

GEN – General – Delta Property Fund Limited

Censure imposed by the JSE on Delta Property Fund Limited (“**Delta**” or “**Company**”)

The JSE hereby informs stakeholders of the following findings in respect of the Company:

1. On 9 December 2020, Delta informed shareholders that its external auditor had withdrawn its Audit Opinion in respect of the Company’s Annual Financial Statements for the year ended February 2020 (“**2020 AFS**”). As a result, continued reliance on the 2020 AFS was no longer appropriate, and Delta withdrew its 2020 AFS on 9 December 2020.
2. On 22 April 2021, Delta reissued and restated its 2020 AFS which also contained restatements to the annual financial statements for the periods ended 28 February 2018 and 28 February 2019, and interim financial statements for the six months ended 31 August 2019 (“**2020 interims**”) to correct a substantial number of prior period errors in accordance with International Financial Reporting Standards (“**IFRS**”).

Background to the restatements

3. During 2020, the Company initiated independent forensic investigations into practices involving governance failings and suspected wrongdoing (“**forensic investigations**”) that occurred in previous financial reporting periods.
4. The forensic investigations uncovered a lack of oversight mechanisms, governance failings and wrongdoing in prior financial periods which arose during the tenure of previous executive management which resulted in irregularities; the payment of commissions by the Company amounting to R43.9 million (for the 2018, 2019 and 2020 financial years) resulting from invalid, lapsed or no broker mandates; fraud resulting from unethical dealings; and non-disclosure of related-party transactions to the Board. As a result, the Company restated its annual financial statements for the financial periods ended 28 February 2018 and 28 February 2019 and the 2020 interims. The Company was transparent by correcting the prior period errors and disclosing the improprieties to the market.
5. The financial impact of the restatements of prior period errors in the 2019 annual financial statements were material in that:
 - i. Loans due from subsidiaries decreased by 100%
 - ii. Non-current assets held for sale decreased by 97%

- iii. Cash and cash equivalents increased by 229%
- iv. Non-controlling interests increased by 100%
- v. Retained income decreased by 87%
- vi. Lease liabilities increased by 100%
- vii. Admin expenses increased 29%
- viii. Fair value of investment property decreased by 318% due to the downward valuation thereof
- ix. Interest income decreased by 10%
- x. Profit for the period decreased by 219% into a loss for the period
- xi. Earnings per share of 39.80 cents decreased to a loss per share of 81.59 cents per share (205%)
- xii. Headline earnings per share decreased by 9%

JSE's findings and decision to censure Delta

6. Delta's previously published financial information for the 2018 to 2020 financial periods did not comply with IFRS and were incorrect, false, and misleading in material aspects and this incorrect information was disseminated to shareholders, the JSE and the investing public. In these circumstances the JSE found that Delta failed to comply with the following provisions of the JSE's Listings Requirements:
 - i. Paragraph 8.62(b) in respect of the previously published annual financial statements for the financial years ended 28 February 2018, 28 February 2019 and the 2020 AFS which were not prepared in accordance with IFRS and were restated due to the numerous errors contained therein with regards to measurement and presentation; and
 - ii. Paragraph 8.57(a) in respect of the previously published 2020 interims which did not comply with the requirements of IFRS and were restated due to the numerous errors contained therein.

7. The accuracy and reliability of financial information published by companies play a pivotal role in maintaining a fair, efficient, and transparent market. The provisions of the Listings Requirements, which impose various important obligations on listed companies in respect of the disclosure of financial information, enhance the integrity of the market and promote investor confidence. Consequently, the Company and its directors are obliged to ensure that all financial information and reports that are published are, in all material aspects, accurate and correct. Furthermore, the investing public depends on a company's disclosed financial information to make crucial investment decisions.

8. For these reasons and with reference to the JSE's findings of breach, the JSE has decided to impose a public censure and the maximum fine of R7 500 000 (seven million five hundred thousand rand) on Delta as a result of its failure to comply with important provisions of the Listings Requirements.
9. The JSE has considered all the relevant facts and information at its disposal in deciding on an appropriate censure and financial penalty as a result of Delta's transgressions of the Listings Requirements which include, Delta's forensic investigations that uncovered irregular accounting and other practices, its full cooperation and assistance in the JSE's investigation, the current economic climate, the remedial actions undertaken by the current Executive Management and the interests of shareholders, the JSE and the investing public. In these circumstances, the JSE has decided to suspend R5 000 000 (five million rand) of the fine for a period of five years on condition that Delta is not found to be in breach of the provisions of the Listings Requirements pertaining to the accuracy of its financial information, financial reporting and related disclosures during the period of suspension.
10. The fine imposed against Delta will be appropriated in accordance with section 11(4) of the Financial Markets Act, 19 of 2012 read with section 1.25 of the Listings Requirements which includes, inter alia, the settlement of any external costs incurred by the JSE which may arise through the enforcement of the provisions of the Listings Requirements and/or in furtherance thereof.
11. It is important to note the provisions of section 11(5) of the Financial Markets Act, which stipulate that the Listings Requirements are binding on companies and their directors. The JSE is therefore duty bound to properly investigate all potential breaches of the Listings Requirements by companies and their directors and to take the necessary and appropriate action if the Company and/or its directors failed to comply with the provisions of the Listings Requirements.

Other parties regulated by the JSE

12. This concludes the JSE's process in respect of the Company as a juristic person. The investigation into the conduct of individuals that presided at the Company during the periods in question and who are bound by the Listings Requirements is ongoing.

16 February 2024