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

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 AUGUST 2025

HEARTWOOD PROPERTIES LIMITED
(Registration number 2017/654253/06)
Unaudited Condensed Consolidated Interim Financial Statements for the period ended 31 August 2025

Commentary

1. 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 businesses 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.
- Primary focus going forward in the Western Cape.

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 as at 28 February 2025. A copy of this report can be found at www.heartwoodproperties.co.za.

2. Investment in Heartwood Logistics 1 Proprietary Limited

As announced on the CTSE News Service, on 1 August 2025, Heartwood Logistics 1 Proprietary Limited (a wholly owned subsidiary of the Company) ("Heartwood Logistics") and Equibond Proprietary Limited, a subsidary of the Nedbank Limited Group and part of Nedbank Property Partners ("Equibond") entered into a subscription agreement and a shareholders agreement in terms of which Equibond subscribed for 162 ordinary shares in Heartwood Logistics representing 35% of the issued share capital of Heartwood Logistics, resulting in Heartwood's shareholding in Heartwood Logistics decreasing to 65%.

The subscription price equalled R4,072,279, which was paid by Equibond to Heartwood Logistics on 1 August 2025, which was when the subscription agreement became unconditional. The initial subscription price was R3,746,543 with a further payment of R325,736 upon reconciliation of the final closing date figures. In addition to the subscription price, Equibond advanced a shareholders loan to Heartwood Logistics in such amount as was required to make the shareholders loan equal to 35% of the total shareholders loan due by Heartwood Logistics to Heartwood and to Equibond. As at 31 August 2025, the total shareholders loan equalled R26,916,772.

As part of this transaction, there was also a group restructure, where the shares previously held in the below entities, by Heartwood, were transferred to Heartwood Logistics:
- Firgrove Developments Proprietary Limited (Joint venture - 50% shareholding)
- Heartwood Energy Proprietary Limited (Subsidiary - 100% shareholding)
- Heartwood RB Proprietary Limited (Subsidiary - 80% shareholding, 20% now owned by tenant RB & Sons)
- Heartwood Saxdowne Proprietary Limited (Subsidiary - 100% shareholding)

At 31 August 2025, Heartwood , holds 65% of Heartwood Logistics's investment in the above entities.

3. 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.

The Board believes that it would be more appropriate for the Group to conserve cash and maintain adequate debt headroom to ensure that the Group is best placed to take advantage of new development opportunities. Therefore the Board has resolved not to declare a dividend for the financial period ended 31 August 2025.

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Consolidated Statement of Financial Position as at 31 August 2025

	Notes	31 August 2025 Unaudited R	28 February 2025 Audited R
Assets			
Non-Current Assets			
Investment property	2	361,879,220	358,673,525
Property, plant and equipment		4,062,056	3,564,545
Lease incentive		396,008	513,647
Operating lease asset		9,861,670	10,231,162
Goodwill		19,110	19,110
Investment in joint venture		1,753,738	1,827,662
Loans to joint venture		4,405,955	4,248,910
Investment at fair value		4,768,000	4,630,000
		387,145,757	**383,708,561**
Current Assets			
Operating lease asset		2,694,718	2,308,278
Trade and other receivables		4,340,823	2,926,598
Current tax receivable		35	35
Cash and cash equivalents	3	24,499,107	580,822
		31,534,683	**5,815,733**
Total Assets		**418,680,440**	**389,524,294**
Equity			
Equity Attributable to Equity Holders of Parent			
Stated capital		86,240,717	86,240,717
Foreign currency translation reserve		1,040,870	905,622
Retained income		62,980,318	62,420,027
		150,261,905	149,566,366
Non-controlling interest		2,961,773	-
		153,223,678	**149,566,366**
Liabilities			
Non-Current Liabilities			
Interest-bearing borrowings	4	194,131,352	190,669,518
Other borrowings	5	26,916,772	-
Employee benefits		632,909	632,909
Tenant deposits		3,903,011	3,139,751
Deferred tax		28,900,887	30,242,976
		254,484,931	**224,685,154**
Current Liabilities			
Interest-bearing borrowings	4	101,830	5,478,498
Employee benefits		675,318	675,318
Tenant deposits		417,922	354,562
Trade and other payables		5,621,796	5,246,087
Bank overdraft	3	4,154,965	3,518,309
		10,971,831	**15,272,774**
Total Liabilities		**265,456,762**	**239,957,928**
Total Equity and Liabilities		**418,680,440**	**389,524,294**

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	6 months ended 31 August 2025 Unaudited R	6 months ended 31 August 2024 Unaudited R
Revenue, excluding straight-lining lease adjustment		19,941,503	17,520,931
Straight-lining lease adjustment		16,948	864,436
Total revenue	6	**19,958,451**	**18,385,367**
Other operating income		282,250	162,273
Fair value adjustments		(288,520)	(2,425,930)
Movement in credit loss allowances		76,014	3,266
Other operating expenses		(12,480,164)	(11,102,859)
Profit before financing and investing activities	7	**7,548,031**	**5,022,117**
Investment income		523,049	273,070
Finance costs		(9,889,710)	(10,658,264)
Loss from equity accounted investment		(73,924)	(122,315)
Loss before taxation		**(1,892,554)**	**(5,485,392)**
Taxation		1,342,089	964,287
Loss for the period		**(550,465)**	**(4,521,105)**
Other comprehensive income / (loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		135,248	(161,750)
Other comprehensive income / (loss) for the period net of taxation		**135,248**	**(161,750)**
Total comprehensive loss for the period		**(415,217)**	**(4,682,855)**
Profit / (loss) attributable to:			
Owners of the parent		560,291	(4,521,105)
Non-controlling interest		(1,110,756)	-
		(550,465)	**(4,521,105)**
Total comprehensive income / (loss) attributable to:			
Owners of the parent		695,539	(4,682,855)
Non-controlling interest		(1,110,756)	-
		(415,217)	**(4,682,855)**

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Statements of Changes in Equity

	Stated capital	Foreign currency translation reserve	Retained income	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
	R	R	R	R	R	R
Balance at 01 March 2024	**86,476,999**	**1,122,787**	**53,306,995**	**140,906,781**	**-**	**140,906,781**
Loss for the period	-	-	(4,521,105)	(4,521,105)	-	(4,521,105)
Other comprehensive loss	-	(161,750)	-	(161,750)	-	(161,750)
Total comprehensive loss for the period	**-**	**(161,750)**	**(4,521,105)**	**(4,682,855)**	**-**	**(4,682,855)**
Share repurchase	(236,282)	-	-	(236,282)	-	(236,282)
Unaudited balance at 31 August 2024	**86,240,717**	**961,037**	**48,785,890**	**135,987,644**	**-**	**135,987,644**
Audited balance at 28 February 2025	**86,240,717**	**905,622**	**62,420,027**	**149,566,366**	**-**	**149,566,366**
Profit / (loss) for the period	-	-	560,291	560,291	(1,110,756)	(550,465)
Other comprehensive income	-	135,248	-	135,248	-	135,248
Total comprehensive income / (loss) for the period	**-**	**135,248**	**560,291**	**695,539**	**(1,110,756)**	**(415,217)**
Changes in ownership interest - control not lost	-	-	-	-	4,072,529	4,072,529
Unaudited balance at 31 August 2025	**86,240,717**	**1,040,870**	**62,980,318**	**150,261,905**	**2,961,773**	**153,223,678**

Statements of Cash Flows

	Notes	6 months ended 31 August 2025 Unaudited R	6 months ended 31 August 2024 Unaudited R
Cash flows from operating activities			
Cash receipts from customers		21,805,356	24,291,196
Cash paid to suppliers and employees		(13,709,115)	(13,567,542)
Cash generated from operations		8,096,241	10,723,654
Finance income		366,004	25,511
Finance costs		(9,889,710)	(10,921,605)
Net cash used in operating activities		**(1,427,465)**	**(172,440)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(666,541)	(36,943)
Additions to investment property	2	(3,494,215)	(2,320,114)
Net cash used in investing activities		**(4,160,756)**	**(2,357,057)**
Cash flows from financing activities			
Advances from interest-bearing borrowings		3,000,000	2,415,612
Repayment of interest-bearing borrowings		(5,119,201)	(4,061,803)
Advances from other borrowings - Equibond		30,989,051	-
Net cash generated from / (used in) financing activities		**28,869,850**	**(1,646,191)**
Total cash and cash equivalents movement for the period		**23,281,629**	**(4,175,688)**
Cash and cash equivalents at the beginning of the period		(2,937,487)	(231,191)
Total cash and cash equivalents at the end of the period	3	**20,344,142**	**(4,406,879)**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

	31 August 2025 Unaudited R	28 February 2025 Audited R

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board IAS 34: Interim Financial Reporting, 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 CTSE.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS Accounting Standards as issued by the International Accounting Standards and are consistent with those applied in the preparation of the previous consolidated annual financial statements.

Various revised accounting standards became effective during the period, but their implementation had no significant impact on the results of either the current or the previous periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These condensed consolidated interim financial statements have been approved by the Board on 28 November 2025, and have not been audited nor reviewed by the Group's external auditors. The preparation of these condensed consolidated interim financial statements has been supervised by the Chief Financial Officer, J Dumas CA (SA).

2. Investment property

	31 August 2025	28 February 2025
	Fair value R	Fair value R
Investment property	357,547,717	357,447,025
Investment property under development	4,331,503	1,226,500
Total	**361,879,220**	**358,673,525**

Reconciliation of investment property - For the 6 months ended 31 August 2025

	Opening balance R	Additions R	Fair value adjustments R	Closing balance R
Investment property	357,447,025	389,212	(288,520)	357,547,717
Investment property under development	1,226,500	3,105,003	-	4,331,503
	358,673,525	**3,494,215**	**(288,520)**	**361,879,220**

Pledged as security

Carrying value of assets pledged as security:

Unit 1 and 2 - Block A, Willow Wood	81,282,200	81,282,200
Block B - Willow Wood	18,600,000	18,600,000
Block C - Willow Wood	26,000,000	26,000,000
Block D - Willow Wood	20,600,000	20,600,000
Erf 20774 - Somerset West	50,118,100	50,118,100
Erf 20, Lyme Park Township	41,800,000	41,800,000
Erf 862 and 863, Firgrove	56,947,200	56,947,200
Erf 4132, Hagley	75,152,611	75,152,611
	370,500,111	**370,500,111**

	31 August 2025 Unaudited R	28 February 2025 Audited R

2. Investment property (continued)

Fair value of property

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

Investment property	361,879,220	358,673,525
Operating lease asset	12,556,388	12,539,439
Lease incentive	396,008	513,647
	374,831,616	**371,726,611**

Registers with details of the property are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company.

Details of valuation

External valuations, were performed by an independent valuer, of Mills Fitchet Valuations Proprietary Limited (registration number 2015/063277/07), Mr W Hewitt, who is registered with the South African Institute of Valuers on the full property portfolio of the Group at 28 February 2025.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	24,499,107	580,822
Bank overdraft	(4,154,965)	(3,518,309)
	20,344,142	**(2,937,487)**
Current assets	24,499,107	580,822
Current liabilities	(4,154,965)	(3,518,309)
	20,344,142	**(2,937,487)**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

	31 August 2025 Unaudited R	28 February 2025 Audited R
4. Interest-bearing borrowings		
Held at amortised cost		
Nedbank Limited The loan bears interest at the 3 month JIBAR rate plus 2.60% and interest accrues on a monthly basis. The repayment date of the loan is 14 December 2026. The interest rate at 31 August 2025 was 9.57% (28 February 2025: 10.16%) per annum. All group properties have been pledged as security (refer to note 2). Guarantees provided for the loan are from Velvet Moon Properties 93 Proprietary Limited to the value of R81,200,000, Fargofor Proprietary Limited to the value of R59,400,000, Heartwood Logistics 1 Proprietary Limited to the value of R40,000,000, Heartwood RB Proprietary Limited to the value of R40,000,000 and Utter Velvet Proprietary Limited to the value of R35,700,000 in favour of Nedbank Limited.	193,846,685	190,678,732
Standard Bank of South Africa Limited The loan is secured over the solar system located at Erf 862 and Erf 863, Firgrove. The loan bears interest at the South African prime overdraft rate less 1.40%. The interest rate at 31 August 2025 was 9.1% (28 February 2025: 10.35%). The loan is repayable in monthly instalments over a total period of 60 months. Velvet Moon Properties 93 Proprietary Limited provided a limited guarantee in favour of Standard Bank of South Africa Limited for the loan, to the value of R650,000.	386,497	427,068
Nedbank Limited The loan bore interest at the South African prime overdraft rate and interest was repayable monthly. The interest rate at 28 February 2025 was 11%. The was settled in August 2025.	-	5,042,216
	194,233,182	**196,148,016**
Split between non-current and current portions		
Non-current liabilities	194,131,352	190,669,518
Current liabilities	101,830	5,478,498
	194,233,182	**196,148,016**
5. Other borrowings		
Equibond The loan is unsecured, interest free and is repayable on sale of the Western Cape asset portfolio which is not expected within 12 months.	26,916,772	-
Split between non-current and current portion		
Non-current liabilities	26,916,772	-

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

	6 months ended 31 August 2025 Unaudited R	6 months ended 31 August 2024 Unaudited R
6. Revenue		
Revenue from rental of investment property		
Revenue recognised in terms of IFRS 16 Leases:		
Rental income (straight-line basis)	15,335,284	13,853,057
Lease incentive amortisation (straight-line basis)	(117,638)	(117,638)
Straight-lining lease adjustment (straight-line basis)	16,948	864,436
Revenue recognised in terms of IFRS 15 Revenue from contracts with customers:		
Recoveries: Electricity, water, refuse, rates and taxes (over time)	4,723,857	3,785,512
	19,958,451	**18,385,367**
7. Profit before financing and investing activities		
Profit before financing and investing activities for the period is stated after charging the following, amongst others:		
Auditor's remuneration - external		
Audit fees - South Africa	665,000	683,800
Audit fees - UK	62,659	70
	727,659	**683,870**
Remuneration, other than to employees		
Administrative and managerial services	129,187	22,951
Consulting, accounting and professional services	511,208	1,243,838
Secretarial services	144,060	113,086
	784,455	**1,379,875**
Employee costs		
Salaries, wages, bonuses and other benefits	3,497,663	2,461,935
Long-term incentive scheme	-	170,747
Total employee costs	**3,497,663**	**2,632,682**
Leases		
Short-term leases	93,900	109,623
Movement in credit loss allowances		
Trade and other receivables	(76,014)	(3,266)
Other		
Bad debts	69,074	-
Bank charges and financing costs	44,028	27,789
Diesel costs	51,742	108,538
Levies	1,266,700	1,199,208
Listing costs	176,003	122,822
Municipal expenses	2,788,562	2,174,207
Rates	1,564,721	1,338,863

8. Events after the reporting period

No matter which is material to the financial affairs of the Group occurred between the reporting date and the date of the approval of these condensed consolidated interim financial statements.

9. Going concern

As at 31 August 2025, the Group had a positive net asset value and the liquidity position was deemed sufficient. The Board is 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 12 months ahead. The Board has therefore concluded that it is appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial statements.