



**TRANSFORMING TODAY,
BUILDING A BETTER FUTURE**

DELTA PROPERTY FUND LIMITED

INTEGRATED REPORT

FOR THE YEAR ENDED
29 FEBRUARY 2024



WELCOME TO OUR INTEGRATED REPORT

Welcome to Delta Property Fund’s 2024 Integrated Report (IR or report). This report demonstrates our commitment to transparency and accountability and provides a comprehensive overview of our performance, governance and business activities, showcasing our commitment to sustainable returns and responsible business practices.

This report aims to build trust and understanding among our stakeholders, including shareholders, employees, customers, communities and regulatory bodies. By offering a holistic perspective of our operations, we empower stakeholders to make informed decisions and engage meaningfully with our Group.

OUR REPORTING SUITE

INTEGRATED REPORT

The report provides a comprehensive overview of our performance and business activities, showcasing our commitment to sustainable returns and responsible business practices.



AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The annual financial statements provide a comprehensive overview of our financial position as well as our financial performance.



CORPORATE GOVERNANCE

The report provides an account of the structures that support the governance of the business. It includes Board committee reports and the remuneration review.



AGM NOTICE

The notice of the annual general meeting (AGM) is provided to all registered shareholders and contains the form of proxy and related information pertinent to this AGM.



TRANSFORMING TODAY,
BUILDING A BETTER
FUTURE

This theme encapsulates our commitment to progress and transformation. It signifies a focus on implementing the strategy and highlights our dedication to delivering positive change and sustainable growth. It focuses on prudent treasury management, improved occupancy, and reducing our loan-to-value (LTV) ratio.

This report showcases our strategic initiatives, achievements, and the overall impact of our turn-around strategy on stakeholders and communities.

KEY FOCUS AREAS

To ensure long-term value creation we focused on:

Disposing of non-core assets	Pages 35-37
Improving solvency and liquidity	Pages 62 -64
Strengthening governance	Refer to our reporting suite where the Corporate Governance report is presented
Retaining and attracting key skills	Pages 80-83

For more information on our focus areas and material matters, please read pages 26 to 30.

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ABOUT DELTA

WHO WE ARE

Delta Property Fund Limited (Delta or Company or Group) is a South African domiciled, B-BBEE Level 1 Real Estate Investment Trust (REIT), sovereign underpinned and listed on the JSE.

We are committed to offering an excellent tenant experience, delivering sustainable returns, developing employees and optimising our portfolio.



OUR VISION

To be a diversified sovereign-underpinned property fund offering sustainable returns while being a landlord and employer of choice.



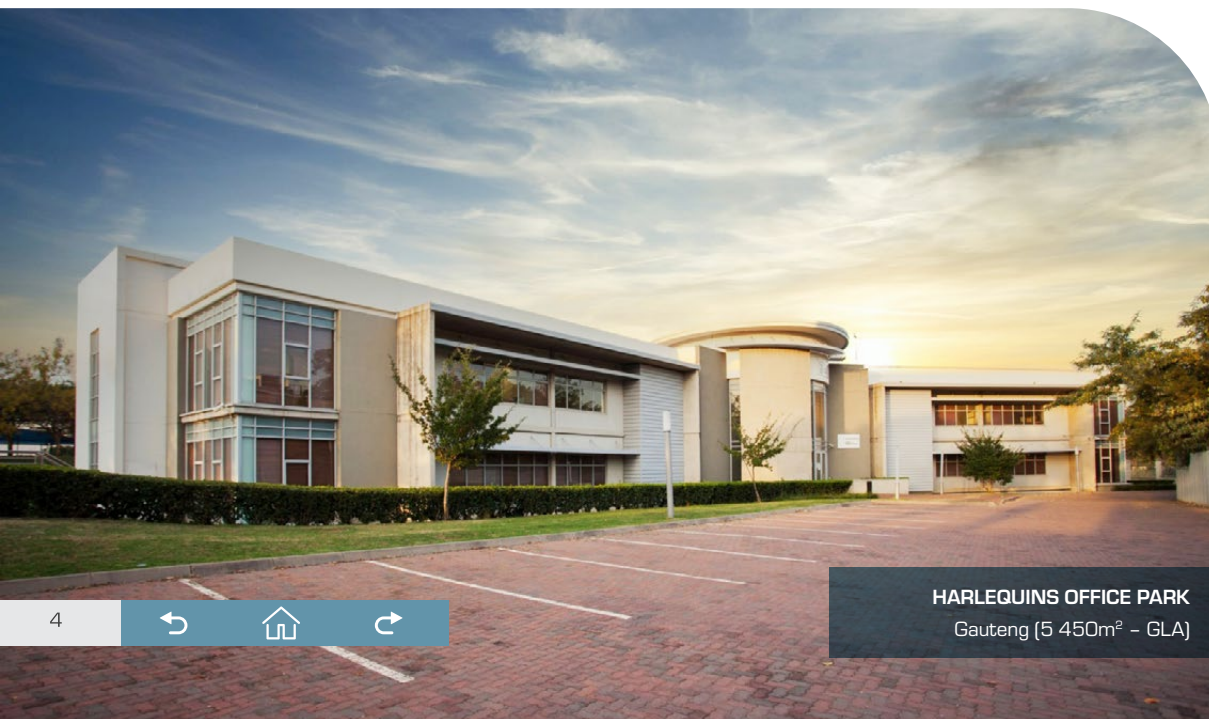
OUR PURPOSE

Sustainable value creation through quality sovereign property investments.



OUR MISSION

- Provide an excellent tenant experience.
- Continuous asset optimisation.
- Deliver sustainable returns.
- Develop and grow our employees.



HARLEQUINS OFFICE PARK
Gauteng (5 450m² – GLA)

OUR CORE VALUES



Agility

Embrace change and adapt quickly to evolving circumstances, ensuring flexibility and responsiveness.



Dependable

Build trust through reliability, being consistent in meeting commitments and fulfilling responsibilities.



Get involved

Actively engage in tasks and projects, fostering a collaborative and participative environment.



Challenge the norm

Encourage innovative thinking and a willingness to question established practices for continuous improvement.



Defy expectations

Strive to surpass ordinary standards, consistently delivering outcomes that go beyond what is anticipated.



Walk the extra mile

Demonstrate commitment by putting in additional effort, consistently going above and beyond to achieve excellence.

WHAT WE DO



Invest and develop

We focus on investing in high-quality assets that possess robust property fundamentals, ensuring long-term value and sustainability.



Enhance

Through strategic redevelopment initiatives, we actively work to enhance the value of our properties, ensuring they remain competitive and meet evolving market demands.



Manage

Our commitment extends to effective property management, providing well-maintained buildings and delivering excellent customer service to create optimal environments for our tenants and stakeholders.



Dispose

To refine the quality of our portfolio, we strategically dispose of non-core assets, aligning our holdings with our long-term investment objectives.



Recycle

We employ a capital reinvestment strategy, recycling funds generated from the sale of non-core assets. This approach enhances the overall quality of our portfolio, allowing us to allocate resources to high-performing and strategic ventures.

WHAT DIFFERENTIATES US

Sovereign tenanted assets

We continuously improve our portfolio of quality sovereign tenanted assets.

Geographical spread

Proudly South African-dominant fund which is currently represented in all nine provinces.

Leadership

The fund is predominantly women-led.

ABOUT DELTA

GROUP STRUCTURE



* Entity is in the process of de-registration following the termination of the asset management agreement which resulted in property and asset management function being internalised.

OPERATING CONTEXT

Delta Property Fund is a unique sovereign focused fund spread nationwide, predominantly in the office sector.

The portfolio currently comprises 89 properties, which will reduce as we continue with our strategic disposals (86 properties post year-end).

B-BBEE level 1 contributor.

We have established a team without increasing headcount, which focuses on filling vacancies.

We have focused on our service quality and invested in our properties, even with a tightly controlled purse.

Stakeholder engagement has helped us focus on:

1. Signing new leases and renewal of leases
3. Disposal of properties
2. Reduction of debt

Facilities management has been a key focus area. Capex and maintenance issues are strictly controlled, prioritising Capex required to get more buildings tenantable.

LIBERTY TOWERS
KwaZulu-Natal (40 078m² - GLA)



SILVER STREAM OFFICE PARK
Gauteng (2 333m² - GLA)



ABOUT THIS REPORT

ABOUT THIS REPORT

SCOPE AND BOUNDARY

Our Integrated Report serves as the cornerstone of communication with our diverse stakeholders, delivering a comprehensive and transparent review of Delta’s performance for the financial year ended 29 February 2024. This report details both financial and non-financial aspects, offering insights into our sustainable value creation, ethical leadership, corporate citizenship, stakeholder interactions and unwavering commitment to good corporate governance and compliance.

In this report, we share crucial information about our business activities, strategy and material matters. We aim to provide a balanced assessment of our endeavours in creating and preserving value, not only for our providers of financial capital but for all stakeholders.

The scope of our integrated reporting covers the spectrum of risks, opportunities and outcomes that have emerged during the reporting period. This inclusive approach ensures that we address the dynamic landscape in which we operate, acknowledging and responding to the challenges and opportunities that shape our business.

Our material matters	Pages 26-30
Our strategy	Pages 43-45

Our business model	Pages 46-50
Our stakeholder engagement	Pages 51-54

Our purpose-driven governance	Refer to our reporting suite where the Corporate Governance report is presented.
Our financial results	Refer to our reporting suite where the Annual Financial Statements are presented.



HENSA TOWERS
Limpopo [13 675m² – GLA]

REPORTING FRAMEWORKS

Our reporting process is both robust and comprehensive, reflecting our dedication to sustainability and transparency. In aligning with global best practices, this report strictly adheres to relevant reporting standards, frameworks and best practices. We have applied the guiding principles and content elements outlined in the Value Reporting Foundation's International Integrated Reporting (IR Framework). In addition, we have considered other pertinent guidelines and regulations to ensure a thorough and inclusive approach in preparing this report. By adhering to these standards and frameworks, we aim to provide our stakeholders with a reliable account of our financial performance, corporate governance and sustainability efforts.

We have considered other relevant guidelines and regulations in preparing this report, including:

- Companies Act, No 71 of 2008 (Companies Act)
- IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS® Accounting Standards)
- JSE Listings Requirements
- King Code on Corporate Governance 2016 King IV™
- Memorandum of Incorporation of the Company (MOI)

The financial information in this report has been extracted from the audited Annual Financial Statements (AFS) prepared in accordance with the IFRS® Accounting Standards.

APPROACH TO MATERIALITY

The principle of materiality has been applied in the preparation of this report, ensuring that relevant and significant matters have been addressed. We define a matter as material if it has the potential to significantly impact our ability to create, preserve or erode value over the short, medium, or long term. We have embraced a double materiality approach in our reporting process, aiming to provide current and prospective investors, along with other stakeholders, with essential information to evaluate Delta's capacity to generate and sustain enterprise value.

Our materiality determination process, aligned with integrated thinking principles, ensures a thorough evaluation. The Board of director's (Board) consideration of materiality prioritises the accuracy and validity of statements, offering readers a balanced mix of information essential for a comprehensive assessment of Delta's performance and prospects.

The Board and management collectively affirm that the material matters published in specific pages of this report present a well-rounded mix of information. These material matters were identified through our materiality determination workshops, risk management process, strategy deliberations and engaging with stakeholders. This approach reflects our commitment to transparency and enables stakeholders to make informed judgments about Delta's performance and outlook.

ASSURANCE

We implement a Continuous Assurance Model to safeguard the integrity of information used for internal decision-making and to enhance the credibility of our reporting. This model underscores the importance of robust processes and reliable information in our operations.

The financial aspects of this report have undergone independent assurance. For the report from our independent external auditor, KPMG Incorporated, on the AFS and specific non-financial indicators [please refer to our reporting suite where the Annual Financial Statements are presented](#). Assurance on internal controls is provided by Mazars.

While this IR itself is not subject to audit, it incorporates information from the AFS, which has been audited. In cases where data is not sourced from the AFS, the Audit Committee ensures that the information has been verified through second- and third-line assurance providers. This approach ensures a comprehensive and credible foundation for the information presented in our report, further reinforcing our commitment to transparency and accountability.

FORWARD-LOOKING STATEMENTS

This report incorporates forward-looking information regarding Delta, reflecting our judgments and expectations at the time of preparation. However, it is important to note that various risks, uncertainties and other significant factors exist, which could lead to actual results differing materially from our expectations. These factors have the potential to adversely affect our business and financial performance. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour", "project", or similar expressions are utilised to identify such forward-looking statements although they are not the exclusive means of identification.

Due to their nature, forward-looking statements and forecasts inherently involve risk and uncertainty as they are contingent on events and circumstances that will unfold in the future. Numerous factors could cause actual results or developments to deviate significantly from those expressed or implied by these forward-looking statements. All forward-looking statements in this report have not undergone review or audit by the Group's external auditors.

ABOUT THIS REPORT (CONT.)

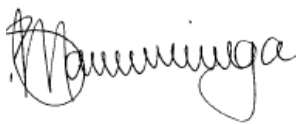
REPORT APPROVAL

The Board is supported by the Audit Committee and other subcommittees and acknowledges its responsibility to ensure the integrity of this report.

In the Board’s opinion, the report addresses all material matters and offers a balanced view of our strategy and how this relates to our ability to create and preserve value in the short, medium and long term. The report remains the ultimate responsibility of the Board and is prepared under the supervision of senior management and is subject to rigorous internal and external assurance reviews. The Board has unanimously approved the report for publication.



Ms Phumzile Langeni
Chairman of the Board
27 June 2024



Ms Sibongile Masinga
Chief Executive Officer (CEO)
27 June 2024



REQUEST FOR FEEDBACK

Your feedback on the contents and presentation of this report is welcome and will assist us in improving the quality and relevance of future reports. Please send any feedback on reporting content or requests to:

Investor relations:

Mr Morné Reinders

morne@articulatepartners.com



DELTA TOWERS

KwaZulu-Natal (41 713m² – GLA)



HOW TO NAVIGATE THIS REPORT

HOW WE REPORT

This report has been designed for an enhanced digital experience and ease of use. The layout supports readability, while the digital navigation capability in the report will assist you, the reader, to easily move between different sections or topics in the report.

Navigation icons

Interactive PDF



The capitals



Strategic pillars

The following icons are used to illustrate the strategic pillars:



REBUILD TRUST



OPERATIONAL EFFICIENCY



PEOPLE-CENTRED



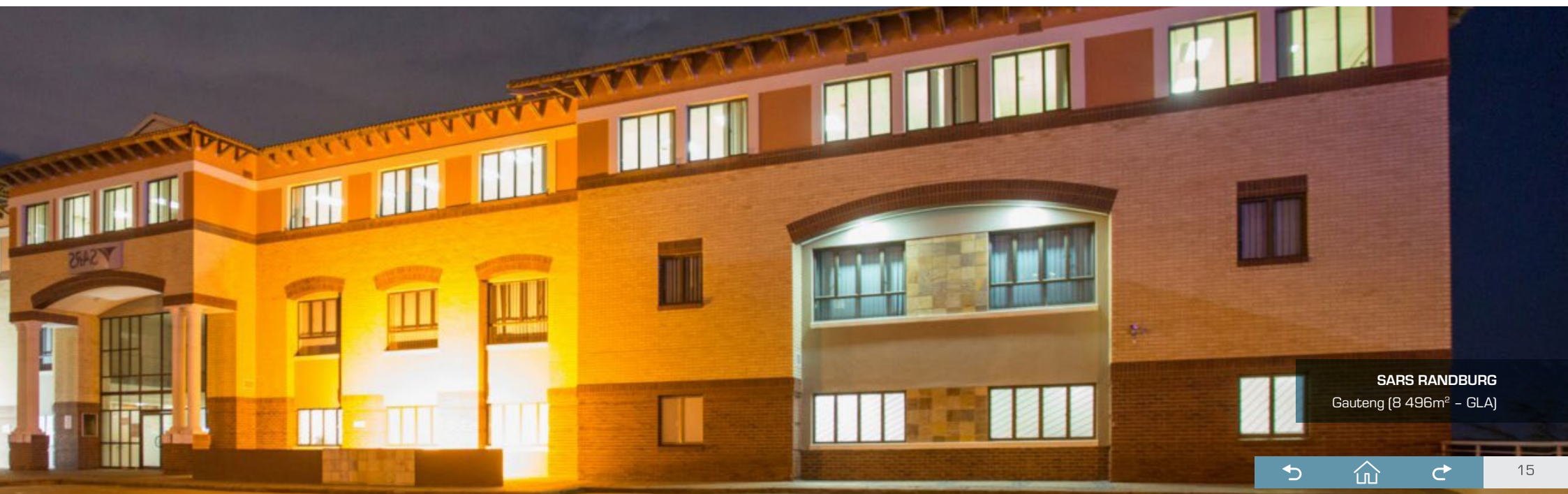
LEASING AND BUSINESS
DEVELOPMENT



PORTFOLIO AND CAPITAL
STRUCTURE OPTIMISATION

Time frames

The following time frames for purposes of the report were agreed upon: **Short term:** Within two years. **Medium term:** Two to five years. **Long term:** Five years and beyond.



SARS RANDBURG
Gauteng (8 496m² - GLA)





COMMISSION HOUSE
Gauteng (6 011m² – GLA)



BUSINESS OVERVIEW

YEAR IN REVIEW



FINANCIAL CAPITAL

		2024	2023	Further reading
SA REIT funds from operations	▲	R133.6m	R79.4m	Read our CFO report pages 62-64
SA REIT distributable earnings per share (cents)	▲	18.7	11.1 cents	
SA REIT average cost of debt	▲	10.0%	8.8%	
SA REIT LTV	▼	60.9%	61.4%	
Covenant LTV	▼	59.4%	59.9%	
SA REIT net asset value per share	▼	R3.5	R3.6	
Interest cover ratio	▼	1.3 times	1.4 times	



GOVERNANCE

% of the Board is female	▼	57.1%	71.4%	Refer to our reporting suite where the Corporate Governance report is presented.
% of the Board is black	=	85.7%	85.7%	



FORUM BUILDING
Gauteng (35 905m² – GLA)



		2024	2023	Further reading
Average collections *	▲	103.1%	101.0%	CEO report pages 35-37
Average property value per m ² (including assets held for sale)	▲	R8 099	R8 061	
Gross lettable area (GLA)	▼	823 350m ²	857 506m ²	
Investment property value (including assets held for sale)	▼	R6.7bn	R6.9 bn	
New lets	▼	11 542m ²	13 312m ²	
Disposals concluded	▼	R88.4m	R208.9m	
Lease renewals	▼	154 888m ²	194 545m ²	
Weighted average rental escalation	▲	7.1%	6.6%	
Weighted average rent	▲	R108.2m ²	R104.05m ²	



Number of employees	▼	93	111	Pages 80-83
Employee retention	▼	82.4%	84.7%	
B-BBEE	=	Level 1	Level 1	

* Collections exceed annual billing, the excess being collection of arrears.

Movement indicators:

▲▼ Negative movement
 ▲▼ Positive movement
= No movement

OUR SHOWCASE PROPERTIES

CHAMBERS OF CHANGE

Location: Gauteng
Sector: Office
GLA: 7 915m²



17 HARRISON STREET

Location: Gauteng
Sector: Office
GLA: 12 379m²



HARLEQUINS

Location: Gauteng
Sector: Office – Sovereign
GLA: 5 450m²



COMMISSION HOUSE

Location: Gauteng
Sector: Office – Sovereign
GLA: 6 011m²



THE MARINE

Location: KwaZulu-Natal
Sector: Office – Other
GLA: 24 676m²



LIBERTY TOWERS

Location: KwaZulu-Natal
Sector: Office – Other
GLA: 40 078m²



ANCHOR HOUSE

Location: Bloemfontein
Sector: Office
GLA: 2 645m²



AFRICAN LIFE BUILDING

Location: Bloemfontein
Sector: Office
GLA: 8 567m²



OUR SHOWCASE PROPERTIES

SARS BELLVILLE

Location: Western Cape
Sector: Office – Sovereign
GLA: 17 309m²



NPA

Location: Western Cape
Sector: Office – Sovereign
GLA: 10 552m²



AUDITOR GENERAL

Location: Limpopo
Sector: Office – Sovereign
GLA: 2 130m²



PHAMOKO TOWERS

Location: Limpopo
Sector: Office – Sovereign
GLA: 13 058m²



DELTA HEIGHTS
Gauteng (19 122m² - GLA)



POYNTONS BUILDING
Gauteng (73 396m² - GLA)



MATERIALITY

MATERIALITY

MATERIAL MATTERS

Our material matters play a pivotal role in shaping our strategy and influencing our risk mitigation and opportunity management. We have identified key matters that may impact our ability to create value across short, medium and long-term horizons, informing our approach to risk and opportunity management. This involves a systematic evaluation of material matters derived from external and internal operating risks and opportunities to effectively fulfil our strategic objectives.

We have employed a double materiality approach to identify these matters. This method encompasses assessing their impact not only on our enterprise value (inward-focused financial materiality), but

also on broader economies, societies, communities and the environment (outward-focused impact materiality).

The Board has actively identified and prioritised these material matters, providing valuable guidance in determining the pertinent information for inclusion in this report.

Material matters

1. Challenging economic climate, high inflation and interest rate environment.
2. Debt exposure.
3. Load-shedding and varied municipal service provisioning.
4. Oversupply of commercial space.
5. Damage to property and other physical assets.

Financial materiality Focused on enterprise value creation	Major			Oversupply of commercial space.	Debt exposure.	Challenging economic climate, high inflation and interest rate environment.
	Significant				Load-shedding and varied municipal service provisioning.	
	Substantial		Damage to property and other physical assets.			
	Moderate					
	Negligible					
		Negligible	Moderate	Substantial	Significant	Major
Impact materiality Considering key stakeholder interests						

Ranking	Material matters	Overview	Business Impact	Key focus areas	Strategic pillars	Capitals impacted	Stakeholders impacted	Time frame
1	Challenging economic climate, high inflation and interest rate environment	- Global conflicts/wars and currency fluctuations impact on inflation and contribute to a global recession. - Escalation in inflation and interest rates. - Changes in the political landscape or government policies. - Dampened business and consumer confidence influenced by slow economic recovery and policy uncertainties. - Reduced confidence affecting affordability and living costs, shifting consumer preferences and fluctuating disposable income. - High unemployment rate. - Slow economic recovery. - Political unrest and uncertainty. - Challenges in meeting and maintaining infrastructural and energy demands.	- Breach of debt covenants. - Increase in finance costs as a result of an increase in interest rates. - Increased discount rates and reduced assets valuations. - Lease renewals at risk resulting in higher month-to-month continuation and potentially increased vacancies. - Slow GDP growth impacting rental income. - Low ICR and high LTV. - Reduced valuations due to lower revenue resulting from reversions. - Weighted average lease expiry (WALE) of the portfolio reduces creating further risk to debt refinance and increasing the cost of debt.	- Monitoring local and global conditions including economic, sector-specific, regional and global political events. - Conservative treasury management. - Contain costs effectively. - Monitor cash flow forecast to ensure sufficient liquidity. - Reduce LTV levels to be in line with covenants. - Strengthen the balance sheet. - Operational Efficiency. - ICR of 2 times. - Manage and maintain our portfolio effectively. - Diversify revenue streams. - Focused and selective investments aligned with strategic goals. - Continuous active engagement with shareholders to keep them informed of business activities. - Focused and direct interaction with DPWI.	- Bolster trust. - Leasing and business development. - Operational efficiency. - People-centred. - Portfolio and capital structure optimisation.	- Financial capital. - Manufactured capital. - Social and relationship capital.	- Providers of financial capital. - Suppliers. - Tenants. - Customers. - Industry bodies.	Short to medium term.
2	Debt exposure	- Escalation in inflation and interest rates. - Low ICR and high LTV - Risk to refinancing and ever-increasing cost of debt. - Constrained cash to fund capex.	- Capital structure (equity and debt availability). - Challenges to extend funding to long term. - Lack of available capital from debt providers. - Constrained cash to fund capex. - Increase in finance costs as a result of an increase in interest rates.	- Diversification of funders. - Disposal of non-core assets. - Cost reduction.	Portfolio and capital structure optimisation.	Financial capital.	Providers of financial capital.	Short to medium term.

MATERIAL MATTERS

Ranking	Material matters	Overview	Business Impact	Key focus areas	Strategic pillars	Capitals impacted	Stakeholders impacted	Time frame
3	Loadshedding and varied municipal service provisioning	- Energy supply challenges impede growth, increase the operating costs of property owners and places pressure on tenant affordability. - Varied municipal service provisioning. - Service delivery failures.	- Accuracy and reliability of billing. - Higher occupancy costs and utility cost increases. - Increased diesel costs.	- Install backup power to ensure continuous power supply. - Efficiently reduce and manage variable costs. - Energy and water consumption and cost-saving initiatives.	- Operational efficiency. - Leasing and business development. - Portfolio and capital structure optimisation.	- Financial capital. - Manufactured capital.	- Employees. - Tenants. - Suppliers.	Short to medium term.
4	Oversupply of commercial space	- Competition for tenants creating price wars. - Grade and state of buildings. - Hybrid office working and flexible working spaces. - Shifting consumer behavioural changes. - Businesses downscaling their physical space requirements.	- Continued pressure on vacancy. - Increased competition for quality tenants. - Increased focus on income generation and diversification. - Low rental growth. - Low retention rates. - Over-reliance on major tenants results in becoming a price-taker.	- Disposal/ conversion programme. - Resizing and diversifying the business (disposals and conversion opportunities). - Recycle capital through disposal or conversion. - Engage with brokers on disposing of identified assets. - Income generation and diversification. - Lowering vacancies. - Manage variable costs. - Review cost of occupancy and vacancies. - Tenant retention strategy. - Optimise tenant mix. - Understand and respond to changing consumer needs and habits.	- Operational efficiency. - Leasing and business development.	- Financial capital. - Manufactured capital. - Human capital.	- Providers of financial capital. - Employees. - Tenants. - Suppliers.	Short to medium term.
5	Damage to property and other physical assets	Damage to assets and business interruption to tenants.	- Increased cost of insurance and limited insurer participation. - Increased operational costs to strengthen security.	- Fully comprehensive insurance assessment performed annually and ensure adequate coverage of the portfolio. - OHS compliance. - Outsourced security providers are utilised and buildings are equipped with added security features. - Lease agreements adequately protect the interests of Delta. - Effective business continuity management programmes relating to buildings where employees are situated.	- Bolster trust. - Portfolio and capital structure optimisation.	- Manufactured capital. - Social and relationship capital.	Tenants.	Short, medium, and long term.

REGENTS PLACE

Gauteng (10 289m² - GLA)



SLEEPY HOLLOW
KwaZulu-Natal (6 360m² - GLA)



LEADERSHIP REVIEWS

MESSAGE FROM OUR CHAIRMAN

Introduction

The last financial year was a difficult period for businesses operating in the South African environment and the office sector in particular. Fierce competition in the commercial office space, has continued unabated, characterised by oversupply of office space, changes in work habits which have led to tenant space reduction, above-inflation utility increases and the significant reduction in rental rates of P and A-grade buildings. These factors have placed greater pressure on B and C grade commercial properties be it on rentals as well as vacancy rates.

Whilst there had been expectation of green shoots, this in the main did not materialise as load shedding, unstable municipalities, poor service delivery, cost pressures, high interest rates, widening market spreads and a languishing economy continued to adversely impact business confidence, sentiment and consequently investment. South Africa, like more than a third of countries globally faced uncertainty that comes with any election; as expected, currency and market volatility were the order of the day. As polls indicated that a majority victory by the ANC was not assured, most market players sat on the sidelines, awaiting the release of the results of the May 2024 election, which saw liquidity diminish significantly. The continued unstable geo-political environment continued to add uncertainty whilst delaying the much anticipated and needed interest rate reprieves. This was negatively affected by continued energy and food insecurity, Russia-Ukraine, Israel-Palestine plus continued disruptions to trade and supply chains which ensured costs and inflation remained at stubbornly high levels.

Despite a challenging local and global operating environment, Delta showed its resilience as it continued to gain momentum in the execution of its turnaround strategy approved in 2021. The intense implementation over the last 2 years is evidenced by the results. The commitment to optimise the portfolio through non-core asset disposals, continued focus on debt management and engagement with lenders, rigorous cost control measures, are bearing fruit. Whilst the disposal program has been much slower than desired due to a major asset portfolio coming to the market, the persistent high interest rate environment and expectation of significant discounts by buyers, Delta has managed to dispose of R88.4m worth of properties whilst guided by its market values. The strides made in cost containment and the reduction in the debt amortisation have contributed to improved profitability and a more sustainable business. That said, the focus remains to significantly de-gear the balance sheet through continued asset sales and identifying key partners who will assist the Company to unlock value on those assets better suited to repurposing.



Sector overview

According to the Rode Report for the first quarter of the 2024 calendar year, the domestic office market has shown ongoing improvement, with slow growth in nominal rentals and lower vacancy rates, albeit off a low base. The national office vacancy rate, however, was still well above pre-Covid levels of 10.5% in 2019 and the historical long-term average of 9.3% as per SAPOA data.

Vacancy rates in Johannesburg and Pretoria continue to be higher than the national average, although Cape Town and Durban have performed relatively better.

Looking at the bigger picture, office cap rates are still well up from the pre-Covid (2019) level of just under 10%, reflecting a sector that remains in oversupply.

The sector, will require a lower interest rate environment, stable energy, higher economic growth and more efficient and equipped municipalities to turn the tide. The Delta sovereign underpin, continues to assist the company in mitigating some of these macro-economic challenges.

Business Performance

Profit from operations increased significantly from a loss of R226.1m in the prior financial year to R399.2m for the year under review.

As a result of cost optimisation efforts, administrative expenses were reduced by 11.6% from R109.2m to R96.5m, while property operating costs were materially unchanged at R483.9m (FY23: R483.0m) despite inflationary pressures.

The improvement in the Covenant LTV from 59.9% to 59.4% is pleasing, as it underscores that the strategy adopted is correct. This was aided by the disposal of three of properties amounting to R88.4m with R74.1m being utilised to reduce debt. The reduction in debt amortisation, has also provided headroom, which is being utilised to enhance the tenant experience, assist in attracting new tenants and to deliver on CAPEX requirements.

Finance costs remains significantly high due to the tenure of our debt and consequently higher margin rates. These have been negatively impacted by a higher interest rate environment, increasing to R484.2m in the current year compared to R457.9m, despite disposals.

Pleasingly, the ongoing efforts of management to address legacy tenant relationship issues and strengthen current relationships continues to bear fruit. The company has successfully renewed several DPWI leases with tenures ranging from 36 to 60 months. The successful award of new tenders and securing non-sovereign tenants has been a further cap in management's efforts to diversify its tenancy base.

Governance

During the review period, numerous changes were announced. Of great significance has been the stabilisation of the executive team, with the permanent appointments of Ms Bongzi Masinga as Chief Executive Officer, and Mr Fikile Mhlontlo as Chief Financial Officer. We are confident that stabilising the leadership engine will fast track the delivery of the strategy and ensure continued engagements with our key stakeholders. Other executive changes during the financial year, included, the resignation of Ms Marelise de Lange, the former Chief Financial Officer and Ms Tebogo Moshakga, who was succeeded by Ms Vast Mhlongo, as Company Secretary.

From a non-executive director perspective, the Board bid farewell to Mr Alex Phakathi, Ms Patricia Stock due to work requirements and to Mr Caswell Rampheri. Post year end, Mrs Dumo Motau, who had served 9 years on the Board retired from her position. On behalf of the Board, I thank our former directors for their invaluable contribution and dedication in reshaping the future of Delta.

During the said period, we also welcomed Mrs. Sindiswa (Sindi) Zilwa and Mr Brett Copans to the Board. Nomco, on behalf of the Board continues to monitor the composition of the Board to ensure that it has the requisite skills' mix and is of the optimal size. In keeping with this, the Board anticipates making further appointments to deepen property expertise.

MESSAGE FROM OUR CHAIRMAN CONT.

Outlook

Delta's strategic focus remains the reduction of debt, portfolio optimisation through disposals and strategic partnerships, improved leasing and renewals, talent development, and enhancing the tenant experience. We believe that these foundational elements will drive enhanced performance in the 2025 financial year and beyond.

The Board and management will continue with efforts to reduce the LTV ratio and improve the ICR to more acceptable market levels over the medium term. The commitment to pay distributions when the company is on a sound and sustainable financial footing remains a key priority.

Appreciation

In closing, I extend my sincere appreciation to my fellow Board members for their guidance and support. I also extend eternal gratitude to the executive team led by Bongzi Masinga and Fikile Mhlontlo and to the greater management of Delta and all of the staff for their continued efforts and unwavering dedication plus support during these challenging times. It is my belief that Delta will continue to navigate its challenges and emerge a stronger, more sustainable and focussed business over the next few years.

Finally, to our stakeholders, being our tenants, shareholders, lenders and other stakeholder groups - thank you! Our journey would be impossible without your continued and constructive support; we look forward to our ongoing engagement, as we navigate towards success.



Ms. Phumzile Langeni

Chairman of the Board

27 June 2024

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

This year started with a lot of headwinds, from all fronts. Though the team as a whole have stuck to the strategic goals, high interest rates and the slow pace of getting back to the office meant vacancies for the B grade offices battled to recover.

The South African Reserve Bank (SARB or Reserve Bank) announced yet another hold in interest rates on the 2nd of April with the Reserve Bank indicating that relief is still a way off. Nedbank's latest economic monitor, believes that South Africa's hold on rates will carry on longer than expected, and only 50 basis points will be cut this year when the cycle eventually swings – down from the 75 basis point cuts previously forecast.

The SARB's final bugbear is that administered prices, such as those for electricity, water, and rates and taxes, have been allowed to rise at double digits and faster than the country's targeted price inflation.

The results though not our best performance yet does show the pendulum swinging in the right direction. Our turnover has remained flat despite reversions as a result of renewals, allowing us to meet our ongoing commitments to all our stakeholders. Revenue, excluding straight-line income accrual, decreased by 5.4% from R1.23bn to R1.16bn, as a result of a decline in contractual rental income largely attributable to rental reversions as we renegotiated leases to market-related rates, as well as a marginal increase in the vacancy rate.

Our set goals for the year became our target being supported by the board strategy. A lot of work went into achieving set targets, even though we had missed some goals, there were definitely some wins. I am pleased with our much improved performance against most key metrics compared to the prior year. Notwithstanding challenges, our conviction in the turnaround strategy, is gaining traction, underpinned by the focus on disposals, and other operational metrics. The growth in earnings is a key achievement improving by 68.5% to 18.7 cents per share. Profit from operations increased significantly to just under R400m from the comparative period last year where we showed a loss of R226m.

We have had to control expenses, keeping our overhead costs down, and sweating the human capital asset. This ongoing focus on costs resulted in our administrative expenses being down by 11.5%, with the cost to income ratio down to 49.8% from 54.3%. As we experience natural attrition, we do not recruit but rather look internally and I acknowledge those employees who are willing to be tested and try out new responsibilities. As we dispose of buildings our overhead costs must also realign to the size of the business, and respond to the strategy. We have extracted a lot of value from the reassignment of staff. Our corporate values speaks to delivery of objectives, building a business including individual performance. I am pleased to see a lot of the staff are living the values daily, and outperforming.



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

We are pleased to publish this report having managed the debt maturity extension. All our funders have agreed to extensions. Nedbank our largest funder, has extended until the second quarter of 2025 and further advanced a revolving credit facility of R37.5m. Investec facilities had been renewed for 24 months to 30 June 2025. Bank of China has aligned their terms to Nedbank as part of the syndication, whilst State Bank of India has extended for 36 months. These extensions allow us to focus on growing the metrics of the business, and re-engineer the business to meet our debt covenants, that are still falling behind. We reduced debt by R183.2m to R4.0bn in the past financial year, shy of the target of R2bn post the disposal programme.

We disposed of 3 buildings for R88.4m, and post year end a further six properties for R144.9m, proceeds go towards debt reduction. Disposal is part of our key board strategy, and our efforts continue to focus on this. It has been a difficult economy to dispose of assets, but our focus is still geared to attaining this objective. The strategy is to invite varied players in the property business, hoping to attract not just those looking for commercial space. We are not long term players in the other sectors and remain committed to office, industrial and opportunistic retail. The group has earmarked 43 non-core assets valued at R2.3bn for disposal. The majority of the properties disposed of were at valuation or premium to book, which suggests that the portfolio is fairly valued.

Besides relying on brokers, we have established a leasing team, who beat the pavements looking to fill vacant space in our portfolio. The upside was quickly evidenced albeit at a modest scale. A lot of the ground floor retail space is being taken up, and as a result of the tough economic outlook, office is lagging behind. Work-from-home arrangements have had an impact on our vacancies, especially with the private sector opting for virtual, rather than physical office space. Loadshedding, one had hoped, would result in the uptake of office space but but this was not significant enough to make an impact.

Portfolio vacancies marginally increased in the FY2024 from 32.9% to 33.4% due to tenants that vacated. Our leasing team has been very active with their listed brokers. Our vacancy rate excluding properties classified as current assets held for sale is 24.2%. The target is geared towards being aligned with industry standards.

The facilities team restructuring is starting to bear fruit. The hierarchical structure has been removed, and all facility managers have been allocated buildings and been made accountable. The response time to our clients is being reduced. They all live our values of being agile, dependable, going the extra mile, getting involved (as part of a team). Challenging the norm and defying expectations are crucial

if the business is to re-engineer itself, and stand out amongst the rest in the industry. Our people are key in delivering on the strategy, and the team works across all divisions to complement each other. We have established a round table discussion with HOD's, and discuss strategy related issues and how people are core in delivering strategy, with the freeze in recruitment (unless key position), we sweat the asset. The tone from the top must lead. Property managers have become more engaged and work as teams with facilities staff to ensure tenant issues are addressed on all fronts. We are finally getting closer to a team that works cohesively together.

Stakeholder engagement has been very critical in this financial year. We have prioritised these engagements and realise how we have fared as a landlord and understood the remedy that is required. We need directed efforts to retain confidence and trust. Building key relationships to strengthen trust and putting a human face to our actions and increasing understanding between managers and stakeholders. This will be one of the key focus areas next year, that will receive a lot of attention, measured and reported on.

Another area of focus will be Environment, Social and Governance (ESG). The board has included ESG as part of KPIs going forward. We intend to improve our reporting to ensure adherence with the required standards. From an environment perspective, manufactured energy consumption in the buildings will be monitored and take into account tenants that are looking for energy efficient solutions which will help reduce operational costs. Water usage metrics and waste generation will form part of that reporting.

The social component of ESG, the asset level benchmarks include factors on tenant satisfaction, health, safety and wellbeing and the impact that the asset has on the community. Included in this assessment of the social component, is the measures relating to whether the employees are satisfied and engaged, and we are practising diversity and inclusion as well as the level of training and development on the employees. On governance we ensure clear commitment to good governance policies and practices at all levels, an area we have generally paid a lot of attention to.

Prospects

We will continue to execute on the strategy, and in the medium term evolve to be a smaller but more sustainable REIT, with a reduced property value of approximately R4.5bn, and strong headroom for growth. The strategy will lead to covenants that are in line with our debt agreements at a 50% Loan to Value and interest cover of 2 times. More importantly, our number one priority is to return to

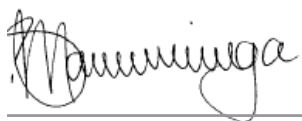
distributions for our shareholders.

The core business of Delta is to be the pre-eminent black sovereign underpinned REIT, returning value back to our shareholders. We will continue to rationalise the business, reduce our vacancies and renew our leases. Our number one priority is to return to distributions for our shareholders in the medium-term.

Appreciation

I would like to thank the Board for their unwavering guidance and support in steering the turnaround. A heartfelt thank you goes to our stakeholders for their continued trust in us, and the invaluable partnerships we cultivated over the recent years. I also extend my gratitude to our investors and debt providers, for their ongoing support, constructive feedback, and suggestions that have contributed to expediting and enhancing the turnaround strategy.

Lastly, I want to thank the Delta staff, without their dedication, commitment and living our values, we would have not made the strides that we are so proud of today.



Ms Bongji Masinga

Chief Executive Officer

27 June 2024



5 WALNUT ROAD
KwaZulu-Natal (13 677m² – GLA)

SLEEP HOLLOW BUILDING

KwaZulu-Natal (6 360m² – GLA)



101 DE KORTE
Gauteng (6 610m² – GLA)



HOW WE CREATE VALUE

VALUE CREATION PROCESS

Delta primarily creates value through the ownership and leasing of properties.

The Board continuously determines the strategic objectives, identifies related risks and mitigates risks.

Our process of value creation	We carefully assess stakeholder requirements and the necessary resources (our capital inputs) utilised in creating value.
Our process of capital and resource allocation	We evaluate resource allocation for optimal returns in the face of current operating conditions, navigating a capital-constrained and uncertain socio-economic environment. We prioritise sustainable trade-offs among our capital inputs, aiming to strike a balance between positive and negative outcomes.



THE MARINE BUILDING
KwaZulu-Natal (24 676m² – GLA)

HOW OUR STRATEGY SUPPORTS VALUE CREATION

STRATEGIC PILLARS

We have identified five strategic value drivers that steer our strategy:

Strategic value drivers	Description	Time frame
 PORTFOLIO AND CAPITAL STRUCTURE OPTIMISATION	We optimise our portfolio and capital structure through disposals, debt restructuring and portfolio refinement.	Short to medium term.
 LEASING AND BUSINESS DEVELOPMENT	The successful execution of our CAPEX programme is crucial for supporting the leasing and tenant retention strategy. We are bolstering the leasing team and fostering stronger relationships with brokers to enhance overall effectiveness.	On-going.
 OPERATIONAL EFFICIENCY	Our focus is adding to the efficiency gains made in 2024 and minimising costs wherever feasible.	Short to long term.
 PEOPLE-CENTRED	Our people are are our biggest asset and key in achieving our goal of ensuring a seamless tenant experience. Continuous training, development and reward systems are in place to enhance the depth and expertise of our skillset.	On-going.
 REBUILD TRUST	We persist in nurturing positive relationships with all stakeholders. Our consistent engagement with key stakeholders, coupled with a commitment to transparent communication and the fulfilment of capital expenditure commitments will yield positive results.	On-going.

HOW OUR STRATEGY SUPPORTS VALUE CREATION

STRATEGIC TARGETS

Delta's vision, mission and values are strategically aligned to prioritise the needs of our stakeholders, facilitating future growth while considering our present position and future milestones. Our strategic targets include:

Strategic targets	How we plan to achieve target*
1. Portfolio optimisation	- Dispose of identified non-core assets. - Retain ICR-positive properties. - Identify key partners with funding and operational expertise to enable value enhancing strategies such as the conversion of some properties from commercial to other purposes.
2. Reduce Delta's vacancy rate	- Improve leasing and WALE by actively engaging with brokers, offering an attractive leasing proposition for clients. - Broaden the tenancy profile to ensure an appropriate mix of tenants for sustainable returns.
3. Increase ICR to be brought in line with debt covenants	Dispose of assets that are a cash drag.
4. Reduce LTV to be in line with covenants	- Dispose of non-core assets. - Manage debt and negotiate longer dated funding with our lenders.

*Further details are provided in the strategic implementation table on the next page:



SEDIBA BUILDING
Gauteng (10 947m² – GLA)

STRATEGY IMPLEMENTATION

Delta's sustainability

Disposing of assets		• We are actively engaging with a broader pool of potential buyers. 43 properties are non-core assets and are earmarked for disposal, 21 of which are classified as non-current assets held for sale with a market value of R1.3bn. The proceeds from these disposals will be utilised to reduce debt. • We are exploring the conversion of suitable assets to alternative uses in collaboration with specialist partners with a proven track record in converting these assets.
Leasing	Enhancing leasing efforts through the allocation of dedicated resources and the implementation of broker incentives.	
	Renewal of existing leases and conclusion of new leases	• Renewing month-to-month leases with our anchor tenants for three to five years, effectively extending our WALE. • Diversify revenue streams by improving non-GLA income.
Engaging with providers of capital		• Negotiate improved market-related funding terms with an extended tenure. • Delta's LTV and ICR ratios including the projected time-frame to fall within covenant levels.
Improving profitability		• Enhancing revenue by reducing vacancies. • Aligning cost reduction with the resizing of the portfolio. • Ensuring the availability of skilled human capital to support operational activities.

OUR VALUE-CREATING BUSINESS MODEL

The Capitals	Inputs	Outputs	Outcomes
FINANCIAL CAPITAL 	- Implement effective capital management strategies which will reduce LTV and enhance ICR. - Secure capital from debt and equity providers to improve the portfolio and tenant experience. - Reinvest capital received from disposals into strategic initiatives (debt reduction) to achieve an optimum debt/capital structure.	- Disposal of non-core properties for R88.4m. - ICR lower at 1.3 times (2023: 1.4 times). - SA REIT LTV reduced to 60.9% (2023: 61.4%). - SA REIT NAV per share R3.5 (2023: R3.6). - SA REIT funds from operations 18.7 cents (2023). - Covenant LTV reduced to 59.4% (2023: 59.9%). - R3.7bn debt renewed.	- Sustainable growth in income. - Improved investor confidence. - Reduced amortisation payments. - Continued extension of debt facilities.
MANUFACTURED CAPITAL 	- Focus on ensuring yield-enhancing assets. - Invest capital strategically to attract and retain tenants. - Possess high-quality assets strategically located in key nodes and strategic provinces.	- Assets held for sale increased to R1.3bn (2023: R839.0m). - Disposal of properties for cash proceeds of R88.4m utilised to reduce debt (2023: R208.9m). - R183.1m applied to reduce debt (2023: R352.9m).	- Maintained ownership of assets for long term investment returns. - Capital appreciation and income growth. - Envisage to resume distribution in the medium term.
INTELLECTUAL CAPITAL 	- Implement active innovative asset and property management. - Apply effective leasing fundamentals to generate and collect rentals while managing vacancies. - Establish secure and safe operating systems.	- New space let 11 542m² and renewals 154 888m². - Achieved above-inflation rental escalations of 7.0%. - Tenant retention rate of more than 90.0%. - Capital expenditure of R47.5m.	- Effective cash flow management. - Robust internal controls and streamlined processes supporting transparent disclosure. - Integrated systems and enhanced IT infrastructure. - Transparent and consistent communications with stakeholders.

The Capitals	Inputs	Outputs	Outcomes
NATURAL CAPITAL 	- Implement energy-efficient practices, including the use of renewable energy as well as water and waste reduction initiatives. - Ensure that operations limit their impact on the environment.	- Installed purifying water storage tanks. - Strive to create a sustainable environment. - Work towards reduced energy consumption through installed LED lights. - Aim to minimise our environmental footprint.	- Sustain ongoing investment in energy efficiencies. - Implement waste collection and recycling initiatives at selected properties.
HUMAN CAPITAL 	To foster the growth and development of our employees, we focus on the following inputs: - Appointing competent executive management and employees to ensure delivery on strategy through living the culture and values. - Experienced, diverse and skilled Board. - Upholding regulatory and statutory compliance as well as corporate governance principles.	- Adhered to regulatory and statutory compliance as well as corporate governance principles. 85.7% of the Board is PDIs, 57.1% is female and the executive team 100% PDIs. - B-BEE level 1. - Multiskilled and multicultural team. - Employee retention rate of 82.4%. - STI and LTI schemes. - Workforce consists of 89% PDIs.	- Maintain the ability to recruit new and experienced key employees. - Ensure acquisition of skills necessary for continued delivery of service excellence. - Diverse Board that supports transformation. - Continuous employee training and empowerment.
SOCIAL AND RELATIONSHIP CAPITAL 	- Prioritise enterprise and supplier development. - Ensure meaningful and constructive interactions with stakeholders. - Implement an effective outsourced function for investor relations.	97.5% score on enterprise and supplier development B-BBEE level rating. - R3.7bn debt renewed. - Improved relationship with tenants. - Improved investor confidence.	- Improved capital funders confidence. - Procurement spend is applied via overarching policies of good governance, small business development and sustainability. - Participation in SAPOA, SA REITs Association and various other engagements.



MAYORS WALK
Pietermaritzburg (5 507² – GLA)

Our business model demonstrates our ability to adapt to changes in the availability, quality and affordability of capital inputs, ensuring our resilience and sustainability as a business.

BUSINESS ACTIVITIES

OWN		We invest in high-quality property assets with the objective of providing long-term income and capital growth for our stakeholders.
ENHANCE		We improve our portfolio through refurbishments, and value-enhancing initiatives.
LEASE		We foster enduring relationships with tenants to optimise rental collections and returns.
RECYCLE		We strategically recycle non-core properties that no longer align with our objectives through disposal.

OUR VALUE-CREATING BUSINESS MODEL

TRADE OFFS

Our strategy is designed to achieve sustained growth in capital and distributable earnings, it was however impeded by higher interest rates, capital repayments and property devaluations. The following are our material trade-offs.

Managing tenant retention	Despite the changing operating landscape, characterised by high inflation and high interest rates, we continuously respond to tenant needs and strive to enhance tenant experience. This response necessitated investments in tenant installations and capital expenditures to retain and attract new tenants.
Balancing environmental goals with tenant preferences	We take a proactive approach to managing utility costs by employing leakage detections, reducing water usage and embracing energy-efficient practices as well as exploring alternative energy solutions.



UNISA HOUSE
Gauteng (10 055m² – GLA)

STAKEHOLDER ENGAGEMENT

We prioritise building enduring partnerships with key stakeholders, aiming to create and sustain meaningful value while enhancing stakeholder trust. Our goal is to generate mutual value by understanding and addressing all their needs. We achieve this by providing stakeholders with transparent and relevant information that allows for an accurate assessment of our performance and prospects.

The Board is dedicated to open reporting on material matters affecting our business activities, Fund prospects, corporate governance practices and any other information that may influence stakeholder decisions. We employ multiple engagement channels, as listed on the following pages.

ENHANCING STAKEHOLDER RELATIONSHIPS

We have identified four major stakeholder groups, and the tables below offer an overview of our engagement with each stakeholder, outlining their primary concerns and Delta's corresponding responses.

Investors and market analysts	
Method of engagement	- Annual general meeting (AGM). - Financial roadshows (virtual and in-person). - Pre-close updates (bi-annual). - Regular feedback surveys. - Regulatory and press announcements. - Regulatory reporting. - Results presentations (bi-annual). - Governance roadshows.
Key concerns	- Impact of covenant breaches. - Litigation against the Company. - Operational performance. - Liquidity constraints. - Return to distribution payments.
Engagement level	High, collaborative level of engagement with internal and external stakeholders to understand their expectations and perceptions.
Delta's response	Delta's ongoing focus on portfolio optimisation and revenue improvement strategy are detailed in the CEO's review on pages 35 to 40. It provides specifics and timelines on how Delta plans to address operational performance, improve LTV and ICR ratios to below covenant levels, and return to sustainable distribution payments in the medium term.
Quality of relationship	Excellent.

STAKEHOLDER ENGAGEMENT

Debt funders	
Method of engagement	• Presentation of cashflow and solvency forecasts, key financial ratios and the integrated annual report. • Ongoing negotiations with funders to provide more competitive pricing. • Conducting property visits. • Regular reporting to financial stakeholders.
Key concerns	• Strategy to reduce LTV and improve ICR. • Ongoing ability to service debt and amortisation obligations. • Renewal of leases and extension of Delta's WALE. • Liquidity improvement. • Alternative sources of capital.
Engagement level	• High, collaborative and inclusive level of engagement.
Delta's response	• Delta's services interest on loans and debt amortisation through its cash flow generated from operations, making it an exception among the REITs, as most REITS do not make capital repayments. • Delta's strategy to align key financial ratios to covenant levels is detailed in the performance overview in this report. • The renewal of government leases on three and five-year tenures is gaining traction with Delta targeting a medium term strategy of improving WALE.
Quality of relationship	• Excellent.

Key tenants	
Method of engagement	- Formal communication. - In person engagements with property managers and prompt response to related queries. - Conducting management meetings with senior employees of major tenants. - Placement of permanent employees at strategic properties/nodes. - Regular in-person and virtual meetings by executive committee members with the DPWI. - Consistent site visits. - Providing updates on the capital expenditure programme.
Key concerns	- Delivery against committed upgrades and tenant installations. - Adherence to health and safety compliance. - Timely response to, and efficient management of, maintenance matters.
Engagement level	High, collaborative and inclusive level of engagement.
Delta's response	- The Group's significant capital expenditure programme prioritise compliance matters and the delivery of promised upgrades and refurbishments. Resources are allocated to retain key tenants. - Targeting capital expenditure to address tenant installations, maintenance and health and safety compliance.
Quality of relationship	Good and improving.

STAKEHOLDER ENGAGEMENT

Employees	
Method of engagement	- Employee engagement survey. - Employee WhatsApp group for the dissemination of information. - In-person town hall engagements. - Quarterly employee newsletter. - Virtual meetings.
Key concerns	- Job security. - Learning and development. - Fair remuneration, recognition and reward for performance.
Engagement level	Inclusive level of engagement.
Delta's response	Employee engagement efforts are crucial for the successful implementation of our turnaround strategy. In the year under review, various measures were implemented to address employee concerns, including: - A quarterly employee newsletter was initiated to encourage employee involvement and reinforce the strategy. - Salary benchmarking was conducted during the year with an external advisor. - Progressive learning and development. - Employees are kept informed of important events or announcements at Delta in real time through a WhatsApp group. - Memos from the executives on significant developments are regularly circulated to employees. - Executives engaged with all employees nationwide, providing insights into Delta's current strategic position and the role employees can play in the turnaround.
Quality of relationship	Good and improving.

RISK MANAGEMENT PROCESS

The employment of an effective risk management process is crucial for Delta to achieve its strategic and operational goals, especially in the current socio-economic environment. We acknowledge that risk is inherent in the business, requiring a balance between managing threats and exploiting opportunities.

In our approach, we adhere to the principles outlined in ISO 31000. This involves identifying, analysing, and evaluating risks, responding appropriately to identified risks, determining the suitable treatment for risk, and regularly monitoring, reviewing and reporting on risks.

To ensure robust governance and oversight, we incorporate sound structures in the risk management process. Key components include:

- Board and sub-committee oversight: The Board and key sub-committees play a vital role in overseeing our risk management activities, holding ultimate accountability.
- Tailored risk management: The nature and intensity of risk management are customised to the risk profile of each area in the business, recognising that different segments may present distinct challenges and opportunities.

RISK MANAGEMENT APPROACH

- We align risk appetite with strategy to ensure a coherent approach.
- Ensuring compliance with laws and regulations is a priority to avoid reputational damage and associated consequences for Delta.
- Identification and management of multiple cross-enterprise risks are integral to our risk management framework.
- Continuous monitoring of risk management actions and mitigating controls is a key practice.
- We pursue strategic targets by transparently identifying and managing acceptable risks.

Shareholder value creation is propelled by engaging in risk-taking activities. Our objective is to strike a balance between capitalising on the potential for higher returns and recognising the costs associated with undertaking those risks.

Risk appetite	Material risks undergo regular reviews, challenge appropriateness of the risk and prioritisation by management. Our risk appetite: • Articulates our commitment to managing risks within defined limits. • Is developed considering our risk management capability, which is a combination of risk capacity and risk management maturity. • Reflects a balanced and integrated approach to risk management, allowing us to take calculated risks in our pursuit of long-term value creation. • Serves to uphold the highest standards of service delivery.
Risk tolerance	We are dedicated to maintaining risk tolerance levels that do not hinder the achievement of our strategic and operational objectives, comply with listing requirements and most importantly, do not compromise the effectiveness of our governance structures. Management formulates strategic plans to mitigate these risks. These plans undergo review and recommendations by the Risk and Compliance Committee (RCC) before being presented to the Board for approval. This process determines the residual risks to be assessed, thereby establishing our risk appetite. Our risk matrix, provided on the following pages, serves as a guide for Delta. In cases where residual risk remains high, the activity contributing to the risk undergoes close monitoring by management. Risks are identified based on their probability and potential impact on the business.

RISK MANAGEMENT PROCESS

OUR STRATEGIC RISKS REGISTER

Risk Title	Risk Management Context	Risk Statement or Description	Root Cause	Business Impact	Exposure	Residual Risk Ranking	Risk Response Strategy	Risk Mitigation Plans or Controls
Solvency Risk	Net-worth: based on the value of the assets, sufficient to meet long term obligations as they mature.	Risk of not meeting long term financial obligations.	Property portfolio has been devalued over the past 5 years by R3bn while debt from lenders has not been significantly reduced.	1. The pricing to service debt has become expensive due to misalignment of assets and debt. 2. High capital repayment levels towards debt.	High	Medium	Mitigate	1. Aggressive drive to dispose of assets and utilize proceeds to reduce debt. 2. Ongoing CAPEX investment in assets. 3. Reducing vacancy levels through leasing.
Liquidity Risk	Ability to convert assets into cash timeously.	Loss of credit facilities as a result of the inability to meet payment obligations as and when they become due.	1. The absence of sufficient buffers to cover payment obligations. 2. Difficulty in securing credit lines. 3. High vacancy rates across the property portfolio. 4. Soft markets for property disposals. 5. Breach of covenants.	1. Inability to respond to opportunities. 2. Failure to keep costs in line with the level of income generated, and improve operational efficiencies. 3. Failure to collect from debtors and pay creditors timeously.	High	Medium	Mitigate	1. Reducing building vacancy levels. 2. Cash management and scheduling of payments. 3. Focus on collection of rent. 4. Heightened disposal rate. 5. Negotiation of lower interest rates and capital repayments.
Stakeholder Relationship Risk	Communicate with identified stakeholders who have an interest in the business.	The uncertainties and threats that may arise from actions and inactions of the stakeholders or from the external factors affecting them.	1. Lack of stakeholder involvement or support. 2. Unrealistic or conflicting expectations. 3. Over communicating and/or under communicating. 4. Stakeholder fatigue.	1. Leases not renewed as they expire / slow pace of renewal. 2. Difficulty in attracting new prospective tenants to improve occupancy levels. 3. Difficulty in obtaining favourable finance terms from lenders. 4. Lack of support from stakeholders.	Medium	Medium	Exploit	1. Key stakeholder management program. 2. Regularly engage with key decision makers including major tenants. 3. Ongoing monthly meetings with lenders. 4. Regular town hall meetings with employees.
Strategy execution risk	Ability to meet the strategy objectives including disposals and other strategic goals.	Inability to execute on strategy, including disposal of selected properties and other objectives.	1. Lack of resources to execute the strategy. 2. Reduced demands for properties.	1. Increased LTV and decline in ICR. 2. High costs of holding non-strategic properties earmarked for disposal that are vacant. 3. High vacancies.	Medium	Medium	Exploit	1. Clear and formalised strategy parameters. 2. Enhanced focus on execution of the strategy. 3. Engaging with brokers on disposing of identified assets. 4. Attracting new tenants.
IT and Cyber security risk	Information security and Cyber threats.	Cyber threats and the negative impact on the bottom line.	1. Inadequacy of governance and IT policies. 2. Outdated IT equipment and software. 3. Inadequate firewall protection and monitoring thereof.	1. Loss of data resulting in business disruption and exposing the company to lawsuits. 2. Risk of cybercrime such as hacking, phishing, malware and ransomware heightened.	High	Medium	Enhance	1. Enhanced data governance and security practices. 2. Proactive management and monitoring of system breaches. 3. Cloud computing ensuring a high level of data security which is constantly evolving. 4. Comprehensive business continuity and disaster recovery plan.

Risk Title	Risk Management Context	Risk Statement or Description	Root Cause	Business Impact	Exposure	Residual Risk Ranking	Risk Response Strategy	Risk Mitigation Plans or Controls
Competition Risk	Retaining tenants and attracting new ones.	Inability to retain existing tenants and attract new tenants.	1. Change in the environment and tenants requirements post covid. 2. High vacancies even in better graded buildings. 3. Slow growing economy. 4. Buildings with large GLAs.	1. High vacancies. 2. Negative impact on valuations. 3. High holding costs. 4. Low profitability and tight cashflows.	High	Medium	Exploit	1. Engagements, negotiations, and interactions with tenants ensuring competitiveness and market-related solutions. 2. Active participation in the tendering processes. 3. Strategy to diversify concentration risk through increased focus on property disposal to reduce vacant space. 4. Leasing management hold regular engagement with prospective tenants to develop relationships.
Macro environmental risks	Stable local and geopolitical environment.	High and/or rising levels of vacant rentable space.	Change management mechanisms and structure to rapidly adjust to changes in the external operating environment have not been fully implemented.	Reduced cash inflows as a result of increased vacancy levels, where tenant's businesses are adversely impacted by the operating environment and have to scale down or shut down operations.	Medium	Medium	Monitor	Monitoring local and global conditions, including economy, sector-specific, regional and global political events as well as take appropriate actions like reviewing leases etc.
Damage to property risk	Fire, vandalism, lack of capex and maintenance.	Risk of some properties being declared not being suitable for occupation.	1. Old buildings. 2. Poor maintenance and non-compliance to OHS standards i.e. fire compliance. 3. Vacant buildings. 4. Lack of adequate security.	1. Reduced cash inflows as a result of increased vacancy levels. 2. Increased insurance premiums and overall building operational costs.	Medium	Medium	Mitigate	1. Security outsourced and buildings equipped with added security features. Service level agreements are in place and obligations monitored continuously. 2. Fully comprehensive insurance and ensure adequate coverage of the portfolio. 3. OHS compliance and all relevant certifications obtained from regulatory bodies. 4. Effective business continuity management programmes.

RISK MANAGEMENT PROCESS

OUR STRATEGIC RISKS REGISTER

Risk Title	Risk Management Context	Risk Statement or Description	Root Cause	Business Impact	Exposure	Residual Risk Ranking	Risk Response Strategy	Risk Mitigation Plans or Controls
Portfolio Concentration Risk	1. Concentration of properties in geographic areas such as CBD's and dependence on a major tenant. 2. Vulnerable to policy changes of regulator.	Loss of rental income or asset value due to exposures resulting from the property portfolio moving in an unfavorable direction.	1. Sovereign tenant recruitment. 2. Disposals to diversify the Fund mitigation. 3. Buildings located in the CBD. 4. Asset class (B and C-grade properties). 5. Allocation of Industry / office.	1. Loss of income when municipalities fail. 2. Impact on valuations. 3. Curbing the ability to attract new tenants in CBD's. 4. Lower chargeable rental rates per square meter (m ²). 5. Increase in vacancies.	Medium	Medium	Mitigate	1. Strategy to diversify concentration risk. 2. Repurposing of buildings through disposal / conversion. 3. Keep introducing new type of tenants / increasing non Department of Public Works Infrastructure (DPWI) tenants and other sectors. 4. Engagements, negotiations and interactions to ensure competitive and market related solutions.
Black swan events	Adequacy of contingency plan in place in the case of unforeseen events occurring that may adversely impact the ability of Delta and its tenants to continue business activities i.e. blackouts of more than 24 hours, economy crippling pandemics and other such events.	Risk of properties not generating any revenues due to such an event.	1. Decisions made by major governments and corporations across all industries. 2. Acts of God.	1. Disruptions in all Delta and tenant operations resulting in reduced revenues and increased vacancy rates. 2. Increased financial losses and arrears. 3. Loss of going concern status. 4. Reduced valuations.	Medium	Low	Monitor	1. Clauses in lease agreements with tenants provide adequate cover through force majeure clause. 2. Adequate insurance cover in place.



SILVERSTREAM OFFICE PARK
Gauteng (2 333m² - GLA)

CMH BUILDING
KwaZulu Natal (7 728m² – GLA)



PERFORMANCE OVERVIEW

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Introduction

I am pleased to present my first set of year-end financial results for the Group. Despite ongoing challenges such as sluggish economic growth, high inflation and rising interest rates, these results demonstrate that the Group is moving in the right direction and is poised in the medium term to turn the corner and achieve profitability.

Financial performance

SA REIT Funds from Operations increased by 68.5% from 11.1 cents per share to 18.7 cents per share, mainly as a result of improved recoveries, a decrease in administrative costs, an increase in dividend and other income, as well as a reduction in taxation.

Revenue, excluding straight-line income accrual, decreased by 5.4% from R1.23bn to R1.16bn, as a result of a decline in contractual rental income largely attributable to rental reversions as we renegotiated leases to market-related rates, as well as a marginal increase in the vacancy rate. This decrease was, however, offset by rental escalations and increases in the recovery of utility costs..

We expect that lease income will continue to rebase as we convert current month-on-month and other short-term leases to longer terms at market-related rates. Management maintains confidence in the near to medium-term conclusion of these leases. As mentioned in the CEO report, lease negotiations with DPWI are benchmarked on Rode's nodal valuations, however, more recently DPWI has conceded on including operational cost recoveries, which will moderate expected rental reversions to some extent.

The company has implemented a robust cash management system to enable meeting of working capital needs and debt obligations. This approach ensures financial stability while maximising long-term value for shareholders.

During FY24, the Group generated strong cash inflows from rental income and successful collection of outstanding arrears. The cash generated from operations for the year is R658.9m, interest income of R10.5m and proceeds from the disposal of properties of R13.5m. The cash was utilised to pay finance costs of R474.8m, taxation of R84.8m, net capex of R36.7m and net debt repayment of R103.2m. Consequently, cash and cash equivalents has decreased from FY23. The analysis excludes cash paid directly towards debt of R74.1m from property disposals and R5.8m dividends received from Grit.

The finance costs and loan repayments remain significant and continue to place a burden on the cash flows. In addition, the Group continues to pay a legacy tax burden dating back to the 2021 and 2022 financial years at a rate of R5m per month, which will be concluded in September of this calendar year and expected to reduce tax payments substantially.



Rental collection is one of the key focus areas to enable the Group to meet its strategic objectives. Trade and other receivables amounted to R107.4m (FY23: R172.8m). Collections averaged 103.1% (FY23: 101.0%) of billings for the year. Subsequent to year end, the Group collected R34.8m of the arrear debtors which were long outstanding.

SA REIT net asset value per share was R3.50 at the financial year-end, slightly down from the R3.60 in the prior financial year, mainly as a result of the bottoming out of the portfolio valuation.

Income and expenses

Property operating expenses increased marginally by 0.2% from R483.0m to R483.9m as a result of the ongoing cost containment initiatives. The Group is pleased to have achieved this, notwithstanding annual above-inflationary utility costs escalations. Administrative expenses decreased substantially by 11.5% from R109.2m to R96.6m as a result of the Group's cost optimisation efforts.

The Group earned dividend income of R10.2m from its investment in Grit Real Estate Income Group Limited (Grit), which is R5.1m higher than dividend income received in the financial year ended FY23. The dividend received in May 2023 of R5.8m was paid directly into the debt facility to reduce debt exposure, and the R4.4m declared in February 2024 has been accrued for and included in trade and other receivables.

The negotiations to release Delta from the guarantee which was provided to Investec in respect of the debt obligations of Freedom Property Fund SARL and Grit Property Holdings Limited for the lower of EUR30m or 58% of the outstanding debt of Grit to Investec were concluded during the year; consequently the guarantee provision of R3.3m has been derecognised. Delta remains committed to the sale of its investment in Grit in the short to medium term, with proceeds from the sale of its shares expected to be allocated towards debt reduction.

Other income increased significantly from R6.7m in FY23 to R31.7m as a result of reinstatement costs recovered from vacated tenants and insurance proceeds on damaged properties.

As stated above, the finance costs remain a significant line item on the statements of profit or loss and other comprehensive income and have increased from R457.9m in FY23 to R484.2m. Finance income increased from R5.5m in FY23 to R10.5m mainly due to interest income from interest rate swaps.

Investment property

Investment properties decreased from R6.9bn to R6.7bn due to disposal of properties for R88.4m and fair value adjustment loss of R180.1m. In line with the Group's accounting policy, the property portfolio was independently valued by external valuers as at 29 February 2024, resulting in a fair value adjustment loss of R180.1m compared to R833.6m in the prior year. The improvement in the fair value movement, as well as the Group's ability to dispose of assets at or close to book value, is a positive indication that the Group's turnaround strategy is gaining traction and that the sector is beginning to stabilise. In terms of IAS 40: Investment Property and IFRS 13: Fair Value Measurement, the Group's property portfolio is measured at fair value through profit or loss, using valuation inputs that are categorised as level 3 in the fair value hierarchy.

Funding

Delta has successfully renewed debt facilities with Nedbank to 7 April 2025, these facilities were previously on a month on month and initially extended to 7 April 2024. The State Bank of India and Bank of China's funding were extended for 36 months to June 2027 and 12 months to January 2025 respectively. Investec facilities were renewed for 24 months until 30 June 2025. In addition, Nedbank provided Delta with a revolving credit facility of R37.5m.

The Group is pleased that through engagements with its funders, monthly debt amortisation with Standard Bank reduced from R3.0m to R1.0m per month effective 1 January 2024, equating to a cash flow saving of R24.0m annually going forward. Standard Bank has ceased the annual top-up of R64m, and any further capital repayment will be based on the disposal of property funded by the bank. Investec has also done away with a monthly amortisation payment of R1.1m, equating to an annual cashflow saving of R13.2m going forward effective 1 January 2024.

Delta repaid debt of approximately R183.1m (FY23: R352.9m). The disposal of Standard Bank Greyville, Nedbank Building and Enterprise Park contributed R74.1m to debt reduction, with the balance of R109.0m funded from operational cash flows and dividend income.

The renewal of debt and reduction of debt amortisation payments are indicative of funders' ongoing commitment to the Group. Their continuous positive support remains key, and the Group continues to engage with its funders to improve on the pricing of debt, extension of debt maturity periods and restructuring of amortisation or capital repayments.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER CONT.

The prevailing high interest rates remain a concern and have resulted in higher finance costs as well as an increase in the weighted average cost of funding to 10.0% (FY23: 8.8%). As stated above, finance costs increased substantially compared to FY23 on the back of approximately 275bps increase in the 3-month JIBAR and Repo rate over the 12-month period. Consequently, the ICR has marginally decreased to 1.3 times (FY23: 1.4 times).

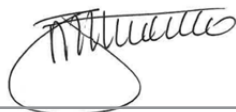
Covenant LTV improved marginally from 59.9% to 59.4% and is expected to reduce below 50% on the successful sale of properties earmarked for disposal as a result of repayment of debt facilities from the proceeds of these disposals.

Conclusion

Notwithstanding a reprieve in interest rates anticipated in the short to medium term, South Africa's economy is expected to continue to face headwinds for the foreseeable future, which will continue to put pressure on operational and financial expenses. Nevertheless, despite these formidable challenges, our turn-around strategy is increasingly gaining momentum, as demonstrated by an improved performance across most key metrics.

Going forward, we will remain steadfast in our strategic initiatives, prioritising portfolio optimisation through targeted property divestments, prudent debt management, stringent cost containment measures, proactive lease renewals, and concerted efforts to minimise property vacancies, all aimed at improving profitability.

A special thanks to the Delta team that worked very hard, demonstrated professionalism and were instrumental in producing these financial results.



Mr Fikile Mhlontlo

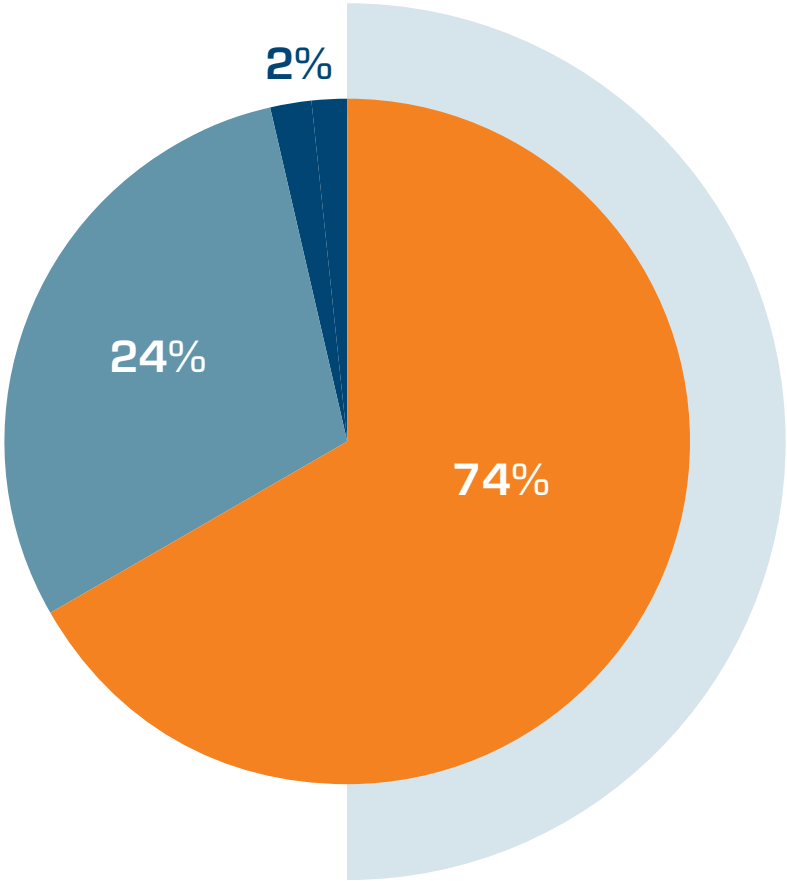
Chief Financial Officer

27 June 2024

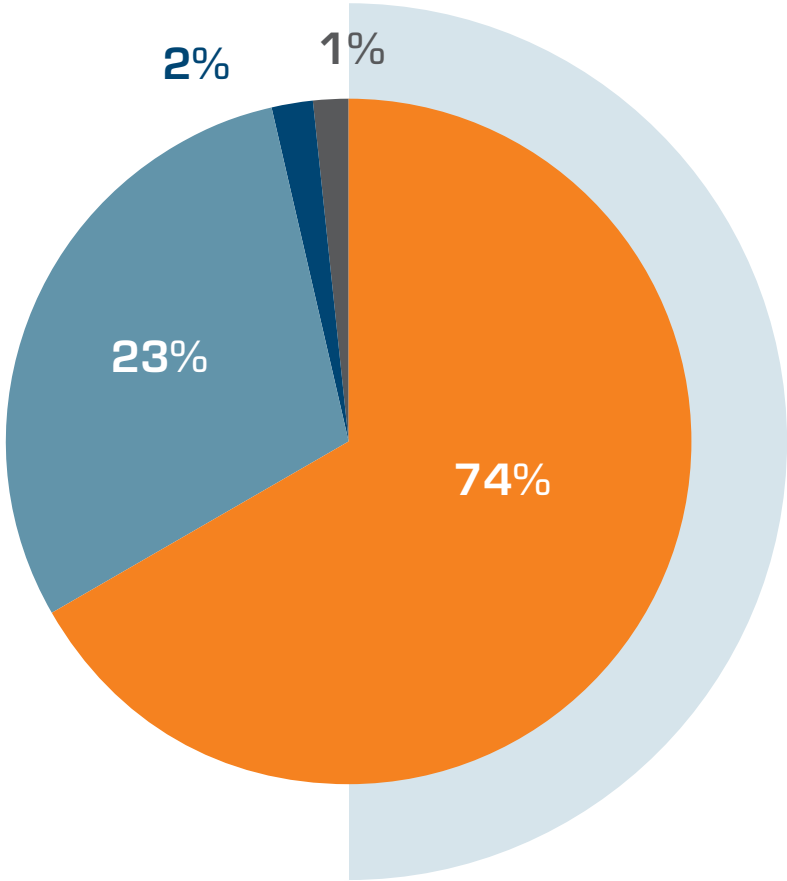
SILVER STREAM BUILDING
Gauteng (2 333m² – GLA)



SECTORAL SPLIT – GLA (%)



2024



2023

- Office (sovereign)
- Office (other)
- Retail
- Industrial



89 PROPERTIES

9 PROVINCES

GEOGRAPHIC SPLIT

Total GLA (m ²)			Geographic profile – GLA (%)		
	2024	2023		2024	2023
Gauteng	340 112	351 972	Gauteng	41.3%	41.0 %
KwaZulu-Natal	256 310	275 861	KwaZulu-Natal	31.1%	32.2%
Free State	61 404	64 150	Free State	7.5%	7.5 %
Limpopo	42 934	42 934	Limpopo	5.2%	5.2%
Northern Cape	29 636	36 189	Northern Cape	3.6%	3.5%
Western Cape	36 189	29 636	Western Cape	4.4%	4.2%
Mpumalanga	32 202	32 202	Mpumalanga	3.9%	3.5%
Eastern Cape	18 783	18 783	Eastern Cape	2.3%	2.2 %
North West	5 780	5 780	North West	0.7%	0.7 %
	823 350	857 507		100	100

RESULTS HIGHLIGHTS

PROFIT FROM OPERATIONS

276.6% ▲

R399.2m

Feb 2023: R226.1m loss

ADMINISTRATIVE EXPENSES

11.6% ▼

R96.5m

Feb 2023: R109.2m

SA REIT COST-TO-INCOME

4.7% ▼

49.6%

Feb 2023: 54.3%

WALE

2.1 MONTHS ▲

15.3 months

Feb 2023: 13.2 months

LOSS FOR THE PERIOD

89.6% ▼

R77.6m

Feb 2023: R749.7m

SA REIT FFO (FUNDS FROM OPERATIONS)

68.5% ▲

18.7 cents

Feb 2023: 11.1 cents

OVERALL DEBT REDUCTION

R169.8m ▼

R183.1m

Feb 2023: R352.9m

PORTFOLIO VALUATION

R653.5m ▼

**R180.1m
fair value loss**

Feb 2023: R833.6m
fair value loss

PROPERTY PORTFOLIO OVERVIEW

Investment Property Portfolio

CORE PORTFOLIO

- 46 Properties in the Core Portfolio
- R4.4bn core portfolio value
- 463 603m² GLA

NON-CORE PORTFOLIO

- 43 Properties
- R2.3bn Value of Non-core Properties
- 359 747m² GLA

Portfolio LTV

- 60.9% [FY23: 61.4%] Current Portfolio SA REIT LTV
- 59.4% [FY23: 59.9%] Current Covenant LTV
- 45.0% Post full disposal of non-core properties Covenant LTV

Interest Cover Ratio

- Current Portfolio ICR: 1.3 [FY23: 1.4]
- Post full disposal of non-core properties ICR: > 2 times

Portfolio NOI

Current Portfolio NOI:
R653.9m

Core Portfolio NOI:
609.7m

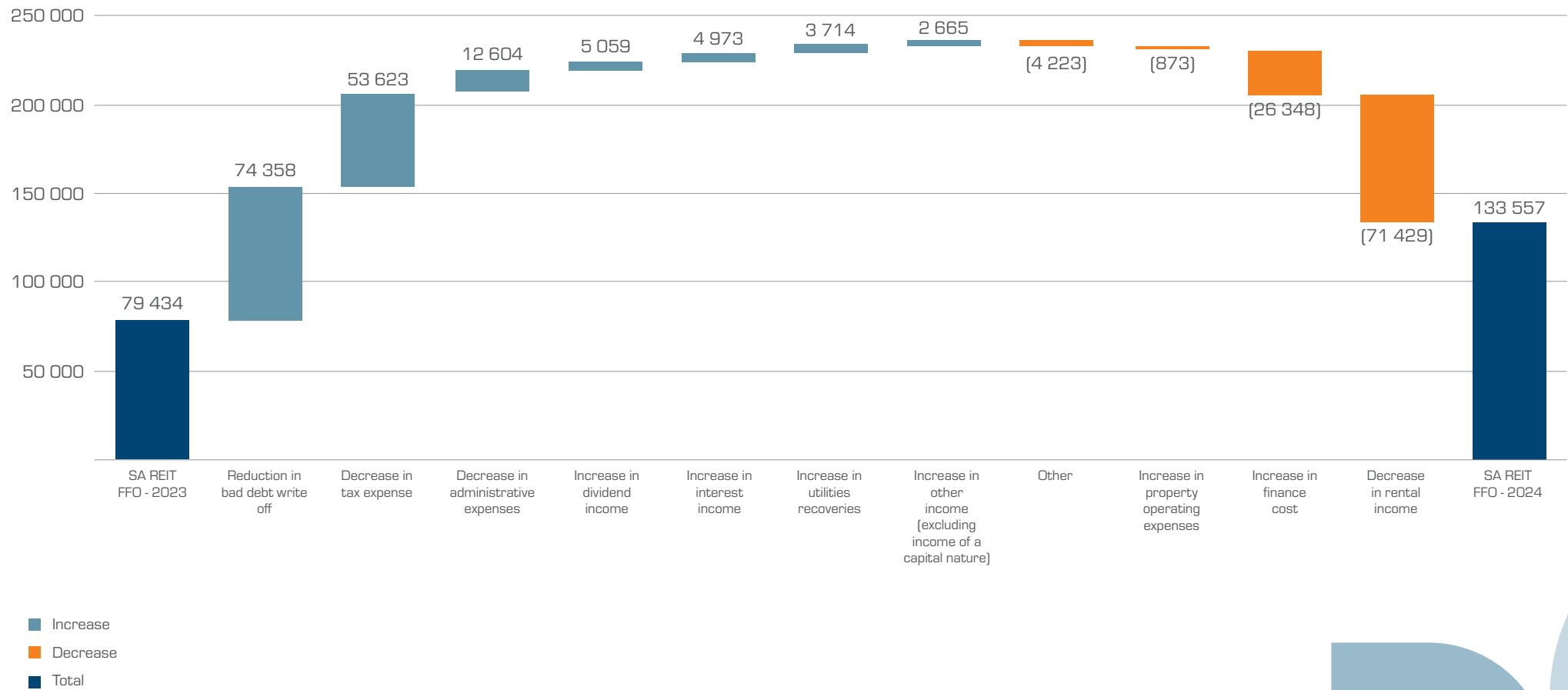
Non-core Portfolio NOI:
R44.2m

Portfolio Vacancy

- 33.4% [FY23: 32.9%] Current Portfolio Vacancy Rate
- 24.2% vacancy rate excluding non-core properties classified as held for sale

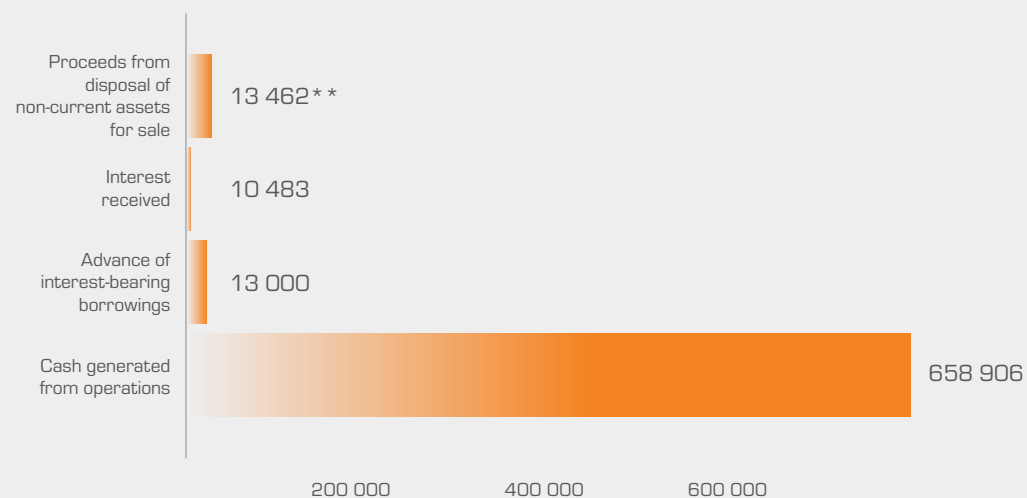
HENSA TOWERS
Limpopo (13 675m² – GLA)

SA REIT FUNDS FROM OPERATIONS (FFO) BRIDGE

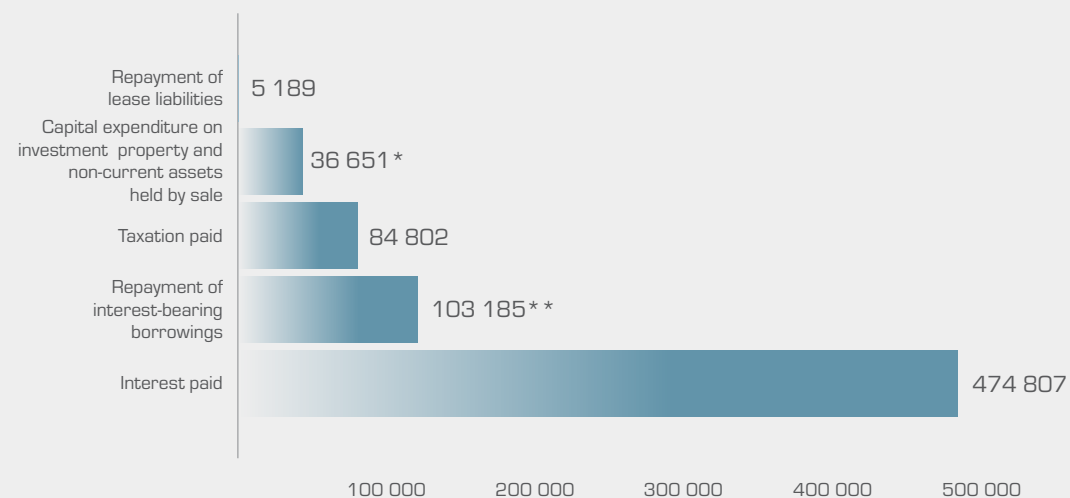


CASHFLOW GENERATION AND ALLOCATION

SOURCES OF CASH



USES OF CASHFLOW



* Capital expenditure on investment property and non-current assets held for sale excludes R10.8m funded directly by the bank.

** Repayment of interest-bearing borrowings excludes R74.1m paid directly to the bank from the proceeds on property disposals and Grit dividend.

DEBT COVENANTS

	February 2024				February 2023	
	Investment property and Investment in listed securities (R'000)	Debt (R'000)	LTV %	ICR	LTV %	ICR
Total	6 749 269	4 008 996 *	59.4%	1.3	59.9%	1.4
Required limit			50.0%	2.0	50.0%	2.0
Difference on limit			9.4%	(0.7)	9.9%	(0.6)

* Due to the working capital nature of interest accrual, gross debt excludes the interest accrual on interest bearing borrowings.

OUR COMMITMENT SHORT TO MEDIUM TERM



Reduce Debt and Cure Covenants



Reduce Vacancies



Diversify Debt Funders



Optimise the portfolio

PINE PARKADE
KwaZulu-Natal (2 986m² - GLA)



ISIVUNO HOUSE
Gauteng (23 694m² - GLA)

SUSTAINABILITY REPORT

ESG HIGHLIGHTS

Social	• Employee retention stable at 82.4%. • Level 1 B-BBEE score achieved.
Governance	• 57.1% of the Board is female. • 85.7% of the Board is black.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE INTEGRATION

We are committed to incorporating ESG considerations into our strategic framework and day-to-day operations. Our commitment lies in making decisions that foster long-term sustainability with a strong emphasis on transparency and accountability.

Our primary goal is to align our business efforts to ESG principles and ensure positive outcomes for both people and the environment. Our approach to integrating ESG into our strategy reflects our firm dedication to reporting on our ESG considerations and the progress achieved thus far. We adhere to the following sustainability objectives:



Promotion of energy and water efficiency



Meaningful stakeholder engagement around sustainability issues



Reducing, reusing, and recycling

Our overarching goal is to integrate a robust statement that encompasses environmental, social and governance criteria into our operational framework. This statement reflects our commitment to our customers, partners, shareholders, employees and the communities in which we operate. This strategic initiative aims to solidify our position as a responsible and sustainable entity, contributing positively to the broader ecosystem in which we are engaged.

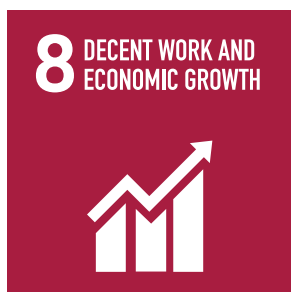
ADDRESSING THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Our ESG strategy is designed to actively address some of the 17 United Nations SDGs recognised as imperative for fostering sustainable growth. Through a careful assessment, we have identified three SDGs where we can make a significant and meaningful contribution and where our impact can be most pronounced.

Our commitment is to ensure that our efforts align with and contribute to the achievement of specific goals. The three SDGs to which we believe we can contribute the most are:



Achieve gender equality and the empowerment of women.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and a healthy work environment.



To ensure sustainable consumption and production patterns.

HOW WE DEVELOP AN ETHICAL CULTURE

We believe that ethical conduct is critical to creating an ethical corporate culture.

Our corporate culture and values serve as the foundation for our business activities and conduct. Group executives regularly engage in town-hall meetings and in one-on-one meetings with all employees to instil and inspire adherence to our values.

The tone set by top leadership is crucial in defining the commitment of management and the Board of directors to fostering an open, honest, and ethically sound corporate culture. To support this objective, we have implemented governance structures that encourage ethical behaviour and transparent engagement with stakeholders.

Our ultimate goal is to establish a Company where employees feel empowered and are continuously developed, contributing to the creation of an ethical working environment. This in turn enables our employees to embody and translate our corporate values into successful behaviours. The core values at Delta are:



Our comprehensive set of employee policies, code of ethics and governance framework serve as instrumental tools in guiding and monitoring corporate behaviour. These measures play a crucial role in mitigating ethical risks, including but not limited to corruption, discrimination and human rights abuses. At Delta, we uphold a zero-tolerance policy for unethical behaviour.

In instances where unethical conduct is identified and subsequently confirmed, we employ our disciplinary code to guide management in taking appropriate actions. This reinforces our commitment to maintaining a workplace culture that prioritises ethical standards and ensures accountability across all levels of the Company.

How we ensure business ethics

Our Social, Ethics and Transformation Committee (SETCOM)	Our SETCOM stands as a formal Board structure with a primary responsibility to oversee ethical behaviour throughout Delta, emphasising accountability, integrity and transparency. Our adherence to King IV™, a principle-based framework, serves as the cornerstone for establishing and nurturing an ethical culture and promoting good corporate citizenship. The two key principles that guide our approach are: • The Board should provide effective leadership based on an ethical foundation. • The Board should ensure that Delta's ethics are managed effectively. We firmly believe that leadership and ethics are inseparable, and we are committed to driving both from the top down. This dedication is deeply embedded in our corporate culture, ensuring that ethical considerations are integral to our decision-making processes and daily operations.
Ethics hotline	We have established a robust ethics hotline that serves as an effective channel for facilitating and responding to confidential reporting. This hotline is specifically designed for instances of fraud, inappropriate or illicit behaviour by employees or business partners, and cases of misconduct across our entire spectrum including management, employees, counterparties and the community at large. Administered independently by Deloitte, the ethics hotline provides two channels for raising concerns – either through email or telephonically, and in any South African language. This multi-faceted approach ensures that individuals feel comfortable and empowered to report concerns, which contributes to a culture of transparency, accountability and ethical responsibility in our Company.
Awareness campaigns	Our commitment to reinforcing ethical standards through ongoing awareness campaigns is commendable. Periodic refresher campaigns underscore the importance of maintaining a continuous focus on ethical principles throughout the Company. The strategic placement of posters in buildings and offices serves as a visible reminder of these values and creates a pervasive ethical culture. Furthermore, extending awareness through employee payslips and email signatures demonstrates a comprehensive approach to communication channels, reaching employees through multiple touchpoints. This is integral to fostering a collective consciousness about ethical practices, ensuring that every member of the Company is well-informed and aligned with the core values. Such initiatives contribute significantly to creating and sustaining a strong ethical environment within the Company.
Code of Conduct	As a demonstration of our unwavering commitment to ethical behaviour, every employee is required to sign a Code of Conduct. This signifies their personal commitment to upholding ethical standards and promptly reporting any unethical behaviour they encounter. Adherence to the Code of Conduct is mandatory and a breach of these ethical guidelines may result in dismissal. The principles embedded in the Code of Conduct align with our overarching values and reflect common business principles. By making this commitment, each employee contributes to fostering a workplace culture that prioritises integrity, accountability and the shared values that define our Company.

HUMAN CAPITAL

Our employees play a central role in our value proposition as they are instrumental in providing a high-quality service to our tenants, customers and surrounding communities.

We are deeply committed to empowering our workforce by providing them with the necessary tools and knowledge to achieve optimum performance. Recognising the importance of retaining key talent, our incentive schemes are strategically designed to attract and retain valuable employees, ensuring a motivated and skilled team that contributes to the overall success of our Company. This commitment to employee empowerment and recognition underscores our dedication to delivering an exceptional service and building positive relationships with our stakeholders.

EMPLOYEE PROFILE

Delta had a complement of 93 members, some of whom are based at sites across our asset base and who interface directly with our tenants.

	2024	2023
Total workforce	93	111
Percentage of employees on contract and casual employees (%)	3	4
Average employee age (years)	43	41
Percentage of employees who are deemed historically disadvantaged (%)	89.0	91.0

Broad-Based Black Economic Empowerment annual compliance report

We are committed to fostering meaningful transformation through our initiatives in employment equity, diversity, inclusion and development. In line with regulatory requirements, particularly section 13(G)(2) of the South African Broad-Based Black Economic Empowerment Act, No 53 of 2003, as amended (the B-BBEE Act), and the JSE Listings Requirements, we have achieved a Level 1 B-BBEE rating. This accomplishment reflects our dedication to promoting diversity and inclusivity while contributing to broader economic empowerment objectives.

To enhance transparency, a certificate on our compliance with section 13(G)(2) of the B-BBEE Act and the JSE Listings Requirements is available on our website. We encourage stakeholders to access this documentation for a comprehensive overview of our commitment to, and achievements in, promoting transformation and equity.



HUMAN CAPITAL

Employment equity profile

	Occupational levels	Black* Male	Black* Female	White Male	White Female
Executive management	2	1	1	-	-
Senior management	6	3	2	-	1
Middle management	5	2	2	-	1
Skilled/qualified employees	28	13	11	2	2
Semi-skilled employees	50	26	21	1	2
Unskilled employees	2	-	2	-	-
Total permanent	93	45	39	3	6

* Black = African, Indian and Coloured



BLOCK G
Gauteng (7 992m² - GLA)



HUMAN CAPITAL

EMPLOYEE TURNOVER

Our focus is on cultivating an engaging working environment for our employees, placing a high priority on both their well-being and career development. We recognise the importance of creating a workplace where employees feel supported and empowered to thrive. To achieve this, we offer a fair and competitive remuneration and benefits structure aimed at promoting employee retention and attracting key skills. Our commitment is not only to provide a fulfilling and supportive workplace but also to invest in the continuous development and growth of our employees, ensuring they have the tools and opportunities to advance in their careers. This holistic approach reflects our dedication to creating a workplace that values and nurtures the potential of every individual.

	2024	2023
New appointments	10	30
Dismissals	6	3
Resignations	22	15
Total permanent employee turnover	17.6%	13.5%

DEVELOPMENT AND TRAINING

Recognising the pivotal role employees play in driving business success, we make investments in developing their skills and providing training to ensure our Company remains future-fit. Through regular reviews, we identify training needs and assess the collective skills of our workforce on an annual basis. This comprehensive evaluation enables us to identify development areas and allocate budgets to address specific needs.

By proactively investing time and resources in the continuous development of our employees, we aim to enhance their capabilities and contribute to the overall resilience and adaptability of our Company in an ever-evolving business landscape.

	2024	2023
Total number of employees trained (including internal and external training interventions)	34	42
Employee training spend (R)	62 065	249 314

HEALTH, WELLNESS AND SAFETY

Employees' wellbeing, health and safety are paramount to our business and serve as integral elements in promoting employee retention and enhancing the overall customer and tenant experience. Recognising that employees are brand champions, we understand that their satisfaction directly influences the relationship with our tenants.

To ensure a safe and healthy working environment, we have established robust procedures to manage occupational incidents and process compensation claims in strict accordance with legislation. It is noteworthy that during the financial year no injuries or medical treatment cases were reported. This achievement underscores our commitment to maintaining a workplace that prioritises the well-being and safety of our employees, fostering a positive environment that contributes to their satisfaction and consequently, the satisfaction of our tenants.



EMBASSY BUILDING
KwaZulu-Natal (32 723m² – GLA)



NATURAL CAPITAL

Embarking on our ESG integration journey is a significant step in building stakeholder trust and enhancing our long-term sustainability.

To guide our efforts, we have implemented our comprehensive sustainability strategy to not only address current challenges but to focus on promoting climate change resilience and foster integrated thinking across our operations. This strategic approach aligns with our commitment to responsible and sustainable business practices and aims to create positive impacts on the environment, society and governance.

As we navigate our ESG integration journey, we remain dedicated to transparency, accountability and making meaningful contributions to the well-being of our stakeholders and the broader community.

ENERGY CONSUMPTION

To ensure responsible resource management, we actively monitor our energy consumption with a commitment to reducing it over time. Our energy efficiency programme incorporates several key initiatives aimed at minimising our environmental impact:

LED lighting installation

We have successfully implemented LED lighting throughout our key properties. This energy-efficient lighting solution not only contributes to reducing our energy consumption but also enhances sustainability.

Solar PV integration

As part of our ongoing efforts, we have begun investigating the suitability of roof structures of our buildings for the installation of solar technology. This initiative is designed to help us mitigate the impacts of loadshedding, reduce reliance on traditional power sources and subsequently lower our diesel consumption in generators. By incorporating solar energy, we aim to decrease our overall carbon footprint and contribute to a more sustainable and eco-friendly operation.

These initiatives reflect our commitment to proactive measures that align with environmental sustainability goals while optimising energy consumption across our properties.



NATURAL CAPITAL

WATER CONSUMPTION

In our ongoing commitment to responsible resource management, we are focusing on enhancing water usage efficiency in the medium term through a targeted water efficiency programme. The following initiatives will be integral to our efforts:

Aerator installations

To minimise water dispensing in hand basins, we will be fitting aerators to taps. This simple yet effective measure contributes to reducing water wastage in everyday operations.

Upgrading air conditioning systems

When replacement is required, air conditioning systems are replaced with new models. This upgrade aims to enhance overall energy efficiency while optimising water consumption associated with cooling systems.

Water-wise landscaping

Our commitment extends to landscaping gardens with water-wise plants. This approach ensures that outdoor spaces are designed with flora that thrives on reduced water requirements, promoting sustainability in landscaping practices.

Greywater and blackwater harvesting

Where feasible, we will implement greywater and blackwater harvesting techniques. By utilising treated wastewater for non-potable purposes, we will contribute to water conservation efforts and reduce dependency on freshwater sources.

These initiatives collectively underscore our dedication to implementing environmentally responsible practices and reducing the environmental impact of our operations.

RECYCLING

Acknowledging our responsibility as a corporate entity, we are committed to being part of the solution in managing waste more sustainably. In the medium term, we will implement a separation at source initiative and introduce a comprehensive waste and recycling plan. This strategic approach involves categorising waste at its origin, distinguishing between recyclable and non-recyclable materials. By implementing this waste separation and recycling plan, we aim to significantly reduce our impact on landfill deposits.

This initiative aligns with our broader sustainability goals and reflects our dedication to minimising our environmental footprint. By actively participating in responsible waste management practices, we contribute to a more circular and sustainable approach to resource utilisation, fostering a positive impact on the local environment.

OLD MUTUAL BUILDING
Free State (3 055m² – GLA)





DEFINITIONS AND ABBREVIATIONS

DEFINITIONS AND ABBREVIATIONS

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 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.

B BBEE

Broad-based black economic empowerment.

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.

CIPC

Companies and Intellectual Property Commission.

Companies Act

The Companies Act, No 71 of 2008, as amended.

Computershare

Computershare Investor Services Proprietary Limited.

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.

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 which is the Delta appointed asset manager.

DPWI

The Department of Public Works and Infrastructure.

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 and CFO.

Gearing

Loans from financial institutions.

GLA

Gross lettable area.

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: C128881 C1/GBL.

Hestitrix

Hestitrix Proprietary Limited registration number: 2010/015274/07), 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.

ICR

Interest Cover Ratio.

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.

KPMG

KPMG Incorporated (registration number: 1999/021543/21), a private company incorporated in South Africa.

LIBOR

London Interbank Offered Rate.

Listing date

2 November 2012.

LTV

Loan-to-value.

m² or sqm

Square metres.

MOI

Memorandum of Incorporation.

MSCI

Morgan Stanley Capital International.

Nedbank Capital or Sponsor or Corporate

Divisions 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.

Ordinary share

An ordinary no par value share in the share capital of Delta.

PAIA

Promotion of Access to Information Act.

POPIA

Protection of Personal Information Act.

Rand or R

South African rand.

REIT

Real Estate Investment Trust.

SA REIT FFO

SA REIT Funds From Operations. Metric used to measure the operational performance of a REIT by assessing the income return on investments that it has made with equity and debt capital employed, which has been computed consistently by South African REITs.

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, Phamog and Delta Property Asset Management.

TI

Tenant installations.

WALE

Weighted average lease expiry.

SARS RANDBURG BUILDING

Gauteng (8 496m² – GLA)



ABSA UNITED
Free State (6 129m² – GLA)



CORPORATE INFORMATION

CORPORATE INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Delta Property Fund Limited (Delta or 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	• Ms Phumzile Langeni - Chairman • Ms Bongji Masinga - Chief Executive Officer • Mr Zwelifikile Mhlontlo - Chief Financial Officer • Ms Davina Nodumo Motau • Mr Mfundiso Johnson Ntabankulu Njeke - Lead independent director • Mrs Sindiswa Victoria Zilwa • Mr Brett Copans
Registered office	Silver Stream Business Park, 10 Muswell Road South, Bryanston, Johannesburg, 2021
Postal address	Postnet Suite 210, Private Bag X21, Bryanston 2021
Share code	DLT
ISIN	ZAE000194049
JSE sector	Real Estate Real Estate holdings and development
Year end:	February
Company registration number	2002/005129/06
VAT number	4470253156
Tax number	9464252148
Country of incorporation	South Africa
Website	www.deltafund.co.za

Legal advisers	Webber Wentzel Partnership 90 Rivonia Road, Sandton, Johannesburg, 2196 Tshisevhe Gwina Ratshimbilani Incorporated (TGR Attorneys) 6th Floor, Vdara, 41 Rivonia Road, Sandhurst, 2146 Tugendhaft Wapnick Banchetti and Partners (TWB Attorneys) Sandton City Office Tower, 20th Floor, 5th Street, Sandown, 2196
Valuers	Taboo Trading 242 Proprietary Limited, trading as Valuation DNA (Registration number: 2011/010433/07) 160 Frederick Drive, Northcliff, 2195, Gauteng CBRE Excellerate Proprietary Limited (Registration number: 2007/014372/07) 3A Summit Road, Dunkeld West, Johannesburg, 2196 Realworx Property Valuations Proprietary Limited (Registration number: 2013/229588/07) 1 North Abington, Cnr North Road and Abington Street, Kensington B, Randburg, 2194 Real Insight Proprietary Limited (Registration number: 2012/101775/07) 1st Floor, York House Tybalt Place, Waterfall Office Park, Midrand, 1685
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) Morné Reinders - morne@articulatepartners.com
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) 1 35 Rivonia Road, Sandown, 2196 (PO Box 1144, Johannesburg, 2000)
External Auditor	KPMG Incorporated. (Registration number: 1999/021543/21/21) KPMG Crescent, 85 Empire Road, Parktown, 2193
Internal auditor	Mazars Advisory Proprietary Limited (Registration number: 2003/029561/07) Mazars House, 54 Glenhove Road, Melrose, Estate, 2196 (PO Box 6697, Johannesburg, 2000)
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	Vasta Mhlongo 10 Muswell Road South, Bryanston, 2021 (Postnet Suite 210, Private Bag X21, Bryanston, 2021)
Company registration number	2002/005129/06
Level of assurance	These consolidated and separate financial statements have been audited in compliance with section 30(2)(a) of the Companies Act of South Africa.
Preparer	The consolidated and separate financial statements were compiled under the supervision of Zwelifikile Mhlontlo CA(SA).
Notice of AGM	27 June 2024



AUDITOR GENERAL BUILDING
Polokwane (13 675m² – GLA)



DELTA
PROPERTY FUND

WWW.DELTAFUND.CO.ZA

