Reviewed condensed consolidated interim results

for the six months ended 31 August 2021

COMPANY PROFILE

Delta is a B-BBEE-Level 1 JSE-listed Real Estate Investment Trust (“REIT”) with a property portfolio of R8.3 billion and a net asset value of R3.7 billion as at 31 August 2021.

Delta’s primary focus is long-term investment in quality, rental income-generating properties situated in strategic nodes that are attractive to sovereign entities.

PERFORMANCE

Net asset value per share
R5.23 cents

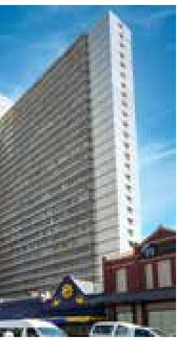
B-BBEE
Level 1

All-in-cost of debt
reduced to **7.1%**

Rental collections
93.3%

Disposed of one
property **5 454m²**
R25 million

Weighted average rental
increased to
R129.84m²



COMMENTARY

Introduction

The first half of the 2022 financial year saw Delta resume trading following the suspension on the JSE in December 2020. We are pleased to announce that we achieved a Level 1 B-BBEE scorecard. The Board approved strategy will address the execution of our capex programme as well as prioritising tenant needs.

Portfolio optimisation through disposals is a key strategic focus to address the reduction of debt and the concomitant reduction of LTV.

Management has increased its focus on both renewal of long outstanding leases together with the filling of vacancies.

We are delighted to have achieved an average collection rate of 93.3% in a period that has proven challenging for tenants in this strenuous economy.

We thank the Board for their support and our teams for their dedication and commitment.

Financial results

Rental income decreased marginally from R724.7 million to R724.0 million, largely driven by a R24.1 million decline in contractual rental income due to rental reversions mainly relating to the rebasing of the Polokwane portfolio to market related rentals. This decrease has been countered by an increase of R15.1 million in recoveries resulting from a return to the office post the lockdowns related to Covid-19.

Property operating expenses were well contained, reducing by 1.7% from R277.6 million to R272.8 million. The increase in utilities and the repair and maintenance costs were reduced by the decreased provision for bad debt compared to the prior period.

Administrative expenses contracted marginally by 1.8%. The primary contributors to this are an increase in audit and professional fees of R7.1 million off-set by lower directors' fees of R6.0 million.

Delta reported a R3.0 million loss on foreign exchange due to its investment in Grit Real Estate Income Group ("Grit"). In the comparative period the Group reported foreign exchange loss of R11.3 million, which included fluctuations relating to the dollar denominated loan from the Bank of China. This loan was converted to a rand-denominated facility and extended from November 2020 to December 2026. The Group received dividend income of R3.2 million from its investment in Grit for the period.

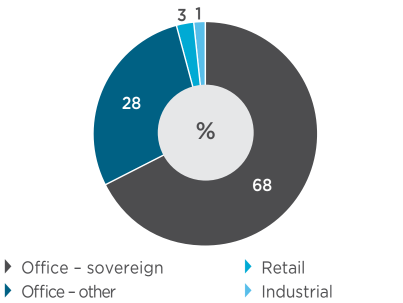
COMMENTARY continued

Property portfolio

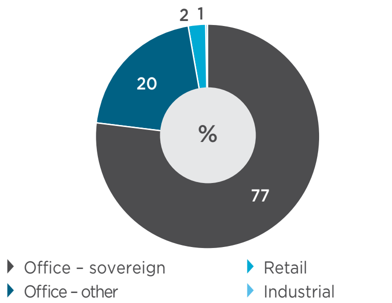
At the end of the review period, Delta's property portfolio consisted of 99 properties with a total investment value of R8.3 billion and a gross lettable area of 904 528m^2. In line with the Company's policy, the portfolio is independently valued on an annual basis.

The segmental and geographic breakdown of the portfolio (per tenant) at the reporting date was as follows:

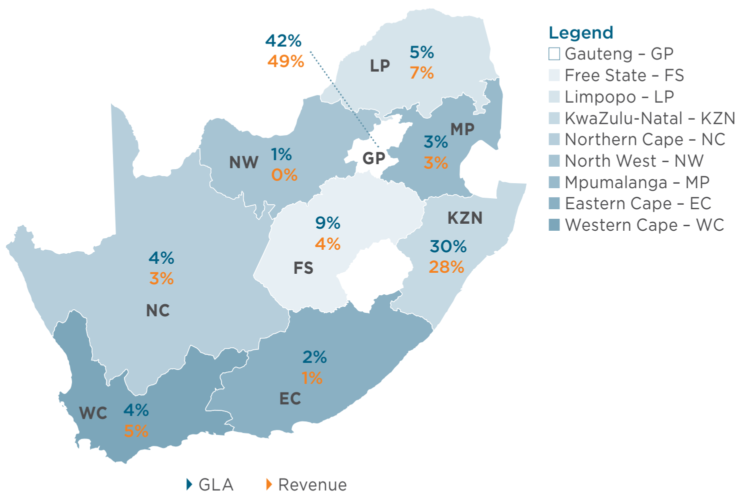
Sectoral split by GLA (%)



Sectoral split by revenue (%)



Geographical split by GLA and Revenue



Finance costs continued to decrease by 14.5% from R238.3 million to R203.8 million in the review period, mainly as a result of the ongoing amortisation of debt and the lower interest environment from April 2020. Interest income of R9.9 million was also marginally lower than the R10.2 million reported in the prior comparative period.

Disposals

During the review period, Delta disposed of the Domus property located in Pretoria, comprising 5 454m^2 of gross lettable area for a purchase consideration of R25 million. Proceeds from the disposal was used to settle debt. No acquisitions were made during the reporting period.

Major capital projects

The efforts of Delta's executive management team to rebuild trust is underpinned by the Company's ongoing delivery on capital expenditure commitments, which remain a top priority to ensure that assets meet tenants' requirements.

During the reporting period, capital expenditure on investment property amounting to R62.0 million. Management is well on track with its capex programme of R183 million.

Major projects completed and currently underway:

- **Poyntons (Pretoria) – Total spend R11.0 million**
  The major components of the upgrade included, fire systems, lift replacements, façade and reception upgrade.

- **Veritas (Pretoria) – Total spend R6.3 million**
  The upgrade included the replacement of all air-conditioning systems, lifts, disability access and common area.

- **Isivuno (Pretoria) – Total spend R786 000**
  The upgrade included the replacement of waterproofing, chiller and cooling tower.

- **Die Meent – Total spend R1.1 million**
  The upgrade included the replacement of all common area carpets with vinyl flooring, the replacement of all office carpets, office blinds and the replacement of split air-conditioning units.

- **Commissioner House (Bellville, Cape Town) – Total spend R901 000**
  The upgrade included the replacement of all common area carpets with vinyl flooring, replacement of all damaged drywalling, ceilings, office carpets, blinds, HVAC systems, internal painting and external façade.

COMMENTARY continued

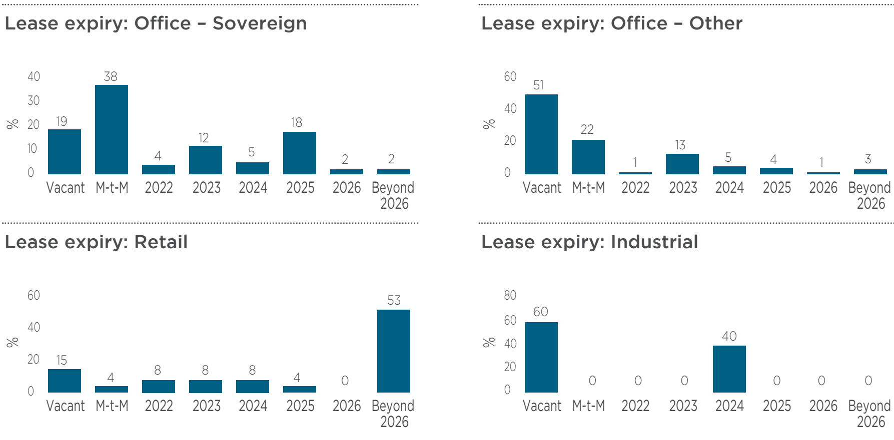
- **56 Barrack Street (Cape Town) – Total spend R546 000**
  The work (post the review period) included the upgrade of all kitchens, blinds, new vinyl flooring and waterproofing.
- **88 Field Street (Durban) – Total spend R12.4 million**
  The upgrade included the re-sealing of the glass façade and replacement of cracked glass panes on two sides of the building, replacement of main chiller unit and the painting of offices and common areas.
- **2 Devonshire (Durban) – Total spend R3.9 million**
  The upgrade included the replacement of the main chiller unit, main HVAC control unit, cooling tower and water pumps.
- **Servamus (Durban) – Total spend R2.3 million**
  The upgrade includes the replacement of the main chiller unit. Further fire damage is being corrected on the first floor and expected to be completed within the next month.
- **SARS Kimberley – Total spend R3.2 million**
  The upgrade included the roof replacement, air-conditioning and façade repairs.
- **WB Centre (Kimberley) – Total spend R1.9 million**
  The upgrade included the installation of water tanks, replacement of waterproofing, painting of the building and the replacement of blinds.

These projects are mainly funded from operational cash with the upgrade of Poyntons being funded by debt facilities.

Letting and vacancies

Delta renewed 18 leases totalling 34 229m^2 of which the majority relate to non-government commercial tenants followed by retail and state-owned enterprise tenants. Of the leases signed two-thirds have a tenure of three years and the balance a tenure of between 12 and 18 months. We are currently in discussions with DPWI regarding renewals and feedback will be provided to the market upon finalisation.

The lease expiry profile by GLA of the portfolio at 31 August 2021 was as follows:



Vacancies have increased during the period from 23.6% to 27.2%. Disposals during the current period, discussed under the heading "Events after the review period" are expected to reduce vacancies by 1.2%.

The weighted average rental across the portfolio increased to R129.84/m^2 from R127.98/m^2 in the prior comparative period because of rental escalations offset by rental reversions predominantly related to the Polokwane portfolio.

Funding

During the reporting period, Delta successfully rolled its debt facilities with Nedbank to December 2021. Facilities are currently renewed on a short-term basis until longer dated leases are secured with DPWI.

Post the period end, the Group concluded negotiations with Standard Bank and renewed its maturing debt facilities for a three-year period. The Standard Bank facility is split in a tranche 1 and 2 with tranche 1 being R428.9 million and tranche 2 a R304 million facility. Tranche 1 is an interest only facility and tranche 2 is an amortising facility. Tranche 1 attracts interest at three-month JIBAR plus 2.65% margin and tranche 2 is at prime less 30 basis points.

The weighted average all-in cost of funding continued to reduce to 7.1% (FY21: 8.2%) with the interest cover ratio ("ICR") encouragingly increasing to 2.1 times (FY21: 1.9 times). This improvement is attributed to the low interest rate environment following the reduction in the repo rate and the ongoing amortisation of debt by the Group.

The average debt facility expiry period and average fixed debt expiry decreased to 0.62 years (FY21: 0.72 years) and 2.2 years (FY21: 2.7 years) respectively, impacted by the passage of time and short- term refinancing of facilities.

COMMENTARY continued

Loan-to-value ("LTV"), improved marginally from 56.5% to 55.7% and is expected to reduce to approximately 54.7% in the current reporting period following the successful transfer of disposals discussed under the "Events after the review period" section. LTV is expected to benefit further from cash generated by operations and repayment of debt facilities.

Going concern

The Board has carried out a thorough review of the going concern assessment of the Group, as disclosed in the going concern note in the financial statements, and having considered the solvency and liquidity, scenario analyses, the business plans and the key assumptions utilised has concluded that the Group is in a sound financial position to meet its foreseeable cash requirements and accordingly is able to continue trading as a going concern (refer note 2 of the interim financial statements).

The Board acknowledges the material uncertainty relating to the extension of the Group's debt facilities, that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the acknowledgement of the material uncertainties and having considered the validity of the principal assumptions set out above and the continued support from the Group's principal financiers, the Board has concluded that the Group is able to discharge its liabilities in the normal course of business and is therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

Dividend

Delta's SA REIT Funds from operations per share amounts to 24.86 cents for the six months ended 31 August 2021 (31 August 2020: 21.51 cents per share). In performing the Solvency and Liquidity test conducted in terms of section 46 of the Companies Act, which takes into consideration the working capital cash flow forecast, expected working capital requirements, capital expenditure requirements and contracted tenant installations relating to historic lease renewals. The Board, resolved not to declare an interim dividend for the period ending 31 August 2021 (31 August 2020: Nil).

Provision of financial assistance

Delta shareholders are referred to Special Resolution Number 3, of the AGM held on 26 August 2021 relating to the provision of direct or indirect financial assistance in terms of section 45 of the Companies Act, No 71 of 2008 ("the Companies Act") to related or inter-related companies, which was approved by the requisite majority number of shareholders.

Further to the above, Delta shareholders are notified in terms of section 45(5)(a) of the Companies Act, that the Board of directors of the Company ("the Board") passed a resolution on 26 August 2021 ("the Board resolution") granting financial assistance to the following related companies:

- **Delta Property Asset Management Proprietary Limited** – R11.1 million in the ordinary course of business.
- **Hestitrix Proprietary Limited** – R236.6 million in the ordinary course of business.
- **K2014000273 Proprietary Limited** – R175.5 million in the ordinary course of business.
- **277 Vermeulen Street Properties Proprietary Limited** – R49.1 million in the ordinary course of business.
- **Hendisa Investments Proprietary Limited** – R33 614 in the ordinary course of business.

The financial assistance provided, as detailed above, is greater than one-tenth of 1% of Delta's net worth as at the date of the Board resolution. The Board further confirms that immediately after providing the financial assistance, the Company continued to satisfy the Solvency and Liquidity Test as contemplated in section 4 of the Companies Act and that the terms and conditions of the financial assistance are fair and reasonable to the Company.

Events after the review period

Delta made significant traction with its debt reduction programme in the current period, concluding sales agreements on three properties at an aggregate sales price of R150.5 million. Proceeds from the disposals will be allocated towards settling debt.

Details of the disposals are as follows:

(i) Sale of Delta House, located in Pretoria, to The Independent Institute of Education Proprietary Limited T/A Property Division for a purchase consideration of R74 million

(ii) Disposal of two properties being Fort Drury and Sediba, located in Bloemfontein to Central Plaza Investments 199 Proprietary Limited T/A Property Division for a total purchase consideration of R76.5 million.

Basis of preparation and accounting policies

The reviewed condensed consolidated interim results have been prepared in accordance with and containing the information required by IAS 34 Interim Financial Reporting, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim results are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those applied in the previous annual financial statements published on 1 July 2021. The interim results for the six months ended 31 August 2021 were prepared under the supervision of the CFO M de Lange.

COMMENTARY continued

Review conclusion report

These reviewed condensed consolidated interim results for the period ended 31 August 2021 have been reviewed by the independent external auditor BDO South Africa Incorporated, who expressed an unqualified review conclusion in term of the *International Standards on Review Engagements (ISRE) 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity,* including an emphasis of matter on a material uncertainty relating to going concern. The emphasis of matter relates to the material uncertainty in respect of the extension of the group's debt facilities. The emphasis of matter did not modify the auditor's conclusion. The reviewed report is available for inspection at Delta's registered office and via weblink https://deltafund.co.za/financials/. Comparative information for the six months ended 31 August 2020 was reviewed; the information for the year ended 28 February 2021 was audited.

Extract from the auditors independent review report

Basis for unqualified conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Delta Property Fund Limited as at 31 August 2021 , and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Emphasis of matter

We draw attention to note 2 to the condensed consolidated interim financial statements of Delta Property Fund Limited which indicates that the uncertainty relating to the extension of the debt facilities results in a material uncertainty relating to going concern that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Changes to directorate and Company Secretary during the period

During the review period, Ms Nombuso Afolayan resigned as an independent non-executive director from the Board of directors of Delta ("the Board") with effect from 05 July 2021. Ms Afolayan joined the Board in 2016 and also served as a member of the Audit, Risk and Compliance Committee. The Board thanks Ms Afolayan for her valued contribution over many years and wishes her well as she focuses on her career.

Ms Patricia Stock was appointed as an independent non-executive director of the Company and member of the Audit, Risk and Compliance Committee with effect from 7 July 2021. Ms Stock is a qualified Chartered Accountant (CA(SA)), a Chartered Director (CD(SA)) and member of the IoDSA. She has more than 14-years operational and senior management experience, has served on various boards, both in the public and private sector and discharged various committee chairmanship roles.

The Board looks forward to Ms Stock adding significant value to Delta and further strengthen the Board, both in terms of experience and diversity, given her extensive managerial and audit experience.

Ms Maditshaba Mahlari was appointed as Delta's Company Secretary with effect from 1 December 2021. Ms Mahlari holds a Bachelor of Arts (Law) and a Bachelor of Law degrees and has over twenty years of experience in legal, governance and company secretarial roles for Transnet, the SA Mint & Tongaat Hulett.

FluidRock Co Sec (Pty) Ltd, which provided its services as Company Secretary to Delta since 5 July 2021 will resign with effect from 30 November 2021. The Board wishes to thank the FluidRock team for their services.

Prospects

Our focus remains on managing the sustainability of the business through portfolio optimisation, tenant retention and the execution of contractual capex commitments, within the context of a constrained economy.

By order of the Board

P Langeni
(Chairman)

B Masinga
(Interim Chief Executive Officer)

8 November 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2021

GROUP	Note	Reviewed as at 31 August 2021 R'000	Reviewed as at 31 August 2020 R'000	Audited as at 28 February 2021 R'000
Assets				
Non-current assets				
Investment property		**8 258 438**	8 716 082	8 227 800
Fair value of investment property		**8 156 919**	8 597 357	8 123 987
Straight-line rental income accrual		**101 519**	118 725	103 813
Property, plant and equipment		**9 920**	12 146	11 228
Investment in listed security	6	**116 713**	189 016	157 072
		8 385 071	8 917 244	8 396 099
Current assets				
Loans receivable		**12 563**	12 533	10 372
Current tax receivable		**–**	–	526
Trade and other receivables		**394 043**	328 206	330 171
Cash and cash equivalents		**14 373**	90 379	49 562
		420 979	431 118	390 632
Total assets		**8 806 050**	9 348 362	8 786 731
Equity				
Share capital		**4 868 461**	4 868 461	4 868 461
NCI		**(15 817)**	(8 890)	(6 800)
Retained loss		**(1 216 504)**	(1 000 444)	(1 364 424)
Total equity		**3 636 140**	3 859 127	3 497 237
Liabilities				
Non-current liabilities				
Derivative financial instruments		**100 977**	157 344	114 442
Interest-bearing borrowings		**640 667**	687 431	802 879
Lease liabilities		**34 244**	37 633	32 853
Other financial liabilities		**4 052**	6 273	5 844
		779 940	888 681	956 018
Current liabilities				
Interest-bearing borrowings		**3 999 015**	4 189 935	3 952 703
Lease liabilities		**4 306**	4 153	7 219
Trade and other payables		**244 298**	295 466	204 430
Current tax payable		**124 873**	110 989	161 737
Bank overdraft		**17 478**	11	7 387
		4 389 970	4 600 554	4 333 476
Total liabilities		**5 169 910**	5 489 235	5 289 494
Total equity and liabilities		**8 806 050**	9 348 362	8 786 731

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 August 2021

GROUP	Notes	Reviewed six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
Revenue				
Rental income	5	**723 984**	724 698	1 445 893
Straight-line rental income accrual		**(1 965)**	(22 708)	(37 624)
		722 019	701 990	1 408 269
Property operating expenses		**(272 790)**	(277 639)	(556 656)
Net property rental and related income		**449 229**	424 351	851 613
Other income		**635**	–	708
Dividend income		**3 243**	13 809	13 809
Loss on foreign exchange movements		**(3 049)**	(11 331)	(3 709)
Administration expenses		**(53 890)**	(54 910)	(116 433)
Net operating profit		**396 168**	371 919	745 988
Fair value adjustments		**(24 591)**	(172 962)	(636 895)
ECL Provisions		**8 983**	–	429
Profit from operations		**380 560**	198 957	109 522
Finance costs		**(203 757)**	(238 298)	(435 308)
Interest income		**9 883**	10 156	21 696
Profit/(loss) before taxation		**186 686**	(29 185)	(304 090)
Taxation		**(47 783)**	(65 143)	(152 016)
Profit/(loss) for the period/year		**138 903**	(94 328)	(456 106)
Total comprehensive income/(loss) for the period/year		**138 903**	(94 328)	(456 106)
Profit/(loss) for the year attributable to:				
Owners of the parent		**147 920**	(90 586)	(454 456)
Non-controlling interest		**(9 017)**	(3 742)	(1 652)
		138 903	(94 328)	(456 106)
Total comprehensive income/(loss) attributable to:				
Owners of the parent		**147 920**	(90 586)	(454 456)
Non-controlling interest		**(9 017)**	(3 742)	(1 652)
Basic and diluted earnings per share:				
Basic and diluted earnings/(loss) per share (cents)	3	**20.71**	(12.68)	(63.63)
Basic and diluted headline earnings/(loss) per share (cents)	3	**20.81**	(9.63)	8.78

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 August 2021

GROUP	Share capital R'000	Retained income R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 1 March 2020	4 868 461	(909 968)	(5 148)	3 953 345
Total comprehensive loss for the six-month period	–	(90 586)	(3 742)	(94 328)
Loss for the period	–	(90 586)	(3 742)	(94 328)
Balance as at 31 August 2020	4 868 461	(1 000 554)	(8 890)	3 859 017
Balance as at 1 September 2020	4 868 461	(1 000 554)	(8 890)	3 859 017
Total comprehensive profit/(loss) for the six-month period	–	(363 870)	2 090	(361 780)
Balance as at 28 February 2021	4 868 461	(1 364 424)	(6 800)	3 497 237
Balance at 1 March 2021	**4 868 461**	**(1 364 424)**	**(6 800)**	**3 497 237**
Total comprehensive profit for the period	**–**	**147 920**	**(9 017)**	**138 903**
Profit for the period	**–**	**147 920**	**(9 017)**	**138 903**
Balance at 31 August 2021	**4 868 461**	**(1 216 504)**	**(15 817)**	**3 636 140**

CONSOLIDATED STATEMENT OF CASH FLOW

for the period ended 31 August 2021

GROUP	Notes	Reviewed six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
Cash flows from operating activities				
Cash generated from operations	4	**367 866**	343 362	705 264
Interest received		**9 883**	9 791	21 696
Dividend received		**3 243**	13 809	13 809
Finance costs		**(195 904)**	(212 483)	(462 402)
Taxation paid		**(83 347)**	-	(42 680)
Net cash inflow from operating activities		**101 741**	154 479	235 687
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(137)**	(243)	(452)
Capital expenditure on investment property		**(45 615)**	(28 266)	(37 596)
Proceeds on disposal of investment property		**-**	14 966	14 966
Proceeds on disposal of investment in listed shares (Grit)		**-**	37 250	-
Repayment of loans		**5 000**	30	30
Proceeds on disposal of property, plant and equipment		**-**	-	112
Net cash outflow from investing activities		**(40 752)**	23 737	(22 940)
Cash flows from Financing activities				
Proceeds from other financial liabilities		**81 060**	5 750	5 750
Repayment of lease liabilities		**(2 720)**	-	(6 484)
Repayment of interest-bearing borrowings		**(184 610)**	(112 858)	(189 098)
Net outflow from financing activities		**(106 270)**	(107 108)	(189 832)
Net movement in cash and cash equivalents		**(45 281)**	71 108	22 915
Cash at the beginning of the period		**42 175**	19 260	19 260
Total cash at the end of the period		**(3 106)**	90 368	42 175

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 31 August 2021

1. Events after the reporting period

Property disposals

Sale agreements have been concluded for the following three properties

i. Delta House

- Location: Corner of Pretorius and Thabu Sehume (Andries) Streets, Pretoria
- Gross lettable area: 11 439m^2
- Weighted average rental as at 31 August 2021: R136.47/m^2
- Net operating income: R0.7 million (31 August 2021)
- Effective date of acquisition of the property: 2 May 2015
- Value of the property as at 28 February 2021: R82.1 million

ii. Fort Drury

- Location: Corner Markgraaff and St Andrews, Bloemfontein
- Gross lettable area: 10 476m^2
- Weighted average rental as at 31 August 2021: R113/m^2
- Net operating income: R5.7 million (31 August 2021)
- Effective date of acquisition of the property: 8 January 2016
- Value of the property as at 28 February 2021: R68 million

iii. Sediba

- Location: Corner Markgraaff and Zastron, Bloemfontein
- Gross lettable area: 2 743m^2
- Net operating loss: R1.6 million (31 August 2021)
- Effective date of acquisition of the property: 1 April 2016
- Value of the property as at 28 February 2021: R8.6 million
- Currently unoccupied

Investment in Grit Real Estate Income Group Limited

The value of the Grit shares held by Delta decreased from R157.1 million as at 28 February 2021 to R116.7 million as at 31 August 2021. This relates to a decrease in the share price from USD0.65 per share to USD0.53 per share. Likewise the exchange rate also decreased from R15.08/USD to R14.51/USD.

Governance changes

Refer to page 8 for changes to the Board of Delta.

2. Going concern

The preparation of financial statements in accordance with IFRS requires, based on the Conceptual Framework of IFRS, that the financial statements be prepared on the underlying assumption that the entity ("entity" being the Company and the Group) is a going concern. This assumption presumes that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting are required. The Board of directors ("Board") believes that as of the date of this report, this presumption is still appropriate and accordingly the financial statements have been prepared on the going concern basis. The Board has based this assumption on the considerations more fully explained throughout this note.

Ability of the Company and Group to continue as a going concern

IAS 1 Preparation of Financial Statements requires management to assess the Group's ability to continue as a going concern. To this extent, IAS 1 states that when management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, such uncertainties should be disclosed. In conducting this assessment, management has taken into consideration the following factors:

Solvency

It is the Group's policy to value its investment property at each year-end. The independent valuations of the investment property portfolio concluded at 28 February 2021 indicate that their fair values exceed the external debt of the Group. While the Group intends to hold these assets for their income generating potential, the loan to value ratio has improved slightly to 55.7% (February 2021: 56.5%) that should the Group need to dispose of properties to lower its external debt levels which are considered achievable in the current market conditions.

Liquidity

In assessing the Group's liquidity, management prepared a cash flow forecast up until 28 February 2023, taking into consideration its turnaround plan and other initiatives which, if successfully implemented, indicate that the Group will have sufficient cash resources for the foreseeable future which is defined as 12 months from the date of publishing these financial statements.

Cash flows and liquidity are monitored daily by management with oversight from the Board. Management has considered several estimates, judgments and assumptions in performing the liquidity assessments, the most significant of which are listed and expanded upon below:

- Continued positive engagement and support from the Group's lenders including extension of facilities beyond scheduled maturity dates despite exceeding certain loan covenant ratios;
- The reduction in debt through the sale of properties;
- Continued performance of the property portfolio within expected vacancy not greater than market norms.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the period ended 31 August 2021

2. Going concern continued

Liquidity continued

- The Group's current liabilities of R4.4 billion exceeded its current assets by R4.0 billion at 31 August 2021. This is mainly due to the structural tenure of the Group's funding facilities. The Board has engaged with lenders in this regard and the following actions have been agreed:
  - The Group will reduce its debt exposure to acceptable levels by disposing of assets that are non-core to the business
  - The funders remain supportive of the business
  - The filling of additional vacancies and the extension of expiring leases
  - A strategic plan to support the above initiatives.

The Group has made significant progress in respect of extending and refinancing its expiring debt facility.

The Group has been negotiating longer dated facilities with both Nedbank and Standard Bank. A strategy will be put in place with the bank to reduce debt further with disposals in order to cure the loan value covenants (50%) and the interest cover ratio (2.0 times) to acceptable levels. The Group's funders have been very supportive and negotiations have been very positive and transparent.

As a result of the uncertainty relating to the extension of the debt facilities, there is a material uncertainty which casts significant doubt upon the Group's ability to continue as a going concern and therefore whether the Group will realise its assets and settle its liabilities in the ordinary course of business.

Conclusion

The Board is of the view that given the significant headroom in the fair value of the assets over the fair value of the liabilities, the Group and Company remain solvent as at 31 August 2021 and at the date of this report.

The ability of the Group to repay debt as it becomes due is dependent on the timing and quantum of cash flows from operations according to forecasts prepared by management, including scenario analyses, the ability to realise cash through the sale of properties identified as non-core and the ability to extend loan facilities beyond scheduled maturity dates.

The Board has no intention to cease trading, curtail operations or liquidate properties in excess of those already earmarked for sale, other than the orderly disposals that may be necessary to reduce debt. The Board remains focused on and committed to the operation of the Group, renewal of key leases and repayment of debt.

Notwithstanding the acknowledgement of the material uncertainties and having considered the validity of the principal assumptions set out above, the Board has concluded that the Group is able to discharge liabilities in the normal course of business and is therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

3. Earnings and headline earnings

	Group		Company
	Reviewed for the half year ended 31 August 2021 R'000	Reviewed for the half year ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
Profit/(loss) attributable to owners of the parent	**147 920**	(90 586)	(454 456)
Investment property	**745**	21 771	517 137
Fair value adjustment to investment property	**745**	21 771	517 137
Headline earnings/(loss) attributable to owners of the parent	**148 665**	(68 815)	62 681
Shares in issue at the beginning of the year	**714 229 718**	714 229 718	714 229 718
Number of shares in issue	**714 229 718**	714 229 718	714 229 718
Weighted average number of shares in issue	**714 229 718**	714 229 718	714 229 718
Actual number of shares in issue			
Number of shares in issue at interim	**714 229 718**	714 229 718	714 229 718
Number of shares in issue at year-end	**714 229 718**	714 229 718	714 229 718
Basic and diluted earnings and headline earnings per share (cents)			
Basic and diluted earnings/(loss) per share	**20.71**	(12.68)	(63.63)
Basic and diluted headline earnings/(loss) per share	**20.81**	(9.63)	8.78

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the period ended 31 August 2021

4. Cash generated from operations

GROUP	Reviewed six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
Cash generated from operations			
Profit/(loss) before taxation	**186 686**	(29 185)	(304 091)
Adjustments:			
Depreciation on property, plant and equipment	**287**	306	3 788
Tax penalty	**–**	(15 969)	15 529
Unrealised loss on foreign exchange differences	**3 049**	11 331	3 709
Dividend income – listed security	**(3 243)**	(13 809)	(13 809)
Interest income	**(9 883)**	(10 156)	(21 696)
Finance costs	**203 811**	238 298	435 308
Fair value adjustments			
Investment property	**745**	21 771	517 137
Derivative financial instruments	**(13 464)**	95 111	67 548
Listed security	**37 310**	56 079	52 210
ECL allowance	**(8 983)**	(29 516)	1 731
Straight-line rental income accrual	**1 965**	22 708	37 624
Operating profit before working capital changes	**398 280**	346 969	794 988
Changes in working capital:	**(30 414)**	(3 607)	(89 724)
Trade and other receivables	**(71 617)**	(54 307)	(56 119)
Trade and other payables	**41 203**	50 700	(33 605)
Cash generated from operations	**367 866**	343 362	705 264

5. Rental income

Rental income comprises gross rental income and recoveries from tenants.

GROUP	Reviewed six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
Contractual	**518 011**	542 092	1 090 092
Parking	**49 324**	49 663	97 219
Antennae	**2 371**	2 563	5 134
Storage	**14 130**	5 415	10 727
Signage	**115**	76	151
Recoveries	**140 033**	124 889	242 569
	723 984	724 698	1 445 892

6. Investment in listed security

Grit Real Estate Income Group Limited	Reviewed as at 31 August 2021 R'000	Reviewed as at 31 August 2020 R'000	Audited as at 28 February 2021 R'000
Reconciliation of Investment in GRIT			
Opening balance	**157 072**	277 734	277 734
Disposal of shares	**–**	–	(37 250)
Foreign exchange	**(3 049)**	–	(15 864)
Fair value adjustment	**(37 310)**	(88 718)	(67 548)
Closing balance	**116 713**	189 016	157 072

Grit is an African-focused property income fund listed on the Johannesburg Stock Exchange Limited ("JSE"), Stock Exchange of Mauritius ("SEM") and London Stock Exchange ("LSE"). The Delta holds 4.5% (2020: 5.7%) of Grit shares on the SEM. As a result of share price and exchange rate fluctuations the fair value decreased by R40.4 million (2020: R88.7 million). The changes in fair value of this investment is recognised in profit and loss according to the requirements of IFRS 9.

This investment is categorised as level 1 under the fair value hierarchy which is defined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	Reviewed as at 31 August 2021	Reviewed as at 31 August 2020	Reviewed as at 28 February 2021
Number of Grit shares	**14 869 210**	14 869 210	14 869 210
Share price (in USD)	**0.53**	0.75	0.65
Exchange rate R/USD	**14.51**	16.94	15.08

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the period ended 31 August 2021

7. Related parties

Parties are considered related if one party has the ability to exercise control or significant influence over the other party in making financial or operational decisions. All transactions with related parties are at arm's length. At 31 August 2021, the previous executive directors are no longer related parties. However, transactions during the comparative periods have been disclosed as related party transactions.

Current members of key management

S Masinga – Interim Chief Executive Officer (appointed 24 August 2020)
M de Lange – Chief Financial Officer (appointed 24 August 2020)

Previous members of key management

SH Nomvete – Chief Executive Officer (resigned 24 August 2020)
S Maharaj – Chief Financial Officer (resigned 24 August 2020)
ON Tshabalala – Chief Operating Officer (resigned 24 August 2020)

Common directors
Somnipoint Proprietary Limited*

	Reviewed six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
Afropulse#			
Directors' fees – Executive	**2 050**	–	2 181
Somnipoint*			
Loan receivable	**–**	25 987	–
Interest income	**–**	1 304	(2 634)
Total	**2 050**	27 291	(453)

* During 2020 Somnipoint was reflected as an entity with common directorships as Messrs SH Nomvete and JB Magwaza were directors of both Somnipoint and Delta Property Fund Limited. Since their resignations in August 2020, the Somnipoint balance is reflected in loans receivables.

Afropulse is paid the secondment fee for the interim chief executive officer.

8. Fair value hierarchy

IFRS 13 requires that an entity disclose, for each class of financial instrument and investment property measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

August 2021 (R'000)	Note	Level 1	Level 2	Level 3	Fair value
Assets					
Investment property			–	8 258 438	8 258 438
Listed security	6	116 713	–	–	116 713
		116 713	–	8 258 438	8 375 151
Liabilities					
Derivative financial instruments		–	100 977	–	100 977
		–	100 977	–	100 977

Level 3 reconciliation	Balance at the beginning of the period	Additions/ (disposals)	Profit or loss for the year	Balance at end of year
Investment property	8 227 800	29 893	745	8 258 438
	8 227 800	29 893	745	8 258 438

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the period ended 31 August 2021

8. Fair value hierarchy continued

August 2020 (R'000)	Note	Level 1	Level 2	Level 3	Fair value
Assets					
Investment property		–	–	8 716 082	8 716 082
Listed security	6	189 016	–	–	189 016
		189 016	–	8 716 082	8 905 098
Liabilities					
Derivative financial instruments		–	157 344	–	157 344

Level 3 reconciliation	Balance at the beginning of the period	Additions/ (disposals)	Loss in profit or loss for the year	Balance at end of year
Investment property	8 780 933	(81 000)	(102 576)	8 597 357
	8 780 933	(81 000)	(102 576)	8 597 357

February 2021	Note	Level 1	Level 2	Level 3	Fair value
Assets					
Investment property		–	–	8 227 800	8 227 800
Listed security	6	157 072	–	–	157 072
		157 072	–	8 227 800	8 384 872
Liabilities					
Derivative financial Instruments		–	114 442	–	114 442

Level 3 reconciliation	Balance at the beginning of the year	Additions/ (disposals)	Loss in profit or loss for the year	Balance at end of year
Investment property	8 780 933	(50 819)	(502 314)	8 227 800
	8 780 933	(50 819)	(502 314)	8 227 800

There have been no transfers between level 1, level 2 and level 3 during the year.

Interest rate swaps

The fair value calculated as the present value of the estimated future cash flow. Estimates of the future floating rates are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources, which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimates are subject to credit risk adjustment that reflects the credit risk of the Group and of the counterparty. This is calculated based on credit spreads derived from the current credit swap or bond prices.

9. Condensed segmental analysis

The Group has five reportable segments based on the type of property, i.e. retail, office government, office other, industrial and administration and corporate costs. Where a property has more than one tenant the segment is classified based on the majority tenant type. For each strategic business segment, the entity's executive directors review internal management reports on a monthly basis. All operating segments are located in South Africa with a foreign investment in Grit.

The accounting policies of the segments are the same as those applied in the Group. There were no inter-segment sales during the period.

Reviewed for the six months ended 31 August 2021 **GROUP**	Retail R'000	Office govern-ment R'000	Office other R'000	Industrial R'000	Adminis-tration and corporate costs R'000	Total R'000
Revenue	**16 377**	**559 897**	**148 155**	**1 073**	**(1 518)**	**723 984**
Net property rental and related income	**(2 263)**	**376 018**	**15 019**	**(739)**	**61 194**	**449 229**
Total assets	**317 201**	**6 807 463**	**1 476 121**	**69 597**	**135 668**	**8 806 050**
Total liabilities	**(150 736)**	**(2 814 874)**	**(829 139)**	**(17 590)**	**(1 357 571)**	**(5 169 910)**
Reviewed restated for the six months ended 31 August 2020						
Revenue	15 559	548 414	157 236	3 184	305	724 698
Net property rental and related income	7 645	347 131	72 708	308	(2 441)	425 351
Total assets	319 133	6 753 467	1 858 179	97 124	320 459	9 348 362
Total liabilities	157 489	3 211 493	1 142 390	19 641	958 220	5 489 233
Audited for the year ended 28 February 2021						
Revenue	28 900	1 100 748	312 151	6 919	(2 825)	1 445 893
Net property rental and related income	16 264	733 464	143 733	4 455	(46 303)	851 613
Total assets	303 751	6 653 215	1 623 234	69 579	136 952	8 786 731
Total liabilities	135 692	3 038 616	988 147	16 812	1 110 227	5 289 494

The segmental report has been populated based on a per building classification which is in accordance with the majority tenant.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the period ended 31 August 2021

10. Derivative financial instruments

	Reviewed six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
Non-current liabilities			
Balance at the beginning of the year	**(114 442)**	(62 232)	(82 232)
Fair value adjustment	**13 464**	(95 112)	(32 210)
Balance at the end of the year	**(100 978)**	(157 344)	(114 442)

Interest rate swaps – future cash flows are discounted using the Johannesburg Interbank Agreed Rate ("JIBAR") swap curve.

Cross-currency swap – represents the present value of net future cash payments and receipts, which fluctuates based on changes in market interest rates and the dollar/rand exchange rate.

The Group uses a combination of interest rate swaps, cross-currency swaps (settled during the year) and fixed bank facilities to hedge its exposure to interest rate risk. The Group pays the nominal interest rate and receives three-month JIBAR as the floating rate.

11. Fair value adjustments

GROUP	Reviewed six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
Investment property	**(745)**	(21 771)	(517 137)
Investment in listed securities	**(37 310)**	(56 079)	(67 548)
Derivative financial instruments	**13 464**	(95 112)	(52 210)
Balance at the end of the year	**(24 591)**	(172 962)	(636 895)

It is the policy of the Group to value investment properties on an annual basis and adjust to its open market value.

The fair value hierarchy has the following levels:
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

12. Expected credit loss

GROUP	Reviewed six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
ECL Provision – financial guarantee	**4 052**	–	5 844
ECL Provisions – loan receivables	**25 175**	–	32 366
ECL Provision – trade receivables	**223 918**	–	216 177
Balance at the end of the period	**253 145**	–	254 387

13. Contingent liability

Orthotouch

Orthotouch Proprietary Limited has instituted legal proceedings against the Fund by way of summons, issued out of the High Court of South Africa in which it seeks payment from Delta of an amount of R210.3 million arising from alleged penalties calculated in relation to the purchase of the Bloemfontein property portfolio. The Group strongly denies the alleged claim as formulated on various grounds and has defended the action. We have been advised by our attorneys (Bowmans) that the Group has very good prospects of success having regard to the claim as formulated, together with the transaction and performance by the Group. It is difficult to estimate the legal costs which are calculated on time spent. However, current estimates range between R800 000 and upwards of R1.5 million depending on the time taken to conclude the matter. The Group will seek to recover the legal costs from Orthotouch should we succeed in defending the claim.

SUPPLEMENTARY INFORMATION

SA REIT Funds from operations (SA REIT FFO)

for the period ended 31 August 2021

GROUP		Reviewed six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited for the year ended 28 February 2021 R'000
Profit or loss per IFRS statement	A	**147 920**	(90 586)	(454 456)
Adjusted for:				
Accounting specific adjustments				
Fair value adjustment loss/(gain) to:				
– Investment property		**37 310**	(1 580)	517 137
– Debt and equity instrument held at fair value		**–**	56 079	–
Straight-lining operating lease adjustments		**1 965**	22 708	37 624
	B	**39 275**	77 206	554 761
Adjustment arising from investing activities				
Gains or losses on disposal of:				
Investment property and property, plant and equipment		**745**	23 351	–
Debt and equity instruments – Grit		**–**	–	67 548
	C	**745**	23 351	67 548
Foreign exchange and hedging activities				
Fair value adjustments on derivative financial instruments employed solely for hedging purposes		**(13 464)**	95 111	52 210
Foreign exchange gains or losses relating to capital items – realised and unrealised		**3 049**	11 331	3 709
	D	**(10 415)**	106 442	55 919
SA REIT: A+B+C+D		**177 525**	116 413	223 772
Number of shares in issue ('000)		**714 230**	714 230	714 230
SA REIT funds from operations per share (cents)		**24.86**	16.30	31.33

CORPORATE INFORMATION

Delta Property Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/005129/06)
Share code: DLT ISIN: ZAE000194049
("Delta" or "the Fund" or "the Group")
(REIT status approved)

Directors
Phumzile Langeni (Chairman)
Sibongile ("Bongi") Masinga (Interim Chief Executive Officer)
Marelise de Lange (Chief Financial Officer)
Nooraya Khan
Davina Nodumo ("Dumo") Motau
Nombuso Norah Afolayan (resigned 5 July 2021)
Mfundiso Johnson Ntabankulu ("JJ") Njeke (Lead independent director)
Moshiko Caswell Ramokgadi Rampheri
Patricia Stock (appointed 7 July 2021)

Registered office
Silver Stream Office Park
10 Muswell Road South
Bryanston
Johannesburg 2021

Postal address
PostNet Suite 210
Private Bag X21
Bryanston 2021

Company Secretary
FluidRock Co Sec (Pty) Ltd
Registration number 2016/093836/07
Unit 5, Berkley Office Park, 8 Bauhinia St, Highveld Techno Park, Centurion, 0169

Auditor
BDO South Africa Incorporated
Chartered Accountants (SA), Registered Auditors

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

DELTA
PROPERTY FUND

www.deltafund.co.za