



heartwood[®]

PROPERTIES

HEARTWOOD PROPERTIES LIMITED

Incorporated in the Republic of South Africa

(Registration nr 2017/654253/06)

4AX Share Code: 4AHWP

ISIN: ZAE400000044

("Heartwood Properties" or "the Company")

Unaudited consolidated interim financial results for the 6 months ended 31 August 2019

COMMENTS

Heartwood Properties Limited (“Heartwood Properties” or “the Company”) and its subsidiaries (the “Group”) for the 6 months ended 31 August 2019

NATURE OF BUSINESS

The Group’s main business is to invest in and to develop commercial and industrial properties. Management have defined the objectives of the Company to grow an excellent portfolio of buildings for tenants, to develop great quality, green, modern usable buildings in partnership with tenants. Asset management and the majority of property management is performed internally by the group.

FINANCIAL HIGHLIGHTS

The Group is pleased to present its results for the 6 months ended 31 August 2019.

Some of the highlights include

- Completion of office building (Block D) in Willow Wood Office Park, Fourways. The development was successfully completed during the period and currently has no vacancies.
- The Group has one development in progress at Coachman’s Crossing Office Park, Lyme Park, Bryanston which is expected to be completed within the next 6 months.

FUTURE STRATEGY

- The Group will continue to expand its operations throughout the country seeking new development and investment opportunities.
- The Group has secured its first offshore investment opportunity in the United Kingdom for £200 000 which will be implemented in the second half of the financial year.

Condensed consolidated statement of financial position

Heartwood Properties Limited and its subsidiaries for the 6 months ended 31 August 2019		6 months ended 31 August 2019 Unaudited	12 months ended 28 February 2019 Audited	6 months ended 31 August 2018 Unaudited
Figures in Rand	Notes			
Assets				
Non-Current Assets				
Property, plant and equipment		3,986,252	2,349,557	2,345,817
Investment property	2	175,778,102	157,146,904	127,156,314
Goodwill		19,110	19,110	-
Operating lease asset		7,740,084	6,424,395	4,737,169
		187,523,548	165,939,966	134,239,300
Current Assets				
Loans receivable		-	88,943	105,174
Trade and other receivables		2,217,146	1,128,151	2,021,679
Current tax receivable		35	35	123,535
Cash and cash equivalents	3	1,605,058	4,438,489	5,166,740
		3,822,239	5,655,618	7,417,128
Total Assets		191,345,787	171,595,584	141,656,428
Equity and Liabilities				
Equity				
Equity Attributable to Equity Holders of Parent				
Share capital	4	70,437,185	69,937,185	61,967,185
Retained income		17,492,493	15,512,821	6,955,029
		87,929,678	85,450,006	68,922,214
Non-controlling interest		1,856,610	1,360,383	797,135
		89,786,288	86,810,389	69,719,349
Liabilities				
Non-Current Liabilities				
Interest-bearing borrowings	5	85,024,242	69,285,903	55,738,371
Deferred tax		9,176,774	9,958,724	10,088,629
		94,201,016	79,244,627	65,827,000
Current Liabilities				
Trade and other payables		4,777,700	3,350,151	3,186,274
Interest-bearing borrowings	5	2,569,795	2,182,812	2,914,238
Bank overdraft	3	10,988	7,605	9,567
		7,358,483	5,540,568	6,110,079
Total Liabilities		101,559,499	84,785,195	71,937,079
Total Equity and Liabilities		191,345,787	171,595,584	141,656,428

Condensed consolidated statement of comprehensive income

Figures in Rand	6 months ended 31 August 2019 Unaudited	12 months ended 28 February 2019 Audited	6 months ended 31 August 2018 Unaudited
Revenue	8,672,925	14,108,775	6,749,008
Other operating income	1,609,027	2,694,964	1,189,891
Fair value gains	-	7,049,747	-
Other operating expenses	(5,608,045)	(9,269,946)	(4,464,196)
Operating profit (loss)	4,673,907	14,583,540	3,474,703
Finance income	91,426	266,713	151,461
Finance costs	(3,057,090)	(5,289,717)	(2,569,257)
Profit before tax	1,708,243	9,560,536	1,056,907
Income tax expense	767,657	(267,143)	(397,046)
Profit and total comprehensive income for the year	2,475,900	9,293,393	659,861
Profit and total comprehensive income attributable to:			
Owners of the parent	1,979,673	8,817,155	600,434
Non-controlling interest	496,227	476,238	59,427
	2,475,900	9,293,393	659,861



Condensed consolidated statement of changes in equity

Figures in Rand	Share capital	Retained income	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Audited Balance at 01 March 2018	59,000,003	6,695,666	65,695,669	884,145	66,579,814
Profit for the 6 months	-	8,817,155	8,817,155	476,238	9,293,393
Issue of shares	10,937,182	-	10,937,182	-	10,937,182
Audited Balance at 01 March 2019	69,937,185	15,512,820	85,450,005	1,360,383	86,810,388
Profit for the 6 months	-	1,979,673	1,979,673	496,227	2,475,900
Issue of shares	500,000	-	500,000	-	500,000
Unaudited Balance at 31 August 2019	70,437,185	17,492,493	87,929,678	1,856,610	89,786,288



Condensed consolidated statement of cash flows

Figures in Rand	6 months	12 months	6 months
	ended	ended	ended
	31 August	28 February	31 August
	2019	2019	2018
	Unaudited	Audited	Unaudited
Cash (used in)/generated from operations	4,246,586	7,597,783	3,569,993
Finance income	91,426	266,713	151,461
Finance costs	(3,057,090)	(4,826,717)	(2,569,257)
Tax (paid) received	(14,295)	607,680	484,180
Net cash from operating activities	1,266,627	3,645,459	1,636,377
Acquisition of property, plant and equipment	(2,097,565)	(489,519)	(139,995)
Additions to investment property	(18,631,198)	(22,530,080)	(5,903,497)
Movement in investments in subsidiaries	-	1,047	-
Loans advanced to group companies	-	(1,562,648)	-
Receipts from loans receivable	-	16,231	-
Net cash used in investing activities	(20,728,763)	(24,564,969)	(6,043,492)
Proceeds on share issue	500,000	5,937,182	2,967,182
Proceeds from borrowings	19,020,332	24,588,155	1,078,058
Repayment of borrowings	(2,895,010)	(10,693,991)	-
Net cash from financing activities	16,625,322	19,831,346	4,045,240
Total cash movement for the 6 months	(2,836,814)	(1,088,164)	(361,875)
Cash at the beginning of the 6 months	4,430,884	5,519,048	5,519,048
Total cash at end of the 6 months	1,594,070	4,430,884	5,157,173



Selected explanatory notes to the results

Heartwood Properties Limited and its subsidiaries for the 6 months ended 31 August 2019	6 months ended 31 August 2019 Unaudited	12 months ended 28 February 2019 Audited	6 months ended 31 August 2018 Unaudited
Figures in Rand			

1. Basis of preparation

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.

2. Investment Properties**Reconciliation of investment property – Aug 2019**

	Opening Balance	Additions	Additions through business combinations	Fair value adjustments	Total
Investment property	157,146,904	18,631,198	-	-	175,778,102

Reconciliation of investment property – Feb 2019

	Opening Balance	Additions	Additions through business combinations	Fair value adjustments	Total
Investment property	121,252,817	22,530,080	6,314,260	7,049,747	157,146,904

Reconciliation of investment property – Aug 2018

	Opening Balance	Additions	Additions through business combinations	Fair value adjustments	Total
Investment property	121,252,817	5,903,497	-	-	127,156,314

Pledged as security

Carrying value of assets pledged as security:

Unit 1 & 2 - Block A, Willow Wood	59,930,000	59,900,000	58,300,000
Block B, Willow Wood	22,300,000	22,300,000	18,590,000
Block C, Willow Wood	19,400,000	19,400,000	18,600,000
Block D, Willow Wood	23,128,692	17,032,644	-
Erf 643, Lanseria Ext 46, Johannesburg, Gauteng	15,110,533	15,000,000	9,302,851
Erf 661, Lanseria Ext 46, Johannesburg, Gauteng	17,200,000	17,200,000	17,900,000
Erf 20, Lyme Park Township	18,708,877	-	-



Selected explanatory notes to the results

Heartwood Properties Limited and its subsidiaries for the 6 months ended 31 August 2019	6 months ended 31 August 2019 Unaudited	12 months ended 28 February 2019 Audited	6 months ended 31 August 2018 Unaudited
Figures in Rand			
2. Investment Properties (continued)			
Details of properties			
Unit 1 & 2, also known as Block A, in the sectional title scheme known as Willow Wood, situated at Erf 84, Chartwell, Extension 10, Registration Division J.Q., Gauteng			
- Purchase price: February 2014	36,176,022	36,176,022	36,176,022
- Additions - Aug 2019	30,000	-	-
- Fair value adjustment - Feb 2017	20,723,978	20,723,978	20,723,978
- Fair value adjustment - Feb 2018	1,400,000	1,400,000	1,400,000
- Fair value adjustment - Feb 2019	1,600,000	1,600,000	-
	59,930,000	59,900,000	58,300,000
Block B in the development known as Willow Wood Office Park, situated at Erf 84, Chartwell, Extension 10, Registration Division J.Q., Gauteng			
- Purchase price: February 2014	2,464,145	2,464,145	2,464,145
- Additions - Feb 2016	10,531	10,531	10,531
- Additions - Feb 2017	251,295	251,295	251,295
- Additions - Feb 2018	12,873,728	12,873,728	12,923,728
- Fair value adjustment - Feb 2018	2,940,301	2,940,301	2,940,301
- Fair value adjustment - Feb 2019	3,760,000	3,760,000	-
	22,300,000	22,300,000	18,590,000
Units 1,2,3 and 4 in Block C, in the sectional title scheme known as Willow Wood, situated at Erf 84, Chartwell, Extension 10, Registration Division J.Q., Gauteng			
- Purchase price: February 2014	10,537,278	10,537,278	10,537,278
- Fair value adjustment - Feb 2017	7,762,722	7,762,722	7,762,722
- Fair value adjustment - Feb 2018	300,000	300,000	300,000
- Fair value adjustment - Feb 2019	800,000	800,000	-
	19,400,000	19,400,000	18,600,000
Property under development - Block D in the development known as Willow Wood Office Park, situated at Erf 84, Chartwell, Extension 10, Registration Division J.Q., Gauteng.			
- Purchase price: February 2014	3,473,310	3,473,310	3,473,310
- Additions - Feb 2016	6,480	6,480	6,480
- Additions - Feb 2018	265,488	265,488	265,488
- Additions - Feb 2019	13,287,366	13,287,366	-
- Additions - Aug 2019	6,096,048	-	-
- Fair value adjustment - Feb 2018	486,690	486,690	486,690
- Fair value adjustment - Feb 2019	(486,690)	(486,690)	-
	23,128,692	17,032,644	4,231,968



Selected explanatory notes to the results

Heartwood Properties Limited and its subsidiaries for the 6 months ended 31 August 2019	6 months ended 31 August 2019 Unaudited	12 months ended 28 February 2019 Audited	6 months ended 31 August 2018 Unaudited
Figures in Rand			
Erf 643, Lanseria Ext 46, Johannesburg, Gauteng			
- Purchase price: January 2018	3,201,160	3,201,160	3,201,160
- Additions - Feb 2018	419,689	419,689	419,689
- Additions - Feb 2019	9,302,714	9,302,714	-
- Additions - Aug 2019	110,533	-	-
- Fair value adjustment - Feb 2019	2,076,437	2,076,437	-
	15,110,533	15,000,000	3,620,849
Erf 661, Lanseria Ext 46, Johannesburg, Gauteng			
- Purchase price: 1 December 2005	3,036,000	3,036,000	3,036,000
- Additions - Feb 2016	11,647,001	11,647,001	11,647,001
- Fair value adjustment - Feb 2017	2,016,999	2,016,999	2,016,999
- Fair value adjustment - Feb 2018	1,200,000	1,200,000	1,200,000
- Fair value adjustment - Feb 2019	(700,000)	(700,000)	-
	17,200,000	17,200,000	17,900,000
Erf 20, Lyme Park Township			
- Purchase price: 1 December 2018	5,000,000	5,000,000	-
- Additions - Feb 2019	1,314,260	1,314,260	-
- Additions - Aug 2019	12,394,617	-	-
	18,708,877	6,314,260	-

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1,605,058	4,438,489	5,166,740
Bank overdraft	(10,988)	(7,605)	(9,567)
	1,594,070	4,430,884	5,157,173
Current assets	1,605,058	4,438,489	5,166,740
Current liabilities	(10,988)	(7,605)	(9,567)
	1,594,070	4,430,884	5,157,173

The group has a registered facility of R45 383 743 with Standard bank, refer to note 5. As at the reporting period the balance of the facility was R39 261 011 (Feb 19: R40 394 254). The available undrawn facilities as at the reporting period was R6,000,000 (Feb 19: R5,000,000).

4. Share capital

Authorised			
400 000 000 Ordinary no par value shares	400,000,000	400,000,000	400,000,000
Reconciliation of number of shares issued:			
Reported as at 01 March 2019	116,843,207	100,000,005	100,000,005
Issue of shares – ordinary shares	755,543	16,843,202	-
	117,598,750	116,843,207	100,000,005
Issued			
117 598 750 Ordinary no par value shares	70,437,185	69,937,185	61,967,185

During the reporting period 755 543 shares were issued for R500 000 (R0.66 per share).



Selected explanatory notes to the results

Heartwood Properties Limited and its subsidiaries for the 6 months ended 31 August 2019	6 months ended 31 August 2019 Unaudited	12 months ended 28 February 2019 Audited	6 months ended 31 August 2018 Unaudited
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Figures in Rand

5. Interest-bearing borrowings

Held at amortised cost

Secured

Standard Bank Limited - VAT Facility

137,976 789,837 -

The facility consists of the VAT portion of capital drawdowns submitted for the development of the property described as Block D Willow Wood (refer note 2), which has also been provided as security for the loan. The facility bears interest at prime overdraft rate, is repayable on a 3 month-rolling period and is limited to R2 100 000.

Standard Bank Limited

- - 33,009,497

The loan bears interest at prime overdraft rate less 0.75% and is secured over the property described as Block B, Willow Wood in note 2. The loan is repayable in monthly instalments of R31 322 and expires July 2023. In the prior year the loan was consolidated to the facility held by Heartwood Properties Limited.

Standard Bank Limited - Development Facility

6,963,049 - -

The facility bears interest at prime overdraft rate less 0.25% and is secured over the development described as Erf 20, Lyme Park Township (refer note 2). The facility is limited to R36 580 000. Upon completion of the development the interest rate will reduce to prime overdraft rate less 0.75% per annum. No capital payments are required during the first 12 months after which the loan will be consolidated to the facility held by Heartwood Properties Limited.

Standard Bank Limited - VAT Facility

772,826 - -

The facility consists of the VAT portion of capital drawdowns submitted for the development of the property described as Erf 20, Lyme Park Township (refer note 2), which has also been provided as security for the loan. The facility bears interest at prime overdraft rate, is repayable on a 4 month-rolling period and is limited to R3 460 000.

Standard Bank Limited

- - 12,472,972

The loan bears interest at prime overdraft rate less 0.75% and is secured over the property described as Block C, Willow Wood (refer note 2). The loan is repayable in monthly instalments of R15 094 (capital), and expires November 2021. In the prior year the loan was consolidated to the facility held by Heartwood Properties Limited.

Nedbank Limited - VAT Facility

- 9,580 273,313

The facility consists of the VAT portion of capital drawdowns submitted for the development of the property described as Erf 643 Lanseria in note 2, which has also been provided as security for the loan. The facility bears interest at prime overdraft rate, and repayable in full on a monthly basis. The facility was fully settled in the current period.



Selected explanatory notes to the results

Heartwood Properties Limited and its subsidiaries for the 6 months ended 31 August 2019	6 months ended 31 August 2019 Unaudited	12 months ended 28 February 2019 Audited	6 months ended 31 August 2018 Unaudited
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<u>Nedbank Limited - Development loan</u>	-	9,435,133	4,746,358
The loan is secured over the property/development described as Erf 643, Lanseria in note 2. Limited sureties have been provided by Velvet Moon Properties 93 Proprietary Limited to the value of R5 000 000 and Chirpy Properties Proprietary Limited to the value of R1 000 000. During the development of the property the loan carried interest at prime overdraft rate, and on completion prime overdraft rate less 0.25% per annum. During the current period the development was completed and the loan was converted to a new facility.			
<u>Nedbank Limited</u>	10,140,804	-	-
The loan bears interest at prime overdraft rate less 0.25% and is secured over the property described as Erf 643 Lanseria in note 2. The loan is repayable in monthly instalments of R36 864 and expires May 2029. 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.			
<u>Standard Bank Limited - Development facility</u>	22,974,205	13,079,759	-
The loan bears interest at prime overdraft rate less 0.25% and is secured over the property described as Block D, Willow Wood (refer note 2). Upon completion of the development the interest rate will reduce to prime overdraft rate less 0.75% per annum. No capital payments are required during the first 12 months after which the loan will be consolidated to the facility held by Heartwood Properties Limited.			
<u>Standard Bank Limited</u>	39,261,011	40,394,254	-
The loan bears interest at prime overdraft rate less 0.75% per annum and Block A, B and C of Willow Wood Office Park referred to in note 2 have been pledged as security. The repayment terms of the facility were amended during the reporting period from one final instalment in 5 years' time, to monthly instalments as set out in the facility agreement, currently R41 667 from October 2019 with the final instalment due 31 October 2023. The total facility registered is R45 383 743. Refer to note 3 for available funds in the facility as at the reporting period.			
<u>Nedbank Limited</u>	7,344,166	7,760,152	8,150,469
The loan bears interest at prime overdraft rate less 0.25% and is repayable in monthly instalments of R131 060. The loan terms expire in November 2025. The property Erf 661 as referred to in note 2 has been pledged as security. The loan is also secured by a cession of rental income and the lease agreement, limited surety from Abundant Media Proprietary Limited, Montagu Commercial Development Proprietary Limited, R Henderson and MR Evans.			
	87,594,037	71,468,715	58,652,609
Split between non-current and current portions			
Non-current liabilities	85,024,242	69,285,903	55,738,371
Current liabilities	2,569,795	2,182,812	2,914,238
	87,594,037	71,468,715	58,652,609



Selected explanatory notes to the results

Heartwood Properties Limited and its subsidiaries for the 6 months ended 31 August 2019	6 months ended 31 August 2019 Unaudited	12 months ended 28 February 2019 Audited	6 months ended 31 August 2018 Unaudited
Figures in Rand			

6. Events occurring after the reporting period

The board of directors of Heartwood Properties (“the Board”) are not aware of any events after the reporting period which has a material impact on the financial report up to 31 August 2019.

By order of the Board
Heartwood Properties Limited
31 October 2019

Administration

Directors

LJ Whall (CEO), J Dumas (CFO), JH Scher (Chairman)*, MR Evans*, AG Utterson*, B Seeff*
There were no changes to the Board during this period.

*Non-executive

Heartwood Properties Limited

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

Registered office

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7130

Contact details

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Company secretary

Kilgetty Statutory Services Proprietary Limited

External issuer agent

Pallidus Capital Proprietary Limited

Auditors

PKF Octagon

Bankers

Standard Bank of South Africa Limited
Nedbank Limited