



# heartwood<sup>®</sup>

## PROPERTIES

Heartwood Properties Limited  
Incorporated in the Republic of South Africa  
(Registration number 2017/654253/06)  
CTSE Share code: 4AHWP  
ISIN: ZAE400000044  
(**"Heartwood Properties"** or **"the Company"**)

Unaudited consolidated interim financial results  
for the 6 months ended 31 August 2023

# Heartwood Properties Limited

(Registration number 2017/654253/06)

Unaudited Consolidated Interim Financial Results for the 6 months ended 31 August 2023

## Directors' Report

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### NATURE OF BUSINESS

The main business of Heartwood Properties and its subsidiaries ("the Group") is to invest in and to develop commercial and industrial properties. The Group develops high quality sustainable buildings underpinned by solid property fundamentals to achieve superior long term returns for our shareholders.

The Group has defined its strategy and business model to:

- service business operating in the medium to large owner-managed sector;
- businesses that require warehousing or office space; and/or
- may be looking to expand their operations.

Asset management and the majority of property management is performed internally by the Group.

Apart from the items highlighted below there has been no material changes to the information as published in the Property Entity Investors Report at 28 February 2023. A copy of this report can be found at [www.heartwoodproperties.co.za](http://www.heartwoodproperties.co.za)

### HIGHLIGHTS

The Group is pleased to present its results for the 6 months ended 31 August 2023.

Some of the highlights include:

- Net asset value ("**NAV**") per share of 99 cents at 31 August 2023 which was the same as at 31 August 2022. If the dividend paid is taken into account the NAV per share at 31 August 2023 increases to 101 cents. The NAV per share at 28 February 2023 was 103 cents.
- Loan-to-value ("**LTV**") of 50% at 31 August 2023, compared to 47% at 31 August 2022 and 51% at 28 February 2023.
- Rental income increase of 5% between the periods ending 31 August 2023 and 31 August 2022.
- Cash in excess of R14.3million at 31 August 2023 available to execute development pipeline.
- The Group has sold its 80% shareholding in Erf 733 Woodmead Ext 14 Proprietary Limited (which holds the property located at Erf643 Lanseria, effective 16 March 2023, for a total consideration of R7,238,498. The profit on the sale of the subsidiary was R1,539,050).
- The Group sold its investment property located at Erf 661, Lanseria for R18,400,000 with the effective date of 22 March 2023. The book value relating to this unit was calculated at R16,401,359.
- During the period under review, the Group started construction of a new distribution facility for a tenant based in Saxdowne, Western Cape. The project is purpose built for the tenant who is expected to start trading in the new premises in April 2024.
- External valuations, performed by independent, duly registered valuers were performed on the full portfolio at 28 February 2023.

Erf 20774, Somerset West was revalued by independent, duly registered valuers at 31 August 2023, taking into account the new lease on the premises. The fair value decreased by R2.9million from R52.1million as at 28 February 2023 to R49.2million as at 31 August 2023. The remainder of the portfolio has been accounted for at its year end independent valuations.

### DIVIDENDS

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

During the 6 month period, Heartwood Properties declared and paid a dividend of R1,995,444 to the shareholders.

# Heartwood Properties Limited

(Registration number 2017/654253/06)

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## Condensed Statement of Financial Position

Figures in Rand	Notes	Group		
		31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment		2,519,698	95,548	175,209
Investment property	2	271,083,675	269,373,962	211,321,463
Lease incentive		866,562	984,201	1,101,839
Operating lease asset		10,947,065	10,695,527	9,887,645
Goodwill		19,110	19,110	19,110
Investments in joint ventures		1,265,784	1,441,065	-
Loans to group companies	3	3,519,966	3,420,174	4,353,652
Loans receivable		-	-	840,546
Investments at fair value		4,765,920	4,413,200	-
		<b>294,987,780</b>	<b>290,442,787</b>	<b>227,699,464</b>
<b>Current Assets</b>				
Operating lease asset		1,582,690	1,442,431	5,223,275
Investments at fair value		-	-	3,179,360
Trade and other receivables		3,361,817	8,576,750	1,587,260
Current tax receivable		35	35	35
Loans to group companies	3	346	-	-
Cash and cash equivalents	4	14,303,658	6,123,839	2,729,591
		<b>19,248,546</b>	<b>16,143,055</b>	<b>12,719,521</b>
Non-current assets held for sale	5	-	35,236,623	33,500,000
<b>Total Assets</b>		<b>314,236,326</b>	<b>341,822,465</b>	<b>273,918,985</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Equity Attributable to Equity Holders of Parent				
Share capital	6	86,476,999	86,476,999	80,112,149
Foreign currency translation reserve		360,626	685,091	192,739
Change in ownership reserve		141,047	141,047	147,512
Accumulated profit		49,622,613	54,559,825	48,907,510
		136,601,285	141,862,962	129,359,910
Non-controlling profit		-	288,731	337,959
		<b>136,601,285</b>	<b>142,151,693</b>	<b>129,697,869</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Loans from group companies		-	-	50
Interest-bearing borrowings	7	142,265,243	134,600,042	89,943,898
Long term employee benefit		316,995	680,182	115,739
Deferred tax		25,885,216	28,883,675	26,853,567
		<b>168,467,454</b>	<b>164,163,899</b>	<b>116,913,254</b>

# Heartwood Properties Limited

(Registration number 2017/654253/06)

Unaudited Consolidated Interim Financial Results for the 6 months ended 31 August 2023

## Condensed Statement of Financial Position

Figures in Rand	Notes	Group		
		31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited
<b>Current Liabilities</b>				
Interest-bearing borrowings	7	2,142,985	14,623,622	21,552,928
Trade and other payables		4,527,675	7,133,116	5,158,422
Long term employee benefit		1,683,109	1,127,085	585,421
Current tax payable		798,461	-	-
Bank overdraft	4	15,357	28,902	11,091
		<b>9,167,587</b>	<b>22,912,725</b>	<b>27,307,862</b>
Liabilities of disposal groups	5	-	12,594,148	-
<b>Total Liabilities</b>		<b>177,635,041</b>	<b>199,670,772</b>	<b>144,221,116</b>
<b>Total Equity and Liabilities</b>		<b>314,236,326</b>	<b>341,822,465</b>	<b>273,918,985</b>

# Heartwood Properties Limited

(Registration number 2017/654253/06)

Unaudited Consolidated Interim Financial Results for the 6 months ended 31 August 2023

## Condensed Statement of Comprehensive Income

Figures in Rand	Notes	Group		
		31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited
Rental received	8	15,433,201	29,601,491	14,724,281
Straight-lining adjustment and incentive amortisation		(1,724,480)	1,719,256	715,959
Other operating income		1,558,833	566,976	639,151
Fair value adjustments		(1,301,234)	6,874,627	(1,007,728)
Movement in credit loss allowances	9	(1,263,795)	343,912	294,638
Other operating expenses		(10,740,127)	(21,022,281)	(9,664,260)
<b>Operating profit</b>		<b>1,962,398</b>	<b>18,083,981</b>	<b>5,761,103</b>
Investment income		1,005,310	528,570	143,596
Finance costs		(7,945,581)	(10,554,402)	(4,695,605)
Loss from shares in joint ventures		(175,281)	1,441,015	(100)
<b>(Loss) profit before taxation</b>		<b>(5,153,154)</b>	<b>9,499,164</b>	<b>1208,994</b>
Taxation		2,211,384	(3,358,907)	(671,824)
<b>Profit for the period</b>		<b>(2,941,770)</b>	<b>6,140,257</b>	<b>537,170</b>
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified to profit or loss:</b>				
Exchange differences on translating foreign operations		(324,465)	333,968	(158,384)
<b>Other comprehensive income for the period net of taxation</b>		<b>(324,465)</b>	<b>333,968</b>	<b>(158,384)</b>
<b>Total comprehensive income for the period</b>		<b>(3,266,235)</b>	<b>6,474,225</b>	<b>378,786</b>
<b>(Loss)/Profit attributable to:</b>				
Owners of the parent		(2,941,770)	6,159,137	506,822
Non-controlling interest			(18,880)	30,348
<b>Total comprehensive income for the period</b>		<b>(2,941,770)</b>	<b>6,140,257</b>	<b>537,170</b>

# Heartwood Properties Limited

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## Statement of Changes in Equity

	Share 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
Figures in Rand							
<b>Group</b>							
<b>Balance at 01 March 2022</b>	<b>79,911,299</b>	<b>351,123</b>	<b>141,047</b>	<b>50,392,666</b>	<b>130,796,135</b>	<b>307,611</b>	<b>131,103,746</b>
Profit for the year	-	-	-	6,159,137	6,159,137	(18,880)	6,140,257
Other comprehensive income	-	333,968	-	-	333,968	-	333,968
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>333,968</b>	<b>-</b>	<b>6,159,137</b>	<b>6,493,105</b>	<b>(18,880)</b>	<b>6,474,225</b>
Profit for the year	6,565,700	-	-	-	6,565,700	(18,880)	6,140,257
Other comprehensive income	-	-	-	(1,991,978)	(1,991,978)	-	333,968
<b>Balance at 28 February 2023</b>	<b>86,476,999</b>	<b>685,091</b>	<b>141,047</b>	<b>54,559,825</b>	<b>141,862,962</b>	<b>288,731</b>	<b>142,151,693</b>
Profit for the period	-	-	-	(2,941,770)	(2,941,770)	-	(2,941,770)
Other comprehensive income	-	(324,465)	-	-	(324,465)	-	(324,465)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(324,465)</b>	<b>-</b>	<b>(2,941,770)</b>	<b>(3,266,235)</b>	<b>-</b>	<b>(3,266,235)</b>
Change in ownership interest – control lost	-	-	-	-	-	(288,731)	(288,731)
Dividends	-	-	-	(1,995,442)	(1,995,442)	-	(1,995,442)
<b>Total contributions by and distributions to owners of company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,995,442)</b>	<b>(1,995,442)</b>	<b>(288,731)</b>	<b>(2,284,173)</b>
<b>Unaudited Balance at 31 August 2023</b>	<b>86,476,999</b>	<b>360,626</b>	<b>141,047</b>	<b>49,622,613</b>	<b>136,601,285</b>	<b>-</b>	<b>136,601,285</b>

Note

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# Heartwood Properties Limited

(Registration number 2017/654253/06)

Unaudited Consolidated Interim Financial Results for the 6 months ended 31 August 2023

## Statement of Cash Flows

Figures in Rand	Notes	Group		
		31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited
<b>Cash flows from operating activities</b>				
Cash receipts from customers		15,085,780	25,442,488	14,937,225
Cash paid to suppliers and employees		(6,504,023)	(20,201,798)	(8,991,446)
Cash generated from/(used in) operations		8,581,757	5,240,690	5,945,779
Interest income		785,518	45,288	202,658
Finance costs		(7,945,582)	(10,554,402)	(4,690,218)
Tax paid		-	-	-
Dividends paid		(1,995,444)	(1,991,978)	-
<b>Net cash from operating activities</b>		<b>(573,751)</b>	<b>(7,260,402)</b>	<b>1,458,219</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		-	(42,372)	(96,402)
Sale of investment property		10,617,702	-	-
Additions to investment property	2	(4,961,923)	(38,843,296)	(942,987)
Proceeds on sale of investment property	2	-	8,942,323	8,942,323
Loans to group companies repaid		120,000	6,568,988	5,200,000
Loans advanced to group companies		-	(6,794,210)	(9,219,246)
Loans advanced to other loans		-	-	(6,480)
Proceeds on sale of subsidiary		1,303,005	-	-
<b>Net cash from investing activities</b>		<b>7,078,784</b>	<b>(30,168,567)</b>	<b>3,877,208</b>
<b>Cash flows from financing activities</b>				
Proceeds on share issue	6	-	200,850	200,850
Advances from interest-bearing borrowings		5,735,304	58,208,023	11,000,000
Repayment of interest bearing borrowings		(4,046,973)	(26,453,686)	(24,037,447)
Dividends paid		-	-	(1,991,978)
<b>Net cash from financing activities</b>		<b>1,688,331</b>	<b>31,955,187</b>	<b>(14,828,575)</b>
<b>Total cash movement for the period</b>		<b>8,193,364</b>	<b>(5,473,782)</b>	<b>(9,493,148)</b>
Cash at the beginning of the period		6,094,937	12,211,648	12,211,648
Cash and cash equivalents included in disposal group		-	(642,929)	-
<b>Total cash at end of the period</b>	4	<b>14,288,301</b>	<b>6,094,937</b>	<b>2,718,500</b>

# Heartwood Properties Limited

(Registration number 2017/654253/06)

Unaudited Consolidated Interim Financial Results for the 6 months ended 31 August 2023

## Selected Explanatory Notes to the Interim Financial Results

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### 1. New Standards and Interpretations

The condensed consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standard, IAS34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

These condensed consolidated interim financial statements have not been reviewed or audited by the Company's external auditors.



# Heartwood Properties Limited

(Registration number 2017/654253/06)

Unaudited Consolidated Interim Financial Results for the 6 months ended 31 August 2023

## Selected Explanatory Notes to the Interim Financial Results

### 2. Investment property

Group	31 August 2023		28 February 2023			
	Cost / Valuation	Accumulated depreciation	Cost / Valuation	Accumulated depreciation		
Investment property	274,274,182	(3,190,507)	271,083,675	273,411,628	(4,037,666)	269,373,962

#### Reconciliation of investment property - Group - August 2023

	Opening balance	Additions	Disposals	Transfers	Amortisation	Fair value adjustments	Total
Investment property	266,777,453	788,981	(284,872)	766,306	(378,399)	(2,656,094)	265,013,381
Investment property under development	2,596,509	4,240,091	-	(766,306)	-	-	6,070,294
	<b>269,373,962</b>	<b>5,029,072</b>	<b>(284,872)</b>	<b>-</b>	<b>(378,399)</b>	<b>(2,656,094)</b>	<b>271,083,675</b>

#### Reconciliation of investment property - Group - February 2023

	Opening balance	Additions	Included in disposal group	Classified as held for sale	Transfers	Interest capitalised	Amortisation	Fair value adjustments	Total
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
	<b>244,714,957</b>	<b>48,515,134</b>	<b>(14,050,939)</b>	<b>(16,401,359)</b>	<b>(101,020)</b>	<b>766,306</b>	<b>(763,345)</b>	<b>6,694,228</b>	<b>269,373,962</b>

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## Selected Explanatory Notes to the Interim Financial Results

Figures in Rand	Group		
	31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited

### 2. Investment property (continued)

#### Investment property under development

As at 31 August 2023, the investment property under development is measured at cost. The fair value is not reliably measurable due to the fact that the market for comparable properties is currently inactive, there are no alternative reliable measurements available and due to the early stage of the development it has not yet become possible to reliably measure the property's fair value. The costs relating to the three projects under development mainly relate to professional fees incurred.

#### Pledged as security

Carrying value of assets pledged as security:

Unit 1 and 2 - Block A, Willow Wood	68,332,431	67,708,891	62,937,742
Block B, Willow Wood	17,246,664	17,223,824	15,990,581
Block C, Willow Wood	24,254,000	24,254,000	22,900,000
Block D, Willow Wood	19,050,070	18,988,199	23,839,655
Erf 20774, Somerset West	45,174,604	48,784,011	48,620,841
Erf 661, Lanseria Ext 46, Johannesburg, Gauteng*	-	16,401,359	15,450,162
Erf 643, Lanseria Ext 45, Johannesburg, Gauteng*	-	14,050,938	14,216,776
Erf 20, Lyme Park Township	37,431,222	37,413,523	39,398,484
Erf 862 & Erf 863, Firgrove Industrial Estate	53,524,393	53,171,311	-
	<b>265,013,384</b>	<b>297,996,056</b>	<b>243,354,241</b>

\* This property has been classified as held for sale as at 28 February 2023 - refer to note 5 for further details.

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## Selected Explanatory Notes to the Interim Financial Results

Figures in Rand	Group		
	31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited

### 2. Investment property (continued)

#### Fair value of investment property

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

Investment property	271,083,677	269,373,962	211,321,465
Investment property included in disposal group (note 5)	-	16,146,194	-
Investment property classified as held for sale (note 5)	-	18,400,000	33,500,000
Operating lease asset	12,529,755	12,137,958	15,110,920
Lease modification	866,562	984,201	1,101,839
	<b>284,479,994</b>	<b>317,042,315</b>	<b>261,034,224</b>

#### Details of property

##### Investment Property

- Purchase price	80,730,508	80,730,508	73,165,708
- Additions/improvements at cost	167,652,872	148,751,731	102,614,683
- Tenant installations	2,008,906	2,090,155	2,219,596
- Interest capitalised	4,135,674	4,135,674	2,694,174
- Fair value adjustments	71,908,013	89,018,192	82,627,302
- Included in disposal group	-	(14,050,939)	-
- Classified as held for sale	-	(16,401,359)	(33,500,000)
- Disposal	(55,352,298)	(24,900,000)	(18,500,000)
	<b>271,083,675</b>	<b>269,373,962</b>	<b>211,321,463</b>

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

#### Details of valuation

External valuations, performed by independent, duly registered valuers were performed on the full portfolio at 28 February 2023.

Erf 20774, Somerset West was revalued by independent, duly registered valuers at 31 August 2023, taking into account the new lease on the premises (refer Note 10).

### 3. Loans to group companies

#### Joint ventures

**Heartwood Logistics 1 (Pty) Ltd** - - 56,526

The loan is unsecured, interest free and has no fixed terms of repayment.

**Firgrove Developments (Pty) Ltd - Normal** 3,519,966 3,420,174 3,258,138

The loan is unsecured, has no fixed terms of repayment and bears interest at Prime+1%. The interest rate at the end of the period was 12.75% (Feb 2023: 11.75%).

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## Selected Explanatory Notes to the Interim Financial Results

Figures in Rand	Group		
	31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited
<b>3. Loans to group companies (continued)</b>			
<b>Firgrove Developments (Pty) Ltd - Excess</b>	-	-	1,038,988
The loan is unsecured, has no fixed terms of repayment and bears interest at Prime+2%. The interest rate at the end of the period was 13.75% (Feb 2023: 12.75%).			
<b>Firgrove Developments (Pty) Ltd</b>	346	-	-
The loan is unsecured, has no fixed terms of repayment and bears interest at Prime+2%. The interest rate at the end of the period was 13.75% (Feb 2023: 12.75%).			
	<b>3,520,312</b>	<b>3,420,174</b>	<b>4,353,652</b>
<b>Split between non-current and current portions</b>			
Non-current assets	3,519,966	3,420,174	3,314,644
Current assets	346	-	1,038,988
	<b>3,520,312</b>	<b>3,420,174</b>	<b>4,353,652</b>
<b>4. Cash and cash equivalents</b>			
Cash and cash equivalents consist of:			
Bank balances	14,303,658	6,123,839	2,729,591
Bank overdraft	(15,357)	(28,902)	(11,091)
	<b>14,288,301</b>	<b>6,094,937</b>	<b>2,718,500</b>
Current assets	14,303,658	6,123,839	2,729,591
Current liabilities	(15,357)	(28,902)	(11,091)
	<b>14,288,301</b>	<b>6,094,937</b>	<b>2,718,500</b>

# Heartwood Properties Limited

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## Selected Explanatory Notes to the Interim Financial Results

Figures in Rand	Group		
	31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited

### 5. Non-current assets held for sale

During the current period, the group sold a portion of its investment property - Erf 661, Lanseria for R18,400,000. The cost relating to this unit was calculated at R16,401,359. The effective date of sale was 22 March 2023.

#### 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.

#### Assets and liabilities

##### Non-current assets held for sale

Investment property - Erf 643, Lanseria Ext 45	-	-	14,092,220
Operating lease - Erf 643, Lanseria Ext 45	-	-	2,007,780
Investment property - Erf 661, Lanseria Ext 46	-	16,401,359	15,407,710
Operating lease asset - Erf 661, Lanseria Ext 46	-	1,998,641	1,992,290
	-	<b>18,400,000</b>	<b>33,500,000</b>

##### Assets of disposal groups

Investment property	-	14,050,939	-
Operating lease asset	-	2,095,256	-
Trade and other receivables	-	47,499	-
Cash and cash equivalents	-	642,929	-
	-	<b>16,836,623</b>	-
	-	<b>35,236,623</b>	<b>33,500,000</b>

##### Liabilities of disposal groups

Interest-bearing borrowings (Shareholder)	-	3,195,978	-
Interest-bearing borrowings (Nedbank Limited)	-	8,068,276	-
Trade and other payables	-	672,916	-
Deferred tax	-	656,978	-
	-	<b>12,594,148</b>	-

### 6. Share capital

#### Authorised

400 000 000 Ordinary no par value shares

#### Reconciliation of number of shares issued:

Reported as at 01 March 2023	137,616,861	131,051,161	13,051,161
Issue of shares – ordinary shares	-	6,565,700	200,850
	<b>137,616,861</b>	<b>137,616,861</b>	<b>13,252,011</b>

#### Issued

131,616,861 (Feb 2023: 131,616,861) ordinary no par value shares	86,476,999	86,476,999	80,112,149
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# Heartwood Properties Limited

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Unaudited Consolidated Interim Financial Results for the 6 months ended 31 August 2023

## Selected Explanatory Notes to the Interim Financial Results

Figures in Rand	Group		
	31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited
<b>7. Interest-bearing borrowings</b>			
<b>Held at amortised cost</b>			
<b>Nedbank Limited</b>			
The loan was settled in the current year with the sale of the property described as Erf 661, Lanseria.	-	8,928,995	9,356,948
<b>Nedbank Limited</b>	34,350,972	31,953,208	-
During the development of the property the loan carried interest at the prime overdraft rate, and on 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 5 years, with a bullet capital payment at the end.			
The interest rate at the end of the period was 11.75% (2023: 10.75%).			
The properties Erf 862 and Erf 863, Firgrove Industrial Park have been pledged as security (refer to note 2).			
Heartwood Properties Limited provided a guarantee of R13,920,000 for the loan.			
<b>Nedbank Limited</b>	2,221,596	-	-
The loan bears interest at prime overdraft rate less 0.25% and is repayable in monthly capital instalments of R33,772.			
The interest rate at the end of the period was 11.50% (2023: n/a) per annum.			
The property Unit 8 Tonquani House, Somerset West has been pledged as security.			
<b>Standard Bank of South Africa Limited</b>	77,513,452	77,961,453	68,104,858
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 the end of the period was 10.75% (2023: 10%) 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.			

# Heartwood Properties Limited

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## Selected Explanatory Notes to the Interim Financial Results

Figures in Rand	Group		
	31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited
<b>7. Interest-bearing borrowings (continued)</b>			
<b>Nedbank Limited</b>	30,322,208	30,380,008	25,522,342
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 the end of the period was 10,75% (2023: 10.50%).			
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 2).			
Guarantees provided for the loan includes an irrevocable guarantee of R11,450,000 from Heartwood Properties Limited in favour of Nedbank Limited.			
<b>Nedbank Limited</b>	-	-	8,378,756
The loan balance, as at 28 February 2023, has been included as part of the disposal group as detailed in note 5.			
<b>Chirpy Properties Proprietary Limited</b>	-	-	133,922
The loan balance, as at 28 February 2023, has been included as part of the disposal group as detailed in note 5.			
	<b>144,408,228</b>	<b>149,223,664</b>	<b>111,496,826</b>
<b>Split between non-current and current portions</b>			
Non-current liabilities	142,265,243	134,600,042	89,943,898
Current liabilities	2,142,985	14,623,622	21,552,928
	<b>144,408,228</b>	<b>149,223,664</b>	<b>111,496,826</b>
<b>8. Revenue</b>			
<b>Revenue from rental of investment property</b>			
<u>Revenue recognised in terms of IFRS 16 Leases:</u>			
Lease incentive amortisation (Straight-line basis)	(117,638)	(235,277)	(117,638)
Straight-lining lease adjustment (straight-line basis)	(1,606,842)	1,954,533	833,597
Rental income (straight-line basis)	12,232,080	23,571,080	11,866,640
<u>Revenue recognised in terms of IFRS 15 Revenue from contracts with customers:</u>			
Recoveries: Electricity, water, refuse, rates and taxes (over time)	3,201,121	6,030,411	2,857,641
	<b>13,708,721</b>	<b>31,320,747</b>	<b>15,440,240</b>
<b>Revenue other than from contracts with customers</b>			
Interest received (trading)	-	-	59,062
	<b>13,708,721</b>	<b>31,320,747</b>	<b>15,499,302</b>

# Heartwood Properties Limited

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## Selected Explanatory Notes to the Interim Financial Results

Figures in Rand	Group		
	31 August 2023 Unaudited	28 February 2023 Audited	31 August 2022 Unaudited
<b>9. Operating profit (loss)</b>			
Operating profit for the period is stated after charging (crediting) the following, amongst others:			
<b>Auditor's remuneration</b>			
Audit fees - South Africa	671,250	510,000	510,000
Audit fees - UK		154,947	-
	<b>671,250</b>	<b>664,947</b>	<b>510,000</b>
<b>Remuneration, other than to employees</b>			
Administrative and managerial services	23,157	555,973	151,853
Consulting and professional services	1,496,356	2,441,633	917,112
Secretarial services	106,623	178,685	93,900
	<b>1,626,136</b>	<b>3,176,291</b>	<b>1,162,865</b>
<b>Employee costs</b>			
Salaries, wages, bonuses and other benefits	2,251,370	5,629,045	3,242,760
Long term incentive scheme	192,837	12,546	(1,093,561)
<b>Total employee costs</b>	<b>2,444,207</b>	<b>5,641,591</b>	<b>2,149,199</b>
<b>Leases</b>			
Short-term leases	20,905	250,857	125,428
<b>Depreciation and amortisation</b>			
Amortisation of investment property (tenant installations)	370,682	763,345	363,602
Depreciation of property, plant and equipment	35,553	55,524	29,893
<b>Total depreciation and amortisation</b>	<b>406,235</b>	<b>818,869</b>	<b>393,495</b>
<b>Movement in credit loss allowances</b>			
Trade and other receivables	1,263,795	(343,912)	(294,638)
<b>Other</b>			
Levies	1,085,311	1,942,303	855,579
Listing costs	102,425	176,878	111,158
Municipal expenses	1,740,303	3,666,766	1,679,889
Rates	1,073,015	1,964,765	1,043,873
Travel	3,209	58,798	19,555



# Heartwood Properties Limited

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Unaudited Consolidated Interim Financial Results for the 6 months ended 31 August 2023

## Selected Explanatory Notes to the Interim Financial Results

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### 10. Events after the reporting period

Tenant liquidation and lease cancellation

The tenant at Erf 20774 Somerset West (BuildIt Plus) was placed into provisional liquidation on 25 April 2023. The exposure to this tenant as at 31 August 2023 was R480,653 for which a claim against the insolvent estate will be lodged.

The lease was canceled on 12 September 2023 and a new tenant took occupation on 12 October 2023. The fair value of the property as at 31 August 2023 was determined taking into account the new lease terms.

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.