- a. the allotment and issue of shares for cash shall be made only to persons qualifying as public shareholders and not to related parties, as defined in the JSE Listings Requirements;
- b. the number of shares issued for cash shall not in the aggregate in the financial year of the Company (which commenced 1 March 2020) exceed 5% of the Company’s issued shares, being the equivalent of 35 711 486 shares (excluding treasury shares), as at the date of the AGM;
- c. any shares issued in terms of this general authority must be deducted from the initial number of shares available under this general authority;
- d. in the event of a sub-division or consolidation of issued shares during the period of this general authority, the general authority must be adjusted accordingly to represent the same allocation ratio;
- e. the maximum discount at which shares may be issued for cash is 5% of the weighted average price on the Johannesburg Stock Exchange (“JSE”) of those shares over 30 days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares;

NOTICE OF ANNUAL GENERAL MEETING (continued)

- f. after the Company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing full details of the issue, including the number of shares issued, the average discount to the weighted average price of those shares over 30 days and an explanation (including supporting information) of the intended use of funds; and
- g. the shares which are the subject of this general authority must be of a class already in issue, or where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue."

A 75% (seventy-five percent) majority of votes cast by those shareholders present or represented and voting at the AGM is required for this resolution to be adopted in terms of the JSE Listings Requirements.

7. Authority to action all ordinary and special resolutions

Ordinary resolution 12

"Resolved that any one director of the Company or the Company Secretary be and is hereby authorised to do all such things as are necessary and to sign all such documents issued by the Company so as to give effect to all ordinary resolutions and special resolutions passed at the AGM with or without amendment."

A 50% (fifty percent) majority of votes cast by those shareholders present or represented and voting at the AGM is required for this resolution to be adopted.

8. Remuneration of non-executive directors

Special resolution 1: Approval of non-executive directors' remuneration for their services as directors

Annual fee	2020 R	2021 R
Board Chairman	588 920	650 000
Non-executive director	274 982	292 031
Audit, Risk and Compliance Committee Chairman	137 492	146 061
Audit, Risk and Compliance Committee member	93 744	99 556
Remuneration and Nomination Committee Chairman	81 244	86 282
Remuneration and Nomination Committee member	59 496	63 185
Investment Committee Chairman	137 492	146 016
Investment Committee member	93 744	99 556
Transformation, Social, Ethics and Sustainability Committee Chairman	81 244	86 282
Transformation, Social, Ethics and Sustainability Committee member	59 371	63 052

"Resolved that the fees payable by the Company to the non-executive directors for their services as directors (in terms of section 66 of the Companies Act) be and are hereby approved for the financial year ended 28 February 2021 and for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest, as follows:

SHAREHOLDERS' INFORMATION ◀

The annual escalation in fees to be based on the Consumer Price Index and to be agreed by the Nomination and Remuneration Committee."

The fees proposed for the FY2021 ended reflect an increase of 6.2% on the FY2020 fees (base/retainer fees and committee fees) apart from the Chairman's base/retainer fee, which reflects a 10.4% increase as proposed by the Remuneration Committee, to align the fees to market.

The reason for and effect of special resolution 1

To obtain shareholder approval by way of a special resolution in accordance with section 66 of the Companies Act, for the payment by the Company of remuneration to each of the non-executive directors of the Company for services rendered as directors for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest, in the amount set out in special resolution 1.

A 75% (seventy-five percent) majority of votes cast by those shareholders present or represented and voting at the AGM is required for this resolution to be adopted.

9. General authority to repurchase issued shares

Special resolution 2: General authority to repurchase issued shares

"Resolved that the directors be authorised in terms of the Company's MOI, until this authority lapses at the next AGM of the Company or unless it is then renewed at the next AGM of the Company and provided that this

authority shall not extend beyond 15 months, to enable the Company or any subsidiary of the Company (if applicable) to acquire shares of the Company subject to the JSE Listings Requirements and the Companies Act, on the following basis:

- a. the repurchase of shares must be implemented through the order book operated by the JSE trading system without any prior understanding or arrangement between the Company and the counterparty;
- b. the Company (or any subsidiary) must be authorised to do so in terms of its MOI;
- c. the number of shares which may be repurchased pursuant to this authority in any financial year (which commenced 1 March 2020) may not in the aggregate exceed 20% (or 10% where the repurchases are effected by a subsidiary) of the Company's share capital as at the date of the AGM;
- d. repurchases may not be made at a price more than 10% above the weighted average of the market value on the JSE of the shares in question for the five business days immediately preceding the repurchase;
- e. repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place and the dates and quantities of shares to be repurchased during the prohibited period have been determined and full details thereof submitted to the JSE prior to commencement of the prohibited period;

NOTICE OF ANNUAL GENERAL MEETING (continued)

- f. after the Company has repurchased shares which constitute, on a cumulative basis, 3% of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the Company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the JSE Listings Requirements applicable from time to time;
- g. the Company (or any subsidiary) shall appoint only one agent to effect repurchases on its behalf; and
- h. a resolution has been passed by the Board of the Company or the Group authorising the repurchase, and the Company has passed the solvency and liquidity test as set out in section 4 of the Companies Act and that, since the application of the solvency and liquidity test by the Board, there have been no material changes to the financial position of the Company."

The reason for and effect of special resolution 2

The reason for special resolution 2 is to afford directors of the Company a general authority for the Company (or a subsidiary of the Company) to effect a repurchase of the Company's shares on the JSE. The directors are of the opinion that it would be in the best interests of the Company to approve this general authority and thereby allow the Company or any of its subsidiaries to be in a position to repurchase the shares issued by the Company through the order book of the JSE, should the market conditions, tax dispensation and price justify such an action. The effect of the resolution will be that the directors will have the authority, subject to the JSE Listings Requirements and the Companies Act to effect repurchases of the Company's shares on the JSE.

Certain information relating to the Company as required by the JSE Listings Requirements is set out in the attached annexure which forms part of this notice.

A 75% (seventy-five percent) majority of votes cast by those shareholders present or represented and voting at the AGM is required for this resolution to be adopted.

10. Approval of financial assistance

Special resolution 3: Approval of financial assistance section 44

"Resolved that to the extent required by the Companies Act, the Board of the Company may, subject to compliance with the requirements of the Company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company, in terms of section 44 of the Companies Act, to provide direct or indirect financial assistance, by way of a loan, guarantee, the provision of security or otherwise, to any person, for the purpose of, or in connection with, the subscription of any debt securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any debt securities of the Company or of a related or inter-related company.

Such authority shall endure until the next AGM of the Company for the year ended 28 February 2021."

Reason for and effect of special resolution 3

In terms of section 44 of the Companies Act, shareholders are required to approve by way of a special resolution any direct or indirect financial assistance, by way of a loan, guarantee, the provision of security or otherwise, to any person, for the purpose of, or in connection with, the subscription of any debt securities,

SHAREHOLDERS' INFORMATION ◀

issued or to be issued by the Company or a related or inter-related company, or for the purchase of any debt securities of the Company or of a related or inter-related company. Given that such financial assistance exists between the companies within the Group and may be required in future, shareholders are requested to consider and grant such general authority which shall be renewed at most every 2 (two) years.

The purpose of this special resolution is to grant the directors of the Company the authority to authorise the Company to provide direct or indirect financial assistance as contemplated in section 44 of the Act.

A 75% (seventy-five percent) majority of votes cast by those shareholders present or represented and voting at the AGM is required for this resolution to be adopted.

Special resolution 4: Approval of financial assistance section 45

"Resolved that to the extent required by the Companies Act, the Board of the Company may, subject to compliance with the requirements of the Company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance, in terms of section 45 of the Companies Act, by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the Company for any purpose or in connection with any matter, including, but not limited to, the acquisition of or subscription for any option or any securities issued or to be

issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

Such authority shall endure until the next AGM of the Company for the year ended 28 February 2021."

Reason for and effect of special resolution 4

In terms of section 45 of the Companies Act, shareholders are required to approve by way of a special resolution any financial assistance to related or inter-related parties. Given that such financial assistance exists between the companies within the Group and may be required in future, shareholders are requested to consider and grant such general authority which shall be renewed at most every 2 (two) years.

The purpose of this special resolution is to grant the directors of the Company the authority to authorise the Company to provide direct or indirect financial assistance as contemplated in section 45 of the Act to any one or more related or inter-related companies or within the Group.

A 75% (seventy-five percent) majority of votes cast by those shareholders present or represented and voting at the AGM is required for this resolution to be adopted.

Electronic participation

In terms of the Company's MOI and sections 63(2) and 63(3) of the Companies Act, shareholders or their proxies may participate at the AGM by way of an electronic communication facility.

NOTICE OF ANNUAL GENERAL MEETING (continued)

Please note that the electronic communication facility will only allow shareholders to listen in and raise questions during the allocated time. Shareholders will not be able to vote using this facility. Should such shareholders wish to vote, they must either:

- ▶ complete the form of proxy and return it to the transfer secretary in accordance with paragraph 12 on page 195; or
- ▶ contact their CSDP or broker in accordance with paragraph 2 on page 197.

1. Shareholders or their proxies who wish to participate in the AGM via electronic communication ("Participants") must notify the company by emailing the Company Secretary at paulanel@pnccs.co.za by no later than Wednesday, 26 August 2020. The Company Secretary will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act and thereafter, if validated, provide further details on using the electronic communication facility.
2. The Company shall, by no later than 10:00 on Friday, 28 August 2020, notify Participants who had notified the Company Secretary in accordance with paragraph 1 above, by email of the relevant details through which Participants can participate electronically.
3. The cost of electronic participation in the AGM is for the expense of the Participant and will be billed separately by the Participant's own service provider.
4. The Participant acknowledges that the electronic communication services are provided by third parties and indemnifies Delta against any loss, injury, damage, penalty or claim

arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against Delta, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Participant via the electronic services to the AGM.

5. Delta cannot guarantee there will not be a break in electronic communication that is beyond the control of the Company.

Voting and proxies

Certificated and own-name dematerialised shareholders are advised that they must complete a form of proxy for their vote/s to be valid. The form of proxy for certificated and own-name dematerialised shareholders is included in this integrated annual report.

A shareholder of the Company entitled to attend, speak and vote at the AGM is entitled to appoint a proxy or proxies to attend, speak and to vote in his stead. The proxy need not be a shareholder of the Company.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company present in person or represented by proxy shall have one vote for every share in the Company by such shareholder.

A form of proxy is attached for the convenience of certificated and own-name dematerialised shareholders holding shares in the Company who cannot attend the AGM but wish to be represented thereat.

SHAREHOLDERS' INFORMATION ◀

Such shareholders must complete and return the attached form of proxy and lodge it with the transfer secretaries of the Company.

Dematerialised shareholders who have not elected own-name registration in the sub-register of the Company through a CSDP and who wish to attend the AGM, must instruct the CSDP or broker to provide them with the necessary authority to attend.

Dematerialised shareholders who have not elected own-name registration in the sub-register of the Company through a CSDP and who are unable to attend, but wish to vote at the AGM, must timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and the CSDP or broker. Such shareholders are advised that they must provide their CSDP or broker with separate voting instructions in respect of the shares.

Forms of proxy may also be obtained on request from the Company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132), to be received at least 48 hours prior to the AGM. Any form of proxy not delivered to the transfer secretaries by this time may be handed to the Chairman of the AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any shareholder rights at the AGM. Any shareholder who completes and lodges

a form of proxy will nevertheless be entitled to attend and vote in person at the AGM should the shareholder subsequently decide to do so.

By order of the Board



Paula Nel
Company Secretary

11 June 2020

Registered office

Silver Stream Office Park, 10 Muswell Road
South, Bryanston, 2021

(Postnet Suite 210, Private Bag X21,
Bryanston, 2021)

Transfer secretaries

Computershare Investor Services
Proprietary Limited
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132,
South Africa.)

ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING

General information on the Company to support the resolutions proposed in the Notice of Annual General Meeting

The following information is required by the JSE Listings Requirements regarding the resolution granting a general authority to the Company to repurchase its securities (special resolution 2).

The JSE Listings Requirements require the following disclosures, some of which are elsewhere in the integrated annual report of which this notice forms part as set out below:

Major beneficial shareholders of the Company page 181

Capital structure of the Company page 131

Material change

Other than the facts and developments reported on in the integrated annual report of which this notice forms part, there have been no material changes in the affairs or financial position of the Company and the Group since the date of signature of the audit report for the financial year ended 29 February 2020 and up to the date of this notice.

The Board has no immediate intention to use this authority to repurchase Company shares. However, the Board is of the opinion that this authority should be in place should it become apparent to undertake a share repurchase in the future.

Directors' responsibility statement

The directors whose names are given on pages 20 and 21 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given in this notice of Annual General Meeting ("AGM") and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by law and the JSE Listings Requirements.

Statement by the Company's Board in respect of repurchases of shares

Pursuant to and in terms of the JSE Listings Requirements, the directors of the Company hereby state that the intention of the directors is to utilise the authority at their discretion during the course of the period so authorised as and when suitable opportunities present themselves, which may require immediate action.

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of this AGM:

1. the Company and the Group will be able to pay their debts as they become due in the ordinary course of business;
2. the consolidated assets of the Company and the Group, fairly valued in accordance with the accounting policies used in the Company's latest audited Group annual financial statements, will be in excess of the consolidated liabilities of the Company and the Group; and
3. the share capital, reserves and working capital of the Company and the Group will be adequate for the purposes of the ordinary business of the Company and the Group.

FORM OF PROXY

Delta Property Fund Limited

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

Certificated and own-name dematerialised shareholders are advised that they must complete a form of proxy for certificated and own-name dematerialised shareholders for their vote/s to be valid.

This form of proxy is for use by the holders of the Company's certificated shares ("certificated shareholders") and/or dematerialised shares held through a Central Securities Depository Participant ("CSDP") or broker who have selected own-name registration and who cannot attend but wish to be represented at the Annual General Meeting of the Company at Silver Stream Office Park, 10 Muswell Road South, Bryanston on Monday, 31 August 2020 at 10:00 (Central African time) or any adjournment if required. Additional forms of proxy are available at the Company's registered office.

They are not for the use by holders of the Company's dematerialised shares who have not selected own-name registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the Annual General Meeting and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the Annual General Meeting but wish to be represented thereat, in order for the CSDP or broker to vote in accordance with their instructions.

I/We

(name/s in block letters) of

being the holder of shares in the capital of the Company, do hereby appoint (see note):

1. or failing him/her,
2. or failing him/her,

the Chairman of the meeting, as my/our proxy to act for me/us at the Annual General Meeting (and any adjournment thereof) convened for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions ("resolutions") to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions, and/or to abstain from voting for and/or against the resolutions, in respect of the shares registered in my/our name in accordance with the following instructions:

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done, the proxy will vote as he/she deems fit.

Ordinary resolutions		For	Against	Abstain
1	To ratify the appointment of Phumzile Langeni as a non-executive director			
2	To ratify the appointment of Bongzi Masinga as a non-executive director			
3	To re-elect Nooraya Khan as a non-executive director			
4	To re-elect Caswell Rampheri as an independent non-executive director			
5	To reappoint BDO South Africa Inc. as independent auditor to the Company			
6	To re-elect JJ Njeke as a member and Chairman of the Company's Audit, Risk and Compliance Committee for the year ended 28 February 2021			
7	To re-elect Nombuso Afolayan as a member of the Company's Audit, Risk and Compliance Committee for the year ended 28 February 2021			
8	To re-elect Marelise de Lange as a member of the Company's Audit, Risk and Compliance Committee for the year ended 28 February 2021			
9	Non-binding advisory vote to approve the remuneration policy			
10	Non-binding advisory vote on implementation of the remuneration policy			
11	To authorise the directors of the Company to issue shares for cash, as and when they in their discretion deem fit			
12	To authorise any one director or the Company Secretary to action all ordinary and special resolutions			

FORM OF PROXY (continued)

Special resolutions		For	Against	Abstain
1	To approve the non-executive directors' remuneration for their services as directors			
2	To grant a general authority to repurchase issued shares			
3	To approve the granting of financial assistance in terms of section 44 of the Companies Act			
4	To approve the granting of financial assistance in terms of section 45 of the Companies Act			

Signed at _____ on the _____ day of _____ 2020

Signature _____

Assisted by (where applicable) _____

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Please read the notes on the following page.

NOTES TO THE FORM OF PROXY

Certificated and own-name dematerialised shareholders are advised that they must complete a form of proxy for certificated and own-name dematerialised shareholders for their vote/s to be valid.

1. The form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised shares with own-name registration.
2. Dematerialised shareholders are reminded that the onus is on such shareholder to communicate with their CSDP or broker.
3. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box(es). Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the registrars not less than 48 (forty-eight) hours before the commencement of the Annual General Meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company or unless this requirement is waived by the Chairman of the Annual General Meeting.
10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered with the Company.
11. Where there are joint holders of shares:
 - ▶ any one holder may sign the form of proxy; and
 - ▶ the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

The Chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the Chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.

12. Forms of proxy should be lodged with, mailed to, or emailed to Computershare Investor Services Proprietary Limited:

Hand deliveries to:

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196

Email deliveries to: proxy@computershare.co.za

Postal deliveries to:

Computershare Investor Services Proprietary Limited
Private Bag X9000
Saxonwold, 2132

to be received by no later than 10:00 on Thursday, 27 August 2020 (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS). Any form of proxy not delivered to the transfer secretaries by this time may be handed to the Chairman of the Annual General Meeting prior to the commencement of the Annual General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting.

13. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).

CORPORATE INFORMATION AND ADVISERS

Share code: DLT

ISIN: ZAE000194049

JSE sector: Real Estate

Real Estate holdings and development

Year-end: 29 February 2020

Company registration number

2002/005129/06

VAT number

4470253156

Tax number

9464252148

Country of incorporation

South Africa

Website
www.deltafund.co.za
Registered office

Silver Stream Office Park
10 Muswell Road South
Bryanston, 2021
(Postnet Suite 210, Private Bag X21
Bryanston, 2021)

Legal adviser

Bowman Gilfillan Inc.
(Registration number: 1998/021409/21)
165 West Street
Sandton, 2146
(PO Box 785812, Sandton, 2146)

Valuers

Taboo Trading 242 Proprietary Limited
trading as Valuation DNA
(Registration number: 2011/010433/07)
160 Frederick Drive
Northcliff
2195
Gauteng

Excellerate Real Estate Services Proprietary
Limited
(Registration number: 2007/021131/07)
Sandton, 2010
Gauteng
(PO Box 651171)

Heather Donald Valuations Proprietary
Limited trading as HDV
(Registration number: 2015/290710/07)
(PO Box 5746)
Cresta
2118
Gauteng

Realworx Property Valuations Proprietary
Limited
(Registration number: 2013/229588/07)
1 North Abington
Cnr North Road and Abington Street
Kensington B
Randburg
2194

Communication adviser

Articulate Capital Partners Proprietary
Limited
(Registration number: 2017/650343/07)
First Floor, Building 2
Woodmead Willows Office Park
20 Morris Street, East Woodmead
2191
(Postnet Suite 399, Private Bag X43,
Sunninghill, 2157)

Transfer secretaries

Computershare Investor Services
Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132
South Africa)

Corporate adviser and sponsor

Nedbank Corporate and Investment
Banking, a division of Nedbank Limited
(Registration number: 1951/000009/06)
135 Rivonia Road
Sandown, 2196
(PO Box 1144, Johannesburg, 2000)

Independent reporting accountants and auditor

BDO South Africa Inc.
(Registration number: 1995/002310/21)
22 Wellington Road
Parktown, 2193
(Private Bag X60500, Houghton, 2041)

Internal auditor

Mazars Advisory Proprietary Limited
(Registration number: 2003/029561/07)
Mazars House
54 Glenhove Road
Melrose Estate, 2196
(PO Box 6697, Johannesburg, 2000)

Competition law and tax adviser

Cliffe Dekker Hofmeyr Inc.
(Registration number: 2008/018923/21)
1 Protea Place
Sandton, 2196
(Private Bag X7, Benmore, 2010)

Transactional bankers

The Standard Bank of South Africa Limited
(Registration number: 1962/000738/06)
Corporate Banking
3 Simmonds Street
Johannesburg, 2001
South Africa
(PO Box 61344, Marshalltown, 2107
South Africa)

Nedbank, acting through its corporate
finance business unit, a division of Nedbank
Limited
(Registration number: 1951/000009/06)
135 Rivonia Road
Sandown, 2196
(PO Box 1144, Johannesburg, 2000)

Company Secretary

Paula Nel
BCom ACIS
Silver Stream Office Park
10 Muswell Road South
Bryanston, 2021
(Postnet Suite 210, Private Bag X21
Bryanston, 2021)

Enquiries relating to the integrated annual report

Sandile Nomvete –
sandile.nomvete@deltafund.co.za
Shaneel Maharaj –
shaneel.maharaj@deltafund.co.za
Otis Tshabalala –
otis.tshabalala@deltafund.co.za

DEFINITIONS

S25BB. Taxation of REITs	As defined in the Income Tax Act, 1962 (Act 58 of 1962), Chapter II: The Taxes, Part I: Normal Tax
277 Vermeulen Street	277 Vermeulen Street Properties Proprietary Limited (registration number: 2001/024462/07), a private company incorporated in South Africa and a wholly owned subsidiary of Delta
A-grade building	Generally not older than 15 years or which has had a major renovation; high-quality modern finishes; air-conditioning; adequate onsite parking, market rental near the top of the range in the metropolitan area in which the building is located
A-grade tenant	Large national tenants, large listed tenants, government and major franchisees
AGM	Annual General Meeting
Asset Manager	The appointed asset manager to Delta, in terms of an asset management agreement approved by the Delta shareholders on 16 June 2015
Atterbury Parkdev	Atterbury Parkdev Consortium Proprietary Limited (registration number: 2003/020481/07), a private company incorporated in South Africa and a wholly owned subsidiary of Delta
B-grade building	Generally older buildings, but accommodation and finishes close to modern standards as a result of refurbishments and renovation from time to time, air-conditioned; onsite parking, unless special circumstance pertain
B-grade tenants	National tenants, listed tenants, franchisees, medium to large professional firms
BDO	BDO South Africa Incorporated (registration number: 1995/002310/21), a private company incorporated in South Africa
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment as contemplated in the BEE Act
BEE Act	The BEE Act, No 53 of 2003, as amended from time to time
Board	Board of directors
CBD	Central business district
C-grade	Buildings with older style finishes, services and building systems. It may or may not be air-conditioned or have onsite parking
C-grade tenants	Tenants not classified as A-grade or B-grade
CEO	Chief Executive Officer

CFO	Chief Financial Officer
CGT	Capital gains tax
Choice Decisions 300	Choice Decisions 300 Proprietary Limited (registration number: 2001/009295/07), a private company incorporated in South Africa and a wholly owned subsidiary of Delta
CIO	Chief Investment Officer
CIPC	Companies and Intellectual Property Commission
Companies Act	The Companies Act, No 71 of 2008, as amended
Computershare	Computershare Investor Services Proprietary Limited
COO	Chief Operating Officer
DCM	Debt capital markets
Delta or the Company or the Fund	Delta Property Fund Limited (registration number: 2002/005129/06), a public company registered and incorporated in South Africa, formerly a private company incorporated under the name Tuffsan 89 Investment Holdings Proprietary Limited
Delta Group or Group	Delta and its subsidiaries
DMTN programme	Domestic Medium-Term Note programme
DPAM or the asset manager	Delta Property Asset Management Proprietary Limited (registration number: 2014/277367/07), a private company registered and incorporated in South Africa and who is the Delta appointed asset manager
DPW	The National Department of Public Works
Enterprise value	The sum of the Company's market capitalisation, based on the one-month volume weighted average price, and borrowings, being the aggregate of the Company's borrowings, excluding the value of any debentures forming part of any linked units issued by the Company
Executive	CEO, CFO and COO
Gearing	Loans from financial institutions
GLA	Gross lettable area
Hendisa Investments	Hendisa Investments Proprietary Limited (registration number: 2004/006456/07), a private company incorporated in South Africa and a wholly owned subsidiary of Delta

DEFINITIONS (continued)

Hestitrix	Hestitrix Proprietary Limited (registration number: 2010/0015274/07), a private company incorporated in South Africa and a wholly owned subsidiary of Delta
IFRS	International Financial Reporting Standards
Investec	Investec Private Bank, a division of Investec Bank Limited (registration number: 1969/004763/06), a public company registered and incorporated in South Africa
IPD	Investment Property Databank
IT	Information Technology
ITA	Income Tax Act, No 58 of 1962, as amended from time to time
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited (registration number: 2005/022939/06), a public company registered and incorporated in South Africa, licensed as an exchange under the Securities Services Act
K2014000273	K2014000273 Proprietary Limited (registration number: 2014/000273/07), a private company incorporated in South Africa and a wholly owned subsidiary of Delta
King IV	King IV Report on Corporate Governance™ in South Africa, 2016
LIBOR	London Interbank Offered Rate
Listing date	2 November 2012
LTV	Loan to value
m² or sqm	Square metres
Grit	Grit Real Estate Income Group Limited (previously known as Mara Delta Property Holdings Limited), registered by continuation in the Republic of Mauritius) (registration number: 128881 C1/GBL)
MOI	Memorandum of Incorporation
Nedbank Capital or sponsor	Nedbank Capital, a division of Nedbank Limited (registration number: 1951/000009/06), a public company registered and incorporated in South Africa and the bookrunner, investment bank and sponsor to Delta
Nedbank Corporate	A division of Nedbank Limited (registration number: 1951/000009/06), a public company registered and incorporated in South Africa
Ordinary share	An ordinary no par value share in the share capital of Delta

Phamog Properties	Phamog Properties Proprietary Limited (registration number: 2013/103000/07), a private company incorporated in South Africa and a wholly owned subsidiary of Delta
Rand or “R”	South African rand
REIT	Real Estate Investment Trust
SAICA	The South African Institute of Chartered Accountants
SAPOA	South African Property Owners Association
SARS	The South African Revenue Service
SENS	The JSE’s real-time Securities Exchange News Service
Standard Bank	A division of The Standard Bank of South Africa Limited (registration number: 1962/000738/06), a public company registered and incorporated in South Africa
Subsidiaries	Comprises the following companies: 277 Vermeulen, Atterbury Parkdev, Choice Decisions 300, Hendisa Investments, Hestitrix, K2014000273 and Phamog
TI	Tenant installations
WALE	Weighted average lease expiry

GENERAL INFORMATION

Country of incorporation and domicile South Africa

Nature of business and principal activities Delta Property Fund Limited ("Delta", "the Company"), and its subsidiaries ("the Group"), a Real Estate Investment Trust ("REIT") company, is listed on the JSE under the financial – real estate sector. Delta's primary business is long-term investment in quality, rental generating properties.

Directors

Sandile Hopeson Nomvete	Chief Executive Officer
Otis Ndora Tshabalala	Chief Operating Officer
Shaneel Maharaj	Chief Financial Officer
Johannes Bhukumuzi ("JB") Magwaza	Chairman
Nooraya Khan	
Davina Nodumo ("Dumo") Motau	
Ian Donald Macleod*	
Nombuso Norah Afolayan	
Mfundiso Johnson Ntabankulu ("JJ") Njeke	Lead Independent Director
Moshiko Caswell Ramokgadi Rampheri	
Marelise de Lange	

Registered office Silver Stream Office Park
10 Muswell Road South
Bryanston
Johannesburg, 2021

Postal address Postnet Suite 210
Private Bag X21
Bryanston, 2021

Auditor BDO South Africa Incorporated
Chartered Accountants (SA)
Registered Auditors

Company Secretary Paula Nel (BCom ACIS)

Company registration number 2002/005129/06

Level of assurance These Group annual financial statements have been audited in compliance with section 30(2)(a) of the Companies Act of South Africa

Preparer The Group annual financial statements were compiled under the supervision of Shaneel Maharaj CA(SA), HDip Tax

Published 22 July 2020

* Passed away 14 June 2020.



www.deltafund.co.za