HEARTWOOD PROPERTIES LIMITED
Incorporated in the Republic of South Africa
(Registration number 2017/654253/06)
4AX Share Code: 4AHWP
ISIN: ZAE400000044
(“Heartwood Properties” or “the Company")

Consolidated and Separate Financial Statements
for the year ended 29 February 2020

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Heartwood and its subsidiaries ("Group") main business activity is property investment
Directors	LJ Whall J Dumas JH Scher MR Evans AG Utterson B Seeff PR Gent (appointed February 2020)
Registered office	Unit 8 Tonquani House 6 Gardner Williams Avenue Paardevlei Somerset West 7130
Business address	Unit 8 Tonquani House 6 Gardner Williams Avenue Paardevlei Somerset West 7130
Bankers	Standard Bank of South Africa Limited
Auditors	Mazars Registered Auditor
Secretary	Kilgetty Statutory Services Proprietary Limited
Company registration number	2017/654253/06
Tax reference number	9627959175
Level of assurance	These consolidated and separate financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The consolidated and separate financial statements were independently compiled by: Finleys Outsourced Business Services Proprietary Limited - M Voges CA(SA), under the supervision of J Dumas CA(SA), financial manager.
Published	05 June 2020
External issuer agent	Pallidus Capital Proprietary Limited
4AX share code	4AHWP

General Information

ISIN	ZAE400000044

Contents

Audit Committee Report

The audit and risk committee has pleasure in submitting this report, as required by section 94 of the South African Companies Act No 71 of 2008 (“the **Act**”).

FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee has adopted formal terms of reference, delegated to it by the board of directors. The audit and risk committee has discharged its functions in terms of its terms of reference and ascribed to it in terms of the Act as follows:

- Reviewed and monitored key policies and processes;
- Made recommendations to the Board regarding the appointment of the auditor and lead audit partner
- Verified the independence of the external auditors, Mazars for 2020 and noted the appointment of Ms Yolandie Ferreira as audit partner for the subsidiary and consolidation financial audit;
- Approved the audit fees and engagement terms of the external auditors;
- Oversee and reviewed the quality of the effectiveness of the external audit;
- Determined the nature and extent of allowable non-audit services and preapproved the contract terms for the provision of non-audit services by the external auditors, where applicable;
- Reviewed the effectiveness of the financial director and finance function;
- Reviewed financial results and made recommendations to the Board;
- Reviewed financial statements and reports from the external auditors and made recommendations to the Board;
- Took appropriate steps to ensure that the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa;
- Reviewed the external audit reports on the annual financial statements;
- Reviewed significant financial reporting issues and assessed the appropriateness of accounting policies;
- Evaluated the effectiveness of the risk management framework, controls and governance processes;
- Reviewed material risk exposures;
- Monitored the existence, nature, extent, implementation and effectiveness of the internal control processes and, when appropriate, makes recommendations on internal financial controls.

MEMBERS OF THE AUDIT COMMITTEE AND ATTENDANCE AT MEETINGS

The audit and risk committee consists of the non-executive directors listed hereunder and meets at least twice per annum in accordance with the audit and risk committee terms of reference. All members act independently as described in section 269A of the Companies Act. During the year two meetings were held.

- P Gent – Chairman – appointed February 2020
- B Seeff
- J Scher
- M Evans – resigned February 2020

INTERNAL AUDIT

The audit committee has oversight of the Heartwood Properties and its subsidiaries ("the **Group**") financial statements and reporting process, including the system of internal financial control.

Based on the review of the Heartwood Group’s system of internal controls and risk management, and considering the information and explanations given by management and discussions with the external auditor on the results of the audit, nothing has come to the attention of the committee that caused it to believe that the Heartwood Group’s system of internal controls and risk management were not effective, and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

Audit Committee Report

ATTENDANCE

The external auditors attended the meeting of the audit and risk committee. Executive directors attended meetings by invitation.

CONFIDENTIAL MEETINGS

Audit and risk committee agendas provide for confidential meetings between the committee members and the external auditors.

EXTERNAL AUDITORS

In determining the independence of the external auditors, the committee considered the level and types of non-audit services provided as well as other enquiries and representations. The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from Heartwood. In addition the committee has satisfied itself that the auditors' independence was not prejudiced by any consultancy, advisory or other work undertaken or as a result of any previous appointment as auditor.
The prospect of mandatory audit firm rotation was not considered by the committee during the current financial year. As required by the Companies Act, the committee has satisfied itself that the Company's external auditor, was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act and is thereby able to conduct its audit functions without any undue influence from the company.
Mazars was appointed during November 2019 for the 29 February 2020 audit.
The committee was satisfied with the quality of the audit concluded and has nominated, for re-appointment at the annual general meeting, Mazars as the external auditor of the Company for the financial year ending 28 February 2021 and
Ms Yolandie Ferreira as the designated individual.

SIGNIFICANT AREAS OF JUDGEMENT

Many areas within the financial statements that requires judgement forms an integral part of the financial statements. The committee has assessed the significance of the assets and liabilities on the statements of financial position and relating items that require significant judgement and the following key matters are highlighted:

Valuation of investment property
The major risk relating to investment property is the valuation of the investment property. Valuation of investment property has been highlighted as an area of critical judgements and estimates in note 1.3 of the annual financial statements. Each property is externally valued once every year by a registered independent valuer.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

The audit and risk committee performs an annual evaluation of the financial reporting function in the Company. The committee was satisfied that the financial reporting function had appropriate resources, skills, expertise and experience. The committee also confirmed that it is and was satisfied that Ms Koba Dumas, the Company chief financial officer, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during her service as such.

DISCHARGE OF RESPONSIBILITIES

The audit and risk committee determined that during the financial year under review it had discharged its legal and other responsibilities as governed in the board approved terms of reference.

Audit Committee Report

ANNUAL REPORT

• Annual report and financial statements

After review of the annual financial statements for the year ended 29 February 2020, the committee is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and IFRS as issued by the IASB, and fairly present the results of operations, cash flow and the financial position. On this basis, the committee recommended that the board of directors approve the annual financial statements for the year ended 29 February 2020.

Peter Gent
Chair: Audit and Risk Committee

5 June 2020

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the group at the reporting date and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors ("the Board") sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the group's cash flow forecast for the year to 28 February 2021 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's consolidated and separate financial statements.The consolidated and separate financial statements have been examined by the group's external auditors and their report is presented on pages 12 to 17.

The consolidated and separate financial statements set out on pages 18 to 73, which have been prepared on the going concern basis, were approved by the Board and signed on their behalf by:

Approval of financial statements

LJ Whall

Friday, 05 June 2020

JH Scher

Group Secretary's Certification

Declaration by the Group secretary in respect of Section 88(2)(e) of the Companies Act 71 of 2008

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, we declare that to the best of our knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act of South Africa No 71 of 2008 and that all such returns are true, correct and up to date.

Kilgetty Statutory Services (Pty) Ltd
Company Secretary
05 June 2020

Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of Heartwood Properties Limited and its subsidiaries ("the **Group**") and the Company for the year ended 29 February 2020.

1. Nature of business

Heartwood Properties Limited is an investment entity incorporated in South Africa with interests in the property holding industry. The Company does not trade, and all of its activities are undertaken through its principal subsidiaries. The Group operates in South Africa.

There have been no material changes to the nature of the Group's business from the prior year.

2. Review of financial results and activities

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 2.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated and separate financial statements .

3. Share capital

		2020	2019
Authorised		Number of shares	
400,000,000 Ordinary shares		400,000,000	400,000,000

	2020	2019	2020	2019
Issued	R	R	Number of shares	
128,222,279 (2019: 116,843,207) Ordinary no par value shares	77,676,184	69,937,185	128,222,279	116,843,207

Refer to note 14 of the consolidated and separate financial statements for detail of the movement in authorised and issued share capital.

4. Control over unissued shares

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act 71 of 2008. As this general authority remains valid only until the next Annual General Meeting ("**AGM**"), the shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares under the control of the directors until the next AGM.

5. Dividends

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board of directors ("the **Board**") may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board may pass on the payment of dividends.

The Board decided to retain any available reserves and surplus funds for future developments and investment opportunities. The Board has therefore resolved not to declare a dividend for the financial year ended 29 February 2020.

Directors' Report

6. Directorate

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

Directors	Office	Designation	Changes
LJ Whall	Chief Executive Officer	Executive	
J Dumas	Financial Director	Executive	
JH Scher	Chairperson	Non-executive	
MR Evans	Director	Non-executive	
AG Utterson	Director	Executive	
B Seeff	Director	Non-executive	
PR Gent	Director	Non-executive	Appointed 17 February 2020

7. Directors' interests in securities of the Company

At the reporting date, the directors of the company held direct and indirect beneficial interests in 74.54% (2019:80.70%) of its issued ordinary shares, as set out below.

Interests in shares - indirect

Directors	2020 Indirect %	2019 Indirect %	2020 Indirect	2019 Indirect
LJ Whall	31.38	34.43	40,230,329	40,230,329
MR Evans	8.26	8.38	10,595,632	9,786,387
AG Utterson	20.00	21.95	25,649,769	25,649,769
B Seeff	14.51	15.94	18,600,000	18,624,669
	74.15	**80.70**	**95,075,730**	**94,291,154**

Interests in shares - direct

Directors	2020 Direct %	2019 Direct %	2020 Direct	2019 Direct
J Dumas	0.04	-	45,455	-
JH Scher	0.35	-	453,898	-
	0.39	**-**	**499,353**	**-**

The register of interests of directors and others in shares of the Company is available to the shareholders on request.

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

8. Directors' interests in contracts

The head office of the Company is being leased from a company in which LJ Whall has an indirect interest.

No other contracts were entered into which directors or officers of the Group had an interest and which significantly affected the business of the Group.

9. Property, plant and equipment

Other than the change indicated in the prior period error note 37, there was no change in the nature of the property, plant and equipment of the Group or in the policy regarding their use.

Directors' Report

10. Investment property

Other than the change indicated in the prior period error note 37, there was no change in the nature of the investment property of the Group or in the policy regarding their use.

11. Events after the reporting period

On 26 March 2020 the President of South Africa announced a nation-wide lockdown in an attempt to curb the spread of the COVID-19 virus. This nation-wide lockdown will have a negative effect on the business operations of the company’s tenants which will affect their ability to honour their contractual rental and recovery obligations. Should the lockdown continue for an extended period of time there will be a material impact on the earnings of the company.

The financial effect of the situation cannot be reasonably estimated at this stage. Refer Note 33 – Events after the Reporting Period in the financial statements for more detail.

The prime interest rate of South-Africa decreased by 2.5% decrease during March, April and May 2020 which will have a positive impact on the company due to savings on interest payable to borrowers.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

12. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. Refer note 33 – Events after the reporting period in the financial statements for more detail.

The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

13. Auditors

Mazars was appointed in office as auditors for the Group for 2020.

14. Secretary

The company secretary is Kilgetty Statutory Services Proprietary Limited.

15. Date of authorisation for issue of financial statements

The consolidated and separate financial statements have been authorised for issue by the Board on Friday, 05 June 2020. No authority was given to anyone to amend the consolidated and separate financial statements after the date of issue.

Independent Auditor's Report

To the Shareholders of Heartwood Properties Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Heartwood Properties Limited (the group and company) set out on pages 18 to 73, which comprise the consolidated and separate statements of financial position as at 29 February 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

REGISTERED AUDITOR – A FIRM OF CHARTERED ACCOUNTANTS(SA) • IRBA REGISTRATION NUMBER 900222

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Key Audit Matters

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

Matter	Audit response
Valuation of investment properties (note 4) The Group's accounting policy in note 1.4 states that investment property is measured at fair value. The property's valuation takes into account property-specific information such as the current tenancy agreements and rental income. Assumptions are made for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The valuation of the Group's investment properties, as detailed in note 4 of the consolidated financial statements, involves significant judgements made by the external valuation expert, particularly those around the selection of valuation models and the inputs to those models, current market conditions and its rental levels. The significance of the valuations at year end, estimates and judgements involved, including the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.	We tested the valuation reports for all the properties selected where management relied on externally generated valuation reports and confirmed that the valuation approach for each was in accordance with external market information and suitable for use in determining the carrying value for the purpose of the consolidated financial statements. We performed substantive tests of detail and substantive analytical review procedures to assess whether the fair value of income generating investment property is reasonable. These include the following approach: • agreeing the valuation of all investment properties per the general ledger, to the valuation reports prepared by external experts appointed by the Directors; • considering the terms of engagement and basis of preparation of externally prepared property valuation reports; • recalculating any specified valuation workings; • assessing the competence, capability, objectivity and integrity of management's appointed expert; • testing the key assumptions used in the determination of the fair value in the valuation report, including analysing the accuracy of the rental income in the calculations compared to the actual results and comparing discount rates used to available industry data for existing investment properties; and • assessing the adequacy of disclosures with regard to the investment property portfolio held in the consolidated and separate financial statements. Having performed our audit procedures and evaluated the outcomes, we concluded that our audit procedures appropriately address the key audit matter.

<table>
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<td>Impact of outbreak of COVID-19 on the consolidated financial statements (note 33)

The South-African economy has been deeply impacted by the COVID-19 pandemic and the resulting nation-wide lockdown which has been in effect since 27 March 2020. The lack of a clear timeline on the lifting of the lockdown causes further socio-economic uncertainty and will negatively impact on the business operations of the company and its tenants in South Africa.

The directors’ consideration of the impact on the financial statements are disclosed in note 33. Whilst the situation is still evolving, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate.

As per note 33 to the consolidated financial statements, the directors’ have also concluded that COVID-19 is a non-adjusting post balance sheet event.</td>
<td>We assessed the directors’ conclusion that the matter be treated as a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate. We considered:

The timing of the development of the outbreak across the world and in South Africa; and
How the financial statements and business operations of Heartwood Properties Limited and its subsidiaries might be impacted by the disruption.

In forming our conclusions over going concern, we evaluated how the directors’ going concern assessment considered the impacts arising from COVID-19 as follows:

We reviewed the directors’ going concern assessment including COVID-19 implications based on a ‘most likely’ scenario. We made enquiries of directors to understand the period of assessment considered by directors, the completeness of the adjustments taken into account and implication of those when assessing the ‘most likely’ scenario on the Group’s future financial performance;
We evaluated the key assumptions in the ‘base case’ forecast and the ‘worst case scenario’ forecast and assessed the reasonableness of the assumptions used given the information existing at the date of the audit procedures; We examined the minimum cash inflow/committed facility headroom under the ‘base case’ monthly cash flow forecasts as disclosed in the financial statements and evaluated whether the directors’ conclusion that liquidity headroom remained in all events was reasonable; and
We evaluated the adequacy and appropriateness of the directors’ disclosure in respect of COVID-19 implications, in particular disclosures within principal risks & uncertainties, post balance sheet events and going concern.

Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements.</td>
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Other Matter

The financial statements of Heartwood Properties Limited for the year ended 28 February 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 30 May 2019.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Heartwood Properties Limited Annual Financial Statements for the year ended 29 February 2020”, which includes the Directors’ Report, the Audit Committee Report and the Company Secretary’s Certification, which is required by the Companies Act of South Africa, and the Annual Report Supplementary Information which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Heartwood Properties Limited for one year.

Mazars
Partner: Yolandie Ferreira
Registered Auditor
Date: 05 June 2020
Cape Town

Statements of Financial Position as at 29 February 2020

		Group			Company	
Figures in Rand	Notes	2020	2019 Restated *	2018 Restated *	2020	2019 Restated *
Assets						
Non-Current Assets						
Property, plant and equipment	3	196,300	109,268	-	-	-
Investment property	4	184,532,869	148,761,753	114,993,749	-	-
Lease incentive	5	1,707,755	1,960,756	2,213,756	-	-
Operating lease asset	6	8,871,988	6,424,395	4,045,311	-	-
Goodwill		19,110	19,110	-	-	-
Investments in subsidiaries	7	-	-	-	67,894,000	64,000,003
Loans to group companies	8	-	-	-	67,226,979	46,314,834
Investments at fair value	9	4,011,320	-	-	-	-
		199,339,342	**157,275,282**	**121,252,816**	**135,120,979**	**110,314,837**
Current Assets						
Inventories	10	9,861,569	-	-	-	-
Loans receivable	11	-	88,943	105,174	-	-
Trade and other receivables	12	2,848,625	1,128,151	1,139,946	-	-
Current tax receivable		35	35	607,715	-	-
Cash and cash equivalents	13	5,073,014	4,438,489	5,519,048	22,203	516,601
		17,783,243	**5,655,618**	**7,371,883**	**22,203**	**516,601**
Total Assets		**217,122,585**	**162,930,900**	**128,624,699**	**135,143,182**	**110,831,438**
Equity and Liabilities						
Equity						
Equity Attributable to Equity Holders of Parent						
Share capital	14	77,676,184	69,937,185	59,000,003	77,676,184	69,937,185
Foreign control translation reserve	29	215,906	-	-	-	-
Retained income		13,170,825	6,133,020	896,643	12,386	-
		91,062,915	76,070,205	59,896,646	77,688,570	69,937,185
Non-controlling interest	15	602,157	594,340	469,974	-	-
		91,665,072	**76,664,545**	**60,366,620**	**77,688,570**	**69,937,185**
Liabilities						
Non-Current Liabilities						
Interest-bearing borrowings	16	100,256,894	69,285,903	52,068,205	56,324,792	40,394,254
Long-term employee benefit	17	199,336	-	-	-	-
Deferred tax	18	14,022,740	11,439,883	9,223,549	-	-
		114,478,970	**80,725,786**	**61,291,754**	**56,324,792**	**40,394,254**

* See Note 37

Statements of Financial Position as at 29 February 2020

		Group			Company	
Figures in Rand	Notes	2020	2019 Restated *	2018 Restated *	2020	2019 Restated *
Current Liabilities						
Trade and other payables	19	7,780,434	3,350,152	1,459,979	-	499,999
Interest-bearing borrowings	16	3,180,670	2,182,812	5,506,346	1,125,004	-
Current tax payable		4,816	-	-	4,816	-
Bank overdraft	13	12,623	7,605	-	-	-
		10,978,543	**5,540,569**	**6,966,325**	**1,129,820**	**499,999**
Total Liabilities		**125,457,513**	**86,266,355**	**68,258,079**	**57,454,612**	**40,894,253**
Total Equity and Liabilities		**217,122,585**	**162,930,900**	**128,624,699**	**135,143,182**	**110,831,438**

* See Note 37

Statements of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Rand	Notes	2020	2019 Restated *	2020	2019 Restated *
Revenue	20	21,845,084	16,471,337	4,375,800	1,634,505
Other operating income		102,695	79,402	-	-
Net fair value gains	21	6,139,317	4,798,691	-	-
Movement in credit loss allowances	22	(19,500)	-	-	-
Other operating expenses		(11,749,741)	(8,749,351)	(1,405)	(16,176)
Operating profit	22	**16,317,855**	**12,600,079**	**4,374,395**	**1,618,329**
Finance income	23	176,464	266,713	18,607	16,176
Finance costs	24	(6,861,024)	(5,289,717)	(4,375,800)	(1,634,505)
Profit before tax		**9,633,295**	**7,577,075**	**17,202**	**-**
Income tax expense	25	(2,587,673)	(2,216,332)	(4,816)	-
Profit and total comprehensive income for the year		**7,045,622**	**5,360,743**	**12,386**	**-**
Profit and total comprehensive income attributable to:					
Owners of the parent		7,037,805	5,236,377	12,386	-
Non-controlling interest		7,817	124,366	-	-
		7,045,622	**5,360,743**	**12,386**	**-**

Basic and diluted earnings per share 0.06 cents (2019: 0.05 cents) (refer to note 39).

* See Note 37

Statements of Changes in Equity

Figures in Rand	Share capital	Foreign currency translation reserve	Retained income	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Group						
Opening balance as previously reported	59,000,003	-	6,695,666	65,695,669	884,145	66,579,814
Adjustments						
Prior period error (note 36)	-	-	(5,799,023)	(5,799,023)	(414,171)	(6,213,194)
Restated* balance at 01 March 2018 as restated	**59,000,003**	**-**	**896,643**	**59,896,646**	**469,974**	**60,366,620**
Restated* profit for the year	-	-	5,236,377	5,236,377	124,366	5,360,743
Total comprehensive income for the year	**-**	**-**	**5,236,377**	**5,236,377**	**124,366**	**5,360,743**
Issue of shares	10,937,182	-	-	10,937,182	-	10,937,182
Total contributions by and distributions to owners of company recognised directly in equity	**10,937,182**	**-**	**-**	**10,937,182**	**-**	**10,937,182**
Restated* balance at 01 March 2019	**69,937,185**	**-**	**6,133,020**	**76,070,205**	**594,340**	**76,664,545**
Profit for the year	-	-	7,037,805	7,037,805	7,817	7,045,622
Total comprehensive income for the year	**-**	**215,906**	**7,037,805**	**7,253,711**	**7,817**	**7,261,528**
Issue of shares	7,738,999	-	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	**7,738,999**	**-**	**-**	**7,738,999**	**-**	**7,738,999**
Balance at 29 February 2020	**77,676,184**	**215,906**	**13,170,825**	**91,062,915**	**602,157**	**91,665,072**
Note	14	29			15	

* See Note 37

Statements of Changes in Equity

Figures in Rand	Share capital	Foreign currency translation reserve	Retained income	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Company						
Balance at 01 March 2018	**59,000,003**	**-**	**-**	**59,000,003**	**-**	**59,000,003**
Issue of shares	10,937,182	-	-	10,937,182	-	10,937,182
Total contributions by and distributions to owners of company recognised directly in equity	**10,937,182**	**-**	**-**	**10,937,182**	**-**	**10,937,182**
Balance at 01 March 2019	**69,937,185**	**-**	**-**	**69,937,185**	**-**	**69,937,185**
Profit for the year	-	-	12,386	12,386	-	12,386
Total comprehensive income for the year	**-**	**-**	**12,386**	**12,386**	**-**	**12,386**
Issue of shares	7,738,999	-	-	7,738,999	-	7,738,999
Total contributions by and distributions to owners of company recognised directly in equity	**7,738,999**	**-**	**-**	**7,738,999**	**-**	**7,738,999**
Balance at 29 February 2020	**77,676,184**	**-**	**12,386**	**77,688,570**	**-**	**77,688,570**
Note	14	29			15	

* See Note 37

Statements of Cash Flows

		Group		Company	
Figures in Rand	Notes	2020	2019 Restated *	2020	2019 Restated *
Cash flows from operating activities					
Cash receipts from customers		19,279,913	14,333,459	4,375,712	1,634,506
Cash paid to suppliers and employees		(24,070,976)	(7,421,535)	(4,877,118)	(1,135,081)
Cash generated from operations	27	(4,791,063)	6,911,924	(501,406)	499,425
Finance income		176,464	266,713	18,607	16,176
Finance costs		(6,860,910)	(5,287,362)	(4,375,686)	-
Tax received	26	-	607,680	-	-
Net cash from operating activities		**(11,475,509)**	**2,498,955**	**(4,858,485)**	**515,601**
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(128,357)	(135,340)	-	-
Additions to investment property	4	(28,631,815)	(28,777,528)	-	-
Investments capitalised in the current year	28	-	-	(3,893,997)	-
Repayments by group companies		-	-	3,920,000	1,000
Loans advanced to group companies		-	-	(2,776,601)	(2,970,000)
Acquisition of investments		(3,798,602)	-	-	-
Receipts from loans receivable		-	16,231	-	-
Interest capitalised to investment property		(1,390,550)	(420,991)	-	-
Net cash used in investing activities		**(33,949,324)**	**(29,317,628)**	**(2,750,598)**	**(2,969,000)**
Cash flows from financing activities					
Proceeds on share issue	14	7,738,999	2,970,000	7,738,999	2,970,000
Proceeds from interest-bearing borrowings		42,296,366	23,833,622	-	-
Repayment of interest-bearing borrowings		(3,981,025)	(1,073,113)	(624,314)	-
Net cash from financing activities		**46,054,340**	**25,730,509**	**7,114,685**	**2,970,000**
Total cash and cash equivalents movement for the year		**629,507**	**(1,088,164)**	**(494,398)**	**516,601**
Cash and cash equivalents at the beginning of the year		4,430,884	5,519,048	516,601	-
Total cash and cash equivalents at end of the year	13	**5,060,391**	**4,430,884**	**22,203**	**516,601**

* See Note 37

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("**IFRS**") issued and effective at the time of preparing these consolidated and separate financial statements , the Companies Act 71 of 2008 of South Africa, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the listing requirements of 4 Africa Exchange Proprietary Limited ("**4AX listing Requirements**").

The consolidated and separate financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Group and Company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

1.2 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are entities which are controlled by the Group. The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the financial statements from the effective date of acquisition to the effective date of disposal.

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

Non-controlling interests in the net assets of consolidated subsidiaries are recognised within equity.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investments in subsidiaries in the separate financial statements

In the Company's separate financial statements, investments in subsidiaries are measured at cost less any accumulated impairment losses.

Accounting Policies

1.2 Consolidation (continued)

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Fair value estimation

Investment proprieties of the Group is measured at fair value. Qualified external valuers are consulted to determine the appropriate values. For detail on the assumptions made and inputs used in the determination of the fair value figures refer to note 4.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of furniture, office and computer equipment as well as tenant installations and water tanks are determined based on Group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Expected manner of realisation for deferred tax

Management have reviewed the investment property portfolio of the Group in order to determine the appropriate rate at which to measure deferred tax. Investment property is measured at fair value. The manner of recovery of the carrying amount, i.e. through use or sale, affects the determination of the deferred tax assets or liabilities. IFRS assumes that the carrying amount of investment property is recovered through sale rather than through continued use. Management considered the business model of the portfolio and concluded that the assumption is not rebutted and that the deferred taxation should be measured on the sale basis.

Acquisition classification

Judgement is required to consider whether an acquisition is a business combination or only an acquisition of property (asset acquisition). A deciding factor may for example be whether any employees are acquired together with the property (making it a business combination).

In the acquisition of Heartwood Ventures UK Limited, the Company acquired 100% of the issued share capital and the company was not trading at that point in time; therefore this was treated as the acquisition of a subsidiary and not as a business combination.

1.4 Investment property

Investment property is initially recognised at cost and subsequently measured at fair value. If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

A gain or loss arising from a change in fair value is included in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Tenant installations disclosed at part of investment property, is initially carried at cost and subsequently at cost less accumulated depreciation. Tenant installations are being amortised over the period of the lease.

Accounting Policies

1.5 Property, plant and equipment

Items of property, plant and equipment is measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Expenditure incurred subsequently is capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss.

Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fixtures	6 years
Office equipment	5 years
Computer equipment	3 years
Other property, plant and equipment (water tanks)	5 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 Lease incentive

The lease incentive relates to an amount paid to the tenant of R 3.5 million Rand. The amount has been paid in full and is being amortised over the remaining period of the revised lease term as agreed with the tenant

1.7 Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Accounting Policies

1.7 Financial instruments (continued)

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at:
- amortised cost;
- fair value through other comprehensive income – debt investment;
- fair value through other comprehensive income – equity investment;
- fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans and receivables, trade and other receivables and cash and cash equivalents are measured at amortised cost using the effective interest method. These financial assets meet both the criteria for measurement at amortised cost as mentioned above.

Trade receivables

The entire trade receivables balance is covered through the deposit therefore the exposure at year end is zero and no expected credit loss ("ECL") is recognised on this basis.

Loans to group companies and loans receivable

Loans to group companies (note 8) and loans receivable (note 11) are classified as financial assets subsequently measured at amortised cost. They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Investments in debt instruments at fair value through profit or loss

The investment in Glasgow (note 9) is classified as mandatorily at fair value through profit or loss. These investments do not qualify for classification at amortised cost or at fair value through other comprehensive income because either the contractual terms of these instruments do not give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, or the objectives of the group business model are met by selling the instruments rather than holding them to collect the contractual cash flows.

Financial assets – Business model assessment:

Performance of the business is assessed based on the success in collecting contractual cash flows instead of a focus on profit made on the sale of financial assets. The company's business model is a hold to collect business model.

Accounting Policies

1.7 Financial instruments (continued)

Financial assets – Subsequent measurement and gains and losses:

Financial assets at fair value through profit or loss
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

F**inancial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Borrowings and loans from related parties

Recognition and measurement

Borrowings and loans from related parties are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective-interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 24).

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 34 for details of risk exposure and management thereof.

Trade and other payables

Recognition and measurement

Trade and other payables comprise normal trade payables, related party trade payables, sundry payables, accrued expenses, deposits received, amounts received in advance, value added tax owing at year end. The financial liabilities included in this line item are classified as financial liabilities at amortised cost. They are measured initially at fair value and subsequently at amortised cost.

Bank overdrafts

Bank overdrafts are measured at amortised cost. The bank overdrafts are short term in nature and considered to be part of the funding of the operating activities of the entity.

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

1.8 Impairment of assets

Non-derivative financial assets:

Financial instruments
The company recognises loss allowances for estimate credit losses (ECLs) on financial assets measured at amortised cost. Financial instruments includes trade and other receivables (excluding VAT), loans receivables and cash and cash equivalents.

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt instruments that are determined to have low credit risk at the reporting date; and
- loan receivables for which credit risk (i.e. the risk of default) has not increased or changed significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company’s historical experience and informed credit assessment and including forward-looking information.

Trade and other receivables

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECLs.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

When required, the company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

Accounting Policies

1.8 Impairment of assets (continued)

The entire trade receivables balance is covered through the deposit therefore the exposure at year end is zero and no expected credit loss ("ECL") is recognised on this basis.

Cash and cash equivalents

The company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The company considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard and Poor's.

Loans receivables

The company assumes that the credit risk on a financial asset has increased significantly if payment terms are exceeded (trade receivables) or if contractual payments are not honoured (loan receivables).

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

Subsequent to initial recognition the loans are tested for impairment using the general approach. The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

A significant increase in credit risk for a loan with fixed repayment terms occurs when the company's liabilities exceed the fair value of the assets. The loan is considered to be credit impaired when the company has defaulted on the payment as stipulated in the loan agreement, and payment is not received within 30 days of agreed upon payment date.

The expected credit loss is calculated using the following formula: Probability of defaulted (PD) x Loss given default (LGD) x Expose at Default (EAD).

Cash flow forecasts are prepared on a range of possible scenarios taking into account historical and forward-looking qualitative and quantitative information. The average of these different forecasts are used to determine the ECL for these loan.

Impairment of loans with no fixed terms of repayment:

For loans receivable with no fixed terms of repayment, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the probability of default is usually small and the expected credit loss is immaterial as a result. If the borrower could not repay the loan if demanded at the reporting date, the group considers the expected manner of recovery to measure expected credit losses. This includes a ‘repay over time’ strategy.

Accounting Policies

1.8 Impairment of assets (continued)

If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss is limited to the effect of discounting the amount due on the loan (at the loan's effective interest rate, which is regarded as 0% if the loan is interest free) over the period until cash is realised. If the effective interest rate is 0%, and all strategies indicate that the lender would fully recover the outstanding balance of the loan, no impairment loss is recognised.

If the full balance of the loan cannot be recovered over time, a loss allowance is recognised.

Significant increase in credit risk on loans to group companies

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the company compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. This information includes budgets and forecasts and the financial health of the entity, as well as the future prospects of the industry in which the borrower operates.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

Definition of default on loans to group companies

The group considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the company considers that default has occurred when a loan instalment is more than 90 days past due unless the company has reasonable and supportable information that demonstrates otherwise.

For loans repayable on demand the group considers that an event of default has occurred if the borrower does not repay the loan when demanded. The group writes off a loan when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings.

Non-financial assets
At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.
Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Accounting Policies

1.9 Income tax

Income tax expense comprises of current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Accounting Policies

1.10 Leases (IFRS 16)

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Company as lessor

Leases for which the company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in revenue (note 20).

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

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.11 Leases (Prior year)

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

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

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

Income for leases is disclosed under revenue in profit or loss.

Accounting Policies

1.11 Leases (Prior year) (continued)

Operating leases – lessee

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

Any contingent rents are expensed in the period they are incurred.

1.12 Inventories

Inventories consist of properties held for sale and are measured at the lower of cost and net realisable value. The cost of the inventories is assigned using the specific identification method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

1.13 Share capital and equity

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the group in which they are declared.

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits relate to a a long term incentive scheme and is expensed as participants meet their annual targets. A liability is recognised for the amount expected to be paid based on the agreed targets and when the obligation can be estimated reliably.

1.15 Revenue

Revenue comprises rental income net of value-added tax. Rental income from properties is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Contingent rent received during the period was not considered to be material for the group. Non-performing trade receivables are those exceeding the standard repayment terms. Standard payment terms, per the rental agreements, are on average 7-14 days after invoice date. Interest is charged on all late payments and recognised as finance income.

Recoveries for municipal charges, electricity, water and rates and taxes are billed to lessees with the monthly rental invoice on a monthly basis. These recoveries are recognised when these services/goods are utilised by the tenant.

Accounting Policies

1.16 Finance income and finance costs

The Group’s finance income and finance costs include:
- interest income;
- interest expense.

Interest income or expense is recognised using the effective interest method.

Specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, such as properties under development, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All non-qualifying borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact:
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material.
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material.
• Uncertainty over Income Tax Treatments	01 January 2019	The impact of the amendments is not material.
• IFRS 16 Leases	01 January 2019	The impact of the amendments is not material.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 March 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Definition of material IAS 8 - The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	01 January 2020	Unlikely there will be a material impact

Notes to the Consolidated And Separate Financial Statements

3. Property, plant and equipment

Group	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	85,219	(20,408)	64,811	58,042	(7,741)	50,301
Office equipment	52,210	(13,795)	38,415	38,599	(6,076)	32,523
Computer equipment	49,978	(28,601)	21,377	38,699	(12,255)	26,444
Other property, plant and equipment	76,290	(4,593)	71,697	-	-	-
Total	**263,697**	**(67,397)**	**196,300**	**135,340**	**(26,072)**	**109,268**

Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	50,301	27,177	(12,667)	64,811
Office equipment	32,523	13,611	(7,719)	38,415
Computer equipment	26,444	11,279	(16,346)	21,377
Other property, plant and equipment	-	76,290	(4,593)	71,697
	109,268	**128,357**	**(41,325)**	**196,300**

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	-	58,042	(7,741)	50,301
Office equipment	-	38,599	(6,076)	32,523
Computer equipment	-	38,699	(12,255)	26,444
	-	**135,340**	**(26,072)**	**109,268**

Other property, plant and equipment includes water tanks.

4. Investment property

Group	2020			2019		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Investment property	185,730,336	(1,197,467)	184,532,869	149,682,607	(920,854)	148,761,753

4. Investment property (continued)

Reconciliation of investment property - Group - 2020

	Opening balance	Additions	Additions resulting from capitalised subsequent expenditure	Tenant installations	Interest capitalised	Amortisation	Fair value adjustments	Total
Investment property	148,761,753	5,998,302	19,357,639	2,581,743	1,390,550	(390,566)	6,139,317	183,838,738
Investment property under development	-	694,131	-	-	-	-	-	694,131
	148,761,753	**6,692,433**	**19,357,639**	**2,581,743**	**1,390,550**	**(390,566)**	**6,139,317**	**184,532,869**

Reconciliation of investment property - Group - 2019

	Opening balance	Additions	Additions resulting from capitalised subsequent expenditure	Tenant installations	Interest capitalised	Amortisation	Fair value adjustments	Total
Investment property	115,110,321	27,792,518	514,260	354,178	420,991	(229,206)	4,798,691	148,761,753

The fair value of the following investment property could not be determined reliably:

	Group 2020	Group 2019	Company 2020	Company 2019
Investment property under development	694,131	-	-	-

The fair value could not be determined reliably because the costs relate to properties still under development.

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

4. Investment property (continued)

Pledged as security

Carrying value of assets pledged as security:

Unit 1 & 2 - Block A, Willow Wood	51,373,967	53,505,845	-	-
Block B, Willow Wood	17,518,656	22,180,271	-	-
Block C, Willow Wood	20,309,897	19,361,269	-	-
Block D, Willow Wood	34,593,878	17,832,645	-	-
Erf 661, Lanseria Ext 46, Johannesburg, Gauteng	15,609,527	15,532,373	-	-
Erf 643, Lanseria Ext 45, Johannesburg, Gauteng	14,614,333	14,835,090	-	-
Erf 20, Lyme Park Township	29,818,480	6,364,260	-	-
	183,838,738	**149,611,753**	**-**	**-**

Borrowing costs capitalised

Borrowing costs capitalised to qualifying assets are linked to the prime overdraft rate less 0,25%.	9.50	10.00	-	-

Fair value of investment property

Value per above	184,532,869	148,761,753	-	-
Operating lease asset	8,871,988	6,424,395	-	-
Lease modification	1,707,755	1,960,756	-	-
	195,112,612	**157,146,904**	**-**	**-**

Details of properties

Investment properties

Acquisition at cost	63,887,915	63,887,915	-	-
Improvements and additions	74,631,685	48,957,562	-	-
Tenant installations	3,419,637	1,228,460	-	-
Interest capitalised	1,493,359	420,991	-	-
Fair value adjustment	40,406,142	34,266,825	-	-
Additions at cost	694,131	-	-	-
	184,532,869	**148,761,753**	**-**	**-**

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

4. Investment property (continued)

Details of valuation

The effective date of the revaluations was 28 February 2020. Revaluations were performed by independent valuers, of Mills Fitchet Valuations Proprietary Limited (company registration number 2015/063277/07), Mr P Niesing and Mr W Hewitt, who are registered with the South African Institute of Valuers. The valuers are not connected to the Group and have recent experience in location and category of the investment property being valued.

The valuation process makes use of a combination of the Discounted Cash Flow (DCF) and capitalisation of net income methods. Under the DCF method properties are valued by discounting the expected future net income for a specific period at an appropriate discount rate (or total rate of return) to give the present value (PV) of the expected net income cash flow. To this figure, an applicable final discounted residual or reversionary value is added. The net income is determined taking into account the gross income, vacancies and lease obligations from which all normalised operating expenses are deducted. Under the capitalisation of net income method, the net operating income generated by the property is divided by the capitalization rate.

Investment property fair value measurement is a level 3 fair value measurement in terms of IFRS 13.94(b).

The following assumptions were used for the properties listed above:
Capitalisation rate 8.75% - 9%
Discount period 5 - 7 years
Discount rate 13.25% - 15%
Vacancy rate 0.99% - 5.26%
Escalation rate of rent income 5% - 6%
Escalation rate of expenses 6% - 7%.

These assumptions are based on current market conditions.

The assumptions listed above are significant inputs in the valuation. A change in any of these rates or years could have a material impact on the valuation along the following lines:

Change in assumption	Impact on investment property valuation
Increase in the discount rate	Decrease
Decrease in the discount rate	Increase
Increase in the vacancy rate	Decrease
Decrease in the vacancy rate	Increase
Increase in the rental escalation rate	Increase
Decrease in the rental escalation rate	Decrease
Increase in the expense escalation rate	Decrease
Decrease in expense escalation rate	Increase

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

4. Investment property (continued)

Amounts recognised in profit or loss for the year

Rental income from investment property	19,650,491	14,345,254	-	-
Direct operating expenses from rental generating property	(8,484,959)	(6,443,561)	-	-
	11,165,532	**7,901,693**	**-**	**-**

5. Lease incentive

Group	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Lease incentive	3,500,000	(1,792,245)	1,707,755	3,500,000	(1,539,244)	1,960,756

Reconciliation of lease incentive - Group - 2020

	Opening balance	Amortisation	Total
Lease incentive	1,960,756	(253,001)	1,707,755

Reconciliation of lease incentive - Group - 2019

	Opening balance	Amortisation	Total
Lease incentive	2,213,756	(253,000)	1,960,756

The lease incentive was raised in accordance with IFRS 16 and is amortised over the lease term, being 10 years. The lease incentive relates to an amount paid to the tenant of R 3.5 million Rand.

6. Operating lease asset

Non-current assets	8,871,988	6,424,395	-	-

The operating lease contract for the Group's investment properties, as described in note 4, vary from a 3 year period up to a 10 year period. The operating lease escalation rates are between 7.5% to 8.5% per annum.

The undiscounted lease payments to be received in future are per the table below:

Maturity analysis of lease receipts

Within 1 year	16,856,960	15,336,163	-	-
Between 2 and 5 years	58,520,246	61,360,748	-	-
More than 5 years	29,373,901	43,554,202	-	-
	104,751,107	**120,251,113**	**-**	**-**

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

7. Investments in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly. The investments are carried at cost less any impairment losses.

Company

Name of company	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
Directly held				
Fargofor Proprietary Limited	100.00 %	100.00 %	29,237,173	29,237,173
Velvet Moon Properties 93 Proprietary Limited	100.00 %	100.00 %	29,762,830	29,762,830
Utter Velvet Proprietary Limited	100.00 %	100.00 %	5,000,000	5,000,000
K2018641266 (South Africa) Proprietary Limited	100.00 %	100.00 %	-	-
K2018642428 (South Africa) Proprietary Limited	100.00 %	100.00 %	-	-
K2019001133 (South Africa) Proprietary Limited	100.00 %	100.00 %	-	-
Heartwood Ventures UK Limited	100.00 %	- %	3,893,997	-
Indirectly held				
Nictokaybee Investment Proprietary Limited	70.00 %	70.00 %	-	-
Erf 733 Woodmead Ext 14 Proprietary Limited	80.00 %	80.00 %	-	-
			67,894,000	64,000,003

Reporting period

All subsidiaries, except the Heartwood UK Ventures, are incorporated in South Africa and have the same reporting date as the Company.

During the year, the Company acquired 100% of the issued shares in Heartwood Ventures UK Limited, a company incorporated in the United Kingdom. Heartwood Ventures UK Limited has the same reporting date as the Company.

The shareholding in K2018641226 (South Africa) Proprietary Limited, K2018642428 (South Africa) Proprietary Limited and K2019001133 (South Africa) Proprietary Limited were acquired in the prior year at no cost.

Refer note 28 for the detail on acquisition of the shareholding in Heartwood Ventures UK Limited.

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019
8. Loans to group companies				
Subsidiaries				
Velvet Moon Properties 93 Proprietary Limited The loan bears interest at prime overdraft rate less 0.75% per annum. Interest accrue on a monthly basis. The interest and capital will be repaid in one bullet payment on 31 October 2023. The interest rate at year end was 9.0% per annum (2019: 9.5%). The Block B and C of Willow Wood Office Park referred to in note 4 has been pledged as security.	-	-	32,354,460	17,368,955
Fargofor Proprietary Limited The loan bears interest at prime overdraft rate less 0.75% per annum. Interest accrue on a monthly basis. The interest and capital will be repaid in one bullet payment on 31 October 2023. The interest rate at year end was 9.0% per annum (2019: 9.5%). The property, Block A Willow Wood, referred to in note 4 has been pledged as security.	-	-	25,095,337	23,025,299
Velvet Moon Properties 93 Proprietary Limited The loan is unsecured interest free and has no fixed terms of repayment.	-	-	9,777,182	5,920,580
	-	**-**	**67,226,979**	**46,314,834**

Exposure to credit risk

Loans receivable inherently expose the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due.

Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period. These ratings are determined internally where external ratings are not available.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses."

8. Loans to group companies (continued)

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default and no amounts are past due	12m ECL
Doubtful	Either 30 days past due or there has been a significant increase in credit risk since initial recognition. A significant increase in credit risk is indicated by a significant decreases in the value of the borrower's investment property and changes in the scope of the business or organisational structure that result in a significant change in the borrower's ability to meet its debt obligations.	Lifetime ECL (not credit impaired)
In default	Either 90 days past due or there is evidence that the asset is credit impaired. Included in this category would be debt where the borrower is in significant financial difficulty, it has become probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of the market in which the borrower operates.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable by credit rating grade:

Company - 2020

Instrument	Internal credit rating	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries					
Velvet Moon Properties 93 Proprietary Limited	Performing	12m ECL	32,354,460	-	32,354,460
Fargofor Proprietary Limited	Performing	12m ECL	25,095,337	-	25,095,337
Velvet Moon Properties 93 Proprietary Limited	Performing	12m ECL	9,777,182	-	9,777,182
			67,226,979	**-**	**67,226,979**

8. Loans to group companies (continued)

Company - 2019

Instrument	Internal credit rating	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans to subsidiaries					
Velvet Moon Properties 93 Proprietary Limited	Performing	12m ECL	17,368,955	-	17,368,955
Fargofor Proprietary Limited	Performing	12m ECL	23,025,299	-	23,025,299
Velvet Moon Properties 93 Proprietary Limited	Performing	12m ECL	5,920,580	-	5,920,580
			46,314,834	**-**	**46,314,834**

ECLs are limited to the 12-month ECLs. Credit losses on the outstanding capital and interest are not expected as the value of each entity's underlying assets consist of investment property which would be sufficient to recover the loan balance over time. The expected value changes in the property industry, future cash forecasts and the credit ratings of tenants were all taken into account in this assessment. The value of the property is sufficient to cover the loan as well as other liabilities.

9. Investments at fair value

Investments held by the group which are measured at fair value, are as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
Mandatorily at fair value through profit or loss:				
Investment in Glasgow	4,011,320	-	-	-
An investment of £200 000 was made for a minority share in a property development project based in the United Kingdom. The transaction was facilitated through a UK based subsidiary owned by Heartwood Properties Limited.				
	4,011,320	**-**	**-**	**-**

Fair value information

Refer to note 38 Fair value information for details of valuation policies and processes.

10. Inventories

	Group 2020	Group 2019	Company 2020	Company 2019
Work in progress	9,861,569	-	-	-

Inventories consist of properties being developed for the purpose of selling it.

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

11. Loans receivable

Loans receivable is presented at amortised cost as follows:

Skyscraper Property Investments Proprietary Limited The loan was unsecured, interest free and was repayable on demand. The loan was impaired during the year.	-	88,943	-	-

Exposure to credit risk

Loans receivable inherently exposes the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due.

The loan was performing in the prior year and no expected credit loss was recognised. During the current year, the loan was assessed as non-performing, and therefore written off.

12. Trade and other receivables

Trade receivables	658,312	268,233	-	-
Loss allowance	(19,500)	-	-	-
Trade receivables at amortised cost	638,812	268,233	-	-
Deposits	113,070	145,200	-	-
Other receivables	-	99,500	-	-
Non-financial instruments				
VAT	2,096,743	464,346	-	-
Prepayments	-	150,872	-	-
Total trade and other receivables	**2,848,625**	**1,128,151**	**-**	**-**

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	751,882	512,933	-	-
Non-financial instruments	2,096,743	615,218	-	-
	2,848,625	**1,128,151**	**-**	**-**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5,073,014	4,438,489	22,203	516,601
Bank overdraft	(12,623)	(7,605)	-	-
	5,060,391	**4,430,884**	**22,203**	**516,601**

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

13. Cash and cash equivalents (continued)

Current assets	5,073,014	4,438,489	22,203	516,601
Current liabilities	(12,623)	(7,605)	-	-
	5,060,391	**4,430,884**	**22,203**	**516,601**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating (as per Standard & Poor's)				
Standard Bank of South Africa Limited (BB)	5,060,391	4,430,884	22,203	516,601

14. Share capital

Authorised				
400 000 000 Ordinary no par value shares	400,000,000	400,000,000	400,000,000	400,000,000

On 5 March 2019 the Company issued 755 543 ordinary shares with no par value at 66 cents per share to a private investor who was invited to submit an offer to subscribe for Heartwood Property shares. The aggregate subscription consideration was R499 999. The listed share price at the date of the transaction was 73 cents. Proceeds of the placement were utilised by the Company for property development projects.

On 20 December 2019 the Company issued 10 623 529 ordinary shares with no par value at 69 cents per share to selected private investors who were invited to submit offers to subscribe for Heartwood Property shares. The aggregate subscription consideration was R7 239 000. The listed share price at the date of the transaction was 73 cents. Proceeds of the placement were utilised by the Company for property development projects.

In the prior year the Company issued 16 843 202 ordinary no par value shares to the value of R10 937 182.

Shares to the value of R5 000 000 (7 598 744 shares at 66 cents each) were issued to the previous owners of Utter Velvet Proprietary Limited as part of an asset-for-share transaction referred to in terms of Section 42 of the Income Tax Act of 1962.

Reconciliation of number of shares issued:				
Reported as at 01 March 2019	116,843,207	100,000,005	116,843,207	100,000,005
Issue of shares – ordinary shares	11,379,072	16,843,202	11,379,072	16,843,202
	128,222,279	**116,843,207**	**128,222,279**	**116,843,207**

Issued				
128 222 279 (2019: 116 843 207) Ordinary no par value shares	77,676,184	69,937,185	77,676,184	69,937,185

	Group		Company	
Figures in Rand	2020	2019	2020	2019

15. Non-controlling interest

Non-controlling interest consist of profit or loss and reserves attributable to non-controlling shareholders of Erf 733 Woodmead Ext 14 Proprietary Limited and Nictokaybee Investments Proprietary Limited.

Velvet Moon Properties Proprietary Limited holds the shareholding of the abovementioned companies as per below:
Erf 733 Woodmead Ext 14 Proprietary Limited 80%
Nictokaybee Investments Proprietary Limited 70%.

Reconciliation of movement in non-controlling interest:

	Group 2020	Group 2019	Company 2020	Company 2019
Opening balance	594,340	884,145	-	-
Prior year error (note 36)	-	(414,171)	-	-
Restated profit for the year	7,817	124,366	-	-
	602,157	**594,340**	**-**	**-**

16. Interest-bearing borrowings

	Group 2020	Group 2019	Company 2020	Company 2019
Held at amortised cost				
Secured				
Standard Bank Limited - VAT Facility	-	789,837	-	-
The facility consists of the VAT portion of capital drawdowns submitted for the development of the property described as Block D Willow Wood (refer note 4), which has also been provided as security for the loan. The facility bore interest at prime overdraft rate, was repayable on a 3 month rolling period and was limited to R2 100 000.				
Standard Bank Limited - Development loan	23,932,711	-	-	-
The loan is secured over the property development described as Erf 20, Lyme Park Township in note 4. Limited sureties have been provided by Heartwood Properties Proprietary Limited to the value of R36,580,000. During the development of the property the loan carries interest at the prime overdraft rate less 0.25% per annum. The loan is repayable in full after 13 months and will be converted into a new term loan with specific terms.				

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019
16. Interest-bearing borrowings (continued)				
Standard Bank Limited - VAT Facility The facility consist of the VAT portion of capital drawdowns submitted for the development of the property described as Erf 20, Lyme Park Township in note 4, which has also been provided as security for the loan. The facility bears interest at the prime overdraft rate per annum and is repayable in full 4 months from disbursement.	829,693	-	-	-
Nedbank Limited The loan bears interest at prime overdraft rate less 0.25% and is repayable in monthly instalments of R145 430. The loan expires in September 2024. The interest rate at year end was 9.5% per annum. The securities provided for the loan are as follows: 1) Existing loan: R14,000,000 first covering bond over the property referred to in note 4; 2) New loan: a) Irrevocable guarantee of R1,357,000 from Abundant Media Proprietary Limited; b) Irrevocable guarantee from Heartwood Properties Limited for R3,167,000. Management has assessed the likelihood of the guarantees being called on to be low based on the financial position of the company.	11,324,764	-	-	-
Nedbank Limited - VAT Facility The facility consisted of the VAT portion of capital drawdowns submitted for the development of the property described as Erf 643 Lanseria in note 4, which has also been provided as security for the loan. The facility bore interest at prime overdraft rate, was repayable in full on a monthly basis and expired during May 2019.	-	9,580	-	-

	Group		Company	
Figures in Rand	2020	2019	2020	2019
16. Interest-bearing borrowings (continued)				
Standard Bank Limited - Development facility	-	13,079,759	-	-
The loan bore interest at prime overdraft rate less 0.25% and was secured over the property described as Block D, Willow Wood (refer note 4). Upon completion of the development the interest rate would have been prime overdraft rate less 0.75% per annum.				
No capital payments were required during the first 12 months after which the loan would have been consolidated to the facility held by Heartwood Properties Limited.				
Standard Bank Limited	57,449,796	40,394,254	57,449,796	40,394,254
The loan bears interest at the prime overdraft rate less 0.75%. The interest rate at year end was 9% (2019: 9.5%). This loan is repayable in monthly capital installments with a bullet payment on 31 October 2023.				
The property portfolios of Velvet Moon Properties 93 Proprietary Limited and Fargofor Proprietary Limited have been pledged as security (note 4).				
Nedbank Limited - Development loan	9,900,600	9,435,133	-	-
The loan is secured over the property development described as Erf 643, Lanseria in note 4. Limited sureties have been provided by Velvet Moon Properties 93 Proprietary Limited to the value of R5 000 000 and Chirpy Properties Proprietary Limited to the value of R1 000 000.				
During the development of the property the loan carried interest at prime overdraft rate, and on completion prime overdraft rate less 0.25% per annum.				
For the first 12 months only interest is repayable in monthly instalments, after which the loan is repayable in monthly instalments over a 10 year period with a final residual payment of R2 600 000.				

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019
16. Interest-bearing borrowings (continued)				
Nedbank Limited The loan bore interest at prime overdraft rate less 0.25% and was repayable in monthly instalments of R131 060. The loan terms expired in November 2025. The interest rate at the prior year end was 10% per annum. The bond was settled during the year and replaced with the bond listed above. The property referred to in note 4 was pledged as security. The loan was also secured by a cession of rental income and the lease agreement, limited surety from Abundant Media Proprietary Limited, Montagu Commercial Development Proprietary Limited, R Henderson and MR Evans.	-	7,760,152	-	-
	103,437,564	**71,468,715**	**57,449,796**	**40,394,254**

Split between non-current and current portions

Non-current liabilities	100,256,894	69,285,903	56,324,792	40,394,254
Current liabilities	3,180,670	2,182,812	1,125,004	-
	103,437,564	**71,468,715**	**57,449,796**	**40,394,254**

17. Long-term employee benefit

Long-term incentive scheme provision	199,336	-	-	-

During the year, the company introduced a long term incentive scheme ("LTI") with the objective to drive longer-term strategic and sustainable performance. The LTI makes use of two categories: performance units and retention units. Units are awarded annually to the invited participants and will vest after 3 years if the participant attained an average rating of greater than 3 for each category. The settlement will be either in cash or in shares in Heartwood Properties Limited or a combination and is based on Heartwood's net asset value. The decision will be made by the remuneration committee.

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

18. Deferred tax

Deferred tax (liability)/asset

Temporary difference - Amounts received in advance	90,289	67,937	-	-
Temporary difference - Provisions	127,464	81,722	-	-
Temporary difference - Operating lease asset	(2,484,156)	(1,798,832)	-	-
Deferred tax balance from temporary differences other than unused tax losses	(2,266,403)	(1,649,173)	-	-
Tax losses available for set off against future taxable income	2,895,810	2,233,094	-	-
	629,407	583,921	-	-
Deferred tax balance from temporary differences - Investment property held at fair value	(14,652,147)	(12,023,804)	-	-
Total deferred tax liability, net of valuation allowance recognised	**(14,022,740)**	**(11,439,883)**	**-**	**-**

Reconciliation of deferred tax liability

At beginning of year	(11,439,883)	(9,223,549)	-	-
Increases in tax loss available for set off against future taxable income - gross of valuation allowance	662,716	208,992	-	-
Taxable temporary difference movement income received in advance	22,352	67,936	-	-
Deductible temporary difference movement operating lease asset	(685,324)	(666,146)	-	-
Taxable temporary difference on provisions	45,742	81,723	-	-
Deductible temporary difference movement investment property at fair value	(2,628,343)	(1,908,839)	-	-
	(14,022,740)	**(11,439,883)**	**-**	**-**

Recognition of deferred tax asset

Management looked at projected cash flows, and based on their best estimates they feel future taxable income will be generated to utilise the deferred tax asset recognised on the tax losses.

Use and sales rate

The deferred tax rate applied to the fair value adjustments of investment properties is determined by the expected manner of recovery. Where the expected recovery of the investment property is through sale the capital gains tax rate of 22% (2019: 22%) is used (Investment property). If the expected manner of recovery is through indefinite use (Property, plant and equipment) the normal tax rate of 28% (2019: 28%) is applied.

Notes to the Consolidated And Separate Financial Statements

		Group		Company	
Figures in Rand		2020	2019	2020	2019

19. Trade and other payables

Trade payables		4,141,888	600,577	-	-
Trade payables - related parties		-	1,000	-	-
Sundry payables: Capital received in advanced		2	500,000	-	499,999
Sundry payables: Other		1,126	1,126	-	-
Accrued expenses		780,768	169,394	-	-
Deposits received		2,094,539	1,379,796	-	-
Accrued expenses: Rates and taxes		-	230,027	-	-
Non-financial instruments					
Amounts received in advance		461,936	242,633	-	-
VAT		300,175	225,599	-	-
		7,780,434	**3,350,152**	**-**	**499,999**

20. Revenue

Revenue					
Rental income		15,437,617	11,363,379	-	-
Lease incentive amortisation		(253,001)	(253,001)	-	-
Straightlining lease adjustment		2,447,593	2,379,084	-	-
Recoveries: Electricity, water, refuse, rates and taxes		4,212,875	2,981,875	-	-
		21,845,084	**16,471,337**	**-**	**-**
Revenue other than from contracts with customers					
Interest received (trading)		-	-	4,375,800	1,634,505
		21,845,084	**16,471,337**	**4,375,800**	**1,634,505**

21. Other operating gains (losses)

Net fair value gains					
Investment property - fair value gains	4	9,451,282	5,858,958	-	-
Investment property - fair value losses	4	(2,346,684)	(1,060,267)	-	-
		7,104,598	**4,798,691**	**-**	**-**

22. Operating profit (loss)

Operating profit for the year is stated after recognising the following, amongst others:

Auditor's remuneration - external					
Audit fees		328,000	234,600	-	-

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019
22. Operating profit (loss) (continued)				
Remuneration, other than to employees				
Consulting and professional services	759,991	409,958	-	16,176
Secretarial services	176,838	105,462	-	-
	936,829	**515,420**	**-**	**16,176**
Employee benefit expense				
Short-term employee benefits	2,837,795	2,140,033	-	-
Long term incentive scheme	199,336	-	-	-
Total employee costs	**3,037,131**	**2,140,033**	**-**	**-**
Leases				
Operating lease charges				
Premises	78,955	87,821	-	-
Depreciation				
Amortisation of investment property tenant installations	390,566	229,207	-	-
Depreciation of property, plant and equipment	41,325	26,072	-	-
Total depreciation and amortisation	**431,891**	**255,279**	**-**	**-**
Other				
Accounting fees	317,759	212,705	-	-
Levies	1,723,124	1,351,524	-	-
Listing costs	169,529	384,240	-	-
Municipal expenses	3,473,832	2,965,965	-	-
Travel - Local	137,768	119,549	-	-

23. Finance income

Financial assets at amortised cost				
Bank and other cash	176,464	263,051	18,607	16,176
Finance income derived from non-financial assets				
Finance income - SARS	-	3,662	-	-
	176,464	**266,713**	**18,607**	**16,176**

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

24. Finance costs

Financial liabilities measured at amortised cost				
Interest-bearing borrowings	6,858,523	5,284,541	4,375,800	1,634,505
Other interest paid	2,467	-	-	-
Trade and other payables	34	2,821	-	-
Finance cost derived from non-financial liabilities				
Tax authorities - SARS	-	2,355	-	-
	6,861,024	**5,289,717**	**4,375,800**	**1,634,505**

25. Income tax expense

Major components of income tax expense

Current				
Local income tax - current period	4,816	-	4,816	-
Deferred				
Originating and reversing temporary differences: Fair value of investment properties	2,628,343	1,908,839	-	-
Benefit of unrecognised tax loss	(662,716)	(208,992)	-	-
Deferred tax: Operating lease asset	685,324	666,146	-	-
Deferred tax: Amounts received in advance	(22,352)	(67,937)	-	-
Deferred tax: Provisions	(45,742)	(81,724)	-	-
	2,582,857	**2,216,332**	**-**	**-**
	2,587,673	**2,216,332**	**4,816**	**-**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	9,633,295	7,577,075	17,202	-
Tax at the applicable tax rate of 28% (2019: 28%)	2,697,323	2,121,581	4,816	-
Tax effect of adjustments on taxable income				
Non deductible expenses	193,291	149,980	-	-
Fair value adjustment capital portion	(243,730)	(214,671)	-	-
Preproduction interest s11A	168,326	-	-	-
Tax losses carried forward	10,475	491	-	-
Prior year tax loss recognised	(5,384)	-	-	-
Tax effect of group income eliminated and capitalised in the subsidiaries	(232,627)	158,951	-	-
	2,587,674	**2,216,332**	**4,816**	**-**

Non deductible expenses include professional fees and listing fees which are capital in nature.

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

26. Tax refunded (paid)

Balance at beginning of the year	35	607,715	-	-
Current tax for the year recognised in profit or loss	(4,816)	-	(4,816)	-
Balance at end of the year	4,781	(35)	4,816	-
	-	**607,680**	**-**	**-**

27. Cash generated from/(used in) operations

Profit before tax	9,633,295	7,577,075	17,202	-
Adjustments for:				
Depreciation and amortisation	431,891	255,279	-	-
Finance income	(176,464)	(266,713)	(4,394,407)	(1,650,681)
Finance costs	6,861,024	5,289,717	4,375,800	1,634,505
Fair value gain on investment properties	(6,139,317)	(4,798,691)	-	-
Net impairments and movements in credit loss allowances	19,500	-	-	-
Movements in operating lease assets	(2,447,593)	(2,379,082)	-	-
Amortisation of lease modification	253,001	253,001	-	-
Long-term employee benefit	199,336	-	-	-
Non-cash items	(6,362,918)	(26,469)	-	15,601
Non-cash movement in shares	-	7,967,183	-	-
Non-cash movements in the loans	-	(8,861,344)	-	-
Loan write off	88,943	-	-	-
Changes in working capital:				
Inventories	(9,861,569)	-	-	-
Trade and other receivables	(1,720,474)	11,795	-	-
Trade and other payables	4,430,282	1,890,173	(500,001)	500,000
	(4,791,063)	**6,911,924**	**(501,406)**	**499,425**

28. Acquisition of investment in subsidiary

Fair value of assets acquired - 2020	**Heartwood UK Ventures Limited - GBP**	**Heartwood UK Ventures Limited - ZAR**
Investment in Glasgow	200,000	3,798,602
Cash	5,000	95,395
	205,000	**3,893,997**
Consideration paid		
Cash	(205,000)	(3,893,997)

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

28. Acquisition of investment in subsidiary (continued)

On 13 February 2020, the Company incorporated 205 shares in Heartwood Ventures UK Limited (100% of the issued shares) for a consideration of GBP 205,000. Heartwood Ventures UK Limited is registered in the United Kingdom.

On 16 October 2019 the Company paid GBP 200,000 (R 3,798,602) to acquire the Glasgow investment on behalf of Heartwood Ventures UK Limited. On 3 December 2019 the Company paid GBP 5,000 (R 95,395) to Heartwood Ventures UK Limited to cover initial expenses. On 13 February these amounts advanced (GBP 205,000) were taken as consideration for the GBP 205,000 worth of shares acquired.

29. Foreign currency translation reserve

Translation reserve comprises exchange differences on consolidation of foreign subsidiary, Heartwood Ventures UK Limited who reports in GBP.

Heartwood Ventures UK Limited	215,906	-	-	-

30. Commitments

Authorised capital expenditure

Budgeted amounts but not provided for				
• Investment property	4,717,012	-	-	-
• Inventory	2,089,713	-	-	-
	6,806,725	**-**	**-**	**-**

The amounts above have been budgeted for and will be spent after year end on the developments.

31. Directors' emoluments

Executive

2020

	Short-term employee benefits	Long-term incentive scheme	Total
LJ Whall	1,703,658	150,000	1,853,658
J Dumas	595,825	49,336	645,161
A Utterson	450,000	-	450,000
	2,749,483	**199,336**	**2,948,819**

Notes to the Consolidated And Separate Financial Statements

31. Directors' emoluments (continued)

2019

	Short-term employee benefits	Total
LJ Whall	1,422,102	1,422,102
J Dumas	635,500	635,500
	2,057,602	**2,057,602**

Non-executive

2020

	Directors' fees	Total
JH Scher	80,004	80,004
MR Evans	60,000	60,000
AG Utterson	30,000	30,000
B Seeff	60,000	60,000
	230,004	**230,004**

2019

	Directors' fees	Total
JH Scher	80,000	80,000
MR Evans	60,000	60,000
AG Utterson	60,000	60,000
B Seeff	30,000	30,000
	230,000	**230,000**

32. Related parties

Relationships	
Subsidiaries	Velvet Moon Properties 93 Proprietary Limited
	Fargofor Proprietary Limited
	Utter Velvet Proprietary Limited
	K2018641226 (South Africa) Proprietary Limited
	K2018642428 (South Africa) Proprietary Limited
	K2019001133 (South Africa) Proprietary Limited
	Heartwood UK Ventures Limited
Shareholders	Skyscraper Property Investments Proprietary Limited
Subsidiaries of Velvet Moon Properties 93 Proprietary Limited	Erf 733 Woodmead Ext. 14 Proprietary Limited
	Nictokaybee Investments Proprietary Limited

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

32. Related parties (continued)

Companies under control of key management	Whall Property Group Proprietary Limited (LJ Whall) Scher Attorneys (JH Scher) Pencil Creek Trust (MR Evans) Cape Gannet Properties Proprietary Limited (LJ Whall) Brydens Commercial Properties Proprietary Limited (MR Evans)
Members of key management	JH Scher MR Evans AG Utterson LJ Whall J Dumas B Seeff P Gent

Related party balances

	Group 2020	Group 2019	Company 2020	Company 2019
Loan accounts - Owing (to) by related parties				
Velvet Moon Properties 93 Proprietary Limited	-	-	9,777,182	5,920,580
Velvet Moon Properties 93 Proprietary Limited	-	-	32,354,460	17,368,955
Fargofor Proprietary Limited	-	-	25,095,337	23,025,299
Skyscraper Property Investments Proprietary Limited	-	88,943	-	-
Amounts included in trade receivable (trade payable) regarding related parties				
Brydens Commercial Properties Proprietary Limited	(69,000)	-	-	-

Related party transactions

	Group 2020	Group 2019	Company 2020	Company 2019
Interest received from related parties				
Velvet Moon Properties 93 Proprietary Limited	-	-	2,305,675	769,746
Fargofor Proprietary Limited	-	-	2,070,125	864,760
Fees paid to related parties				
Velvet Moon Properties 93 Proprietary Limited	-	-	-	15,601
Rent paid to related parties				
Whall Property Group Proprietary Limited	108,686	166,296	-	-
Cape Gannet Properties Proprietary Limited	62,292	-	-	-
Legal fees paid to related parties				
Scher Attorneys	50,013	9,737	-	-
Electricity paid to related parties				
Whall Property Group Proprietary Limited	-	1,000	-	-

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Rand	2020	2019	2020	2019

32. Related parties (continued)

Levies paid to related parties				
Whall Property Group Proprietary Limited	14,063	22,078	-	-
Impairment of loan				
Skyscraper Property Investments Proprietary Limited	88,943	-	-	-
Project management fees paid to related parties				
Brydens Commercial Properties Proprietary Limited	720,000	-	-	-
Compensation to directors and other key management				
Short-term employee benefits	185,358	140,250	-	-
Long-term benefits - incentive scheme	199,336	-	-	-
	384,694	**140,250**	**-**	**-**

Related party transactions

In the prior year Heartwood Properties Limited entered into a sale and subscription agreement in terms of which the company purchased all the ordinary shares of Utter Velvet Proprietary Limited. The shares of Utter Velvet Proprietary Limited was held by the trustees for the time being of the Pencil Creek Trust and the Alpha Trust. MR Evans is a related party of the Pencil Creek Trust.

33. Events after the reporting period

Decrease in prime interest rate

The prime interest rate of South-Africa has decreased by 2.5 percentage points since 28 February 2020 from 9.75% to 7.25%. The effect of this decrease will have a positive impact on the company due to savings on interest payable to borrowers.

COVID-19

The South-African economy has been deeply impacted by the COVID-19 pandemic and the resulting nation-wide lockdown which has been in effect since 27 March 2020. The lack of a clear timeline on the lifting of the lockdown causes further socioeconomic uncertainty and will negatively impact on the business operations of the company and its tenants.

The company has implemented the necessary business continuity and safety measures to ensure the group operates within the published guidelines. Head office and property management staff are working remotely, and essential services like security and waste removal are in place at the relevant properties.

33. Events after the reporting period (continued)

Tenants trading in non-essential goods or services will have difficulty meeting their rental obligations. The company has formed a committee to assess each case individually and provide rental deferrals and discounts where necessary.

In terms of determining whether the impact of COVID-19 was an adjusting or non-adjusting event after the reporting period, the group considered all the relevant factors at their disposal, including the relevant dates of announcement and subsequent duration of the lockdown and the likely impact on the group's activities. As at the balance sheet date there was no evidence which would indicate an impact on the financial results at that date and therefore COVID-19 is deemed a non-adjusting event after the reporting period. The effect of Covid-19 mostly impacting the Group was the country wide lock-down in South Africa announced on 23 March 2020, as this would have the greater impact on tenants. This was considered to be the trigger event to conclude that the impact of Covid-19 would be treated a non-adjusting subsequent event.

The full future financial effect of this situation cannot be reasonably estimated at this stage and the impact on estimates and judgements used in the valuation of assets and investment property could change substantially going forward:

- The lifetime expected credit losses for receivables will be impacted, but at 29 February 2020 it is not expected to be significant due to the material carrying amount of lease receivables being received post year end. Furthermore, due to the nature of the financial assets of the group no material impact is anticipated due to the economic consequences of the pandemic.

- Investment property valuations were performed by independent valuers for the year ended 29 February 2020 and it was confirmed with the valuers that as at year end there was no evidence of a material adverse impact on the valuations.

Certain unobservable inputs are used in the fair value measurement of the group's investment properties, mainly the capitalisation rates and the long-range vacancy factor. Significant movements in these factors in isolation may cause material changes to the fair value valuations.

The effects of these changes are set out below:

	2020 R
Increase of 1% in capitalisation rate (all other inputs remain constant)	(19,382,813)
Increase of 3% in vacancy factor (all other inputs remain constant)	(2,696,985)
Increase of 5% in vacancy factor (all other inputs remain constant)	(5,302,312)

Going Concern

The board has carefully considered the impact of the above factors on the sustainability of the business and has concluded that it has adequate resources and banking facilities to weather the storm for the foreseeable future. As at 29 February 2020 the liquidity position of the group was fairly strong with R5 million cash and a further R13.8 million available as part of an access facility with Standard Bank. This covers operational costs for at least 12-14 months should no revenue be received. The group has also paused all future development projects until more clarity on the current economic situation is obtained.

The directors are not aware of any other events subsequent to the reporting period that would have a significant effect on these financial statements.

Notes to the Consolidated And Separate Financial Statements

34. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2020

	Notes	Fair value through profit or loss - Mandatory	Amortised cost	Total
Investment at fair value	9	4,011,320	-	4,011,320
Trade and other receivables	12	-	751,882	751,882
Cash and cash equivalents	13	-	5,073,014	5,073,014
		4,011,320	**5,824,896**	**9,836,216**

Group - 2019

	Notes	Amortised cost	Total
Loans receivable	11	88,943	88,943
Trade and other receivables	12	512,933	512,933
Cash and cash equivalents	13	4,438,489	4,438,489
		5,040,365	**5,040,365**

Company - 2020

	Notes	Amortised cost	Total
Loans to group companies	8	67,226,979	67,226,979
Cash and cash equivalents	13	22,203	22,203
		67,249,182	**67,249,182**

Company - 2019

	Notes	Amortised cost	Total
Loans to group companies	8	46,314,834	46,314,834
Cash and cash equivalents	13	516,601	516,601
		46,831,435	**46,831,435**

Notes to the Consolidated And Separate Financial Statements

34. Financial instruments and risk management (continued)

Categories of financial liabilities

Group - 2020

	Notes	Amortised cost	Total
Trade and other payables	19	7,018,324	7,018,324
Interest-bearing borrowings	16	103,437,564	103,437,564
Bank overdraft	13	12,623	12,623
		110,468,511	**110,468,511**

Group - 2019

	Notes	Amortised cost	Total
Trade and other payables	19	2,881,920	2,881,920
Interest-bearing borrowings	16	71,468,715	71,468,715
Bank overdraft	13	7,605	7,605
		74,358,240	**74,358,240**

Company - 2020

	Note	Amortised cost	Total
Interest-bearing borrowings	16	57,449,796	57,449,796

Company - 2019

	Notes	Amortised cost	Total
Trade and other payables	19	500,000	500,000
Interest-bearing borrowings	16	40,394,254	40,394,254
		40,894,254	**40,894,254**

Capital risk management

The group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The group manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The group's targeted gearing ratio is to be not more than 60%.

Notes to the Consolidated And Separate Financial Statements

		Group		Company	
Figures in Rand		2020	2019	2020	2019

34. Financial instruments and risk management (continued)

The capital structure and gearing ratio of the group at the reporting date was as follows:

Interest-bearing borrowings	16	103,437,564	71,468,715	57,449,796	40,394,254
Trade and other payables	19	7,780,432	3,350,152	-	500,000
Total borrowings		**111,217,996**	**74,818,867**	**57,449,796**	**40,894,254**
Cash and cash equivalents	13	(5,060,391)	(4,430,884)	(22,203)	(516,601)
Net borrowings		**106,157,605**	**70,387,983**	**57,427,593**	**40,377,653**
Equity		91,665,071	76,664,545	77,688,569	69,937,185
Gearing ratio		116 %	91 %	74 %	58 %

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The Board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group is exposed to credit risk on loans receivable, trade and other receivables and cash and cash equivalents.

34. Financial instruments and risk management (continued)

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses.

Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables.

The maximum exposure to credit risk is presented in the table below:

Group		2020			2019		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans receivable	11	-	-	-	88,943	-	88,943
Trade and other receivables	12	771,382	(19,500)	751,882	512,933	-	512,933
Cash and cash equivalents	13	5,073,014	-	5,073,014	4,438,489	-	4,438,489
		5,844,396	**(19,500)**	**5,824,896**	**5,040,365**	**-**	**5,040,365**

Company		2020			2019		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to Group companies	8	67,226,979	-	67,226,979	46,314,834	-	46,314,834
Cash and cash equivalents	13	22,203	-	22,203	516,601	-	516,601
		67,249,182	**-**	**67,249,182**	**46,831,435**	**-**	**46,831,435**

34. Financial instruments and risk management (continued)

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

The company has provided guarantees for the debt of Nictokaybee Proprietary Limited (for refinancing), Utter Velvet Proprietary Limited (for development loan for Erf20 Lyme Park) and Velvet Moon Proprietary Limited (for development loan Block D).

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities held are presented in the following table. The cash flows are undiscounted contractual amounts.

Group - 2020

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities							
Interest-bearing borrowings	16	-	34,187,426	78,576,804	7,955,963	120,720,193	100,256,894
Current liabilities							
Trade and other payables	19	7,018,324	-	-	-	7,018,324	7,018,324
Interest-bearing borrowings	16	10,366,107	-	-	-	10,366,107	3,180,670
Bank overdraft	13	12,623	-	-	-	12,623	12,623
		17,397,054	**34,187,426**	**78,576,804**	**7,955,963**	**138,117,247**	**110,468,511**

Notes to the Consolidated And Separate Financial Statements

34. Financial instruments and risk management (continued)

Group - 2019

		Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities							
Interest-bearing borrowings	16	4,042,490	7,082,935	55,200,743	22,010,032	88,336,200	69,285,903
Current liabilities							
Trade and other payables	19	2,881,920	-	-	-	2,881,920	2,881,920
Interest-bearing borrowings	16	2,920,653	-	-	-	2,920,653	2,182,812
Bank overdraft	13	7,605	-	-	-	7,605	7,605
		9,852,668	**7,082,935**	**55,200,743**	**22,010,032**	**94,146,378**	**74,358,240**

Company - 2020

		Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Non-current liabilities						
Interest-bearing borrowings	16	-	7,082,369	62,338,011	69,420,380	56,324,792
Current liabilities						
Interest-bearing borrowings	16	6,364,068	-	-	6,364,068	1,125,004
Guarantees - Utter Velvet Proprietary Limited		36,580,000	-	-	36,580,000	-
Guarantees - Nictokaybee Proprietary Limited		3,167,500	-	-	3,167,500	-
		46,111,568	**7,082,369**	**62,338,011**	**115,531,948**	**57,449,796**

34. Financial instruments and risk management (continued)

Company - 2019

		Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Non-current liabilities						
Interest-bearing borrowings	16	4,042,490	4,910,999	48,250,443	57,203,932	40,394,254
Current liabilities						
Trade and other payables	19	500,000	-	-	500,000	500,000
Guarantees - Velvet Moon Proprietary Limited		24,085,000	-	-	24,085,000	-
		28,627,490	**4,910,999**	**48,250,443**	**81,788,932**	**40,894,254**

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the group is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rates on all borrowings compare favourably with those rates available in the market.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Interest rate sensitivity analysis

The following sensitivity analysis represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date.

Group

At 29 February 2020, if the interest rate (prime overdraft) had been 2% per annum higher (2019: 1%) during the period, with all other variables held constant, profit or loss for the year would have been R 309,526 (2019: R39 566) lower.

35. Segment information

The company has applied the definition of Operating Segment and determined that it has only a single reportable operating segment which corresponds with the manner that the company reports internally to management and the board of directors (the Chief operating decision maker). For management accounts purposes the results, cash flows and financial position are prepared on a consolidated basis and are not subdivided on any basis (e.g. by location or type of property). Therefore the company has only identified one operating segment.

The group has commercial and industrial properties and the types of tenants and economic risks are similar. All are based in the Gauteng province.

35. Segment information (continued)

Taking into consideration the Group's operations, business models and the respective intercompany relationships with the holding Company, management deems the holding company to be an integral part to ensure performance of the subsidiaries.

The presentation of operating segments and head office reconciliation are considered to be immaterial to the financial statements as the consolidated financial statements fairly present how the various operations are managed and reviewed by the decision makers. The Board is the chief operating decision maker.

36. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2020

	Opening balance	Repayment	Advances	Non cash movements	Interest	Closing balance
Interest-bearing borrowings	71,468,715	(12,496,310)	42,296,366	(6,346,492)	8,515,285	103,437,564
Total liabilities from financing activities	**71,468,715**	**(12,496,310)**	**42,296,366**	**(6,346,492)**	**8,515,285**	**103,437,564**

Reconciliation of liabilities arising from financing activities - Group - 2019

	Opening balance	Repayment	Advances	Non cash movements	Interest	Closing balance
Interest-bearing borrowings	57,574,551	(6,781,466)	23,833,622	(8,861,344)	5,703,352	71,468,715
Total liabilities from financing activities	**57,574,551**	**(6,781,466)**	**23,833,622**	**(8,861,344)**	**5,703,352**	**71,468,715**

Reconciliation of liabilities arising from financing activities - Company - 2020

	Opening balance	Repayment	Non cash movements	Interest	Closing balance
Interest-bearing borrowings	40,394,254	(5,000,000)	17,679,856	4,375,686	57,449,796
Total liabilities from financing activities	**40,394,254**	**(5,000,000)**	**17,679,856**	**4,375,686**	**57,449,796**

Reconciliation of liabilities arising from financing activities - Company - 2019

	Opening balance	Non cash movements	Interest	Closing balance
Interest-bearing borrowings	-	38,759,749	1,634,505	40,394,254
Total liabilities from financing activities	**-**	**38,759,749**	**1,634,505**	**40,394,254**

Notes to the Consolidated And Separate Financial Statements

37. Prior period errors

Upon a detailed review of the methodology followed to determine the fair value of the investment properties, it became apparent that the tenant installations and operating lease asset balances were included in the final fair value of investment properties. This resulted in an overstatement of the fair value of the investments properties as tenant installations and operating leases were already disclosed separately in the financial statements.

Tenant installations were reclassified from property, plant and equipment to investment property in order to be included in the overall fair value of the investment property and therefore the related depreciation also had to be reversed and restated.

A further change was to separately present R3.5million lease incentive modification that had previously been included within property, plant and equipment after the review indicated that the items of fixtures and fittings relate to items provided to a specific tenant. The restatements are reflected below.

Deferred income tax was incorrectly calculated in the prior years and corrected as indicated below.

The restatements resulted in a third statement of financial position having to be presented.

Upon reviewing the classification of recoveries of municipal costs from lessees, it was concluded that these recoveries from lessees should be shown as revenue and not other income as it arises in the course of Heartwood's ordinary activities. A reclassification is required increasing revenue and decreasing other income. This restatement had no impact on the statement of financial position, opening retained income or the statement of cash flow for any of the financial years.

The correction of the error results in adjustments as follows:

2019 - Group	**Previously reported**	**Restatement adjustment**	**Restated amount**
Statement of Financial Position			
Investment property	157,146,904	(8,385,151)	148,761,753
Property, plant and equipment	2,349,557	(2,240,289)	109,268
Lease incentive	-	1,960,756	1,960,756
Operating lease asset	6,424,395	-	6,424,395
Retained income	(15,512,821)	9,379,801	(6,133,020)
Non-controlling interest	(1,360,383)	766,043	(594,340)
Deferred tax liability	(9,958,724)	(1,481,159)	(11,439,883)
Profit or Loss			
Revenue	(14,108,775)	(2,362,562)	(16,471,337)
Other income	(2,694,964)	2,615,562	(79,402)
Fair value adjustment	(7,049,747)	2,251,056	(4,798,691)
Depreciation	775,878	(520,599)	255,279
Deferred tax	267,143	1,949,189	2,216,332
Non-controlling interest	476,238	(351,872)	124,366

Notes to the Consolidated And Separate Financial Statements

37. Prior period errors (continued)

2018 - Group	**Previously reported**	**Restatement adjustment**	**Restated amount**
Statement of Financial Position			
Investment property	121,252,817	(6,259,068)	114,993,749
Property, plant and equipment	2,635,916	(2,635,916)	-
Lease incentive	-	2,213,756	2,213,756
Operating lease asset	4,045,311	-	4,045,311
Retained income	(6,695,666)	5,799,023	(896,643)
Non-controlling interest	(884,145)	414,172	(469,973)
Deferred tax liability	(9,691,583)	468,034	(9,223,549)

The impact of the 2019 prior period error restatements was a reduction of 0.03 cent on earnings per share.

The holding company's interest income and revenue numbers were restated following a review of relevant regulatory guidance. The company is an investment entity, and interest earned on loans advanced to subsidiaries is therefore revenue in nature and should be disclosed accordingly. This restatement had no impact on the statement of financial position or opening retained income for any of the financial years.

The correction of the error results in adjustments as follows:

2019 - Company	**Previously reported**	**Restatement adjustment**	**Restated amount**
Revenue	-	1,634,505	1,634,505
Finance income	1,650,681	(1,634,505)	16,176
	1,650,681	**-**	**1,650,681**

38. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

		Group		Company	
Figures in Rand		2020	2019	2020	2019

38. Fair value information (continued)

Levels of fair value measurements

Level 3

Recurring fair value measurements

Assets	Note				
Financial assets mandatorily at fair value through profit or loss	9				
Investment in Glasgow		4,011,320	-	-	-
Total		**4,011,320**	**-**	**-**	**-**

The value above was based on the transaction price paid. The investment in this property development entity was acquired in October 2019. Property development activities have not yet commenced, and apart from foreign exchange movements there have therefore been no significant movements in the value of the investment since the acquisition date.

39. Basic and diluted earnings per share

	2020	2019	2020	2019
Basic and diluted earnings per share (cents)	0.06	0.05	-	-

The calculation of earnings per share is based on earnings attributable to equity holders of the parent of R 7,037,804 (2019: R 5,236,377) and a weighted average number of 119,369,338 (2019: 103,517,614) shares in issue during the year.

Annual Report Supplementary Information – 4AX Listing Requirements

1. Annual Compliance Declaration

Annual declaration

Shareholders are advised that the directors of Heartwood Properties are aware of their responsibilities in terms of the 4AX Listings Requirements and complies with the 4AX Listings Requirements, save for the following:

Securities in Public Hands

Heartwood Properties currently has approximately 23 public shareholders, which is less than the prescribed number of 100 public shareholders in accordance with paragraph 6.26 of the 4AX Listing Requirements. At listing, Heartwood Properties obtained dispensation from 4AX not to comply with the prescribed spread requirements, on the basis that the Company would embark on a series of capital raisings and potential acquisitions (consideration to be settled by way of Heartwood Properties shares) in order to achieve the required spread requirements. Although the Company has conducted a series of capital raisings, Heartwood Properties has not yet achieved the 100 public shareholders and, as such, not fully complied with the spread requirements. The Company remains committed to increase its required public spread to at least 100 public shareholders.

2. Subsidiaries

Name of company	% Holding 2019	% Holding 2018	Country of Incorporation	Country of Operation	Main Business
Fargofor Proprietary Limited	100%	100%	South Africa	South Africa	Property Investment
Velvet Moon Properties 93 Proprietary Limited	100%	100%	South Africa	South Africa	Property Investment
Utter Velvet Proprietary Limited	100%	0%	South Africa	South Africa	Property Investment
Heartwood Ventures UK Limited	100%	0%	United Kingdom	United Kingdom	Property Investment
Nictokaybee Investments Proprietary Limited*	70%	70%	South Africa	South Africa	Property Investment
Erf733 Woodmead Ext 14 Proprietary Limited*	80%	80%	South Africa	South Africa	Property Investment
K2018641226 (South Africa) Proprietary Limited	100%	100%	South Africa	South Africa	Dormant
K2018642428 (South Africa) Proprietary Limited	100%	100%	South Africa	South Africa	Dormant
K2019001133 (South Africa) Proprietary Limited	100%	100%	South Africa	South Africa	Dormant

**held indirectly through Velvet Moon Properties 93 Proprietary Limited*

Annual Report Supplementary Information – 4AX Listing Requirements

3. Shareholders who are beneficially interested in 5% (five) or more of the securities of the Company

According to the Company's register of shareholders, the following shareholders held, directly and indirectly, beneficially in excess of 5% (five percent) or more in the securities of the Company:

Name of shareholder	Number of Heartwood Shares held	% Interest	Direct/Indirect
Montagu Commercial Developments Proprietary Limited*	27 405 444	21.37%	Direct
Skyscraper Property Investments Proprietary Limited*	25 649 769	20.00%	Direct
Cornop Properties Proprietary Limited*	18 600 000	14.51%	Direct
Cape Gannet Properties Proprietary Limited*	12 824 885	10.00%	Direct
The Pencil Creek Trust*	10 595 632	8.26%	Direct
The Alpha Trust	9 937 882	7.75%	Direct
Morulat Property Investments 2 Proprietary Limited	7 352 941	5.73%	Direct

*Represents indirect shareholding of a director

4. Issue of Securities for Cash

On 5 March 2019 the Company issued 755 543 ordinary shares with no par value at 66 cents per share to a private investor who was invited to submit an offer to subscribe for Heartwood Property shares. The aggregate subscription consideration was R499 999. The listed share price at the date of the transaction was 73 cents. Proceeds of the placement were utilised by the Company for property development projects.

On 20 December 2019 the Company issued 10 623 529 ordinary shares with no par value at 69 cents per share to selected private investors who were invited to submit offers to subscribe for Heartwood Property shares. The aggregate subscription consideration was R7 239 000. The listed share price at the date of the transaction was 73 cents. Proceeds of the placement were utilised by the Company for property development projects.

5. Trading results differing materially from any published forecast or estimate

As part of its Listing Particulars the Company published forecast financial information on 20 March 2018 where it was projected that a profit before taxation of R12 216 981 would be obtained for the financial year ending 29 February 2020. The actual profit before tax obtained was R7 846 298. The main reason for the difference is due to projected fair value adjustments of investment property where it was projected at R9 918 141 versus actual adjustments of R4 352 320. This is due to a change in the economic conditions from when the first forecast was done in early 2018 to the current situation in 2020.

Annual Report Supplementary Information – 4AX Listing Requirements

6. Board and Board Sub-Committee Members and Meeting Attendance

Main Board	Meeting Date	
	13 May 19	31 Oct 19
LJ Whall	Attended	Attended
JH Scher	Attended	Attended
AG Utterson	Attended	Attended
J Dumas	Attended	Attended
BR Seeff	Attended	Attended
MR Evans	Attended	Attended
P Gent (appointed on 17 Feb 2020)	-	-

Board Committee: Audit and Risk Committee	Meeting Date	
	13 May 19	31 Oct 19
JH Scher	Attended	Attended
AG Utterson	Attended	-
BR Seeff	Attended	Attended
M Evans	-	Attended
P Gent (appointed on 17 Feb 2020)	-	-

Board Committee: Remuneration Committee	Meeting Date	
	19 Mar 19	07 Nov 19
JH Scher	Attended	Attended
MR Evans	Attended	Attended
BR Seeff	Attended	Attended

Board Committee: Investment Committee	Meeting Date	
	11 Apr 19	22 Aug 19
MR Evans	Attended	Attended
JH Scher	Attended	Attended
AG Utterson	Attended	Attended
P Gent (appointed on 17 Feb 2020)	-	-

* See Note 37

Annual Report Supplementary Information – 4AX Listing Requirements

7. Unexpired service contracts

The executive directors of the Company have entered into open-ended employment contracts with the Company. These office-bearers can terminate their employment with the Company within 3 (three) months of providing such written notice. Furthermore, the Company has not entered into any service contracts with the non-executive directors of the company. The non-executive directors are subject to the resignation and rotation provisions of the Company's memorandum of incorporation. In accordance with clause 27.3 of Heartwood Property's memorandum of incorporation, the resignation and rotation provisions stipulate that each director (non-executive) of the Company shall serve a term not exceeding 3 (three) years and will be eligible for re-election at the end of such term.

Shareholders are referred to note 31 of these consolidated and separate financial statements for the year ended 29 February 2020 for the emoluments paid to the directors of Heartwood Properties.

8. Details of all Contracts of Significance, other than contracts which have been entered into by the Company in the ordinary course of business

The Directors of the Company are not aware, having made due and careful enquiry, of any contracts involving cash flows amounting to or valued equal to 10% (ten percent) or more of the aggregate of the Group's share capital and reserves in which a Director or Controlling Shareholder was materially interested, either directly or indirectly.

9. Restatement of prior period financial results

Upon a detailed review of the methodology followed to determine the fair value of the investment properties, it became apparent that the tenant installations and operating lease asset balances were included in the final fair value of investment properties. This resulted in an overstatement of the fair value of the investments properties as tenant installations and operating leases were already disclosed separately in the financial statements. Tenant installations were reclassified from property, plant and equipment to investment property in order to be included in the overall fair value of the investment property and therefore the related depreciation also had to be reversed and restated.

A further change was to separately present R3.5million lease incentive modification that had previously been included within property, plant and equipment after the review indicated that the items of fixtures and fittings relate to items provided to a specific tenant.

Deferred income tax was incorrectly calculated in the prior years.

Upon reviewing the classification of recoveries of municipal costs from lessees, it was concluded that these recoveries from lessees should be shown as revenue and not other income. A reclassification was processed increasing revenue and decreasing other income.

These restatements resulted in a third statement of financial position having to be presented. Refer Note 37 of the financial statements for detail on the adjustments.

* See Note 37