DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

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

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Heartwood and its subsidiaries ("the group")'s main business activity is property investment
Directors	LJ Whall J Dumas JH Scher MR Evans AG Utterson B Seeff PR Gent
Registered office	8 Tonquani House 6 Gardner Williams Avenue Somerset West 7130
Business address	8 Tonquani House 6 Gardner Williams Avenue Somerset West 7130
Postal address	PO Box 825 Somerset Mall Somerset West 7137
Bankers	Standard Bank of South Africa Limited Nedbank Limited
Auditors	Mazars Registered Auditors
Company secretary	Kilgetty Statutory Services Proprietary Limited
Company registration number	2017/654253/06
Tax reference number	9627959175
Level of assurance	These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the South African Companies Act 71 of 2008.
Preparer	The consolidated and separate annual financial statements were externally compiled by E van der Merwe CA (SA), under the supervision of J Dumas CA (SA), Chief Financial Officer.
Published	31 May 2022
External issuer agent	Pallidus Capital Proprietary Limited
CTSE share code	4AHWP
ISIN	ZAE400000044

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Index

The following supplementary information does not form part of the consolidated and separate annual financial statements and is unaudited:

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Audit and Risk Committee Report

The audit and risk committee has pleasure in submitting this report, as required by section 94 of the South African Companies Act 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 Board"). 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 2022 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 review 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 chief financial officer 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 Act;
- Reviewed the external audit report 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, made recommendations on internal financial controls.

Members of the Audit and Risk 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 Act. During the year three meetings were held.

Name
PR Gent - Chairman
B Seeff
JH Scher

Internal audit

The audit committee and risk committee has oversight of the Group's 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.

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.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

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. All non-assurance services are tabled and pre-approved by the committee prior to the services being rendered. 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.

During the current year, the non-assurance services were minimal and related to two factual findings reports for the transfer of the properties sold, and in the process of being sold. The committee is satisfied that these non-assurance services does not impede the independence of the external auditors.

The prospect of mandatory audit firm rotation was not considered by the committee during the current financial year. As required by the 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 Act and is thereby able to conduct its audit functions without any undue influence from the company. Mazars has been the external auditors of the Group for the last 3 years, as well as has Ms Yolandie Ferreira been the audit partner for these 3 years.

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 2023 and 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.

The committee reviewed the property portfolio prepared by management and discussed the most significant assumptions and agrees with the values calculated by the external valuators.

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.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Audit and Risk Committee Report

Annual report and financial statements

After review of the annual financial statements for the year ended 28 February 2022, the committee is of the opinion that, in all material respects, they comply with the relevant provisions of the 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 28 February 2022.

On behalf of the audit and risk committee

Peter Gent
Chair: Audit and Risk Committee

31 May 2022

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Directors' Responsibilities and Approval

The directors are required in terms of the South African Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group as at the end of the financial year 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 annual financial statements.

The consolidated and separate annual 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 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 annual 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 2023 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 annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditors and their report is presented on pages 12 to 15.

The consolidated and separate annual financial statements set out on pages 16 to 73, which have been prepared on the going concern basis, were approved the Board and signed on their behalf by:

LJ Whall

JH Scher

31 May 2022

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Group Secretary's Certification

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

In terms of Section 88(2)(e) of the South African Companies Act 71 of 2008, we certify 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 Act and that all such returns are true, correct and up to date.

Kilgetty Statutory Services Proprietary Limited
Company Secretary
31 May 2022

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Directors' Report

The directors submit their report on the consolidated and separate annual financial statements of Heartwood Properties Limited and its subsidiaries ("the Group") and the Company for the year ended 28 February 2022.

1. Nature of business

Heartwood Properties Limited is an investment entity listed on the Cape Town Stock Exchange Proprietary Limited ("CTSE") in the real estate sector and 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 consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the South African Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

The group recorded a net profit after tax for the year ended 28 February 2022 of R14,430,861 (2021: R22,990,155) and the company a net profit after tax of R332,967 (2021: R72).

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

3. Stated capital

On 03 September 2021, the Company issued 2,500,000 no par value ordinary shares at a price of R0,80 per share. The aggregate subscription consideration received by the Company amounted to R2,000,000. The proceeds of the issue will be utilised by the Group in its current and future property developments.

The number of the company's issued ordinary shares, of no par value, listed on the CTSE as at 28 February 2022 amounted to 131,051,161 (2021: 128,551,161). Refer to note 13 of the consolidated consolidated and separate annual 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 South African 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 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 recommends the approval of a final dividend of R2,000,000 for the year ended 28 February 2022 (2021: Rnil).

The final dividend of 1.52 cents per share, for the year ended 28 February 2022, was declared and authorised after the end of the reporting period, no interim dividend was declared (2021: no interim or final dividend). The dividend has therefore not been recognised as a liability in the reporting period. No dividend has been paid to shareholders during the current year (2021: Rnil).

6. Directorate

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

Director	Office	Designation
LJ Whall	Chief Executive Officer	Executive
J Dumas	Chief Financial Officer	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

7. Directors' interests in securities of the Company

At the reporting date, the directors of the Company held direct and indirect beneficial interests in 72.93% (2021: 74.35%) of its issued ordinary shares, as set out below.

Interests in shares - indirect

	2022 Number of shares	2021 Number of shares	2022 %	2021 %
Directors				
LJ Whall	40,230,329	40,230,329	30,70	31,30
MR Evans	10,595,632	10,595,632	8,09	8,24
AG Utterson	25,649,769	25,649,769	19,57	19,95
B Seeff	18,571,197	18,571,497	14,17	14,45
	95,046,927	**95,047,227**	**72,53**	**73,94**

Interests in shares - direct

	2022 Number of shares	2021 Number of shares	2022 %	2021 %
Directors				
LJ Whall	28,300	28,300	0,02	0,02
J Dumas	45,455	45,455	0,03	0,04
JH Scher	453,898	453,898	0,35	0,35
	527,653	**527,653**	**0,40**	**0,41**

Between the year end date and the date of approval of these consolidated and separate annual financial statements, the indirect interest of LJ Whall changed from 30.70% to 18.77% and the indirect interest of MR Evans of 8.09% changed to a direct interest of 8.09%.

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

8. Directors' interests in contracts

The head office of the Company is being leased from a company in which LJ Whall had an indirect interest. During March 2022 LJ Whall disposed of his interest in the lessor company.

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. Non-current assets

There was no change in the nature of the non-current assets of the group or in the policy regarding their use.

10. Interests in subsidiaries

Details of the company's interests in subsidiaries are presented in the consolidated and separate annual financial statements in note 7.

During the year under review the Group performed an unbundling transaction, whereby subsidiary company, Velvet Moon Properties 93 Proprietary Limited unbundled its shares (100%) held in Nictokaybee Investments Proprietary Limited to Heartwood Properties Limited via a section 46 unbundling transaction. The shareholding in Nictokaybee Investments Proprietary Limited was transferred from Velvet Moon Properties 93 Proprietary Limited to Heartwood Properties Limited by declaration of a dividend in specie of R352,743. The dividend received and the investment in subsidiary was recognised at book value in the Company's separate annual financial statements. No profit or loss has been incurred on this transaction. The effective date of the transaction was 14 September 2021.

This is a common control transaction as Nictokaybee Investments Proprietary Limited was previously controlled, albeit indirectly, by Heartwood Properties Limited. Accordingly, there are no changes to the comparative information presented in these consolidated financial statements.

11. Events after the reporting period

Sale of property

The Group entered into a sale agreement on 18 November 2021 in terms of which sections 305 - 308 of Willow Wood Office Park (Block D) will be sold to the purchaser at R18,5 million. The purchaser took occupancy of the property on 01 March 2022, but the transfer will be registered once the full purchase consideration has been received. The expected date of sale is May 2022.

Based on the status and terms of this offer the property was classified as held for sale as at 28 February 2022, refer to note 12.

Acquisition of property

On 25 March 2022, the Group entered into an agreement in which a property will be acquired and developed as part of a joint venture agreement. This was done through the subsidiary Firgrove Developments Proprietary Limited, formerly known as K2018641226 (South Africa) Proprietary Limited. The cash commitment of the Group is R3.4 million and the project is due to commence in June 2022.

Dividend declaration

Refer to the "Dividends" note above for details of the dividend declared and authorised after the end of the reporting period.

Ukrainian crisis

The Ukrainian crisis has emerged and impacted several markets, refer to the "Going concern" note below for the details of this event.

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

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

12. Going concern

The board has carefully considered the sustainability of the business and has assessed the Group and Company's ability to continue as a going concern. The assessment includes solvency and liquidity tests and the continuous monitoring of debt covenants and cash flow forecasts for the next 12 months. The following uncertainties were also considered:

COVID-19 impact

The Group continues to engage with tenants to understand the immediate and longer-term impact of the pandemic on their businesses. As at year end no rental discounts or concessions were in place.

Access to liquidity

Stressed market conditions may impact debt funders' risk appetite and limit access to liquidity. Lenders are continuously engaged in order to optimise the credit facilities currently in place.

Debt covenants

Loan-to-value and interest cover ratio covenants may come under pressure due to deceasing rental income because of the expected economic downturn. All debt covenant projections are proactively monitored to manage and remedy any potential breaches. As at 28 February 2022, no covenants were breached.

Provision for credit losses

The provision for credit losses and write-off of unrecoverable amounts may increase as tenants' businesses are further impacted by the pandemic and other economic challenges. The collection percentage for the financial year was 97%.

Civil unrest impact

The Group's property portfolio did not suffer any damage as a result of the civil unrest which occurred in parts of South-Africa in July 2021.

Ukrainian crisis

Prior to the end of the financial year, the Ukrainian crisis has emerged and impacted several markets. We do not foresee a major impact on the financial position and performance of the Group at this time based on our assessment to date. We will continue to monitor markets accordingly.

Conclusion

It was concluded that the Group and Company are in sound financial positions and have adequate resources and banking facilities to meet its foreseeable cash requirements. As at 28 February 2022 the Group had a positive net asset value and the liquidity position was deemed sufficient. Considering the outcomes of the solvency and liquidity projections, the Group will be solvent and liquid, and the directors are confident in the ability of the Group to continue as a going concern and have no reason to believe that the Group will not be a going concern in the year ahead. The directors have therefore concluded that it is appropriate to adopt the going concern basis in preparing the consolidated and separate annual financial statements.

13. Auditors

Mazars continued in office as auditors for the Group for 2022.

14. Company secretary

The company secretary is Kilgetty Statutory Services Proprietary Limited.

15. Date of authorisation for issue of annual financial statements

The consolidated and separate annual financial statements have been authorised for issue by the Board on 31 May 2022. No authority was given to anyone to amend the consolidated and separate annual financial statements after the date of issue.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Mazars House, Rialto Road
Grand Moorings Precinct
Century City, 7441
PO Box 134, Century City 7446
Docex 9 Century City

Tel: +27 21 818 5000
Fax: +27 21 818 5001
Email: cpt@mazars.co.za
www.mazars.co.za

Independent Auditor's Report

28 February 2022

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 and its subsidiaries (the group and company) set out on pages 16 to 73 , which comprise the consolidated and separate statements of financial position as at 28 February 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, the 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 and its subsidiaries as at 28 February 2022, 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 Consolidated and separate financial statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. 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
Partners: MC Olckers (National Co-CEO), MV Ninan (National Co-CEO), JM Barnard, AK Batt, AS De Jager, DS Dollman, M Edelberg, Y Ferreira, T Gangen, R Groenewald, AK Hoosain, MY Ismail, N Jansen, J Marais, B Mbunge, FN Miller, G Molyneux, A Moruck, S Naidoo, MG Odendaal, W Olivier, D Resnick, BG Sacks, MA Salee, N Silbowitz, SM Solomon, HH Swanepoel, AL Swartz, MJA Teuchert, N Thelander, JC Van Tubbergh, N Volschenk, J Watkins-Baker
A full list of national partners is available on request or at www.mazars.co.za

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

mazars

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 1.5 states that investment property is measured at fair value. The property's valuation considers 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 management expert, particularly those around the selection of valuation models and the inputs to those models, current market conditions and rental levels. The significance of the valuations at year end, estimates and judgements involved in determining the valuations of the properties, including the fact that a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.	We performed substantive tests of detail and substantive analytical review procedures to assess whether the fair value of the income generating investment properties are reasonable. This includes the following procedures: • We agreed the valuation of all investment properties per the general ledger, to the externally prepared valuation reports as prepared by the management expert; • We recalculated the specified valuation workings; • We assessed the competence, capability, objectivity and integrity of management's expert; • We evaluated the key assumptions used in the determination of the fair value in the externally prepared valuation reports, including: - analysing the accuracy of the nett rental income in the calculations compared to the actual rental income and occupancy levels at year end; and - comparing capitalisation rates used to available market information. • We evaluated the sensitivity and impact of the most significant unobservable inputs used in the externally prepared valuation reports; • We assessed changes to the valuations post year end; and We assessed the adequacy of the disclosures of the investment property portfolio held in the consolidated financial statements in terms of IAS 40 *Investment Property* and IFRS 13 *Fair Value Measurement*.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Heartwood Properties Limited Consolidated and separate financial statements for the year ended 28 February 2022", which includes the Directors' Report, the Audit

Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do 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 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 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 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 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 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.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

- 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 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 and separate 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, actions taken to eliminate threats or safeguards applied.

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 three years.

Mazars
Partner: Yolandie Ferreira
Registered Auditor
Date: 31 May 2022
Cape Town

HEARTWOOD PROPERTIES LIMITED
(Registration number 2017/654253/06)
Consolidated And Separate Annual Financial Statements for the year ended 28 February 2022

Statement of Financial Position as at 28 February 2022

		Group		Company	
	Notes	2022 R	2021 R	2022 R	2021 R
Assets					
Non-Current Assets					
Property, plant and equipment	3	108,700	157,861	-	-
Investment property	4	244,714,957	227,090,196	-	-
Lease incentive	5	1,219,478	1,454,755	-	-
Operating lease asset	6	12,948,338	12,762,915	-	-
Goodwill		19,110	19,110	-	-
Investments in subsidiaries	7	-	-	68,854,194	68,296,603
Loans to group companies	8	-	-	89,508,432	98,759,379
Investment at fair value	9	-	4,036,800	-	-
		259,010,583	**245,521,637**	**158,362,626**	**167,055,982**
Current Assets					
Operating lease asset	6	1,328,983	-	-	-
Loans to group companies	8	-	-	10,997,000	-
Investment at fair value	9	3,977,750	-	-	-
Trade and other receivables	10	1,828,672	1,933,491	-	-
Current tax receivable		35	35	-	-
Cash and cash equivalents	11	12,223,567	5,132,398	41	40
		19,359,007	**7,065,924**	**10,997,041**	**40**
Non-current assets held for sale	12	18,500,000	6,400,000	-	-
Total Assets		**296,869,590**	**258,987,561**	**169,359,667**	**167,056,022**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Stated capital	13	79,911,299	77,911,299	79,911,299	77,911,299
Foreign currency translation reserve	14	351,123	405,960	-	-
Change in ownership reserve		141,047	141,047	-	-
Retained income		50,392,666	36,083,570	345,423	12,456
		130,796,135	114,541,876	80,256,722	77,923,755
Non-controlling interest	15	307,611	185,848	-	-
		131,103,746	**114,727,724**	**80,256,722**	**77,923,755**
Liabilities					
Non-Current Liabilities					
Interest-bearing borrowings	16	128,763,367	108,645,351	86,686,276	87,132,234
Long-term employee benefit	17	701,159	841,404	-	-
Deferred tax	18	26,181,742	21,282,196	-	-
		155,646,268	**130,768,951**	**86,686,276**	**87,132,234**
Current Liabilities					
Interest-bearing borrowings	16	4,735,772	3,944,742	2,416,669	2,000,004
Long-term employee benefit	17	1,093,561	-	-	-
Trade and other payables	19	4,278,324	9,539,079	-	-
Current tax payable		-	29	-	29
Bank overdraft	11	11,919	7,036	-	-
		10,119,576	**13,490,886**	**2,416,669**	**2,000,033**
Total Liabilities		**165,765,844**	**144,259,837**	**89,102,945**	**89,132,267**
Total Equity and Liabilities		**296,869,590**	**258,987,561**	**169,359,667**	**167,056,022**

HEARTWOOD PROPERTIES LIMITED
(Registration number 2017/654253/06)
Consolidated And Separate Annual Financial Statements for the year ended 28 February 2022

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
	Notes	2022 R	2021 R	2022 R	2021 R
Revenue	20	25,782,599	39,672,012	5,241,724	4,520,091
Cost of inventories sold	21	-	(11,159,428)	-	-
Gross profit		**25,782,599**	**28,512,584**	**5,241,724**	**4,520,091**
Other operating income		-	62,816	-	-
Fair value adjustments	22	18,914,759	22,987,624	-	-
Movement in credit loss allowances	10	(474,580)	(138,359)	-	-
Other operating expenses	23	(17,171,490)	(14,412,521)	(20,571)	(543)
Operating profit	23	**27,051,288**	**37,012,144**	**5,221,153**	**4,519,548**
Investment income	24	95,983	324,169	353,370	644
Finance costs	25	(7,816,843)	(7,086,444)	(5,241,556)	(4,520,091)
Profit before taxation		**19,330,428**	**30,249,869**	**332,967**	**101**
Taxation	26	(4,899,567)	(7,259,714)	-	(29)
Profit for the year		**14,430,861**	**22,990,155**	**332,967**	**72**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(54,837)	190,054	-	-
Other comprehensive (loss) / income for the year net of taxation		**(54,837)**	**190,054**	**-**	**-**
Total comprehensive income for the year		**14,376,024**	**23,180,209**	**332,967**	**72**
Profit attributable to:					
Owners of the parent		14,309,098	22,912,745	332,967	72
Non-controlling interest		121,763	77,410	-	-
		14,430,861	**22,990,155**	**332,967**	**72**
Total comprehensive income attributable to:					
Owners of the parent		14,254,261	23,102,799	332,967	72
Non-controlling interest		121,763	77,410	-	-
		14,376,024	**23,180,209**	**332,967**	**72**
Earnings per share					
Per share information					
Basic and diluted earnings per share (cents)	27	0,11	0,18	-	-

HEARTWOOD PROPERTIES LIMITED
(Registration number 2017/654253/06)
Consolidated And Separate Annual Financial Statements for the year ended 28 February 2022

Statement of Changes in Equity

	Stated capital	Foreign currency translation reserve	Change in ownership reserve	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	R	R	R	R	R	R	R
Group							
Balance at 01 March 2020	**77,676,184**	**215,906**	**-**	**13,170,825**	**91,062,915**	**602,157**	**91,665,072**
Profit for the year	-	-	-	22,912,745	22,912,745	77,410	22,990,155
Other comprehensive income	-	190,054	-	-	190,054	-	190,054
Total comprehensive income for the year	**-**	**190,054**	**-**	**22,912,745**	**23,102,799**	**77,410**	**23,180,209**
Issue of shares/change in ownership	235,115	-	141,047	-	376,162	(493,719)	(117,557)
Balance at 01 March 2021	**77,911,299**	**405,960**	**141,047**	**36,083,568**	**114,541,874**	**185,848**	**114,727,722**
Profit for the year	-	-	-	14,309,098	14,309,098	121,763	14,430,861
Other comprehensive loss	-	(54,837)	-	-	(54,837)	-	(54,837)
Total comprehensive (loss) / income for the year	**-**	**(54,837)**	**-**	**14,309,098**	**14,254,261**	**121,763**	**14,376,024**
Issue of shares	2,000,000	-	-	-	2,000,000	-	2,000,000
Balance at 28 February 2022	**79,911,299**	**351,123**	**141,047**	**50,392,666**	**130,796,135**	**307,611**	**131,103,746**
Notes	13	14				15	

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Statement of Changes in Equity

	Stated capital	Foreign currency translation reserve	Change in ownership reserve	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	R	R	R	R	R	R	R
Company							
Balance at 01 March 2020	**77,676,184**	**-**	**-**	**12,384**	**77,688,568**	**-**	**77,688,568**
Profit for the year	-	-	-	72	72	-	72
Total comprehensive income for the year	**-**	**-**	**-**	**72**	**72**	**-**	**72**
Issue of shares	235,115	-	-	-	235,115	-	235,115
Total contributions by and distributions to owners of company recognised directly in equity	**235,115**	**-**	**-**	**-**	**235,115**	**-**	**235,115**
Balance at 01 March 2021	**77,911,299**	**-**	**-**	**12,456**	**77,923,755**	**-**	**77,923,755**
Profit for the year	-	-	-	332,967	332,967	-	332,967
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**332,967**	**332,967**	**-**	**332,967**
Issue of shares	2,000,000	-	-	-	2,000,000	-	2,000,000
Balance at 28 February 2022	**79,911,299**	**-**	**-**	**345,423**	**80,256,722**	**-**	**80,256,722**
Note	13	14					

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Statement of Cash Flows

		Group		Company	
	Notes	2022 R	2021 R	2022 R	2021 R
Cash flows from operating activities					
Cash receipts from customers		27,120,796	22,296,253	3,201,354	4,509,423
Cash paid to suppliers and employees		(18,200,543)	(13,111,812)	(3,221,925)	(4,509,966)
Cash generated from / (used in) operations	28	8,920,253	9,184,441	(20,571)	(543)
Finance income	24	95,983	324,169	627	644
Finance costs		(8,129,182)	(7,075,442)	-	-
Tax paid	29	(29)	(5,110)	(29)	(4,816)
Net cash generated from / (used in) operating activities		**887,025**	**2,428,058**	**(19,973)**	**(4,715)**
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	-	(22,325)	-	-
Additions to investment property	4	(3,319,116)	(25,811,819)	-	-
Proceeds on sale of investment property		3,106,816	-	-	-
Additional investment in subsidiary	7	-	-	(204,848)	(167,488)
Loans to group companies repaid		-	-	229,581	189,815
Loans advanced to group companies		-	-	(2,004,759)	(39,775)
Interest capitalised to investment property		-	(826,207)	-	-
Net cash used in investing activities		**(212,300)**	**(26,660,351)**	**(1,980,026)**	**(17,448)**
Cash flows from financing activities					
Proceeds on share issue	13	2,000,000	-	2,000,000	-
Advances from interest-bearing borrowings	30	17,695,008	28,167,343	-	-
Repayment of interest-bearing borrowings	30	(13,283,447)	(3,752,521)	-	-
Purchase of remaining investment in non-controlling party		-	(117,558)	-	-
Net cash generated from financing activities		**6,411,561**	**24,297,264**	**2,000,000**	**-**
Total cash and cash equivalents movement for the year		**7,086,286**	**64,971**	**1**	**(22,163)**
Cash and cash equivalents at the beginning of the year		5,125,362	5,060,391	40	22,203
Total cash and cash equivalents at end of the year	11	**12,211,648**	**5,125,362**	**41**	**40**

Restatement of the Unaudited Interim Consolidated Statement of Cash Flows

In the unaudited interim consolidated financial results, for the 6 months ended 31 August 2021, certain non-cash movements were incorrectly classified and disclosed as cash flow items on the face of the Statement of Cash Flows. Refer to note 38 for the impact of these restatements. These restatements will be required (and made) in the next set of interim consolidated financial results for the period ended 31 August 2022, where the figures at 31 August 2021 will be restated retrospectively.

The correction of these errors have been noted in these consolidated and separate annual financial statements for the year ended 28 February 2022, but these errors did not affect the prior year figures as included in these financial statements, as the errors had occurred in the current period only (the first interim period). No restrospective restatements were therefore required on the face of the consolidated and separate annual financial statements for the year ended 28 February 2022.

1. Significant accounting policies

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

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS"), the South African Companies Act 71 of 2008, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the listing requirements of the Cape Town Stock Exchange Proprietary Limited ("CTSE").

The consolidated and separate annual 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.

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual 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 using its power over the entity.

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

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

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Investments in subsidiaries in the separate annual financial statements

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

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

1.2 Consolidation (continued)

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate annual 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

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the consolidated and separate annual financial statements, are outlined as follows:

Classification of investment property

When classifying investment property as held for sale, the group considers whether the property is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of properties, and whether the sale is "highly probable" as envisaged by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. A proposed sale of a property that is subject to contractual terms and conditions that are not usual and customary for property sale transactions, and that cast significant doubt on the "highly probable" assessment, does not result in held-for-sale classification.

Classification of investments

The group classifies its investments as current assets if the expectation is that the investment will be realised in cash (through sale, dividend income etc.) within 12 months after the reporting period.

The investment at fair value through profit or loss (note 9) has been classified as current, at 28 February 2022, after taking into account the forecasts for the completion and sale of the underlying property development. The assessment includes an assumption that there will be no further significant unplanned project delays.

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.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

Investment property 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.

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 the assets 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.

1.4 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are 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 in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. 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	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Other property, plant and equipment (water tanks)	Straight line	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.

The depreciation charge for each year is recognised in profit or loss.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

1.4 Property, plant and equipment (continued)

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.

1.5 Investment property

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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.

Fair value

Subsequent to initial measurement investment property is 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.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

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.

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 amortised over the period of the lease.

1.6 Leases

The group 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 group 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.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

1.6 Leases (continued)

Group as lessor

Leases for which the group 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 Revenue from contracts with customers ("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.

1.7 Lease incentive

The lease incentive relates to an amount paid to the tenant of R3,5 million. 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.

1.8 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments ("IFRS 9").

Recognition and initial measurement

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.

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.

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; or
- fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the group 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.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

1.8 Financial instruments (continued)

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.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost.

Note 34 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

The specific accounting policies for each type of financial instrument held by the group are further presented below:

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.

Subsequent measurement and gains and losses:

<u>Financial assets at fair value through profit or loss</u>

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

<u>Financial assets at amortised cost</u>

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.

Trade and other receivables

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 10). They have been classified in this manner because their contractual terms 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 trade and other receivables.

Loans to group companies

Loans to group companies (note 8) 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.

Investment at fair value through profit or loss

The investment in the Heartwood Ventures UK Limited (note 9) is classified as mandatorily at fair value through profit or loss. This investment does not qualify for classification at amortised cost or at fair value through other comprehensive income, because either the contractual terms 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.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

1.8 Financial instruments (continued)

Financial 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

Loans from group companies (note 8) and interest-bearing borrowings (note 16) are recognised initially at fair value, net of transaction cost incurred. These financial liabilities are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the liabilities using the effective interest method.

The liablities are classified as current liabilities unless the group 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 25).

These liabilities 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

Trade and other payables (note 19), excluding, when applicable, VAT and amounts received in advance, are classified as financial liabilities and are initially measured at fair value and subsequently at amortised cost. Trade and other payables classified as financial liabilities, comprise normal trade payables, related party trade payables, sundry payables, accrued expenses and deposits received.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. The bank overdrafts are short term in nature and considered to be part of the funding of the operating activities of the group.

Derecognition

Financial assets

The group 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 group 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 group 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.

1.9 Impairment of assets

Financial assets

The group recognises loss allowances for ECLs on financial assets measured at amortised cost.

The group 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
- loans receivable 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 group 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.

The group 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 group to actions such as realising security (if any is held).

Trade and other receivables

The expected credit loss ("ECL") is recognised through profit or loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding, when applicable, VAT and prepayments. The amount of expected credit losses is updated at each reporting date. The group measures the loss allowance for trade and other receivables at an amount equal to lifetime ECL, which represents the expected credit losses that will result from all possible default events over the expected life of the receivable less the balance covered through the deposit.

The customer base is diverse with significantly different loss patterns for different customer segments. The group bases its credit risk review on the payment history of the individual customers, taking the deposit held into consideration and raises a provision for credit loss when required as presented in note 10.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss as a movement in credit loss allowance (note 23).

Cash and cash equivalents

The group 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 group considers this to be Ba2 or higher per Moody's or BB- or higher per Standard and Poor's.

1.9 Impairment of assets (continued)

Loans receivable

Subsequent to initial recognition the loans are tested for impairment using the general approach. The group measures the loss allowance at an amount equal to 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 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 loans.

<u>Impairment of loans with no fixed terms of repayment</u>

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 ECL 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.

If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the ECL 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.

<u>Significant increase in credit risk on loans to group companies</u>

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.

1.9 Impairment of assets (continued)

Definition of default on loans to group companies

The company 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 company considers that an event of default has occurred if the borrower does not repay the loan when demanded. The company 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 group 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.

1.10 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.

1.11 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.

1.11 Income tax (continued)

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 company. 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.

1.12 Non-current assets held for sale

Investment property is classified as held for sale if its carrying amount is expected to be recovered primarily through sale rather than through continuing use. Investment property is only classified as held for sale when the investment property is available for immediate sale in its present condition, the company is committed to a plan to sell the investment property, an active plan has been launched to locate a buyer and complete the sale, the investment property is being actively marketed at a sale price that is reasonable in relation to the current fair value of the investment property and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Investment property held for sale is measured at fair value in accordance with the company's accounting policy for investment property (accounting policy 1.5). The profit or loss on the sale of the investment property is recognised in profit or loss.

1.13 Stated capital and equity

Ordinary shares are recognised at no par value and classified as 'stated capital' in equity. Dividends are recognised as a liability in the period in which they are declared.

1.14 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 company 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 VAT. Rental income from properties is recognised in profit or loss on a straight-line basis over the term of the lease. Contingent rent received during the period is 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 to 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.

The sale of goods includes the sales of properties developed by the group. Based on the terms of the underlying contracts, revenue is recognised when all the suspensive conditions have been met and when the property has been registered in the name of the customer. The outstanding amount is settled on the date of transfer.

1.16 Finance income and finance costs

The group's finance income and finance costs include interest income and interest expenses, respectively.

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.

1.17 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.18 Translation of foreign currencies

Investments in subsidiaries

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

1.19 Common control transactions

When entities are ultimately controlled by the same party, both before and after a re-structuring transaction, it is referred to as a common control transaction. Refer to note 7 of the consolidated and separate annual financial statement for details on the common control transaction that occurred on 14 September 2021.

The transaction does not have any impact on the consolidated results of the group as there were no change in control. The group has elected to recognise non-cash distributions in the separate annual financial statements of the company at the transferred carrying value of the distribution. The investment is transferred between the group entities by way of a dividend in specie. The dividend in specie is recognised as investment income in the company's separate annual financial statements.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

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, but had no material impact on the company's annual financial statements:

Standard/ Interpretation:	Effective date: Years beginning on or after
• Amendment (Lessee only): IFRS 16 and Covid-19 - Extension of Practical Expedients	01 June 2020

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 2022 or later periods. No material impacts are expected from the following amendments in the years in which they become effective:

Standard/ Interpretation:	Effective date: Years beginning on or after
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023
• Disclosure of accounting policies: Amendments to IAS 1	01 January 2023
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023
• Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022
• Amendment to IFRS 9: Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
• Amendment (Lessee only): IFRS 16 and Covid-19 - Extension of Practical Expedients	01 April 2021

3. Property, plant and equipment

Group	2022			2021		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Furniture and fixtures	85,219	(50,747)	34,472	85,219	(35,878)	49,341
Office equipment	52,210	(36,429)	15,781	52,210	(25,987)	26,223
Computer equipment	49,978	(49,664)	314	49,978	(45,260)	4,718
Other property, plant and equipment	98,615	(40,482)	58,133	98,615	(21,036)	77,579
Total	**286,022**	**(177,322)**	**108,700**	**286,022**	**(128,161)**	**157,861**

Reconciliation of property, plant and equipment - Group - 2022

	Opening balance R	Depreciation R	Closing balance R
Furniture and fixtures	49,341	(14,869)	34,472
Office equipment	26,223	(10,442)	15,781
Computer equipment	4,718	(4,404)	314
Other property, plant and equipment	77,579	(19,446)	58,133
	157,861	**(49,161)**	**108,700**

Reconciliation of property, plant and equipment - Group - 2021

	Opening balance R	Additions R	Depreciation R	Closing balance R
Furniture and fixtures	64,811	-	(15,470)	49,341
Office equipment	38,415	-	(12,192)	26,223
Computer equipment	21,377	-	(16,659)	4,718
Other property, plant and equipment	71,697	22,325	(16,443)	77,579
	196,300	**22,325**	**(60,764)**	**157,861**

Other property, plant and equipment includes water tanks.

4. Investment property

Group	2022			2021		
	Cost / Valuation R	Accumulated amortisation R	Carrying value R	Cost / Valuation R	Accumulated amortisation R	Carrying value R
Investment property	246,305,984	(2,402,782)	243,903,202	206,581,257	(1,498,926)	205,082,331
Investment property under development	811,755	-	811,755	22,007,865	-	22,007,865
Total	**247,117,739**	**(2,402,782)**	**244,714,957**	**228,589,122**	**(1,498,926)**	**227,090,196**

4. Investment property (continued)

Reconciliation of investment property - Group - 2022

	Opening balance R	Additions R	Classified as held for sale R	Transfers R	Interest capitalised R	Amortisation R	Fair value adjustments R	Closing balance R
Investment property	205,082,331	497,585	(18,500,000)	38,702,887	-	(794,360)	18,914,759	243,903,202
Investment property under development	22,007,865	17,132,169	-	(38,702,887)	374,608	-	-	811,755
	227,090,196	**17,629,754**	**(18,500,000)**	**-**	**374,608**	**(794,360)**	**18,914,759**	**244,714,957**

Reconciliation of investment property - Group - 2021

	Opening balance R	Additions R	Classified as held for sale R	Tenant installations R	Interest capitalised R	Amortisation R	Fair value adjustments R	Closing balance R
Investment property	183,838,738	2,958,402	(6,400,000)	1,118,574	826,207	(415,414)	23,155,824	205,082,331
Investment property under development	694,131	21,313,734	-	-	-	-	-	22,007,865
	184,532,869	**24,272,136**	**(6,400,000)**	**1,118,574**	**826,207**	**(415,414)**	**23,155,824**	**227,090,196**

Investment property under development

As at 28 February 2022, the investment property under development is measured at cost. The fair value is not reliably measurable due to the fact that the market for comparable properties is currently inactive, there are no alternative reliable measurements available and due to the early stage of the development it has not yet become possible to reliably measure the property's fair value. The costs relating to the three projects under development mainly relate to professional fees incurred.

As at 28 February 2021, the fair value of the investment property under construction could not be determined reliably, because the costs related to property that was still under development at that stage. The property (Build It, Somerset West) has however been completed during the current year and the fair value has been measured as indicated below.

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

4. Investment property (continued)

Pledged as security

Carrying value of assets pledged as security:

Unit 1 and 2 - Block A, Willow Wood	62,466,984	56,790,609	-	-
Block B - Willow Wood	16,021,205	18,463,196	-	-
Block C - Willow Wood	22,900,000	21,841,606	-	-
Block D - Willow Wood	23,768,706	37,781,803	-	-
Build It - Somerset West	49,592,065	-	-	-
Erf 661, Lanseria Ext 46, Johannesburg, Gauteng	15,450,162	15,135,097	-	-
Erf 643, Lanseria Ext 14, Johannesburg, Gauteng	14,216,776	14,268,880	-	-
Erf 20, Lyme Park Township	39,487,304	40,766,280	-	-
	243,903,202	**205,047,471**	**-**	**-**

Borrowing costs capitalised

Borrowing costs capitalised to qualifying assets are linked to the prime overdraft rate less 0,25%.	7,25 %	6,75 %	n/a	n/a

Fair value of property

The fair value of the property as per independent valuation reports is:

Investment property	244,714,957	227,090,196	-	-
Investment property classified as held for sale (note 11)	18,500,000	6,400,000	-	-
Operating lease asset (note 6)	14,277,321	12,762,915	-	-
Lease incentive (note 5)	1,219,478	1,454,755	-	-
	278,711,756	**247,707,866**	**-**	**-**

Details of property

Investment property				
- Purchase price	73,165,708	73,165,708	-	-
- Additions/improvements since purchase	79,136,683	78,639,098	-	-
- Additions at cost	29,036,034	11,903,865	-	-
- Tenant installations	2,583,200	3,377,560	-	-
- Interest capitalised	2,694,174	2,319,566	-	-
- Fair value adjustments	82,999,158	64,084,399	-	-
- Classified as held for sale (note 11)	(18,500,000)	(6,400,000)	-	-
- Disposal	(6,400,000)	-	-	-
	244,714,957	**227,090,196**	**-**	**-**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

4. Investment property (continued)

Details of valuation

The effective date of the revaluations was 28 February 2022. Revaluations on the full property portfolio were performed by the independent valuer, of Mills Fitchet Valuations Proprietary Limited (company registration number 2015/063277/07), Mr W Hewitt, who is 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 approach used by the independent valuer makes use of a combination of the Income Approach using the Discounted Cash Flow method (DCF) and the Market Approach based on the Comparable Sales method (CSM). In order to corroborate the values obtained as per the above methods the Income Capitalisation method (ICM) was also considered.

- 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 CSM method the value is determined by looking at directly comparable properties recently sold.

- Under the ICM method, the net operating income generated by the property is divided by the capitalisation rate.

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

The valuation method for one of the office properties was changed from the DCF method in the prior year to the CSM method in the current year. This was done in order to get a value which was more in line with similar properties in the same office park for which there were recent trading activity. The change was implemented to align the valuation method with management's overall strategy for the properties. The fair value moved from R21,2 million in 2021 to R22,9 million in 2022.

Key assumptions and unobservable inputs

Office properties

Willow Wood Office Park Blocks A, B and C to the value of R110,5 million (2021: R91,8 million) were valued using the CSM method. Comparable property sales from 4 properties (2021: 6 properties) similar to the subject properties' values ranged from R19,876 to R24,910 (2021: R17,714 to R24,324) per square metre and the properties were valued at the mid-range of these values.

<u>Commentary on inputs:</u>

The assumptions listed above are significant inputs in the valuation. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of investment property and fair value adjustment in the group profit or loss:

Using a rate per square meter at the lowest range of R19,876 (2021: R17,714) will decrease the fair value by R12,390,830 (2021: R10,221,484).
Using a rate per square meter at the highest range of R24,910 (2021: R24,324) will increase the fair value by R12,454,625 (2021: R10,890,856).

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

4. Investment property (continued)

Willow Wood Office Park Block D and Erf 20 Lyme Park, at the current (R82,7 million) and previous (R79,8 million) reporting dates, were valued using the DCF method. The key assumptions and unobservable inputs (based on current market conditions) used by the group in determining fair value were as follows:

Discount rate	14 %	14 %	n/a	n/a
Exit Capitalisation rate	9 - 9,5 %	9 - 9,5 %	n/a	n/a
Capitalisation rate	9 %	9 %	n/a	n/a
Rental Growth rate	2,5 - 5 %	2,5 - 5 %	n/a	n/a
Expenses Growth rate	6 %	6 %	n/a	n/a
Vacancy rate	2,04 %	0,67 - 2,7 %	n/a	n/a

Commentary on inputs:

The assumptions listed above are significant inputs in the valuation. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of investment property and fair value adjustment in the group profit or loss in the current year:

Input	**Change**	**(Decrease) / increase in profit**	
Increase in discount rate	1% (2021: 0,50%)	(R7,762,310)	(2021: (R6,369,015))
Decrease in discount rate	1% (2021: 0,50%)	R9,571,330	(2021: R8,355,198)
Increase in vacancy rate	3% (2021: 3%)	(R1,295,170)	(2021: (R3,109,070))
Decrease in vacancy rate	3% (2021: 3%)	R1,256,020	(2021: R1,362,820)
Increase in rental growth rate	3% (2021: 3%)	R8,761,680	(2021: R13,397,200)
Decrease in rental growth rate	3% (2021: 3%)	(R7,943,280)	(2021: (R12,172,140))
Increase in expense growth rate	3% (2021: 3%)	(R508,500)	(2021: (R1,698,540))
Decrease in expense growth rate	3% (2021: 3%)	R257,410	(2021: R1,203,600)

Retail properties

The new retail property (Somerset West Erf 20774) to the value of R51,2 million (2021: Rnil) was valued using the DCF method. The key assumptions and unobservable inputs (based on current market conditions) used by the group in determining fair value were as follows:

Discount rate	13 %	n/a	n/a	n/a
Exit Capitalisation rate	8,25 %	n/a	n/a	n/a
Capitalisation rate	8 %	n/a	n/a	n/a
Rental Growth rate	5 %	n/a	n/a	n/a
Expenses Growth rate	6 %	n/a	n/a	n/a
Vacancy rate	0,66 %	n/a	n/a	n/a

Commentary on inputs:

The assumptions listed above are significant inputs in the valuation. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of investment property and fair value adjustment in the group profit or loss in the current year (2021: none):

Input	**Change**	**(Decrease) / increase in profit**
Increase in discount rate	1%	(R5,048,460)
Decrease in discount rate	1%	R6,366,130
Increase in vacancy rate	3%	(R1,484,430)
Decrease in vacancy rate	3%	R126,850
Increase in rental growth rate	3%	R7,089,290
Decrease in rental growth rate	3%	(R5,508,700)
Increase in expense growth rate	3%	(R80,060)
Decrease in expense growth rate	3%	R39,420

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

4. Investment property (continued)

Industrial properties

Industrial properties to the value of R33,5 million (2021: R32,9 million) were valued using the DCF method. The key assumptions and unobservable inputs (based on current market conditions) used by the group in determining fair value were as follows:

Discount rate	14,25 %	14,25 %	n/a	n/a
Exit Capitalisation rate	9,75 %	9,75 %	n/a	n/a
Capitalisation rate	9,25 %	9,25 %	n/a	n/a
Rental Growth rate	5 %	2,5 - 5 %	n/a	n/a
Expenses Growth rate	6 %	6 %	n/a	n/a
Vacancy rate	1,32 %	1,31 %	n/a	n/a

Commentary on inputs:

The assumptions listed above are significant inputs in the valuation. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of investment property and fair value adjustment in the group profit or loss in the current year:

Input	**Change**	**(Decrease) / increase in profit**	
Increase in discount rate	1%	(R2,480,130)	(2021: (R533,940))
Decrease in discount rate	1%	R3,114,570	(2021: R533,343)
Increase in vacancy rate	3%	(R727,980)	(2021: (R595,030))
Decrease in vacancy rate	3%	R261,260	(2021: R203,490)
Increase in rental growth rate	3%	R2,430,640	(2021: R2,067,500)
Decrease in rental growth rate	3%	(R2,098,000)	(2021: (R1,868,420))

Amounts included in profit or loss for the year

Total rental income from investment property	24,268,193	20,744,736	-	-
Other income from investment property	141,452	-	-	-
Direct operating expenses from rental generating property	(8,015,315)	(10,438,069)	-	-
	16,394,330	**10,306,667**	**-**	**-**

	Group		Company	
	2022 R	2021 R	2022 R	2021 R

5. Lease incentive

Group	2022			2021		
	Cost R	Accumulated amortisation R	Carrying value R	Cost R	Accumulated amortisation R	Carrying value R
Lease incentive	3,500,000	(2,280,522)	1,219,478	3,500,000	(2,045,245)	1,454,755

Reconciliation of lease incentive - Group - 2022

	Opening balance R	Amortisation R	Closing balance R
Lease incentive	1,454,755	(235,277)	1,219,478

Reconciliation of lease incentive - Group - 2021

	Opening balance R	Amortisation R	Closing balance R
Lease incentive	1,707,755	(253,000)	1,454,755

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 R3,5 million.

6. Operating lease asset

Non-current assets	12,948,338	12,762,915	-	-
Current assets	1,328,983	-	-	-
	14,277,321	**12,762,915**	**-**	**-**

The operating leases for investment property as described in note 4 range from 3 to 10 years with escalation rates between 6% to 8% per annum.

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

Maturity analysis of lease payments receivable				
- Within 1 year	15,313,846	18,138,253	-	-
- Between 2 and 5 years	71,586,746	59,733,965	-	-
- More than 5 years	21,347,898	16,368,165	-	-
	108,248,490	**94,240,383**	**-**	**-**

	Group		Company	
	2022 R	2021 R	2022 R	2021 R

7. Investments in subsidiaries

The following table lists the entities which are controlled directly by the group, and the carrying amounts of the investments in the company's separate annual financial statements.

Company

Name of company	% holding 2022	% holding 2021	Carrying amount 2022 R	Carrying amount 2021 R
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 %	29,997,945	29,997,945
Utter Velvet Proprietary Limited	100,00 %	100,00 %	5,000,000	5,000,000
Nictokaybee Investments Proprietary Limited*	100,00 %	- %	352,743	-
Heartwood Ventures UK Limited	100,00 %	100,00 %	4,266,333	4,061,485
Firgrove Developments Proprietary Limited (formerly K2018641226 (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 %	-	-
Indirectly held				
Nictokaybee Investments Proprietary Limited*	- %	100,00 %	-	-
Erf 733 Woodmead Ext 14 Proprietary Limited	80,00 %	80,00 %	-	-
			68,854,194	68,296,603

* During the year under review the Group performed an unbundling transaction, for tax planning purposes, whereby subsidiary company, Velvet Moon Properties 93 Proprietary Limited unbundled its shares (100%) held in Nictokaybee Investments Proprietary Limited to Heartwood Properties Limited via a section 46 unbundling transaction. The shareholding in Nictokaybee Investments Proprietary Limited was transferred from Velvet Moon Properties 93 Proprietary Limited to Heartwood Properties Limited by declaration of a dividend in specie of R352,743. The dividend received and the investment in subsidiary was recognised at book value in the Company's separate annual financial statements. No profit or loss has been incurred on this transaction. The effective date of the transaction was 14 September 2021.

All subsidiaries, except Heartwood UK Ventures Limited, are incorporated in South Africa. Heartwood UK Ventures Limited is incorporated the United Kingdom. All subsidiaries share the same year end as the company.

The carrying amounts of the investments are shown at cost less accumulated impairment losses. There have been no impairment losses to date.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

8. Loans to group companies

Subsidiaries

	Group 2022 R	Group 2021 R	Company 2022 R	Company 2021 R
Velvet Moon Properties 93 Proprietary Limited The loan bears interest at the prime overdraft rate less 0,75% per annum. Interest accrues 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 6,75% per annum (2021: 6,25%). The property, Block B, C and D of Willow Wood Office Park, referred to in note 4 has been pledged as security.	-	-	39,837,507	41,265,173
Velvet Moon Properties 93 Proprietary Limited The loan is unsecured, interest free and has no fixed terms of repayment.	-	-	11,402,487	9,627,141
Fargofor Proprietary Limited The loan bears interest at the prime overdraft rate less 0,75% per annum. Interest accrues 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 6,75% per annum (2021: 6,25%). The property, Block A Willow Wood, referred to in note 4 has been pledged as security.	-	-	27,971,501	26,566,129
Utter Velvet Proprietary Limited The loan bears interest at prime overdraft rate less 0.75% per annum. Interest accrues 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 6.75% (2021: 6.25%) per annum.	-	-	21,293,937	21,300,936
	-	**-**	**100,505,432**	**98,759,379**

Split between non-current and current portions

	Group 2022 R	Group 2021 R	Company 2022 R	Company 2021 R
Non-current assets	-	-	89,508,432	98,759,379
Current assets	-	-	10,997,000	-
	-	**-**	**100,505,432**	**98,759,379**

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 either externally through ratings agencies or internally where external ratings are not available.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022	**2021**	**2022**	**2021**
	R	**R**	**R**	**R**

8. Loans to group companies (continued)

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available.

Internal credit grade	**Description**	**Basis for recognising expected credit losses**
Performing	Low risk of default and no amounts are past due	12 month 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 provided for

Credit loss allowances

All loans to group companies are considered to have *performing* internal credit ratings and the 12 month ECL has been used as the basis for the recognition of allowances. There have been no loss allowances recognised on any loans to group companies. There has been no changes in the rating compared to the prior year.

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 loans as well as other liabilities.

9. Investment at fair value

The investment held by the group which is measured at fair value, is as follows:

	Group 2022 R	Group 2021 R	Company 2022 R	Company 2021 R
Mandatorily at fair value through profit or loss:				
Investment - Artisan Blythswood Quarter Holdings Limited	3,977,750	4,036,800	-	-
An investment of £200 000 was made in October 2019 for a minority share in a property development project based in the United Kingdom. The transaction was facilitated through a UK based subsidiary, Heartwood Ventures UK Limited, which is owned by Heartwood Properties Limited.				
	3,977,750	**4,036,800**	**-**	**-**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

9. Investment at fair value (continued)

Split between non-current and current portions

Non-current assets	-	4,036,800	-	-
Current assets	3,977,750	-	-	-
	3,977,750	**4,036,800**	**-**	**-**

Fair value information

No fair value adjustment has been recognised during the current year (2021: fair value loss of R168,200).

The value was determined by using future cash flow forecasts to determine the percentage of the investment that will be recovered.

The investment is categorised as a level 3 financial asset based on the fair value hierarchy in terms of IFRS 13, for fair value measurement purposes.

The investment represents an effective shareholding of 4,76% in a proposed development project based in Glasgow, Scotland. The initial value was based on the transaction price paid.

Despite successfully obtaining the required planning consents in order to proceed with the development, the COVID-19 pandemic had a substantial negative impact upon the originally anticipated exit of the project. After an initial offer received in 2021, to purchase the site, an updated offer was received in early 2022 which provided an alternative exit strategy for the investment. Based on future cash flows for the project it is anticipated that investors will recoup 96% (2021: 96%) of their original capital contribution.

It is not anticipated that changing one of the unobservable inputs for the investment will result in a material change to the fair value.

Reconciliation of investment at fair value

Opening balance	4,036,800	4,011,320	-	-
Fair value adjusment	-	(168,200)	-	-
Foreign currency translation	(59,050)	193,680	-	-
Closing balance	**3,977,750**	**4,036,800**	**-**	**-**

10. Trade and other receivables

Financial instruments:				
Trade receivables	1,076,264	1,032,645	-	-
Loss allowance	(612,939)	(138,359)	-	-
Trade receivables at amortised cost	463,325	894,286	-	-
Deposits	772,943	278,323	-	-
Other receivable - K2019001133	-	100	-	-
Other receivable - K2018483185	592,404	10,653	-	-
Other receivable - Body Corporate Soleil	-	121,130	-	-
Non-financial instruments:				
VAT	-	628,999	-	-
Total trade and other receivables	**1,828,672**	**1,933,491**	**-**	**-**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

10. Trade and other receivables (continued)

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	1,828,672	1,304,492	-	-
Non-financial instruments	-	628,999	-	-
	1,828,672	**1,933,491**	**-**	**-**

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

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

Refer to note 34 Financial instruments and financial risk management for details of credit risk management for trade and other receivables.

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade receivables:

Opening balance	**(138,359)**	**(19,500)**	**-**	**-**
Provision increased on existing trade receivables	(86,335)	-	-	-
Provision raised on new trade receivables	(388,245)	(138,359)	-	-
Provisions reversed on trade receivables	-	19,500	-	-
Closing balance	**(612,939)**	**(138,359)**	**-**	**-**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	12,223,567	5,132,398	41	40
Bank overdraft	(11,919)	(7,036)	-	-
	12,211,648	**5,125,362**	**41**	**40**
Current assets	12,223,567	5,132,398	41	40
Current liabilities	(11,919)	(7,036)	-	-
	12,211,648	**5,125,362**	**41**	**40**

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				
Standard Bank of South Africa Limited (BB) (2021: BB)	12,211,648	5,125,362	41	40

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	2021 R	2022 R	2021 R

12. Non-current assets held for sale

The group entered into a sale agreement on 18 November 2021 in terms of which sections 305 - 308 of Willow Wood Office Park (Block D) will be sold to the purchaser at R18,5 million. The purchaser took occupancy of the property on 01 March 2022, but the sale is still conditional until the full purchase consideration has been received. The expected date of sale is May 2022. Based on these terms the property was classified as held for sale as at 28 February 2022.

During the prior year, the group sold a portion of its investment property - unit 201 of Block B for R6,400,000. The cost relating to this unit was calculated at R5,687,549. The effective date of sale was 26 April 2021.

Assets and liabilities

Investment property classified as held for sale				
Unit 201 of Block B	-	6,400,000	-	-
Units of Block D	18,500,000	-	-	-
	18,500,000	**6,400,000**	**-**	**-**

13. Stated capital

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

On 03 September 2021, the Company issued 2,500,000 no par value ordinary shares at a price of R0,80 per share. The aggregate subscription consideration received by the Company amounted to R2,000,000. The proceeds of the issue will be utilised by the Group in its current and future property developments.

During the prior year, the Company issued 328,882 shares with no par value at R0,71 per share as part of its acquisition of the remaining minority interest in one of its subsidiaries, Nictokaybee Investments Proprietary Limited. The aggregate subscription consideration was R235,115.

Reconciliation of number of shares issued:				
At beginning of the year	128,551,161	128,222,279	128,551,161	128,222,279
Issue of shares – ordinary shares	2,500,000	328,882	2,500,000	328,882
	131,051,161	**128,551,161**	**131,051,161**	**128,551,161**

Issued				
131,051,161 (2021: 128,551,161) ordinary no par value shares	79,911,299	77,911,299	79,911,299	77,911,299

14. Foreign currency translation reserve

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

Heartwood UK Ventures Limited	351,123	405,960	-	-

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

15. Non-controlling interest

Non-controlling interest consist of the profit or loss and reserves attributable to non-controlling shareholders of Erf 733 Woodmead Ext 14 Proprietary Limited (20%). Velvet Moon Properties 93 Proprietary Limited holds 80% of the issued shares of Erf 733 Woodmead Ext 14 Proprietary Limited.

Previously, Velvet Moon Properties Proprietary Limited also held 70% of Nictokaybee Investments Proprietary Limited, with 30% held by non-controlling shareholders. However, during the prior year, Velvet Moon Properties 93 Proprietary acquired the remaining 30% shareholding and Nictokaybee Investments Proprietary Limited has therefore been wholly owned by the group since 31 July 2020.

Reconciliation of movement in non-controlling interest

	Group 2022 R	Group 2021 R	Company 2022 R	Company 2021 R
Opening balance	185,848	602,157	-	-
Profit for the year	121,763	77,410	-	-
Change in ownership interest	-	(493,719)	-	-
	307,611	**185,848**	**-**	**-**

16. Interest-bearing borrowings

Held at amortised cost

	Group 2022 R	Group 2021 R	Company 2022 R	Company 2021 R
Standard Bank of South Africa Limited The loan bears interest at prime overdraft rate less 0.75% and is repayable in monthly capital instalments with a bullet payment on 31 October 2023. The interest rate at year end was 6.75% (2021: 6.25%) per annum. The property portfolios of Velvet Moon Properties 93 Proprietary Limited , Fargofor Proprietary Limited and Utter Velvet Proprietary Limited have been pledged as security (refer to note 4).	89,102,945	89,132,238	89,102,945	89,132,238
Nedbank Limited The loan bears interest at prime overdraft rate less 0.25% and is repayable in monthly instalments of R127,524 (2021: R123,943). The loan expires in September 2024. The interest rate at year end was 7.25% (2021: 6.75%) per annum. The securities provided for the loan are as follows: 1) Existing loan: R14,000,000 first covering bond over the property described as Erf 661, Lanseria; a) Irrevocable guarantee of R1,357,500 from Abundant Media Proprietary Limited; b) Irrevocable guarantee from Heartwood Properties Limited for R3,167,500. Management has assessed the likelihood of the guarantees being called on to be low based on the financial position of the company.	9,768,837	10,571,768	-	-

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**
16. Interest-bearing borrowings (continued)				
Nedbank Limited The loan is secured over the Build It property in Somerset West. During the development of the property the loan carried interest at the prime overdraft rate, and on completion at the prime overdraft rate less 0,25% per annum. The interest rate at year end was 7,25% (2021: 7%). During the construction period only interest was repayable in monthly instalments, after which the loan is repayable in monthly instalments over a period of 5 years. Guarantees provided for the loan includes an irrevocable guarantee of R9,500,000 from Heartwood Properties Limited in favour of Nedbank Limited. Management has assessed the likelihood of the guarantee being called on to be low based on the financial position of the company.	25,807,827	3,448,904	-	-
Nedbank Limited The loan is secured over the property/development described as Erf 643, Lanseria. 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.	8,690,995	9,317,424	-	-
Chirpy Properties Proprietary Limited The loan is unsecured, bears interest at prime overdraft rate and is repayable on demand.	128,535	119,759	-	-
	133,499,139	**112,590,093**	**89,102,945**	**89,132,238**

Split between non-current and current portions

Non-current liabilities	128,763,367	108,645,351	86,686,276	87,132,234
Current liabilities	4,735,772	3,944,742	2,416,669	2,000,004
	133,499,139	**112,590,093**	**89,102,945**	**89,132,238**

Refer to note 30 Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

17. Long-term employee benefit

Long-term incentive scheme provision	1,794,720	841,404	-	-

Reconciliation of provision

Opening balance	841,404	199,335	-	-
Units awarded	953,316	642,069	-	-
	1,794,720	**841,404**	**-**	**-**

Split between non-current and current portions

Non-current liabilities	701,159	841,404	-	-
Current liabilities	1,093,561	-	-	-
	1,794,720	**841,404**	**-**	**-**

During 2020, the group 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.

The long term incentive provision has been calculated by using the actual unvested units awarded multiplied by the actual net asset value per share at the previous year end. It is assumed that the employees will reach 100% of the annual growth target and that all employees will remain in service.

18. Deferred tax

Deferred tax liability

Investment property at fair value	(27,303,049)	(21,435,075)	-	-
Operating lease asset	(3,997,651)	(3,573,616)	-	-
Total deferred tax liability	**(31,300,700)**	**(25,008,691)**	**-**	**-**

Deferred tax asset

Provisions - Leave pay and employee incentive	602,402	263,395	-	-
Amounts received in advance	163,072	83,772	-	-
Loss allowances	33,221	-	-	-
Deferred tax balance from temporary differences other than unused tax losses	798,695	347,167	-	-
Tax losses avail for set off against future taxable income	4,320,263	3,379,328	-	-
Total deferred tax asset	**5,118,958**	**3,726,495**	**-**	**-**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

18. Deferred tax (continued)

The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Total deferred tax liability	(31,300,700)	(25,008,691)	-	-
Total deferred tax asset	5,118,958	3,726,495	-	-
Total net deferred tax liability	**(26,181,742)**	**(21,282,196)**	**-**	**-**

Reconciliation of total net deferred tax liability

At beginning of the year	(21,282,196)	(14,022,740)	-	-
Increase in tax losses available for set off against future taxable income	940,935	483,519	-	-
Temporary difference movement on investment property at fair value	(5,867,974)	(6,782,928)	-	-
Temporary difference movement on operating lease asset	(424,035)	(1,089,461)	-	-
Temporary difference movement on provisions	339,007	135,931	-	-
Temporary difference movement on amounts received in advance	79,300	(6,517)	-	-
Temporary difference movement on loss allowances	33,221	-	-	-
	(26,181,742)	**(21,282,196)**	**-**	**-**

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 property 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% (2021: 22%) is used (Investment property). If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2021: 28%) is applied (Property, plant and equipment).

The corporate tax rate will be lowered to 27% for years of assessment commencing on or after 01 April 2022. The rate change is not considered material, based on the calculations performed by management.

The impact of the change in tax rules where assessed losses could only be utilised at 80% is also not material to the company.

For both of the above, management applied judgement in making the decisions and coming to the conclusion.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

19. Trade and other payables

Financial instruments:				
Trade payables	507,683	6,072,502	-	-
Accrued expenses	283,150	842,932	-	-
Other accrued expenses	-	106,094	-	-
Deposits received	2,290,363	2,221,633	-	-
Non-financial instruments:				
Amounts received in advance	901,465	91,443	-	-
VAT	295,663	204,475	-	-
	4,278,324	**9,539,079**	**-**	**-**

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	3,081,196	9,243,161	-	-
Non-financial instruments	1,197,128	295,918	-	-
	4,278,324	**9,539,079**	**-**	**-**

20. Revenue

Revenue from rental of investment property				
<u>Revenue recognised in terms of IFRS 16 Leases:</u>				
Rental income (straight-line basis)	20,166,048	16,934,679	-	-
Lease incentive amortisation (straight-line basis)	(235,277)	(253,001)	-	-
Straight-lining lease adjustment (straight-line basis)	1,514,406	3,890,928	-	-
<u>Revenue recongised in terms of IFRS 15 Revenue from contracts with customers:</u>				
Recoveries: Electricity, water, refuse, rates and taxes (over time)	4,337,422	3,810,056	-	-
Sale of inventory (at a point in time)	-	15,289,350	-	-
	25,782,599	**39,672,012**	**-**	**-**

Other revenue				
Revenue other than from contracts with customers:				
Interest received (trading)	-	-	5,241,724	4,520,091
	25,782,599	**39,672,012**	**5,241,724**	**4,520,091**

21. Cost of inventories sold

Sale of inventory	-	11,159,428	-	-

22. Fair value adjustments

Fair value gains / (losses)				
Investment property - fair value gains	22,605,154	23,576,933	-	-
Investment property - fair value losses	(3,690,395)	(421,109)	-	-
Financial assets mandatorily at fair value through profit or loss	-	(168,200)	-	-
	18,914,759	**22,987,624**	**-**	**-**

	Group		Company	
	2022 R	2021 R	2022 R	2021 R

23. Operating profit

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

Auditor's remuneration - external				
Audit fees - South Africa	530,000	680,000	-	-
Audit fees - UK	174,784	203,996	-	-
	704,784	**883,996**	**-**	**-**
Remuneration, other than to employees				
Administrative and managerial services	163,864	275,786	-	-
Consulting, accounting and professional services	1,286,515	1,010,941	19,550	-
Secretarial services	162,105	143,875	-	-
	1,612,484	**1,430,602**	**19,550**	**-**
Employee costs				
Salaries, wages, bonuses and other benefits	4,682,071	4,099,259	-	-
Long term incentive scheme	953,316	642,069	-	-
Total employee costs	**5,635,387**	**4,741,328**	**-**	**-**
Leases				
Short-term leases	250,857	238,756	-	-

Refer to note 31 for additional details of leases.

Depreciation and amortisation				
Amortisation of investment property (tenant installations)	794,360	415,414	-	-
Depreciation of property, plant and equipment	49,161	60,764	-	-
Total depreciation and amortisation	**843,521**	**476,178**	**-**	**-**
Movement in credit loss allowances				
Trade and other receivables	474,580	138,359	-	-
Other				
Levies	1,919,553	1,820,572	-	-
Listing costs	156,212	141,673	-	-
Municipal expenses	2,322,247	1,702,346	-	-
Rates	2,016,783	1,592,802	-	-
Travel - Local	26,839	10,402	-	-

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**
24. Investment income				
Dividend income				
Group entities:				
Dividend in specie	-	-	352,743	-
Finance income				
Investments in financial assets at amortised cost:				
Bank and other cash	95,983	324,169	627	644
Total investment income	**95,983**	**324,169**	**353,370**	**644**
25. Finance costs				
Financial liabilities measured at amortised cost				
Amortisation of debt raising fee	53,493	-	-	-
Interest-bearing borrowings	7,754,518	7,078,465	5,241,556	4,520,091
Trade and other payables	8,776	7,979	-	-
Other interest paid	56	-	-	-
Total finance costs	**7,816,843**	**7,086,444**	**5,241,556**	**4,520,091**
26. Taxation				
Major components of the tax expense				
Current				
Local income tax - current period	-	29	-	29
Current tax	-	294	-	-
	-	**323**	**-**	**29**
Deferred				
Deferred income tax - current period	4,899,567	7,259,391	-	-
	4,899,567	**7,259,714**	**-**	**29**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	19,330,428	30,249,869	332,967	101
Tax at the applicable tax rate of 28% (2021: 28%)	5,412,520	8,469,963	93,231	29
Tax effect of adjustments on taxable income				
Non-deductible expenses	311,512	398,162	5,537	-
Fair value adjustments	(915,025)	(1,539,451)	-	-
Other	(55,722)	-	-	-
Unused tax losses	-	71,644	-	-
Dividend received	-	-	(98,768)	-
Accounting adjustment on tenant installations	146,282	(146,282)	-	-
Tax effect of group eliminations	-	5,678	-	-
	4,899,567	**7,259,714**	**-**	**29**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	2021 R	2022 R	2021 R

26. Taxation (continued)

Non deductible expenses include consulting and professional fees and other expenditure that are capital in nature, ie. legal fees, valuation costs and listing costs.

27. Earnings per share

Earnings per share				
Basic and diluted (cents)	0,11	0,18	-	-

Basic earnings per share was based on earnings attributable to equity holders of the parent of R14,309,098 (2021: R22,912,745) and a weighted average number of 129,801,161 (2021: 128,414,127) of ordinary shares in issue during the year.

Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue.

28. Cash generated from / (used in) operations

Profit before taxation	19,330,428	30,249,869	332,967	101
Adjustments for:				
Depreciation and amortisation	843,521	476,178	-	-
Dividend in specie received	-	-	(352,743)	-
Finance income	(95,983)	(324,169)	(5,242,351)	(4,520,735)
Finance costs	7,816,843	7,086,444	5,241,556	4,520,091
Net fair value adjustments	(18,914,759)	(22,987,624)	-	-
Movements in credit loss allowances	474,580	138,359	-	-
Movements in operating lease assets	(1,514,407)	(3,890,927)	-	-
Movements in provisions	87,262	-	-	-
Amortisation of lease incentive	235,277	253,000	-	-
Long-term employee benefit	953,316	642,068	-	-
Other non-cash movements	(12,103)	12,945	-	-
Changes in working capital:				
Inventories	-	9,861,569	-	-
Trade and other receivables	115,955	776,775	-	-
Trade and other payables	(399,677)	2,179,954	-	-
Non-cash movement in receivables - direct loan settlement by customer	-	(15,290,000)	-	-
	8,920,253	**9,184,441**	**(20,571)**	**(543)**

29. Tax paid

Balance at beginning of the year	6	(4,781)	(29)	(4,816)
Current tax for the year recognised in profit or loss	-	(323)	-	(29)
Balance at end of the year	(35)	(6)	-	29
	(29)	**(5,110)**	**(29)**	**(4,816)**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

30. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2022

	Opening balance R	Cash repayments R	Cash advances R	Interest paid R	Non-cash repayments R	Non-cash advances R	Debt raising fee R	Interest capitalised R	Total movement R	Closing balance
Interest-bearing borrowings	112,590,093	(13,283,447)	17,695,008	(8,129,320)	(4,000,193)	20,735,408	(246,507)	8,138,097	20,909,046	133,499,139

Reconciliation of liabilities arising from financing activities - Group - 2021

	Opening balance R	Repayments R	Advances R	Interest R	Non-cash sale of inventory R	Total movement R	Closing balance R
Interest-bearing borrowings	103,437,564	(11,654,169)	28,167,343	7,929,355	(15,290,000)	9,152,529	112,590,093

The non-cash repayments in 2022 related to a direct settlement by the purchaser of the property that was sold during the year. The non-cash advances related to payments made directly to suppliers, from the bond, relating to the BuildIt property.

Reconciliation of liabilities arising from financing activities - Company - 2022

	Opening balance R	Interest capitalised R	Non-cash movements R	Total movement R	Closing balance R
Interest-bearing borrowings	89,132,238	5,241,556	(5,270,849)	(29,293)	89,102,945

Reconciliation of liabilities arising from financing activities - Company - 2021

	Opening balance R	Repayments R	Interest R	Non-cash movements R	Total movement R	Closing balance R
Interest-bearing borrowings	57,449,796	(189,815)	4,520,091	27,352,166	31,682,442	89,132,238

The non-cash movements in 2022 related to the interest on the loan paid by Velvet Moon Properties 93 Proprietary Limited (2021: the non-cash movements related to the roll up of the subisidiary loan with Utter Velvet Prorietary Limited to Heartwood Properties Proprietary Limited's facility).

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	2021 R	2022 R	2021 R

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Investment property	5,130,000	18,912,903	-	-

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

Short-term leases – as lessee (expenses)

Minimum lease payments due				
- within one year	265,908	250,857	-	-

32. Related parties

Relationships

Subsidiaries	Velvet Moon Properties 93 Proprietary Limited Fargofor Proprietary Limited Nictokaybee Investments Proprietary Limited Utter Velvet Proprietary Limited Heartwood UK Ventures Limited Firgrove Developments Proprietary Limited (formerly K2018641226 (South Africa) Proprietary Limited) K2018642428 (South Africa) Proprietary Limited K2019001133 (South Africa) Proprietary Limited Erf 733 Woodmead Ext 14 Proprietary Limited (indirect)
Companies under control of key management	Whall Property Group Proprietary Limited (LJ Whall) Cape Gannet Properties Proprietary Limited (LJ Whall) K2018483185 (South Africa) Proprietary Limited (LJ Whall, J Dumas) Strauss Scher Attorneys (JH Scher) Brydens Commercial Properties Proprietary Limted (MR Evans) Mass Property Management Proprietary Limited (MR Evans) Pencil Creek Trust (MR Evans)
Members of key management	JH Scher MR Evans AG Utterson LJ Whall J Dumas B Seeff PR Gent

Related party balances

	Group 2022 R	Group 2021 R	Company 2022 R	Company 2021 R
Loan accounts - Owing by related parties				
Velvet Moon Properties 93 Proprietary Limited	-	-	39,837,507	41,265,173
Velvet Moon Properties 93 Proprietary Limited	-	-	11,402,487	9,627,141
Fargofor Proprietary Limited	-	-	27,971,501	26,566,129
Utter Velvet Proprietary Limited	-	-	21,293,937	21,300,936

Refer to note 8 for the terms of the related party loans.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	**2021 R**	**2022 R**	**2021 R**

32. Related parties (continued)

Amounts included in Trade and other receivables / (Trade and other payables) regarding related parties				
Brydens Commercial Properties Proprietary Limted	-	39,787	-	-
K2019001133 (South Africa) Proprietary Limited	-	100	-	-
K2018483185 (South Africa) Proprietary Limited	592,404	10,653	-	-

The loan to K2018483185 (South Africa) Proprietary Limited is unsecured, interest free and has no fixed terms of repayment.

Related party transactions

Interest received from related parties				
Velvet Moon Properties 93 Proprietary Limited	-	-	2,486,018	2,717,554
Fargofor Proprietary Limited	-	-	1,405,373	1,470,792
Utter Velvet Proprietary Limited	-	-	1,350,333	331,745
Dividend in specie received from related party				
Velvet Moon Properties 93 Proprietary Limited	-	-	352,743	-
Rent paid to related party				
Cape Gannet Properties Proprietary Limited	250,857	316,288	-	-

The lease is a market related short-term lease of R20,905 per month.

Management fees paid to related party				
Mass Property Management Proprietary Limited	87,308	-	-	-
Legal fees paid to related party				
Strauss Scher Attorneys	3,590	38,981	-	-
Property management fees paid to related party				
Mass Property Management Proprietary Limited	-	81,187	-	-

Refer to note 33 for the total directors' emoluments.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

33. Directors' emoluments

No emoluments were paid by the company, all emoluments were paid to the directors by subsidiary company, Velvet Moon Properties 93 Proprietary Limited, as per below:

Executive

2022

	Short-term employee benefits R	Long-term employee benefits R	Total R
Services as director or prescribed officer			
LJ Whall	2,153,945	714,987	2,868,932
J Dumas	1,105,255	238,329	1,343,584
AG Utterson	1,144,800	-	1,144,800
	4,404,000	**953,316**	**5,357,316**

2021

	Short-term employee benefits R	Long-term employee benefits R	Total R
Services as director or prescribed officer			
LJ Whall	2,264,347	501,414	2,765,761
J Dumas	831,715	140,655	972,370
AG Utterson	900,000	-	900,000
	3,996,062	**642,069**	**4,638,131**

Non-executive

Directors' fees

	2022 R	2021 R
JH Scher	132,000	80,004
MR Evans	90,000	60,000
B Seeff	90,000	75,000
PR Gent	90,000	62,241
	402,000	**277,245**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

34. Financial instruments and risk management

Categories of financial assets

Group - 2022

	Notes	Fair value through profit or loss - Mandatory R	Amortised cost R	Total R
Investment at fair value	9	3,977,750	-	3,977,750
Trade and other receivables	10	-	1,828,672	1,828,672
Cash and cash equivalents	11	-	12,223,567	12,223,567
		3,977,750	**14,052,239**	**18,029,989**

Group - 2021

	Notes	Fair value through profit or loss - Mandatory R	Amortised cost R	Total R
Investment at fair value	9	4,036,800	-	4,036,800
Trade and other receivables	10	-	1,304,492	1,304,492
Cash and cash equivalents	11	-	5,132,398	5,132,398
		4,036,800	**6,436,890**	**10,473,690**

Company - 2022

	Notes	Amortised cost R	Total R
Loans to group companies	8	100,505,432	100,505,432
Cash and cash equivalents	11	41	41
		100,505,473	**100,505,473**

Company - 2021

	Notes	Amortised cost R	Total R
Loans to group companies	8	98,759,379	98,759,379
Cash and cash equivalents	11	40	40
		98,759,419	**98,759,419**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

34. Financial instruments and risk management (continued)

Categories of financial liabilities

Group - 2022

	Notes	Amortised cost R	Total R
Interest-bearing borrowings	16	133,499,139	133,499,139
Trade and other payables	19	3,081,196	3,081,196
Bank overdraft	11	11,919	11,919
		136,592,254	**136,592,254**

Group - 2021

	Notes	Amortised cost R	Total R
Interest-bearing borrowings	16	112,590,093	112,590,093
Trade and other payables	19	9,243,161	9,243,161
Bank overdraft	11	7,036	7,036
		121,840,290	**121,840,290**

Company - 2022

	Note	Amortised cost R	Total R
Interest-bearing borrowings	16	89,102,945	89,102,945

Company - 2021

	Note	Amortised cost R	Total R
Interest-bearing borrowings	16	89,132,238	89,132,238

34. Financial instruments and risk management (continued)

Pre tax gains and losses on financial assets

Group - 2022

	Notes	Fair value through profit or loss - Mandatory R	Amortised cost R	Total R
Recognised in profit or loss:				
Movement in credit loss allowances	23	-	(474,580)	(474,580)
Finance income	24	-	95,983	95,983
Net losses		**-**	**(378,597)**	**(378,597)**

Group - 2021

	Notes	Fair value through profit or loss - Mandatory R	Amortised cost R	Total R
Recognised in profit or loss:				
Fair value adjustments	22	(168,200)	-	(168,200)
Movement in credit loss allowances	23	-	(138,359)	(138,359)
Finance income	24	-	324,169	324,169
Net (losses) / gains		**(168,200)**	**185,810**	**17,610**

Company - 2022

	Note	Amortised cost R	Total R
Recognised in profit or loss:			
Finance income	24	627	627

Company - 2021

	Note	Amortised cost R	Total R
Recognised in profit or loss:			
Finance income	24	644	644

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

34. Financial instruments and risk management (continued)

Pre tax gains and losses on financial liabilities

Group - 2022

	Note	Amortised cost R	Total R
Recognised in profit or loss:			
Finance costs	25	(7,816,843)	(7,816,843)

Group - 2021

	Note	Amortised cost R	Total R
Recognised in profit or loss:			
Finance costs	25	(7,086,444)	(7,086,444)

Company - 2022

	Note	Amortised cost R	Total R
Recognised in profit or loss:			
Finance costs	25	(5,241,556)	(5,241,556)

Company - 2021

	Note	Amortised cost R	Total R
Recognised in profit or loss:			
Finance costs	25	(4,520,091)	(4,520,091)

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

	Group		Company	
	2022 R	2021 R	2022 R	2021 R

34. Financial instruments and risk management (continued)

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.

Capital risk is monitored on a consolidated level - the loan facility from Standard Bank of South Africa Limited is held in Heartwood Properties Limited. Loan to value ratio covenants for Standard Bank of South Africa Limited range from 53% to 58%. Standard Bank of South Africa Limited also requires certain properties to have minimum values, and requires an Interest Cover Ratio of 1,70 times. The Interest Cover Ratio at year end was 2,08. Nedbank Limited has no covenants.

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

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

Interest-bearing borrowings	133,499,139	112,590,093	89,102,945	89,132,238
Trade and other payables	4,278,324	9,539,078	-	-
Total borrowings	**137,777,463**	**122,129,171**	**89,102,945**	**89,132,238**
Cash and cash equivalents	(12,211,648)	(5,125,362)	(41)	(40)
Net borrowings	**125,565,815**	**117,003,809**	**89,102,904**	**89,132,198**
Investment property	278,711,756	247,707,866	-	-
Loan to value ratio (yearly average)	45 %	47 %	- %	- %

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 ris, interest rate risk and price risk).

The board 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 to the board quarterly 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.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

34. Financial instruments and risk management (continued)

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 (at amortised cost), trade and other receivables and cash and cash equivalents.

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 company through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

There are two debtors in liquidation at year-end and have been handed over for legal collection (total value of R394,041) and expected credit losses of 70% have been recognised for the outstanding balances. A third debtor has been place under business rescue and an expected credit loss for the specific balance that is considered to be uncollectible has been recognised at year end (2021: expected credit losses of 70% have been recognised on the one debtor that was in liquidation). The remaining balance of trade receivables is immaterial and the risk of default on this balance is low, as such no further expected credit losses have been recognised.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime ECL basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month ECL. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

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, contract assets and lease 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 has chosen as an accounting policy, to make use of lifetime ECLs. 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		**2022**			**2021**		
	Notes	**Gross carrying amount R**	**Credit loss allowance R**	**Amortised cost / fair value R**	**Gross carrying amount R**	**Credit loss allowance R**	**Amortised cost / fair value R**
Trade and other receivables	10	2,441,611	(612,939)	1,828,672	2,071,850	(138,359)	1,933,491
Cash and cash equivalents	11	12,223,567	-	12,223,567	5,132,398	-	5,132,398
		14,665,178	**(612,939)**	**14,052,239**	**7,204,248**	**(138,359)**	**7,065,889**

34. Financial instruments and risk management (continued)

Company

	Notes	2022 Gross carrying amount R	2022 Credit loss allowance R	2022 Amortised cost / fair value R	2021 Gross carrying amount R	2021 Credit loss allowance R	2021 Amortised cost / fair value R
Loans to group companies	8	100,505,432	-	100,505,432	98,759,379	-	98,759,379
Cash and cash equivalents	11	41	-	41	40	-	40
		100,505,473	**-**	**100,505,473**	**98,759,419**	**-**	**98,759,419**

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 group has provided limited guarantees for the debt of Heartwood Properties Limited, Nictokaybee Investments Proprietary Limited, Velvet Moon Properties 93 Proprietary Limited and Erf 733 Woodmead Ext 14 Proprietary Limited. Management has assessed the likelihood of the guarantees being called on to be low based on the financial position of the companies.

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 financial liabilities are presented in the following table. The cash flows are undiscounted contractual amounts.

Group - 2022

	Notes	Less than 1 year R	1 to 2 years R	2 to 5 years R	Over 5 years R	Total cash flows R	Carrying amount R
Non-current liabilities							
Interest-bearing borrowings	16	-	96,162,878	40,606,907	5,649,538	142,419,323	128,763,367
Current liabilities							
Interest-bearing borrowings	16	13,958,187	-	-	-	13,958,187	4,735,772
Trade and other payables	19	3,081,196	-	-	-	3,081,196	3,081,196
Bank overdraft	11	11,919	-	-	-	11,919	11,919
		17,051,302	**96,162,878**	**40,606,907**	**5,649,538**	**159,470,625**	**136,592,254**

34. Financial instruments and risk management (continued)

Group - 2021

	Notes	Less than 1 year R	1 to 2 years R	2 to 5 years R	Over 5 years R	Total cash flows R	Carrying amount R
Non-current liabilities							
Interest-bearing borrowings	16	-	10,522,409	106,202,037	6,903,608	123,628,054	108,645,351
Current liabilities							
Interest-bearing borrowings	16	10,638,404	-	-	-	10,638,404	3,944,742
Trade and other payables	19	9,243,161	-	-	-	9,243,161	9,243,161
Bank overdraft	11	7,036	-	-	-	7,036	7,036
		19,888,601	**10,522,409**	**106,202,037**	**6,903,608**	**143,516,655**	**121,840,290**

The amount payable within one year will be financed by the operations of the group as well as the sale of property where applicable.

Company - 2022

	Notes	Less than 1 year R	1 to 2 years R	2 to 5 years R	Total cash flows R	Carrying amount R
Non-current liabilities						
Interest-bearing borrowings	16	-	90,727,937	-	90,727,937	86,686,276
Current liabilities						
Interest-bearing borrowings	16	8,624,782	-	-	8,624,782	2,416,669
Guarantees - Nictokaybee Investments Proprietary Limited		3,167,500	-	-	3,167,500	-
Guarantees - Velvet Moon Properties 93 Proprietary Limited		9,500,000	-	-	9,500,000	-
		21,292,282	**90,727,937**	**-**	**112,020,219**	**89,102,945**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

34. Financial instruments and risk management (continued)

Company - 2021

	Notes	Less than 1 year R	1 to 2 years R	2 to 5 years R	Total cash flows R	Carrying amount R
Non-current liabilities						
Interest-bearing borrowings	16	-	7,808,817	88,358,804	96,167,621	87,132,234
Current liabilities						
Interest-bearing borrowings	16	7,521,390	-	-	7,521,390	2,000,004
Trade and other payables	19	-	-	-	-	-
Guarantees - Nictokaybee Investments Proprietary Limited		3,167,500	-	-	3,167,500	-
Guarantees - Velvet Moon Properties 93 Proprietary Limited		9,500,000	-	-	9,500,000	-
Guarantees - Velvet Moon Properties 93 Proprietary Limited		24,085,000	-	-	24,085,000	-
		44,273,890	**7,808,817**	**88,358,804**	**140,441,511**	**89,132,238**

Foreign currency risk

The group has an investment in a foreign operation in the United Kingdom, whose net assets are exposed to foreign currency translation risk.

The group is mainly exposed to the Pound Sterling ("GBP") currency and the sport rate of 20.6968 was used at year end (2021: 21.025).

The carrying value of the group's foreign currency denominated assets at year end was R3,977,750 (2021: R4,036,800).

The group's sensitivity to a 10% increase or decrease in the Rand against the GBP would be an increase or decrease of R397,775 (2021: R403,680).

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

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.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

34. Financial instruments and risk management (continued)

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 28 February 2022, if the interest rate (prime overdraft rate) had been 2% per annum (2021: 2%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R1,364,603 (2021: R1,479,266) loweror higher.

Management did further sensitivity analysis and stress testing on interest rates, and should the interest rate go up with 2% from the year end date the group should be able to meet interest repayments. If it goes up more than 2%, then it would put pressure on the existing cash flow of the group (assuming everything else remains unchanged). There is however enough cash reserves to mitigate this cash flow risk.

Company

At 28 February 2022, if the interest rate (prime overdraft rate) had been 2% per annum (2021: 2%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R513,680 (2021: R566,553) lower or higher.

35. Segmental information

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses and the results are reviewed regularly by executive management to make decisions about and to assess the performance of the segment. These operating results are currently being reported to and reviewed by executive management on the basis of each individual property.

The properties have therefore been aggregated into operating segments based on those that have similar economic characteristics and where they are expected to exhibit similar long-term financial performance. Properties within each of the operating segments are similar in nature and are therefore expected to be impacted similarly by relevant market conditions such as rental escalations, vacancy rates, growth rates and are expected to have similar capitalisation rates and discount rates. The operating segments reported on in Annexure 1 are expected to provide more useful information in evaluating the nature and financial effects of these properties and the economic environment in which they operate.

Refer to Annexure 1 for the segment information of the group.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

36. Going concern

The board has carefully considered the sustainability of the business and has assessed the Group and Company's ability to continue as a going concern. The assessment includes solvency and liquidity tests and the continuous monitoring of debt covenants and cash flow forecasts for the next 12 months. The following uncertainties were also considered:

COVID-19 impact

The Group continues to engage with tenants to understand the immediate and longer-term impact of the pandemic on their businesses. As at year end no rental discounts or concessions were in place.

Access to liquidity

Stressed market conditions may impact debt funders' risk appetite and limit access to liquidity. Lenders are continuously engaged in order to optimise the credit facilities currently in place.

Debt covenants

Loan-to-value and interest cover ratio covenants may come under pressure due to deceasing rental income because of the expected economic downturn. All debt covenant projections are proactively monitored to manage and remedy any potential breaches. As at 28 February 2022, no covenants were breached.

Provision for credit losses

The provision for credit losses and write-off of unrecoverable amounts may increase as tenants' businesses are further impacted by the pandemic and other economic challenges. The collection percentage for the financial year was 97%.

Civil unrest impact

The Group's property portfolio did not suffer any damage as a result of the civil unrest which occurred in parts of South-Africa in July 2021.

Ukrainian crisis

Prior to the end of the financial year, the Ukrainian crisis has emerged and impacted several markets. We do not foresee a major impact on the financial position and performance of the Group at this time based on our assessment to date. We will continue to monitor markets accordingly.

Conclusion

It was concluded that the Group and Company are in sound financial positions and have adequate resources and banking facilities to meet its foreseeable cash requirements. As at 28 February 2022 the Group had a positive net asset value and the liquidity position was deemed sufficient. Considering the outcomes of the solvency and liquidity projections, the Group will be solvent and liquid, and the directors are confident in the ability of the Group to continue as a going concern and have no reason to believe that the Group will not be a going concern in the year ahead. The directors have therefore concluded that it is appropriate to adopt the going concern basis in preparing the consolidated and separate annual financial statements.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

37. Events after the reporting period

Sale of property

The Group entered into a sale agreement on 18 November 2021 in terms of which sections 305 - 308 of Willow Wood Office Park (Block D) will be sold to the purchaser at R18,5 million. The purchaser took occupancy of the property on 01 March 2022, but the transfer will be registered once the full purchase consideration has been received. The expected date of sale is May 2022.

Based on the status and terms of this offer the property was classified as held for sale as at 28 February 2022, refer to note 12.

Acquisition of property

On 25 March 2022, the Group entered into an agreement in which a property will be acquired and developed as part of a joint venture agreement. This was done through the subsidiary Firgrove Developments Proprietary Limited, formerly known as K2018641226 (South Africa) Proprietary Limited. The cash commitment of the Group is R3.4 million and the project is due to commence in June 2022.

Dividend declaration

The final gross dividend of 1.52 cents per share for the year ended 28 February 2022, equating to R2,000,000 was declared and authorised after the end of the reporting period, no interim dividend was declared (2021: no interim or final dividend have been declared). The dividend has therefore not been recognised as a liability in the reporting period. No dividend has been paid to shareholders during the current year (2021: Rnil).

Ukrainian crisis

The Ukrainian crisis has emerged and impacted several markets, refer to note 36 for the details.

No other matter which is material to the financial affairs of the group has occurred between the reporting date and the date of the approval of these annual financial statements.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

38. Restatement of the Unaudited Interim Consolidated Statement of Cash Flows

As noted on the Consolidated and Seperate Statement of Cash Flows, certain non-cash movements were classified as cash movements in error in the Unaudited Interim Consolidated Financial Results for the 6 months ended 31 August 2021. The errors were discovered during the audit of the current Consolidated and Separate Annual Financial Statements for the year ended 28 February 2022 and noted accordingly. These errors have no impact on the Consolidated and Separate Statement of Financial Position nor the Statement of Profit or Loss and Other Comprehensive Income.

The effects of the restatements that will be made to the 31 August 2021 figures in the Interim Consolidated Statement of Cash Flows for the period ended 31 August 2022, are as follows:

	As previously reported R	As restated R	Impact of errors R
Cash flows from operating activities			
Cash receipts from customers	10,984,102	10,984,102	-
Cash paid to suppliers and employees	(14,940,311)	(6,650,243)	8,290,068
Cash generated from operations	(3,956,209)	4,333,859	8,290,068
Finance income	38,033	38,033	-
Finance costs	(3,623,265)	(3,993,584)	(370,319)
Net cash (used in) / generated from operating activities	**(7,541,441)**	**378,308**	**7,919,749**
Cash flows from investing activities			
Acquisition of property, plant and equipment	(3,668)	-	3,668
Additions to investment property	(11,824,996)	(2,985,147)	8,839,849
Proceeds on sale of investment property	3,132,877	3,106,816	(26,061)
Interest capitalised to investment property	(374,607)	-	374,607
Net cash (used in) / generated from financing activities	**(9,070,394)**	**121,669**	**9,192,063**
Cash flows from financing activities			
Proceeds on share issue	2,000,000	2,000,000	-
Advances from interest-bearing borrowings	28,098,457	6,398,498	(21,699,959)
Repayment of interest-bearing borrowings	(10,986,830)	(6,398,683)	4,588,147
Net cash generated from financing activities	**19,111,627**	**1,999,815**	**(17,111,812)**

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Annexure 1: Segmental analysis

For the period ending 28 February 2022

	Office	Industrial	Retail	Other	Total
Revenue					
Revenue from rental of investment property					
Rental income (straight-line basis)	14,654,762	3,797,286	1,714,000	-	20,166,048
Lease incentive amortisation (straight-line basis)	(235,277)	-	-	-	(235,277)
Straightlining lease adjustments (straight-line basis)	(430,570)	337,041	1,607,935	-	1,514,406
Revenue from contracts with customers					-
Recoveries: Electricity, water, refuse ,rates and taxes (over time)	3,318,429	787,888	231,105	-	4,337,422
Cost of inventories sold	-	-	-	-	-
Net fair value gains	5,267,203	298,377	13,349,179	-	18,914,759
Movement in credit loss allowances	(474,580)	-	-	-	(474,580)
Property related expenditure	(6,755,806)	(905,417)	(354,092)	-	(8,015,315)
Segment profit	15,344,160	4,315,175	16,548,128	-	36,207,463
Non property related expenses	(8,822,934)	(132,840)	-	(200,402)	(9,156,175)
Net operating profit	**6,521,227**	**4,182,336**	**16,548,128**	**(200,402)**	**27,051,288**
Assets					
Non-Current Assets	174,299,272	33,492,201	51,200,000	19,110	259,010,583
Non-current assets held for sale	18,500,000	-	-		18,500,000
Current Assets	13,686,299	1,583,177	60,122	4,029,409	19,359,007
Total Assets	**206,485,571**	**35,075,378**	**51,260,122**	**4,048,519**	**296,869,590**
Liabilities					
Non-Current Liabilities					
Non-Current Liabilities	25,321,164	18,527,522	25,111,308	86,686,275	155,646,269
Current Liabilities	4,090,757	2,760,404	696,519	2,571,894	10,119,574
Total Liabilities	**29,411,921**	**21,287,926**	**25,807,827**	**89,258,169**	**165,765,843**
Additions to non-current assets				-	-
Investment property	497,587	-	17,132,169	-	17,629,756

In the office segment, there is a single customer who accounts for R5,092,721, which is 20% of the segment revenue.
The total current assets include an amount of R3,977,750 in the Other sector that relates to Heartwood Ventures UK.

For the period ending 28 February 2021

	Office	Industrial	Retail	Other	Total
Revenue					
Revenue from rental of investment property					
Rental income (straight-line basis)	13,645,339	3,344,840	-	-	16,990,179
Lease incentive amortisation (straight-line basis)	(253,001)	-	-	-	(253,001)
Straightlining lease adjustments (straight-line basis)	3,071,047	819,881	-	-	3,890,928
Revenue from contracts with customers					-
Recoveries: Electricity, water, refuse ,rates and taxes (over time)	3,055,129	699,427	-	-	3,754,556
Sale of inventory (at a point in time)	15,289,350	-	-	-	15,289,350
Cost of inventories sold	(11,159,428)	-	-	-	(11,159,428)
Net fair value gains	24,104,676	(948,852)	-	(168,200)	22,987,624
Property related expenditure	(8,583,890)	(1,854,179)	-	-	(10,438,069)
Segment profit	39,169,222	2,061,117	-	(168,200)	41,062,139
Non property related expenses	-	-	-	(4,049,995)	(4,049,995)
Net operating profit	**39,169,222**	**2,061,117**	**-**	**(4,218,195)**	**37,012,144**
Assets					
Non-Current Assets	187,819,528	32,900,000	20,765,309	4,036,800	245,521,637
Non-current assets held for sale	6,400,000	-	-	-	6,400,000
Current Assets	6,278,677	762,794	-	24,453	7,065,924
Total Assets	**200,498,205**	**33,662,794**	**20,765,309**	**4,061,253**	**258,987,561**
Liabilities					
Non-Current Liabilities					
Non-Current Liabilities	108,427,394	19,296,075	3,045,482	-	130,768,951
Current Liabilities	4,981,260	2,444,924	6,064,702	-	13,490,886
Total Liabilities	**113,408,654**	**21,740,999**	**9,110,184**	**-**	**144,259,837**
Additions to non-current assets	3,858,090	164,389	20,670,766	-	24,693,245

In the office segment, there is a single customer who accounts for R4,339,805, which is 12% of the segment revenue.
The total non-current assets include an amount of R4,036,800 in the Other sector that relates to Heartwood Ventures UK.

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

1. Annual Compliance Declaration

Annual declaration

Shareholders are advised that the directors of Heartwood Properties are aware of their responsibilities in terms of the Cape Town Stock Exchange Listing Requirements and complies with the Cape Town Stock Exchange Listing Requirements, save for the following:

Securities in Public Hands

Heartwood Properties currently has 37 public shareholders, which is less than the prescribed number of 100 public shareholders in accordance with paragraph 6.26 of the Cape Town Stock Exchange Listing Requirements. At listing, Heartwood Properties obtained dispensation from Cape Town Stock Exchange 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 2022	% Holding 2021	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%	100%	South Africa	South Africa	Property Investment
Nictokaybee Investments Proprietary Limited	100%	100%	South Africa	South Africa	Property Investment
Erf733 Woodmead Ext 14 Proprietary Limited*	80%	80%	South Africa	South Africa	Property Investment
Heartwood Ventures UK Limited	100%	100%	United Kingdom	United Kingdom	Property Investment
Firgrove Developments Proprietary Limited (formerly known as 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*

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

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 shares held	% Interest	Direct/Indirect
Montagu Commercial Developments Proprietary Limited*	27 405 444	20.91%	Direct
Skyscraper Property Investments Proprietary Limited*	25 649 769	19.57%	Direct
Cornop Properties Proprietary Limited*	18 571 197	14.17%	Direct
Cape Gannet Properties Proprietary Limited*	12 824 885	9.79%	Direct
The Pencil Creek Trust*	10 595 632	8.09%	Direct
The Alpha Trust	9 937 882	7.58%	Direct
Morulat Property Investments 2 Proprietary Limited	7 352 941	5.61%	Direct

As at 28 February 2022

**Represents indirect shareholding of a director. Refer to Note 7 of the Directors Report for details of shares held by each director.*

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

Main Board	Meeting Date	
	27 May 2021	**4 November 2021**
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	Attended	Attended

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Board Committee: Audit and Risk Committee	**Meeting Date**		
	27 May 2021	**4 November 2021**	**24 February 2022**
P Gent	Attended	Attended	Attended
BR Seeff	Attended	Attended	Attended
JH Scher	Attended	Attended	Attended
LJ Whall	Attended	Attended	Attended
J Dumas	Attended	Attended	Attended
AG Utterson	Attended	Attended	Attended
MR Evans (attendance by invitation)	-	Attended	-

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

Board Committee: Remuneration Committee	**Meeting Date**	
	23 February 2021	**25 November 2021**
MR Evans	Attended	Attended
JH Scher	Attended	Attended
BR Seeff	Attended	Apology
LJ Whall (attendance by invitation)	Attended	Attended
J Dumas (attendance by invitation)	Attended	Attended
AG Utterson (attendance by invitation)	-	Attended
Board Committee: Investment Committee	**Meeting Date**	
	12 November 2021	**25 November 2021**
MR Evans	Attended	Attended
JH Scher	Attended	Attended
P Gent	Attended	Apology
LJ Whall	Attended	Attended
J Dumas	Attended	Attended
AG Utterson	Attended	Attended

Board Committee: Social and Ethics Committee	**Meeting Date**
	10 March 2021
MR Evans	Attended
J Whall	Attended
K Dumas	Attended
A Utterson	Attended

DocuSign Envelope ID: E6DDBD99-1098-45C1-91F6-AD3777D58ABF

5. 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 33 – Directors' Emoluments of the financial statements for the year ended 28 February 2022 for the emoluments paid to the directors of Heartwood Properties.

6. Issue of Securities

On 3 September 2021 the Company issued 2 500 000 ordinary shares with no par value at 80 cents per share for a total consideration of R2 000 000 to a private investor who was invited to submit an offer to subscribe for Heartwood Properties shares. Proceeds of the placement were utilised by the Company for property development projects.

7. 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.