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 2023

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	05 June 2023
External issuer agent	Valeo Capital Proprietary Limited
CTSE share code	4AHWP
ISIN	ZAE400000044

Index

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

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 2023 and noted the appointment of Mr Somasundran (Danny) Naidoo 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.

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 four factual findings reports for the transfer of the properties sold, in the process of being sold and the acquisition of properties. 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 4 years, as well as has Ms Yolandie Ferreira been the audit partner for the 3 years up to February 2022 and as from February 2023 Mr Somasundran (Danny) Naidoo.

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 29 February 2024 and Somasundran (Danny) Naidoo 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 1.4 of the annual financial statements. Each property is externally valued once every year by a registered independent valuer, except for the current year valuation of Erf 661 Lanseria which was valued based on the purchase price, as per the sale agreement, received in March 2023 and Erf 643, Lanseria which was valued internally by the directors with reference to the prior year external valuation.

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.

Annual report and financial statements

After review of the annual financial statements for the year ended 28 February 2023, 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 2023.

On behalf of the audit and risk committee

Peter Gent
Chair: Audit and Risk Committee

05 June 2023

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 a period of 12 months after the approval of the consolidated and separate annual financial statements 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 77, which have been prepared on the going concern basis, were approved the Board and signed on their behalf by:

LJ Whall | **JH Scher**

05 June 2023

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 group has lodged with the Companies and Intellectual Property Commission ("CIPC") 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
05 June 2023

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 2023.

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 mainly operates in South Africa, with one investment in the United Kingdom.

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

2. Review of financial results and activities

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards and financial reporting pronouncements and the requirements of the South African Companies Act 71 of 2008. The accounting policies and methods of computation have been applied consistently compared to the prior year.

The group recorded a net profit after tax for the year ended 28 February 2023 of R6,140,257 (2022: R14,430,861) and the company a net loss after tax of R52,092 (2022: profit of R332,967).

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 23 November 2022, the Company issued 6,364,850 no par value ordinary shares at a price of R1.00 per share, to Three Daisies Properties Proprietary Limited and Zencor Properties Proprietary Limited, in exchange for obtaining 50% of the shares in Heartwood Logistics 1 Proprietary Limited, and in settlement of the loan accounts with the previous non-controlling interests. The share issue and settlement of the loans results in, Heartwood Properties Limited owning 100% of Heartwood Logistics 1 Proprietary Limited to which the previous non-controlling interests had contributed land, effectively making this an asset for share swap . A development in this subsidiary in Firgrove, Somerset West, was completed during the current year.

On 26 August 2022, the Company issued 200,850 no par value ordinary shares at a price of R1.00 per share. The shares were issued as part of a private placement to two individuals. The aggregate subscription consideration received by the Company amounted to R200,850, which was received in cash. 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 2023 amounted to 137,616,861 (2022: 131,051,161). 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 Company declared and paid a dividend of R1,991,978 to shareholders (2022: For the period ended 28 February 2022 the board recommended the approval of this final dividend of R1,991,978. The final dividend of 1.52 cents per share, was declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period.).

For the period ended 28 February 2023 the board recommends the approval of a final dividend of R2,000,000. The final dividend of 1.45 cents per share, was declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period.

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 Independent
MR Evans	Director	Non-executive
AG Utterson	Director	Executive
B Seeff	Director	Non-executive Independent
PR Gent	Director	Non-executive Independent

7. Directors' interests in securities of the Company

At the reporting date, the directors of the Company held direct and indirect beneficial interests in 58,25% (2022: 72,93%) of its issued ordinary shares, as set out below.

Interests in shares - indirect

	2023 Number of shares	2022 Number of shares	2023 %	2022 %
Directors				
LJ Whall	24,599,185	40,230,329	17,88	30,70
MR Evans	-	10,595,632	-	8,09
AG Utterson	25,649,769	25,649,769	18,64	19,57
B Seeff	18,571,097	18,571,197	13,49	14,17
	68,820,051	**95,046,927**	**50,01**	**72,53**

Interests in shares - direct

	2023 Number of shares	2022 Number of shares	2023 %	2022 %
Directors				
LJ Whall	28,300	28,300	0,02	0,02
MR Evans	10,596,780	-	7,70	-
J Dumas	267,452	45,455	0,19	0,03
JH Scher	453,898	453,898	0,33	0,35
	11,346,430	**527,653**	**8,24**	**0,40**

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

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

9. Interests in subsidiaries

Details of the company's interests in subsidiaries are presented in the consolidated and separate annual financial statements in note 6.

10. Interest in joint venture

During June 2022, the Company entered into a joint arrangement whereby Firgrove Developments Proprietary Limited, a former wholly-owned subsidiary, became a joint venture in which the Company holds a 50% share. The company was dormant in the prior year. Refer to note 7 for further details regarding the investment.

11. Events after the reporting period

Sale of property

Effective 22 March 2023, the property situated at Erf 661, Lanseria, has been sold for a total purchase considieration of R18,4 million. Based on the terms of the sale agreement, the property has been classified as held for sale as at 28 February 2023, refer to note 12 for further details.

Acquisition of property

On 30 March 2023, the Group acquired Unit 8 Tonquani House, Somerset West for R2,450,000 which is utilised as the Group's head office.

Sale of subsidiary

The Group has sold its 80% shareholding in Erf 733 Woodmead Ext 14 Proprietary Limited to Chirpy Properties Proprietary Limited, effective 16 March 2023, for a total consideration of R7,238,498. Based on the terms of the sale agreement, the Group has classified the property as held for sale as at 28 February 2023, refer to note 12 for further details.

Dividend declaration

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

Tenant provisional liquidation

The tenant at Erf 20774 Somerset West (BuildIt Plus) was placed into provisional liquidation on 25 April 2023. Management is in the process of engaging with the liquidator to determine the way forward. The exposure to this tenant as at 28 February 2023 was R480,653. This amount was received by us during March 2023, therefore there is no year end exposure as at the date of publication of the financial statements. Management will continue to closely monitor the recoverability of the amounts invoiced going forward.

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

12. Going concern

The 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:

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 decreasing 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 2023, 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%.

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 2023 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 2023.

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 05 June 2023. No authority was given to anyone to amend the consolidated and separate annual financial statements after the date of issue.

mazars

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 2023

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 77, which comprise the consolidated and separate statements of financial position as at 28 February 2023, 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 2023, 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 Auditors Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group and company 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.

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 3) The Group's accounting policy in note 1.5 states that investment property is measured at fair value. The property valuations consider 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 3 of the consolidated and separate 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 included the following procedures: • We agreed the valuation of all externally valued investment properties per the general ledger, to the externally prepared valuation reports as prepared by management's expert; • We agreed the value of all investment properties classified as held for sale per the general ledger, to the signed sales agreements; • We established an acceptable range of fair values for all investment properties, using external market evidence and ensured that the fair value per general ledger falls within the before mentioned range; • We recalculated the specified valuation workings with the assistance of our valuation experts and assessed the competence, capability, objectivity and integrity of management's expert; • We evaluated the appropriateness of the valuation methodologies with the assistance of our valuation experts; • We assessed the competence, capability, objectivity and integrity of our valuation experts; • We evaluated the sensitivity and impact of the most significant unobservable inputs used in the valuation reports; and • We assessed the adequacy of the disclosures of the investment property portfolio held in the consolidated and separate 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 2023", which includes the Directors' Report, the Audit and Risk

Committee's Report and the Company Secretary's Certification 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.

- 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 four years.

Mazars

Mazars
Partner: Somasundran Naidoo
Registered Auditor
Date: 05 June 2023
Cape Town

Statement of Financial Position as at 28 February 2023

		Group		Company	
	Notes	2023 R	2022 R	2023 R	2022 R
Assets					
Non-Current Assets					
Property, plant and equipment		95,548	108,700	-	-
Investment property	3	269,373,962	244,714,957	-	-
Lease incentive	4	984,201	1,219,478	-	-
Operating lease asset	5	10,695,527	12,948,338	-	-
Goodwill		19,110	19,110	-	-
Investments in subsidiaries	6	-	-	68,961,976	68,854,194
Investment in joint venture	7	1,441,065	-	50	-
Loans to group companies	8	3,420,174	-	110,448,238	89,508,432
Investment at fair value	9	4,413,200	-	-	-
		290,442,787	**259,010,583**	**179,410,264**	**158,362,626**
Current Assets					
Operating lease asset	5	1,442,431	1,328,983	-	-
Loans to group companies	8	-	-	900,000	10,997,000
Investment at fair value	9	-	3,977,750	-	-
Trade and other receivables	10	8,576,750	1,828,672	-	-
Current tax receivable		35	35	-	-
Cash and cash equivalents	11	6,123,839	12,223,567	150,040	41
		16,143,055	**19,359,007**	**1,050,040**	**10,997,041**
Non-current assets (disposal groups) held for sale	12	35,236,623	18,500,000	-	-
Total Assets		**341,822,465**	**296,869,590**	**180,460,304**	**169,359,667**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Stated capital	13	86,476,999	79,911,299	86,476,999	79,911,299
Foreign currency translation reserve	14	685,091	351,123	-	-
Change in ownership reserve		141,047	141,047	-	-
Retained income		54,559,825	50,392,666	(1,698,647)	345,423
		141,862,962	130,796,135	84,778,352	80,256,722
Non-controlling interest	15	288,731	307,611	-	-
		142,151,693	**131,103,746**	**84,778,352**	**80,256,722**
Liabilities					
Non-Current Liabilities					
Interest-bearing borrowings	16	134,600,042	128,763,367	77,061,453	86,686,276
Long-term employee benefit	17	680,182	701,159	-	-
Loans from group companies	18	-	-	17,720,400	-
Deferred tax	19	28,883,675	26,181,742	-	-
		164,163,899	**155,646,268**	**94,781,853**	**86,686,276**
Current Liabilities					
Interest-bearing borrowings	16	14,623,622	4,735,772	900,000	2,416,669
Long-term employee benefit	17	1,127,085	1,093,561	-	-
Trade and other payables	20	7,133,116	4,278,324	99	-
Bank overdraft	11	28,902	11,919	-	-
		22,912,725	**10,119,576**	**900,099**	**2,416,669**
Liabilities of disposal group	12	12,594,148	-	-	-
Total Liabilities		**199,670,772**	**165,765,844**	**95,681,952**	**89,102,945**
Total Equity and Liabilities		**341,822,465**	**296,869,590**	**180,460,304**	**169,359,667**

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
	Notes	2023 R	2022 R	2023 R	2022 R
Revenue	21	31,320,747	25,782,599	7,177,046	5,241,724
Other operating income	22	566,976	-	-	-
Fair value adjustments	23	6,874,627	18,914,759	-	-
Movement in credit loss allowances	10	343,912	(474,580)	-	-
Other operating expenses	24	(21,022,281)	(17,171,490)	(52,575)	(20,571)
Profit before financing and investing activities	24	**18,083,981**	**27,051,288**	**7,124,471**	**5,221,153**
Investment income	25	528,570	95,983	242,123	353,370
Finance costs	26	(10,554,402)	(7,816,843)	(7,418,686)	(5,241,556)
Income from equity accounted investment	7	1,441,015	-	-	-
Profit / (loss) before taxation		**9,499,164**	**19,330,428**	**(52,092)**	**332,967**
Taxation	27	(3,358,907)	(4,899,567)	-	-
Profit / (loss) for the year		**6,140,257**	**14,430,861**	**(52,092)**	**332,967**
Other comprehensive income / (loss):					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		333,968	(54,837)	-	-
Other comprehensive income / (loss) for the year net of taxation		**333,968**	**(54,837)**	**-**	**-**
Total comprehensive income / (loss) for the year		**6,474,225**	**14,376,024**	**(52,092)**	**332,967**
Profit / (loss) attributable to:					
Owners of the parent		6,159,137	14,309,098	(52,092)	332,967
Non-controlling interest		(18,880)	121,763	-	-
		6,140,257	**14,430,861**	**(52,092)**	**332,967**
Total comprehensive income / (loss) attributable to:					
Owners of the parent		6,493,105	14,254,261	(52,092)	332,967
Non-controlling interest		(18,880)	121,763	-	-
		6,474,225	**14,376,024**	**(52,092)**	**332,967**
Earnings per share					
Per share information					
Basic and diluted earnings per share (cents)	28	0,05	0,11	-	-

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 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 01 March 2022	**79,911,299**	**351,123**	**141,047**	**50,392,666**	**130,796,135**	**307,611**	**131,103,746**
Profit / (loss) for the year	-	-	-	6,159,137	6,159,137	(18,880)	6,140,257
Other comprehensive income	-	333,968	-	-	333,968	-	333,968
Total comprehensive income / (loss) for the year	**-**	**333,968**	**-**	**6,159,137**	**6,493,105**	**(18,880)**	**6,474,225**
Issue of shares	6,565,700	-	-	-	6,565,700	-	6,565,700
Dividends paid	-	-	-	(1,991,978)	(1,991,978)	-	(1,991,978)
Balance at 28 February 2023	**86,476,999**	**685,091**	**141,047**	**54,559,825**	**141,862,962**	**288,731**	**142,151,693**
Notes	13	14				15	

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 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 01 March 2022	**79,911,299**	**-**	**-**	**345,423**	**80,256,722**	**-**	**80,256,722**
Loss for the year	-	-	-	(52,092)	(52,092)	-	(52,092)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**(52,092)**	**(52,092)**	**-**	**(52,092)**
Issue of shares	6,565,700	-	-	-	6,565,700	-	6,565,700
Dividends paid	-	-	-	(1,991,978)	(1,991,978)	-	(1,991,978)
Balance at 28 February 2023	**86,476,999**	**-**	**-**	**(1,698,647)**	**84,778,352**	**-**	**84,778,352**
Note	13	14					

Statement of Cash Flows

		Group		Company	
	Notes	2023 R	2022 R	2023 R	2022 R
Cash flows from operating activities					
Cash receipts from customers		25,442,488	27,120,796	7,419,169	3,201,354
Cash paid to suppliers and employees		(20,201,798)	(18,200,543)	(7,429,335)	(3,221,925)
Cash generated from / (used in) operations	29	5,240,690	8,920,253	(10,166)	(20,571)
Finance income	25	45,288	95,983	5,082,417	627
Finance costs	26	(10,554,402)	(8,129,182)	(916,835)	-
Dividends paid		(1,991,978)	-	(1,991,978)	-
Tax paid	30	-	(29)	-	(29)
Net cash (used in) / generated from operating activities		**(7,260,402)**	**887,025**	**2,163,438**	**(19,973)**
Cash flows from investing activities					
Acquisition of property, plant and equipment		(42,372)	-	-	-
Additions to investment property	3	(38,843,296)	(3,319,116)	-	-
Proceeds on sale of investment property	3	8,942,323	3,106,816	-	-
Additional investment in subsidiary	6	-	-	(107,683)	(204,848)
Loans to group companies repaid	8	6,568,988	-	-	229,581
Loans advanced to group companies	8	(6,794,210)	-	(19,427,006)	(2,004,759)
Net cash used in investing activities		**(30,168,567)**	**(212,300)**	**(19,534,689)**	**(1,980,026)**
Cash flows from financing activities					
Proceeds on share issue	13	200,850	2,000,000	200,850	2,000,000
Advances from loans from group companies	32	-	-	19,224,981	-
Repayment of loans from group companies	32	-	-	(1,904,581)	-
Advances from interest-bearing borrowings	32	58,208,023	17,695,008	-	-
Repayment of interest-bearing borrowings	32	(26,453,686)	(13,283,447)	-	-
Net cash generated from financing activities		**31,955,187**	**6,411,561**	**17,521,250**	**2,000,000**
Total cash and cash equivalents movement for the year		**(5,473,782)**	**7,086,286**	**149,999**	**1**
Cash and cash equivalents at the beginning of the year		12,211,648	5,125,362	41	40
Cash and cash equivalents included in disposal group	12	(642,929)	-	-	-
Total cash and cash equivalents at end of the year	11	**6,094,937**	**12,211,648**	**150,040**	**41**

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.

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.

1.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

1.3 Joint arrangements (continued)

Investments in joint ventures in the consolidated annual financial statements

An interest in a joint venture is accounted for using the equity method. Under the equity method, interests in joint ventures are carried in the statement of financial position at cost adjusted for post acquisition changes in the company's share of net assets of the joint venture, less any impairment losses.

The group's share of post-acquisition profit or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of the investment.

Investments in joint ventures in the separate annual financial statements

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

1.4 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 joint arrangements

The group has joint control over Firgrove Developments Proprietary Limited because the contractual arrangements set out that decisions relating to relevant activities can only be taken by unanimous consent of all parties to the arrangement. The directors have concluded that the arrangement is a joint venture. The conclusion was taken, because the parties have rights to the net assets of Firgrove Developments Proprietary Limited.

Classification of investment property as held for sale

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 investment in subsidiary

Management uses judgement to assess whether it has control over an entity. A company 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.

Per the sale agreement of the sale of the group's shares in Erf 733 Woodmead Ext. 14 Proprietary Limited, the group was responsible for the management of the subsidiary until its obligations with Nedbank Limited have been released. As at 28 February 2023, the obligations have not been released and accordingly the group still had control over Erf 733 Woodmead Ext. 14 Proprietary Limited. Accordingly, the investment (at subsidiary level) and investment property (at consolidation level) have been classified as non-current assets held for sale as at 28 February 2023. Refer to note 12 for further details on the sale of the investment.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Classification of other 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 non-current, at 28 February 2023. The assessesment was made based on the change in strategy where the realisation of the project is not expected to be within the next two years.

Key sources of estimation uncertainty

Impairment of financial assets

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

Fair value estimation

Investment property

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 3.

Investment at fair value

The group measures its investment in Artisan Blythswood Quarter Holdings Limited at fair value. The valuation is determined internally by the directors, in consultation with the development partners involved in the project. Refer to note 9 for details regarding the valuation techniques and inputs.

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.

1.5 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.

1.5 Investment property (continued)

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.

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 21).

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 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.

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

1.8 Financial instruments (continued)

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:

Financial assets at fair value through profit or loss

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

Financial assets at amortised cost

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

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 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 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.

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.

1.8 Financial instruments (continued)

Borrowings and loans from related parties

Loans from group companies (note 18) 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 26).

These liabilities expose the group to liquidity risk and interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

Trade and other payables

Trade and other payables (note 20), 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 24).

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.

Impairment of loans with no fixed terms of repayment

For loans receivable with no fixed terms of repayment, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the probability of default is usually small and the 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.

Significant increase in credit risk on loans to group companies

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

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

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

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 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.

1.10 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.

1.11 Non-current assets (disposal groups) 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.

Disposal groups, comprising assets and liabilities, are classified as held-for-sale if the carrying values are expected to be recovered primarily through sale rather than through continuing use.

Such disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the group’s other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

1.12 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.

1.13 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 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

The common control transaction relevant to the group 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.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation	**Scope**	**Effective date Years beginning on or after:**
• Fees in the '10 percent' test for derecognition of financial liabilities: Amendment to IFRS 9	The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. This amended has been assessed, but had no material impact on the Group or Company's annual financial statements.	01 January 2022

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 2023 or later periods:

Standard/ Interpretation	**Scope**	**Effective date Years beginning on or after:**
• Classification of Long-term Debt Affected by Covenants: Amendments to IAS 1	According to the amendments, an entity classifies debt as non-current only if the company can avoid settling the debt within 12 months after the reporting date, it specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date and the amendments require a company to disclose information about these covenants in the notes to the annual financial statements. These amendments are not expected to materially impact the Group or Company, but relevant disclosure may be updated.	01 January 2024
• Deferred tax related to assets and liabilities arising from a single transaction - Amendment to IAS 12	The amendment narrows the scope of the exemption for recognition of taxable/deductible temporary differences that arise on certain transactions. The transaction should not give rise to equal taxable and deductible temporary differences. This amendment is not expected to materially impact the Group or Company, as it is already recognised as such.	01 January 2023
• Disclosure of accounting policies: Amendments to IAS 1	Accounting policies to be disclosed where the information is material, by nature or amount. The amendment explains when accounting policy information is considered material and clarifies that the disclosure of an immaterial accounting policy, it must not obscure or affect other material or required disclosures. These amendments are not expected to materially impact the Group or Company, but relevant disclosure may be updated.	01 January 2023

2. New Standards and Interpretations (continued)

Standard/Interpretation	**Scope**	**Effective date Years beginning on or after:**
• Definition of accounting estimates: Amendments to IAS 8	The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. These amendments are not expected to materially impact the Group or Company as the principles are already applied.	01 January 2023
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	The amendment clarifies what is meant by a right to defer settlement; that a right to defer must exist at the end of the reporting period; that classification is unaffected by the likelihood that an entity will exercise its deferral right; and that only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification. This amendment is not expected to materially impact the Group or Company, as there are no current deferred rights on liabilities.	01 January 2024

3. Investment property

Group	**2023**			**2022**		
	Cost / Valuation R	**Accumulated amortisation R**	**Carrying value R**	**Cost / Valuation R**	**Accumulated amortisation R**	**Carrying value R**
Investment property	270,815,119	(4,037,666)	266,777,453	247,335,886	(3,432,684)	243,903,202
Investment property under development	2,596,509	-	2,596,509	811,755	-	811,755
Total	**273,411,628**	**(4,037,666)**	**269,373,962**	**248,147,641**	**(3,432,684)**	**244,714,957**

3. Investment property (continued)

Reconciliation of investment property - Group - 2023

	Opening balance R	Additions R	Included in disposal group R	Classified as held for sale R	Transfers R	Interest capitalised R	Amortisation R	Fair value adjustments R	Closing balance R
Investment property	243,903,202	422,922	(14,050,939)	(16,401,359)	46,972,744	-	(763,345)	6,694,228	266,777,453
Investment property under development	811,755	48,092,212	-	-	(47,073,764)	766,306	-	-	2,596,509
	244,714,957	**48,515,134**	**(14,050,939)**	**(16,401,359)**	**(101,020)**	**766,306**	**(763,345)**	**6,694,228**	**269,373,962**

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**

	2023 R	2022 R
Additions - Group		
Cash	38,843,296	3,319,116
Non-cash (Settlements made directly to suppliers)	3,307,038	14,310,638
Non-cash (Land acquired in exchange for shares)	6,364,800	-
	48,515,134	**17,629,754**

Investment property under development

As at 28 February 2022 and 28 February 2023, the investment property under development was measured at cost. The fair value was not reliably measurable due to the fact that the market for comparable properties was currently inactive, there were 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 projects under development mainly relate to professional fees incurred.

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

3. Investment property (continued)

Pledged as security

Carrying value of assets pledged as security:

Unit 1 and 2 - Block A, Willow Wood	67,708,891	62,466,984	-	-
Block B - Willow Wood	17,223,824	16,021,205	-	-
Block C - Willow Wood	24,254,000	22,900,000	-	-
Block D - Willow Wood	18,988,199	23,768,706	-	-
Build It - Somerset West	48,784,011	49,592,065	-	-
Erf 661, Lanseria Ext 46, Johannesburg, Gauteng*	16,401,359	15,450,162	-	-
Erf 643, Lanseria Ext 14, Johannesburg, Gauteng*	14,050,938	14,216,776	-	-
Erf 20, Lyme Park Township	37,413,523	39,487,304	-	-
Firgrove Industrial Estate - Blue Nova	53,171,311	-	-	-
	297,996,056	**243,903,202**	**-**	**-**

* This property has been classified as held for sale as at 28 February 2023 - refer to note 12 for further details.

Borrowing costs capitalised

Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	10,75 %	7,25 %		

Fair value of property

The fair value of the property as per the valuations is:

Investment property	269,373,962	244,714,957	-	-
Investment property included in disposal group (note 12)	16,146,194	-	-	-
Investment property classified as held for sale (note 12)	18,400,000	18,500,000	-	-
Operating lease asset (note 5)	12,137,958	14,277,321	-	-
Lease incentive (note 4)	984,201	1,219,478	-	-
	317,042,315	**278,711,756**	**-**	**-**

Details of property

Investment property				
- Purchase price	80,730,508	73,165,708	-	-
- Additions/improvements at cost	148,751,731	108,172,717	-	-
- Tenant installations	2,090,155	2,583,200	-	-
- Interest capitalised	4,135,674	2,694,174	-	-
- Fair value adjustments	89,018,192	82,999,158	-	-
- Classified as held for sale (note 12)	(16,401,359)	(18,500,000)	-	-
- Included in disposal group (note 12)	(14,050,939)	-	-	-
- Disposal	(24,900,000)	(6,400,000)	-	-
	269,373,962	**244,714,957**	**-**	**-**

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was 28 February 2023. 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, except for the valuation of Erf 661 Lanseria which was valued based on the purchase price, as per the sale agreement, received in March 2023 and Erf 643, Lanseria which was valued internally by the directors with reference to the prior year external valuation. Both of these properties were classified as held for sale as at 28 February 2023 - refer to note 12 for further details of the sales of these properties. The external 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 (DCF) method and the Market Approach based on the Comparable Sales (CS) method. In order to corroborate the values obtained as per the above methods the Income Capitalisation (IC) method 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 CS method the value is determined by looking at directly comparable properties recently sold.

- Under the IC 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).

<u>Changes in valuation methods:</u>

The valuation method for Block D of Willow Wood Office Park was changed from the DCF method in the prior year to the CS 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 fair value moved from R24,1 million in 2022 to R19,2 million in 2023.

The valuation method for Erf 20, Lyme Park Township was also changed from the DCF method in the prior year to the CS method in the current year. As per the valuers, this was done in order to get a value which was more in line with current market conditions. The fair value moved from R40,1 million in 2022 to R38,1 million in 2023.

The valuation method for Erf 661, Lanseria Ext 46, was changed from the DCF method in the prior year to the actual sales price, as per the sale agreement, received in March 2023, in the current year. The fair value moved from R17,4 million in 2022 to R18,4 million in 2023.

Key assumptions and unobservable inputs

Office properties

Willow Wood Office Park Blocks A, B, C and D and Erf 20, Lyme Park Township, to the value of R174,6 million (2022: R153,1 million) were valued using the CS method. Comparable property sales from 11 properties (2022: 4 properties) similar to the subject properties' values ranged from R18,839 to R23,708 (2022: R19,876 to R24,910) per square metre and the properties were valued at the upper limit of these values which was deemed by the valuers to be market related (2022: mid-range of these values).

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

3. Investment property (continued)

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:

Using a rate per square meter at the lowest range of R18,839 (2022: R19,876) will decrease the fair value by R36,377,513 (2022*: R12,390,830).
Using a rate per square meter at the highest range of R23,708 (2022: R24,910) will increase the fair value by R17,450,575 (2022*: R12,454,625).

* The 2022 values only included Block A, B and C as Block D and Erf 20, Lyme Park were valued using the DCF method in the prior year.

Willow Wood Office Park Block D and Erf 20, Lyme Park, at the previous (R82,7 million) reporting date, 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	n/a	14 %	n/a	n/a
Exit Capitalisation rate	n/a	9 - 9,5 %	n/a	n/a
Capitalisation rate	n/a	9 %	n/a	n/a
Rental Growth rate	n/a	2,5 - 5 %	n/a	n/a
Expenses Growth rate	n/a	6 %	n/a	n/a
Vacancy rate	n/a	2,04 %	n/a	n/a

Retail properties

The retail property (Somerset West Erf 20774) to the value of R52,1 million (2022: R51,2) 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	12,75 %	13 %	n/a	n/a
Exit Capitalisation rate	8,75 %	8,25 %	n/a	n/a
Capitalisation rate	8,25 %	8 %	n/a	n/a
Rental Growth rate	4,50 %	5 %	n/a	n/a
Expenses Growth rate	6 %	6 %	n/a	n/a
Vacancy rate	1,50 %	0,66 %	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% (2022: 1%)	(R4,749,690)	(2022: (R5,048,460))
Decrease in discount rate	1% (2022: 1%)	R5,878,634	(2022: R6,366,130)
Increase in vacancy rate	To 3% (2022: 3%)	(R1,513,146)	(2022: (R1,484,430))
Decrease in vacancy rate	To 0% (2022: 3%)	R369,451	(2022: R126,850)
Increase in rental growth rate	3% (2022: 3%)	R7,683,754	(2022: R7,089,290)
Decrease in rental growth rate	3% (2022: 3%)	(R6,150,184)	(2022: (R5,508,700))
Increase in expense growth rate	3% (2022: 3%)	(R1,090,380)	(2022: (R80,060))
Decrease in expense growth rate	3% (2022: 3%)	R838,396	(2022: R39,420)

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

3. Investment property (continued)

Industrial properties

Erf 643, Lanseria Ext 14

The property to the value of R16,1 million (2022: Erf 643, Lanseria Ext 14 and Erf 661, Lanseria Ext 46, to the value of R33,5 million) 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	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 %	5 %	n/a	n/a
Expenses Growth rate	6 %	6 %	n/a	n/a
Vacancy rate	1,32 %	1,32 %	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% (2022: 1%)	(R1,145,020)	(2022: (R2,480,130))
Decrease in discount rate	1% (2022: 1%)	R1,484,860	(2022: R3,114,570)
Increase in vacancy rate	3% (2022: 3%)	(R315,970)	(2022: (R727,980))
Decrease in vacancy rate	3% (2022: 3%)	R143,370	(2022: R261,260)
Increase in rental growth rate	3% (2022: 3%)	R945,140	(2022: R2,430,640)
Decrease in rental growth rate	3% (2022: 3%)	(R765,780)	(2022: (R2,098,000))

Firgrove Industrial Estate - Blue Nova

The property to the value of R54,6 million (2022: n/a) 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	13,25 %	n/a	n/a	n/a
Exit Capitalisation rate	8,75 %	n/a	n/a	n/a
Capitalisation rate	9,25 %	n/a	n/a	n/a
Rental Growth rate	5,00 %	n/a	n/a	n/a
Expenses Growth rate	6 %	n/a	n/a	n/a
Vacancy rate	1,50 %	n/a	n/a	n/a

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

3. Investment property (continued)

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 (2022: n/a):

Input	Change	(Decrease) / increase in profit
Increase in discount rate	1%	(R4,735,343)
Decrease in discount rate	1%	R5,895,035
Increase in vacancy rate	To 3%	(R1,259,229)
Decrease in vacancy rate	To 0%	R578,268
Increase in rental growth rate	3%	R5,382,742
Decrease in rental growth rate	3%	(R4,764,518)
Increase in expense growth rate	3%	(R437,945)
Decrease in expense growth rate	3%	R426,806

Amounts included in profit or loss for the year

	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Total rental income from investment property	29,294,353	24,268,193	-	-
Other income from investment property	235,138	141,452	-	-
Direct operating expenses from rental generating property	(9,750,656)	(8,015,315)	-	-
	19,778,835	**16,394,330**	**-**	**-**

4. Lease incentive

Group	2023			2022		
	Cost R	Accumulated amortisation R	Carrying value R	Cost R	Accumulated amortisation R	Carrying value R
Lease incentive	3,500,000	(2,515,799)	984,201	3,500,000	(2,280,522)	1,219,478

Reconciliation of lease incentive - Group - 2023

	Opening balance R	Amortisation R	Closing balance R
Lease incentive	1,219,478	(235,277)	984,201

Reconciliation of lease incentive - Group - 2022

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

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.

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

5. Operating lease asset

Non-current assets	10,695,527	12,948,338	-	-
Current assets	1,442,431	1,328,983	-	-
	12,137,958	**14,277,321**	**-**	**-**

The operating leases for investment property as described in note 3 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	21,980,632	15,313,846	-	-
- Between 2 and 5 years	78,961,564	71,586,746	-	-
- More than 5 years	26,694,943	21,347,898	-	-
	127,637,139	**108,248,490**	**-**	**-**

6. 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 2023**	**% holding 2022**	**Carrying amount 2023 R**	**Carrying amount 2022 R**
Directly held				
Fargofor Proprietary Limited	100,00 %	100,00 %	29,237,173	29,237,173
Firgrove Developments Proprietary Limited*	50,00 %	100,00 %	-	-
Heartwood Logistics 1 Proprietary Limited**	100,00 %	- %	100	-
Heartwood RB Proprietary Limited (formerly K2018642428 (South Africa) Proprietary Limited)	100,00 %	100,00 %	-	-
Heartwood Saxdowne Proprietary Limited (formerly K2019001133 (South Africa) Proprietary Limited)	100,00 %	100,00 %	-	-
Heartwood Solar Proprietary Limited***	100,00 %	- %	-	-
Heartwood Ventures UK Limited	100,00 %	100,00 %	4,374,015	4,266,333
Nictokaybee Investments Proprietary Limited	100,00 %	100,00 %	352,743	352,743
Utter Velvet Proprietary Limited	100,00 %	100,00 %	5,000,000	5,000,000
Velvet Moon Properties 93 Proprietary Limited	100,00 %	100,00 %	29,997,945	29,997,945
Indirectly held				
Erf 733 Woodmead Ext. 14 Proprietary Limited****	80,00 %	80,00 %	-	-
			68,961,976	**68,854,194**

6. Investments in subsidiaries (continued)

* During June 2022, the Company entered into a joint arrangement whereby Firgrove Developments Proprietary Limited, a former wholly-owned subsidiary, became a joint venture in which the Company holds a 50% share. The company was dormant in the prior year. Refer to note 7 for further details regarding the investment.

** The company acquired 100% of the shares in Heartwood Logistics 1 Proprietary Limited during the current year. Refer to note 13 for detail regarding the acquisition.

*** The company holds 100% in Heartwood Solar Proprietary Limited, which was incorporated during the current year. Heartwood Solar Proprietary Limited is currently dormant, but will be used for investment into solar panels and other energy related investments.

**** The group has sold its 80% shareholding in Erf 733 Woodmead Ext 14 Proprietary Limited, effective 16 March 2023, for a total consideration of R7,238,498. Per the sale agreement, the group was responsible for the management of the subsidiary until its obligations with Nedbank Limited have been released. As at 28 February 2023, the obligations have not been released and accordingly the group still had control over Erf 733 Woodmead Ext. 14 Proprietary Limited. Accordingly, the investment (at subsidiary level) and investment property, Erf 643, Lanseria, (at consolidation level) have been classified as non-current assets held for sale as at 28 February 2023 - refer to note 12.

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.

7. Investment in joint venture

Group and Company

Name of company	% ownership interest	% ownership interest	Group Carrying amount	Company Carrying amount
	2023	2022	2023 R	2023 R
Firgrove Developments Proprietary Limited	50,00 %	100,00 %	1,441,065	50

During June 2022, the Company entered into a joint arrangement whereby Firgrove Developments Proprietary Limited, a former wholly-owned subsidiary, became a joint venture in which the Company holds a 50% share. The company was incorporated and dormant in the prior year. In the current year property was acquired to be developed and rented out for a portion of the year.

Firgrove Developments Proprietary Limited is incorporated in South Africa and shares the same year end as the company.

The joint venture is accounted for using the equity method in the consolidated financial statements. The principle activities of the joint venture is property holding.

The investment in joint venture is carried at cost less any accumulated impairment losses in the company.

7. Investment in joint venture (continued)

Summarised financial information of joint venture

Summarised Statement of Profit or Loss and Other Comprehensive Income	**Firgrove Developments Proprietary Limited**	
	2023 R	**2022 R**
Revenue	1,059,503	-
Fair value gain	3,616,331	-
Operating expenses	(100,453)	-
Finance income	2,452	-
Finance costs	(849,723)	-
Profit before taxation	3,728,110	-
Tax expense	(846,079)	-
Profit for the year	2,882,031	-
Other comprehensive income	-	-
Total comprehensive income	**2,882,031**	-

Summarised Statement of Financial Position	**Firgrove Developments Proprietary Limited**	
	2023 R	**2022 R**
Assets		
Non-current (Investment property)	24,600,000	-
Current		
Trade and other receivables	30,127	-
Cash and cash equivalents	87,160	-
Total current assets	117,287	-
Liabilities		
Non-current		
Non-current financial liabilities	20,544,012	-
Deferred tax	846,079	-
Total non-current liabilities	21,390,091	-
Current		
Current financial liabilities	451,431	-
Total current liabilities	451,431	-
Total net assets	**2,875,765**	-

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

7. Investment in joint venture (continued)

Reconciliation of carrying value of investment in joint venture

Investment at beginning of the year			-	-
Acquisitions			50	-
Share of profit			1,441,015	-
Investment at end of the year			**1,441,065**	-

Refer to note 8 for the loan receivable from the joint venture.

Heartwood Properties Limited has given a limited guarantee of R5,970,000 to Nedbank Limited for the debts of Firgrove Developments Proprietary Limited.

8. Loans to group companies

Subsidiaries

Fargofor 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 are repaid in monthly instalments with the final payment date on 28 February 2026. The interest rate at year end was 10% (2022: 6.75%) per annum.	-	-	29,932,580	27,971,501
Heartwood Logistics 1 Proprietary Limited The loan bears interest at the prime overdraft rate plus 1% per annum. Interest accrue on a monthly basis. The interest rate at year end was 11,75% per annum. The loan has no fixed terms of repayment.	-	-	7,942,745	-
Heartwood Logistics 1 Proprietary Limited The loan bears interest at the prime overdraft rate plus 2% per annum. Interest accrue on a monthly basis. The interest rate at year end was 12,75% per annum. The loan has no fixed terms of repayment.	-	-	6,357,431	-
Heartwood Logistics 1 Proprietary Limited The loan is unsecured, interest free and has no fixed terms of repayment.	-	-	6,364,800	-
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 are repaid in monthly instalments with the final payment date on 28 February 2026. The interest rate at year end was 10% (2022: 6.75%) per annum.	-	-	21,369,118	21,293,937

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

8. Loans to group companies (continued)

	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Velvet Moon Properties 93 Proprietary Limited The loan bears interest at the prime overdraft rate less 0,75% per annum. Interest accrue on a monthly basis. The interest and capital are repaid in monthly instalments with the final payment date on 28 February 2026. The interest rate at year end was 10,00% per annum (2022: 6,75%).	-	-	25,759,754	39,837,507
Velvet Moon Properties 93 Proprietary Limited The loan is unsecured, interest free and has no fixed terms of repayment.	-	-	10,201,636	11,402,487
	-	**-**	**107,928,064**	**100,505,432**

Joint venture

	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Firgrove Developments Proprietary Limited The loan bears interest at prime plus 1%, is unsecured and repayable on demand. The interest rate at year end was 11.75%	3,420,174	-	3,420,174	-
The loan to Firgrove Developments Proprietary Limited is funded through Heartwood Properties Limited, via Velvet Moon Properties 93 Proprietary Limited.				

The non-cash movements on the loans to group companies mainly related to the direct settlement of the Standard Bank bond with the sale of the units in Block D, as well as the settlement of the loan accounts in Heartwood Logistics 1 Proprietary Limited in exchange for the shareholding in Heartwood Properties Limited.

Split between non-current and current portions

	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Non-current assets	3,420,174	-	110,448,238	89,508,432
Current assets	-	-	900,000	10,997,000
	3,420,174	**-**	**111,348,238**	**100,505,432**

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.

8. Loans to group companies (continued)

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.

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.

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

9. Investment at fair value

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

Mandatorily at fair value through profit or loss:				
Investment - Artisan Blythswood Quarter Holdings Limited	4,413,200	3,977,750	-	-

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.

Split between non-current and current portions

Non-current assets	4,413,200	-	-	-
Current assets	-	3,977,750	-	-
	4,413,200	**3,977,750**	**-**	**-**

Fair value information

A fair value gain of R180,398 has been recognised during the current year (2022: Rnil).

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 initial development strategy, the COVID-19 pandemic had a substantial negative impact upon the originally anticipated exit of the project.

A new strategy for the development was launched at the end of 2022, which comprises of student housing development. The process of obtaining planning permissions for the revised strategy is currently underway.

As at 28 February 2023, the investment was valued by taking the future cashflows and discounting it back to the current period at a 20% discount rate, largely driven by the planning permissions still to be obtained. During the prior year, the investment was valued at 96% of the original cost which was based on future cash flows of the strategy at that stage.

Should the discount rate increase by 5%, there would be a decrease in the fair value of the investment of R311,465. Should the discount rate decrease by 5%, there would be an increase in the fair value of the investment of R432,895 (2022: It was not anticipated that changing one of the unobservable inputs for the investment would have resulted in a material change to the fair value).

Reconciliation of investment at fair value

Opening balance	3,977,750	4,036,800	-	-
Fair value adjusment	180,398	-	-	-
Foreign currency translation	255,052	(59,050)	-	-
Closing balance	**4,413,200**	**3,977,750**	**-**	**-**

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

10. Trade and other receivables

Financial instruments:				
Trade receivables	2,072,629	1,076,264	-	-
Loss allowance	(269,027)	(612,939)	-	-
Trade receivables at amortised cost	1,803,602	463,325	-	-
Deposits	711,300	772,943	-	-
Other receivable - K2018483185	74,727	592,404	-	-
Non-financial instruments:				
VAT	5,987,121	-	-	-
Total trade and other receivables	**8,576,750**	**1,828,672**	**-**	**-**

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

At amortised cost	2,589,629	1,828,672	-	-
Non-financial instruments	5,987,121	-	-	-
	8,576,750	**1,828,672**	**-**	**-**

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 35 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	**(612,939)**	**(138,359)**	**-**	**-**
Provision decreased / (increased) on existing trade receivables	343,912	(86,335)	-	-
Provision raised on new trade receivables	-	(388,245)	-	-
Closing balance	**(269,027)**	**(612,939)**	**-**	**-**

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	6,123,839	12,223,567	150,040	41
Bank overdraft	(28,902)	(11,919)	-	-
	6,094,937	**12,211,648**	**150,040**	**41**
Current assets	6,123,839	12,223,567	150,040	41
Current liabilities	(28,902)	(11,919)	-	-
	6,094,937	**12,211,648**	**150,040**	**41**

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-) (2022: BB)	6,123,839	12,211,648	150,040	41

12. Non-current assets (disposal groups) held for sale

Non-current assets held for sale

Effective 22 March 2023, the property situated at Erf 661, Lanseria, has been sold for a total purchase consideration of R18,4 million. Based on the terms of the sale agreement, the property has been classified as held for sale as at 28 February 2023.

During the current year, the group sold unit 305-308 of Block D for R18,500,000. The cost relating to this unit was calculated at R11,659,309. The effective date of sale was 21 June 2022. This property was classified as held for sale in the prior year.

Disposal group

The group has sold its 80% shareholding in Erf 733 Woodmead Ext 14 Proprietary Limited, effective 16 March 2023, for a total consideration of R7,238,498. Per the sale agreement, the group was responsible for the management of the subsidiary until its obligations with Nedbank Limited have been released. As at 28 February 2023, the obligations have not been released and accordingly the group still had control over Erf 733 Woodmead Ext. 14 Proprietary Limited. Accordingly, the investment (at subsidiary level) and investment property, Erf 643, Lanseria, (at consolidation level) have been classified as non-current assets held for sale as at 28 February 2023.

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

12. Non-current assets (disposal groups) held for sale (continued)

Non-current assets held for sale				
Investment property - Units of Block D	-	18,500,000	-	-
Investment property - Erf 661, Lanseria Ext 46	16,401,359	-	-	-
Operating lease asset - Erf 661, Lanseria Ext 46	1,998,641	-	-	-
	18,400,000	**18,500,000**	**-**	**-**
Assets of disposal group				
Investment property	14,050,939	-	-	-
Operating lease asset	2,095,256	-	-	-
Trade and other receivables	47,499	-	-	-
Cash and cash equivalents	642,929	-	-	-
	16,836,623	**-**	**-**	**-**
	35,236,623	**18,500,000**	**-**	**-**
Liabilities of disposal group				
Interest-bearing borrowings (Nedbank Limited)*	8,068,276	-	-	-
Interest-bearing borrowings (Shareholder)*	3,195,978	-	-	-
Deferred tax	656,978	-	-	-
Trade and other payables	672,916	-	-	-
	12,594,148	**-**	**-**	**-**

* Refer to note 16 for the terms of the interest-bearing borrowings.

13. Stated capital

Authorised
400,000,000 Ordinary no par value shares

On 23 November 2022, the Company issued 6,364,850 no par value ordinary shares at a price of R1.00 per share, to Three Daisies Properties Proprietary Limited and Zencor Properties Proprietary Limited, in exchange for obtaining 50% of the shares in Heartwood Logistics 1 Proprietary Limited, and in settlement of the loan accounts with the previous non-controlling interests. The share issue and settlement of the loans results in, Heartwood Properties Limited owning 100% of Heartwood Logistics 1 Proprietary Limited to which the previous non-controlling interests had contributed land, effectively making this an asset for share swap . A development in this subsidiary in Firgrove, Somerset West, was completed during the current year.

On 26 August 2022, the Company issued 200,850 no par value ordinary shares at a price of R1.00 per share. The shares were issued as part of a private placement to two individuals. The aggregate subscription consideration received by the Company amounted to R200,850, which was received in cash. 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 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.

Reconciliation of number of shares issued:				
At beginning of the year	131,051,161	128,551,161	131,051,161	128,551,161
Issue of shares – ordinary shares	6,565,700	2,500,000	6,565,700	2,500,000
	137,616,861	**131,051,161**	**137,616,861**	**131,051,161**
Issued				
137,616,861 (2022: 131,051,161) ordinary no par value shares	86,476,999	79,911,299	86,476,999	79,911,299

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

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	685,091	351,123	-	-

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.

Reconciliation of movement in non-controlling interest

Opening balance	307,611	185,848	-	-
(Loss) / profit for the year	(18,880)	121,763	-	-
	288,731	**307,611**	**-**	**-**

16. Interest-bearing borrowings

Held at amortised cost				
Nedbank Limited*	31,953,208	-	-	-
The development loan bears interest at the prime rate. Upon completion date of the building period the loan will bear interest at JIBAR plus 2.75%. During the development period only interest was repayable in monthly instalments, whereafter the loan will be repayable in instalments of interest and capital over a period of 60 months, with a bullet capital payment at the end.				
The interest rate at year end was 10.75% (2022: n/a)				
The properties Erf 862 and Erf 863, Firgrove Industrial Park have been pledged as security (refer to note 3).				
Heartwood Properties Limited provided a guarantee of R13,920,000 for the loan.				
Standard Bank of South Africa Limited	77,961,453	89,102,945	77,961,453	89,102,945
The loan bears interest at prime overdraft rate less 0.75% and is repayable in monthly capital instalments with a bullet payment on 28 February 2026. The interest rate at year end was 10% (2022: 6.75%) per annum.				
The properties Willow Wood Office Park Blocks A, B, C and D as well as Erf 20, Lyme Park have been pledged as security (refer to note 3).				

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

16. Interest-bearing borrowings (continued)

Nedbank Limited The loan bears interest at prime overdraft rate less 0.25% and is repayable in monthly instalments of R149,596 (2022: R127,524).The interest rate at year end was 10.50% (2022: 7.25%). The loan has been settled in full in March 2023, on the sale of the investment property, being Erf 661, Lanseria and the loan has therefore been classified as current as at 28 February 2023. Refer to note 12 for further details on the sale of the property. 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.	8,928,995	9,768,837	-	-
Nedbank Limited 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 10,50% (2022: 7,25%). During the development period only interest was repayable in monthly instalments, after which the loan is repayable in monthly instalments over a period of 5 years with a bullet payment in November 2025. The property Erf 20774 Somerset West has been pledged as security (refer to note 3). Guarantees provided for the loan includes an irrevocable guarantee of R11,450,000 from Heartwood Properties Limited in favour of Nedbank Limited.	30,380,008	25,807,827	-	-

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

16. Interest-bearing borrowings (continued)

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.	-	8,690,995	-	-
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 was 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.				
The loan balance, as at 28 February 2023, has been included as part of the disposal group as detailed in note 12.				
Chirpy Properties Proprietary Limited The loan is unsecured, bears interest at prime overdraft rate and is repayable on demand. The interest rate as at the reporting period was 10.75% per annum (2022: 7.5%)	-	128,535	-	-
The loan balance, as at 28 February 2023, has been included as part of the disposal group as detailed in note 12.				
	149,223,664	**133,499,139**	**77,961,453**	**89,102,945**

Split between non-current and current portions

Non-current liabilities	134,600,042	128,763,367	77,061,453	86,686,276
Current liabilities	14,623,622	4,735,772	900,000	2,416,669
	149,223,664	**133,499,139**	**77,961,453**	**89,102,945**

* This loan is subject to JIBAR, which is likely to be replaced with Zaronia once implemented. Implementaiton is expected in 2024.

Refer to note 32 Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period.

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

17. Long-term employee benefit

Long-term incentive scheme provision	1,807,267	1,794,720	-	-

Reconciliation of provision

Opening balance	1,794,720	841,404	-	-
Units awarded	12,547	953,316	-	-
	1,807,267	**1,794,720**	**-**	**-**

Split between non-current and current portions

Non-current liabilities	680,182	701,159	-	-
Current liabilities	1,127,085	1,093,561	-	-
	1,807,267	**1,794,720**	**-**	**-**

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. Loans from group companies

Subsidiaries				
Velvet Moon Properties 93 Proprietary Limited The loan bears interest at the prime overdraft rate plus 1% per annum. Interest accrue on a monthly basis. The interest rate at year end was 11,75% per annum. The loan has no fixed terms of repayment, but would not be repaid within the next 12 months.	-	-	7,942,745	-
Velvet Moon Properties 93 Proprietary Limited The loan bears interest at the prime overdraft rate plus 2% per annum. Interest accrue on a monthly basis. The interest rate at year end was 12,75% per annum. The loan has no fixed terms of repayment, but would not be repaid within the next 12 months.	-	-	6,357,431	-
Velvet Moon Properties 93 Proprietary Limited The loan bears interest at the prime overdraft rate plus 1% per annum. Interest accrue on a monthly basis. The interest rate at year end was 11,75% per annum. The loan has no fixed terms of repayment, but would not be repaid within the next 12 months.	-	-	3,420,224	-
The loan to Firgrove Developments Proprietary Limited (refer to note 8) is funded through Heartwood Properties Limited, via Velvet Moon Properties 93 Proprietary Limited.				
	-	**-**	**17,720,400**	**-**

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

18. Loans from group companies (continued)

Split between non-current and current portion

Non-current liabilities	-	-	17,720,400	-

Refer to note 32 Changes in liabilities arising from financing activities for details of the movement in the loan from group company during the reporting period.

19. Deferred tax

Deferred tax liability

Investment property at fair value	(29,374,853)	(27,303,049)	-	-
Operating lease asset	(3,958,248)	(3,997,651)	-	-
Total deferred tax liability	**(33,333,101)**	**(31,300,700)**	**-**	**-**

Deferred tax asset

Provisions - Leave pay and employee incentive	576,542	602,402	-	-
Amounts received in advance	583,611	163,072	-	-
Loss allowances	28,471	33,221	-	-
Deferred tax balance from temporary differences other than unused tax losses	1,188,624	798,695	-	-
Tax losses available for set off against future taxable income	3,260,802	4,320,263	-	-
Total deferred tax asset	**4,449,426**	**5,118,958**	**-**	**-**

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	(33,333,101)	(31,300,700)	-	-
Total deferred tax asset	4,449,426	5,118,958	-	-
Total net deferred tax liability	**(28,883,675)**	**(26,181,742)**	**-**	**-**

Reconciliation of total net deferred tax liability

At beginning of the year	(26,181,742)	(21,282,196)	-	-
(Decrease) / increase in tax losses available for set off against future taxable income	(503,511)	940,935	-	-
Temporary difference movement on investment property at fair value	(2,752,900)	(5,867,974)	-	-
Temporary difference movement on operating lease asset	(547,269)	(424,035)	-	-
Temporary difference movement on provisions	(25,860)	339,007	-	-
Temporary difference movement on amounts received in advance	475,379	79,300	-	-
Temporary difference movement on loss allowances	(4,750)	33,221	-	-
Included in disposal group (note 12)	656,978	-	-	-
	(28,883,675)	**(26,181,742)**	**-**	**-**

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

19. Deferred tax (continued)

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% (2022: 22%) is used (Investment property). If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2022: 28%) is applied (Property, plant and equipment).

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.

20. Trade and other payables

Financial instruments:				
Trade payables	2,997,291	507,683	99	-
Accrued expenses	1,730,898	283,150	-	-
Deposits received	1,857,653	2,290,363	-	-
Non-financial instruments:				
Amounts received in advance	-	901,465	-	-
VAT	547,274	295,663	-	-
	7,133,116	**4,278,324**	**99**	**-**

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

At amortised cost	6,585,842	3,081,196	99	-
Non-financial instruments	547,274	1,197,128	-	-
	7,133,116	**4,278,324**	**99**	**-**

21. Revenue

Revenue from rental of investment property				
Revenue recognised in terms of IFRS 16 Leases:				
Rental income (straight-line basis)	23,571,080	19,824,805	-	-
Lease incentive amortisation (straight-line basis)	(235,277)	(235,277)	-	-
Straight-lining lease adjustment (straight-line basis)	1,954,533	1,514,406	-	-
Revenue recongised in terms of IFRS 15 Revenue from contracts with customers:				
Recoveries: Electricity, water, refuse, rates and taxes (over time)	6,030,411	4,678,665	-	-
	31,320,747	**25,782,599**	**-**	**-**

Other revenue				
Revenue other than from contracts with customers:				
Interest received (trading)	-	-	7,177,046	5,241,724
	31,320,747	**25,782,599**	**7,177,046**	**5,241,724**

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

22. Other operating income

Administration and management fees received	14,700	-	-	-
Development fees received	378,834	-	-	-
Other income	173,442	-	-	-
	566,976	**-**	**-**	**-**

23. Fair value adjustments

Fair value gains / (losses)				
Investment property - fair value gains	11,738,675	22,605,154	-	-
Investment property - fair value losses	(5,044,446)	(3,690,395)	-	-
Financial assets mandatorily at fair value through profit or loss	180,398	-	-	-
	6,874,627	**18,914,759**	**-**	**-**

24. Profit before financing and investing activities

Profit before financing and investing activities for the year is stated after charging the following, amongst others:

Auditor's remuneration - external				
Audit fees - South Africa	510,000	530,000	-	-
Audit fees - UK	154,947	174,784	-	-
	664,947	**704,784**	**-**	**-**
Remuneration, other than to employees				
Administrative and managerial services	555,973	163,864	-	-
Consulting, accounting and professional services	2,441,633	1,286,515	51,733	19,550
Secretarial services	178,685	162,105	-	-
	3,176,291	**1,612,484**	**51,733**	**19,550**
Employee costs				
Salaries, wages, bonuses and other benefits	5,629,045	4,682,071	-	-
Long term incentive scheme	12,546	953,316	-	-
Total employee costs	**5,641,591**	**5,635,387**	**-**	**-**
Leases				
Short-term leases	250,857	250,857	-	-

Refer to note 31 for additional details of leases.

Depreciation and amortisation				
Amortisation of investment property (tenant installations)	763,345	794,360	-	-
Depreciation of property, plant and equipment	55,524	49,161	-	-
Total depreciation and amortisation	**818,869**	**843,521**	**-**	**-**

	Group		Company	
	2023 R	**2022 R**	**2023 R**	**2022 R**

24. Profit before financing and investing activities (continued)

Movement in credit loss allowances				
Trade and other receivables	(343,912)	474,580	-	-

Other				
Levies	1,942,303	1,919,553	-	-
Listing costs	176,878	156,212	-	-
Municipal expenses	3,666,766	2,322,247	-	-
Rates	1,964,765	2,016,783	-	-
Travel - Local	58,798	26,839	-	-

25. Investment income

Dividend income				
Group entities:				
Dividend in specie	-	-	-	352,743

Interest income				
Investments in financial assets at amortised cost:				
Bank and other cash	197,083	95,983	482	627
Loans to group companies:				
Joint venture	331,487	-	241,641	-
Total finance income	**528,570**	**95,983**	**242,123**	**627**

Total investment income	**528,570**	**95,983**	**242,123**	**353,370**

26. Finance costs

Financial liabilities measured at amortised cost				
Amortisation of debt raising fee	87,543	53,493	-	-
Interest-bearing borrowings	10,426,133	7,754,518	7,418,686	5,241,556
Trade and other payables	31,155	8,776	-	-
Other interest paid	9,571	56	-	-
Total finance costs	**10,554,402**	**7,816,843**	**7,418,686**	**5,241,556**

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

27. Taxation

Major components of the tax expense

Current				
Local income tax - current period	-	-	-	-
Deferred				
Deferred income tax - current period	3,358,907	4,899,567	-	-

Reconciliation of the tax expense

Reconciliation between accounting profit / (loss) and tax expense.

Accounting profit (loss)	9,499,164	19,330,428	(52,092)	332,967
Tax at the applicable tax rate of 28% (2022: 28%)	2,659,766	5,412,520	(14,586)	93,231
Tax effect of adjustments on taxable income				
Non-deductible expenses	823,343	311,512	14,586	5,537
Fair value adjustments	(140,438)	(915,025)	-	-
Accounting adjustment on tenant installations	-	146,282	-	-
Dividend received	-	-	-	(98,768)
Unused tax losses	(201,122)	-	-	-
Income from equity-accounted investment	(403,484)	-	-	-
Profit on sale of assets	145,971	-	-	-
Capital gains tax	353,884	-	-	-
Other	120,987	(55,722)	-	-
	3,358,907	**4,899,567**	**-**	**-**

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

28. Earnings per share

Basic and diluted (cents)	0,05	0,11	-	-

Basic earnings per share was based on earnings attributable to equity holders of the parent of R6,159,137 (2022: R14,309,098) and a weighted average number of 132,742,799 (2022: 129,801,161) 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.

29. Cash generated from / (used in) operations

	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Profit / (loss) before taxation	9,499,164	19,330,428	(52,092)	332,967
Adjustments for:				
Depreciation and amortisation	818,869	843,521	-	-
Income from equity accounted investments	(1,441,015)	-	-	-
Dividend in specie received	-	-	-	(352,743)
Finance income	(528,570)	(95,983)	(7,419,169)	(5,242,351)
Finance costs	10,554,402	7,816,843	7,418,686	5,241,556
Net fair value adjustments	(6,874,627)	(18,914,759)	-	-
Movements in credit loss allowances	(343,912)	474,580	-	-
Movements in operating lease assets	(1,954,533)	(1,514,407)	-	-
Movements in provisions	124,303	87,262	-	-
Amortisation of lease incentive	235,277	235,277	-	-
Long-term employee benefit	12,547	953,316	-	-
Other non-cash movements	-	(12,103)	42,409	-
Changes in working capital:				
Trade and other receivables	(6,404,166)	115,955	-	-
Trade and other payables	1,542,951	(399,677)	-	-
	5,240,690	**8,920,253**	**(10,166)**	**(20,571)**

30. Tax paid

	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Balance at beginning of the year	35	6	-	(29)
Current tax for the year recognised in profit or loss	-	-	-	-
Balance at end of the year	(35)	(35)	-	-
	-	**(29)**	**-**	**(29)**

31. Commitments

Authorised capital expenditure

	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Already contracted for but not provided for				
• Investment property - Paardevlei land	5,130,000	5,130,000	-	-
• Investment property - Tonquani House	2,450,000	-	-	-
• Land purchase Erf4132, Hagley	19,483,200	-	-	-

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

Short-term leases – as lessee (expenses)

	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Minimum lease payments due				
- Within 1 year	-	265,908	-	-

32. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2023

	Opening balance R	Cash repayments R	Cash advances R	Interest paid R	Non-cash repayments R	Transfer to disposal group* R	Interest capitalised R	Total movement R	Closing balance R
Interest-bearing borrowings	133,499,139	(26,453,686)	58,208,023	(10,456,808)	(6,298,170)	(11,264,254)	11,989,420	15,724,525	149,223,664

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 R
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

The non-cash movements are for payments made directly to suppliers, as well as the direct settlement of bonds.

* Refer to note 12 for details on the disposal group.

Reconciliation of liabilities arising from financing activities - Company - 2023

	Opening balance R	Repayments R	Advances R	Interest capitalised R	Non-cash movements R	Total movement R	Closing balance R
Interest-bearing borrowings	89,102,945	-	-	6,501,851	(17,643,343)	(11,141,492)	77,961,453
Loans from group companies	-	(2,821,416)	19,224,981	916,835	400,000	17,720,400	17,720,400
Total liabilities from financing activities	**89,102,945**	**(2,821,416)**	**19,224,981**	**7,418,686**	**(17,243,343)**	**6,578,908**	**95,681,853**

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

The non-cash movements in 2023 related to the advances received by subsidiaries directly from Standard Bank and repayments made by subsidiaries directly to Standard Bank, as well as a payment made by the buyer of the units in Velvet Moon Properties 93 Proprietary Limited (2022: related to the interest on the loan paid by Velvet Moon Properties 93 Proprietary Limited).

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

33. Related parties

Relationships

Joint venture	Firgrove Developments Proprietary Limited
Subsidiaries	Fargofor Proprietary Limited Heartwood Logistics 1 Proprietary Limited Heartwood RB Proprietary Limited (formerly K2018642428 (South Africa) Proprietary Limited) Heartwood Saxdowne Proprietary Limited (formerly K2019001133 (South Africa) Proprietary Limited) Heartwood Solar Proprietary Limited Nictokaybee Investments Proprietary Limited Utter Velvet Proprietary Limited Velvet Moon Properties 93 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

Loan accounts - Owing by / (to) related parties	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Fargofor Proprietary Limited	-	-	29,932,580	27,971,501
Firgrove Developments Proprietary Limited	3,420,174	-	3,420,174	-
Heartwood Logistics 1 Proprietary Limited (1)	-	-	7,942,745	-
Heartwood Logistics 1 Proprietary Limited (2)	-	-	6,357,431	-
Heartwood Logistics 1 Proprietary Limited (3)	-	-	6,364,800	-
Utter Velvet Proprietary Limited	-	-	21,369,118	21,293,937
Velvet Moon Properties 93 Proprietary Limited (1)	-	-	25,759,754	39,837,507
Velvet Moon Properties 93 Proprietary Limited (2)	-	-	10,201,636	11,402,487
Velvet Moon Properties 93 Proprietary Limited (3)	-	-	(7,942,745)	-
Velvet Moon Properties 93 Proprietary Limited (4)	-	-	(6,357,431)	-
Velvet Moon Properties 93 Proprietary Limited (5)	-	-	(3,420,224)	-

Refer to notes 8 and 18 for the terms of the related party loans.

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

33. Related parties (continued)

Amount included in Trade receivables regarding related party				
K2018483185 (South Africa) Proprietary Limited	74,727	592,404	-	-

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) / paid to related parties				
Fargofor Proprietary Limited	-	-	(1,858,452)	1,405,373
Firgrove Developments Proprietary Limited	(331,487)	-	(241,641)	-
Heartwood Logistics 1 Proprietary Limited	-	-	(675,194)	-
Utter Velvet Proprietary Limited	-	-	(1,783,422)	(1,350,333)
Velvet Moon Properties 93 Proprietary Limited	-	-	(2,859,977)	(2,486,018)
Velvet Moon Properties 93 Proprietary Limited	-	-	916,835	-
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	250,857	-	-

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

Management fees (received from) paid to related parties				
Firgrove Developments Proprietary Limited	(14,700)	-	-	-
Mass Property Management Proprietary Limited	91,600	87,308	-	-
Development fees received from related party				
Firgrove Developments Proprietary Limited	(378,834)	-	-	-
Legal fees paid to related party				
Strauss Scher Attorneys	-	3,590	-	-

Refer to note 34 for the total directors' emoluments.

34. 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

2023

	Short-term employee benefits R	Long-term employee benefits R	Total R
Services as director			
LJ Whall	2,936,906	661,266	3,598,172
J Dumas	1,148,202	232,766	1,380,968
AF Utterson	1,361,240	-	1,361,240
	5,446,348	**894,032**	**6,340,380**

2022

	Short-term employee benefits R	Long-term employee benefits R	Total R
Services as director			
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**

Non-executive

Directors' fees

	2023 R	2022 R
JH Scher	132,000	132,000
MR Evans	90,000	90,000
B Seeff	90,000	90,000
PR Gent	90,000	90,000
	402,000	**402,000**

35. Financial instruments and risk management

Categories of financial assets

Group - 2023

	Notes	Fair value through profit or loss - Mandatory R	Amortised cost R	Total R
Loans to group companies	8	-	3,420,174	3,420,174
Investment at fair value	9	4,413,200	-	4,413,200
Trade and other receivables	10	-	2,589,629	2,589,629
Cash and cash equivalents	11	-	6,123,839	6,123,839
		4,413,200	**12,133,642**	**16,546,842**

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**

Company - 2023

	Notes	Amortised cost R	Total R
Loans to group companies	8	111,348,238	111,348,238
Cash and cash equivalents	11	150,040	150,040
		111,498,278	**111,498,278**

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**

35. Financial instruments and risk management (continued)

Categories of financial liabilities

Group - 2023

	Notes	Amortised cost R	Total R
Interest-bearing borrowings	16	149,223,664	149,223,664
Trade and other payables	20	6,585,842	6,585,842
Bank overdraft	11	28,902	28,902
		155,838,408	**155,838,408**

Group - 2022

	Notes	Amortised cost R	Total R
Interest-bearing borrowings	16	133,499,139	133,499,139
Trade and other payables	20	3,081,196	3,081,196
Bank overdraft	11	11,919	11,919
		136,592,254	**136,592,254**

Company - 2023

	Notes	Amortised cost R	Total R
Loans from group companies	18	17,720,400	17,720,400
Interest-bearing borrowings	16	77,961,453	77,961,453
Trade and other payables	20	99	99
		95,681,952	**95,681,952**

Company - 2022

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

The carrying amounts of the financial instruments approximate their fair values.

35. Financial instruments and risk management (continued)

Pre tax gains and losses on financial assets

Group - 2023

	Notes	Fair value through profit or loss - Mandatory R	Amortised cost R	Total R
Recognised in profit or loss:				
Fair value adjustments	23	180,398	-	180,398
Movement in credit loss allowances	24	-	343,912	343,912
Finance income	25	-	528,570	528,570
Net gains		**180,398**	**872,482**	**1,052,880**

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	24	-	(474,580)	(474,580)
Finance income	25	-	95,983	95,983
Net (losses) / gains		**-**	**(378,597)**	**(378,597)**

Company - 2023

	Note	Amortised cost R	Total R
Recognised in profit or loss:			
Finance income	25	242,123	242,123

Company - 2022

	Note	Amortised cost R	Total R
Recognised in profit or loss:			
Finance income	25	627	627

35. Financial instruments and risk management (continued)

Pre tax gains and losses on financial liabilities

Group - 2023

	Notes	Amortised cost R	Total R
Recognised in profit or loss:			
Finance costs	26	(10,554,402)	(10,554,402)

Group - 2022

Recognised in profit or loss:			
Finance costs	26	(7,816,843)	(7,816,843)

Company - 2023

	Note	Amortised cost R	Total R
Recognised in profit or loss:			
Finance costs	26	(7,418,686)	(7,418,686)

Company - 2022

Recognised in profit or loss:			
Finance costs	26	(5,241,556)	(5,241,556)

	Group		Company	
	2023 R	2022 R	2023 R	2022 R

35. 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 51% to 55%. Standard Bank of South Africa Limited also requires certain properties to have minimum values, and requires an Interest Cover Ratio range of 1,25 times to 1,45 times. The Interest Cover Ratio at year end was 1,54. Nedbank Limited has no covenants.

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

The loan to value ratio of the group at the reporting date was as follows:

	Group 2023 R	Group 2022 R	Company 2023 R	Company 2022 R
Interest-bearing borrowings	149,223,664	133,499,139	77,961,453	89,102,945
Interest-bearing borrowings included in disposal group	11,264,254	-	-	-
Total interest-bearing borrowings	**160,487,918**	**133,499,139**	**77,961,453**	**89,102,945**
Investment property	317,042,316	278,711,756	-	-
Loan to value ratio (yearly average)	51 %	48 %	n/a	n/a

Financial risk management

Overview

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

The board 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.

35. 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.

Expected credit losses of 70% have been recognised at year end, with no debtors in liquidation at year-end. (2022: There were two debtors in liquidation at year-end and had been handed over for legal collection (total value of R394,041) and expected credit losses of 70% had been recognised for the outstanding balances. A third debtor had been place under business rescue and an expected credit loss for the specific balance that was considered to be uncollectible.) 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.

35. Financial instruments and risk management (continued)

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

Group		**2023**			**2022**		
	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**
Loans to group companies	8	3,420,174	-	3,420,174	-	-	-
Trade and other receivables	10	8,845,777	(269,027)	8,576,750	2,441,611	(612,939)	1,828,672
Cash and cash equivalents	11	6,123,839	-	6,123,839	12,223,567	-	12,223,567
		18,389,790	**(269,027)**	**18,120,763**	**14,665,178**	**(612,939)**	**14,052,239**

Company		**2023**			**2022**		
	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**
Loans to group companies	8	111,348,238	-	111,348,238	100,505,432	-	100,505,432
Cash and cash equivalents	11	150,040	-	150,040	41	-	41
		111,498,278	**-**	**111,498,278**	**100,505,473**	**-**	**100,505,473**

Liquidity risk

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

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

The company has provided limited guarantees for the debt of Nictokaybee Investments Proprietary Limited (R3,167,500), Velvet Moon Properties 93 Proprietary Limited (R11,450,000), Erf 733 Woodmead Ext 14 Proprietary Limited (R5,000,000), Heartwood Logistics 1 Proprietary Limited (R13,920,000) and the joint venture Firgrove Developments Proprietary Limited (R5,970,000). Management has assessed the probability of these entities defaulting as low, and any loss given default as insignificant based on their financial position and the fair value of the underlying property provided as security on these loans. On this basis the liability for financial guarantees was determined to be Rnil in the years presented.

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

35. Financial instruments and risk management (continued)

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

Group - 2023

	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	-	17,561,207	134,213,460	20,741,816	172,516,483	134,600,042
Current liabilities							
Interest-bearing borrowings*	16	33,795,529	-	-	-	33,795,529	14,623,622
Trade and other payables	20	6,585,842	-	-	-	6,585,842	6,585,842
Bank overdraft	11	28,902	-	-	-	28,902	28,902
Guarantees - Firgrove Developments Proprietary Limited		5,970,000	-	-	-	5,970,000	-
		46,380,273	**17,561,207**	**134,213,460**	**20,741,816**	**218,896,756**	**155,838,408**

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	20	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**

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

* Included in the contractual cash flows is an amount of R14,229,632 relating to the loans included as part of the disposal group in note 12.

35. Financial instruments and risk management (continued)

Company - 2023

	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	-	9,078,191	83,077,835	92,156,026	77,061,453
Loans from group companies	18	-	-	17,720,400	17,720,400	17,720,400
Current liabilities						
Interest-bearing borrowings	16	8,674,041	-	-	8,674,041	900,000
Trade and other payables	20	99	-	-	99	99
Guarantees - Nictokaybee Investments Proprietary Limited		3,167,500	-	-	3,167,500	-
Guarantees - Velvet Moon Properties 93 Proprietary Limited		11,450,000	-	-	11,450,000	-
Guarantees - Erf 733 Woodmead Ext 14 Proprietary Limited		5,000,000	-	-	5,000,000	-
Guarantees - Heartwood Logistics 1 Proprietary Limited		13,920,000	-	-	13,920,000	-
Guarantees - Firgrove Developments Proprietary Limited		5,970,000	-	-	5,970,000	-
		48,181,640	**9,078,191**	**100,798,235**	**158,058,066**	**95,681,952**

Company - 2022

	Notes	Less than 1 year R	1 to 2 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
Trade and other payables	20	-	-	-	-
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**

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 22,066 was used at year end (2022: 20,6968).

The carrying value of the group's foreign currency denominated assets at year end was R4,413,200 (2022: R3,977,750).

The group's sensitivity to a 10% increase or decrease in the Rand against the GBP would be an increase or decrease of R441,320 (2022: R397,775).

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

35. Financial instruments and risk management (continued)

Interest rate risk

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

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

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

Interest rate sensitivity analysis

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

Group

At 28 February 2023, if the interest rate (prime overdraft rate) had been 2% per annum (2022: 2%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R1,838,556 (2022: R1,364,603) 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 2023, if the interest rate (prime overdraft rate) had been 2% per annum (2022: 2%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R1,118,798 (2022: R513,680) lower or higher.

36. 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.

37. Events after the reporting period

<u>Sale of property</u>

Effective 22 March 2023, the property situated at Erf 661, Lanseria, has been sold for a total purchase considieration of R18,4 million. Based on the terms of the sale agreement, the property has been classified as held for sale as at 28 February 2023, refer to note 12 for further details.

37. Events after the reporting period (continued)

Acquisition of property

On 30 March 2023, the Group acquired Unit 8 Tonquani House, Somerset West for R2,450,000 which is utilised as the Group's head office.

Sale of subsidiary

The Group has sold its 80% shareholding in Erf 733 Woodmead Ext 14 Proprietary Limited to Chirpy Properties Proprietary Limited, effective 16 March 2023, for a total consideration of R7,238,498. Based on the terms of the sale agreement, the Group has classified the property as held for sale as at 28 February 2023, refer to note 12 for further details.

Dividend declaration

For the period ended 28 February 2023 the board recommends the approval of a final dividend of R2,000,000. The final dividend of 1.45 cents per share, was declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period.

Tenant provisional liquidation

The tenant at Erf 20774 Somerset West (BuildIt Plus) was placed into provisional liquidation on 25 April 2023. Management is in the process of engaging with the liquidator to determine the way forward. The exposure to this tenant as at 28 February 2023 was R480,653. This amount was received by us during March 2023, therefore there is no year end exposure as at the date of publication of the financial statements. Management will continue to closely monitor the recoverability of the amounts invoiced going forward.

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.

38. 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:

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 2023, 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%.

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 2023 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.

Annexure 1: Segmental analysis

For the period ending 28 February 2023

	Office	Industrial	Retail	Other	UK	Total
Revenue						
Revenue from rental of investment property						
Rental income (straight-line basis)	15,252,706	4,067,654	4,250,720	-	-	23,571,080
Lease incentive amortisation (straight-line basis)	(235,277)	-	-	-	-	(235,277)
Straightlining lease adjustments (straight-line basis)	(701,988)	1,045,740	1,610,781	-	-	1,954,533
Revenue from contracts with customers						
Recoveries: Electricity, water, refuse ,rates and taxes (over tir	4,763,909	808,033	458,469	-	-	6,030,411
Other operating income	173,442	-	-	393,534		566,976
Net fair value gains	(320,671)	6,206,845	808,054		180,399	6,874,627
Movement in credit loss allowances	343,912	-	-	-		343,912
Property related expenditure	(7,655,380)	(1,423,453)	(664,846)	-		(9,743,680)
Segment profit	11,620,654	10,704,818	6,463,177	393,534	180,399	29,362,582
Non property related expenses	(10,871,072)	(203,051)	-	(46,652)	(157,827)	(11,278,601)
Profit before financing and investing activities	**749,582**	**10,501,767**	**6,463,177**	**346,882**	**22,572**	**18,083,981**
Income from equity accounted investment		1,441,015				1,441,015
Assets						
Non-Current Assets	174,005,831	55,032,178	52,100,000	4,891,578	4,413,200	290,442,787
Non-current assets held for sale	-	35,236,623	-			35,236,623
Current Assets	8,064,324	7,435,713	480,653	154,829	7,536	16,143,055
Total Assets	**182,070,155**	**97,704,515**	**52,580,653**	**5,046,407**	**4,420,736**	**341,822,465**
Liabilities						
Non-Current Liabilities						
Non-Current Liabilities	26,820,066	30,542,601	29,739,779	77,061,453		**164,163,899**
Current Liabilities	5,237,578	15,861,827	640,229	1,091,447	81,644	**22,912,725**
Liabilities of disposal group		12,594,148				12,594,148
Total Liabilities	**32,057,644**	**58,998,576**	**30,380,008**	**78,152,900**	**81,644**	**199,670,772**
Additions to non-current assets: Investment property	368,890	47,616,527.00	-	-	-	47,985,417

In the office segment, there is a single customer who accounts for R5,983,276, which is 19% of the segment revenue.
The total non-current assets include an amount of R4,413,200 in the Other sector that relates to Heartwood Ventures UK.

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 tir	3,318,429	787,888	231,105	-	4,337,422
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)
Profit before financing and investing activities	**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	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	2,416,668	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.

Annual Report Supplementary Information – CTSE Listing Requirements

1. Annual Compliance Declaration

Annual declaration

Shareholders are advised that as at 31 May 2023 the directors of Heartwood are aware of their responsibilities in terms of the Cape Town Stock Exchange Listing Requirements and the Company complies with the Cape Town Stock Exchange Listing Requirements, save for the following:

Securities in Public Hands

Heartwood Properties currently has 80 (2022: 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 2023	% Holding 2022	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 Logistics 1 Proprietary Limited	100%	100%	South Africa	South Africa	Property Investment
Heartwood Ventures UK Limited	100%	100%	United Kingdom	United Kingdom	Property Investment
Firgrove Developments Proprietary Limited (formerly K2018641226 (South Africa) Proprietary Limited)	50% (joint venture)	100%	South Africa	South Africa	Property Investment

Heartwood Saxdowne Proprietary Limited (formerly K2019001133 (South Africa) Proprietary Limited)	100%	100%	South Africa	South Africa	Property Investment
Heartwood Solar Proprietary Limited	100%	100%	South Africa	South Africa	Energy Investment
Heartwood RB Proprietary Limited (formerly K2018642428 (South Africa) Proprietary Limited)	100%	100%	South Africa	South Africa	Dormant

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

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
Skyscraper Property Investments Proprietary Limited*	25 649 769	18.64%	Direct
Whall Property Group Proprietary Limited*	24 599 185	17.88%	Direct
Cornop Properties Proprietary Limited*	18 571 097	13.49%	Direct
Montagu Commercial Developments Proprietary Limited	15 631 144	11.36%	Direct
Martin Radford Evans*	10 596 780	7.70%	Direct
The Alpha Trust	9 938 882	7.22%	Direct
Morulat Property Investments 2 Proprietary Limited	7 352 941	5.34%	Direct

**Represents 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	
	26 May 2022	16 November 2022
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

Board Committee: Audit and Risk Committee	**Meeting Date**		
	26 May 2022	**16 November 2022**	**23 February 2023**
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	-
MR Evans (attendance by invitation)	Attended	Attended	-

Board Committee: Investment Committee	**Meeting Date**			
	08 March 2022	**17 August 2022**	**28 October 2022**	**31 January 2023**
MR Evans	Attended	Attended	Attended	Apologies
JH Scher	Attended	Attended	Attended	Attended
P Gent	Attended	Attended	Attended	Attended
LJ Whall	Attended	Attended	Attended	Attended
J Dumas	Attended	Attended	Attended	Attended
AG Utterson	Attended	Attended	Attended	Attended

Board Committee: Social and Ethics Committee	**Meeting Date**	
	03 May 2022	**25 November 2022**
MR Evans	Attended	Attended
J Whall	Attended	Attended
K Dumas	Attended	Attended
A Utterson	Attended	Attended

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 35 – Directors' Emoluments of the financial statements for the year ended 28 February 2023 for the emoluments paid to the directors of Heartwood Properties.

6. Issue of Securities

On 23 November 2022, the Company issued 6,364,850 no par value ordinary shares at a price of R1.00 per share, to Three Daisies Properties Proprietary Limited and Zencor Properties Proprietary Limited, in exchange for obtaining 50% of the shares in Heartwood Logistics 1 Proprietary Limited, and in settlement of the loan accounts with the previous non-controlling interests. The share issue and settlement of the loans results in, Heartwood Properties Limited owning 100% of Heartwood Logistics 1 Proprietary Limited to which the previous non-controlling interests had contributed land, effectively making this an asset for share swap . A development in this subsidiary in Firgrove, Somerset West, was completed during the current year.

On 26 August 2022, the Company issued 200,850 no par value ordinary shares at a price of R1.00 per share. The shares were issued as part of a private placement to two individuals. The aggregate subscription consideration received by the Company amounted to R200,850, which was received in cash. The proceeds of the issue will be utilised by the Group in its current and future property developments.

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.