



DELTA PROPERTY FUND LIMITED
UNAUDITED CONDENSED CONSOLIDATED
INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2024



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Delta Property Fund Limited (“Delta” or “the Group”) is a South African domiciled Level 1 B-BBEE Real Estate Investment Trust (“REIT”). The Group is predominantly sovereign underpinned and has been listed on the JSE since 2012.

DELTA TOWERS

KwaZulu-Natal (41 713m² – GLA)

HIGHLIGHTS



Weighted average lease expiry

16.3 months ▲

FY24: 15.3 months



Net operating income

R365.8m ▲

HY24: R350.8m



Covenant Loan to value

58.5% ▼

FY24: 59.4%



Vacancy rate*

30.9% ▼

FY24: 33.4%



Interest cover ratio

1.4 ▲

FY24: 1.3



SA REIT Cost to income

46.9% ▲

HY24: 45.4%

▲ ▼ POSITIVE

▼ ▲ NEGATIVE

* The vacancy rate excluding non-core properties held for sale is 22.6%



LIBERTY TOWERS

KwaZulu-Natal (40 078m² - GLA)

The background features a photograph of a modern, multi-story building with a grid-like facade of windows and balconies. The building is set against a clear blue sky with some light clouds. A thick, curved orange line sweeps across the image from the bottom left towards the top right. In the lower right quadrant, there is a light blue speech bubble shape containing the word 'COMMENTARY' in bold, dark blue capital letters.

COMMENTARY

COMMENTARY

INTRODUCTION

This report provides details of the Group's financial performance for the six months ended 31 August 2024 ("the reporting period" or "the period"). The areas of focus for this period have been the meeting of debt covenant, signing new leases and ensuring lease renewals, disposal of non-core properties as well as improving rental income collection.

During the reporting period, the Group reported a 4.3% improvement in net operating income ("NOI"). This positive NOI upturn is attributed to the successful implementation of the strategic initiatives, which include portfolio optimisation through the divestiture of non-core properties, prudent debt management, rigorous cost control measures, lease renewals and concerted efforts to reduce property vacancies.

The Group continues to make headway in critical aspects of financial performance, including but not limited to the enhancement of the weighted average lease expiry ("WALE") and the improvement of the Loan-to-Value ("LTV") as well as Interest Cover ("ICR") ratios.

COMPANY PROFILE

The Group owns a portfolio of 86 properties valued at R6.6bn as at the reporting period, with geographic diversification and presence in all nine provinces of South Africa.

Delta's primary focus is on long-term investment in quality rental income-generating properties.

Delta's portfolio of 793 592m² gross lettable area ("GLA"), offers rental space to government, parastatals and private tenants. A significant number of properties are strategically located and easy to access with street level retail offerings.

Delta's strategy is aimed at achieving maximum return on capital, consistent with a diversified, risk managed real estate investment portfolio.

GOVERNANCE

The Board of directors ("Board") is a unitary board with ultimate responsibility for the performance of the Group, ensuring sound and effective corporate governance practices. The Board is committed to and applies the King IV Code of Corporate Governance and continues to embed the six capitals (financial, manufactured, human, intellectual, natural, and social and relationship) in the organisation's business processes and operations.



AUDITOR GENERAL BUILDING
Limpopo (2 130m² - GLA)

**The Group's vision is to be a landlord of choice,
offering sustainable returns to investors.**

COMMENTARY

FINANCIAL PERFORMANCE

The Group posted a NOI of R365.8m, an improvement from R350.8m in HY24, and stable Funds from Operations of R57.6m compared to R57.9m in HY24. These results underscore the Group's resilience amid ongoing challenging market conditions. However, profit for the period declined to R29.5m (HY24: R56.4m), due to a fair value adjustment loss of R31.0m (HY24: R12.5m gain) driven mainly by the decline in the share price of Grit Real Estate Income Group Limited ["Grit"].

Key highlights of the Group's financial performance are detailed below.

Revenue

Revenue, excluding straight-line rental income accrual, increased by 1.7% from R573.8m to R583.7m. This is mainly due to higher utility recoveries and rent escalations, which were off-set by rent reversions.

The weighted average rental across the portfolio marginally decreased from R114.6/m² to R113.82/m² compared to the prior period mainly due to rental reversions. The Group expects continued rebasing of lease income with month-on-month and other short-term leases being renewed to longer terms at market-related rates.

Property operating and administrative expenses

Property operating expenses increased by 0.5% from R219.4m to R220.5m. The increase is as a result of the annual tariff increase on utilities which was offset by decreases in other property expenses. The Group's expenses have been positively impacted by cost containment initiatives and the successful sale of non-core properties.

Administrative expenses decreased by 2.8% from R50.8m to R49.4m. The Group maintained administrative expenses relatively flat compared to HY24.

Dividend income and other income

There has been no dividend income from the investment in Grit during the reporting period, compared to dividend income of R5.8m recognised in HY24. The dividend amount received in HY24 was paid directly into the debt facility reducing the debt exposure.

Other income increased from R4.7m in HY24 to R10.5m as a result of tenant reinstatement costs recovered from vacated tenants.



Department of Home Affairs

HALLMARK
Gauteng (26 255m² - GLA)

COMMENTARY

Fair value adjustments

The fair value adjustments decreased significantly from a R12.5m gain in HY24 to a R31.0m loss mainly due to the decline in Grit's share price as well as a loss on disposals of investment property. It is the policy of the Group to independently value investment properties on an annual basis and adjust the valuation to open market value, therefore all fair value adjustments on investment property and non-current assets held for sale are processed at year-end (February).

Expected Credit Losses ("ECL")

The current period's negative ECL adjustment is R6.4m (HY24: positive of R11.5m). The movement is mainly attributable to the increase in trade debtors.



BLOCK G
Gauteng (7 992m² – GLA)



SHELL HOUSE
KwaZulu-Natal (13 828m² – GLA)

Finance costs and finance income

Finance costs remain a significant line item on the Statement of Comprehensive Income at R237.4m (HY24: R250.7m) and the decrease is due to the capital repayments. Finance income decreased from R8.9m (HY24) to R0.7m due to low positive cash balances and the expiry of interest rate swaps which contributed R7.4m in HY24 towards finance income.

Cash and cash equivalents

The cash generated for the period amounted to R308.1m consisting of cash generated from operations of R298.0m, interest income of R0.7m and net proceeds from property disposal of R9.4m. The cash generated was utilised to pay finance costs of R230.9m, taxation of R23.7m, net capex of R16.2m, lease liabilities of R1.8m and net debt repayment of R43.2m. The cash and cash equivalent balance has declined from FY24 mainly due to collection challenges experienced with Department of Public Works and Infrastructure (“DPWI”).

COMMENTARY

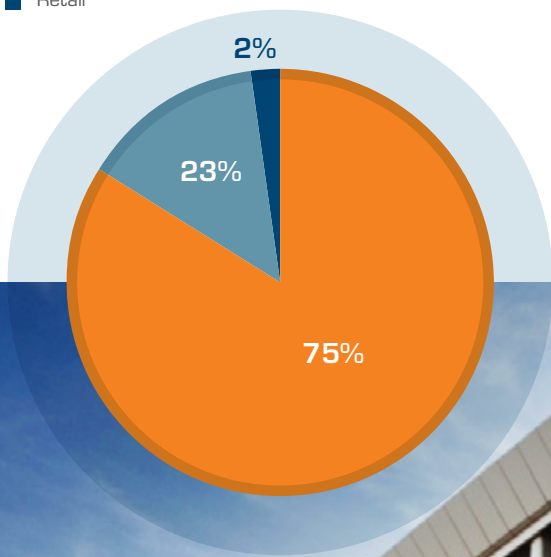
PROPERTY PORTFOLIO

Delta's property portfolio consists of 86 (HY24: 91) properties with a total fair value of R6.6bn (HY24: R6.9bn) (including non-current assets held for sale) and a GLA of 793 592m² (HY24: 837 956m²).

The segmental and geographic breakdown of the portfolio at the reporting date was as follows:

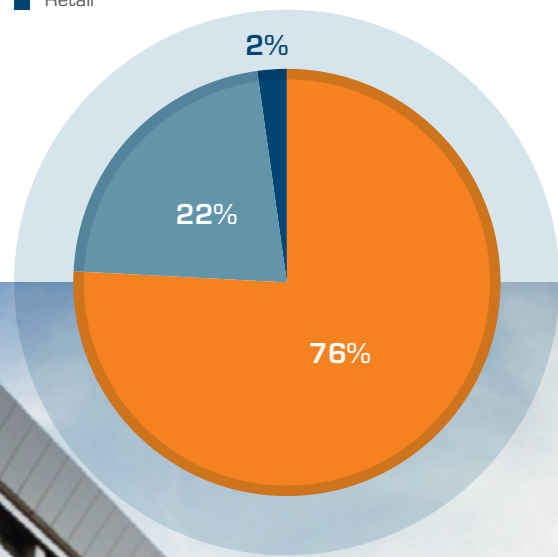
SECTORAL SPLIT OCCUPANCY GLA(%)

- Office - Sovereign
- Office - Other
- Retail



SECTORAL SPLIT RENTAL INCOME (%)

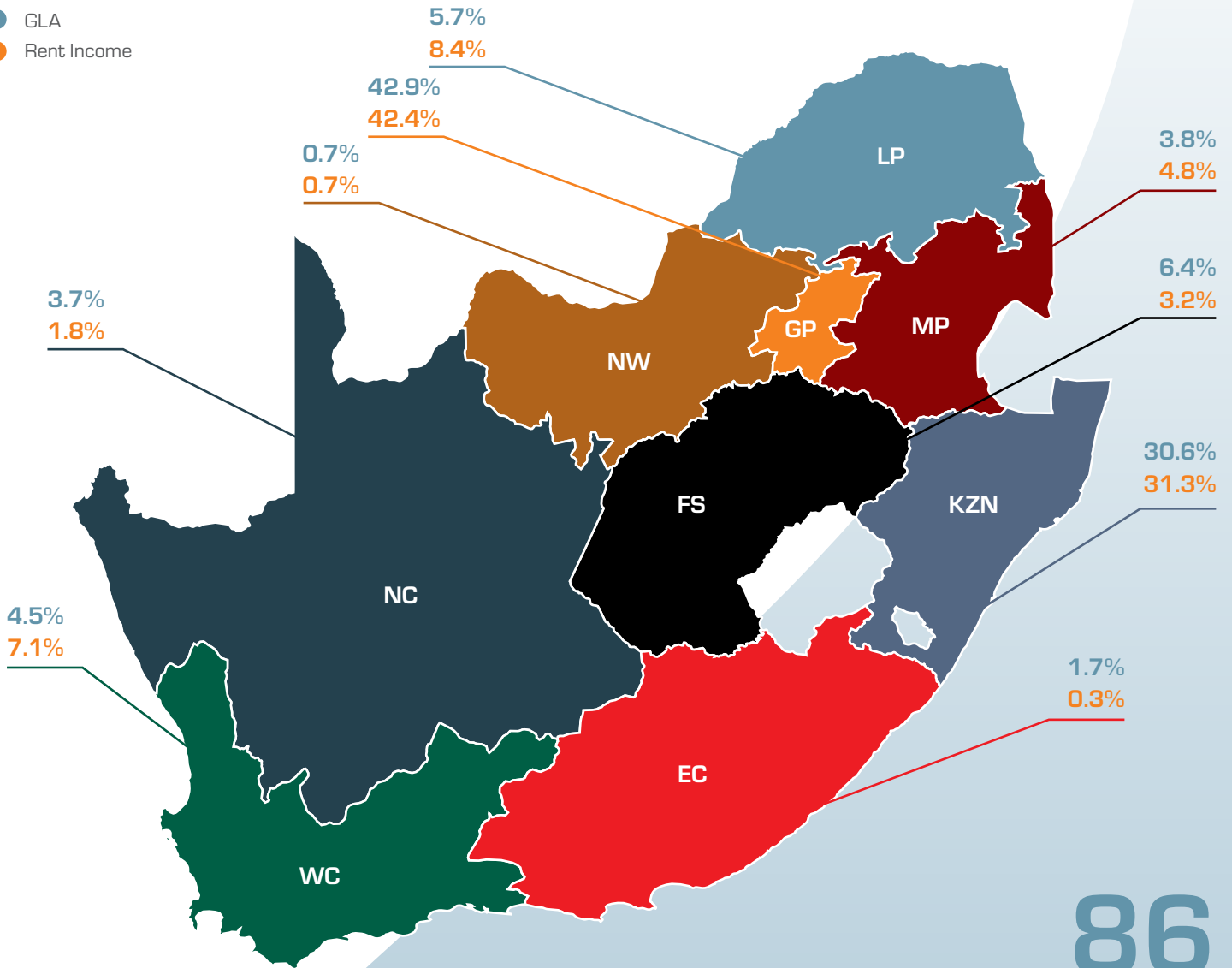
- Office - Sovereign
- Office - Other
- Retail



LIBERTY TOWERS
Gauteng (40 078m² - GLA)

GEOGRAPHICAL SPLIT BY GLA AND RENTAL INCOME

- GLA
- Rent Income



86
PROPERTIES

6.6BN
TOTAL INVESTMENT

793 592M²
GLA

COMMENTARY

LETTING

Delta renewed 43 leases totalling 62 907m² during the period. The lease renewals were concluded at a weighted average lease term of 3.7 years. In addition, Delta concluded new leases for a total GLA of 14 864m², with a weighted average lease term of 2.9 years.

Portfolio vacancies decreased from 33.4% in FY24 to 30.9% in the reporting period, due to 14 864m² GLA of new leases concluded and the sale of three properties which had a vacant GLA of 19 626m².

The WALE has improved from 15.3 months to 16.3 months due to long term new and renewed leases concluded. The Group maintains confidence in continuing to conclude longer term leases in the near to medium term through the implementation of the stakeholder engagement strategy.

ARREARS AND COLLECTION

As of the end of the period, trade receivables were R133.8m, up from R87.9m in FY24. The average collection rate for the period was 93.1% of billings, compared to 101.5% in FY24. The increase in trade receivables is mainly due to collection delays experienced with DPWI, a major tenant accounting for approximately 50% of the Group's revenue. These delays were due to payment system issues at DPWI during the second quarter of the financial year which adversely impacted the average rental collection rate.

While monthly collections from DPWI have since stabilised and most balances settled, an outstanding balance of R72.5m remained, including a significant amount of R35.0m relating to the Forum building. Some of the overdue amounts are tied to administrative issues, expired leases pending renewal primarily in Mpumalanga and an alleged discrepancy regarding GLA measurements for the Forum building. The Group is actively engaging with DPWI to expedite the resolution of these issues to recover outstanding balances. The Group has recognised a provision for impairment on trade receivables of R54.2m and no additional impairment has been recorded specifically for these matters as the related balances are considered fully recoverable.

DISPOSALS

Delta's portfolio optimisation strategy includes the disposal of selected properties that are non-core and largely vacant. A total of 20 properties with a fair value of R763.1m have been classified as non-current assets held for sale in the statement of financial position in line with the requirements of IFRS 5. Disposing of these non-strategic properties is expected to reduce the Group's overall vacancy rate and improve the cost-to-income ratio on the back of reduced operational costs associated with the vacant properties, such as security and municipal charges. On successful conclusion of the sale of all the properties earmarked for disposal, the LTV ratio is expected to improve to below 50% over the medium to long term.

Three properties with a total GLA of 29 759m² were transferred during the reporting period for a gross consideration of R106.2m, while two properties with a total GLA of 8 669m² were transferred post the reporting period for a gross consideration of R19.3m. Eleven of the properties held for sale with a combined fair value of R319.1m were disposed for a gross consideration of R178.7m are expected to transfer before the end of the financial year. The fair value adjustment loss from these post-period disposals primarily arose from the sale of properties through an auction. The loss has not been reflected in the current results as its a non-adjusting post period event. The Board after careful consideration of various disposal options and adhering to strict governance protocols resolved to utilise the auction method. The method was used to facilitate an efficient disposal of under-performing properties within the portfolio, particularly those with high vacancy rates and limited prospects for improvement. This strategic exit will reduce annual operating costs, vacancies and enhance the Group's profitability as overall portfolio performance improves.

Despite the fair value loss associated with these disposals, the Group remains optimistic about the property market's trajectory. It anticipates that property values will stabilise in the short to medium term.

Transferred properties:

Property	Transfer date	GLA (m ²)	Fair value (R'000)	Gross selling price (R'000)
Smartxchange	Apr-24	13 677	46 000	46 000
Sediba, Fountain & VLU	Apr-24	10 947	26 100	27 150
Cape Road	May-24	5 135	33 000	33 000
5/7 Elliot	Sep-24	2 300	6 160	4 348
Trustfontein	Sep-24	6 369	10 900	15 000
		38 428	122 160	125 498

Disposals concluded but not yet transferred:

Property	Expected transfer date	GLA (m ²)	Fair value (R'000)	Gross selling price (R'000)
Die Meendt	Dec-24	3 705	20 500	20 500
North Ridge Road	Dec-24	3 354	32 750	32 600
Anchor House	Dec-24	2 645	6 900	5 000
Du Toitspan	Dec-24	9 485	31 700	28 000
Protea Coin Pretoria ¹	Feb-25	2 090	5 100	2 800
In 2 Fruit ¹	Feb-25	11 177	20 000	10 800
Pine Parkade ¹	Feb-25	2 986	83 000	23 000
Stats House ¹	Feb-25	2 827	21 840	8 500
Unisa Building ¹	Feb-25	10 055	43 000	18 500
Beaconhill ¹	Feb-25	13 648	39 000	13 000
Thuto House	Feb-25	2 111	15 300	16 000
		64 083	319 090	178 700

¹ These properties were disposed through an auction.

COMMENTARY

CAPITAL EXPENDITURE (CAPEX)

Capex on the property portfolio to retain existing tenants remains a key focal point. During the reporting period, capex amounted to R17.2m (HY24: R26.2m). The Group had committed a further R7.2m as at the reporting period. The expenditure was funded from operating cash apart from R0.9m, which was funded by a debt facility specifically earmarked for capital projects at Poyntons.

The capital expenditure related mainly to tenant installations and renovations with the majority of the spend at the following properties: Shell House - R2.5m, CCMA House - R2.4m, Liberty Towers - R1.8m, The Marine - R1.6m and R8.9m over the remainder of the properties.

FUNDING

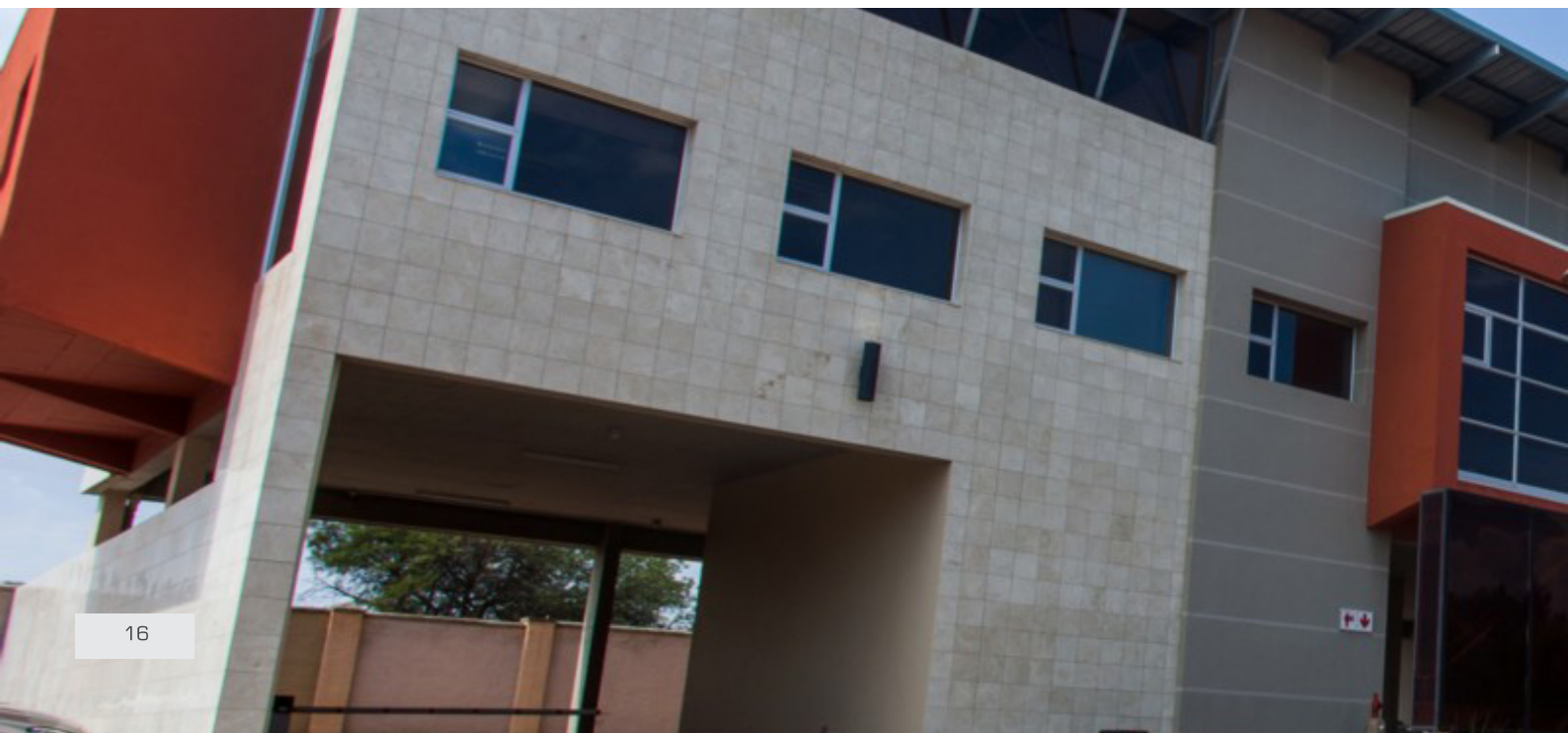
The Group successfully renewed matured debt facilities with Nedbank and State Bank of India to 7 April 2025 and 7 June 2027 respectively and is currently engaging Standard Bank, Investec and Bank of China regarding renewal of facilities due to expire before the end of the financial year. The target in the short-term is to achieve debt maturity of two to three years. The Group continues to engage with its funders to improve the pricing of debt, extend debt maturity periods and restructure amortisation or capital repayments.

Debt decreased to R3.9bn (FY24: R4.0bn) during the reporting period. Capital repayments amounted to R139.8m (HY24: R91.9m), of which R92.5m was funded from the proceeds on disposal of Sediba and VLU Fountain, Smartxchange and Cape Road properties, R4.1m from the Grit dividend which was accrued in FY24 as well as amortisation of R43.2m. In addition, the Group has a revolving credit facility of R37.5m and R13.0m of this facility had been utilised as at the end of the period. The facility is in the process of being increased to R54.3m.

Interest rates remain high and this is a concern for the Group. The interest rate cut of 50 basis points that came into effect post the reporting period is a positive development and further interest rate reductions are expected in the near future which will reduce finance costs and improve profitability. The prevailing interest rates resulted in a weighted average cost of funding of 11.4% (HY24: 10.1%). However, finance costs decreased from R250.7m to R237.4m due to capital payments made in the form of amortisations and proceeds from disposal of non-core properties paid towards debt. Consequently, ICR has improved to 1.4 times (FY24: 1.3 times) and Covenant LTV improved marginally from 59.4% to 58.5%.

DIVIDEND

Delta's SA REIT Funds from operations ("FFO") per share amounts to 8.1 cents for the six months ended 31 August 2024 (HY24: 8.1 cents per share). Following the solvency and liquidity test conducted in terms of Section 46 of the Companies Act, which took into consideration the working capital cash flow forecast, expected working capital requirements, capital expenditure requirements and contracted tenant installations relating to lease renewals, the Board resolved not to declare an interim dividend for the period ended 31 August 2024 (HY24: Nil).



CHANGES TO THE BOARD

Directors in office at the date of this report are as follows:

- Ms Phumzile Langeni (Chairman)
- Ms Sibongile Masinga (CEO)
- Mr Zwelifikile Mhlontlo (CFO)
- Mrs Sindiswa Victoria Zilwa (Lead Independent Non-Executive Director)
- Mr Brett Dylan Copans
- Mr Solly Mboweni
- Mr Tshepo Matlala

Appointments:

- Mr Brett Dylan Copans - appointed 10 April 2024
- Mr Solly Mboweni - appointed 26 June 2024
- Mr Tshepo Matlala - appointed 26 June 2024

Retirements:

- Ms Davina Nodumo Motau - retirement 01 June 2024
- Mr Mfundiso Johnson Njeke - retirement 29 August 2024

PROSPECTS

During the reporting period, the office sector has demonstrated signs of stabilisation. The demand for B-grade office space is anticipated to remain subdued in the short term due to oversupply, heightened competition, and a trend of traditional B-grade tenants upgrading to higher-grade spaces in response to competitive market offers. Looking forward, the macroeconomic outlook is expected to improve, underpinned by rising investor confidence, a stabilised power grid, and forecasted gradual reductions in the prime lending rate. These factors are likely to foster a more positive business environment and support economic growth over the medium term.

The Group remains focused on executing its strategic objectives. Key priorities include strengthening the balance sheet through the divestment of non-core properties, implementing stringent cost-control measures, securing lease renewals, and reducing vacancies. These initiatives are aimed at enhancing the WALE, rental collection and improving overall profitability. The Group is committed to proactive stakeholder engagement, which has already delivered promising outcomes and remains confident of its trajectory. The Group is confident that the current favourable macro-economic outlook will support and drive its growth.

The prospects have not been audited, reviewed or reported on by the Group's independent external auditors.



COMMENTARY

BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 August 2024, and comparative information, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS[®] Accounting Standards) and containing the information required by IAS 34 Interim Financial Reporting. The condensed interim financial statements comply with the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the requirements of the South African Companies Act, 71 of 2008. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS[®] Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group's financial position and performance since the last set of annual financial statements.

The accounting policies applied in preparing these financial statements are in terms of IFRS[®] Accounting Standards and are consistent with those applied in the previous annual financial statements published on 30 May 2024. These unaudited condensed consolidated interim financial statements were prepared under the supervision of the Chief Financial Officer, Mr Z Mhlontlo.

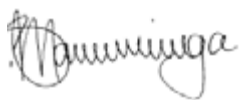
On behalf of the Board



P Langeni

Chairman

Bryanston, 22 November 2024



S Masinga

Chief Executive Officer

Bryanston, 22 November 2024





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

The Marine

GCAB



DEVONSHIRE PLACE
KwaZulu-Natal (8 122m² - GLA)

CONDENSED FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2024

Figures in R'000	Unaudited 31 August 2024	Unaudited 31 August 2023	Audited 29 February 2024
Assets			
Non-current assets	5 877 469	5 499 765	5 442 472
Investment property*	5 820 750	5 384 461	5 357 988
- Fair value of investment property	5 752 819	5 307 385	5 294 521
- Straight line rental income accrual	67 931	77 076	63 467
Property, plant and equipment	1 774	5 819	3 848
Investment in listed security	54 945	109 485	80 636
Current assets	151 055	146 180	123 614
Loans receivable	-	5 663	-
Derivative financial instruments	-	4 302	636
Trade and other receivables	144 470	119 896	107 423
Cash and cash equivalents	6 585	16 319	15 555
Non-current assets held for sale*	763 069	1 508 270	1 310 645
Total current assets	914 124	1 654 450	1 434 259
Total assets	6 791 593	7 154 215	6 876 731
EQUITY AND LIABILITIES			
Equity	2 550 503	2 654 983	2 520 984
Share capital	4 868 462	4 868 462	4 868 462
Accumulated loss	(2 317 959)	(2 213 479)	(2 347 478)
Non-current liabilities	228 647	1 421 554	557 866
Interest-bearing borrowings	203 138	1 366 579	540 447
Lease liabilities	20 776	42 346	14 614
Deferred taxation liability	4 733	12 629	2 805
Current liabilities	4 012 443	3 077 678	3 797 881
Interest-bearing borrowings	3 672 084	2 716 527	3 468 549
Interest accrual on interest-bearing borrowings	34 427	36 011	33 664
Lease liabilities	3 697	13 120	11 686
Trade and other payables	199 812	153 641	175 424
Current tax payable	9 038	75 313	13 942
Bank overdraft	93 385	83 066	94 616
Total liabilities	4 241 090	4 499 232	4 355 747
Total equity and liabilities	6 791 593	7 154 215	6 876 731

* The Group is committed to the disposal of non-core properties. However, properties with a value of R443.7m were transferred from Non-current assets held for sale to Investment property due to IFRS 5 considerations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

Figures in R'000	Notes	Unaudited 31 August 2024	Unaudited 31 August 2023	Audited 29 February 2024
REVENUE				
Rental income	4	583 655	573 752	1 162 617
Straight-line rental income accrual		2 603	(3 559)	(24 866)
Total revenue		586 258	570 193	1 137 751
Property operating expenses		(220 498)	(219 375)	(483 870)
Net operating income		365 760	350 818	653 881
Other income		10 484	4 692	31 749
Dividend income		-	5 834	10 168
(Loss)/gain on foreign exchange		(2 552)	1 401	19 698
Administration expenses		(49 391)	(50 847)	(96 564)
Fair value adjustments		(31 006)	12 549	(217 190)
- Investment property and non-current assets held-for-sale		(6 955)	(1 173)	(180 098)
- Financial instruments		(24 051)	13 722	(37 092)
Expected Credit Loss Provisions		(6 384)	11 457	(2 552)
Profit from operations		286 911	335 904	399 190
Finance costs	6	(237 352)	(250 652)	(484 226)
Finance income		692	8 887	10 483
Profit/(loss) before taxation		50 251	94 139	(74 553)
Taxation		(20 732)	(37 714)	(3 021)
Profit/(loss) for the period/year		29 519	56 425	(77 574)
Other comprehensive income		-	-	-
Total comprehensive profit/(loss) for the period/year		29 519	56 425	(77 574)
Profit/(loss) for the period/year attributable to:				
Owners of the parent		29 519	67 517	(66 482)
Non-controlling interest		-	(11 092)	(11 092)
Total comprehensive profit/(loss) for the period/year		29 519	56 425	(77 574)
Basic and diluted earnings per share:				
Basic and diluted earnings/(loss) per share (cents)	3	4.1	9.5	(9.3)
Headline and diluted headline earnings per share (cents)		5.1	9.6	15.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

Figures in R'000	Share Capital	Accumulated loss	Non-controlling interest	Total equity
Balance as at 1 March 2023	4 868 461	(2 237 667)	(32 237)	2 598 557
Total comprehensive profit for the period	-	67 517	(11 092)	56 425
Issue of share capital	1	-	-	1
Acquisition of non-controlling interest	-	(43 329)	43 329	-
Balance as at 31 August 2023	4 868 462	(2 213 479)	-	2 654 983
Total comprehensive loss for the period	-	(133 999)	-	(133 999)
Balance as at 1 March 2024	4 868 462	(2 347 478)	-	2 520 984
Total comprehensive profit for the period	-	29 519	-	29 519
Balance as at 31 August 2024	4 868 462	(2 317 959)	-	2 550 503

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

Figures in R'000	Note	Unaudited 31 August 2024	Unaudited 31 August 2023	Audited 29 February 2024
Cash flows from operating activities				
Cash generated from operations	7	297 984	334 261	658 906
Finance income received		692	7 480	10 483
Finance costs paid		(230 854)	(221 564)	(474 807)
Taxation paid		(23 708)	(49 767)	(84 802)
Net cash inflow from operating activities		44 114	70 410	109 780
Cash flows from investing activities				
Acquisition of property, plant and equipment		(68)	-	(24)
Capital expenditure on investment property		(16 226)	(19 633)	(36 651)
Proceeds on disposal of investment property ^{1 & 2}		9 436	13 462	13 462
Net cash outflow from investing activities		(6 858)	(6 171)	(23 213)
Cash flows from financing activities				
Repayment of lease liabilities		(1 826)	(352)	(5 189)
Proceeds from interest-bearing borrowings		-	-	13 000
Repayment of interest-bearing borrowings ²		(43 169)	(60 380)	(103 185)
Net cash outflow from financing activities		(44 995)	(60 732)	(95 374)
Net movement in cash and cash equivalents		(7 739)	3 507	(8 807)
Cash at the beginning of the period/year		(79 061)	(70 254)	(70 254)
Total cash at the end of the period/year		(86 800)	(66 747)	(79 061)

¹ Proceeds on disposal of investment property includes proceeds on disposal of properties classified as non-current assets held for sale.

² Debt repayment of R139.8m (HY24: R91.9m) made up of amortisation of R43.2m, proceeds on disposal of R92.5m and R4.1m dividend from Grit that were paid directly into the debt facility and considered non-cash items for cash flow statement disclosure purposes. Total proceeds on disposal of the non-core properties were R106.2m, R92.5m was paid directly into the debt facility while R4.3m was utilised towards selling costs and the Group received R9.4m in cash from the sale.



SHORBURG BUILDING
Gauteng (14 015m² - GLA)



**NOTES TO THE
CONDENSED
FINANCIAL RESULTS**

NOTES TO THE CONDENSED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

1. EVENTS AFTER THE INTERIM PERIOD

The below non-adjusting events occurred after the end of the reporting period:

1.1 Transfer of properties

Property	Transfer date	GLA (m ²)	Fair value (R'000)	Gross selling price (R'000)	Net operating income (R'000)
5/7 Elliot	Sep-24	2 300	6 160	4 348	(655)
Trustfontein	Sep-24	6 369	10 900	15 000	(1 186)
		8 669	17 060	19 348	(1 841)

1.2 Fire incident

On 8 September 2024, a fire broke out in one of the offices on the 6th floor of the west wing at the Poyntons building in Pretoria. The fire affected few offices on this floor, causing damage to windows, ceilings, and doors. In addition, smoke and fire damage extended to portions of the 7th floor. Preliminary investigations suggest the fire may have originated near a filing cabinet, however, the exact cause has not been determined.

The extent of the property damage and associated costs are currently under evaluation. The building remains operational, except for the impacted offices on the 6th and 7th floors. The Group's insurance provider has been notified, and claims for repair costs and loss of income has been approved.

1.3 Property disposal through auction

As part of the Group's portfolio optimisation strategy, a decision has been made to exit certain non-core properties. In line with this, an auction was held on 16 October 2024, where offers were received for six properties with a value of R211.9m and a GLA of 61 972m². These properties are expected to transfer ownership before the end of the financial year.

The combined proceeds from these disposals will be used to reduce debt. This strategic exit is anticipated to reduce annual operating costs, vacancies and enhance the Group's return on investment as overall portfolio performance improves.

1.4 Other property disposals

The Group concluded disposals of non-core properties namely Anchor House and Du Toitspan on 1 October 2024 as well as Thuto House on 20 November 2024. For additional details refer to commentary on Disposals.

2. GOING CONCERN

The Board believes that as of the date of this report, the going concern presumption is appropriate and accordingly the financial statements have been prepared on a going concern basis. The Board has based this assumption on the considerations more fully explained throughout this note.

The below factors were considered in assessing Delta's ability to continue as a going concern:

- The Group's current liabilities of R4.0bn exceed its current assets (including non-current assets held-for-sale) by R3.1 bn (FY24: R2.4bn). This is mainly due to the structural tenure of the Group's funding facilities and as such the ability of the Group to meet its obligations to lenders in the short term will be constrained, management continues to engage with the lenders in this regard;
- The Group has a covenant LTV ratio of 58.5% (FY24: 59.4%), these ratios have exceeded the covenant set by the lenders of 50%. The Group has an ICR of 1.4 times (FY24: 1.3 times), this is below the covenant set by the lenders of 2.0 times. Covenant LTV and ICR improved marginally from last year to date. On the successful sale of properties earmarked for disposal, as a result of repayment of debt facilities from the proceeds of these disposals LTV is expected to reduce below 50% and ICR improvement within the covenant levels of 2.0 times.

Solvency

The Group's total assets of R6.8bn exceeded its total liabilities of R4.2bn by R2.6bn.

Liquidity

In assessing the Group's liquidity, management prepared a cash flow forecast up until 30 November 2026, taking into consideration its turnaround strategy 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 interim results. Operational cash flows continue to be strong and evident from the cash flow statement.

Management has considered a number of estimates, judgements 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 amending and extending repayment terms of facilities beyond scheduled maturity dates despite exceeding certain loan covenant ratios;
- Increasing the revolving credit facility to R54.3m to enable the Group to meet its financial obligations in the short-term;
- The proceeds from the disposal of non-core properties is utilised to reduce debt as indicated in commentary under disposals; and
- Reduction of vacancies to below existing levels and aligning vacancy rates within market norms.

Conclusion

The Board is of the view that given the positive cash generation and significant headroom in the fair value of the assets over the fair value of the liabilities, the Group remains solvent as at 31 August 2024 and at the date of this report.

The Board acknowledges that execution of the business plans of the Group are dependent on the sale of non-core assets and the extension of facilities by external lenders. Should the execution of the business plans of the Group not materialise as planned, a material uncertainty exists, which may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the acknowledgement of the material uncertainty and having considered the validity of the principal assumptions set out above, the Board has concluded that the Group is able to discharge its financial obligations in the normal course of business and that the going concern assumption is appropriate in the preparation of the financial statements.

Despite the going concern assumption above, having considered the solvency and liquidity test as well as the impact that any distribution will have on the cash position of the business, the Board has resolved not to declare a distribution.

NOTES TO THE CONDENSED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

3. EARNINGS AND HEADLINE EARNINGS

Figures in R'000	Unaudited 31 August 2024	Unaudited 31 August 2023	Audited 29 February 2024
Profit/(loss) attributable to owners of the parent	29 519	67 517	(66 482)
Fair value adjustment to investment property	6 955	1 173	180 098
Headline earnings attributable to owners of the parent	36 474	68 690	113 616
Shares in issue at the beginning of the period	714 237 410	714 229 718	714 229 718
Number of shares in issue	714 237 410	714 237 410	714 237 410
Weighted average number of shares in issue	714 237 410	714 229 760	714 233 564
Basic and diluted earnings and headline earnings per share (cents)			
Basic and diluted earnings/(loss) per share	4.1	9.5	(9.3)
Headline and diluted headline earnings per share	5.1	9.6	15.9

4. RENTAL INCOME

Rental income comprises gross rental income and recoveries from tenants.

Figures in R'000	Unaudited 31 August 2024	Unaudited 31 August 2023	Audited 29 February 2024
Revenue from contracts with tenants	578 713	568 128	1 148 280
Contractual rental income	420 779	422 133	847 920
Recoveries	109 876	94 922	202 607
Storage	9 506	9 132	3 586
Parking	37 185	39 868	90 383
Antennae	1 367	2 073	3 784
Other revenue	4 942	5 624	14 337
Signage	-	(317)	(422)
Casual parking	4 942	5 941	14 720
Turnover rental	-	-	39
	583 655	573 752	1 162 617



SARS RANDBURG
Gauteng (8 496m² - GLA)

NOTES TO THE CONDENSED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

5. FAIR VALUE MEASUREMENT**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 2024 (R'000)	Level 1	Level 2	Level 3	Fair value
Assets				
Investment property ("IP")	-	-	5 820 750	5 820 750
Listed security	54 945	-	-	54 945
Derivative financial instruments	-	-	-	-
Non-current assets held for sale ("NCAHFS")	-	-	763 069	763 069
	54 945	-	6 583 819	6 638 764

Level 3 reconciliation (R'000)	Balance at the beginning of the period	Additions/ (disposals)	Profit/(loss) for the period	Transfer between IP and NCAHFS	Balance at end of the period
IP	5 357 988	16 024	3 044	443 694	5 820 750
NCAHFS	1 310 645	(103 956)	74	(443 694)	763 069
	6 668 633	(87 932)	3 118	-	6 583 819

August 2023 (R'000)	Level 1	Level 2	Level 3	Fair value
Assets				
IP	-	-	5 384 461	5 384 461
Listed security	109 485	-	-	109 485
Derivative financial instruments	-	4 302	-	4 302
NCAHFS	-	-	1 508 270	1 508 270
	109 485	4 302	6 892 731	7 006 518

Level 3 reconciliation (R'000)	Balance at the beginning of the period	Additions/(disposals)	Profit/(loss) for the period	Transfer between IP and NCAHFS	Balance at end of the period
IP	6 073 071	24 272	(819)	(712 063)	5 384 461
NCAHFS	838 970	(39 026)	(3 737)	712 063	1 508 270
	6 912 041	(14 754)	(4 556)	-	6 892 731

February 2024 (R'000)	Level 1	Level 2	Level 3	Fair value
Assets				
IP	-	-	5 357 988	5 357 988
Listed security	80 636	-	-	80 636
Derivative financial instruments	-	636	-	636
NCAHFS	-	-	1 310 645	1 310 645
	80 636	636	6 668 633	6 749 905

Level 3 reconciliation (R'000)	Balance at the beginning of the period	Additions/(disposals)	Profit/(loss) for the period	Transfer between IP and NCAHFS	Balance at end of the period
IP	6 073 071	(626 783)	(88 300)	-	5 357 988
NCAHFS	838 970	563 473	(91 798)	-	1 310 645
	6 912 041	(63 310)	(180 098)	-	6 668 633

Fair value adjustments (R'000)	Unaudited 31 August 2024	Unaudited 31 August 2023	Audited 29 February 2024
Investment property ¹	(6 955)	(1 173)	(180 098)
Investment in listed security	(23 417)	16 817	(30 329)
Derivative financial instruments	(634)	(3 095)	(6 763)
	(31 006)	12 549	(217 190)

¹ Investment property includes non-current assets held for sale.

It is the policy of the Group to independently value investment properties on an annual basis at year end in February and adjust to open market value.

NOTES TO THE CONDENSED FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 AUGUST 2024

6. FINANCE COSTS

Figures in R'000	Unaudited 31 August 2024	Unaudited 31 August 2023	Audited 29 February 2024
Interest-bearing borrowings	224 605	231 067	460 739
Debt structuring fees amortised	5 059	3 371	6 898
Interest on lease liabilities ¹	1 384	11 304	(1 581)
Other ²	6 304	4 910	18 170
	237 352	250 652	484 226

¹ The negative interest on lease liability is as a result of the adjustment of the Right-of-use liability see note 16.

² Other mainly includes interest on overdraft and SARS interest.

7. CASH GENERATED FROM OPERATIONS

Figures in R'000	Unaudited 31 August 2024	Unaudited 31 August 2023	Audited 29 February 2024
Cash generated from operations			
Profit/(loss) before taxation	50 251	94 139	(74 553)
Adjustments:			
Depreciation on property, plant and equipment	2 142	1 634	3 604
Loss on scrapping of property, plant and equipment	-	17	42
Unrealised gain on foreign exchange differences	2 274	(1 401)	(19 698)
Dividend income from listed investment	-	(5 834)	(10 168)
Interest income	(692)	(8 887)	(10 483)
Finance costs	237 352	250 652	484 226
Fair value adjustments	31 006	(12 549)	217 190
ECL allowances	6 384	(11 457)	2 552
Straight-line rental income accrual	(2 603)	3 559	24 866
Amortisation of letting commission	459	139	-
Tenant installation amortisation	-	-	10 341
Operating profit before working capital changes	326 573	310 012	627 919
Changes in working capital	(28 589)	24 249	30 987
(Increase)/decrease in trade and other receivables	(48 442)	66 546	64 192
Increase/(decrease) in trade and other payables	19 853	(42 297)	(33 205)
Cash generated from operations	297 984	334 261	658 906

8. CONDENSED SEGMENTAL ANALYSIS

The Group has five reportable segments based on the type of property i.e. Retail, Office-Sovereign, Office other and Industrial and Head Office. 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 management team reviews internal management reports on a monthly basis. All operating segments are located in South Africa.

The accounting policies of the segments are the same as those applied in the Group. However, the assets and liabilities have not been disclosed as management does not use them in the decision making process of the Group. There were no inter-segment sales during the period.

The following summary describes the operations in each of the entity's reportable segments:

Figures in R'000	Retail	Office Sovereign	Office other	Industrial	Head Office	Total
Unaudited for the period ended						
31 August 2024						
Rental income including straight lining	46 949	444 247	94 287	775	-	586 258
Net property rental	19 062	307 068	39 426	204	-	365 760
Administrative expenses	(206)	(218)	(23)	-	(48 944)	(49 391)
Fair value adjustments	(2 448)	(2 779)	-	-	(25 779)	(31 006)
Other	5 878	104	462	(109)	(4 787)	1 548
Profit/(Loss) from operations	22 286	304 175	39 865	95	(79 510)	286 911
Net finance costs	(476)	(1 303)	493	(71)	(235 303)	(236 660)
Taxation	-	-	-	-	(20 732)	(20 732)
Profit/(Loss) for the period	21 810	302 872	40 358	24	(335 545)	29 519

Unaudited for the period ended						
31 August 2023						
Rental income including straight lining	11 134	432 986	129 231	401	-	573 752
Net property rental	7 082	307 416	40 625	(1 805)	(2 500)	350 818
Administrative expenses	(1)	(113)	(39)	(1)	(50 693)	(50 847)
Fair value adjustments	-	-	(1 173)	-	13 722	12 549
Other	1 645	7 550	3 458	(238)	10 968	23 383
Profit/(Loss) from operations	8 726	314 854	42 870	(2 042)	(28 504)	335 904
Net finance costs	99	(10 871)	1 146	146	(232 285)	(241 765)
Taxation	-	-	-	-	(37 714)	(37 714)
Profit/(Loss) for the period	8 825	303 983	44 016	(1 896)	(298 504)	56 425

NOTES TO THE CONDENSED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

Figures in R'000	Retail	Office Sovereign	Office other	Industrial	Head Office	Total
Audited for the period ended						
28 February 2024						
Rental income including straight lining	25 154	957 385	180 649	-	(571)	1 162 617
Net property rental	427	599 650	40 971	(3 770)	16 603	653 881
Administrative expenses	(3)	(218)	(39)	(2)	(96 302)	(96 564)
Fair value adjustments	(1 354)	(90 688)	(75 449)	(29 079)	(20 620)	(217 190)
Other	(63)	63 300	48 653	3 192	(56 019)	59 063
Profit/(Loss) from operations	(993)	572 044	14 136	(29 659)	(156 338)	399 190
Net finance costs	(1 414)	(2 785)	743	-	(470 287)	(473 743)
Taxation	-	164	-	-	(3 185)	(3 021)
Profit/(Loss) for the period	(2 407)	569 423	14 879	(29 659)	(629 810)	(77 574)

MAYORS WALK
KwaZulu-Natal (5 507m² - GLA)





HENSA BUILDING
Limpopo (13 675m² - GLA)



SA REIT RATIOS

SA REIT RATIOS

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

SA REIT FUNDS FROM OPERATIONS (SA REIT FFO)

Figures in R'000		31 August 2024	31 August 2023	29 February 2024
Profit/(loss) attributable to the parent per IFRS statement	A	29 519	67 517	(66 482)
Adjusted for: Accounting specific adjustments				
Fair value adjustment (gain)/loss to:		23 417	(16 817)	205 326
- Investment property		-	-	174 997
- Debt and equity instrument held at fair value		23 417	(16 817)	30 329
Straight-lining operating lease adjustments		(2 603)	3 559	24 866
Depreciation of property, plant and equipment (net of NCI)		2 142	242	2 908
ECL Provision on loans and Financial guarantee		-	(3 330)	3 023
Deferred tax movement recognised in profit or loss		1 928	3 941	(5 883)
	B	24 884	(12 405)	230 240
Adjustment arising from investing activities				
Gains or losses on disposal of:				
Investment property and property, plant and equipment		6 955	1 173	5 101
	C	6 955	1 173	5 101
Foreign exchange and hedging activities				
Fair value adjustments on derivative financial instruments employed solely for hedging purposes		634	3 095	6 763
Foreign exchange gains or losses relating to capital items – realised and usnrealised		2 552	(1 401)	(19 698)
	D	3 186	1 694	(12 935)
Other adjustments:				
Income of capital nature		(6 909)	-	(22 367)
	E	(6 909)	-	(22 367)
SA REIT: A+B+C+D+E		57 635	57 979	133 557
Number of shares in issue ('000)		714 237	714 237	714 238
SA REIT funds from operations per share (cents)		8.1	8.1	18.7

SA REIT NET ASSET VALUE (“SA REIT NAV”)

Figures in R'000	31 August 2024	31 August 2023	29 February 2024
Reported NAV attributable to the parent	2 550 502	2 654 983	2 520 984
Adjustments:			
Fair value of derivative financial instruments	-	(4 302)	(636)
Deferred tax	4 733	12 629	2 805
SA REIT NAV	2 555 235	2 663 310	2 523 153
Shares outstanding:			
Number of shares in issue at period end (net of treasury shares)	714 237	714 237	714 238
Effect of dilutive instruments (options, convertibles and equity interests)	-	-	-
Dilutive number of shares in issue	714 237	714 237	714 238
SA REIT NAV per equity share (rand)	3.6	3.7	3.5

SA REIT LOAN-TO-VALUE (“SA REIT LTV”)

Figures in R'000	31 August 2024	31 August 2023	29 February 2024
Gross debt	3 899 695	4 138 572	4 035 296
Add:			
Cash and Cash equivalents	86 800	66 747	79 061
Derivative financial instruments	-	-	-
Net debt	3 986 495	4 205 319	4 114 357
Total assets per statement of financial position	6 791 593	7 154 215	6 876 731
Less:			
Cash and Cash equivalents	(6 585)	(16 319)	(15 555)
Trade and other receivables	(144 470)	(119 896)	(107 423)
Derivative financial instruments interests	-	(4 302)	(636)
Carrying amount of property-related assets	6 640 538	7 013 698	6 753 117
SA REIT LTV	60.0%	60.0%	60.9%

SA REIT RATIOS

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

SA REIT COST-TO-INCOME RATIO

Figures in R'000	31 August 2024	31 August 2023	29 February 2024
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	220 498	219 375	483 870
Bad debt expenses and ECL allowances associated with rental income	3 684	(8 127)	(471)
Administrative expenses per IFRS income statement	49 391	50 847	96 564
Exclude:			
Depreciation expense - property, plant & equipment	(2 142)	(1 634)	(3 604)
Operating costs	271 431	260 461	576 359
Rental income			
Contractual rental income per IFRS income statement (Excluding straight-lining)	473 779	478 830	960 010
Utility and operating recoveries per IFRS income statement	109 876	94 922	202 607
Gross rental income	583 655	573 752	1 162 617
SA REIT cost-to-income ratio	46.5%	45.4%	49.6%

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

Figures in R'000	31 August 2024	31 August 2023	29 February 2024
Expenses			
Administrative expenses per IFRS income statement	49 391	50 847	96 564
Rental income			
Contractual rental income per IFRS income statement (Excluding straight-lining)	473 779	478 830	960 010
Utility and operating recoveries per IFRS income statement	109 876	94 922	202 607
Gross rental income	583 655	573 752	1 162 617
SA REIT administrative cost-to-income ratio	8.5%	8.9%	8.3%

SA REIT GLA VACANCY RATE

	31 August 2024	31 August 2023	29 February 2024
GLA of vacant space (m²)	245 234	289 127	275 197
GLA of total property portfolio (m ²)	793 592	837 956	823 350
SA REIT GLA vacancy rate	30.9%	34.5%	33.4%

WEIGHTED AVERAGE COST OF DEBT

	31 August 2024	31 August 2023	29 February 2024
Variable interest rate borrowings:			
Floating reference rate plus weighted average margin	11.4%	11.6%	11.4%
Fixed interest rate borrowings:			
Weighted average fixed rate	-	7.0%	6.0%
All-in weighted average cost of debt	11.4%	10.1%	10.0%



BESTMED BUILDING
Gauteng (3 684m² - GLA)



CORPORATE INFORMATION

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 (Chief Executive Officer)
Zwelifikile ("Fikile") Mhlontlo (Chief Financial Officer)
Sindiswa Victoria Zilwa (Lead Independent non-executive director)
Brett Dylan Copans (Independent non-executive director)
Solly Mboweni (Independent non-executive director)
Tshepo Matlala (Independent non-executive director)

COMPANY SECRETARY

Vasta Mhlongo

REGISTERED OFFICE

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KPMG Crescent, 85 Empire Road, Parktown, 2193

SPONSOR

Nedbank Corporate and Investment
Banking, a division of Nedbank Limited



101 DE KORTE
Gauteng (6 610m² – GLA)



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