



heartwood[®]

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 period of 6 months ended 31 August 2024

Heartwood Properties Limited

(Registration number 2017/654253/06)

Unaudited Consolidated Interim Financial Results for the period ended 31 August 2024

Directors' Report

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 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.
- 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 at 28 February 2024. A copy of this report can be found at www.heartwoodproperties.co.za.

2. HIGHLIGHTS AND OPERATIONAL UPDATE

The Group is pleased to present its results for the 6 months ended 31 August 2024.

Some of the highlights include:

- Net asset value ("**NAV**") per share of 99 cents at 31 August 2024 (28 February 2024 was R1.02 per share and 31 August 2023 99 cents). It should be noted that the portfolio has not been revalued in these financial statements as per our policy.
- Loan-to-value ("**LTV**") of 54% at 31 August 2024, compared to 50% at 31 August 2023 and 54% at 28 February 2024. Included in the August 2024 and February 2024 ratio is a VAT facility. Should this be excluded the LTV would be 52% for August 2024 and February 2024.
- The total property portfolio grew by 22% from August 2023 to August 2024. The value of the property portfolio has stayed the same since February 2024. (The negative fair value adjustment in the income statement is due to adjustments in the values of the operating lease assets as well as the under accrual of costs at year end for the development at Erf4132 Hagley. (This development was completed within time and budget and has added to the exceptional quality of our Western Cape portfolio)
- Rental income increase of 13.25% between the periods ending 31 August 2023 and 31 August 2024.
- Cash available at 31 August 2023 was used to execute the new development at Erf4132 Hagley in the Western Cape. The tenant started trading from the premises in December 2023.

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 of directors has resolved not to declare a dividend for the financial period ended 31 August 2024.

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Condensed Statement of Financial Position

Figures in Rand	Note(s)	Group		
		31 August 2024 Unaudited	29 February 2024 Audited	31 August 2023 Unaudited
Assets				
Non-Current Assets				
Property, plant and equipment		3,625,724	3,667,907	2,519,698
Investment property	2	336,111,047	336,819,499	271,083,675
Lease incentives		631,285	748,924	866,562
Goodwill		19,110	19,110	19,110
Investments in joint ventures		1,740,760	1,863,075	1,265,784
Loans to group companies	3	3,997,320	3,749,761	3,519,966
Investments at fair value		4,684,000	4,847,000	4,765,920
Operating lease asset		7,399,409	9,329,352	10,947,065
Deferred tax		-	155,027	-
		358,208,655	361,199,655	294,987,780
Current Assets				
Loans to group companies	3	-	-	346
Trade and other receivables		2,394,828	8,135,118	3,361,817
Operating lease asset		4,543,434	1,749,057	1,582,690
Current tax receivable		35	35	35
Cash and cash equivalents	4	3,110,546	220,657	14,303,658
		10,048,843	10,104,867	19,248,546
Total Assets		368,257,498	371,304,522	314,236,326
Equity and Liabilities				
Equity				
Share capital	5	86,240,717	86,476,999	86,476,999
Foreign currency translation reserve		961,037	1,122,787	360,626
Change in ownership reserve		-	-	141,047
Retained income		48,785,888	53,306,995	49,622,613
		135,987,642	140,906,781	136,601,285
Liabilities				
Non-Current Liabilities				
Interest-bearing borrowings	6	174,777,814	174,196,957	142,265,243
Long-term employee benefit		270,924	564,346	316,995
Deferred tax		26,480,950	27,600,262	25,885,216
		201,529,688	202,361,565	168,467,454

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Condensed Statement of Financial Position

Figures in Rand	Note(s)	Group		
		31 August 2024 Unaudited	29 February 2024 Audited	31 August 2023 Unaudited
Current Liabilities				
Trade and other payables		7,761,216	10,361,913	4,527,675
Interest-bearing borrowings	6	13,364,850	15,589,908	2,142,985
Long-term employee benefit		1,921,802	1,457,632	1,683,109
Current tax payable		174,875	174,875	798,461
Bank overdraft	4	7,517,425	451,848	15,357
		30,740,168	28,036,176	9,167,587
Total Liabilities		232,269,856	230,397,741	177,635,041
Total Equity and Liabilities		368,257,498	371,304,522	314,236,326

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Condensed Statement of Comprehensive Income

Figures in Rand	Note(s)	Group		
		6 months ended 31 August 2024 Unaudited	12 months ended 29 February 2024 Audited	6 months ended 31 August 2023 Unaudited
Rental received	7	17,638,570	30,626,598	15,433,201
Straight-lining adjustment and incentive amortisation	7	746,797	(1,059,549)	(1,724,480)
Total revenue		18,385,367	29,567,049	13,708,721
Other operating income		162,273	415,390	1,558,833
Fair value adjustments		(2,425,930)	4,743,555	(1,301,234)
Movement in credit loss allowances		3,266	28,415	(1,263,795)
Other operating expenses	8	(11,102,859)	(21,078,382)	(10,740,127)
Operating profit (loss)		5,022,117	13,676,027	1,962,398
Investment income		273,070	1,452,755	1,005,310
Finance costs		(10,658,264)	(16,202,408)	(7,945,581)
Income from equity accounted investments		(122,315)	422,010	(175,281)
(Loss) profit before taxation		(5,485,392)	(651,616)	(5,153,154)
Taxation		964,287	1,263,565	2,211,384
(Loss) profit for the period		(4,521,105)	611,949	(2,941,770)
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations		(161,750)	437,696	(324,465)
Total items that may be reclassified to profit or loss		(161,750)	437,696	(324,465)
Other comprehensive income for the period net of taxation		(161,750)	437,696	(324,465)
Total comprehensive (loss) income for the period		(4,682,855)	1,049,645	(3,266,235)
Profit / (loss) attributable to:				
Owners of the parent		(4,882,855)	1,039,263	(3,266,235)
Non-controlling interest		-	10,382	-
Total comprehensive (loss) income for the period		(4,682,855)	1,049,645	(3,266,235)

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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	Non-controlling interest	Total equity
Figures in Rand							
Group							
Balance at 1 March 2023	86,476,999	685,091	141,047	54,559,825	141,862,962	288,731	142,151,693
Profit for the year	-	-	-	601,567	601,567	10,382	611,949
Other comprehensive income	-	437,696	-	-	437,696	-	437,696
Total comprehensive income for the period	-	437,696	-	601,567	1,039,263	10,382	1,049,645
Transfer of reserves	-	-	(141,047)	141,047	-	-	-
Change in ownership interest - control lost	-	-	-	-	-	(299,113)	(299,113)
Dividends paid	-	-	-	(1,995,444)	(1,995,444)	-	(1,995,444)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	(141,047)	(1,854,397)	(1,995,444)	(299,113)	(2,294,557)
Audited balance at 29 February 2024	86,476,999	1,122,787	-	53,306,995	140,906,781	-	140,906,781
Loss for the year	-	-	-	(4,521,105)	(4,521,105)	-	(4,521,105)
Other comprehensive income	-	(161,750)	-	-	(161,750)	-	(161,750)
Total comprehensive Loss for the period	-	(161,750)	-	(4,521,105)	(4,682,855)	-	(4,682,855)
Share buy back	(236,282)	-	-	-	(236,282)	-	(236,282)
Total contributions by and distributions to owners of company recognised directly in equity	(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

Note(s)

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Statement of Cash Flows

Figures in Rand	Note(s)	Group		
		6 months ended 31 August 2024 Unaudited	12 months ended 29 February 2024 Audited	6 months ended 31 August 2023 Unaudited
Cash receipts from customers		24,291,196	53,840,259	15,085,780
Cash paid to suppliers and employees		(13,567,542)	(40,454,316)	(6,504,023)
Cash generated from operations		10,723,650	13,385,943	8,581,757
Interest income		25,511	1,048,047	785,518
Finance costs		(10,921,605)	(16,202,408)	(7,945,582)
Dividends paid		-	(1,995,444)	(1,995,444)
Net cash from operating activities		(172,440)	(3,763,862)	(573,751)
Acquisition of property, plant and equipment		(36,943)	(739,104)	-
Additions to investment property	2	(2,320,114)	(51,710,215)	(4,961,923)
Proceeds on sale of investment property	2	-	9,308,751	10,617,702
Proceeds on sale of subsidiary		-	1,303,005	1,303,005
Loans to group companies repaid	3	-	120,000	120,000
Net cash from investing activities		(2,357,057)	(41,717,563)	7,078,784
Repayment of interest-bearing borrowings	6	(4,061,803)	(7,893,679)	(4,046,973)
Advances from interest-bearing borrowings	6	2,415,612	47,048,976	5,735,304
Net cash from financing activities		(1,646,191)	39,155,297	1,688,331
Total cash movement for the period		(4,175,688)	(6,326,128)	8,193,364
Cash and cash equivalents at the beginning of the period		(231,191)	6,094,937	6,094,937
Cash and cash equivalents at the end of the period	4	(4,406,879)	(231,191)	14,288,301

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Unaudited Consolidated Interim Financial Results for the period ended 31 August 2024

Selected Explanatory Notes to the Interim Financial Results

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.

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Selected Explanatory Notes to the Interim Financial Results

2. Investment property

Group	31 August 2024			29 February 2024		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	339,741,192	(3,630,145)	336,111,047	340,279,073	(3,459,574)	336,819,499

Reconciliation of investment property - Group - August 2024

	Opening balance	Additions	Adjustments	Depreciation	Fair value adjustments	Total
Investment property	335,997,670	1,921,241	(15,558)	(227,225)	(2,425,930)	335,250,198
Investment property under development	821,829	39,020	-	-	-	860,849
	336,819,499	1,960,261	(15,558)	(227,225)	(2,425,930)	336,111,047

Reconciliation of investment property - Group - February 2024

	Opening balance	Additions	Interest capitalised	Transfers	Fair value adjustments	Total
Investment property	266,777,453	39,834	-	64,436,828	4,743,555	335,997,670
Investment property under development	2,596,509	61,024,131	1,638,017	(64,436,828)	-	821,829
	269,373,962	61,063,965	1,638,017	-	4,743,555	336,819,499

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Figures in Rand	Group		
	31 August 2024 Unaudited	29 February 2024 Audited	31 August 2023 Unaudited
Pledged as security			
Carrying value of assets pledged as security:			
Unit 1 and 2 - Block A, Willow Wood	73,600,000	73,600,000	75,724,000
Block B, Willow Wood	16,800,000	16,800,000	17,307,000
Block C, Willow Wood	23,600,000	23,600,000	24,254,000
Block D, Willow Wood	18,700,000	18,700,000	19,203,700
Erf 20774, Somerset West	49,425,000	49,425,000	49,200,000
Erf 20, Lyme Park Township	38,000,000	38,000,000	38,121,000
Erf 862 & Erf 863, Firgrove Industrial Estate	56,100,000	56,100,000	54,600,000
Erf 4132, Hagley	71,600,000	71,600,000	-
	347,825,000	347,825,000	278,409,700

Fair value of investment property

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

Investment property	336,111,047	336,819,499	271,083,677
Operating lease asset	11,942,842	11,078,409	12,529,755
Lease modification	631,285	748,924	866,562
	348,685,174	348,646,832	284,479,994

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 2024.

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Selected Explanatory Notes to the Interim Financial Results

Figures in Rand	Group		
	31 August 2024 Unaudited	29 February 2024 Audited	31 August 2023 Unaudited
3. Loans to group companies			
Joint ventures			
Firgrove Developments (Pty) Ltd - Normal			
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 2024: 12.75%).			
	3,997,320	3,749,761	3,519,966
Firgrove Developments (Pty) Ltd			
The loan is unsecured, has no fixed terms of repayment and bears interest at Prime+2%. The interest rate at settlement date was 13.75%			
	-	-	346
	3,997,320	3,749,761	3,520,312
Split between non-current and current portions			
Non-current assets	3,997,320	3,749,761	3,519,966
Current assets	-	-	346
	3,997,320	3,749,761	3,520,312
4. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Bank balances	3,110,546	220,657	14,303,658
Bank overdraft	(7,517,425)	(451,848)	(15,357)
	(4,406,879)	(231,191)	14,288,301
Current assets	3,110,546	220,657	14,303,658
Current liabilities	(7,517,425)	(451,848)	(15,357)
	(4,406,879)	(231,191)	14,288,301
5. Share capital			
Authorised			
400 000 000 Ordinary no par value shares			
Reconciliation of number of shares issued:			
Reported as at 1 March 2024	137,616,861	137,616,861	137,616,861
Shares buy back	(231,649)	-	-
	137,385,212	137,616,861	137,616,861
Issued			
137,385,212 (Feb 2024: 137,616,861) ordinary no par value shares	86,240,717	86,476,999	86,476,999

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Selected Explanatory Notes to the Interim Financial Results

	Group		
	6 months ended 31 August 2024 Unaudited	12 months ended 29 February 2024 Audited	6 months ended 31 August 2023 Unaudited
Figures in Rand			
6. Interest-bearing borrowings			
Held at amortised cost			
Nedbank Limited			
The loan bears interest at JIBAR plus 2.75%. The interest rate for the period ended 31 August 2024 was 11,043% (Feb 2024:11,06%). The loan is repayable in monthly instalments over a total period of 60 months, with a bullet capital payment at the end.			
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.	33,597,504	33,728,360	34,350,972
Nedbank Limited			
The loan bears interest at the South African prime overdraft rate less 0,25% and is repayable in monthly instalments over a period of 3 years with a bullet payment in March 2026. The interest rate for the period ended 31 August 2024 was 11,50% (Feb 2024: 11,50%).			
The property held at Tonquani House, Somerset West has been pledged as security.			
Guarantees provided for the loan includes an irrevocable guarantee of R2,450,000 from Heartwood Properties Limited in favour of Nedbank Limited.	2,064,024	2,290,575	2,221,596
Nedbank Limited			
The loan bears interest at the South African prime overdraft rate. The interest rate for the period ended 31 August 2024 was 11,75% (Feb 2024: 11,75%).			
	3,869,686	3,644,713	-
Standard Bank of South Africa Limited			
The loan bears interest at prime overdraft rate less 0,75% and is repayable in monthly instalments with a bullet payment on 28 February 2026. The interest rate for the period ended 31 August 2024 was 11% (Feb 2024: 11%) 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 2).			
Guarantees provided for the loan are from Velvet Moon Properties 93 Proprietary Limited to the value of R55,000,000, Fargofer Proprietary Limited to the value of R42,000,000 and Utter Velvet Proprietary Limited to the value of R36,580,000 in favour of Standard Bank of South Africa Limited.	76,831,724	77,463,702	77,513,452

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Selected Explanatory Notes to the Interim Financial Results

	Group		
	6 months ended 31 August 2024 Unaudited	12 months ended 29 February 2024	6 months ended 31 August 2023 Unaudited
Figures in Rand			
6. Interest-bearing borrowings (continued)			
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 for the period ended 31 August 2024 was 10,35% (Feb 2024: 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.	477,955	581,664	-
Nedbank Limited			
The loan bears interest at JIBAR plus 3,076%. The interest rate for the period ended 31 August 2024 was 11,37% (Feb 2024: 11,39%). 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 R9,000,000 from Heartwood Properties Limited in favour of Nedbank Limited.	29,651,698	29,857,208	30,322,208
Nedbank Limited			
The loan bears interest at the South African prime overdraft rate. The interest rate for the period ended 31 August 2024 was 11,75% (Feb 2024: 11,75%). Upon completion date of the building period the loan will bear interest at the South African prime overdraft rate less 0,50%. The loan will be repayable in monthly instalments over a period of 60 months, with a bullet capital payment at the end.			
The developed portion of Erf 4132, Hagley has been pledged as security (refer to note 2). Guarantees provided for the loan includes an irrevocable guarantee of R19,052,000 from Heartwood Properties Limited and Velvet Moon Properties 93 Proprietary Limited in favour of Nedbank Limited.	36,526,533	34,169,670	-
Nedbank Limited			
The loan bears interest at the South African prime overdraft rate and interest is repayable monthly. The interest rate for the period ended 31 August 2024 was 11,75% (Feb 2024:11,75%).			
The loan is repayable on 7 March 2025.			
The vacant land of Erf 4132, Hagley has been pledged as security (refer to note 2). Guarantees provided for the loan includes an irrevocable guarantee of R2,400,000 from Heartwood Properties Limited and Velvet Moon Properties 93 Proprietary Limited in favour of Nedbank Limited.	5,123,540	8,050,973	-
	188,142,664	189,786,865	144,408,228

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Selected Explanatory Notes to the Interim Financial Results

	Group		
	6 months ended 31 August 2024 Unaudited	12 months ended 29 February 2024 Audited	6 months ended 31 August 2023 Unaudited

Figures in Rand

6. Interest-bearing borrowings (continued)

Split between non-current and current portions

Non-current liabilities	174,777,814	174,196,957	142,265,243
Current liabilities	13,364,850	15,589,908	2,142,985
	188,142,664	189,786,865	144,408,228

7. Revenue

Revenue from rental of investment property

Revenue recognised in terms of IFRS 16 Leases:

Rental income (straight-line basis)	13,853,057	23,924,568	12,232,080
Lease incentive amortisation (Straight-line basis)	(117,638)	(235,277)	(117,638)
Straight-lining lease adjustment (straight-line basis)	864,436	(1,059,549)	(1,606,842)

Revenue recognised in terms of IFRS 15 Revenue from contracts with customers:

Recoveries: Electricity, water, refuse, rates and taxes (over time)	3,785,512	6,937,307	3,201,121
	18,385,367	29,567,049	13,708,721

8. Operating profit (loss)

Operating profit (loss) for the period is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external

Audit fees	683,800	774,415	671,250
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Remuneration, other than to employees

Administrative and managerial services	22,951	433,159	23,157
Consulting and professional services	1,243,838	2,160,091	1,496,356
Secretarial services	113,086	201,291	106,623

1,379,875 **2,794,541** **1,626,136**

Employee costs

Salaries, wages, bonuses and other benefits	2,461,935	4,789,780	2,251,370
Long term incentive scheme	170,747	214,712	192,837

Total employee costs

2,632,682 **5,004,492** **2,444,207**

Movement in credit loss allowances

Trade and other receivables	(3,266)	(28,415)	97,916
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Unaudited Consolidated Interim Financial Results for the period ended 31 August 2024

Selected Explanatory Notes to the Interim Financial Results

	Group		
	6 months ended 31 August 2024 Unaudited	12 months ended 29 February 2024 Audited	6 months ended 31 August 2023 Unaudited
Figures in Rand			

8. Operating profit (loss) (continued)

Other

Levies	1,199,208	2,249,722	1,085,311
Listing costs	122,822	156,562	102,425
Municipal expenses	2,174,207	3,428,052	1,740,303
Rates	1,338,863	2,249,795	1,073,015
Travel	23,530	34,847	3,209

9. Events after the reporting period

There were no significant events that occurred after the reporting date that require adjustment to or disclosure in the consolidated interim financial statements for the six months ended 31 August 2024.